Annual Report

2010

(Translation of the Estonian original)

Beginning of financial year:	01.01.2010
End of financial year:	31.12.2010
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Main activity:	Furniture production
Auditor:	AS PricewaterhouseCoopers

VIISNURK

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Introduction

The Group in brief

AS Viisnurk is engaged in the retail trade of furniture and household furnishings as well as manufacture of furniture and building materials. The business units of AS Viisnurk include the furniture division and building materials division.

The furniture division contains a furniture store chain under the name of Skano operating in Ukraine and the Baltic States, and a factory manufacturing unique household furniture.

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

The Company's key markets are Scandinavia, Russia, Ukraine and the Baltic States. The customers and cooperation partners of AS Viisnurk are accomplished representatives in their field who have long-term relations with the Company.

From 5 June 1997, AS Viisnurk is listed on the Tallinn Stock Exchange. On 19 September 2007, the division of AS Viisnurk took place and the shares of the manufacturing entity that was spun off were relisted in the Main List of the Tallinn Stock Exchange pursuant to the resolution of the Listing Committee of the Tallinn Stock Exchange on 20 September 2007. Trading the shares of AS Viisnurk was launched on 25 September 2007. The majority owner of AS Viisnurk is OÜ Trigon Wood. As at 31.12.2010, the largest owners of OÜ Trigon Wood and the entities with significant influence over the Group are: AS Trigon Capital, Veikko Laine Oy, BCB Baltic AB, Hermitage Eesti OÜ, Thominvest Oy and Assetman Oy.

Management report

Overview of operating results

Revenue and operating results

In 2010, the revenue of AS Viisnurk totalled 217.9 million kroons (13.9 million euros) and in 2009, 205.8 million kroons (13.2 million euros). In 2010, the net profit of AS Viisnurk amounted to 12.1 million kroons (0.8 million euros). As a comparison, the net profit in 2009 totalled 0.2 million kroons (0.01 million euros). In 2010, the earnings per share of Viisnurk were 2.68 kroons (0.17 euros) and in 2009, 0.03 kroons (0.002 euros).

The distribution of revenue and operating results of the Group by activities:

EEK '000	REVENUE					OPERATING RESULTS				
	2010	**2009**	**2008**	**2007**	**2006**	**2010**	**2009**	**2008**	**2007**	**2006**
Furniture factory	103,868	107,142	144,660	128,211	127,258	8,492	6,870	7,743	3,589	2,866
Skano	28,744	32,895	40,064	22,514	11,348	(1,386)	(5,334)	(5,161)	(1,090)	951
Building materials division	98,796	80,576	116,166	112,896	94,581	6,961	1,224	8,671	13,892	11,674
Eliminations	(13,460)	(14,823)	(20,362)	(14,099)	(6,319)	(188)	17	(83)	(442)	-
TOTAL	**217,948**	**205,790**	**280,527**	**249,522**	**226,868**	**13,879**	**2,777**	**11,170**	**15,949**	**15,491**
Finance income and expense						(1,706)	(2,553)	(3,454)	(2,817)	(2,536)
PROFIT BEFORE TAX						**12,173**	**224**	**7,716**	**13,132**	**12,955**
Corporate income tax						(104)	(69)	(1,674)	(475)	(438)
NET PROFIT						**12,069**	**155**	**6,042**	**12,657**	**12,517**

€ '000	REVENUE					OPERATING RESULTS				
	2010	**2009**	**2008**	**2007**	**2006**	**2010**	**2009**	**2008**	**2007**	**2006**
Furniture factory	6,638	6,848	9,245	8,194	8,133	542	439	495	229	183
Skano	1,837	2,102	2,561	1,439	725	(88)	(341)	(417,330)	(70)	61
Building materials division	6,314	5,150	7,424	7,215	6,045	445	78	554	888	746
Eliminations	(860)	(948)	(1,301)	(901)	(403)	(12)	1	(5)	(28)	-
TOTAL	**13,929**	**13,152**	**17,929**	**15,947**	**14,500**	**887**	**177**	**714**	**1,019**	**990**
Finance income and expense						(109)	(163)	(221)	(180)	(162)
PROFIT BEFORE TAX						**778**	**14**	**493**	**839**	**828**
Corporate income tax						(7)	(4)	(107)	(30)	(28)
NET PROFIT						**771**	**10**	**386**	**809**	**800**

Group's revenue by geographical markets:

	EEK '000		€ '000		% of sales	
	2010	2009	2010	2009	2010	2009
Finland	86,736	88,653	5,543	5,666	39.8%	43.1%
Russia	48,178	39,219	3,080	2,506	22.1%	19.1%
Estonia	40,215	37,800	2,572	2,417	18.5%	18.4%
Ukraine	9,801	10,751	627	686	4.5%	5.2%
Sweden	7,142	4,047	456	259	3.3%	2.0%
Lithuania	6,258	8,308	400	531	2.9%	4.0%
Latvia	6,148	6,930	393	443	2.8%	3.4%
Kazakhstan	3,907	3,476	250	222	1.8%	1.7%
Denmark	1,830	898	116	57	0.8%	0.4%
Germany	1,544	2,300	99	147	0.7%	1.1%
China	1,023	-	65	-	0.5%	-
United Kingdom	1,006	-	63	-	0.5%	-
Other countries	4,160	3,408	265	218	1.8%	1.6%
TOTAL	**217,948**	**205,790**	**13,929**	**13,152**	**100.0%**	**100.0%**

The share of Russia and Sweden has increased the most and that of Finland, Ukraine, Lithuania and Latvia has decreased the most in the Group's total sales. Ukraine, Lithuania and Latvia have been impacted primarily by the changes in the sales of the retail chain Skano. The building materials division's sales to Finland have increased and the furniture factory sales decreased.

Statement of financial position and cash flow statement

As at 31.12.2010, the total assets of AS Viisnurk amounted to 142.6 million kroons (9.1 million euros). As at 31.12.2009, the total assets amounted to 132.8 million kroons (8.5 million euros). The balance sheet total increased by 9.8 million kroons (0.6 million euros) in 2010. As at 31.12.2010, the Company's liabilities were 59.2 million kroons (3.8 million euros) (31.12.2009: 61.3 million kroons (3.9 million euros)) and the Company's debt-to-equity ratio decreased from 46% to 42%.

In 2010, the Company's cash flows from operating activities totalled 23.8 million kroons (1.5 million euros) (2009: 14.2 million kroons (0.9 million euros)). Negative cash flow related to acquisition of non-current assets was 12.1 million kroons (0.8 million euros) (2009: 1.4 million kroons (0.1 million euros)).

Performance of business units

Furniture division

The furniture division is focused on manufacturing and distribution of wooden household furniture. The furniture division manufactures furniture for living rooms, offices, dining rooms as well as bedrooms. The retail brand of the division is Skano and there are twelve furniture showrooms bearing this name: two in Estonia, one in Latvia, two in Lithuania and seven in Ukraine.

Retail business - Skano

During the year, greater emphasis was laid on the development of furniture retail sales. The wholly–owned subsidiary of AS Viisnurk, OÜ Skano has been set up to focus on the retail business. The wholly-owned subsidiaries of OÜ Skano, SIA Skano, UAB Skano LT and TOV Skano Ukraine operate in Latvia, Lithuania and Ukraine, respectively.

Retail sales by country:

	EEK '000		€ '000		% of sales		Number of stores	
	2010	2009	2010	2009	2010	2009	31.12.10	31.12.09
Estonia	10,284	9,608	657	614	35.8%	29.3%	2	2
Latvia	3,191	4,807	204	307	11.1%	14.6%	1	1
Lithuania	5,969	7,974	382	510	20.8%	24.2%	2	3
Ukraine	9,300	10,506	594	671	32.3%	31.9%	7	3
TOTAL	**28,744**	**32,895**	**1,837**	**2,102**	**100.0%**	**100.0%**	**12**	9

In 2010, two new stores were opened in Dnepropetrovsk and two in Kiev and a store was closed in Vilnius. Due to weakening of demand in foreign markets, no new showrooms are planned to be opened in 2011. The only new store was opened in Rocca al Mare shopping centre, Tallinn in February.

In the financial year, the sales of subsidiaries operating under the name of Skano and focusing on the retail business decreased by 13%. In 2009, the sales of subsidiaries decreased by 18%.

Furniture production

In 2010, the furniture factory produced furniture made of birch wood. The target customers of the furniture factory are primarily medium and small-sized furniture wholesalers and retailers who value the unique design and high quality of furniture as well as flexible customer service.

In the financial year, a total of 7.8 million kroons (0.5 million euros) was invested in the staining and varnishing line of the finishing division of the furniture factory to make the production process more efficient and the products more environment-friendly. The new technology allows using more environment-friendly water-soluble stains and varnishes.

The sales of the furniture factory by country:

	EEK '000		€ '000		%of sales	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**
Finland	46,999	51,787	3,004	3,310	45.2%	48.4%
Russia	37,451	34,050	2,394	2,176	36.1%	31.8%
Kazakhstan	3,515	3,476	225	222	3.3%	3.2%
Estonia	1,571	1,231	99	80	1.5%	1.1%
Germany	454	1,444	29	92	0.4%	1.3%
Other countries	426	540	27	34	0.4%	0.5%
Subsidiaries	13,452	14,614	860	934	13.1%	13.7%
TOTAL	**103,868**	**107,142**	**6,638**	**6,848**	**100.0%**	**100.0%**

Building materials division

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

Division's operating results

In 2010, the building material division's sales were 98.8 million kroons (6.3 million euros) and the net profit of the division amounted to 7.0 million kroons (0.4 million euros). In 2009, the sales were 80.4 million kroons (5.1 million euros) and the net profit was 1.2 million kroons (0.1 million euros).

Exports made up 71% of the division's total sales (2009: 66%), the largest export markets were Finland, Russia and Sweden.

The sales of the building materials division by country:

	EEK '000		€ '000		% of sales	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**
Finland	39,686	36,866	2,536	2,356	40.2%	45.8%
Estonia	28,411	26,961	1,819	1,723	28.8%	33.5%
Russia	10,727	5,169	686	330	10.9%	6.4%
Sweden	7,142	4,047	456	259	7.2%	5.0%
Latvia	2,957	2,123	189	136	3.0%	2.6%
Denmark	1,806	817	115	52	1.8%	1.0%
Germany	1,090	856	70	55	1.1%	1.1%
China	1,023	-	65	-	1.0%	-
United Kingdom	1,006	-	63	-	1.0%	-
India	987	7	63	1	1.0%	-
Malaysia	727	-	46	-	0.7%	-
Ukraine	501	245	32	15	0.5%	0.3%
Lithuania	289	334	18	21	0.3%	0.4%
Other countries	2,436	2,942	156	188	2.5%	3.7%
Subsidiaries	8	209	1	14	0.0%	0.2%
TOTAL	**98,796**	**80,576**	**6,314**	**5,150**	**100.0%**	**100.0%**

Interior finishing boards

Interior finishing boards are produced under Isotex brand, wholly owned by the Group. Interior finishing boards are made of natural softboard which is produced on the factory's main production line and the boards have milled tenons and the surface is covered with paper or textile. This technology enables to produce boards of different colours and patterns.

In 2010, the revenue of interior finishing boards totalled 29.2 million kroons (1.9 million euros) (2009: 29.2 million kroons (1.9 million euros)). As compared with the previous year, there was no change in revenue. Interior finishing boards made up 30% (2009: 36%) of the division's total sales. The largest market for interior finishing boards continued to be Finland.

General construction boards

As compared with the previous year, the sales of general construction boards increased by 36%, reaching 69.6 million kroons (4.4 million euros) (2009: 51.3 million kroons (3.3 million euros)). Wind-protection boards continued to be the largest product group.

Investments

In 2010, investments in machinery and equipment totalled 10.5 million kroons (0.7 million euros) and in buildings, 0.9 million kroons (0.1 million euros). In 2009, investments into machinery and equipment totalled 4.8 million kroons (0.3 million euros) and into buildings, 0.3 million kroons (0.02 million euros).

Forecast and development

Skano. In 2011, we continue to contain costs and do not plan any major expansion of the retail chain. The only new store was opened in Rocca al Mare shopping centre, Tallinn in February.

Furniture factory. In 2011 the sales volume will remain lower than the production capacity would enable. Therefore, the work volume in the furniture factory continues to be low. Agreements have been concluded with employees for using the shortened working time until 31 March 2011. From 1 April 2011, the working time will become longer, but the majority of workers will continue to work less than 40 working hours per week.

Building materials division. At the end of 2010, the main line started production at full capacity. The main production line is in operation 24 hours a day with four shifts. One or two shifts are used for Isotex lines, as necessary. At the same time, the sales have increased and we forecast large sales also in the future.

At 1 February 2011, AS Fortum Termest and AS Viisnurk terminated the operator contract for the boiler house owned by AS Viisnurk and the latter will continue producing thermal energy in the boiler house. As AS Viisnurk does not have any heating lines, thermal energy is produced only for the company's own needs.

Employees

Organisational chart of AS Viisnurk as at 31.12.2010

* The chart does not include OÜ Isotex because the entity did not have any operations in the financial year.

In 2010, the average number of employees of the Group was 308 (2009: 326). By the end of 2010, AS Viisnurk employed 275 employees (2009: 270). As at 31.12.2010, the Group including the subsidiaries employed 316 people (2009: 307). At the end of the financial year, the Group employed 226 workers and 91 specialists and executives (2009: 222 and 85, respectively). The average age of the Company's employees was 43.5 years (2009: 45.7).

In 2010, employee wages and salaries totalled 40.4 million kroons (2.6 million euros) (2009: 36.9 million kroons (2.4 million euros)). Compared with the previous financial year, the Company's payroll expenses increased by 9.3%. In 2010, gross remuneration paid to the members of the Management Board totalled 1.7 million kroons (107 thousand euros) (2009: 2.2 million kroons (142 thousand euros)). The members of the Supervisory Board did not receive any remuneration in 2010 and 2009.

The distribution of the number of employees of AS Viisnurk by unit (as at 31.12):

	2010	2009	Change %
Building materials division	82	72	13.9%
Furniture factory	193	198	(2.5%)
OÜ Skano	10	12	(16.7%)
SIA Skano	3	3	0%
UAB Skano LT	4	6	(33.3%)
TOV Skano Ukraine	24	16	50%
TOTAL Group	**316**	**307**	**2.9%**

Financial ratios

EEK '000	2010	2009	2008	2007	2006
Income statement					
Revenue	**217,948**	205,790	280,527	249,522	226,868
EBITDA	**22,372**	10,220	19,721	24,827	26,087
EBITDA margin	**10.3%**	5.0%	7.0%	9.9%	11.5%
Operating profit	**13,879**	2,777	11,170	15,949	15,491
Operating margin	**6.4%**	1.3%	4.0%	6.4%	6.8%
Net profit	**12,069**	155	6,042	12,657	12,517
Net margin	**5.5%**	0.1%	2.2%	5.1%	5.5%
Balance sheet					
Total assets	**142,627**	132,803	163,824	157,447	144,132
Return on total assets	**8.5%**	0.1%	3.7%	8.0%	8.7%
Equity	**83,421**	71,508	71,200	71,243	66,043
Return on equity	**14.5%**	0.2%	8.5%	17.8%	19.0%
Debt-to-equity ratio	**41.5%**	46.2%	57%	55%	54%
Share (31.12)					
Closing price*	**22.52**	11.27	12.20	28.95	-
Earnings per share	**2.68**	0.03	1.34	2.81	2.78
Price/earnings (P/E) ratio*	**8.40**	375.67	9.09	10.30	-
Book value of share	**18.54**	15.89	15.83	15.84	14.68
Market to book ratio*	**1.21**	0.71	0.77	1.83	-
Market capitalisation*	**101,319**	50,704	54,908	130,228	-

€'000	2010	2009	2008	2007	2006
Income statement					
Revenue	**13,929**	13,152	17,929	15,947	14,500
EBITDA	**1,430**	653	1,261	1,587	1,667
EBITDA margin	**10.3%**	5.0%	7.0%	9.9%	11.5%
Operating profit	**887**	177	714	1,019	990
Operating margin	**6.4%**	1.3%	4.0%	6.4%	6.8%
Net profit	**771**	10	386	809	800
Net margin	**5.5%**	0.1%	2.2%	5.1%	5.5%
Balance sheet					
Total assets	**9,115**	8,488	10,468	10,063	9,212
Return on total assets	**8.5%**	0.1%	3.7%	8.0%	8.7%
Equity	**5,331**	4,570	4,548	4,553	4,221
Return on equity	**14.5%**	0.2%	8.5%	17.8%	19.0%
Debt-to-equity ratio	**41.5%**	46.2%	57%	55%	54%
Share (31.12)					
Closing price*	**1.44**	0.72	0.78	1.85	-
Earnings per share	**0.17**	0.002	0.09	0.18	0.18
Price/earnings (P/E) ratio*	**8.40**	375.67	9.09	10.30	-
Book value of share	**1.19**	1.02	1.01	1.01	0.94
Market to book ratio*	**1.21**	0.71	0.77	1.83	-
Market capitalisation*	**6,479**	3,239	3,509	8,323	-

* The figures per share are not shown for 2006 due to the absence of comparative information – due to the division, the shares of AS Viisnurk have been listed on the Tallinn Stock Exchange since 25 September 2007.

EBITDA = operating profit + depreciation
EBITDA margin = EBITDA / revenue
Operating margin = operating profit / revenue
Net margin = net profit / revenue
Return on total assets = net profit / total assets
Return on equity = net profit / equity
Debt ratio = liabilities / total assets
Earnings per share = net profit/ number of shares
Price/earnings (PE) ratio = closing price of share / earnings per share

Book value of share = equity / number of shares
Market to book value = closing price of share / book value of share
Market capitalisation = closing price of share * number of shares

Share

Share price

The trading of the shares of AS Viisnurk in the Main List of the Tallinn Stock Exchange started at 25 September 2007.

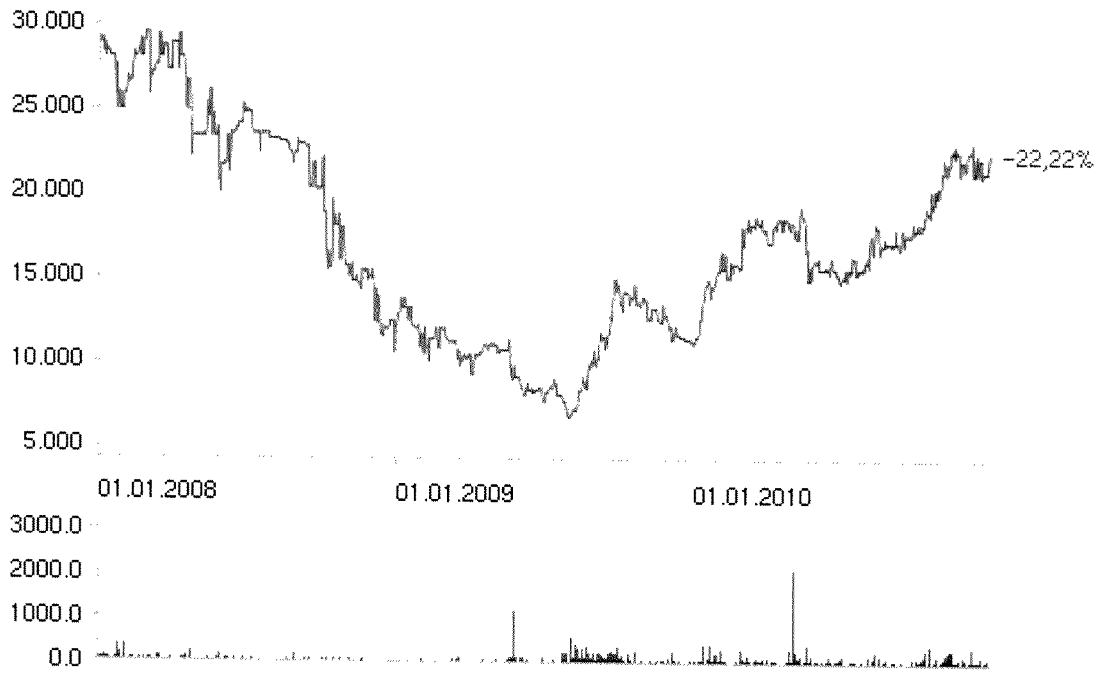
The opening price in 2010 was 11.422 kroons (0.73 euros). The highest price of the year was 24.409 kroons (1.56 euros) and the lowest price 10.953 kroons (0.70 euros). The closing price in 2010 was 22.516 kroons (1.439 euros). A total of 906,143 shares were traded in 2010 and the total sales amounted to 15.89 million kroons (1.02 million euros).

The opening price in 2009 was 12.83 kroons (0.82 euros). The highest price of the year was 16.12 kroons (1.03 euros) and the lowest price was 6.88 kroons (0.44 euros). The closing price in 2009 was 11.27 kroons (0.72 euros). A total of 1,281,969 shares were traded in 2009 and the total sales amounted to 12.44 million kroons (0.79 million euros).

The opening price in 2008 was 29.57 kroons (1.89 euros). The highest price of the year was 29.89 kroons (1.91 euros) and the lowest price was 10.17 kroons (0.65 euros). The closing price in 2008 was 12.20 kroons (0.78 euros). A total of 201,513 shares were traded in 2008 and the total sales amounted to 4.5 million kroons (0.29 million euros).

The opening price in 2007 was 59.14 kroons (3.78 euros). The highest price of the year was 63.68 kroons (4.07 euros) and the lowest price was 25.97 kroons (1.66 euros). The closing price in 2007 was 28.95 kroons (1.85 euros). A total of 210,546 shares were traded in 2007 and the total sales amounted to 8.15 million kroons (0.52 million euros).

The following table provides an overview of the movements in the share price of AS Viisnurk and the trading volumes on the Tallinn Stock Exchange (EEK) from 2008 to 2010.



Shareholders

The distribution of share capital by the number of shares acquired as at 31.12.2010:

	Number of shareholders	% of shareholders	Number of shares	% of share capital
1 - 99	94	16,6%	2,683	0,06%
100 - 999	226	39,9%	87,085	1,94%
1 000 - 9 999	214	37,9%	537,919	11,96%
10 000 - 99 999	28	5,0%	650,185	14,44%
100 000 - 999 999	2	0,4%	538,997	11,98%
1 000 000 - 9 999 999	1	0,2%	2,682,192	59,62%
Total	565	100,0%	4,499,061	100,0%

The distribution of share capital by the type of owners as at 31.12.2010:

	Number of shareholders	% of shareholders	Number of shares	Ownership %
Private investors	475	84,1%	742,454	16,5%
Institutional investors	90	15,9%	3,756,607,	83,5%
Total	565	100,0%	4,499,061	100,0%

The distribution of share capital by the domicile of shareholders as at 31.12.2010:

	Number of shareholders	% of shareholders	Number of shares	Ownership %
Estonia	515	91,2%	3,631,323	80,71%
Luxembourg	2	0,4%	406,000	9,02%
USA	3	0,5%	144,597	3,21%
Sweden	5	0,9%	110,834	2,46%
Finland	16	2,8%	71,346	1,59%
Other	24	4,2%	134,961	3,01%
Total	565	100,0%	4,499,061	100,0%

List of shareholders with ownership over 1% as at 31.12.2010:

Shareholder	Number of shares	Ownership %
OÜ TRIGON WOOD	2,682,192	59,62
ING LUXEMBOURG S.A.	400,000	8,89
Mellon ABN Treaty Omnibus	138,997	3,09
Skandinaviska Enskilda Banken Finnish Clients	93,834	2,09
Vip Invest OÜ	56,165	1,25
TOIVO KULDMÄE	49,231	1,09
Live Nature Eesti OÜ	45,000	1,00

Direct ownership of the members of the Management and Supervisory Boards as at 31.12.2010:
Ülo Adamson – does not own any shares
Joakim Johan Helenius – 20,000 shares 0.44%
Heiti Riisberg – does not own any shares
Andres Kivistik – does not own any shares
Einar Pähkel – does not own any shares

Risks

Interest rate risk

The interest rate risk of AS Viisnurk Group arises from possible changes in Euribor (Euro Interbank Offered Rate) as most of the Group's loans are tied to Euribor. As at 31.12.09, 6-month Euribor was 0.994 and as at 31.12.10, 1.227.

Interest rate risk also depends on overall economic situation of Estonia and Europe and the changes in the banks' average interest rates. The Group has cash flow risk arising from changes in interest rates because most of the Group's loans have floating interest rates. Management estimates that the cash flow risk is not material; therefore, no financial instruments are used to hedge risks.

Foreign currency exchange risk

Foreign currency exchange risk is the Group's risk to incur major losses due to fluctuations in foreign currency exchange rates. Foreign currency exchange risk is related to the change in the sales of Skano stores located abroad, due to the use of local currencies in target markets. The assets and liabilities of the subsidiaries located outside Estonia are primarily exposed to this risk. The foreign currency exchange risk is low for AS Viisnurk because most of the export-import agreements have been concluded in euros.

Risk of the economic environment

The risk of the economic environment in the building materials division depends on the overall trends in the construction market and in the furniture division, on the future expectations of the consumers with regard to economic welfare. Although the risk of the economic environment continues to be high as compared to the situation five years ago, the situation has somewhat stabilised by now and the risk has decreased as compared to the previous year.

Fair value

The fair values of cash, accounts receivable, short-term loans and borrowings do not significantly differ from their book values. The fair values of long-term loans and borrowings do not significantly differ from their book values because their interest rates mostly correspond to the interest rates prevailing in the market.

Liquidity risk

Liquidity risk is a potential loss arising from the existence of limited or insufficient financial resources that are necessary for performing the obligations related to the activities of the Group. The Management Board continuously monitors cash flow forecasts, using the existence and sufficiency of the Group's financial resources for performing the assumed obligations and financing the strategic objectives of the Group. The Group has opened a factoring limit in the total amount of 5,000 thousand kroons (320 thousand euros) (2009: 7,000 thousand kroons (447 thousand euros)) to hedge the liquidity risk.

Group structure

Shares of subsidiaries:

Domicile	OÜ Skano (Estonia)	OÜ Visu (Estonia)	OÜ Isotex (Estonia)	SIA Skano (Latvia)	UAB Skano LT (Lithuania)	TOV Skano Ukraina (Ukraine)
Number of shares at 31.12.2009 (pcs)	1	1	1	1	100	1
Ownership % 31.12.2009	100	100	100	100	100	100
Number of shares at 31.12.2010 (pcs)	1	-	1	1	100	1
Ownership % 31.12.2010	100	-	100	100	100	100

Skano OÜ is engaged in retail sales in Estonia, owning two furniture showrooms – in Järve Centre, Tallinn and on the ground floor of the head office of AS Viisnurk, Pärnu. Skano OÜ owns 100% of the entities Skano SIA, UAB Skano LT and TOV Skano Ukraina.

SIA Skano launched its operations in November 2005 and it is involved in furniture retail sales in Latvia, owning one showroom in Riga. UAB Skano LT launched its operations in April 2007 and is involved in retail sales in Lithuania, owning furniture showrooms in Kaunas and Vilnius. TOV Skano Ukraina launched its operations in Ukraine in June 2007 and is involved in furniture retail sales, owning furniture showrooms in Kharkov, Kiev, Donetsk and Dnepropetrovsk.

The goal of setting up Isotex OÜ was to enable the division to operate independently under its own brand and to foster the development of its business units. In conjunction with the implementation of the Group's restructuring plan, the subsidiary is no longer used. The subsidiaries Visu OÜ and Isotex OÜ did not have any operating activities in 2010 and 2009. OÜ Visu was sold at 27 October 2010.

Corporate Governance Recommendations Report

The Corporate Governance Recommendations is a set of guidelines and recommended rules to be carried out primarily by entities whose shares have been admitted to trading on a regulated market in Estonia. From 1 January 2006, the listed entities are required to follow the principle "Comply or Explain".

The Corporate Governance Recommendations lay down the principles of calling and conducting general meetings of shareholders, composition, activities and responsibilities of supervisory and management boards, disclosures and financial reporting.

As the principles outlined in the Recommendations are recommended, the Company does not have to comply with all of them but needs to explain in the Corporate Governance Recommendations Report why these requirements are not complied with.

In its business, AS Viisnurk adheres to prevailing laws and legislative provisions. As a public entity, AS Viisnurk also follows the requirements of the Tallinn Stock Exchange and the principles of equal treatment of shareholders and investors. Pursuant to this, the Company follows most of the guidelines set out in the Recommendations. Below are arguments for noncompliance of the Recommendations that the Company does not comply with.

Clause 1.1.1 *The Issuer shall enable shareholders to raise questions on items mentioned in the agenda, including prior to the day of the General Meeting. In the notice calling the General Meeting, the Issuer shall include the address or e-mail address to which the shareholder can send questions. The Issuer shall guarantee a response to valid questions at the General Meeting during hearing of a corresponding subject or before the holding of the General Meeting, giving shareholders enough time for examining the response. If possible, the Issuer shall give its responses to questions presented before holding the General Meeting and shall publish the question and response on its website.*

Before the meeting, no questions were presented to the Issuer.

Clause 1.3.2 *Members of the Management Board, the Chairman of the Supervisory Board and if possible, all members of the Supervisory Board and at least one of the auditors shall participate in the General Meeting.*

All members of the Management Board were present at the General Meeting of Shareholders at 17 June 2010. The Chairman of the Supervisory Board and the auditor were not present at the meeting. The auditor was not present at the meeting because the Management Board did not consider the auditor's participation necessary as there were not any issues on the agenda that might have needed the auditor's comments. The auditor has expressed his opinion in the auditor's report, stating that the consolidated financial statements of the Group give a true and fair view, in all material respects, of the financial position of the Group as at 31.12.2009 and the financial results and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union. The Supervisory Board has expressed its satisfaction with the auditor's work.

Clause 1.3.3 *The Issuer shall make participation in the General Meeting possible by means of communication equipment (Internet) if the technical equipment is available and where doing so is not too cost prohibitive to the Issuer.*

The Issuer did not make monitoring and participation in the General Meeting possible by means of communication equipment, because no technical equipment was available.

Clause 2.2.1 *The Management Board shall have more than one (1) member and the Chairman shall be elected from among the members of the Management Board. The Management Board or Supervisory Board shall establish an area of responsibility for each member of the Management Board. The Chairman of the Supervisory Board shall conclude a contract of service with each member of the Management Board for discharge of their functions.*

The Management Board of the Issuer have two members, one of whom is the Chairman of the Management Board. Contracts of service have been concluded with the members of the Management Board which also regulate the areas of responsibility.

Clause 2.2.7 *Basic wages, performance pay, termination benefits, other payable benefits and bonus schemes of a member of the Management Board as well as their essential features (incl. features based on comparison, incentives and risk) shall be published in a clear and unambiguous form on the website of the Issuer and in the Corporate Governance Recommendations Report. Information published shall be deemed clear and unambiguous if it directly expresses the amount of expense to the Issuer or the amount of foreseeable expense as at the day of disclosure.*

The Issuer shall not disclose the remuneration paid to the members of the Management Board by person because the Issuer considers this information sensitive to a member of the Management Board and invasion of his privacy. Its disclosure is not necessary for making a statement of the management quality of the Issuer and it will harm the competitive position of the Issuer and the members of the Management Board. Thus, the Issuer has decided not to disclose the remuneration paid to the members of the Management Board. In 2010, the gross remuneration paid to the members of the Group's Management Board totalled 1,680 thousand kroons (107 thousand euros). As at 31.12.2010, pursuant to the contracts entered into, termination benefits totalling 6-month remuneration are payable to the members of the Management Board.

Clause 2.3.2 *The Supervisory Board shall decide significant transactions of the Issuer and a member of its Management Board or close relative or a related person and shall decide the terms of such transactions. The transactions approved by the Supervisory Board and conducted between a member of the Management Board, its close relative or a related person and the Issuer shall be published in the Corporate Governance Recommendations Report.*

There have not been any transactions between the Issuer and a member of its Management Board or a close relative or a related person.

Clause 3.1.3 *Upon the establishment of committees by the Supervisory Board, the Issuer shall publish their existence, duties, membership and position in the organisation on its website. Upon a change in the committee's structure, the Issuer shall publish the content of such changes and the period during which the procedures are in effect.*

During 2010, the Supervisory Board of the Issuer has not established any committees.

Clause 3.2.2 *At least half of the members of the Supervisory Board of the Issuer shall be independent.*

The Supervisory Board currently consists of three members, none of whom can be considered independent under the Recommendations. Ülo Adamson and Joakim Johan Helenius are members of the Management Board of the shareholder OÜ Trigon Wood controlling the Issuer. Heiti Riisberg is not independent under the Recommendations because he works at AS Trigon Capital and he reports to the other members of the Supervisory Board. However, the Issuer is convinced that the experience and knowledge of the aforementioned persons shall ensure effective and profitable management of the Issuer and thus take account of the interests of shareholders in every aspect.

Clause 3.2.5 *The amount of remuneration of a member of the Supervisory Board appointed at the meeting and the procedure for his payment shall be published in the Corporate Governance Recommendations Report, outlining separately basic and additional remuneration (incl. termination and other payable benefits).*

The Issuer does not pay any remuneration to the members of the Supervisory Board.

Clause 3.2.6 *If a member of the Supervisory Board has attended fewer than a half of the meetings of the Supervisory Board, this shall be indicated separately in the Corporate Governance Recommendations Report*

All members of the Supervisory Board have participated in more than half of the meetings of the Supervisory Board.

Clause 3.3.2 *Before his election, a member candidate of the Supervisory Board shall notify other members of the Supervisory Board of an existence of a conflict of interest, if it arises after the election, he shall immediately notify of it. A member of the Supervisory Board shall immediately notify the Chairman of the Supervisory Board and the Management Board of a business proposal made to a member of the Supervisory Board, his close relative or a related person.*

The members of the Supervisory Board have not notified the Issuer of any conflicts of interest by the time of preparing the 2010 annual report.

Clause 5.2 *The Issuer shall publish the disclosure dates of information subject to disclosure throughout the year at the beginning of the fiscal year in a separate notice, called a financial calendar.*

The Issuer did not disclose a separate notice but information subject to disclosure was made public no later than at the dates set out in the law.

Clause 5.6 *The Issuer shall disclose the dates and places of meetings with analysts and presentations and press conferences organized for analysts, investors or institutional investors on its website.*

According to the rules and regulations of the Tallinn Stock Exchange, the Group shall disclose all relevant information through the stock exchange. The Issuer does not regularly organise press conferences and meetings, therefore, the schedule of meetings cannot be disclosed. At the meetings with investors, only previously disclosed information shall be supplied.

Clause 6.2.1 *Together with a notice calling the General Meeting, the Supervisory Board shall make information on an auditor's candidate available to shareholders. If it is desired to appoint an auditor who has audited the Issuer's reports for the previous financial year, the Supervisory Board shall pass judgement on his work.*

The auditor shall be paid a fee according to the concluded contract. According to the contract, the amount of the fee shall be confidential. However, the Issuer believes that the disclosure of the fee does not affect the reliability of the audit. As the Supervisory Board wants to continue cooperation with the auditor, it is a proof that the Supervisory Board is satisfied with the current auditor.

The activities of the Issuer comply with the requirements of the Recommendations in all other aspects.

Environmental policy

Since 2004, both the furniture and building materials divisions hold integrated termless environmental permits which are required by the Integrated Pollution Prevention and Control Act. Adherence to the requirements of the permits ensures that production activity has a minimal impact on the environment. The requirements set out in the integrated permit ensure the protection of water, air and soil, and the management of generated waste in an environmentally sustainable manner.

To meet the requirements of the Packaging Act, in 2005 the Company entered into a contract with the Estonian Recovery Organisation (ERO). Under the contract, all responsibilities of AS Viisnurk related to packaging collection, recovery and related reporting were transferred to ERO. The contract ensures that all end consumers may return the packaging free of charge to containers bearing the Green Point sign. To foster the sales in the German speaking markets, a contract was also entered into with the German packaging recovery organisation ISD Interseroh GmbH, which ensures that all packaging taken to the German market is duly collected and recovered.

In 2008, the share of water-based finishing materials was significantly increased in the furniture division and thereby, the use of solvent-based materials and emissions of volatile organic compounds was reduced to the total permitted emissions figure.

Water usage

In thousands of m^3	2010	2009	Change %
Water use:	**48.4**	**48.5**	(0.2%)
groundwater (municipal water)	**4.0**	**4.5**	(11.1%)
groundwater (own bore wells)	**14.1**	**15.2**	(7.2%)
surface water	**30.3**	**28.8**	5.2%
Water discharge:	**21.9**	**23.2**	(5.6%)
conditionally clean wastewater	**7.9**	**7.2**	9.7%
wastewater	**14.0**	**16.0**	(12.5%)
Water loss	**26.5**	**25.3**	4.7%

Water use and wastewater discharge

	2010 *EEK '000*	2009 *EEK '000*	2010 *€ '000*	2009 *€ '000*	Change %
Water use:	**66.4**	**70.2**	**4.3**	**4.4**	(5.4%)
groundwater (municipal water)	**43.1**	**48.5**	**2.8**	**3.1**	(11.1%)
groundwater (own bore wells)	**13.3**	**13.1**	**0.9**	**0.8**	1.5%
surface water	**10.0**	**8.6**	**0.6**	**0.5**	16.3%
Water discharge:	**438.0**	**907.0**	**28.0**	**58.0**	(51.7%)
wastewater	**438.0**	**907.0**	**28.0**	**58.0**	(51.7%)
Total expenses	**504.4**	**977.2**	**32.3**	**62.4**	(48.4%)
Sales of surface water and groundwater	**11.8**	**10.2**	**0.8**	**0.7**	15.7%
Total conditional income	**11.8**	**10.2**	**0.8**	**0.7**	15.7%

Main pollutants

In tons	2010	2009	Change %
Volatile organic compounds	**11.8**	**17.6**	(33.0%)
Organic dust	**3.2**	**2.2**	45.5%
Total	**15.0**	**19.8**	(24.2%)

Waste handling

	2010 *EEK '000*	2009 *EEK '000*	2010 *€ '000*	2009 *€ '000*	Change %
Handling of hazardous waste	**183.0**	**149.6**	**11.7**	**9.6**	22.3%
Handling of non-hazardous waste	**399.9**	**404.4**	**25.6**	**25.8**	(1.1%)
Total expenses	**582.9**	**554.0**	**37.3**	**35.4**	5.2%
Recycling of waste in the production of heat energy	**445.8**	**376.2**	**28.5**	**24.0**	18.5%
Sales of wood waste	**35.4**	**27.7**	**2.3**	**1.8**	27.8%
Sales of metal waste	**28.7**	**19.8**	**1.8**	**1.3**	44.9%
Total conditional income	**509.9**	**423.7**	**32.6**	**27.1**	20.3%

Management Board's confirmation of the management report

The Management Board confirms that the management report of AS Viisnurk Group set out on pages 4 – 16 presents a true and fair view of the development and results as well as the financial position of the parent and the entities included for consolidation purposes, and includes a description of the major risks and uncertainties.

Andres Kivistik	Chairman of the Management Board	....
Einar Pähkel	Member of the Management Board	....

Pärnu, 5 April 2011

Consolidated financial statements

Consolidated statement of financial position

	31.12.2010 *EEK '000*	31.12.2009 *EEK '000*	31.12.2010 *€ '000*	31.12.2009 *€ '000*
Cash and cash equivalents (Note 3)	15,823	6,091	1,011	389
Receivables and prepayments (Notes 3; 5)	18,749	18,810	1,198	1,202
Inventories (Note 6)	38,865	41,912	2,484	2,680
Total current assets	**73,437**	**66,813**	**4,693**	**4,271**
Investment property (Note 7)	2,893	2,893	185,	185,
Property, plant and equipment (Note 8)	65,982	63,083	4,217	4,031
Intangible assets (Note 9)	315	14	20	1
Total non-current assets	**69,190**	**65,990**	**4,422**	**4,217**
TOTAL ASSETS	**142,627**	**132,803**	**9,115**	**8,488**
Borrowings (Notes 3; 10)	21,629	8,048	1,383	514
Payables and prepayments (Notes 3; 12)	22,881	22,742	1,462	1,454
Short-term provisions (Note 13)	122	118	8	8
Total current liabilities	**44,632**	**30,908**	**2,853**	**1,976**
Long-term borrowings (Notes 3; 10)	11,472	27,084	733	1,731
Long-term provisions (Note 13)	3,102	3,303	198	211
Total non-current liabilities	**14,574**	**30,387**	**931**	**1,942**
Total liabilities	**59,206**	**61,295**	**3,784**	**3,918**
Share capital (at nominal value) (Note 14)	44,991	44,991	2,875	2,875
Share premium	5,698	5,698	364	364
Statutory reserve capital	4,499	4,499	288	288
Currency translation differences	250	406	16	26
Retained earnings	27,983	15,914	1,788	1,017
Total equity (Note 14)	**83,421**	**71,508**	**5,331**	**4,570**
TOTAL LIABILITIES AND EQUITY	**142,627**	**132,803**	**9,115**	**8,488**

The notes to the financial statements presented on pages 22 – 51 are an integral part of these consolidated financial statements.

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Consolidated statement of comprehensive income

	2010 EEK '000	2009 EEK '000	2010 € '000	2009 € '000
REVENUE (Note 25)	**217,948**	205,790	**13,929**	13,152
Cost of goods sold (Note 16)	**(166,879)**	(163,337)	**(10,665)**	(10,439)
Gross profit	**51,069**	42,453	**3,264**	2,713
Distribution costs (Note 17)	(31,312)	(33,433)	(2,001)	(2,137)
Administrative expenses (Note 18)	(6,687)	(5,462)	(427)	(349)
Other operating income (Note 20)	1,420	532	90	34
Other operating expenses (Note 21)	(611)	(1,313)	(39)	(84)
Operating profit	**13,879**	2,777	**887**	177
Finance income (Note 22)	15	9	1	1
Finance costs (Note 22)	(1,721)	(2,562)	(110)	(164)
PROFIT BEFORE INCOME TAX	**12,173**	224	**778**	14
Corporate income tax (Notes 14; 23)	(104)	(69)	(7)	(4)
NET PROFIT FOR THE FINANCIAL YEAR	**12,069**	155	**771**	10
Other comprehensive income:				
Currency translation differences	(156)	153	(10)	12
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR	**11,913**	308	**761**	22
Basic earnings per share (Note 15)	**2.68**	0.03	**0.17**	0.00
Diluted earnings per share (Note 15)	**2.68**	0.03	**0.17**	0.00

The notes to the financial statements presented on pages 22 – 51 are an integral part of these consolidated financial statements.

Consolidated cash flow statement

	2010 EEK '000	2009 EEK '000	2010 € '000	2009 € '000
Cash flows from operating activities				
Profit before income tax	**12,173**	**224**	**778**	**14**
Adjustments of profit before tax for the effects of non-cash transactions, items of income or expense associated with investing or financing cash flows and changes in assets and liabilities related to operating activities (Note 24)	13,364	16,509	855	1,054
Cash generated from operations	**25,537**	**16,733**	**1,633**	**1,068**
Interest payments (Note 22)	(1,664)	(2,512)	(106)	(160)
Corporate income tax paid (Notes 14; 23)	(104)	(69)	(7)	(4)
Net cash generated from operating activities	**23,769**	**14,152**	**1,520**	**904**
Cash flows from investing activities				
Purchase of property, plant and equipment and intangible assets (Notes 8, 9)	(12,111)	(1,361)	(775)	(87)
Sale of subsidiary	40	0	3	0
Net cash used in investing activities	**(12,071)**	**(1,361)**	**(772)**	**(87)**
Cash flows from financing activities				
Proceeds from loans (Note 10)	6,963	0	445	0
Repayment of loans (Note 10)	(8,409)	(13,022)	(537)	(832)
Finance lease payments (Note 10)	(585)	(566)	(38)	(36)
Net cash used in financing activities	**(2,031)**	**(13,588)**	**(130)**	**(868)**
NET CHANGE IN CASH	**9,667**	**(797)**	**618**	**(51)**
EXCHANGE GAINS/LOSSES ON CASH AND CASH EQUIVALENTS	**65**	**(25)**	**4**	**(2)**
OPENING BALANCE OF CASH (Note 3)	**6,091**	**6,913**	**389**	**442**
CLOSING BALANCE OF CASH (Note 3)	**15,823**	**6,091**	**1,011**	**389**

The notes to the financial statements presented on pages 22 – 51 are an integral part of these consolidated financial statements.

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Consolidated statement of changes in equity

EEK '000	Share capital	Share premium	Statutory reserve capital	Currency translation differences	Retained earnings	Total
Balance at 31.12.2008	**44,991**	**5,698**	**4,499**	**253**	**15,759**	**71,200**
Total comprehensive income for 2009	0	0	0	153	155	308
Balance at 31.12.2009	**44,991**	**5,698**	**4,499**	**406**	**15,914**	**71,508**
Total comprehensive income for 2010	0	0	0	(156)	12,069	11,913
Balance at 31.12.2010	**44,991**	**5,698**	**4,499**	**250**	**27,983**	**83,421**

€ '000	Share capital	Share premium	Statutory reserve capital	Currency translation differences	Retained earnings	Total
Balance at 31.12.2008	**2,875**	**364**	**288**	**14**	**1,007**	**4,548**
Total comprehensive income for 2009	0	0	0	12	10	22
Balance at 31.12.2009	**2,875**	**364**	**288**	**26**	**1,017**	**4,570**
Total comprehensive income for 2010	0	0	0	(10)	771	761
Balance at 31.12.2010	**2,875**	**364**	**288**	**16**	**1,788**	**5,331**

More detailed information about share capital is disclosed in Note 14.

The notes to the financial statements presented on pages 22 – 51 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1 General information

AS Viisnurk (the Company) (registration number: 11421437; address: Suur-Jõe 48, Pärnu) is an entity registered in the Republic of Estonia. It operates in Estonia and through its subsidiaries, in Latvia, Lithuania and Ukraine. The consolidated financial statements prepared for the financial year ended 31 December 2010 include the financial information of the Company and its subsidiaries (together referred to as the Group): Skano OÜ, Isotex OÜ and Skano OÜ's wholly-owned subsidiaries SIA Skano; UAB Skano LT and TOV Skano Ukraina. The Group's main activities are production and distribution of furniture and softboard made of wood.

AS Viisnurk was established at 19 September 2007 in the demerger of the former AS Viisnurk, currently AS Trigon Property Development, as a result of which to which the manufacturing units, i.e. the construction materials division and furniture division were spun off and transferred to the new entity.

The Group's shares are listed in the Main List of the Tallinn Stock Exchange. The majority owner of AS Viisnurk is OÜ Trigon Wood. Until November 2009, the ultimate controlling party of AS Viisnurk was TDI Investments KY. Since November 2009, when the ownership interest in OÜ Trigon Wood was divided, the Group has no ultimate controlling party, but the following investors with the largest holdings in OÜ Trigon Wood have significant influence over the Group as at 31 December 2010: AS Trigon Capital (30.13%), Veikko Laine Oy (15.52%), BCB Baltic AB (14.07%), Hermitage Eesti OÜ (11.94%), Thominvest Oy (11.94%) and Assetman Oy (11.45%).

The Management Board of AS Viisnurk authorised these consolidated financial statements for issue at 5 April 2011. Pursuant to the Commercial Code of the Republic of Estonia, the financial statements are subject to approval by the Supervisory Board of AS Viisnurk and the General Meeting of Shareholders. Shareholders have the right not to approve the annual report prepared and approved by the Management Board, and request preparation of a new annual report.

2 Summary of accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless stated otherwise.

A Bases of preparation

The 2010 consolidated financial statements of AS Viisnurk Group have been prepared in accordance with International Financial Reporting Standards as adopted in the European Union (IFRS).

The financial statements have been prepared under the historical cost convention.

The preparation of the financial statements in accordance with IFRS requires management to make assumptions and pass judgements, which affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. The estimates and related assumptions are based on the historical experience and several other factors that are believed to be relevant and that are based on circumstances which help define principles for the evaluation of assets and liabilities and which are not directly available from other sources. Actual results may not coincide with these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is changed if it affects only the current period, or current and future periods, if the revision affects both current and future periods.

Management decisions and accounting estimates related to the application of IFRS that have a significant effect on the financial statements and that may be subject to adjustment next year are presented in Note 4.

New standards, amendments to published standards and interpretations which became effective for the Group's financial year beginning at 1 January 2010:

- IAS 27, Consolidated and Separate Financial Statements, revised in January 2008. The revised IAS 27 requires an entity to attribute total comprehensive income to the owners of the parent and to the non-controlling interests (previously "minority interests") even if this results in the non-controlling interests having a deficit balance (the previous standard required the excess losses to be allocated to the owners of the parent in most cases). The revised standard specifies that changes in a parent's ownership interest in a subsidiary that do not result in the loss of control must be accounted for as equity transactions. It also specifies how an entity should measure any gain or loss arising on the loss of control of a subsidiary. At the date when control is lost, any investment retained in the former subsidiary has to be measured at its fair value. The amendment did not have a material impact on these financial statements.

- IFRS 3, Business Combinations, revised in January 2008. The revised IFRS 3 allows entities to choose to measure non-controlling interests using the existing IFRS 3 method (proportionate share of the acquiree's identifiable net assets) or at fair value. The revised IFRS 3 is more detailed in providing guidance on the application of the purchase method to business combinations. The requirement to measure at fair value every asset and liability at each step in a step acquisition for the purposes of calculating a portion of goodwill has been removed. Instead, in a business combination achieved in stages, the acquirer has to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognise the resulting gain or loss, if any, in profit or loss for the year. Acquisition-related costs are accounted for separately from the business combination and therefore recognised as expenses rather than included in goodwill. An acquirer has to recognise at the acquisition date a liability for any contingent purchase consideration. Changes in the value of that liability after the acquisition date are recognised in accordance with other applicable IFRSs, as appropriate, rather than by adjusting goodwill. The revised IFRS 3 brings into its scope business combinations involving only mutual entities and business combinations achieved by contract alone. The amendment did not have a material impact on these financial statements.

- Improvements to International Financial Reporting Standards, issued in April 2009. The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations: clarification that contributions of businesses in common control transactions and formation of joint ventures are not within the scope of IFRS 2; clarification of disclosure requirements set by IFRS 5 and other standards for non-current assets (or disposal groups) classified as held for sale or discontinued operations; requiring to report a measure of total assets and liabilities for each reportable segment under IFRS 8 only if such amounts are regularly provided to the chief operating decision maker; amending IAS 1 to allow classification of certain liabilities settled by entity's own equity instruments as non-current; changing IAS 7 such that only expenditures that result in a recognised asset are eligible for classification as investing activities; allowing classification of certain long-term land leases as finance leases under IAS 17 even without transfer of ownership of the land at the end of the lease; providing additional guidance in IAS 18 for determining whether an entity acts as a principal or an agent; clarification in IAS 36 that a cash generating unit shall not be larger than an operating segment before aggregation; supplementing IAS 38 regarding measurement of fair value of intangible assets acquired in a business combination; amending IAS 39 (i) to include in its scope option contracts that could result in business combinations, (ii) to clarify the period of reclassifying gains or losses on cash flow hedging instruments from equity to profit or loss for the year and (iii) to state that a prepayment option is closely related to the host contract if upon exercise the borrower reimburses economic loss of the lender; amending IFRIC 9 to state that embedded derivatives in contracts acquired in common control transactions and formation of joint ventures are not within its scope; and removing the restriction in IFRIC 16 that hedging instruments may not be held by the foreign operation that itself is being hedged. The amendments did not have a material impact on these financial statements.

New standards, amendments to published standards and interpretations to current standards which became effective for the Group from 1 January 2010 but are not relevant to the Group's operations:

- Eligible Hedged Items—Amendment to IAS 39
- IFRS 1, First-time Adoption of International Financial Reporting Standards, revised in December 2008
- Additional Exemptions for First-time Adopters - Amendments to IFRS 1
- Group Cash-settled Share-based Payment Transactions - Amendments to IFRS 2
- Amendment to IFRS 5, Non-current Assets Held for Sale and Discontinued Operations (and consequential amendments to IFRS 1)

- Embedded Derivatives - Amendments to IFRIC 9 and IAS 39, issued in March 2009
- IFRIC 12, Service Concession Arrangements
- IFRIC 15, Agreements for the Construction of Real Estate
- IFRIC 16, Hedges of a Net Investment in a Foreign Operation
- IFRIC 17, Distributions of Non-Cash Assets to Owners
- IFRIC 18, Transfers of Assets from Customers

New or amended standards and interpretations which are issued and will become effective for the Company from 1 January 2011 or later periods and which the Company has not early adopted:

- Improvements to International Financial Reporting Standards, issued in May 2010 (effective dates vary standard by standard, most improvements are effective for annual periods beginning at or after 1 January 2011; the improvements have not yet been adopted by the EU). The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations: IFRS 1 was amended (i) to allow previous GAAP carrying value to be used as deemed cost of an item of property, plant and equipment or an intangible asset if that item was used in operations subject to rate regulation, (ii) to allow an event driven revaluation to be used as deemed cost of property, plant and equipment even if the revaluation occurs during a period covered by the first IFRS financial statements and (iii) to require a first-time adopter to explain changes in accounting policies or in the IFRS 1 exemptions between its first IFRS interim report and its first IFRS financial statements; IFRS 3 was amended (i) to require measurement at fair value (unless another measurement basis is required by other IFRS standards) of non-controlling interests that are not present ownership interest or do not entitle the holder to a proportionate share of net assets in the event of liquidation, (ii) to provide guidance on acquiree's share-based payment arrangements that were not replaced or were voluntarily replaced as a result of a business combination and (iii) to clarify that the contingent considerations from business combinations that occurred before the effective date of revised IFRS 3 (issued in January 2008) will be accounted for in accordance with the guidance in the previous version of IFRS 3; IFRS 7 was amended to clarify certain disclosure requirements, in particular (i) by adding an explicit emphasis on the interaction between qualitative and quantitative disclosures about the nature and extent of financial risks, (ii) by removing the requirement to disclose carrying amount of renegotiated financial assets that would otherwise be past due or impaired, (iii) by replacing the requirement to disclose fair value of collateral by a more general requirement to disclose its financial effect, and (iv) by clarifying that an entity should disclose the amount of foreclosed collateral held at the reporting date and not the amount obtained during the reporting period; IAS 1 was amended to clarify that the components of the statement of changes in equity include profit or loss, other comprehensive income, total comprehensive income and transactions with owners and that an analysis of other comprehensive income by item may be presented in the notes; IAS 27 was amended by clarifying the transition rules for amendments to IAS 21, 28 and 31 made by the revised IAS 27 (as amended in January 2008); IAS 34 was amended to add additional examples of significant events and transactions requiring disclosure in a condensed interim financial report, including transfers between the levels of fair value hierarchy, changes in classification of financial assets or changes in business or economic environment that affect the fair values of the entity's financial instruments; and IFRIC 13 was amended to clarify measurement of fair value of award credits. The Group does not expect the amendments to have any material effect on its financial statements

- IFRS 9, Financial Instruments Part 1: Classification and Measurement (effective for annual periods beginning at or after 1 January 2013; not yet adopted by the EU). IFRS 9 issued in November 2009 replaces those parts of IAS 39 relating to the classification and measurement of financial assets. IFRS 9 was further amended in October 2010 to address the classification and measurement of financial liabilities. Key features are as follows:

1. Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

2. An instrument is subsequently measured at amortised cost only if it is a debt instrument and both (i) the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and (ii) the asset's contractual cash flows represent only payments of principal and interest (that is, it has only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss.

3. All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.

4. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated as at fair value through profit or loss in other comprehensive income.

   The Group is considering the implications of the standard, the impact on the Group and the timing of its adoption by the Group.

New or amended standards and interpretations that are not yet effective and not early adopted by the Group, and not expected to have a material effect on the Group's financial statements:

- Deferred Tax: Recovery of Underlying Assets – Amendment to IAS 12 (effective for annual periods beginning at or after 1 January 2012);
- Amendment to IAS 24, Related Party Disclosures, issued in October 2009 (effective for annual periods beginning at or after 1 January 2011);
- Classification of Rights Issues - Amendment to IAS 32, issued in October 2009 (effective for annual periods beginning at or after 1 February 2010);
- Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters – Amendment to IFRS 1. (effective for annual periods beginning at or after 1 July 2011);
- Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters - Amendment to IFRS 1(effective for annual periods beginning at or after 1 July 2010);
- Disclosures—Transfers of Financial Assets – Amendments to IFRS 7 (effective for annual periods beginning at or after 1 July 2011);
- Prepayments of a Minimum Funding Requirement – Amendment to IFRIC 14 (effective for annual periods beginning at or after 1 January 2011);
- IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning at or after 1 July 2010).

B Comparability

The financial statements have been prepared in accordance with the consistency and comparability principles, the nature of the changes in methods and their effect is explained in the respective notes. When the presentation of items in the financial statements or their classification method has been amended, then also the comparative information of previous periods has been restated.

C Functional and presentation currency

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of their primary economic environment (the functional currency). The functional currency of AS Viisnurk is the Estonian kroon (EEK). These consolidated financial statements are presented in thousands of Estonian kroons (EEK) and in thousands of euros (EUR) in compliance with the requirements of Tallinn Stock Exchange. The Estonian kroon is pegged to the euro at the rate of EEK 15.6466 to € 1. All financial information presented in euros has been translated using the aforementioned exchange rate. Thus, no translation differences arise from the use of this presentation currency.

The results and financial position of foreign entities that have a functional currency other than the presentation currency of the Group are translated into the presentation currencies as follows:

a) assets and liabilities are translated into Estonian kroons and euros at the exchange rate prevailing at the balance sheet, except for non-current assets which are translated into Estonian kroons and euros using the exchange rates prevailing at the acquisition date.
b) income and expenses are translated at the average exchange rate for the year (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing at transaction dates, in which case income and expenses are translated at the rate at the transaction dates);
c) all resulting exchange differences are recognised as a separate component of equity and comprehensive income.

D Principles of consolidation and accounting for subsidiaries

A subsidiary is an entity in which the Group, directly or indirectly, has interest of more than one half of the voting rights or otherwise has power to govern the operating and financial policies so as to obtain economic benefits. All subsidiaries have been consolidated in the Group's financial statements. An associate is an entity, in which the Group owns between 20% and 50% of shares with voting rights and over which the Group has significant influence. As at the balance sheet date, the Group had no associates.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

In the consolidated financial statements, the financial statements of the subsidiaries under the control of the Parent company (except for the subsidiaries acquired for resale) are combined on a line-by-line basis. Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. The Group and all of its subsidiaries use uniform accounting policies consistent with the Group's policies. Where necessary, the accounting policies of the subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

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

E Foreign currency transactions

All foreign currency transactions are translated into functional currency using the foreign currency exchange rate prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into functional currency using the exchange rate prevailing at the balance sheet date. All gains and losses from foreign currency transactions are recognised in the income statement.

F Cash and cash equivalents

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

G Financial assets

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

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

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

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

The Group has not classified any financial assets as held-to-maturity investments, financial assets at fair value through profit or loss or available-for sale financial assets.

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

H Trade receivables

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

Impairment of receivables is recognised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Evidence of potential impairment includes the bankruptcy or major financial difficulties of the debtor and non-adherence to payment dates. The impairment of the receivables that are individually significant (i.e. need for a write-down) is assessed individually for each customer, based on the present value of expected future collectible amounts. Receivables that are not individually significant or for which no objective evidence of impairment exists, are collectively assessed for impairment using previous years' experience on uncollectible receivables. The amount of loss of the impaired receivables is the difference between the carrying amounts of receivables and the present value of expected future cash flows discounted at the original effective interest rate. The carrying amount of receivables is reduced by the amount of doubtful receivables and the impairment loss is recognised in profit or loss within *Other operating expenses*. If a receivable is deemed irrecoverable, the receivable and its impairment loss are taken off the balance sheet. The collection of the receivables that have previously been written down is accounted for as a reversal of the allowance for doubtful receivables.

I Inventories

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

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

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

The net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The amount of the inventory write-down is recognised in the income statement line *Cost of goods sold*.

The expenditure incurred for the purpose of real estate development is reported in the balance sheet line *Inventories* either as work-in-progress or finished goods, depending on the stage of completion. When the development of property is financed with a loan, the borrowing costs incurred during development are included in the cost of the property. The completed real estate project is sold either in parts (by residential buildings, apartments, office premises, etc.) or as a whole. Revenue is recognised as revenue from the sale of goods. A notarial agreement is concluded between the seller and the buyer at the time of the sale of the property and the respective entry is made in the land register.

J Investment property

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

Investment property is initially measured at its cost, including related transaction costs. After initial recognition, investment property is carried at cost less accumulated depreciation and any impairment losses. Investment property is depreciated over its useful life using the straight-line method for calculation of depreciation. Annual depreciation rates of investment property range from 2.5 to 15 per cent. The accounting policies in Section K apply to both property, plant and equipment, and investment property.

Depreciation of an asset begins when the asset is available for use for the purpose intended by management and is ceased when the residual value exceeds the carrying amount, when the asset is permanently withdrawn from use or upon its reclassification as held for sale. At each balance sheet date, the appropriateness of the depreciation rates, the depreciation method and the residual value is reviewed.

The costs of reconstruction and improvement are added to historical cost when it is probable that future economic benefits will flow to the Group and they can be measured reliably. All other repair and maintenance costs are charged to the income statement during the period in which they are incurred.

K Property, plant and equipment

Property, plant and equipment are non-current assets used in the operating activities of the Group with a useful life of over one year. An item of property, plant and equipment is initially recognised at its cost which consists of the purchase price (including customs duties and other non-refundable taxes) and other expenditures directly related to the acquisition that are necessary for bringing the asset to its operating condition and location. Borrowing costs related to the acquisition of non-current assets, the completion of which occurs over a longer period of time, are included in the cost of non-current assets. The cost of a self-constructed asset is determined using the same principles as for an acquired asset.

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

Property, plant and equipment are subsequently carried at cost less accumulated depreciation and any impairment losses (see accounting policy M). The difference between the acquisition cost and the residual value of an asset is depreciated over the useful life of the asset. Each part of an item with a cost that is significant in relation to the total cost of the item and with a useful life different from other significant parts of that same item is depreciated separately based on its useful life.

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

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

Depreciation of an asset begins when the asset is available for use for the purpose intended by management and is ceased when the residual value exceeds the carrying amount, when the asset is permanently withdrawn from use or upon its reclassification as held for sale. At each balance sheet date, the appropriateness of the depreciation rates, the depreciation method and the residual values are reviewed.

Where an asset's carrying amount exceeds its estimated recoverable amount (higher of an asset's fair value less costs to sell and its value in use), it is written down immediately to its recoverable amount (see the accounting policy in Section M).

Items of property, plant and equipment are derecognised on disposal or when no future economic benefits are expected from their use or disposal. Gains or losses arising from the disposal of items of property, plant and equipment are included either within other operating income or other operating expenses in the income statement.

Items of property, plant and equipment that are expected to be sold within the next 12 months and for which the management has commenced active sales activities and which are offered for sale at their fair value for a realistic price are reclassified as assets held for sale.

L Intangible assets

Intangible assets are initially recorded at cost and they are subsequently carried at cost less any accumulated amortisation and any impairment losses (see accounting policy M).

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

M Impairment of assets

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

N Operating and finance lease

Leases which transfer all significant risks and rewards incidental to ownership to the lessee are classified as finance leases. All other leases are classified as operating leases.

Assets and liabilities under finance leases are initially recognised at the lower of the fair value of the leased property and the present value of minimum lease payments. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. Financial expenses are allocated over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

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

O Financial liabilities

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

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

The amortised cost of current financial liabilities generally equals their nominal value; therefore, current financial liabilities are carried in the balance sheet in their redemption value. For determining the amortised cost of non-current financial liabilities, they are initially recognised at the fair value of the consideration received (less any transaction costs), calculating interest expense on the liability in subsequent periods using the effective interest rate method.

A financial liability is classified as current when it is due to be settled within 12 months after the balance sheet date or the Group does not have an unconditional right to defer settlement of the liability for more than 12 months after the balance sheet date. Borrowings due to be settled within 12 months after the balance sheet date that are refinanced as long-term after the balance sheet date but before the financial statements are authorised for issue, are recognised as current liabilities. Borrowings that the lender has the right to recall at the balance sheet date as a consequence of a breach of contractual terms are also recognised as current liabilities.

P Provisions and contingent liabilities

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

The provisions are recognised based on management's (or independent experts') estimates regarding the amount and timing of the expected outflows. Risks and uncertainties are taken into consideration when measuring provisions; the provisions for which the effect of the time value of money is insignificant are discounted. The increase of the provision due to the passage of time is recognised as an interest expense.

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

Provision for long-term disability compensations

Under law, the Group is obliged to pay compensation to employees for permanent injuries incurred during their employment at the Group. The level of the benefit depends on the extent of disability, the average monthly salary of the employee prior to injury, and the changes in pension payments by the state. The level of the benefit does not depend on the length of service. For the Group, the obligation to pay benefits arises at the time when the degree of the employee's incapacity for work is determined.

Disability compensation is recognised in the balance sheet in its discounted present value. In measuring the liability, management has used demographic assumptions (such as mortality), and financial assumptions (e.g. the discount rate and future benefit levels).

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

Q Payables to employees

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

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

R Taxation

Corporate income tax

According to the Estonian Income Tax Act, the profits earned by Estonian entities are not taxed when they are incurred but at the time they are distributed. From 1 January 2008, dividends are taxed with the income tax rate of 21/79 of the amount paid out as net dividends, from which income tax paid before 1.1.2000 can be deducted using a respective coefficient. The corporate income tax arising from the payments of dividends is accounted for as an expense in the period when dividends are declared, regardless of the actual payment date or the period for which dividends are paid.

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

According to local income tax legislation, the profits of entities in Latvia, Lithuania and Ukraine are adjusted for the permanent and temporary differences provided by law. Pursuant to tax legislation, temporary differences arise between the carrying amounts and tax bases of assets and liabilities; therefore deferred income tax liabilities and assets arise. As at 31.12.2010 and 31.12.2009, the subsidiaries did not have any deferred tax assets and liabilities. The management of the Group estimates that the realisation of the income tax asset is not reliably assessable, thus it is not recorded in the financial statements.

According to income tax regulations in Latvia and Lithuania, the taxpayers of the respective country are subject to the corporate income tax on taxable profits earned in the financial year. In Latvia, the income tax rate was 15% in 2010 and 2009, in Lithuania, 15% in 2010 and 20% in 2009. The corporate income tax in Ukraine was 25% in 2010 and 2009.

S Revenue

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

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

T Cash flow statement

The cash flow statement is prepared using the indirect method. Cash flows from operating activities are determined by adjusting the net profit for the financial year through elimination of the effect of non-monetary transactions, changes in the balances of assets and liabilities related to operating activities and revenue and expenses related to investing or financing activities. Cash flows from investing or financing activities are recognised under the direct method.

U Segment reporting

Operating segments have been determined and information about operating segments has been disclosed in a manner consistent with preparation of reporting for making management decisions and analysing the results. Segment reporting is in compliance with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Management Board of AS Viisnurk.

Segment results, assets and liabilities include items which are directly related to the segment or can be allocated to it on a reasonable basis.

V Statutory reserve capital

Statutory reserve capital is formed from annual net profit allocations as well as other provisions which are entered in reserve capital pursuant to legislation or articles of association. The amount of reserve capital is stipulated in the articles of association and it cannot be less than 1/10 of share capital. Each financial year, at least 1/20 of net profit shall be entered in the reserve capital. When reserve capital reaches the level required by the articles of association, the allocations to reserve capital from the net profit may be terminated.

Based on the decision of the General Meeting of Shareholders, the statutory legal reserve may be used to cover a loss, or to increase share capital. Payments shall not be made to shareholders from the statutory legal reserve.

W Earnings per share

Basic earnings per share are calculated by dividing the net profit for the financial year attributable to the equity holders of the parent by the period's weighted average number of outstanding ordinary shares. Diluted earnings per share are calculated by dividing the net profit for the financial year attributable to the equity holders of the parent by the weighted average number of outstanding ordinary shares, adjusted for the effect of dilutive potential ordinary shares.

X Events after the balance sheet date

Significant circumstances that have an adjusting effect on the evaluation of assets and liabilities and that became evident between the balance sheet date and the date of approving the financial statements (5 April 2011) but that are related to the reporting period or prior periods, have been recorded in the financial statements. Non-adjusting events and the events that have a significant impact on the results of the next financial year have been disclosed in the notes to the financial statements.

Y Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the income statement as income over the period necessary to match them with the costs that they are intended to compensate.

3 Financial risk management

The Group's financial instruments include cash for funding operating activities and receivables from debtors and payables to creditors arising in operating activities as well as loans. Management defines risk as a potential deviation from the expected results. The Group's risk management is based on the requirements of the Tallinn Stock Exchange, Financial Supervision Authority and other regulatory bodies as well as compliance with Corporate Governance Recommendations and the Group's internal regulations.

All financial assets of the Group are in the categories of "Cash and bank" and "Receivables", all financial liabilities are in the category of "Other financial liabilities" carried at amortised cost.

	31.12.2010 *EEK '000*	31.12.2009 *EEK '000*	31.12.2010 *€ '000*	31.12.2009 *€ '000*
Financial assets				
Cash and bank	**15,823**	6,091	**1,011**	389
incl. cash	162	121	10	8
bank	15,661	5,970	1,001	381
Receivables (Note 5)	**15,116**	**15,819**	**966**	**1,011**
incl. trade receivables	14,468	15,102	925	965
other short-term receivables	648	717	41	46
Total financial assets	**30,939**	**21,910**	**1,977**	**1,400**
Financial liabilities				
Borrowings (Note 10)	**33,101**	35,132	**2,116**	2,245
Payables (Note 12)	**11,591**	12,941	**741**	828
incl. trade payables	9,574	11,336	612	725
other short-term payables	2,017	1,605	129	103
Total financial liabilities	**44,692**	**48,073**	**2,857**	**3,073**

Interest rate risk

The Group's cash flow interest rate risk is primarily related to long-term borrowings with floating interest rates.

The Group is exposed to cash flow risk affected by interest rate changes because most of its loans are with variable interest rates – the sensitivity analysis for fluctuations in interest rates is presented below. Management estimates that the cash flow risk related to changes in interest rates is not material; therefore, the Group does not use financial instruments to manage risks.

The interest rate risk of AS Viisnurk arises primarily from possible changes in Euribor (Euro Interbank Offered Rate), because most of the Group's loans are tied to Euribor. As at 31.12.2010, 6 month Euribor was 1.227 and as at 31.12.2009, 0.994. If Euribor had changed by 1 pp, the total interest cost of current loans would have changed by 151 thousand kroons (10 thousand euros) (2009: by 450 thousand kroons (29 thousand euros)).

The dates for settling interest rates of loans depending on changes in Euribor are as follows:

- ✓ on the loan in the initial amount of EUR 2,660 thousand (EEK 41,620 thousand) at 30 September and 31 March of each year;
- ✓ on the loan in the initial amount of EUR 831 thousand (EEK 13,000 thousand) at 30 November and 30 May of each year;
- ✓ on the loan in the initial amount of EUR 445 thousand (EEK 6,963 thousand) at 30 June and 30 December of each year.

As at 31.12.2010, the total carrying amount of these loans was 29,707 thousand kroons (1,899 euros) and as at 31.12.2009: 29,784 thousand kroons (1,903 thousand euros).

The deposits of the Group's cash and cash equivalents have fixed interest rates.

As at 31.12.2010, finance lease agreements in the amount of 3,394 thousand kroons (217 thousand euros) (31.12.2009: 3,980 thousand kroons (254 thousand euros)) had fixed interest rates.

Credit risk

AS Viisnurk's credit risk is the risk of the inability of its business partners to meet their contractual obligations. The Group's credit risk arises from cash and cash equivalents, deposits in banks and financial institutions as well as receivables exposed to risk.

Cash and bank

The Group approves banks and financial institutions with the credit rating of "A" as its long-term collaboration partners, however, banks without a credit rating are also approved.

	31.12.2010 *EEK '000*	31.12.2009 *EEK '000*	31.12.2010 *€ '000*	31.12.2009 *€ '000*
Credit rating "A"	8,714	3,440	557	220
Credit rating "B"	0	692	0	44
Not rated	6,947	1,838	444	117
Total	**15,661**	**5,970**	**1,001**	**381**

The credit rating is available on the website of Moody's Investor Service.

Receivables

Pursuant to the Group's credit policy, no security is required from wholesale customers to ensure collection of receivables, but focus is laid on monitoring deliveries, balances of accounts receivable and compliance with payment terms on a continuous basis. In riskier markets, complete or partial prepayment, credit limits and shorter payment terms are applied.

As a rule, sales to retail customers occur in cash, using prepayments or bank credit cards, therefore there is no credit risk related to sale to retail customers except for risk related to banks and financial institutions that the Group has approved as its business partners.

As at the balance sheet date, the Group was not aware of any major risks related to accounts receivable except for 721 thousand kroons (46 thousand euros) (2009: 1 004 thousand kroons (64 thousand euros)) which had been deemed as uncollectible, see Notes 5 and 21. The Group monitors the financial position of its current and potential partners and their ability to meet the obligations they have assumed.

Key customers and their share

Key customers are defined as those to whom the sales amount to more than 5% of the Group's revenue.

Balance of receivables from key customer by age:

	31.12.2010 *EEK '000*	31.12.2009 *EEK '000*	31.12.2010 *€ '000*	31.12.2009 *€ '000*
Not due	5,907	8,941	377	572
Overdue:				
Up to 90 days	494	897	32	57
Over 90 days	0	0	0	0
TOTAL	**6,401**	**9,838**	**409**	**629**

See also Note 5 for additional information regarding receivables.

Liquidity risk

Liquidity risk is a potential loss arising from limited or insufficient monetary funds necessary for the meeting of obligations arising from the Group's operations. Management constantly monitors cash flow forecasts, evaluating the existence and availability of the Group's monetary resources to meet the obligations assumed and to fund the Group's strategic goals. The Group has a factoring limit available in the total amount of 5,000 thousand kroons (320 thousand euros) (2009: 7,000 thousand kroons (447 thousand euros)) to manage liquidity risk.

Analysis of financial liabilities by maturity as at 31.12.2010:

EEK '000

	Balance at 31.12.2010	Undiscounted cash flows: Up to 3 months	3-12 months	1-2 years	3-5 years	Total
Bank loans (Note 10)	29,707	12,513	6,777	11,583	-	30,873
Finance lease liabilities (Note 10)	3,394	,2,886	268	277	-	3,431
Trade payables (Note 12)	9,574	9,574	-	-	-	9,574
Other payables (Note 12)	2,017	2,017	-	-	-	2,017
Total	**44,692**	**26,990**	**7,045**	**11,860**	**0**	**45,895**

€ '000

	Balance at 31.12.2010	Undiscounted cash flows: Up to 3 months	3-12 months	1-2 years	3-5 years	Total
Bank loans (Note 10)	1,899	800	433	740	-	1,973
Finance lease liabilities (Note 10)	217	184	18	18	-	220
Trade payables (Note 12)	612	612	-	-	-	612
Other payables (Note 12)	129	129	-	-	-	129
Total	**2,857**	**1,725**	**451**	**758**	**0**	**2,934**

Analysis of financial liabilities by maturities as at 31.12.2009:

EEK '000

	Balance at 31.12.2009	Undiscounted cash flows: Up to 3 months	3-12 months	1-2 years	3-5 years	Total
Bank loans and overdraft (Note 10)	31,153	1,407	7,234	16,717	7,752	33,110
Finance lease liabilities (Note 10)	3,979	157	472	608	2,823	4,060
Trade payables (Note 12)	11,336	11,336	-	-	-	11,336
Other payables (Note 12)	1,605	1,605	-	-	-	1,605
Total	**48,037**	**14,505**	**7,706**	**17,325**	**10,575**	**50,111**

€ '000

	Balance at 31.12.2009	Undiscounted cash flows: Up to 3 months	3-12 months	1-2 years	3-5 years	Total
Bank loans and overdraft (Note 10)	1,990	90	462	1,068	495	2,115
Finance lease liabilities (Note 10)	255	10	30	39	180	259
Trade payables (Note 12)	725	725	-	-	-	725
Other payables (Note 12)	103	103	-	-	-	103
Total	**3,073**	**928**	**492**	**1,107**	**675**	**3,202**

For determining cash flows for interest bearing borrowings which are based on floating interest rate, the spot interest rate has been used.

Foreign currency exchange risk

Foreign currency exchange risk is the risk that the Group may incur a significant loss as a result of fluctuations in foreign currency exchange rates. AS Viisnurk's foreign currency exchange risk from export-import transactions is low because most of the contracts have been concluded in euros. In the financial year, the Group collected 22.7 million kroons (1.5 million euros) in currencies not directly or indirectly tied to the Estonian kroon, of which 48% constituted proceeds in UAH, 32% in LTL, 17% in LVL and 3% in USD. The Group paid for goods and services in the amount of 15.1 million kroons (1.0 million euros) in the currencies with an exchange risk of which 54% in UAH, 25% in LTL and 15% in LVL. Management considers its activities in Ukraine to be exposed to foreign currency exchange risk, because the transactions in that market are concluded in hryvnias, whose exchange rate has fluctuated considerably. The assets and liabilities located outside Estonia are exposed to changes in exchange rates of the local currency.

The Group has not acquired any derivative financial instruments to manage the currency risk.

The Group's foreign currency positions and sensitivity analysis at 31.12.2010:

'000

Amounts presented in the currencies in which the financial instruments have been denominated:	*EEK*	*EUR*	*LTL*	*LVL*	*UAH*	
Cash and bank	1,280	797	87	26	760	
Receivables (Note 5)	2,561	782	3	8	80	
Total financial assets	**3,841**	**1,579**	**90**	**34**	**840**	
Borrowings (Note 10)	2,790	1,938	0	0	0	
Payables (Note 12)	10,359	68	11	2	52	
Financial liabilities	**13,149**	**2,006**	**11**	**2**	**52**	
Net foreign currency positions	**(9,308)**	**(427)**	**79**	**32**	**788**	
Analysis in presentation currencies:						
Net foreign currency positions EEK	(9,308)	(6,681)	358	705	1,158	
Net foreign currency positions EUR	(595)	(427)	23	45	74	
Strengthening or weakening of foreign currency against EEK, %				2%	15%	**Total impact on net profit:**
Effect on net profit EEK				14	174	**188**
Effect on net profit EUR				1	11	**12**

The Group's foreign currency positions at 31.12.2009:

'000

Amounts presented in the currencies in which the financial instruments have been denominated:	*EEK*	*EUR*	*LTL*	*LVL*	*UAH*	*SEK*	
Cash and bank	771	230	71	10	882	-	
Receivables (Note 5)	2,529	822	12	10	103	-	
Total financial assets	**3,300**	**1,052**	**83**	**20**	**985**	**-**	
Borrowings (Note 10)	3,034	2,051	0	0	0	-	
Payables (Note 12)	15,974	75	50	5	127	20	
Financial liabilities	**19,008**	**2,126**	**50**	**5**	**127**	**20**	
Net foreign currency positions	**(15,708)**	**(1,074)**	**33**	**15**	**858**	**(20)**	
Analysis in presentation currencies:							
Net foreign currency positions EEK	(15,708)	(16,804)	150	330	1 158	(30)	
Net foreign currency positions EUR	(1,003)	(1,074)	9	21	74	(2)	
Strengthening or weakening of foreign currency against EEK, %				2%	30%	15%	**Total impact on net profit:**
Effect on net profit EEK				7	347	5	**359**
Effect on net profit EUR				0	22	0	**22**

Capital management

In capital risk management, the Group's main goal is to ensure the Group's sustainability of operations in order to generate returns to its shareholders and benefits to other stakeholders, thereby maintaining the optimal capital structure to lower the cost of capital. In order to preserve or improve the capital structure, the Group can regulate the dividends payable to shareholders, reimburse the paid in capital, issue new shares or sell assets to lower its liabilities. The management monitors capital on the basis of the debt to capital ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as the sum of equity as shown in the consolidated balance sheet and net debt. The Group's strategy is to maintain the gearing ratio up to 35%.

	31.12.2010 *EEK '000*	**31.12.2009** *EEK '000*	**31.12.2010** *€ '000*	**31.12.2009** *€ '000*
Borrowings (Note 10)	33,101	35,132	2,116	2,245
Cash and cash equivalents	15,823	6,091	1,011	389
Net debt	17,278	29,041	1,105	1,856
Total equity (Note 14)	83,421	71,508	5,331	4,570
Total capital	100,699	100,549	6,436	6,426
Debt to capital ratio	17%	29%	17%	29%

Fair value

Management estimates that the fair values of cash, accounts payable, short-term loans and borrowings do not materially differ from their carrying amounts. The fair values of long-term loans and borrowings do not materially differ from their carrying amounts because their interest rates correspond to a material extent to the interest rate risks prevailing in the market. The Group has conducted one loan in 2010; the risk margin of which is 2.9% (Note 10). If the same risk margin were applied to determine the discount rate for calculating the fair value for all the other loans, the fair value of loans would be more than their carrying amounts by 111 thousand kroons (7 thousand euros). The Group's management has assumed that since the effect on the risk margin is low as compared with the date of loan assumption, the fair values of liabilities do not significantly differ from their carrying amounts.

4 Critical accounting estimates and judgements

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

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

The areas which require more significant or complex management decisions, and estimates and which have a major effect on the financial statements, include valuation of receivables and inventories (Notes 5, 6), and estimation of useful lives and residual value of property, plant and equipment (Note 8) and investment property (Note 7), and the provisions for long-term disability benefits (Note 13).

Valuation of receivables

Trade receivables are short-term receivables from customers, generated in the Group's ordinary course of business. Trade receivables are carried at amortised cost (i.e. original invoice amount less any repayments and any impairment losses, if necessary). In valuating receivables, the Management bases its estimations on its best knowledge, taking into account historical experience, general background information and possible assumptions and conditions of future events. In identifying the amount of receivable written down the length of debt is taken into account.

Valuation of inventories

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

Impairment testing of non-current assets

If there exist any indications that an asset may be impaired, the Group estimates the recoverable amount (higher of the asset's fair value (less costs to sell) and its value in use) of the asset (see also the accounting policy in Section 2M).

Management has performed an impairment test in 2009 during the course of which, the recoverable amount (based on value in use) of non-current assets of the building materials division and the furniture factory were estimated. During the test, the future cash flows of the respective cash generating units were estimated, and the present value of the cash flows was compared with the unit's carrying amount. The discount rate used for discounting the cash flows was 12%. No items of property, plant and equipment were written down as a result of the test. In 2010, there were no indications of impairment of assets and therefore, no impairment tests were performed.

Useful lives and residual values of investment property and property, plant and equipment

Management determined the useful lives of real estate properties, buildings and equipment on the basis of production volumes, historical experience in the area and future outlook. The residual values are determined based on historical experience in the area and future outlook. When assessing the sensitivity of profits to depreciation and amortisation, management assumed that by changing the deprecation rates by 25%, the Group's profit in 2010 would change by 2,120 thousand kroons (135 thousand euros) and in 2009, by 1,861 thousand kroons (119 thousand euros).

Estimation of provisions for long-term disability benefits

Calculation of the amount of compensation depends on several assumptions, the most significant of which are assumptions regarding the expected remaining lives of employees receiving the benefits, and assumptions about the discount rate. Management has used the statistical data publicly available at the Statistical Office of Estonia regarding the expectations of the remaining period of payments. The discount rate has been determined based on market yields on high quality corporate bonds, available in the Baltic Bond List. The discount rate in 2010 was 7% and in 2009, 8%. If the discount rate was changed by 1 pp, the balance of payables would change by 217 thousand EEK (14 thousand euros) in 2010 and by 242 thousand EEK (15 thousand euros) in 2009. See also Note 2P and Note 13.

5 Receivables and prepayments

	31.12.2010 *EEK '000*	31.12.2009 *EEK '000*	**31.12.2010** *€ '000*	31.12.2009 *€ '000*
Trade receivables	**15,189**	16,106	**971**	1,029
Allowance for impaired receivables (Note 3)	**(721)**	(1,004)	**(46)**	(64)
Trade receivables - net (Note 3)	**14,468**	15,102	**925**	965
Prepaid taxes	**3,106**	2,253	**198,**	144,
Prepaid services	**527**	738	**34**	47
Other current receivables (Note 3)	**648**	717	**41**	46
TOTAL	**18,749**	**18,810**	**1,198**	**1,202**

Impairment losses of receivables and their reversal are included in the income statement lines *Other operating income* and *Other operating expenses*, see also Notes 20 and 21.

	31.12.2010 *EEK '000*	31.12.2009 *EEK '000*	**31.12.2010** *€ '000*	31.12.2009 *€ '000*
Irrecoverable receivables taken off the balance sheet	**456**	209	**29**	13
Loss due to impairment of receivables	**235**	476	**15**	30
Collection of receivables written down in previous periods	62	58	4	4

Analysis of trade receivables by aging:

	31.12.2010 *EEK '000*	31.12.2009 *EEK '000*	**31.12.2010** *€ '000*	31.12.2009 *€ '000*
Not due	**13,606**	12,901	**870**	825
Receivables from customers who also have receivables past due	***8,271***	*6,035*	***529***	*386*
Receivables from customers who have no receivables past due	***5,335***	*6,866*	***341***	*439*
Overdue but not impaired	**862**	2,201	**55**	140
Overdue up to 90 days	***783***	*2,201*	***50***	*140*
Overdue more than 90 days	***79***	*0*	***5***	*0*
Impaired	**721**	1,004	**46**	64
Overdue up to 90 days	***27***	*310*	***2***	*20*
Overdue more than 90 days	***694***	*694*	***44***	*44*
TOTAL	**15,189**	**16,106**	**971**	**1,029**

Other current receivables were not due as at 31.12.2010 and 31.12.2009. The receivables and prepayments are pledged as part of the commercial pledge (Note 10).

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6 Inventories

	31.12.2010 *EEK '000*	31.12.2009 *EEK '000*	31.12.2010 *€ '000*	31.12.2009 *€ '000*
Raw materials and other materials	9,558	9,099	611	582
Work-in-progress - production	8,248	7,992	527	511
Work in progress - real estate development	3,346	3,346	214	214
Finished goods	14,542	17,658	929	1,129
Goods purchased for resale	2,888	3,723	185	238
Prepayments to suppliers	283	94	18	6
TOTAL (Note 24)	**38,865**	**41,912**	**2,484**	**2,680**

In 2010, materials were written off and written down in the amount of 91 thousand kroons (6 thousand euros) (2009: 288 thousand kroons (18 thousand euros)).

In 2010, finished goods with the cost of 310 thousand kroons (20 thousand euros) (2009: 395 thousand kroons (25 thousand euros)) were written off and written down and an allowance for the write-down and write-off of finished goods was set up in the amount of 200 thousand kroons (13 thousand euros) as at 31.12.2010 (2009: 500 thousand kroons (32 thousand euros)).

In 2010, goods purchased for resale with the cost of 76 thousand kroons (5 thousand euros) (2009: 52 thousand kroons (3 thousand euros)) were written off.

Inventories have been pledged and they are part of the commercial pledge (Note 10).

Inventories - real estate development

The buildings and land forming a part (ca 14 000 m^2) of the property at Rääma Street 31, Pärnu and covered by the development contract are classified within inventories as a real estate development project. The development of the property started in 2007.

	EEK '000	*€ '000*
Work in progress – real estate development at 31.12.2008	**3,335**	**213**
Additional investments 2009	11	1
Work in progress – real estate development at 31.12.2009	**3,346**	**214**
Additional investments 2010	0	0
Work in progress – real estate development at 31.12.2010	**3,346**	**214**

Fair value of the share of the property:

	EEK '000	*€ '000*
31.12.2009	8,500	543
31.12.2010	7,800	499

The market value of the share of the registered immovable (no. 1409605) at Rääma Street 31, Pärnu was determined by an independent real estate expert in the month following the balance sheet date in the reporting year as well as in the prior period. The fair value is based on the assumption that the share is separately realisable. Management estimates that the share of Rääma 31 property is separately realisable.

As at 31.12.2010, the work in progress – real estate development was pledged as collateral in carrying amount of 3,346 thousand kroons (214 thousand euros) (31.12.2009: 3,346 thousand kroons (214 thousand euros)), see also Note 10.

7 Investment property

	EEK '000	€ '000
Cost at 31.12.2008	**7,341**	**469**
Accumulated depreciation at 31.12.2008	**(4,448)**	**(284)**
Carrying amount at 31.12.2008	**2,893**	**185**
Cost at 31.12.2009	**7,341**	**469**
Accumulated depreciation at 31.12.2009	**(4,448)**	**(284)**
Carrying amount at 31.12.2009	**2,893**	**185**
Cost at 31.12.2010	**7,341**	**469**
Accumulated depreciation at 31.12.2010	**(4,448)**	**(284)**
Carrying amount at 31.12.2010	**2,893**	**185**

Fair value of investment property:

	EEK '000	€ '000
31.12.2009		
Share of registered immovable at Rääma Street 94, Pärnu	9,000	575
31.12.2010		
Share of registered immovable at Rääma Street 94, Pärnu	8,700	556

Investment property comprises part of the property at Rääma Street 94, Pärnu (no. 1403305). The market value of the share of the property was evaluated by an independent real estate expert in the month following the balance sheet date in the reporting year as well as in the prior period.. The fair value is based on the assumption that the share is separately realisable. Management estimates that the share of Rääma 94 property is separately realisable.

The investment property is not depreciated because the estimated residual values of the investment properties exceed their carrying amounts.

In the financial year, the costs directly attributable to management of investment property were 90 thousand kroons (6 thousand euros) (2009: 109 thousand kroons (7 thousand euros)). In the financial year, rental income from investment properties totalled 10 thousand kroons (1 thousand euros) (2009: 0).

As at 31.12.2010, the carrying amount of investment property pledged as collateral amounted to 2,893 thousand kroons (185 thousand euros), and as at 31.12.2009, 2,893 thousand kroons (185 thousand euros); see also Note 10.

8 Property, plant and equipment

	Land	Buildings and facilities	Machinery and equipment	Other fixtures	Construction-in-progress	EEK '000 **TOTAL**
Cost at 31.12.2008	**1,238**	**63,741**	**107,544**	**5,325**	**1,614**	**179,462**
Accumulated depreciation at 31.12.2008	**0**	**(21,857)**	**(87,511)**	**(3,761)**	**0**	**(113,129)**
Carrying amount at 31.12.2008	**1,238**	**41,884**	**20,033**	**1,564**	**1,614**	**66,333**
Reclassification	0	43	1,671	31	(1,745)	**0**
Additions	0	33	3,850	88	1,056	**5,027**
Disposals and write-offs (Notes 21; 24)	0	0	0	(168)	(46)	**(214)**
Depreciation charge (Notes 16; 24)	0	(2,643)	(4,909)	(504)	0	**(8,056)**
Unrealised currency translation differences	0	0	0	(12)	5	**(7)**
Cost at 31.12.2009	**1,238**	**63,817**	**112,551**	**4,483**	**884**	**182,973**
Accumulated depreciation at 31.12.2009	**0**	**(24,500)**	**(91,906)**	**(3,484)**	**0**	**(119,890)**
Carrying amount at 31.12.2009	**1,238**	**39,317**	**20,645**	**999**	**884**	**63,083**
Reclassification	0	681	8,192	148	(9,021)	**0**
Additions	0	667	1,849	528	8,738	**11,782**
Disposals and write-offs (Notes 21; 24)	0	0	(42)	(22)	(354)	**(418)**
Depreciation charge (Notes 16; 24)	0	(3,004)	(4,781)	(668)	0	**(8,453)**
Unrealised currency translation differences	0	0	0	(12)	0	**(12)**
Cost at 31.12.2010	**1,238**	**65,165**	**122,550**	**5,137**	**247**	**194,337**
Accumulated depreciation at 31.12.2010	**0**	**(27,504)**	**(96,687)**	**(4,164)**	**0**	**(128,355)**
Carrying amount at 31.12.2010	**1,238**	**37,661**	**25,863**	**973**	**247**	**65,982**

	Land	Buildings and facilities	Machinery and equipment	Other fixtures	Construction-in-progress	€ '000 TOTAL
Cost at 31.12.2008	**79**	**4,074**	**6,873**	**340**	**103**	**11,469**
Accumulated depreciation at 31.12.2008	**0**	**(1,397)**	**(5,593)**	**(240)**	**0**	**(7,230)**
Carrying amount at 31.12.2008	**79**	**2,677**	**1,280**	**100**	**103**	**4,239**
Reclassification	0	3	107	2	(112)	**0**
Additions	0	2	246	6	68	**322**
Disposals and write-offs (Notes 21; 24)	0	0	0	(10)	(3)	**(13)**
Depreciation charge (Notes 16; 24)	0	(169)	(314)	(33)	0	**(516)**
Unrealised currency translation differences	0	0	0	(1)	0	**(1)**
Cost at 31.12.2009	**79**	**4,079**	**7,193**	**287**	**56**	**11,694**
Accumulated depreciation at 31.12.2009	**0**	**(1,566)**	**(5,874)**	**(223)**	**0**	**(7,663)**
Carrying amount at 31.12.2009	**79**	**2,513**	**1,319**	**64**	**56**	**4,031**
Reclassification	0	43	524	9	(576)	**0**
Additions	0	43	119	34	558	**754**
Disposals and write-offs (Notes 21; 24)	0	0	(2)	(1)	(23)	**(26)**
Depreciation charge (Notes 16; 24)	0	(192)	(306)	(43)	0	**(541)**
Unrealised currency translation differences	0	0	0	(1)	0	**(1)**
Cost at 31.12.2010	**79**	**4,165**	**7,834**	**329**	**15**	**12,422**
Accumulated depreciation at 31.12.2010	**0**	**(1,758)**	**(6,180)**	**(267)**	**0**	**(8,205)**
Carrying amount at 31.12.2010	**79**	**2,407**	**1,654**	**62**	**15**	**4,217**

As at 31.12.2010, the cost of fully depreciated property, plant and equipment still in use amounted to 81,852 thousand kroons (5,231 thousand euros) and as at 31.12.2009, the respective amount was 87,131 thousand kroons (5,569 thousand euros).

As at 31.12.2010, the carrying amount of non-current assets pledged as mortgages was 38,899 thousand kroons (2,486 thousand euros) and as at 31.12.2009, 40,555 thousand kroons (2,592 thousand euros). The remaining non-current assets are part of the commercial pledge; see also Note 10.

Machinery and equipment include assets where the Group is a lessee under a finance lease with the carrying amount of 3,435 thousand kroons (220 thousand euros) as at 31.12.2010 (2009: 4,067 thousand kroons (259 thousand euros).

Construction-in-progress

As at 31.12.2010, construction-in-progress includes the investment in production technology in the amount of 247 thousand kroons (15 thousand euros).

As at 31.12.2009, construction-in-progress includes the investment in production technology in the amount of 430 thousand kroons (27 thousand euros), the investment in the renovation of buildings in the amount of 179 thousand kroons (11 thousand euros), the investment in economics software in the amount of 252 thousand kroons (16 thousand euros) and the investment in other non-current assets in the amount of 23 thousand kroons (2 thousand euros).

9 Intangible assets

	EEK '000	*€ '000*
Cost at 31.12.2008	**5,193**	**332**
Accumulated amortisation at 31.12.2008	**(5,172)**	**(331)**
Carrying amount at 31.12.2008	**21**	**1**
Amortisation charge (Note 24)	(7)	(0)
Cost at 31.12.2009	**5,193**	**332**
Accumulated amortisation at 31.12.2009	**(5,179)**	**(331)**
Carrying amount at 31.12.2009	**14**	**1**
Additions 2010	329	21
Write-offs 2010	(4,056)	(259)
Write-off of accumulated amortisation 2010	4,056	
Amortisation charge (Note 24)	(28)	(2)
Cost at 31.12.2010	**1,466**	**94**
Accumulated amortisation at 31.12.2010	**(1,151)**	**(74)**
Carrying amount at 31.12.2010	**315**	**20**

Intangible assets include computer software not directly linked to hardware.

10 Borrowings

Information regarding loans as at 31.12.2010:

EEK '000

	Total	Within 1 year	Due date 1-5 years	*1-2 years*	*3-5 years*
EUR 2,660,000 - 6 month Euribor+3.6%	13,540	6,018	7,522	7,522	0
EUR 830,851.43 - 6 month Euribor+2.2%	10,150	10,150	0	0	0
EUR 445,000 -6 month Euribor+2.9%	6,017	2,332	3,685	3,685	0
Finance lease 5.8%	100	100	0	0	0
Finance lease 5.3%	154	114	40	40	0
Finance lease 5.641%	350	125	225	225	0
Finance lease	2,790	2,790	0	0	0
TOTAL	**33,101**	**21,629**	**11,472**	**11,472**	**0**

€ '000

	Total	Within 1 year	Due date 1-5 years	*1-2 years*	*3-5 years*
EUR 2,660, 000 - 6 month Euribor+3.6%	866	385	481	481	0
EUR 830,851.43 - 6 month Euribor+2.2%	649	649	0	0	0
EUR 445,00 - 6 month Euribor+2.9%	384	149	235	235	0
Finance lease 5.8%	7	7	0	0	0
Finance lease 5.3%	10	7	3	3	0
Finance lease 5.641%	22	8	14	14	0
Finance lease	178	178	0	0	0
TOTAL	**2,116**	**1,383**	**733**	**733**	**0**

Information regarding loans as at 31.12.2009:

EEK '000

	Total	Within 1 year	Due date 1 to 5 years	*1-2 years*	*3-5 years*
2,660,000 EUR - 6 month Euribor+3.6%	16,548	3,008	13,540	*6,018*	*7,522*
830,851.43 EUR - 6 month Euribor+2.2%	11,950	1,800	10,150	*10,150*	*0*
479,337.36 EUR - 6 month Euribor+1.5%	1,286	1,286	0	*0*	*0*
Finance lease 5.8%	214	114	100	*100*	*0*
Finance lease 5.3%	263	109	154	*114*	*40*
Finance lease 5.641%	468	118	350	*125*	*225*
Finance lease	3,034	244	2,790	*244*	*2,546*
Overdraft	1,369	1,369	0	*0*	*0*
TOTAL	**35,132**	**8,048**	**27,084**	***16,751***	***10,333***

€ '000

	Total	Within 1 year	Due date 1 to 5 years	*1-2 years*	*3-5 years*
2,660,000 EUR - 6 month Euribor+3.6%	1,057	192	865	*384*	*481*
830,851.43 EUR - 6 month Euribor+2.2%	764	115	649	*649*	*0*
479,337.36 EUR - 6 month Euribor+1.5%	82	82	0	*0*	*0*
Finance lease 5.8%	14	7	7	*7*	*0*
Finance lease 5.3%	17	7	10	*7*	*3*
Finance lease 5.641%	30	8	22	*8*	*14*
Finance lease	194	16	178	*15*	*163*
Overdraft	87	87	0	*0*	*0*
TOTAL	**2,245**	**514**	**1,731**	***1,070***	***661***

The borrowings of AS Viisnurk have been secured as follows:

- commercial pledge in the total amount of 35,000 thousand kroons (2,237 thousand euros);
- mortgage with collateral claims in the total amount of 77,000 thousand kroons (4,921 thousand euros). In addition, the Group has a valid mortgage in the amount of 36,000 thousand kroons (2,301 thousand euros), in respect of which the Group currently has no obligations.

Information regarding financial risks arising from borrowings is disclosed in Note 3. Information regarding the carrying amounts of assets pledged as collateral for bank loans is disclosed in Notes 5, 6, 7 and 8.

11 Operating lease

The Group is the lessee

In 2010, operating lease expenses amounted to 4,451 thousand kroons (284 thousand euros) and in 2009, to 5,589 thousand kroons (357 thousand euros).

Future lease payments under non-cancellable operating leases:

	Machinery and equipment *EEK '000*	Machinery and equipment *€ '000*	Store premises *EEK '000*	Store premises *€ '000*
At 31.12.2010				
- 1 years	784	50	1,584	101
between 1 and 5 years	489	31	3,725	238
TOTAL	**1,273**	**81**	**5,309**	**339**
At 31.12.2009				
- 1 years	946	61	842	54
between 1 and 5 years	819	52	-	-
TOTAL	**1,765**	**113**	**842**	**54**

12 Payables and prepayments

	2010 *EEK '000*	2009 *EEK '000*	2010 *€ '000*	2009 *€ '000*
Trade payables (Notes 3)	**9,574**	**11,336**	**612**	**725**
Payables to employees	**6,215**	**4,749**	**397**	**303**
incl. accrued holiday pay reserve	2,305	2,279	147	146
provision for bonuses	1,773	485	113	31
Tax liabilities	**3,893**	**3,580**	**249**	**229**
incl. social security and unemployment insurance	2,457	2,256	157	144
personal income tax	1,095	969	70	62
contribution to mandatory funded pension	45	12	3	1
value added tax	255	311	16	20
other taxes	41	32	3	2
Prepayments received	**1,182**	**1,472**	**75**	**94**
Other payables (Note 3)	**2,017**	**1,605**	**129**	**103**
TOTAL	22,881	22,742	1,462	1,454

13 Provisions

	EEK '000	*€ '000*
Balance at 31.12.2008	**3,536**	**226**
incl. current portion of provision	115	7
incl. non-current portion of provision	3,421	219
Movements in 2009:		
Use of provision	(392)	(25)
Interest cost (Note 22)	277	18
Balance at 31.12.2009	**3,421**	**219**
incl. current portion of provision	118	8
incl. non-current portion of provision	3,303	211
Movements in 2010:		
Use of provision	(350)	(22)
Transfers to provision	98	6
Disbursements from provision	(181)	(12)
Interest cost (Note 22)	236	15
Balance at 31.12.2010	**3,224**	**206**
incl. current portion of provision	122	8
incl. non-current portion of provision	3,102	198

Provisions as at 31.12.2010 and 31.12.2009 related to the compensation for work accidents to former employees of AS Viisnurk. The total amount of the provision has been estimated considering the number of persons receiving the compensation, extent of their disability, their former salary level, level of pension payments, and estimations of the remaining period of payments. See also Note 4.

14 Equity

Share capital

	Number of shares (pcs)	Share capital EEK '000	Share capital € '000
Balance at 31.12.2010	4,499,061	44,991	2,875
Balance at 31.12.2009	4,499,061	44,991	2,875

As at 31.12.2010 and 31.12.2009, the share capital of AS Viisnurk amounted to 44,991 thousand kroons (2,875 thousand euros). The share capital consists of 4,499,061 (2009: 4,499,061) issued, authorised and fully paid ordinary shares with the nominal value of 10 kroons (0.64 euros) each (2009: 10 kroons (0.64 euros)). According to the articles of association, the maximum amount of share capital is 177,481 thousand kroons (11,343 thousand euros). Each ordinary share grants its owner one vote at the General Meeting of Shareholders and the right to receive dividends.

In 2010 and 2009, no dividends were paid to shareholders.

As at 31.12.2010, the Group had 566 shareholders (31.12.2009: 543 shareholders) of which the following entities had more than a 5% ownership interest:

- Trigon Wood OÜ with 2,675,752 shares or 59.47% (2009: 59.62%)
- ING Luxembourg S.A. with 400,000 shares or 8.89% (2009: 11.11%)

The number of shares owned by the members of the Management Board and Supervisory Board of AS Viisnurk was as follows:

- Ülo Adamson: 0 shares (2009: 0 shares)
- Joakim Johan Helenius: 20,000 shares (2009: 20,000 shares)
- Heiti Riisberg: 0 shares (2009: 0 shares)
- Andres Kivistik: 0 shares (2009: 0 shares)
- Einar Pähkel: 0 shares (2009: 0 shares)

Contingent income tax liability

As at 31 December 2010, retained earnings amounted to 27,983 thousand kroons (1,788 thousand euros). The following is taken into consideration with regard to available equity:

- as at the balance sheet date, it is possible to pay out 22,107 thousand kroons (1,413 thousand euros) as dividends;
- the corporate income tax on the aforementioned dividends would amount to 5,876 thousand kroons (375 thousand euros).

As at 31 December 2009, the retained earnings amounted to 15,914 thousand kroons (1,017 thousand euros). The following is taken into consideration with regard to available equity:

- as at the balance sheet date, it is possible to pay out 12,572 thousand kroons (803 thousand euros) as dividends;
- the corporate income tax on the aforementioned dividends would amount to 3,342 thousand kroons (214 thousand euros).

The maximum potential income tax liability is calculated under the assumption that the distributable net dividends and the amount of the income tax expense on dividends cannot exceed the distributable retained earnings as at the balance sheet date.

According to the Income Tax Act, the Group is entitled to reduce the income tax payable on dividends to the extent of income tax withheld in the subsidiary in Ukraine on interest expenses, in the amount of 32 thousand kroons (2 thousand euros) in 2010 (2009: 69 thousand kroons (4 thousand euros)) .

15 Earnings per share

	2010 EEK '000	2009 EEK '000	2010 € '000	2009 € '000
Basic earnings per share (EPS)	2.68	0.03	0.17	0.002
Diluted earnings per share	2.68	0.03	0.17	0.002
Book value of share	18.54	15.89	1.19	1.02
Price/earnings ratio (P/E)	8.40	375.67	8.40	375.67
Closing price of the share of AS Viisnurk on the Tallinn Stock Exchange as at 31.12.*	22.52	11.27	1.44	0.72

* The share of AS Viisnurk is listed on the Tallinn Stock Exchange from 25.09.2007 (Notes 1; 2)

Earnings per share have been calculated by dividing the net profit for the reporting period by the number of shares:

EPS in 2010 = 12,068,344/4,499,061 = 2.68 kroons / 0.17 euros

EPS in 2009 = 154,640/4,499,061 = 0.03 kroons / 0.002 euros

In 2010 and 2009, the diluted earnings per share equal the basic earnings per share because the Group does not have any potential ordinary shares with a dilutive effect on the earnings per share.

Price/earnings ratio (P/E) in 2010 = 22.52 / 2.68 = 8.40

Price/earnings ratio (P/E) in 2009 = 11.27 / 0.03 = 375.67

16 Cost of goods sold

	2010 EEK '000	2009 EEK '000	2010 € '000	2009 € '000
Raw materials and main materials	75,441	67,662	4,821	4,324
Employee benefits	40,410	36,886	2,583	2,357
Electricity and heat	30,944	24,013	1,977	1,535
Depreciation	7,525	6,993	481	447
Purchased goods	1,155	1,202	74	77
Change in balances of finished goods and work in progress	3,086	19,139	197	1,223
Other expenses	8,318	7,442	532	476
TOTAL	**166,879**	**163,337**	**10,665**	**10,439**

17 Distribution costs

	2010 EEK '000	2009 EEK '000	2010 € '000	2009 € '000
Transportation expenses	7,341	6,782	469	434
Employee benefits	8,358	8,466	534	541
Advertising costs	3,091	3,182	198	203
Agency fees	2,667	2,677	171	171
Rental expenses	3,713	4,892	237	313
Other expenses	6,142	7,434	392	475
TOTAL	**31,312**	**33,433**	**2,001**	**2,137**

18 Administrative expenses

	2010 EEK '000	2009 EEK '000	2010 € '000	2009 € '000
Employee benefits	5,224	4,430	334	283
Purchased services	798	305	51	20
Office supplies	383	364	24	23
Other expenses	282	363	18	23
TOTAL	**6,687**	**5,462**	**427**	**349**

19 Staff costs

	2010 EEK '000	2009 EEK '000	2010 € '000	2009 € '000
Wages and salaries	37,273	34,497	2,382	2,205
incl. social security and unemployment insurance	13,174	12,456	842	796
Accrued holiday pay provision	3,083	2,442	197	156
Fringe benefits paid to employees	462	387	30	25
TOTAL	**53,992**	**49,782**	**3,451**	**3,182**

In 2010, the average number of employees of AS Viisnurk was 308 (2009: 326).

In 2010, the gross remuneration paid to the members of the Management Board totalled 1,680 thousand kroons (107 thousand euros) and in 2009, 2,225 thousand kroons (142 thousand euros). Pursuant to the contracts concluded, as at 31.12.2010, the members of the Management Board are entitled upon termination of management board member agreements by the initiative of Supervisory Board to receive severance pay amounting to up to six-month remuneration and as at 31.12.2009, severance pay amounting up to four-month remuneration.

20 Other operating income

	2010 EEK '000	2009 EEK '000	2010 € '000	2009 € '000
Foreign exchange gains	316	0	20	0
Income from export marketing grant*	875	306	56	20
Other income	229	532	14	34
TOTAL	**1,420**	**838**	**90**	**54**

* The export marketing grant in the amount of 875 thousand kroons (56 thousand euros) (in 2009: 306 thousand kroons (20 thousand euros)) was received from Enterprise Estonia. The export marketing project was launched at 01.07.2008 and continued until 30.04.2010.

The new project was launched at 28.04.2010 and it will continue until 27.03.2012. The Group has met all necessary conditions for receiving the grant and no additional commitments are related to the grant.

21 Other operating expenses

	2010 EEK '000	2009 EEK '000	2010 € '000	2009 € '000
Allowance for doubtful receivables (Note 5)	218	418	14	26
Foreign exchange loss	0	483	0	31
Contract fees	50	72	3	5
Reclamations	179	14	11	1
Loss from sale of non-current assets (Notes 8; 24)	25	0	2	0
Penalties and fines for delay paid	14	35	1	2
Other costs	125	291	8	19
TOTAL	**611**	**1,313**	**39**	**84**

22 Finance income and costs

	2010 EEK '000	2009 EEK '000	2010 € '000	2009 € '000
Finance income:				
Interest income	10	9	1	1
Other finance income	5	0	0	0
Total finance income	**15**	**9**	**1**	**1**
Finance costs:				
Interest expenses	1,664	2,512	106	161
incl. interest expense related to provision (Note 13)	236	277	15	18
Foreign exchange loss	57	50	4	3
Total finance costs	**1,721**	**2,562**	**110**	**164**

See also Note 24.

23 Income tax expense

	2010 EEK '000	2009 EEK '000	2010 € '000	2009 € '000
Income tax expense (Note 14)*	104	69	7	4
TOTAL	**104**	**69**	**7**	**4**

* The income tax expense for 2010 comprises from the income tax withheld on interest payable by TOV Skano Ukraina and the income tax payable on profit. The income tax expense for 2009 comprises the income tax withheld on interest payable by TOV Skano Ukraina.

24 Adjustments of profit before tax in the cash flow statement

	2010 EEK '000	2009 EEK '000	2010 € '000	2009 € '000
Depreciation charge (Notes 8; 9)	8,481	8,075	543	516
Loss due to impairment of receivables	172	0	11	0
Interest expense (Note 22)	1,664	2,512	106	160
(Increase)/decrease in receivables and prepayments (Note 5)	60	757	4	48
(Increase)/decrease in inventories (Note 6)	3,046	26,184	196	1,673
Increase/(decrease) in liabilities related to operating activities	(59)	(21,019)	(5)	(1,343)
Total adjustments	**13,364**	**16,509**	**855**	**1,054**

25 Segment reporting

Operating segments have been determined based on the reports reviewed by the Management Board that are used to make strategic decision. The Management Board considers the business based on the types of products and services as follows:

Furniture factory (FF) is engaged in the production and wholesale of household furniture. The factory is located in Estonia.

Skano (SK) is engaged in retail sales of furniture in Estonia, Latvia, Lithuania and Ukraine.

Building materials division (BMD) manufactures and sells to wholesale customers general construction boards based on soft woodfibre boards, and interior finishing boards. The fibreboard factory is located in Estonia.

The Management Board assesses the performance of operating segments based on revenue as a primary measure. As a secondary measure, the Management Board also reviews operating profit.

All amounts provided to the Management Board are measured in a manner consistent with that of the financial statements. Inter-segment sales are carried out at arm's length.

Segment information for operating segments:

EEK '000	Furniture factory		Skano		Building materials division		Eliminations		SEGMENTS TOTAL	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
Revenue from external customers	90,416	92,528	28,744	32,895	98,788	80,367	0	0	**217,948**	**205,790**
Inter-segment revenue	13,452	14,614	0	0	8	209	0	0	**13,460**	**14,823**
Revenue from customers whose contribution is more than 10% of consolidated revenue:	71,731	75,091	0	0	0	0	0	0	**71,731**	**75,091**
Client 1	46,967	51,750	0	0	0	0	0	0	**46,967**	**51,750**
Client 2	24,764	23,341	0	0	0	0	0	0	**24,764**	**23,341**
Operating profit/loss	8,492	6,870	(1,386)	(5,334)	6,961	1,224	(188)	17	**13,879**	**2,777**
Amortisation/depreciation	3,009	2,807	357	338	5,115	4,930	0	0	**8,481**	**8,075**
Segment assets	71,515	64,463	10,844	11,305	60,965	57,544	(697)	(509)	**142,627**	**132,803**
Segment liabilities	30,638	28,330	2,016	2,951	26,552	30,014	0	0	**59,206**	**61,295**
Additions to non-current assets	9,145	290	276	33	2,690	4,704	0	0	**12,111**	**5,027**

€ '000	Furniture factory		Skano		Building materials division		Eliminations		SEGMENTS TOTAL	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Revenue from external customers	5,778	5,914	1,837	2,102	6,314	5,136	0	0	**13,929**	**13,152**
Inter-segment revenue	860	934	0	0	0	14	0	0	**860**	**948**
Revenue from clients whose contribution is more than 10% of consolidated revenue:	4,585	4,799	0	0	0	0	0	0	**4,585**	**4,799**
Client 1	3,002	3,307	0	0	0	0	0	0	**3,002**	**3,307**
Client 2	1,583	1,492	0	0	0	0	0	0	**1,583**	**1,492**
Operating profit/loss	542	439	(88)	(341)	445	78	(12)	1	**887**	**177**
Amortisation/depreciation	193	179	23	22	327	315	0	0	**543**	**516**
Segment assets	4,570	4,120	693	722	3,896	3,678	(44)	(32)	**9,115**	**8,488**
Segment liabilities	1,958	1,811	129	189	1,697	1,918	0	0	**3,784**	**3,918**
Additions to non-current assets	585	19	18	2	172	301	0	0	**775**	**322**

Eliminations comprise unrealised profits on inventories arising from inter-segment transactions. Investment property and inventories relating to real estate development are allocated to the building materials division in accordance with the allocation in the internal reports. Insignificant expenses related to these properties are also included within building materials division.

Revenues from external customers according to their location:

EEK '000	2010				2009			
	MV	SK	EMD	TOTAL	MV	SK	EMD	TOTAL
Finland	46,999	51	39,686	**86,736**	51,787	0	36,866	**88,653**
Russia	37,451	0	10,727	**48,178**	34,050	0	5,169	**39,219**
Estonia	1,571	10,233	28,411	**40,215**	1,231	9,608	26,961	**37,800**
Ukraine	0	9,300	501	**9,801**	0	10,506	245	**10,751**
Latvia	0	3,191	2,957	**6,148**	0	4,807	2,123	**6,930**
Lithuania	0	5,969	289	**6,258**	0	7,974	334	**8,308**
Portugal	0	0	0	**0**	0	0	2,140	**2,140**
Germany	454	0	1,090	**1,544**	1,444	0	856	**2,300**
Kazakhstan	3,515	0	392	**3,907**	3,476	0	0	**3,476**
Sweden	0	0	7,142	**7,142**	0	0	4,047	**4,047**
Belorussia	360	0	112	**472**	208	0	0	**208**
Denmark	24	0	1,806	**1,830**	81	0	817	**898**
United Kingdom	0	0	1,006	**1,006**	0	0	0	**0**
India	0	0	987	**987**	0	0	7	**7**
China	0	0	1,023	**1,023**	0	0	0	**0**
Malaysia	0	0	727	**727**	0	0	0	**0**
Others	42	0	1,932	**1,974**	251	0	803	**1,054**
TOTAL	**90,416**	**28,744**	**98,788**	**217,948**	**92,528**	**32,895**	**80,367**	**205,790**

€ '000	2010				2009			
	MV	SK	EMD	TOTAL	MV	SK	EMD	TOTAL
Finland	3,004	3	2,536	**5,543**	3,310	0	2,356	**5,666**
Russia	2,394	0	686	**3,080**	2,176	0	330	**2,506**
Estonia	99	654	1,819	**2,572**	80	614	1,723	**2,417**
Ukraine	0	594	33	**627**	0	671	15	**686**
Latvia	0	204	189	**393**	0	307	136	**443**
Lithuania	0	382	18	**400**	0	510	21	**531**
Portugal	0	0	0	**0**	0	0	137	**137**
Germany	29	0	70	**99**	92	0	55	**147**
Kazakhstan	225	0	25	**250**	222	0	0	**222**
Sweden	0	0	456	**456**	0	0	259	**259**
Belorussia	23	0	7	**30**	13	0	0	**13**
Denmark	1	0	115	**116**	5	0	52	**57**
United Kingdom	0	0	63	**63**	0	0	0	**0**
India	0	0	63	**63**	0	0	1	**1**
China	0	0	65	**65**	0	0	0	**0**
Malaysia	0	0	46	**46**	0	0	0	**0**
Others	3	0	123	**126**	16	0	51	**67**
TOTAL	**5,778**	**1,837**	**6,314**	**13,929**	**5,914**	**2,102**	**5,136**	**13,152**

Revenue is generated from sales of own production and goods purchased for resale.

Majority of the Group's assets are located in Estonia (in 2010: 95% and in 2009: 95%).

26 Related party transactions

The following parties are considered as related parties:

- Parent OÜ Trigon Wood and owners of the parent;
- Other entities in the same consolidation group
- Members of the Management, the Management Board and the Supervisory Board of AS Viisnurk Group entities and their close relatives;
- Entities under the control of the members of the Management Board and the Supervisory Board;
- Individuals with significant ownership unless these individuals lack the opportunity to exert significant influence over the business decisions of the Group.

As at 31.12.2010, the entities with significant influence over the Group are the largest owners of OÜ Trigon Wood: AS Trigon Capital (30.13%), Veikko Laine Oy (15.52%), BCB Baltic AB (14.07%), Hermitage Eesti OÜ (11.94%), Thominvest Oy (11.94%) and Assetman Oy (11.45%).

The remuneration paid to the members of the Management and Supervisory Board including taxes:

	2010	2009	2010	2009
	EEK '000	*EEK '000*	*€ '000*	*€ '000*
Board member and other remuneration (Note 19)	1,680	2,225	107	142
Social security tax (Note 19)	554	735	35	47
TOTAL	**2,234**	**2,960**	**142**	**189**

The termination benefits of the Management Board are disclosed in Note 19.

In 2010 and 2009, there were no other related party transactions.

27 Contingent liabilities

The tax authorities may at any time inspect the books and records within 6 years subsequent to the reported tax year, and upon establishing errors, may impose additional tax assessments and penalties. The Group's management is not aware of any circumstances which may give rise to a potential material liability in this respect.

28 Events after the balance sheet date

As at 1 January 2011, the EU single currency euro is in circulation in Estonia and due to this the Group's financial and presentation currency is changed to the euro.

After the reporting period, the conditions of one loan agreement were changed as a result of which short-term borrowings in the amount of 10,150 thousand kroons (649 thousand euros) will be reclassified as long-term borrowings.

As at 1 February 2011, AS Fortum Termest and AS Viisnurk terminated the operator contract for the boiler house owned by AS Viisnurk and the latter will continue producing thermal energy in the boiler house. The investments in non-current assets made by the operator and taken over by AS Viisnurk are recognised in the financial statements as at 31.12.2010.

29 Supplementary disclosures on the Group's parent

In accordance with the Estonian Accounting Act, information on the separate primary financial statements of the consolidating entity (pages 49-51) is to be disclosed in the notes to the consolidated financial statements. The separate financial statements have been prepared using the same accounting policies as for the consolidated financial statements, except for measurement of investment in subsidiaries, which in separate financial statements are reported at cost (less any impairment losses).

Statement of financial position of the parent company

	31.12.2010 EEK '000	31.12.2009 EEK '000	31.12.2010 € '000	31.12.2009 € '000
Cash and cash equivalents	12,868	3,664	822	234
Receivables and prepayments	33,836	32,339	2,163	2,067
Inventories	33,221	35,677	2,123	2,280
Total current assets	**79,925**	**71,680**	**5,108**	**4,581**
Investments of subsidiaries	80	120	5	8
Investment property	2,893	2,893	185	185
Property, plant and equipment	65,775	62,406	4,204	3,988
Total non-current assets	**68,748**	**65,419**	**4,394**	**4,181**
TOTAL ASSETS	**148,673**	**137,099**	**9,502**	**8,762**
Borrowings	21,629	8,048	1,382	514
Payables and prepayments	20,865	19,791	1,334	1,265
Short-term provisions	122	118	8	8
Total current liabilities	**42,616**	**27,957**	**2,724**	**1,787**
Long-term borrowings	11,472	27,084	733	1,731
Long-term provisions	3,102	3,303	198	211
Total non-current liabilities	**14,574**	**30,387**	**931**	**1,942**
Total liabilities	**57,190**	**58,344**	**3,655**	**3,729**
Share capital at nominal value	44,991	44,991	2,875	2,875
Share premium	5,698	5,698	364	364
Statutory reserve capital	4,499	4,499	288	288
Retained earnings	36,295	23,567	2,320	1,506
Total equity	**91,483**	**78,755**	**5,847**	**5,033**
TOTAL LIABILITIES AND EQUITY	**148,673**	**137,099**	**9,502**	**8,762**

Statement of comprehensive income of the parent company

	2010 EEK '000	2009 EEK '000	2010 € '000	2009 € '000
REVENUE	**202,,665**	**187,719**	**12,953**	**11,997**
incl. to subsidiaries	13,461	14,823	860	948
Cost of goods sold	**(165,696)**	**(160,663)**	**(10,590)**	**(10,268)**
Gross profit	**36,969**	**27,056**	**2,363**	**1,729**
Distribution costs	(15,028)	(12,827)	(960)	(820)
Administrative expenses	(6,687)	(5,462)	(427)	(349)
Other operating income	903	151	57	10
Other operating expenses	(1,983)	(3,133)	(127)	(201)
Operating profit	**14,174**	**5,785**	**906**	**369**
Finance income and costs - net	(1,446)	(2,292)	(92)	(146)
PROFIT BEFORE TAX	**12,728**	**3,493**	**814**	**223**
NET PROFIT FOR FINANCIAL YEAR TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**12,728**	**3,493**	**814**	**223**

Cash flow statement of the parent company

	2010 EEK '000	2009 EEK '000	2010 € '000	2009 € '000
Cash flows from operating activities				
Profit before tax	**12,728**	**3,493**	**814**	**223**
Adjustments:				
Depreciation	8,124	7,742	520	495
Loss from sale and write-down of non-current assets	343	0	21	0
Loss from impairment of trade receivables	1,495	2,550	14	163
Interest expenses	1,664	2,512	106	160
Interest income	(272)	(269)	(17)	(17)
(Increase)/decrease in receivables and prepayments	(2,976)	(2,199)	(108)	(140)
(Increase)/decrease in inventories	2,457	23,263	155	1,486
Increase/(decrease) in current liabilities related to operating activities	879	(19,901)	56	(1,272)
Cash generated from operations	**24,442**	**17,191**	**1,561**	**1,098**
Interest payments	(1,664)	(2,512)	(106)	(160)
Net cash generated from operating activities	**22,778**	**14,679**	**1,455**	**938**
Cash flows from investing activities				
Purchase of property, plant and equipment and intangible assets	(11,835)	(1,329)	(757)	(85)
Sale of subsidiary	40	0	3	0
Interest received	272	269	17	17
Net cash generated from investing activities	**(11,523)**	**(1,060)**	**(737)**	**(68)**
Cash flows from financing activities				
Borrowings	6,963	0	445	0
Repayments of borrowings	(8,409)	(13,022)	(537)	(832)
Finance e lease payments	(585)	(566)	(38)	(36)
Net cash used in financing activities	**(2,031)**	**(13,588)**	**(130)**	**(868)**
NET CHANGE IN CASH BALANCE	**9,224**	**31**	**588**	**2**
OPENING BALANCE OF CASH	**3,644**	**3,633**	**234**	**232**
CLOSING BALANCE OF CASH	**12,868**	**3,664**	**822**	**234**

Statement of changes in equity of the parent company

EEK '000

	Share capital	Share premium	Statutory reserve capital	Retained earnings/ (accumulated deficit)	Total
Balance as at 31.12.2008	**44,991**	**5,698**	**4,499**	**20,074**	**75,262**
Carrying amount of investments under control and significant influence					**(120)**
Value of investments under control and significant influence under equity method					**(3,942)**
Adjusted unconsolidated equity at 31.12.2008					**71,200**
Balance at 31.12.2008	**44,991**	**5,698**	**4,499**	**20,074**	**75,262**
Total comprehensive income for 2009	0	0	0	3,493	**3,493**
Balance at 31.12.2009	**44,991**	**5,698**	**4,499**	**23,567**	**78,755**
Carrying amount of investments under control and significant influence					**(120)**
Value of investments under control and significant influence under equity method					**(7,127)**
Adjusted unconsolidated equity at 31.12.2009					**71,508**
Balance at 31.12.2009	**44,991**	**5,698**	**4,499**	**23,567**	**78,755**
Total comprehensive income for 2010	0	0	0	12,728	**12,728**
Balance at 31.12.2010	**44,991**	**5,698**	**4,499**	**36,295**	**91,483**
Carrying amount of investments under control and significant influence					**(80)**
Value of investments under control and significant influence under equity method					**(10,252)**
Adjusted unconsolidated equity at 31.12.2010					**81,151**

€ '000

	Share capital	Share premium	Statutory reserve capital	Retained earnings/ (accumulated deficit)	Total
Balance as at 31.12.2008	**2,875**	**364**	**288**	**1,283**	**4,810**
Carrying amount of investments under control and significant influence					**(8)**
Value of investments under control and significant influence under equity method					**(254)**
Adjusted unconsolidated equity at 31.12.2008					**4,548**
Balance at 31.12.2008	**2,875**	**364**	**288**	**1,283**	**4,810**
Total comprehensive income for 2009	0	0	0	223	**223**
Balance at 31.12.2009	**2,875**	**364**	**288**	**1,506**	**5,033**
Carrying amount of investments under control and significant influence					**(8)**
Value of investments under control and significant influence under equity method					**(455)**
Adjusted unconsolidated equity at 31.12.2009					**4,570**
Balance at 31.12.2009	**2,875**	**364**	**288**	**1,506**	**5,033**
Total comprehensive income for 2010	0	0	0	814	**814**
Balance at 31.12.2010	**2,875**	**364**	**288**	**2,320**	**5,847**
Carrying amount of investments under control and significant influence					**(5)**
Value of investments under control and significant influence under equity method					**(655)**
Adjusted unconsolidated equity at 31.12.2010					**5,187**

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INDEPENDENT AUDITOR'S REPORT

(Translation of the Estonian original)*

To the Shareholders of AS Viisnurk

We have audited the accompanying consolidated financial statements of AS Viisnurk and its subsidiaries, which comprise the consolidated statement of financial position as of 31 December 2010 and the consolidated statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management Board's Responsibility for the Consolidated Financial Statements

Management Board is responsible for the preparation, and true and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as the Management Board determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation, and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of AS Viisnurk and its subsidiaries as of 31 December 2010, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

AS PricewaterhouseCoopers

Ago Vilu
Auditor's Certificate No.325

Erki Mägi
Auditor's Certificate No.523

5 April 2011

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* *This version of our report is a translation from the original, which was prepared in Estonian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.*

Profit allocation proposal

The retained earnings of AS Viisnurk are:

	EEK '000	*€ '000*
Retained earnings at 31.12.2009	**15,914**	**1,017**
Net profit in 2010	12,069	771
Retained earnings at 31.12.2010	**27,983**	**1,788**

The Management Board proposes to the shareholders not to allocate the 2010 net profit in the amount of 12,069 thousand kroons (771 thousand Euros) for dividends and to transfer the profit to retained earnings of previous periods.

Andres Kivistik

Chairman of the Management board

Einar Pähkel

Member of the Management Board

Signatures of the Management Board and Supervisory Board to the 2010 Annual Report

The Management Board has prepared the Company's Annual Report for 2010. The Annual Report (pages 1 -53) consists of the management report, financial statements, auditor's report and profit allocation proposal. The Supervisory Board has reviewed the Annual Report prepared by the Management Board and approved it for presentation at the General Meeting of Shareholders.

Chairman of the Management Board	Andres Kivistik	03.06.2011
Member of the Management Board	Einar Pähkel	03.06.2011
Chairman of the Supervisory Board	Ülo Adamson	digital signature 03.06.2011
Member of the Supervisory Board	Joakim Johan Helenius	03.06.2011
Member of the Supervisory Board	Heiti Riisberg	03.06.2011

Revenue of the parent according to EMTAK

	2010 *EEK '000*	2009 *EEK '000*	2010 *€ '000*	2009 *€ '000*
31091 manufacture of other furniture	**103,868**	107,142	**6,639**	6,848
16212 manufacture of particle boards and fibreboards	**98,797**	80,576	**6,314**	5,150

PRINDI

DIGITAALALLKIRJADE KINNITUSLEHT

ALLKIRJASTATUD FAILID

FAILI NIMI	FAILI TÜÜP	FAILI SUURUS
AS Viisnurk 2010 Annual Report.pdf	**application/pdf**	**71738 B**

ALLKIRJASTAJAD

nr.	NIMI	ISIKUKOOD	AEG
1.	**ÜLO ADAMSON**	**37809182718**	**03.06.2011 15:44:49**

ALLKIRJA KEHTIVUS

ALLKIRI KEHTIB

ROLL/RESOLUTSIOON

ALLKIRJASTAJA ASUKOHT (LINN, MAAKOND, INDEKS, RIIK)	SERTIFIKAADI SEERIANUMBER
	4942 5E96 (1229086358)

SERTIFIKAADI VÄLJAANDJA NIMI	SERTIFIKAADI VÄLJAANDJA AVALIKU VÕTME LÜHEND
ESTEID-SK 2007	48 06 DE BE 8C 87 57 95 80 78 63 FA 9C 23 2B 2B A0 3A 18 75

KEHTIVUSKINNITUSE SÕNUMILÜHEND

B5 62 6C 8C 20 9B 89 48 A1 C0 5D 1B A7 EF 62 E9 A6 BF 5D 18

Selle kinnituslehe lahutamatu osa on lõigus **"Allkirjastatud failid"** nimetatud failide esitus paberil.

MÄRKUSED