

# AS VIISNURK

## Interim Financial Statements Third Quarter 2001

Financial year 1.1.2001 - 31.12.2001  
Reporting period 1.1.2001 - 30.9.2001

**Business name:** AS Viisnurk

**Commercial Register number:** 10106774

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**Core activity:** Wood processing

### Approval of the financial statements as of 30.9.2001:

\_\_\_\_\_  
Meelis Kukk  
Chairman of the  
Management Board

\_\_\_\_\_  
Toivo Kuldmäe  
Member of the  
Management Board

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Andrus Aljas  
Member of the  
Management Board

\_\_\_\_\_  
Toomas Matvere  
Member of the  
Management Board

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Jüri Rokk  
Member of the  
Management Board

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Erik Piile  
Member of the  
Management Board

## **INCOME STATEMENT**

(In thousands of kroons)

		<b>III quarter 2001</b>	<b>III quarter 2000</b>	<b>9 months 2001</b>	<b>9 months 2000</b>
<b><u>NET SALES</u></b>	(Note 6)	<b><u>95,779</u></b>	<b><u>82,398</u></b>	<b><u>239,426</u></b>	<b><u>203,828</u></b>
<b>Cost of goods sold</b>		<b>(81,520)</b>	<b>(64,799)</b>	<b>(189,949)</b>	<b>(157,050)</b>
<b>Gross profit</b>		<b>14,259</b>	<b>17,599</b>	<b>49,477</b>	<b>46,778</b>
Marketing expenses		(3,813)	(4,243)	(12,574)	(12,489)
General administrative expenses		(2,443)	(2,110)	(7,368)	(7,899)
Other income		251	246	1,419	755
Other expenses		(276)	(452)	(1,301)	(1,171)
<b>Profit from operations</b>	(Note 6)	<b><u>7,978</u></b>	<b><u>11,040</u></b>	<b><u>29,653</u></b>	<b><u>25,974</u></b>
Financial income		20	141	336	478
Financial expenses		(2,835)	(859)	(6,314)	(2,428)
<b>Profit from ordinary activities</b>		<b>5,163</b>	<b>10,322</b>	<b>23,675</b>	<b>24,024</b>
Income tax		0	0	0	0
<b>NET PROFIT FOR THE PERIOD</b>		<b><u>5,163</u></b>	<b><u>10,322</u></b>	<b><u>23,675</u></b>	<b><u>24,024</u></b>
Basic earnings per share	(Note 5)	1.15	2.29	5.26	5.34
Diluted earnings per share	(Note 5)	1.15	2.29	5.26	5.34

**STATEMENT OF MOVEMENTS IN EQUITY**

(In thousands of kroons)

	<b>9 months 2001</b>	<b>9 months 2000</b>
Distributable profits at beginning of period	84,137	53,829
Transferred to mandatory capital reserve	(1,665)	(1,320)
Net profit for the period	23,675	24,024
Distributable profits at end of period	106,147	76,533

**BALANCE SHEET**

(In thousands of kroons)

		<b>30.9.2001</b>	<b>31.12.2000</b>
Cash and bank		569	4,908
Shares and other securities			
Customer receivables		49,702	51,229
Other receivables		2,378	378
Prepaid expenses		6,161	18,331
Inventories		90,877	58,682
<b>Total current assets</b>		<b>149,687</b>	<b>133,528</b>
Long-term financial investments		606	606
Tangible assets	(Note 2)	212,506	197,121
Intangible assets	(Note 2)	356	623
<b>Total non-current assets</b>		<b>213,468</b>	<b>198,350</b>
<b><u>TOTAL ASSETS</u></b>		<b><u>363,155</u></b>	<b><u>331,878</u></b>
Debt obligations	(Note 3)	26,057	9,929
Customer prepayments		376	111
Supplier payables		33,820	41,278
Taxes payable		5,302	6,574
Accrued expenses		9,317	10,250
<b>Total current liabilities</b>		<b>74,872</b>	<b>68,142</b>
Long-term liabilities	(Note 3)	121,315	120,443
<b>Total non-current liabilities</b>		<b>121,315</b>	<b>120,443</b>
Share capital at par value		44,990	44,990
Share premium		11,332	11,332
Mandatory capital reserve		4,499	2,834
Retained earnings		82,472	52,509
Net profit for the period		23,675	31,628
<b>Total equity</b>	(Note 4)	<b>166,968</b>	<b>143,293</b>
<b><u>TOTAL LIABILITIES AND EQUITY</u></b>		<b><u>363,155</u></b>	<b><u>331,878</u></b>

**STATEMENT OF CASH FLOWS**  
**(INDIRECT METHOD)**

(In thousands of kroons)

	<b>9 months 2001</b>	<b>9 months 2000</b>
<b>Operating activities</b>		
<i>Profit before income tax</i>	23,675	24,024
<i>Adjustments for:</i>		
Accumulated depreciation for the period	16,574	9,014
Gain on sale of shares		(341)
Gains and losses on sale of non-current assets	(231)	255
Interest expense	6,138	2,229
<i>Operating profit before changes in working capital</i>	<b>46,156</b>	<b>35,181</b>
Change in current assets	(20,229)	(27,765)
Change in current liabilities	(9,795)	(5,975)
<i>Cash generated from operations</i>	<b>16,132</b>	<b>1,441</b>
Interest paid	(6,010)	(2,518)
<b>Net cash from operating activities</b>	<b>10,122</b>	<b>(1,077)</b>
<b>Investing activities</b>		
Acquisition of non-current assets	(32,486)	(54,197)
Sale of non-current assets	1,025	598
Acquisition of shares and other securities		(5,098)
Sale of shares and other securities		1,350
<b>Net cash used in investing activities</b>	<b>(31,461)</b>	<b>(57,347)</b>
<b>Financing activities</b>		
Proceeds from borrowing	5,872	49,591
Repayment of loans	(6,258)	(18,545)
Settlement of finance lease liabilities	(541)	(389)
Change in the overdraft balance	17,927	
Proceeds from the issue of dept securities		31,293
<b>Net cash from/used in financing activities</b>	<b>17,000</b>	<b>61,950</b>
<b>NET CHANGE IN CASH</b>	<b>(4,339)</b>	<b>3,526</b>
<b>CASH AT BEGINNING OF PERIOD</b>	<b>4,908</b>	<b>2,946</b>
<b>CASH AT END OF PERIOD</b>	<b>569</b>	<b>6,472</b>

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

### 1. Significant accounting policies

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

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

The financial statements have not been audited.

### 2. Non-current assets

In thousands of kroons

	Tangible assets	Intangible assets	TOTAL
Acquisition cost 1.1.2001	158,490	1,445	<b>159,935</b>
Additions in 9 months 2001	101,589		<b>101,589</b>
Disposals in 9 months 2001	435		<b>435</b>
Acquisition cost 30.9.2001	259,644	1,445	<b>261,089</b>
Depreciation 1.1.2001	59,493	822	<b>60,315</b>
Depreciation for 9 months 2001	16,267	267	<b>16,534</b>
Depreciation on items disposed of in 9 months 2001	191		<b>191</b>
Depreciation 30.9.2001	75,569	1,089	<b>76,658</b>
Net book value 30.9.2001	184,075	356	<b>184,431</b>

At 30 September 2001 the balance of constructions in progress stood at 28,431 thousand kroons, at 1.1.2001 98,123 thousand kroons.

### 3. Debt obligations and long-term liabilities

(In thousands of kroons)

	30.9.2001	31.12.2000
Debt obligations	26,057	9,929
Long-term liabilities	121,315	120,443
incl. long-term loans	82,048	82,048
non-convertible debt	39,267	38,395
<b>TOTAL</b>	<b>147,372</b>	<b>130,372</b>

In the accounting period, Viisnurk increased its overdraft by the amount of 17,927 thousand kroons.

#### **4. Equity**

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

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

#### **5. Earnings per share**

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

Basic earnings per share =  $23,674,554 / 4,499,061 = 5.26$  kroons

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

## 6. Information by business segments

(In thousands of kroons)

	Ski Factory		Furniture Factory		Softboard Factory		Wood Panels Factory		Other activities		Eliminations		<b>VIISNURK TOTAL</b>	
	2001 9m	2000 9m	2001 9m	2000 9m	2001 9m	2000 9m	2001 9m	2000 9m	2001 9m	2000 9m	2001 9m	2000 9m	<b>2001 9m</b>	<b>2000 9m</b>
External sales	52,348	53,682	110,480	85,378	55,612	55,954	5,119		15,867	8,814			<b>239,426</b>	<b>203,828</b>
Inter-segment sales		3,760	33	83			5,531		36,136	20,409	(41,700)	(24,252)	<b>0</b>	<b>0</b>
Total sales revenue	52,348	57,442	110,513	85,461	55,612	55,954	10,650		52,003	29,223	(41,700)	(24,252)	<b>239,426</b>	<b>203,828</b>
Segment result	5,980	5,705	18,248	14,510	16,667	14,519	(6,961)	(216)	3,087	(645)			<b>37,021</b>	<b>33,873</b>
Unallocated expenses													<b>(7,368)</b>	<b>(7,899)</b>
Operating profit													<b>29,653</b>	<b>25,974</b>
Net financial expenses													<b>(5,978)</b>	<b>(1,950)</b>
Net profit for the period													<b>23,675</b>	<b>24,024</b>



## **EXPLANATIONS TO THE INTERIM FINANCIAL STATEMENTS**

The net sales of Viisnurk AS for the first half of 2001 were 239.4 mil. kroons and the net profit 23.7 mil. kroons. As compared to the same period of the previous year, the net sales of the company increased by 17.5%, the net profit of 9 months has remained on the same level as a year before. The net sales of Viisnurk AS for the third quarter were 95.8 mil. kroons (+16% as compared to the last year) and net profit 5.2 mil. kroons (-50%). The decrease in the net profit of the third quarter as compared to the same period of the previous year results from the loss and interest expenses of 5 mil. kroons born by the Wood Panels Factory, a new business unit of Viisnurk AS. The economic results of the company's other business units for the third quarter have remained on the same level as a year before.

As of 30.9.01, Viisnurk AS had no subsidiaries; therefore, all financial results reflect the activities of the parent company.

Among the business units of the company, the 9-month net sales of the Ski Factory were 52.3 mil. kroons, staying on the same level as a year before. The Ski Factory earned 6 million kroons of profit, which is 5% more than in the same period last year. The Ski Factory has currently completed the majority of large orders and will gradually take a collective vacation at the beginning of November. However, favourable snow conditions of the approaching winter may result in additional orders, making it impossible to evaluate the results of the current year at this point. Production and development of hockey sticks continues according to plans. In 9 months, production of hockey sticks suffered a loss of 0.4 mil. kroons due to development and other additional costs related to increase of production capacity.

The sales capacity of the Furniture Factory was rising in the third quarter. The factory achieved record net sales for 9 months – 110.5 mil. kroons (+30% as compared to the same period of the last year). It earned 18.2 mil. kroons (+26%) of profit in the accounting period. The activities of the Furniture Factory were aimed at two principal directions in equal proportions – marketing antique-style furniture under its own trademark and producing furniture as a subcontractor (IKEA was the biggest customer). Although the cancelled share issue, which was mainly meant for expanding furniture production, postpones fast implementation of the development plans, Viisnurk AS will continue compilation and implementation of the respective plans, taking into consideration the external conditions while drawing up schedules.

The net sales of the Softboard Factory (55.6 mil. kroons) did not change as compared to the same period of the previous year. The increased role of interior finishing boards and neighbouring regions in the total sales has improved the profitability of the factory. In the accounting period, the Softboard Factory earned 16.7 mil. kroons of profit (+15% as compared to the previous year).

The net sales of the Wood Panels Factory, a new production unit of Viisnurk AS, for nine months was 10.7 mil. kroons, of which external sale formed 48% or 5.1 mil. kroons. The loss of the factory for the same period was 7 mil. kroons. Such a loss corresponds to the business plan of the factory and results, above all, from slowly increasing production volumes and high proportion of fixed costs (first and foremost

depreciation) in the economic results of the factory. In September, for example, the output of the Wood Panels Factory was 25% of the monthly aggregate capacity of the factory under the business plan. According to the business plan, the factory will achieve its aggregate capacity in the second half of 2002.

At the net sales of 9 mil. kroons, the company gained 3.1 mil. kroons of profit from the other activities (the Forestry Centre, production of heat energy, rental income). In the third quarter, the company's other activities suffered a loss of 1.1 mil. kroons mainly due to seasonal factors.

The financial ratios of AS Viisnurk at 30 September 2001:

	III quarter 2001	III quarter 2000	9 months 2001	9 months 2000
<b>Current ratio</b> (current assets/current liabilities)	2.00	4.33	2.00	4.33
<b>Debt to total assets ratio</b>	54%	48%	54%	48%
<b>Operating margin</b> (operating profit/net sales)	8.3%	13.4%	12.4%	12.7%
<b>Net profit margin</b> (net profit/net sales)	5.4%	12.5%	9.9%	11.8%
<b>Return on assets</b> (net profit/average total assets)	1.4%	4.7%	6.8%	10.9%
<b>Return on equity</b> (net profit/shareholders' equity)	3.1%	7.6%	14.2%	17.7%