

# KLEMENTI



## **Q2 CONSOLIDATED INTERIM REPORT**

1 April 2003 – 30 June 2003

**THE COMPANY IN BRIEF**

**Business name:** AS Klementi  
**Registry code:** 10175491  
**Address** Akadeemia tee 33 TALLINN  
**Telephone:** +372 6710 700  
**Fax:** +372 6710 709  
**E-mail:** klementi@klementi.ee  
**WWW:** [www.klementi.ee](http://www.klementi.ee)  
**Main activity:** design, manufacturing  
and sale of womenswear  
**Form of ownership:** public limited company  
**Director:** Toomas Leis  
**Financial Manager:** Lilli Kaska  
**Chief accountant:** Airi Kask  
**Auditor:** PricewaterhouseCoopers

## COMMENTS ON THE SECOND QUARTER 2003 INTERIM REPORT

### Results of the first half-year 2003

The unaudited consolidated group net turnover of AS Klementi in the first half-year of 2003 was EEK 54.8m (EUR 3.5m) and the net loss amounted to EEK 19.0m (EUR 1.2m). During the same period of the previous year, the net turnover was EEK 57.3m (EUR 3.7m) and net loss EEK 18.7m (EUR 1.2m).

The unaudited consolidated group net turnover of AS Klementi in the second quarter of 2003 was EEK 23.0m (EUR 1.5m) and the net loss amounted to EEK 9.9m (EUR 0.6m). During the same period of the previous year, the net turnover was EEK 24.9m (EUR 1.6m) and net loss EEK 14.2m (EUR 0.9m). Compared with the same period of the previous year the loss decreased by EEK 4.3m (EUR 0.3m).

As of 30 June 2003, the group employed 530 people. During the year, the number of employees decreased by 16.1%, i.e. by 102 persons. In the second quarter of 2003 the number of employees decreased by 34 persons.

From 2-10 June 2003 the public issue of AS Klementi shares took place. 575,000 new A-shares were issued with a nominal value of EEK 10 (EUR 0.64) and an issue price of EEK 27.50 (EUR 1.76) per share. The issue was 3.5 times over subscribed by the investors. The total number of shares subscribed for was 1,993,617, in the sum of EEK 54.8m (EUR 3.5m). Resultant of the issue EEK 15.8m (EUR 1.0m) additional capital was raised to finance the turnover increase of the autumn season 2003. The share capital of the company after the issue is EEK 18,968,750 (EUR 1,212,321).

### Sales analysis

The turnover breakdown by activity in the first half-year was as follows:

NET TURNOVER	2003 EEKm	2002 EEKm	2003 EURm	2002 EURm	03/02 change
Apparel sales	42.4	35.0	2.7	2.2	21.1%
Subcontracting and other sales	12.4	22.3	0.8	1.5	-44.5%
TOTAL	54.8	57.3	3.5	3.7	-4.4%

The biggest increase, i.e. 2.2 times, by EEK 6.9m (EUR 0.4m) was experienced in the apparel wholesale in the Nordic countries. The share of retail turnover in the apparel sales in the first half of 2003 was 57%.

The first half of 2003 saw continuation of the new retail concept development. Five inefficient outlets were closed and in May the first two shops that are in compliance with the new concept were opened in Tallinn (Kristiine Centre) and Riga (Origo Centre).

The company has planned for the current year to acquire 100% of SIA Vision, the Latvian company retailing Klementi apparel in Latvia. SIA Vision has been retailing Klementi products already for several years and is currently renting two outlets in Riga. As of now AS Klementi does not own any shares in the company and the turnover from the outlets in Riga is not yet reflected in the retail sales figures.

The decrease in turnover as compared to the previous year was caused by the re-orientation from subcontracting to own production. The difference in sales accrued from the subcontracting and wholesale time shift. If in the first half of 2002 the bankrupted P.T.A. Group OY gave EEK 9.5m (EUR 0.6m) of the subcontracting and other sales turnover, then now after the acquisition of PTA trademarks this turnover is reflected with a quarter shift, shown in the third quarter own production, i.e. apparel sales figures.

## Profit analysis

The results of the first quarter were most influenced by the low mark-ups in retail in January and February on the collections from the previous season. The loss in the second quarter was primarily due to the low wholesale activity that is characteristic of the given period.

The one-off costs during the first half-year amounted to EEK 4.0m (EUR 0.26m), including:

- Costs from the previous periods in the amount of EEK 1.9m (EUR 0.12m), of which EEK 1.1m (EUR 0.07m) additional sales loss was accounted for wholesale of the previous year in Latvia and Lithuania.
- The one-off costs accrued from the development of the new concept and reorganisation of the shops amounted to EEK 0.4m (EUR 0.02m).
- Arrangement costs of the public share issue were EEK 0.7m (EUR 0.04m)
- The optimisation of the demand for workforce started last year was resumed in the first half of 2003. During the period the number of employees decreased by 78 persons. The redundancy costs for the given period amounted to EEK 1.1m (EUR 0.07m). The company should achieve the optimal workforce demand by the end of the third quarter.

## Balance sheet analysis and ratios

The consolidated total assets of AS Klementi as of 30.06.03 were EEK 113.9m (EUR 7.3m). The inventories have decreased over the year by 32.3%, i.e. EEK 13.8m (EUR 0.9m) and the inventory turnover ratio has improved by 1.1 points.

The capital expenditures of the first half-year were EEK 0.9m, most of which went into opening a new shop in the Kristiine shopping centre.

The key financial ratios of AS Klementi group as of 30.06.2003:

	2003 I half-year	2002 I half-year
- year-over-year sales growth	-4.4%	28.0%
- apparel sale share in net sales	77.4%	61.1%
- inventory turnover (adjusted to year) (net turnover / average inventory)	3.8	2.7
- current ratio (current assets / current liabilities)	0.90	0.87
- liquidity ratio (current assets-inventory / current liabilities)	0.31	0.43
- EBIT margin (operating profit / net turnover)	-30.1%	-28.8%
- net margin (net profit / net turnover)	-34.7%	-32.7%

Toomas Leis  
Chairman

The consolidated financial statements of AS Klementi group are prepared in compliance with the International Accounting Standards.

**BALANCE SHEET**

consolidated, unaudited

	30.06.2003	30.06.2002	31.12.2002
	EEK '000	EEK '000	EEK '000
Cash and bank	1 498	1 514	4 485
Customer receivables	11 548	9 203	12 537
Accrued income	412	1 077	868
Prepaid expenses	1 495	3 276	2 896
Inventories	28 835	42 607	29 002
<b>CURRENT ASSETS</b>	<b>43 788</b>	<b>57 677</b>	<b>49 788</b>
Long-term financial assets	2 580	3 182	2 578
Tangible assets	61 949	50 996	64 649
Intangible assets	5 618	842	5 771
<b>FIXED ASSETS</b>	<b>70 147</b>	<b>55 020</b>	<b>72 998</b>
<b>ASSETS</b>	<b>113 935</b>	<b>112 697</b>	<b>122 786</b>
Debt obligations	34 334	38 840	34 792
Customer prepayments	17	674	952
Accounts payable	8 214	12 751	10 867
Miscellaneous payables	0	3 862	0
Taxes payable	3 964	3 193	3 875
Accrued expenses	2 192	7 297	3 905
Unearned revenue	0	12	12
Short-term provisions	6	6	12
<b>CURRENT LIABILITIES</b>	<b>48 727</b>	<b>66 635</b>	<b>54 415</b>
Long-term debt	27 494	16 758	27 467
Other long-term payables	4 928	0	4 928
Long-term provisions	68	68	68
<b>LONG-TERM LIABILITIES</b>	<b>32 490</b>	<b>16 826</b>	<b>32 463</b>
<b>TOTAL LIABILITIES</b>	<b>81 217</b>	<b>83 461</b>	<b>86 878</b>
Share capital	18 969	35 250	13 219
Share premium	40 926	3 774	30 863
Revaluation reserve	15 578	816	15 578
Other reserves	1 046	1 046	1 046
Retained earnings	-24 798	7 083	7 083
Profit for the financial year	-19 003	-18 733	-31 881
<b>OWNERS' EQUITY</b>	<b>32 718</b>	<b>29 236</b>	<b>35 908</b>
<b>LIABILITIES AND EQUITY</b>	<b>113 935</b>	<b>112 697</b>	<b>122 786</b>

**BALANCE SHEET**

consolidated, unaudited

	30.06.2003	30.06.2002	31.12.2002
	EUR '000	EUR '000	EUR '000
Cash and bank	96	97	287
Customer receivables	738	588	801
Accrued income	26	69	55
Prepaid expenses	96	209	185
Inventories	1 843	2 723	1 854
<b>CURRENT ASSETS</b>	<b>2 799</b>	<b>3 686</b>	<b>3 182</b>
Long-term financial assets	165	203	165
Tangible assets	3 959	3 259	4 132
Intangible assets	359	54	368
<b>FIXED ASSETS</b>	<b>4 483</b>	<b>3 516</b>	<b>4 665</b>
<b>ASSETS</b>	<b>7 282</b>	<b>7 202</b>	<b>7 847</b>
Debt obligations	2 195	2 482	2 223
Customer prepayments	1	43	61
Accounts payable	525	815	694
Miscellaneous payables	0	247	0
Taxes payable	254	204	247
Accrued expenses	140	466	250
Unearned revenue	0	1	1
Short-term provisions	0	0	1
<b>CURRENT LIABILITIES</b>	<b>3 115</b>	<b>4 258</b>	<b>3 477</b>
Long-term debt	1 757	1 071	1 755
Other long-term payables	315	0	315
Long-term provisions	4	4	4
<b>LONG-TERM LIABILITIES</b>	<b>2 076</b>	<b>1 075</b>	<b>2 074</b>
<b>TOTAL LIABILITIES</b>	<b>5 191</b>	<b>5 333</b>	<b>5 551</b>
Share capital	1 212	2 253	845
Share premium	2 616	241	1 973
Revaluation reserve	996	52	996
Other reserves	67	67	67
Retained earnings	-1 585	453	453
Profit for the financial year	-1 215	-1 197	-2 038
<b>OWNERS' EQUITY</b>	<b>2 091</b>	<b>1 869</b>	<b>2 296</b>
<b>LIABILITIES AND EQUITY</b>	<b>7 282</b>	<b>7 202</b>	<b>7 847</b>

**INCOME STATEMENT**

consolidated, unaudited	Q2 2003 EEK '000	Q2 2002 EEK '000	Q2 2003 EUR '000	Q2 2002 EUR '000
Net sales	22 968	24 898	1 468	1 591
Change in inventories	771	4 947	49	316
Other revenue	289	340	18	22
<b>TOTAL REVENUE</b>	<b>24 028</b>	<b>30 185</b>	<b>1 535</b>	<b>1 929</b>
Goods, raw material and services	9 982	13 465	637	860
Miscellaneous operating expenses	7 788	14 852	497	949
Personnel expenses	12 627	13 189	808	843
Depreciation	1 858	1 696	119	108
Other expenses	386	51	25	4
<b>TOTAL EXPENSES</b>	<b>32 641</b>	<b>43 253</b>	<b>2 086</b>	<b>2 764</b>
<b>OPERATING PROFIT</b>	<b>-8 613</b>	<b>-13 068</b>	<b>-551</b>	<b>-835</b>
Interest expenses	-1 283	-1 179	-82	-75
Foreign exchange profit (loss)	-41	26	-2	1
Other financial income / expense	49	65	3	5
NET FINANCIAL ITEMS	-1 275	-1 088	-81	-69
<b>NET PROFIT</b>	<b>-9 888</b>	<b>-14 156</b>	<b>-632</b>	<b>-904</b>
Basic earnings per share (EEK / EUR)	-5.93	-4.02	-0.38	-0.26
Diluted earnings per share (EEK / EUR)	-5.75	-3.79	-0.37	-0.24

**INCOME STATEMENT**

consolidated, unaudited	2003 I half-year EEK '000	2002 I half-year EEK '000	2003 I half-year EUR '000	2002 I half-year EUR '000
Net sales	54 779	57 286	3 501	3 661
Change in inventories	-1 990	-1 517	-127	-97
Other revenue	615	769	39	49
<b>TOTAL REVENUE</b>	<b>53 404</b>	<b>56 538</b>	<b>3 413</b>	<b>3 613</b>
Goods, raw material and services	22 852	19 342	1 460	1 236
Miscellaneous operating expenses	14 712	21 296	940	1 361
Personnel expenses	27 345	28 081	1 748	1 795
Depreciation	3 693	3 337	236	213
Other expenses	1 290	982	83	63
<b>TOTAL EXPENSES</b>	<b>69 892</b>	<b>73 038</b>	<b>4 467</b>	<b>4 668</b>
<b>OPERATING PROFIT</b>	<b>-16 488</b>	<b>-16 500</b>	<b>-1 054</b>	<b>-1 055</b>
Interest expenses	-2 536	-2 398	-162	-153
Foreign exchange profit (loss)	-80	34	-5	2
Other financial income / expense	101	131	6	9
NET FINANCIAL ITEMS	-2 515	-2 233	-161	-142
<b>NET PROFIT</b>	<b>-19 003</b>	<b>-18 733</b>	<b>-1 215</b>	<b>-1 197</b>
Basic earnings per share (EEK / EUR)	-13.78	-5.31	-0.88	-0.34
Diluted earnings per share (EEK / EUR)	-13.28	-5.02	-0.85	-0.32

**CASH-FLOW STATEMENT**

consolidated, unaudited

	2003	2002	2003	2002
	I half-year	I half-year	I half-year	I half-year
	EEK '000	EEK '000	EUR '000	EUR '000
<b>Cash-flow from operations</b>				
Net profit	-19 003	-18 733	-1 215	-1 197
Depreciation of fixed assets	3 693	3 337	236	213
Profit from sale of fixed assets	-38	-62	-2	-4
Loss from write-off of fixed assets	23	26	1	2
Interest expense	2 536	2 398	162	153
Actual interest payments	-2 316	-2 073	-148	-132
<b>Net profit adjustments</b>	<b>-15 105</b>	<b>-15 107</b>	<b>-966</b>	<b>-965</b>
Change in current assets	2 560	5 006	164	320
Change in short-term liabilities	-5 449	10 526	-348	673
<b>Working capital adjustments</b>	<b>-2 889</b>	<b>15 532</b>	<b>-184</b>	<b>993</b>
<b>Total cash-flow from operations</b>	<b>-17 994</b>	<b>425</b>	<b>-1 150</b>	<b>28</b>
Purchase of fixed assets	-922	-2 220	-59	-142
Proceeds from sale of fixed assets	129	71	8	5
Acquisition of associated companies	0	-10	0	-1
Loans granted	0	-340	0	-22
Receipt of repayment of loans	412	6	27	0
Interest collected	32	72	2	5
Reconstruction of fixed assets	0	-114	0	-7
<b>Cash-flow from investments</b>	<b>-349</b>	<b>-2 535</b>	<b>-22</b>	<b>-162</b>
Repayment of debt	-30 368	-20 431	-1 941	-1 306
Proceeds from debt	28 000	18 000	1 790	1 150
Change in credit line	2 783	3 266	178	209
Repayment under finance lease	-872	-1 136	-56	-73
Proceeds from share issue	15 813	0	1 010	0
<b>Cash-flow from financing</b>	<b>15 356</b>	<b>-301</b>	<b>981</b>	<b>-20</b>
<b>TOTAL CASH FLOW</b>	<b>- 2 987</b>	<b>-2 411</b>	<b>-191</b>	<b>-154</b>
Cash at beginning of period	4 485	3 925	287	251
Cash at end of period	1 498	1 514	96	97



**STATEMENT OF CHANGES IN EQUITY AS OF 30.06.2003**

unaudited (in thousand EEK)

	Share capital	Share premium	Revaluation reserve	Mandatory legal reserve	Retained earnings	Profit for the year	Total equity
<b>31.12.01</b>	<b>35 250</b>	<b>3 774</b>	<b>816</b>	<b>923</b>	<b>6 202</b>	<b>1 004</b>	<b>47 969</b>
Payments to mandatory reserve				123		-123	0
Retained earnings from 2001					881	-881	0
Profit for the current year						-18 733	-18 733
<b>30.06.02</b>	<b>35 250</b>	<b>3 774</b>	<b>816</b>	<b>1 046</b>	<b>7 083</b>	<b>-18 733</b>	<b>29 236</b>
<b>31.12.02</b>	<b>13 219</b>	<b>30 863</b>	<b>15 578</b>	<b>1 046</b>	<b>7 083</b>	<b>-31 881</b>	<b>35 908</b>
Retained earnings from 2002					-31 881	31 881	0
Share issue	5 750	10 063					15 813
Profit for the current year						-19 003	-19 003
<b>30.06.03</b>	<b>18 969</b>	<b>40 926</b>	<b>15 578</b>	<b>1 046</b>	<b>-24 798</b>	<b>-19 003</b>	<b>32 718</b>

**STATEMENT OF CHANGES IN EQUITY AS OF 30.06.2003**

unaudited (in thousand EUR)

	Share capital	Share premium	Revaluation reserve	Mandatory legal reserve	Retained earnings	Profit for the year	Total equity
<b>31.12.01</b>	<b>2 253</b>	<b>241</b>	<b>52</b>	<b>59</b>	<b>397</b>	<b>64</b>	<b>3 066</b>
Payments to mandatory reserve				8		-8	0
Retained earnings from 2001					56	-56	0
Profit for the current year						-1 197	-1 197
<b>31.03.02</b>	<b>2 253</b>	<b>241</b>	<b>52</b>	<b>67</b>	<b>453</b>	<b>-1 197</b>	<b>1 869</b>
<b>31.12.02</b>	<b>845</b>	<b>1 973</b>	<b>996</b>	<b>67</b>	<b>453</b>	<b>-2 038</b>	<b>2 296</b>
Retained earnings from 2002					-2 038	2 038	0
Share issue	367	643					1 010
Profit for the current year						-1 215	-1 215
<b>30.06.03</b>	<b>1 212</b>	<b>2 616</b>	<b>996</b>	<b>67</b>	<b>-1 585</b>	<b>-1 215</b>	<b>2 091</b>

## ACCOUNTING PRINCIPLES USED IN PREPARING THE CONSOLIDATED INTERIM REPORT

AS Klementi's consolidated interim report is prepared according to the Republic of Estonia Accounting Act and the requirements of the International Accounting Standard (IAS 34) on abbreviated interim financial statements. The same accounting methods were used in the preparation of the interim report as in the annual report for the financial year ended on 31 December 2002.

This interim report has been prepared in thousands of Estonian kroons and thousands of euros. The Estonian kroon is pegged to the euro at the rate 1 EUR = 15,64664 EEK.

According to the assessment of the management board, the second quarter 2003 consolidated interim report of AS Klementi presents a true and fair view of the company's economic results in compliance with the going-concern concept. This interim report is unaudited.

The balance sheet and profit report of AS Klementi group have been prepared according to the reporting layouts stipulated in the Republic of Estonia Accounting Act. With a view to improving the overview of the report the entries have been aggregated in places, the detailed information on the entries is presented in the notes of the interim report.

### General information on the company

AS Klementi is an Estonian-based company that designs, manufactures, retails and wholesales women's wear. The company is registered and operates in Tallinn, Estonia. The company's main office is situated at Akadeemia tee 33, Tallinn.

AS Klementi is listed on the Tallinn Stock Exchange investor's list.

As of the end of the second quarter 2003 AS Klementi owns wholly the two following subsidiaries:

- Klementi Trading OY (registered in Finland)
- UAB Klementi Vilnius (registered in Lithuania)

## NOTES TO THE CONSOLIDATED INTERIM REPORT

### Note 1. Accounts receivable

	30.06.2003 EEK '000	31.12.2002 EEK '000	30.06.2003 EUR '000	31.12.2002 EUR '000
Accounts receivable	11 586	12 591	740	804
Allowance for doubtful receivables	-38	-54	-2	-3
<b>Total</b>	<b>11 548</b>	<b>12 537</b>	<b>738</b>	<b>801</b>

In the balance sheet the customer receivables are recorded according to the probable sums received on the day of the balance sheet. The doubtful customer receivables have been recorded as expenses of the period and in the balance sheet as an allowance reserve with the minus sign. Receivables, the collection of which are not feasible or economically justified, are considered to be un-collectable and are written off.

In the first half-year of 2003 un-collectable receivables in the amount of EEK 16 thousand (EUR 1 thousand) were written off.

### Note 2. Inventories

	30.06.2003 EEK '000	31.12.2002 EEK '000	30.06.2003 EUR '000	31.12.2002 EUR '000
Raw material and material	6 083	6 298	389	403
Work in progress	4 906	5 188	313	332
Finished goods	14 017	15 725	896	1 005
Purchased goods for resale	2 330	1 646	149	105
Prepayments to suppliers	1 499	145	96	9
<b>Total</b>	<b>28 835</b>	<b>29 002</b>	<b>1 843</b>	<b>1 854</b>

On the balance sheet the inventories are recorded at the lower acquisition cost or net realisable value. Inventories are valued by using the weighted average acquisition cost method. Work in progress and finished goods are recorded at the production price, which is comprised of direct and indirect production costs.

In the first half-year of 2003 inventories in the amount of EEK 2 049 thousand (EUR 131 thousand) were written down, including EEK 389 thousand (EUR 25 thousand) in the second quarter and inventories in the amount of EEK 46 thousand (EUR 3 thousand) were written off, including EEK 3 thousand in the second quarter.

### Note 3. Fixed assets

#### Tangible fixed assets (in thousand EEK)

	Land & buildings	Plant, equipment	Other fixtures	Construction in progress	Pre-payment	Total
Acquisition cost 31.12.2002	44 640	27 674	13 348	95	0	85 757
Accum. depreciation 31.12.2002	0	-13 526	-7 582	0	0	-21 108
<b>Net book value 31.12.2002</b>	<b>44 640</b>	<b>14 148</b>	<b>5 766</b>	<b>95</b>	<b>0</b>	<b>64 649</b>
Acquired during the period	0	105	950	22	18	1 095
Sold during the period	0	-126	-83	0	0	-209
Written off during the period	0	-779	-88	-117	0	-984
Take into service during the per.	0	0	0	0	0	0
Regrouping: acquisition cost	0	-2 042	1 115	0	0	-927
Regrouping: depreciation	0	1 158	-602	0	0	556
Sale / write-off of fixed assets	0	812	126	0	0	938
Depreciation	-642	-1 403	-1 124	0	0	-3 169
Acquisition cost 30.06.2003	44 640	24 832	15 242	0	18	84 732
Accum. depreciation 30.06.03	-642	-12 959	-9 182	0	0	-22 783
<b>Net book value 30.06.2003</b>	<b>43 998</b>	<b>11 873</b>	<b>6 060</b>	<b>0</b>	<b>18</b>	<b>61 949</b>

#### Tangible fixed assets (in thousand EUR)

	Land & buildings	Plant, equipment	Other fixtures	Construction in progress	Pre-payment	Total
Acquisition cost 31.12.2002	2 853	1 769	853	6	0	5 481
Accum. depreciation 31.12.2002	0	-864	-485	0	0	-1 349
<b>Net book value 31.12.2002</b>	<b>2 853</b>	<b>905</b>	<b>368</b>	<b>6</b>	<b>0</b>	<b>4 132</b>
Acquired during the period	0	7	61	1	1	70
Sold during the period	0	-8	-5	0	0	-13
Written off during the period	0	-50	-6	-7	0	-63
Take into service during the per.	0	0	0	0	0	0
Regrouping: acquisition cost	0	-131	71	0	0	-60
Regrouping: depreciation	0	74	-38	0	0	36
Sale / write-off of fixed assets	0	52	8	0	0	60
Depreciation	-41	-90	-72	0	0	-203
Acquisition cost 30.06.2003	2 853	1 587	974	0	1	5 415
Accum. depreciation 30.06.03	-41	-828	-587	0	0	-1 456
<b>Net book value 30.06.2003</b>	<b>2 812</b>	<b>759</b>	<b>387</b>	<b>0</b>	<b>1</b>	<b>3 959</b>

**Intangible assets (in thousand EEK)**

	Software	Trademarks acquired	Total
Acquisition cost 31.12.2002	3 937	5 717	9 654
Accumulated depreciation 31.12.2002	-3 146	-737	-3 883
<b>Net book value 31.12.2002</b>	<b>791</b>	<b>4 980</b>	<b>5 771</b>
Regrouping: acquisition cost	927	0	927
Regrouping: accumulated depreciation	-556	0	-556
Depreciation	-264	-260	-524
Acquisition cost 30.06.2003	4 864	5 717	10 581
Accumulated depreciation 30.06.2003	-3 966	-997	-4 963
<b>Net book value 30.06.2003</b>	<b>898</b>	<b>4 720</b>	<b>5 618</b>

**Intangible assets (in thousand EUR)**

	Software	Trademarks acquired	Total
Acquisition cost 31.12.2002	251	365	616
Accumulated depreciation 31.12.2002	-201	-47	-248
<b>Net book value 31.12.2002</b>	<b>50</b>	<b>318</b>	<b>368</b>
Regrouping: acquisition cost	60	0	60
Regrouping: accumulated depreciation	-36	0	-36
Depreciation	-17	-16	-33
Acquisition cost 30.06.2003	311	365	676
Accumulated depreciation 30.06.2003	-254	-63	-317
<b>Net book value 30.06.2003</b>	<b>57</b>	<b>302</b>	<b>359</b>

**Note 4. Short- and long-term debt obligations**

The debt obligations of the group as of 30.06.2003 are as follows (in thousand EEK):

	short-term	long-term	interest rate	maturity
<b>Secured obligations</b>				
- Eesti Ühispank's credit line	9 017	-	8.5%	30.10.2003
- Hansapank's credit line	4 236	-	7.75%	15.11.2003
- Hansapank's loan	1 595	17 810	EURIBOR+5.0%	15.07.2009
- Eesti Ühispank's loan	18 000	-	6%	30.10.2003
- Convertible debentures: PTA Group bankruptcy	-	1 200	5%	31.12.2005
<b>Unsecured obligations</b>				
- leases	672	4 564	average 8.9%	2003-2007
- loan: PTA Group	-	800	5%	31.12.2005
- loan: Alta Holding OÜ	-	3 120	0%	
- Innovatsioonifond	814	-	0%	
<b>Total</b>	<b>34 334</b>	<b>27 494</b>		

The debt obligations of the group as of 31.12.2002 were as follows (in thousand EEK):

	short-term	long-term	interest rate	maturity
<b>Secured obligations</b>				
- Eesti Ühispank's credit line	6 005	-	8.5%	
- Hansapank's credit line	4 464	-	10%	
- Hansapank's loan	3 190	17 810	EURIBOR+5.0%	15.07.2009
- Eesti Ühispank's bills of exchange	18 000	-	average 6.5%	
- Eesti Ühispank's factoring	773	-	8.5%	
- Convertible debentures – PTA Group bankruptcy	-	1 200	5%	31.12.2005
<b>Unsecured obligations</b>				
- leases	1 546	4 537	average 10.4%	2003-2007
- loan: PTA Group	-	800	5%	31.12.2005
- loan: Alta Holding OÜ	-	3 120	0%	
- Innovatsioonifond	814	-	0%	
<b>Total</b>	<b>34 792</b>	<b>27 467</b>		

The debt obligations of the group as of 30.06.2003 are as follows (in thousand EUR):

	short-term	long-term	interest rate	maturity
<b>Secured obligations</b>				
- Eesti Ühispank's credit line	577	-	8.5%	30.10.2003
- Hansapank's credit line	271	-	7.75%	15.11.2003
- Hansapank's loan	102	1 138	EURIBOR+5.0%	15.07.2009
- Eesti Ühispank's loan	1 150	-	6%	30.10.2003
- Convertible debentures – PTA Group bankruptcy	-	77	5%	31.12.2005
<b>Unsecured obligations</b>				
- leases	43	292	average 8.9%	2003-2007
- loan: PTA Group	-	51	5%	31.12.2005
- loan: Alta Holding OÜ	-	199	0%	
- Innovatsioonifond	52	-	0%	
<b>Total</b>	<b>2 195</b>	<b>1 757</b>		

The debt obligations of the group as of 31.12.2002 were as follows (in thousand EUR):

	short-term	long-term	interest rate	maturity
<b>Secured obligations</b>				
- Eesti Ühispank's credit line	384	-	8.5%	
- Hansapank's credit line	285	-	10%	
- Hansapank's loan	204	1 138	EURIBOR+5.0%	15.07.2009
- Eesti Ühispank's bills of exchange	1 150	-	average 6.5%	
- Eesti Ühispank's factoring	49	-	8.5%	
- Convertible debentures – PTA Group bankruptcy	-	77	5%	31.12.2005
<b>Unsecured obligations</b>				
- leases	99	290	average 10.4%	2003-2007
- loan: PTA Group	-	51	5%	31.12.2005
- loan: Alta Holding OÜ	-	199	0%	
- Innovatsioonifond	52	-	0%	
<b>Total</b>	<b>2 223</b>	<b>1 755</b>		

#### Loan guarantees

The long-term loan and credit line from Hansapank is secured by a first ranking mortgage on the registered immovable property of administrative building, production building and retail store's building in the amount of EEK 27 000 thousand (EUR 1 726 thousand) with a collateral claim of EEK 5 400 thousand (EUR 345 thousand) and by a second ranking commercial pledge in the amount of EEK 15 000 thousand (EUR 959 thousand). The purpose of the loan was the refinancing of the loan from AS Sampo Pank and the financing of working capital. Due to the seasonality of the company's main activities additional working capital was involved by loan agreement.

The Eesti Ühispank's credit line is secured by a first ranking commercial pledge in the amount of EEK 23 000 thousand (EUR 1 470 thousand), contract for the establishment of a second ranking mortgage on the properties mentioned above in the amount of EEK 10 000 thousand (EUR 639 thousand) with collateral claim of EEK 1 800 thousand (EUR 115 thousand). The net book value of the pledged assets was EEK 38 475 thousand (EUR 2 459 thousand) as of 30 June 2003.

## Note 5. Equity

The share capital of AS Klementi is EEK 18 969 thousand (EUR 1 212 thousand) divided into 1 896 875 shares with the nominal value of EEK 10 (EUR 0.64). All Klementi's shares are registered A-shares. An A-share gives one vote at the shareholders' meeting. No share certificate is issued for registered shares. The share register is electronic and is maintained by the Estonian Central Depository for Securities. Pursuant to the Articles of Association the maximum share capital of AS Klementi is EEK 52 000 thousand (EUR 3 323 thousand) and the minimum is EEK 13 000 thousand (EUR 831 thousand).

As of 30 June 2003 AS Klementi had 601 shareholders.

AS Klementi shareholders with a participation of over 1% as of 30.06.2003:

Name	Number of shares	Participation
Bryum Estonia AS	524 709	27.66%
OÜ Alta Investments I	462 731	24.39%
Nordea Bank Finland Plc clients	189 305	9.98%
SEB AB clients	94 812	5.00%
Balti Kasvufond	90 458	4.77%
OÜ Alta Holding	87 500	4.61%
Firebird Republics Fund Ltd	38 611	2.04%
Hansapanga Kindlustuse AS	35 274	1.86%
OÜ Bagira	32 350	1.71%
HEX Bank Office and Custody Services OY Funds	29 296	1.54%
Ühispanga Varahalduse AS	22 000	1.16%
SA Eesti Rahvuskultuuri Fond	20 796	1.10%
AS Hansapank	19 124	1.01%

## Note 6. Net sales

In the first half-year of 2003 the consolidated net sales of AS Klementi were EEK 54 779 thousand (EUR 3 501 thousand), including export EEK 30 826 thousand (EUR 1 970 thousand), i.e. 56.3%. In the first half-year of 2002 the consolidated net sales of AS Klementi were EEK 57 286 thousand (EUR 3 661 thousand), including export EEK 33 335 thousand (EUR 2 131 thousand) or 58.2%, which was divided as follows:

in thousand EEK	I half-year 2003		I half-year 2002	
	turnover	incl. export	turnover	incl. export
- apparel sales	42 415	20 595	35 020	13 677
- subcontracting and other services	11 433	10 201	21 151	19 648
- sale of materials	441	30	373	10
- canteen sales	490	-	742	-
<b>Total</b>	<b>54 779</b>	<b>30 826</b>	<b>57 286</b>	<b>33 335</b>

in thousand EUR	I half-year 2003		I half-year 2002	
	turnover	incl. export	turnover	incl. export
- apparel sales	2 711	1 316	2 238	874
- subcontracting and other services	731	652	1 352	1 256
- sale of materials	28	2	24	1
- canteen sales	31	-	47	-
<b>Total</b>	<b>3 501</b>	<b>1 970</b>	<b>3 661</b>	<b>2 131</b>

The main export countries were:

Country	I half-year 2003	I half-year 2002	I half-year 2003	I half-year 2002
	EEK '000	EEK '000	EUR '000	EUR '000
Finland	17 638	22 906	1 128	1 464
Sweden	5 041	2 425	322	155
Lithuania	4 918	4 381	314	280
Latvia	3 066	3 502	196	224
Other	163	121	10	8
<b>Total</b>	<b>30 826</b>	<b>33 335</b>	<b>1 970</b>	<b>2 131</b>

**Note 7. Earnings per share (EPS)**

Earnings per share have been calculated pursuant to the International Accounting Standards (IAS 33).

	I half-year 2003	I half-year 2002	I half-year 2003	I half-year 2002
	EEK	EEK	EUR	EUR
Number of shares 1 Jan 2003, th. pcs.	1 322	3 525	1 322	3 525
Number of shares issued 13.06.2003, th. pcs.	575	0	575	0
Number of shares 30 June 2003, th. pcs.	1 897	3 525	1 897	3 525
Net earnings, th.	-19 003	-18 733	-1 215	-1 197
Weighted average no of shares, th. pcs.	1 379	3 525	1 379	3 525
Basic earnings per share	-13.78	-5.31	-0.88	-0.34
Diluted earnings per share	-13.28	-5.02	-0.85	-0.32

Potential ordinary shares are convertible debentures owned by P.T.A. Group OY bankruptcy estate. On 31 July 2002 the extraordinary meeting of shareholders decided to decrease the number of potential ordinary shares from 200 000 with a nominal value of EEK 10 (EUR 0.64) to 50 000 with a nominal value of EEK 24 (EUR 1.53) on 12 August 2002.

**Note 8. Post balance sheet events**

Pursuant to the decision of the supervisory board of AS Klementi, the company has decided to found an independent subsidiary in the Kingdom of Sweden with a view to providing better service to the Swedish wholesale clients. On 31 July 2003 AS Klementi acquired inactive company Nybyggaren 10:1000 AB. The new business name of the company will be Klementi Trading AB.

The foundation capital of Klementi Trading AB is SEK 100,000. AS Klementi owns 100% of the company's shares. Members of the supervisory board of Klementi Trading AB are Toomas Leis (chairman) and Leif Hill and the substitute member is Evelin Lelmi. The director of Klementi Trading AB is Leif Hill.