

KLEMENTI



Q3 CONSOLIDATED INTERIM REPORT

1 July 2003 – 30 September 2003

THE COMPANY IN BRIEF

Business name:	AS Klementi
Registry code:	10175491
Address	Akadeemia tee 33 TALLINN
Telephone:	+372 6710 700
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E-mail:	klementi@klementi.ee
WWW:	www.klementi.ee
Main activity:	design, manufacturing and sale of womenswear
Form of ownership:	public limited company
Director:	Toomas Leis
Financial Manager:	Lilli Kaska
Auditor:	PricewaterhouseCoopers

COMMENTS ON THE THIRD QUARTER 2003 INTERIM REPORT

The third quarter of 2003 is characterised by the following key indicators:

- sale growth of 33% compared to last year
- wholesale growth in the Nordic countries doubled
- net profit EEK 2.5 million
- inventories decreased by 38%, inventory turnover ratio 5.1 (last year 3.0)
- the number of employees was reduced by 28% i.e. 179 employees over the year
- 9 month turnover per employee increased by 28%
- changes in the group structure

The unaudited consolidated group net turnover of AS Klementi in the third quarter of 2003 was EEK 50.9m (EUR 3.3m) and the net profit amounted to EEK 2.5m (EUR 0.2m). In the same period of the previous year the turnover amounted to EEK 38.2m (EUR 2.4m) and the net profit was EEK 3.6m (EUR 0.2m). Compared with the same period of the previous year the turnover increased by 33%.

The unaudited consolidated group net turnover of the first 9 months of 2003 was EEK 105.6m (EUR 6.8m) and the net loss amounted to EEK 16.5m (EUR 1.1m). During the same period of the previous year the turnover was EEK 95.5m (EUR 6.1m) and the net loss was EEK 15.2m (EUR 1.0m).

As of September 30, 2003 there were 456 employees in the group. During the third quarter of 2003 the number of employees was reduced by 14% i.e. 74 persons.

Changes in the structure of the group

With a view to providing better service to the Swedish wholesale clients an independent subsidiary in Sweden was founded. On July 31 2003 AS Klementi acquired non-active company Nybyggaren 10:1000 AB. The new business name of the company is Klementi Trading AB. AS Klementi owns 100% of the company's shares.

On October 9 2003 AS Klementi acquired 100% of the Latvian retail company SIA Vision. The company has been retailing Klementi apparel for a number of years already and is currently renting two stores in Riga. Up to then AS Klementi did not have any shareholding in the company. SIA Vision has been consolidated into the Klementi group as a subsidiary from August 1 2003.

In connection with the start of co-operation between AS Klementi and the leading Lithuanian retail chain Apranga APB, AS Klementi closed its retail stores in Lithuania at the beginning of September and began the liquidation process of its subsidiary UAB Klementi Vilnius.

Sales analysis

The net sales breakdown by activity in the third quarter was as follows:

NET SALES	2003 EEKm	2002 EEKm	2003 EURm	2002 EURm	03/02 change
apparel sales	45,5	33,3	2,9	2,1	36,6%
subcontracting and other sales	5,4	4,9	0,4	0,3	10,2%
TOTAL	50,9	38,2	3,3	2,4	33,0%

In the third quarter the sale of both the own trademarks and subcontracting showed positive signs of growth. The sale of apparel increased in the third quarter by 37%.

The largest increase was in the apparel wholesale in the Nordic countries, the numbers almost doubled. The wholesale share in the Nordic countries formed 64% of apparel sale.

The net sales breakdown by activity in the first nine months was as follows:

NET SALES	2003 EEKm	2002 EEKm	2003 EURm	2002 EURm	03/02 change
apparel sales	87,9	68,3	5,6	4,4	28,7%
subcontracting and other sales	17,7	27,2	1,1	1,7	- 34,9%
TOTAL	105,6	95,5	6,8	6,1	10,6%

Currently Klementi retail chain consists of 10 shops, 8 of which are in Estonia and 2 in Latvia. As of the end of September Klementi had 2,377 square metres of retail area (last year at the same time the total retail area was 2,547 square metres).

Despite a decrease in retail area the retail turnover increased in the third quarter by 6%. The share of retail turnover in the total sale of apparel in the first 9 months was 42%.

Cost analysis

The cost on goods, raw materials and services has increased due to an enlarged share of purchased goods in Klementi collections.

The miscellaneous operating expenses in the third quarter are incomparable with the figures of last year. In reality the miscellaneous operating expenses have decreased in comparison with last year by 8% i.e. EEK 0.7m (EUR 0.05m). In the first half of 2002 doubtful receivables in the amount of EEK 10.0m (EUR 0.6m) were incurred as costs in relation with the bankruptcy of P.T.A. Group OY. In the third quarter the cost of doubtful receivables was reduced by EEK 5.7m (EUR 0.4m).

The personnel expenses of the third quarter include the redundancy payments to the amount of EEK 1.1m (EUR 0.07m). In addition to the company's own funds the redundancy payments were also covered by the Unemployment Fund to the amount of EEK 0.5m (EUR 0.03m). By eliminating the redundancy payments it reveals that the personnel expenses have decreased during the year by 16%.

Profit analysis

The loss of the first 9 months of 2003 includes one-off costs to the amount of EEK 4.9m (EUR 0.31m), including:

EEK 1.9m (EUR 0.12m) costs from the previous periods, of which EEK 1.1m (EUR 0.07m) was due to the additional wholesale loss of the previous year in Latvia and Lithuania.

EEK 0.8m (EUR 0.04m) for developing the new retail concept and the new Klementi logo and reorganising the outlets.

In the third quarter of 2003 the optimisation of the demand for workforce was successfully completed. In 9 months the number of employees was reduced by 25% i.e. 152 people. The redundancy payments in the given period amounted to EEK 2.2m (EUR 0.14m).

Balance sheet analysis and ratios

The consolidated total assets of AS Klementi as of September 30 2003 were EEK 131.4m (EUR 8.4m). The inventories have decreased over the year by 37.6% i.e. EEK 15.8m (EUR 1.0m) and the inventory turnover ratio has improved by 2.1 points.

The wholesale increase in the third quarter in the Nordic countries by EEK 14.3m (EUR 0.9m) has led to an increase in the accounts receivable by EEK 5.6m (EUR 0.4m).

With the purchase of SIA Vision additional goodwill was accumulated in the amount of EEK 2.2m (EUR 0.14m), which is reflected in the balance sheet under intangible assets. Simultaneously, as a result of this transaction the long-term financial investments and the accounts receivable decreased and the inventories increased.

In June of the current year the public issue of the company's shares took place, as a result of which the share premium increased to EEK 40.9m (EUR 2.6m). In the third quarter the share premium was reduced by the amount of the direct arrangement costs of the issue by EEK 0.6m (EUR 0.04m).

The key financial ratios of AS Klementi group as of 30.09.2003:

	2003 9m	2002 9m
- year-over-year sales growth (third quarter)	33,0%	12,9%
- year-over-year sales growth (9 months)	10,6%	21,5%
- apparel sale share in net sales	83,2%	71,5%
- inventory turnover (adjusted to year) [net sales / average inventory]	5,1	3,0
- current ratio [current assets / current liabilities]	0,94	1,27
- liquidity ratio [current assets-inventory / current liabilities]	0,53	0,51
- EBIT margin [operating profit / net sales]	-12,0%	-11,6%
- net margin [net profit / net sales]	-15,6%	-15,9%

Toomas Leis
Chairman

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

BALANCE SHEET

consolidated, unaudited

	30.09.2003	30.09.2002	31.12.2002
	EEK '000	EEK '000	EEK '000
Cash and bank	3 402	2 725	4 485
Customer receivables	28 571	22 992	12 537
Accrued income	500	479	868
Prepaid expenses	1 591	1 765	2 896
Inventories	26 331	42 172	29 002
CURRENT ASSETS	60 395	70 133	49 788
Long-term financial assets	1 471	3 182	2 578
Tangible assets	61 955	51 468	64 649
Intangible assets	7 553	764	5 771
FIXED ASSETS	70 979	55 414	72 998
ASSETS	131 374	125 547	122 786
Debt obligations	52 072	36 573	34 792
Customer prepayments	17	0	952
Accounts payable	5 717	10 027	10 867
Miscellaneous payables	0	0	0
Taxes payable	3 369	4 999	3 875
Accrued expenses	3 193	3 623	3 905
Unearned revenue	0	12	12
Short-term provisions	3	3	12
CURRENT LIABILITIES	64 371	55 237	54 415
Long-term debt	27 494	32 395	27 467
Other long-term payables	4 928	0	4 928
Long-term provisions	68	68	68
LONG-TERM LIABILITIES	32 490	32 463	32 463
TOTAL LIABILITIES	96 861	87 700	86 878
Share capital	18 969	13 219	13 219
Share premium	40 294	30 863	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
Foreign exchange differences	-80	0	0
Profit for the financial year	-16 496	-15 180	-31 881
OWNERS' EQUITY	34 513	37 847	35 908
LIABILITIES AND EQUITY	131 374	125 547	122 786

BALANCE SHEET

consolidated, unaudited

	30.09.2003	30.09.2002	31.12.2002
	EUR '000	EUR '000	EUR '000
Cash and bank	217	174	287
Customer receivables	1 826	1 469	801
Accrued income	32	31	55
Prepaid expenses	102	113	185
Inventories	1 683	2 695	1 854
CURRENT ASSETS	3 860	4 482	3 182
Long-term financial assets	94	203	165
Tangible assets	3 960	3 290	4 132
Intangible assets	483	49	368
FIXED ASSETS	4 536	3 542	4 665
ASSETS	8 396	8 024	7 847
Debt obligations	3 328	2 337	2 223
Customer prepayments	1	0	61
Accounts payable	365	641	694
Miscellaneous payables	0	0	0
Taxes payable	215	319	247
Accrued expenses	204	232	250
Unearned revenue	0	1	1
Short-term provisions	0	0	1
CURRENT LIABILITIES	4 114	3 530	3 477
Long-term debt	1 757	2 070	1 755
Other long-term payables	315	0	315
Long-term provisions	4	4	4
LONG-TERM LIABILITIES	2 076	2 074	2 074
TOTAL LIABILITIES	6 191	5 604	5 551
Share capital	1 212	845	845
Share premium	2 575	1 973	1 973
Revaluation reserve	996	52	996
Other reserves	67	67	67
Retained earnings	-1 585	453	453
Foreign exchange differences	-5	0	0
Profit for the financial year	-1 054	-970	-2 038
OWNERS' EQUITY	2 206	2 420	2 296
LIABILITIES AND EQUITY	8 396	8 024	7 847

INCOME STATEMENT

consolidated, unaudited	Q3 2003 EEK '000	Q3 2002 EEK '000	Q3 2003 EUR '000	Q3 2002 EUR '000
Net sales	50 864	38 236	3 251	2 444
Change in inventories	-3 514	2 276	-225	145
Other revenue	543	577	35	37
TOTAL REVENUE	47 893	41 089	3 061	2 626
Goods, raw material and services	19 540	14 709	1 249	940
Miscellaneous operating expenses	8 616	3 609	551	231
Personnel expenses	13 600	14 822	869	947
Depreciation	1 918	1 749	123	112
Other expenses	370	811	24	51
TOTAL EXPENSES	44 044	35 700	2 815	2 281
OPERATING PROFIT	3 849	5 389	246	345
Interest expenses	-1 481	-1 857	-95	-119
Foreign exchange profit (loss)	104	-45	7	-3
Other financial income / expense	35	66	2	4
NET FINANCIAL ITEMS	-1 342	-1 836	-86	-118
NET PROFIT	2 507	3 553	160	227
Basic earnings per share (EEK / EUR)	1.32	1.60	0.08	0.10
Diluted earnings per share (EEK / EUR)	1.30	1.52	0.08	0.10

INCOME STATEMENT

consolidated, unaudited	2003 9 months EEK '000	2002 9 months EEK '000	2003 9 months EUR '000	2002 9 months EUR '000
Net sales	105 643	95 522	6 752	6 105
Change in inventories	- 5 504	759	-352	48
Other revenue	1 158	1 346	74	86
TOTAL REVENUE	101 297	97 627	6 474	6 239
Goods, raw material and services	42 392	34 051	2 709	2 176
Miscellaneous operating expenses	23 328	24 905	1 491	1 592
Personnel expenses	40 945	42 903	2 617	2 742
Depreciation	5 611	5 086	359	325
Other expenses	1 660	1 793	106	114
TOTAL EXPENSES	113 936	108 738	7 282	6 949
OPERATING PROFIT	-12 639	-11 111	-808	-710
Interest expenses	-4 017	-4 255	-257	-272
Foreign exchange profit (loss)	24	-11	2	1
Other financial income / expense	136	197	9	11
NET FINANCIAL ITEMS	-3 857	-4 069	-247	-260
NET PROFIT	-16 496	-15 180	-1 054	-970
Basic earnings per share (EEK / EUR)	-10.63	-4.92	-0.68	-0.31
Diluted earnings per share (EEK / EUR)	-10.28	-4.64	-0.66	-0.30

CASH FLOW STATEMENT

consolidated, unaudited

	2003 9 months EEK '000	2002 9 months EEK '000	2003 9 months EUR '000	2002 9 months EUR '000
Cash-flow from operations				
Net profit	-16 496	-15 180	-1 054	-970
Depreciation of fixed assets	5 611	5 086	359	325
Profit from sale of fixed assets	-52	-105	-3	-7
Loss from write-off of fixed assets	23	136	1	9
Loss from non-current financial assets	-2 141	0	-137	0
Unrealized exchange differences	-80	0	-5	0
Interest expense	4 017	4 255	257	272
Actual interest payments	-3 780	-4 024	-242	-257
Net profit adjustments	-12 898	-9 832	-824	-628
Change in current assets	-10 180	-6 481	-651	-414
Change in short-term liabilities	-7 341	1 491	-469	95
Working capital adjustments	-17 521	-4 990	-1 120	-319
Total cash-flow from operations	-30 419	-14 822	-1 944	-947
Purchase of fixed assets	-3 591	-3 920	-230	-251
Proceeds from sale of fixed assets	150	144	10	9
Proceeds from sale of affiliated companies	14	100	1	6
Acquisition of associated companies	0	-10	0	-1
Acquisition of affiliated companies	-218	0	-14	0
Loans granted	0	-352	0	-22
Receipt of repayment of loans	446	56	29	4
Interest collected	48	175	3	11
Reconstruction of fixed assets	0	-697	0	-45
Cash-flow from investments	-3 151	-4 504	-201	-288
Repayment of debt	-39 165	-41 660	-2 503	-2 663
Proceeds from debt	54 000	55 289	3 451	3 534
Change in credit line	3 660	1 076	234	69
Repayment under finance lease	-1 216	-1 637	-78	-105
Change in long-term payables	27	0	2	0
Proceeds from share issue	15 181	5 058	970	323
Cash-flow from financing	32 487	18 126	2 076	1 158
TOTAL CASH FLOW	- 1 083	-1 200	-69	-77
Cash at beginning of period	4 485	3 925	286	251
Cash at end of period	3 402	2 725	217	174

STATEMENT OF CHANGES IN EQUITY AS OF 30.09.2003
consolidated, unaudited (in thousand EEK)

	Share capital	Share premium	Revaluation reserve	Mandatory legal reserve	Retained earnings	Profit for the year	Unrealized exchange differences	Total equity
31.12.01	35 250	3 774	816	923	6 202	1 004	0	47 969
Payments to mandatory reserve				123		-123		0
Retained earnings from 2001					881	-881		0
Redemption of shares	-26 437	26 437						0
Share issue	4 406	652						5 058
Profit for the year						-15 180		-15 180
30.09.02	13 219	30 863	816	1 046	7 083	-15 180	0	37 847
31.12.02	13 219	30 863	15 578	1 046	7 083	-31 881	0	35 908
Retained earnings from 2002					-31 881	31 881		0
Share issue	5 750	10 063						15 813
Decrease in premium		-632						-632
Profit for the year						-16 496		-16 496
Unrealized exchange differences							-80	-80
30.09.03	18 969	40 294	15 578	1 046	-24 798	-16 496	-80	34 513

STATEMENT OF CHANGES IN EQUITY AS OF 30.09.2003
consolidated, unaudited (in thousand EUR)

	Share capital	Share premium	Revaluation reserve	Mandatory legal reserve	Retained earnings	Profit for the year	Unrealized exchange differences	Total equity
31.12.01	2 253	241	52	59	397	64	0	3 066
Payments to mandatory reserve				8		-8		0
Retained earnings from 2001					56	-56		0
Redemption of shares	-1 690	1 690						0
Share issue	282	42						324
Profit for the year						-970		-970
30.09.02	845	1 973	52	67	453	-970	0	2 420
31.12.02	845	1 973	996	67	453	-2 038	0	2 296
Retained earnings from 2002					-2 038	2 038		0
Share issue	367	643						1 010
Decrease in premium		-41						-41
Profit for the year						-1 054		-1 054
Unrealized exchange differences							-5	-5
30.09.03	1 212	2 575	996	67	-1 585	-1 054	-5	2 206

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 third 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 third quarter 2003 AS Klementi owns wholly the following subsidiaries:

- Klementi Trading OY (registered in Finland)
- Klementi Trading AB (registered in Sweden)
- UAB Klementi Vilnius (registered in Lithuania)
- SIA Vision (registered in Latvia)

NOTES TO THE CONSOLIDATED INTERIM REPORT

Note 1. Accounts receivable

	30.09.2003	31.12.2002	30.09.2003	31.12.2002
	EEK '000	EEK '000	EUR '000	EUR '000
Accounts receivable	28 571	12 591	1 826	804
Allowance for doubtful receivables	-	-54	-	-3
Total	28 571	12 537	1 826	801

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 uncollectable and are written off. In the first 9 months of 2003 uncollectable receivables in the amount of EEK 57 thousand (EUR 4 thousand) were written off.

Note 2. Inventories

	30.09.2003	31.12.2002	30.09.2003	31.12.2002
	EEK '000	EEK '000	EUR '000	EUR '000
Raw material and material	4 381	6 298	280	403
Work in process	3 556	5 188	227	332
Finished goods	12 763	15 725	816	1 005
Purchased goods for resale	5 156	1 646	330	105
Prepayments to suppliers	475	145	30	9
Total	26 331	29 002	1 683	1 854

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 9 months of 2003 inventories in the amount of EEK 2 428 thousand (EUR 155 thousand) were written down, including EEK 425 thousand (EUR 27 thousand) in the third quarter and inventories in the amount of EEK 51 thousand (EUR 3 thousand) were written off, including EEK 5 thousand in the third 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 31.12.02	0	-13 526	-7 582	0	0	-21 108
Net book value 31.12.2002	44 640	14 148	5 766	95	0	64 649
Acquired during the period	0	562	1 812	22	18	2 414
Sold during the period	0	-139	-187	0	0	-326
Written off during the period	0	-779	-88	-117	0	-984
Taken into service during the period	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
Depreciation of sale & write-off of fixed assets	0	812	126	0	0	938
Depreciation	-963	-2 108	-1 294	0	0	-4 365
Acquisition cost 30.09.2003	44 640	25 276	16 000	0	18	85 934
Accum. depreciation 30.09.03	-963	-13 664	-9 352	0	0	-23 979
Net book value 30.09.2003	43 677	11 612	6 648	0	18	61 955

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 31.12.02	0	-864	-485	0	0	-1 349
Net book value 31.12.2002	2 853	905	368	6	0	4 132
Acquired during the period	0	36	116	1	1	154
Sold during the period	0	-9	-12	0	0	-21
Written off during the period	0	-50	-6	-7	0	-63
Taken into service during the period	0	0	0	0	0	0
Regrouping: acquisition cost	0	-131	71	0	0	-60
Regrouping: depreciation	0	74	-38	0	0	36
Depreciation of sale & write-off of fixed assets	0	52	8	0	0	60
Depreciation	-61	-135	-83	0	0	-279
Acquisition cost 30.09.2003	2 853	1 615	1 023	0	1	5 492
Accum. depreciation 30.09.03	-61	-873	-598	0	0	-1 532
Net book value 30.09.2003	2 792	742	425	0	1	3 960

Intangible assets (in thousand EEK)

	Software	Trademarks	Goodwill	Total
Acquisition cost 31.12.2002	3 937	5 717	0	9 654
Accumulated depreciation 31.12.02	-3 146	-737	0	-3 883
Net book value 31.12.2002	791	4 980	0	5 771
Acquired during the period	5	0	2 189	2 194
Regrouping: acquisition cost	927	0	0	927
Regrouping: accum depreciation	-556	0	0	-556
Depreciation	-393	-390	0	-783
Acquisition cost 30.09.2003	4 869	5 717	2 189	12 775
Accumulated depreciation 30.09.03	-4 095	-1 127	0	-5 222
Net book value 30.09.2003	774	4 590	2 189	7 553

Intangible assets (in thousand EUR)

	Software	Trademarks	Goodwill	Total
Acquisition cost 31.12.2002	252	365	0	617
Accumulated depreciation 31.12.02	-201	-47	0	-248
Net book value 31.12.2002	51	318	0	369
Acquired during the period	1	0	140	141
Regrouping: acquisition cost	59	0	0	59
Regrouping: accum depreciation	-36	0	0	-36
Depreciation	-25	-25	0	-50
Acquisition cost 30.09.2003	312	365	140	817
Accumulated depreciation 30.09.03	-262	-72	0	-334
Net book value 30.09.2003	49	293	140	483

Note 4. Short- and long-term debt obligations

The debt obligations of the group as of 30.09.2003 are as follows (in thousand EEK):

	short-term	long-term	interest rate	maturity
Secured obligations				
- Eesti Ühispank's credit line	8 496	-	8.5%	30.10.2003
- Hansapank's credit line	5 633	-	7.75%	15.11.2003
- Hansapank's loan	797	17 810	EURIBOR+5.0%	15.07.2009
- Eesti Ühispank's loan	13 000	-	6%	30.10.2003
- Hansapank's short term loan	23 000	-	7%	31.12.2003
- Convertible debentures: PTA Group bankruptcy	-	1 200	5%	31.12.2005
Unsecured obligations				
- leases	331	4 564	average 8.6%	2003-2007
- loan: PTA Group	-	800	5%	31.12.2005
- loan: Alta Holding OÜ	-	3 120	0%	
- Innovatsioonifond	814	-	0%	
Total	52 072	27 494		

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

	short-term	long-term	interest rate	maturity
Secured obligations				
- 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
Unsecured obligations				
- 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%	
Total	34 792	27 467		

The debt obligations of the group as of 30.09.2003 are as follows (in thousand EUR):

	short-term	long-term	interest rate	maturity
Secured obligations				
- Eesti Ühispank's credit line	543	-	8.5%	30.10.2003
- Hansapank's credit line	360	-	7.75%	15.11.2003
- Hansapank's loan	51	1 138	EURIBOR+5.0%	15.07.2009
- Eesti Ühispank's loan	831	-	6%	30.10.2003
- Hansapank's short term loan	1 470	-	7%	31.12.2003
- Convertible debentures – PTA Group bankruptcy	-	77	5%	31.12.2005
Unsecured obligations				
- leases	21	292	average 8.6%	2003-2007
- loan: PTA Group	-	51	5%	31.12.2005
- loan: Alta Holding OÜ	-	199	0%	
- Innovatsioonifond	52	-	0%	
Total	3 328	1 757		

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

	short-term	long-term	interest rate	maturity
Secured obligations				
- 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 –	-	77	5%	31.12.2005
Unsecured obligations				
- 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%	
Total	2 223	1 755		

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 and in order to finance the sales growth in the third quarter additional working capital was raised by short term loan agreement from Hansapank. Total loan amounted up to EEK 26 000 thousand (EUR 1 662 thousand), of which EEK 3 000 thousand (EUR 192 thousand) has been repaid. Loan is secured by a third ranking commercial pledge in the amount of EEK 27 000 thousand (EUR 1 726 thousand)

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 38 192 thousand (EUR 2 441 thousand) as of 30 September 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 September 2003 AS Klementi had 595 shareholders.

AS Klementi shareholders with a participation of over 1% as of 30.09.2003:

Name	Number of shares	Participation (%)
OÜ Alta Investments I	462 731	24,4
Bryum Estonia AS	381 809	20,1
Nordea Bank Finland Plc Clients Account Trading	191 005	10,1
Alta Capital AS	151 363	8,0
Skandinaviska Enskilda Banken AB Clients	94 812	5,0
Balti Kasvufond	90 458	4,8
OÜ Alta Holding	87 500	4,6
Firebird Republics Fund LTD	38 611	2,0
AS Hansapank	35 622	1,9
Hansapanga Kindlustuse AS	35 274	1,9
HEX Back Office and Custody Services OY Funds	29 296	1,5
Ühispanga Varahalduse AS	22 000	1,2
SA Eesti Rahvuskultuuri Fond	20 796	1,1

Note 6. Net sales

In the first 9 months of 2003 the consolidated net sales of AS Klementi were EEK 105 643 thousand (EUR 6 752 thousand), including export EEK 68 967 thousand (EUR 4 408 thousand), i.e. 65.3%. In the first 9 months of 2002 the consolidated net sales of AS Klementi were EEK 95 522 thousand (EUR 6 105 thousand), including export EEK 57 260 thousand (EUR 3 660 thousand) or 59.9%, which was divided as follows:

in thousand EEK	9 months 2003		9 months 2002	
	turnover	incl. export	turnover	incl. export
- apparel sales	87 894	54 218	68 219	33 619
- subcontracting and other services	16 025	14 291	25 645	23 630
- sale of materials	1 020	458	560	11
- canteen sales	704	-	1 098	-
Total	105 643	68 967	95 522	57 260

in thousand EUR	9 months 2003		9 months 2002	
	turnover	incl. export	turnover	incl. export
- apparel sales	5 618	3 465	4 360	2 149
- subcontracting and other services	1 024	914	1 639	1 510
- sale of materials	65	29	36	1
- canteen sales	45	-	70	-
Total	6 752	4 408	6 105	3 660

The main export countries were:

Country	9m 2003 EEK '000	9m 2002 EEK '000	9m 2003 EUR '000	9m 2002 EUR '000
Finland	34 658	38 924	2 215	2 488
Sweden	20 157	4 854	1 288	310
Lithuania	7 397	7 530	473	481
Latvia	6 219	5 484	398	351
Other	536	468	34	30
Total	68 967	57 260	4 408	3 660

Note 7. Earnings per share (EPS)

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

	9m 2003 EEK	9m 2002 EEK	9m 2003 EUR	9m 2002 EUR
Number of shares 1 January, th. pieces	1 322	3 525	1 322	3 525
Reduction of shares 12.08.2002, th. pcs	0	-2 644	0	-2 644
Share issue 02.09.2002, th. pcs	0	441	0	441
Share issue 13.06.2003, th. pcs	575	0	575	0
Number of shares 30 September, th. pcs	1 897	1 322	1 897	1 322
Net earnings, th.	-16 496	-15 180	-1 054	-970
Weighted average number of shares, th. pcs	1 552	3 088	1 552	3 088
Basic earnings per share	-10,63	-4,92	-1,32	-0,31
Diluted earnings per share	-10,28	-4,64	-1,30	-0,30

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.