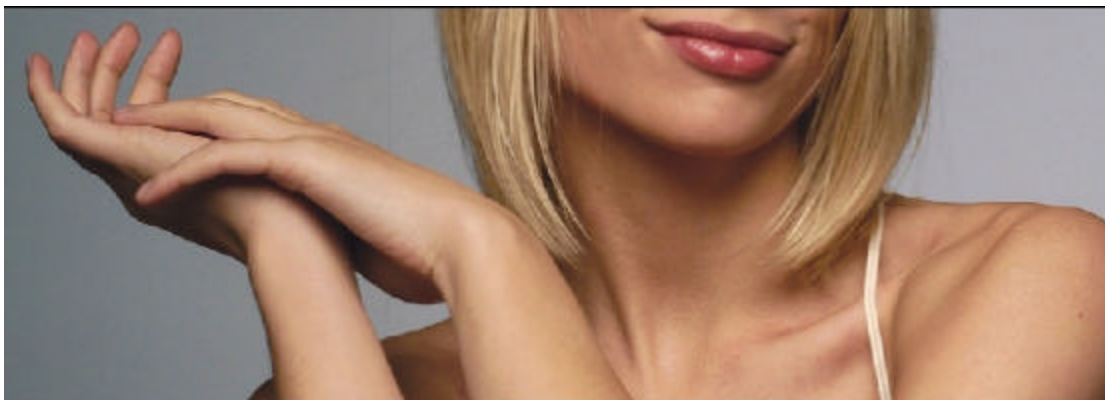


KLEMENTI



Q4 CONSOLIDATED INTERIM REPORT

1 October 2003 – 31 December 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
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 YEAR 2003 INTERIM RESULTS

The unaudited consolidated net sales of AS Klementi in the fourth quarter of 2003 were EEK 28.0m (EUR 1.8m) and the net loss amounted to EEK 5.7m (EUR 0.4m). In the same period of the previous year the sales amounted to EEK 37.7m (EUR 2.4m) and the net loss was EEK 16.7m (EUR 1.1m).

The unaudited consolidated net sales of 12 months of 2003 were EEK 133.6m (EUR 8.5m) and the net loss amounted to EEK 22.2m (EUR 1.4m). During the same period of the previous year the sales were EEK 133.3m (EUR 8.5m) and the net loss was EEK 31.9m (EUR 2.0m).

As of December 31, 2003 there were 450 employees in the group. As of December 31, 2002 the number of staff in the group was 580. During a year the number of employees was reduced by 22% i.e. 130 persons.

As of December 31, 2003 in addition to the parent company four subsidiaries belonged to AS Klementi group:

Klementi Trading OY	shareholding 100% - wholesale business
Klementi Trading AB	shareholding 100% - wholesale business
SIA Vision	shareholding 100% - retail business
UAB Klementi Vilnius	shareholding 100% - retail business

Sales analysis

The net sales breakdown by activity over 12 months was as follows:

NET SALES	2003 EEKm	2002 EEKm	2003 EURm	2002 EURm	03/02 change
Apparel sales	109.9	98.7	7.0	6.3	11.3%
Subcontracting and other sales	23.7	34.6	1.5	2.2	- 31.5%
TOTAL	133.6	133.3	8.5	8.5	0.2%

Over the past two years the share of apparel sales in total net sales has increased from 64% to 82%. 55% of the apparel sales came from wholesale and 45% from retail.

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

NET SALES	2003 EEKm	2002 EEKm	2003 EURm	2002 EURm	03/02 change
Apparel sales	22.0	30.4	1.4	1.9	-27.6%
Subcontracting and other sales	6.0	7.3	0.4	0.5	-17.8%
TOTAL	28.0	37.7	1.8	2.4	-25.7%

A decrease in net sales in the fourth quarter was mainly due to retail. Compared to the fourth quarter of 2002 the retail sales had fallen by EEK 7.3m (EUR 0.5m). A smaller turnover was caused by the following factors:

- The sales of the fourth quarter of 2002 included extraordinary old collections' inventory sale in the amount of EEK 3m.
- In September 2003 AS Klementi closed down its outlets in Lithuania. Co-operation with Lithuania's leading retail chain Apranga APB started at the beginning of 2004. Currently Klementi's retail chain consists of 10 outlets, 8 of which are in Estonia and 2 in Latvia. As of the end of the year Klementi had 2,377 square meters of retail area (at the same time a year before the outlet areas totalled 2,910 square meters).

Profit analysis

The loss of 2003 includes one-off costs in 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.
- EEK 2.2m (EUR 0.14m) for redundancy payments in the given period.

Balance sheet analysis and ratios

The consolidated total assets of AS Klementi as of December 31, 2003 were EEK 122.0m (EUR 7.8m).

The key financial ratios of AS Klementi group as of December 31, 2003 were as follows:

	2003	2002
- year-over-year turnover growth	0%	20%
- apparel sale share in total net sales	82%	74%
- inventory turnover ratio [net sales / average inventory]	4.3	3.7
- current ratio [current assets / current liabilities]	0.79	0.91
- liquidity ratio [(current assets-inventory) / current liabilities]	0.29	0.38
- EBIT margin [operating profit / net sales]	-12.4%	-19.8%
- net margin [net profit / net sales]	-16.6%	-23.9%

Plans for year 2004

For Klementi 2004 is the first full year that sees the trademark PTA represented in the Baltic States and the Nordic countries.

In 2004 the trademark PTA enters the Norwegian market. By now the contract of sale has been signed and the first sales have taken place.

At the beginning of 2004 sales cooperation with the Lithuanian market leader Apranga was started.

The aim in retailing is to increase the items density in outlets and sales effectiveness. In 2004 two new retail outlets will be opened in Tallinn (in Viru and Ülemiste Centre).

At the beginning of 2004 the payroll system of manufacturing piecework labourers changed. The reason for changing the payroll system was that the old system was too complicated and non-transparent. The new system should enable the valuation of individual's contribution to the work process more fairly and reduce personnel expenses that are caused by ineffectiveness.

In order to manage business activities in a more operational manner the implementation of new integrated business software Microsoft Axapta has been started.

Toomas Leis
Chairman

The consolidated reports of AS Klementi (group) have been prepared in compliance with the International Accounting Standards.

BALANCE SHEET

consolidated, unaudited

	31.12.2003 EEK'000	31.12.2002 EEK'000	31.12.2003 €'000	31.12.2002 €'000
Cash and bank	2 916	4 485	186	287
Customer receivables	14 862	12 537	950	801
Misc. receivables and accrued income	1 096	868	71	55
Prepaid expenses	945	2 896	60	185
Inventories	33 284	29 002	2 127	1 854
CURRENT ASSETS	53 103	49 788	3 394	3 182
Long-term financial investments	1 174	2 578	75	165
Tangible fixed assets	60 403	64 649	3 860	4 132
Intangible assets	7 306	5 771	467	368
NON-CURRENT ASSETS	68 883	72 998	4 402	4 665
ASSETS	121 986	122 786	7 796	7 847
Debt obligations	47 603	34 792	3 042	2 223
Customer prepayments	470	952	30	61
Accounts payable	9 744	10 867	623	694
Miscellaneous payables	782	0	50	0
Tax liabilities	3 242	3 875	207	247
Accrued income	5 657	3 905	362	250
Other unearned revenue	2	12	0	1
Short-term provisions	12	12	1	1
SHORT-TERM LIABILITIES	67 512	54 415	4 315	3 477
Long-term liabilities	21 283	27 467	1 360	1 755
Other long-term liabilities	4 203	4 928	269	315
Long-term provisions	68	68	4	4
LONG-TERM LIABILITIES	25 554	32 463	1 633	2 074
TOTAL LIABILITIES	93 066	86 878	5 948	5 551
Share capital	18 969	13 219	1 212	845
Share premium	40 294	30 863	2 575	1 973
Revaluation reserve	15 578	15 578	996	996
Other reserves	1 046	1 046	67	67
Retained profit	-24 798	7 083	-1 585	453
Profit for the financial year	-22 234	-31 881	-1 421	-2 038
Unrealised exchange rate differences	65	0	4	0
EQUITY	28 920	35 908	1 848	2 296
LIABILITIES AND EQUITY	121 986	122 786	7 796	7 847

INCOME STATEMENT

consolidated, unaudited	2003 Q4 EEK'000	2002 Q4 EEK'000	2003 Q4 €'000	2002 Q4 €'000
Net sales	27 987	37 736	1 789	2 412
Other revenue	4 596	252	294	16
TOTAL REVENUE	32 583	37 988	2 082	2 428
Change in inventories	-2 285	13 885	-146	887
Goods, raw material and services	9 219	10 629	589	680
Miscellaneous operating expenses	15 292	10 232	977	654
Personnel expenses	11 775	15 785	753	1 009
Depreciation	1 961	2 128	125	136
Other expenses	492	613	31	40
TOTAL EXPENSES	36 454	53 272	2 330	3 406
OPERATING PROFIT	-3 871	-15 284	-247	-978
Interest expenses	-1 738	-1 463	-111	-93
Foreign exchange profit (loss)	-182	-14	-12	-1
Other financial income / expense	53	60	3	4
NET FINANCIAL ITEMS	-1 867	-1 417	-119	-90
NET PROFIT	-5 738	-16 701	-367	-1 068
Basic earnings per share (EEK/€)	-3.02	-12.63	-0.19	-0.80
Diluted earnings per share (EEK/€)	-2.95	-12.17	-0.19	-0.78

INCOME STATEMENT

consolidated, unaudited	2003 12 months EEK'000	2002 12 months EEK'000	2003 12 months €'000	2002 12 months €'000
Net sales	133 630	133 258	8 540	8 517
Other revenue	5 754	1 598	368	102
TOTAL REVENUE	139 384	134 856	8 908	8 629
Change in inventories	3 219	13 126	206	839
Goods, raw material and services	51 611	44 680	3 299	2 856
Miscellaneous operating expenses	38 620	35 137	2 468	2 246
Personnel expenses	52 720	58 688	3 369	3 751
Depreciation	7 572	7 214	484	461
Other expenses	2 152	2 406	138	154
TOTAL EXPENSES	155 894	161 251	9 963	10 307
OPERATING PROFIT	-16 510	-26 395	-1 055	-1 678
Interest expenses	-5 755	-5 718	-368	-365
Foreign exchange profit (loss)	-158	-25	-10	-1
Other financial income / expense	189	257	12	16
NET FINANCIAL ITEMS	-5 724	-5 486	-366	-350
NET PROFIT	-22 234	-31 881	-1 421	-2 038
Basic earnings per share (EEK/€)	-13.56	-31.03	-0.87	-1.98
Diluted earnings per share (EEK/€)	-13.16	-29.59	-0.84	-1.89

CASH FLOW STATEMENT

consolidated, unaudited

	2003	2002	2003	2002
	12 months	12 months	12 months	12 months
	EEK'000	EEK'000	€'000	€'000
Cash-flow from operations				
Net profit	-22 234	-31 881	-1 421	-2 038
Depreciation of fixed assets	7 572	7 214	484	461
Profit from sale of fixed assets	-114	-217	-7	-14
Loss from write-off of fixed assets	77	425	5	27
Unrealised exchange rate differences	65		4	
Interest expenses	5 755	5 718	368	365
Actual interest payments	- 5 500	-5 411	-352	-346
Net profit adjustments	-14 379	-24 152	-919	-1 544
Change in current assets	-2 015	15 702	-129	1 004
Change in short-term liabilities	68	2373	4	152
Working capital adjustments	-1 947	18 075	-124	1 155
Total cash-flow from operations	-16 326	-6 077	-1 043	-388
Purchase of fixed assets	-4 167	-4 957	-266	-317
Proceeds from sale of fixed assets	363	459	23	29
Proceeds from sale of affiliated companies	14	0	1	0
Acquisition of associated companies' shares	0	-10	0	-1
Acquisition of affiliated companies' shares	-218	0	-14	0
Loans granted	0	200	0	13
Receipt of repayment of loans	551	101	35	6
Interest collected	62	204	4	13
Reconstruction of fixed assets	0	-795	0	-51
Cash-flow from investments	-3 395	-4 798	-217	-307
Repayment of debt	-48 587	-58 047	-3 105	-3 710
Proceeds from debt	54 000	68 262	3 451	4 363
Change in credit line	5 963	-1 509	381	-96
Repayment under finance lease	-1 497	-2 329	-96	-149
Change in long-term payables	-6 908	0	-442	0
Proceeds from share issue	15 181	5 058	970	323
Cash-flow from financing	18 152	11 435	1 160	731
TOTAL CASH FLOW	-1 569	560	-100	36
Cash at beginning of period	4 485	3 925	286	251
Cash at end of period	2 916	4 485	186	287

STATEMENT OF CHANGES IN EQUITY AS OF 31.12.2003
consolidated, unaudited (in thousand EEK)

	Share capital	Share premium	Revaluation reserve	Mandatory legal reserve	Retained earnings the year	Unrealised 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						-31 881		-15 180
Revaluation of fixed assets			14 762					14 762
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						-22 234		-22 234
Unrealised exchange rate differences							65	65
31.12.03	18 969	40 294	15 578	1 046	-24 798	-22 234	65	28 920

STATEMENT OF CHANGES IN EQUITY AS OF 31.12.2003
consolidated, unaudited (in thousand EUR)

	Share capital	Share premium	Revaluation reserve	Mandatory legal reserve	Retained earnings the year	Unrealised 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						-2 038		-2 038
Revaluation of fixed assets			944					944
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						-1 421		-1 421
Unrealised exchange rate differences							4	4
31.12.03	1 212	2 575	996	67	-1 585	-1 421	4	1 848

ACCOUNTING PRINCIPLES USED IN PREPARING THE CONSOLIDATED INTERIM REPORT

AS Klementi (group) consolidated interim report is prepared pursuant 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 4th 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.

Reporting layouts

The balance sheet and profit report of AS Klementi group have been prepared pursuant 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 head quarters of the company are in Tallinn, Akadeemia tee 33.

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

As of the end of the 4th quarter 2003 AS Klementi owns wholly the following subsidiaries:

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

NOTES TO THE CONSOLIDATED INTERIM REPORT

Note 1. Accounts receivable

	31.12.2003 EEK '000	31.12.2002 EEK '000	31.12.2003 EUR '000	31.12.2002 EUR '000
Accounts receivable	14 862	12 591	950	804
Allowance for doubtful receivables		-54		-3
Total	14 862	12 537	950	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 is not feasible or economically justified, are considered to be uncollectible and are written off. In 2003 uncollectible receivables in the amount of EEK 455 thousand (EUR 29 thousand) were written off.

Note 2. Inventories

	31.12.2003 EEK '000	31.12.2002 EEK '000	31.12.2003 EUR '000	31.12.2002 EUR '000
Raw material and material	5 175	6 298	331	403
Work in process	4 011	5 188	256	332
Finished goods	17 507	15 725	1 119	1 005
Purchased goods for resale	6 553	1 646	419	105
Prepayments to suppliers	38	145	2	9
Total	33 284	29 002	2 127	1 854

On the balance sheet the inventories are recorded at either the acquisition cost or net realisable value, depending on which is lower. 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 2003 inventories in the amount of EEK 2 957 thousand (EUR 189 thousand) were written down, including EEK 529 thousand (EUR 34 thousand) in the 4th quarter and inventories in the amount of EEK 74 thousand (EUR 5 thousand) were written off, including EEK 23 thousand in the 4th quarter.

Note 3. Fixed assets

Tangible fixed assets (in thousand EEK)

	Land & buildings	Plant, equipment	Other fixtures	Construction in progress	Pre-ayment	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	626	2 568	22	18	3 234
Sold during the period	0	-365	-398	0		-763
Written off during the period	0	-792	-435	-117	0	-1 344
Taken into service during the period	0	0	0	0	-18	-18
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	870	582	0	0	1 452
Depreciation	-1 284	-2 835	-2 317	0	0	-6 436
Acquisition cost 31.12.2003	44 640	25 101	15 735	0	0	85 476
Accum. depreciation 31.12.03	-1 284	-14 333	-9 456	0	0	-25 073
Net book value 31.12.2003	43 356	10 768	6 279	0	0	60 403

Tangible fixed assets (in thousand EUR)

	Land & buildings	Plant, equipment	Other fixtures	Construction in progress	Pre-ayment	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	40	164	1	1	206
Sold during the period	0	-24	-25			-49
Written off during the period	0	-51	-28	-7	0	-86
Taken into service during the period	0	0	0	0	-1	-1
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	56	37	0	0	93
Depreciation	-82	-181	-148	0	0	-411
Acquisition cost 31.12.2003	2 853	1 604	1006	0	0	5 463
Accum. depreciation 31.12.03	-82	-916	-605	0	0	-1 603
Net book value 31.12.2003	2 771	688	401	0	0	3 860

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	2 185	2 190
Regrouping: acquisition cost	927	0	0	927
Regrouping: accum depreciation	-556	0	0	-556
Depreciation	-525	-520	-91	-1136
Acquisition cost 31.12.2003	4 980	5 717	2 185	12 882
Accumulated depreciation 31.12.03	-4 228	-1 257	-91	-5 576
Net book value 31.12.2003	752	4 460	2 094	7 306

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	-34	-33	-6	-73
Acquisition cost 31.12.2003	318	365	140	823
Accumulated depreciation 31.12.03	-270	-80	-6	-356
Net book value 31.12.2003	48	285	134	467

Note 4. Short- and long-term debt obligations

The debt obligations of the group as of 31.12.2003 are as follows (in thousand EEK):

	short-term	long-term	interest rate	maturity
Secured obligations				
- Eesti Ühispank's credit line	9 167	-	8.5%	30.10.2003
- Hansapank's credit line	7 265	-	7.75%	15.11.2003
- Hansapank's loan	3 190	14 620	EURIBOR+5.0%	15.07.2009
- Eesti Ühispank's loan	10 000	-	6%	30.10.2003
- Hansapank's loan	17 000	-	7%	31.12.2003
- Convertible debentures – PTA Group bankruptcy	-	1 200	5%	31.12.2005
Unsecured obligations				
- leases	981	3 543	average 8.6 %	2003-2007
- loan; PTA Group	-	800	5%	31.12.2005
- loan; Alta Holding OÜ	-	1 120	0%	
Total	47 603	21 283		

The debt obligations of the group as of 31.12.2003 are 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 31.12.2003 are as follows (in thousand EUR):

	short-term	long-term	interest rate	maturity
Secured obligations				
- Eesti Ühispank's credit line	586	-	8.5%	30.10.2003
- Hansapank's credit line	464	-	7.75%	15.11.2003
- Hansapank's loan	204	934	EURIBOR+5.0%	15.07.2009
- Eesti Ühispank's loan	639	-	6%	30.10.2003
- Hansapank's loan	1 086	-	7%	31.12.2003
- Convertible debentures – PTA Group bankruptcy	-	77	5%	31.12.2005
Unsecured obligations				
- leases	63	226	average 8.6 %	2003-2007
- loan; PTA Group	-	51	5%	31.12.2005
- loan; Alta Holding OÜ	-	72	0%	
Total	3 042	1 360		

The debt obligations of the group as of 31.12.2003 are 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 – PTA Group bankruptcy	-	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 1726 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 additional working capital was raised by short-term loan agreement from Hansapank in the amount of EEK 26 000 thousand (EUR 1662 thousand), of which EEK 9000 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 as of 31.12.2003 was EEK 37 909 thousand (EUR 2 423 thousand).

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 3323 thousand) and the minimum is EEK 13 000 thousand (EUR 831 thousand).

As of 31 December 2003 AS Klementi had 582 shareholders.

AS Klementi shareholders with a participation of over 1% as of 31.12.2003:

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	191 005	10.1
ALTA CAPITAL AS	146 988	7.7
HANSA BALTI KASVUFOND	126 473	6.7
Skandinaviska Enskilda Banken AB Clients	94 812	5.0
OÜ ALTA HOLDING	87 500	4.6
FIREBIRD REPUBLICS FUND LTD	38 611	2.0
AS HANSAPANK	38 447	2.0
HANSAPANGA KINDLUSTUSE AS	35 274	1.9
HEX Back Office and Custody Services OY Funds	29 296	1.5
SA EESTI RAHVUSKULTUURI FOND	20 796	1.1

Note 6. Net sales

In the 12 months of 2003 the consolidated net sales of AS Klementi were EEK 133 630 thousand (EUR 8 540 thousand), including export EEK 81 905 thousand (EUR 5 235 thousand), i.e. 61.3%. In 2002 the consolidated net sales of AS Klementi were EEK 133 258 thousand (EUR 8 517 thousand), including export EEK 73 314 thousand (EUR 4 686 thousand) i.e. 55.0%, which was divided as follows:

in thousand EEK	12 months 2003		12 months 2002	
	net sales	incl. export	net sales	incl. export
- apparel sales	109 922	63 876	98 680	44 972
- subcontracting and other services	21 076	17 428	32 433	28 328
- sale of materials	1 700	601	756	14
- canteen sales	932	-	1 389	-
Total	133 630	81 905	133 258	73 314

in thousand EUR	12 months 2003		12 months 2002	
	net sales	incl. export	net sales	incl. export
- apparel sales	7 025	4 083	6 307	2 874
- subcontracting and other services	1 347	1 114	2 073	1 811
- sale of materials	109	38	48	1
- canteen sales	59	-	89	-
Total	8 540	5 235	8 517	4 686

The main export countries were:

Country	12m 2003 EEK '000	12m 2002 EEK '000	12m 2003 EUR '000	12m 2002 EUR '000
Finland	42 487	47 386	2 715	3 029
Sweden	21 547	7 916	1 377	506
Lithuania	7 408	10 443	474	667
Latvia	9 844	7 102	629	454
Other	619	467	40	30
Total	81 905	73 314	5 235	4 686

Note 7. Earnings per share (EPS)

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

	12m 2003 EEK	12m 2002 EEK	12m 2003 EUR	12m 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 as of 31 December, th. pcs	1 897	1 322	1 897	1 322
Net earnings, th.	-22 234	-31 881	-1 421	-2 038
Weighted average number of shares, th. pcs	1 640	1 027	1 640	1 027
Basic earnings per share (EEK)	-13,56	-31,03	-0,87	-1,98
Diluted earnings per share (EEK)	-13,16	-29,59	-0,84	-1,89

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.