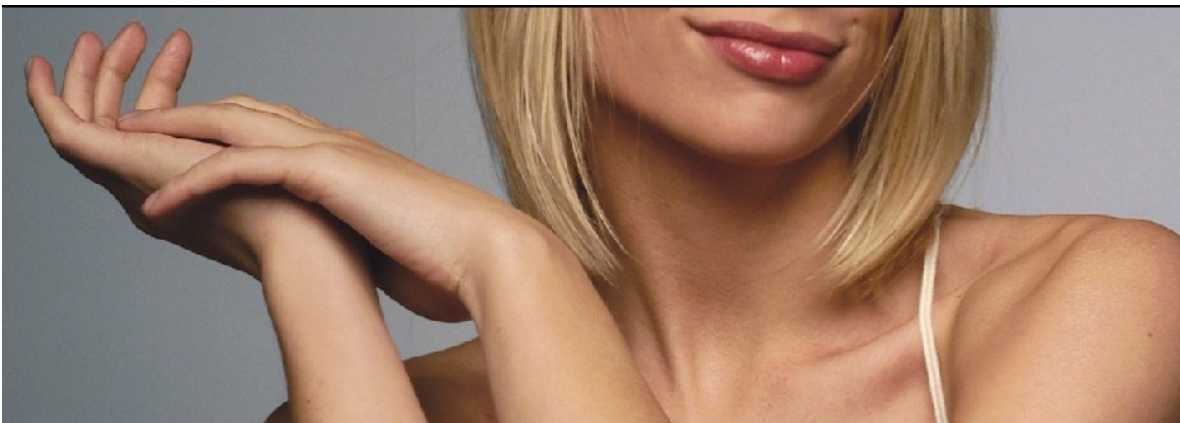


# KLEMENTI



**Consolidated Interim Report for Q2 2006**

## COMPANY PROFILE

<b>Business name:</b>	AS Klementi
<b>Registry code:</b>	10175491
<b>Address:</b>	Akadeemia tee 33, 12618 Tallinn
<b>Phone:</b>	+372 6 710 700
<b>Fax:</b>	+372 6 710 709
<b>E-mail:</b>	<a href="mailto:klementi@klementi.ee">klementi@klementi.ee</a>
<b>WWW:</b>	<a href="http://www.klementi.ee">www.klementi.ee</a>
<b>Principal activity:</b>	design, manufacturing and sales of apparel
<b>Form of ownership:</b>	public limited company
<b>Chief Executive Officer:</b>	Peeter Larin
<b>Chief Financial Officer:</b>	Marianne Paas
<b>Auditor:</b>	AS PricewaterhouseCoopers

## Table of Contents

<a href="#">Table of Contents</a>	<a href="#">3</a>
<a href="#">Management Report Q2 2006</a>	<a href="#">4</a>
<a href="#">General information and Management Board's approval of the consolidated interim report for Q2 2006</a>	<a href="#">8</a>
<a href="#">Balance Sheet</a>	<a href="#">9</a>
<a href="#">Income Statement – Q2</a>	<a href="#">10</a>
<a href="#">Income Statement – H1</a>	<a href="#">11</a>
<a href="#">Cash flow statement</a>	<a href="#">12</a>
<a href="#">Statement of changes in owners' equity</a>	<a href="#">13</a>
<a href="#">Accounting methods and valuation principles used for preparing the Consolidated Interim Report</a>	<a href="#">14</a>
<a href="#">Notes on the Consolidated Interim Report</a>	<a href="#">15</a>
<a href="#">Note 1. Trade Receivables</a>	<a href="#">15</a>
<a href="#">Note 2. Inventories</a>	<a href="#">15</a>
<a href="#">Note 3. Tangible and Intangible Assets</a>	<a href="#">15</a>
<a href="#">Note 4. Short-term and Long-term Debts</a>	<a href="#">16</a>
<a href="#">Note 5. Earnings per share</a>	<a href="#">17</a>
<a href="#">Note 6. Owners' Equity</a>	<a href="#">17</a>
<a href="#">Note 7. Sales Revenue</a>	<a href="#">18</a>
<a href="#">Note 8. Transactions with Related Parties</a>	<a href="#">19</a>
<a href="#">Note 9. Segments</a>	<a href="#">20</a>
<a href="#">Note 10. Post-Balance Sheet events</a>	<a href="#">23</a>

## Management Report Q2 2006

### Consolidated financial results in the first half of 2006

The consolidated net sales of the AS Klementi group in H1 2006 amounted to EEK 61.1 million (EUR 3.9 million), growing by 5.3% year-on-year. The net profit of the group in the first six months was EEK 3.9 million (EUR 0.2 million) and the profit rose by EEK 8.7 million (EUR 0.6 million).

The sales in the Estonian market accounted for 55.5% of the consolidated sales (H1 2005: 47.1%) and rose 24.1% in comparison with the same period last year. The sales growth in Estonia can be attributed to an increase in the effectiveness of retail sales and the general favourable economic conditions due to which the consumption has increased. There have been significant changes in the structure of export countries in comparison with the same period last year. The total export has decreased by 11.5% in comparison with the same period last year, but in the Latvian market the growth of the export turnover has been 67%. The decrease of the export turnover can be associated mainly with the Swedish and Norwegian markets where AS Klementi does not market its products. The decrease of the export turnover originates from a decrease in the sales of the subcontracting service by EEK 4.4 million (EUR 0.3 million). The export turnover of the apparel sales and other sales rose by EEK 0.9 million (EUR 0.06 million).

The apparel sales have increased by EEK 5.6 million in comparison with H1 2005 (EUR 0.4 million), amounting to 79.4% of the consolidated sales (H1 2005: 73.9%). The sales of the subcontracting service have fallen by EEK 2.7 million (EUR 0.2 million) in comparison with the first six months of the last year, amounting to 18.4% of the sales (23.9% in H1 2005).

This year the main effectiveness figures continued to improve in comparison with previous years. In comparison with H1 2005 the operating profit has increased by EEK 7.0 million (EUR 0.4 million), the return on sales was 6.3% (-5.4% in H1 2005) and the return on equity was 4.95% (-9.7% in H1 2005).

### Retail trade

The retail sales in H1 2006 amounted to EEK 36.4 million (EUR 2.3 million), growing by 18.7% year-on-year. In Latvia the retail sales rose by 79.8% over the same period. In H2 2006 the growth of the retail sales was 22.7% in comparison with H2 2005.

The growth in the retail sales in H2 2006 was affected by the successful sales of the products of the spring collection, an increase of the sales efficiency of retail space and a general rise in consumption. Well-timed discount campaigns with the right discount rates increased the sales and their impact on the economic results was negligible.

The loyal customer programme, which was successfully launched in Q1, has attracted nearly 15,000 customers as of the end of June. In addition to increasing the loyalty of customers the loyal customer programme is an effective direct marketing channel and allows for measuring the effectiveness of campaigns.

The economic results of the company were positively affected by a 37-percent rise in the sales efficiency of retail space (sales/m<sup>2</sup>) in comparison with H1 of 2005.

As of the end of June 2006, the Klementi Group had 11 stores with aggregate sales premises of 2,588 square metres (2,646 square metres as of 30 June 2005). In addition, as of March 2006 Klementi operates a 100 m<sup>2</sup> PTA store in Liepaja jointly with AS Lauma, a manufacturer of women's underwear. The total size of the retail trade premises of AS Klementi is 2,688 m<sup>2</sup>.

### Wholesale

In H1 2006 the wholesale rose 3% year-on-year. The wholesale growth can be attributed mainly to the products sold to Anttila OY, a Finnish retailer. As of H2 2005 wholesale to Sweden and Norway has been broken off.

### Profit

The results of H1 2006 have improved year-on-year. The operating profit before depreciation and financial income and expenses amounted to EEK 6.6 million (EUR 0.4 million), increasing by EEK 6.3 million (EUR 0.4 million) year-on-year. The net profit in H1 was EEK 3.0 million (EUR 0.2 million).

The quarterly results were positively affected by retail trade growth, an increase of the sales efficiency of retail trade premises and wholesale growth. The operating charges have decreased by EEK 3.1 million in comparison with H1 2005 (EUR 0.2 million). The decrease of the costs can be attributed mainly to a decrease of the costs of goods, materials and services and balances of finished goods and work in progress by EEK 2.8 million (EUR 0.2 million). An increase of other operating expenses by EEK 1.0 million (EUR 0.07 million) originates from rental expenses paid by AS Klementi as of the beginning of this year. The staff costs and operating charges have decreased by EEK 1.4 million (EUR 0.09 million).

The Group's financial income and expenses amounted to EEK 0.6 million (EUR 0.04 million) in H1 and fell by EEK 1.9 million (EUR 0.1 million) year-on-year. The interest expenses fell by EEK 2.0 million (EUR 0.1 million). The decrease of the interest expenses arises from repayment of bank loans at the end of 2005.

### **Balance Sheet and ratios**

The consolidated Balance Sheet total of Klementi was EEK 58.6 million (EUR 3.7 million) as of 30 June 2006. In comparison with the beginning of the year the Balance Sheet total has increased by EEK 6.7 million (EUR 0.4 million). In comparison with the end of H1 2005 the Balance Sheet total has decreased by EEK 39.9 million (EUR 2.6 million). The decrease of the Balance Sheet total can be attributed mainly to the sale of land and buildings at the end of 2005.

As of the end of June the inventories of the Group amounted to EEK 34.8 million (EUR 2.2 million), rising by EEK 9.3 million (EUR 0.6 million) over the first half of the year. The inventories increased in all categories – thereby the inventories of goods for resale increased by EEK 5.5 million (EUR 0.4 million). As of the end of June the growth of the inventories has been caused by a growth in retail trade and wholesale planned for the second half of the year. The deliveries of the goods for resale have been brought to an earlier time in comparison with the same period last year.

In comparison with the end of the year the trade receivables have decreased by EEK 0.7 million (EUR 0.04 million) by the end of the first half of the year. In comparison with the situation on 30 June 2006 the trade receivable have decreased by EEK 3.2 million (EUR 0.2 million). Due to the cyclical nature of credit sales to wholesale customers the level of receivables at the end of Q1 and Q3 is usually higher than at the end of Q2 and Q4, when the products of spring and autumn collections are paid for, respectively. The low level of receivables has also been influenced by timely accrual of accounts receivable. The average collection period of accounts receivable has continued to improve: from 44 days in the first half of 2005 to 20 days in the first half of 2006.

As of 30 June 2005 the trade creditors have increased by EEK 1.2 million (EUR 0.07 million) in comparison with the situation at the end of the year. In comparison with 30 June 2006 the trade creditors have increased by EEK 3.3 million (EUR 0.2 million). An increase in the trade creditors can be attributed to the planned increase of the sales due to an increase in deliveries.

The payables amount to EEK 18.2 million (EUR 1.2 million) as of the end of the financial year and in comparison with the beginning of the year they have increased by EEK 2.8 million (EUR 0.2 million). In Q1 loans used on the basis of long-term loan contracts amounted to EEK 15.5 million (EUR 1.0 million) and bank loans were repaid in the amount of EEK 5.3 million (EUR 0.3 million). In comparison with the end of H1 2005 the payables have decreased by EEK 47.8 million (EUR 3.1 million). The great fall in the payables can be attributed to the fact that the money received from the sale of land and buildings in December 2005 was used for reducing the payables.

### **Employees**

As of 30 June 2006 there were 377 employees in the Klementi Group (420 employees as of 30 June 2005), incl. 246 employees in manufacturing (284 employees as of 30 June 2005) and 69 employees in retail trade (65 employees as of 30 June 2005).

## Changes in the Management Board and Supervisory Board

In the first half of 2006 some changes were made in the Management Board and Supervisory Board of AS Klementi. By its decision of 7 March 2006 the Supervisory Board AS Klementi appointed Peeter Larin new Chairman of the Management Board. The contract of Toomas Leis, the former Chairman of the Management Board, expired on 27 February 2006.

By a decision of the general meeting of AS Klementi on 20 June 2006 Sakari Erkki Johannes Sorri was removed from the Supervisory Board of AS Klementi. Toomas Leis was elected new member of the Supervisory Board.

## Division of AS Klementi

The general meeting of AS Klementi of 20 June 2006 approved the division plan and new business name of AS Klementi. According to the division plan, AS Klementi is divided as follows: a new public limited company will emerge from AS Klementi and AS Klementi will be its sole shareholder. AS Klementi will transfer a manufacturing unit to the new company as well as the rights and obligations related to it.

Upon foundation, the share capital of the new company will be EEK 4,600 thousand (EUR 294 thousand), which has been divided into 460,000 shares with a nominal value of EEK 10 per share (EUR 0.64). The shares of the new company will not be distributed to the shareholders of AS Klementi and the shares of AS Klementi shall not be replaced. The non-monetary contribution made into the share capital of the new company will be made by AS Klementi using its assets. The non-monetary contribution has been evaluated by the Management Board of the new company and the contract for the transfer of the non-monetary contribution has been made. The evaluation of the non-monetary contribution was verified by the auditors of AS PricewaterhouseCoopers and according to their opinion the non-monetary contribution is in compliance with the provisions of the Commercial Code.

PTA Grupp AS was approved as the new business name of AS Klementi and AS Klementi was approved as the business name of the new company.

The subsidiary will be presented to the commercial register for registration in August 2006. Concurrently with the registration of the subsidiary the application for changing the business name of AS Klementi will be submitted to the commercial register.

## Bankruptcy of Klementi Trading AB

On 29 May 2006 Klementi Trading AB, a subsidiary of AS Klementi, was declared bankrupt. On 31 July 2003 AS Klementi, a subsidiary in Sweden, and became its sole shareholder. Klementi Trading AB commenced economic activities in August 2003 with the aim of wholesale of the products of AS Klementi in Sweden. As Estonia's accession to the European Union has made trading with other Member States considerably easier, the need for administration of operations in the said countries ceased to exist. The activities of the subsidiary have virtually ceased as of the second half of 2005. In the Balance Sheet of the parent company the financial investments in subsidiaries, mutual receivables and payables have been written down to EEK 0.

## Group's key figures

The main financial indicators and ratios that characterise the consolidated data of the AS Klementi group for the six months of 2006 are as follows:

Key financial indicators	First half-year 2006	First half-year 2005	Change
Operating revenue, EEK thousand	61 307	58 194	5,3%
Earnings before interest, tax, depreciation and amortisation (EBITDA), EEK thousand	6 569	330	6 239
Margin, %	10,8%	0,6%	-
Earnings before interest and tax, EEK thousand	3 869	-3 152	7 021
Return on sales, %	6,3%	-5,4%	-
Profit/loss for period, EEK thousand	3 029	- 5 639	8 668
ROA, %	5,5%	-5,5%	-
ROE, %	17,7%	-36,2%	-

Earnings per share (EPS), EEK	1,56	-2,89	4,45
Share of apparel sales in total sales, %	79,4%	73,9%	-
Current ratio	1,21	0,55	-
Quick ratio	0,23	0,17	-
Revenue to inventory	2,03	2,06	-

The ratios were calculated as follows:

Return on assets (ROA): net profit / average total assets

Return on equity (ROE): net profit / average owners' equity

Earnings per share (EPS): net profit / average number of ordinary shares

Current ratio: current assets / current liabilities

Quick ratio: (current assets – inventory) / current liabilities

Revenue to inventory: net sales / average inventory for the period



Peeter Lajin  
Chairman of the Management Board

## General information and Management Board's approval of the consolidated interim report for Q2 2006

AS Klementi is an international apparel trade group, which is engaged in the design manufacturing and marketing of women's apparel and provision of sewing services as a subcontractor. The number of the employees of the Group as of 30 June 2006 was 377 (420 as of 30 June 2006). The parent company is located and registered at Akadeemia tee 33 in Tallinn in Estonia.

As of 30 June 2006, the following companies belong to the Group:

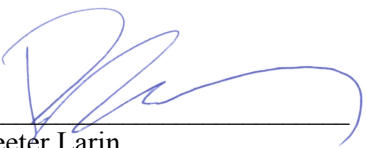
	Country of location	Shareholding as of 30.06.06	Shareholding as of 30.06.05
AS Klementi	Estonia		
Klementi Trading OY	Finland	100%	100%
Klementi Trading AB (bankrupt)	Sweden	100%	100%
UAB Klementi Vilnius (in liquidation)	Lithuania	100%	100%
SIA Vision	Latvia	100%	100%


The Management Board certifies that the AS Klementi Consolidated Interim Report for Q2 2006 set out on pages 7-21 is true and complete.

The Management Board warrants and represents that:

- 1.the accounting methods applied upon preparation of the interim report are in compliance with the international financial accounting standards as adopted by the European Union;
- 2.the Interim Report truly and fairly reflects the financial condition, economic results and cash flow of the Group;
- 3.any material circumstances which have become evident until the date of completion of the Report have been taken into account and indicated in the Interim Report in compliance with the requirements;
- 4.AS Klementi is carrying on its activities as a going concern.

This Interim Report has not been audited or otherwise reviewed by auditors.

  
\_\_\_\_\_  
Peeter Larin  
Chairman of the Management Board  
7 August 2006

  
\_\_\_\_\_  
Marianne Paas  
Member of the Management Board  
7 August 2006



## Balance Sheet

Consolidated, unaudited

	Notes	30.06.2006 EEK thousand	30.06.2005 EEK thousand	31.12.2005 EEK thousand	30.06.2006 EUR thousand	30.06.2005 EUR thousand	31. 12.2005 EUR thousand
<b>ASSETS</b>							
<b>Current assets</b>							
Cash at bank and in hand		3 514	2 956	2 831	225	189	181
Trade receivables	1	2 400	5 649	3 052	153	361	195
Other short-term receivables and prepaid expenses		2 117	3 088	2 589	135	198	165
Prepaid taxes		206	580	25	13	37	2
Inventories	2	34 758	27 996	25 496	2 222	1 789	1 630
<b>Total current assets</b>		<b>42 995</b>	<b>40 269</b>	<b>33 993</b>	<b>2 748</b>	<b>2 574</b>	<b>2 173</b>
<b>Fixed assets</b>							
Non-trade receivables		650	851	750	42	54	48
Tangible assets	3	8 363	50 329	10 536	534	3 217	673
Intangible assets	3	6 589	7 084	6 622	421	453	423
<b>Total fixed assets</b>		<b>15 602</b>	<b>58 264</b>	<b>17 908</b>	<b>997</b>	<b>3 724</b>	<b>1 144</b>
<b>TOTAL ASSETS</b>		<b>58 597</b>	<b>98 533</b>	<b>51 901</b>	<b>3 745</b>	<b>6 298</b>	<b>3 317</b>
<b>LIABILITIES AND OWNERS' EQUITY</b>							
<b>EQUITY</b>							
<b>Current liabilities</b>							
Payables	4	13 932	53 807	15 294	890	3 439	977
Trade creditors		13 738	10 435	12 573	878	667	804
Taxes payable		4 279	2 683	2 836	273	171	181
Other short-term payables		3 544	5 632	5 178	227	360	331
Short-term provisions		12	0	12	1	0	1
<b>Total current liabilities</b>		<b>35 505</b>	<b>72 557</b>	<b>35 893</b>	<b>2 269</b>	<b>4 637</b>	<b>2 294</b>
<b>Long-term liabilities</b>							
Long-term debt	4	4 250	12 206	134	272	780	9
Other long-term payables		127	191	173	8	12	11
Long-term provisions		141	148	143	9	10	9
<b>Total long-term liabilities</b>		<b>4 518</b>	<b>12 545</b>	<b>450</b>	<b>289</b>	<b>802</b>	<b>29</b>
<b>Total liabilities</b>		<b>40 023</b>	<b>85 102</b>	<b>36 343</b>	<b>2 558</b>	<b>5 439</b>	<b>2 323</b>
<b>Owners' equity</b>							
Share capital (nominal value)	6	19 469	19 469	19 469	1 244	1 244	1 244
Share premium		40 994	40 994	40 994	2 620	2 620	2 620
Revaluation reserve		0	13 876	0	0	887	0
Legal reserve	6	1 046	1 046	1 046	67	67	67
Retained profit		-45 977	-56 638	-42 762	-2 939	-3 620	-2 733
Unrealised exchange rate differences		13	323	26	1	21	2
Net profit/loss for financial year		3 029	-5 639	-3 215	194	-360	-206
<b>Total owners' equity</b>		<b>18 574</b>	<b>13 431</b>	<b>15 558</b>	<b>1 187</b>	<b>859</b>	<b>994</b>
<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>		<b>58 597</b>	<b>98 533</b>	<b>51 901</b>	<b>3 745</b>	<b>6 298</b>	<b>3 317</b>

## Income Statement – Q2

Consolidated, unaudited

	2006 Q2 EEK thousand	2005 Q2 EEK thousand	2006 Q2 EUR thousand	2005 Q2 EUR thousand
<b>Operating revenue</b>				
Sales revenue	29 986	25 815	1 916	1 650
Other operating revenue	127	36	8	2
<b>Total operating revenue</b>	<b>30 113</b>	<b>25 851</b>	<b>1 924</b>	<b>1 652</b>
Change in finished goods and work in progress	2 277	3 356	146	215
Goods, raw materials and services	-10 320	-8 192	-660	-524
Other operating expenses	-7 632	-6 310	-488	-403
Staff costs	-9 515	-10 602	-608	-678
Other operating charges	-488	-957	-31	-61
<b>Total operating charges</b>	<b>-25 678</b>	<b>-22 705</b>	<b>-1 641</b>	<b>-1 451</b>
<b>EBITDA</b>	<b>4 435</b>	<b>3 146</b>	<b>283</b>	<b>201</b>
Depreciation	-1 353	-1 728	-86	-110
<b>Operating profit/loss</b>	<b>3 082</b>	<b>1 418</b>	<b>197</b>	<b>91</b>
<b>Financial income/expenses</b>				
Interest expenses	-303	-1 491	-19	-95
Gains / losses on conversion of foreign currencies	76	83	5	5
Other financial income / expenses	-27	-9	-2	-1
<b>Total financial income / expenses</b>	<b>-254</b>	<b>-1 417</b>	<b>-16</b>	<b>-91</b>
Withholding tax	-264	0	-17	0
<b>Net profit / loss</b>	<b>2 564</b>	<b>1</b>	<b>164</b>	<b>0</b>
<b>Earnings per share</b>				
Basic earnings per share (EEK/EUR)	1,32	0,00	0,08	0,00
Diluted earnings per share (EEK/EUR)	1,32	0,00	0,08	0,00

## Income Statement – H1

Consolidated, unaudited

	Notes	<b>2006</b> <b>H1</b> <b>EEK</b> <b>thousand</b>	<b>2005</b> <b>H1</b> <b>EEK</b> <b>thousand</b>	<b>2006</b> <b>H1</b> <b>EUR</b> <b>thousand</b>	<b>2005</b> <b>H1</b> <b>EUR</b> <b>thousand</b>
<b>Operating revenue</b>					
Sales revenue	7,9	61 088	58 033	3 904	3 709
Other operating revenue		219	161	14	10
<b>Total operating revenue</b>		<b>61 307</b>	<b>58 194</b>	<b>3 918</b>	<b>3 719</b>
Change in finished goods and work in progress		3 457	-2 618	221	-167
Goods, raw materials and services		-22 006	-18 720	-1 407	-1 196
Other operating expenses		-14 326	-13 304	-915	-851
Staff costs		-21 123	-22 114	-1 350	-1 413
Other operating charges		-740	-1 108	-47	-71
<b>Total operating charges</b>		<b>-54 738</b>	<b>-57 864</b>	<b>-3 498</b>	<b>-3 698</b>
<b>EBITDA</b>		<b>6 569</b>	<b>330</b>	<b>420</b>	<b>21</b>
Depreciation	3	-2 700	-3 482	-173	-223
<b>Operating profit/loss</b>		<b>3 869</b>	<b>-3 152</b>	<b>247</b>	<b>-202</b>
<b>Financial income/expenses</b>					
Interest expenses		-546	-2 557	-34	-163
Gains / losses on conversion of foreign currencies		0	75	0	5
Other financial income / expenses		-30	-5	-2	-0
<b>Total financial income / expenses</b>		<b>-576</b>	<b>-2 487</b>	<b>-36</b>	<b>-158</b>
Withholding tax		-264	0	-17	0
<b>Net profit / loss</b>		<b>3 029</b>	<b>-5 639</b>	<b>194</b>	<b>-360</b>
<b>Earnings per share</b>					
Basic earnings per share (EEK/EUR)	5	1,56	-2,93	0,10	-0,19
Diluted earnings per share (EEK/EUR)	5	1,56	-2,93	0,10	-0,19

## Cash flow statement

Consolidated, unaudited

	Notes	2006 H1 EEK thousand	2005 H1 EEK thousand	2006 H1 EUR thousand	2005 H1 EUR thousand
<b>Cash flow from commercial operations</b>					
Net profit / loss		3 029	-5 639	194	-360
Adjustments:					
Depreciation and impairment of fixed assets	3	2 700	3 482	173	223
Profit / loss from sales of fixed assets		-58	-108	-4	-7
Loss from write-off of fixed assets			3		0
Change in receivables and prepayments related to commercial operations		1 026	3 667	66	235
Variation in inventories		-9 262	259	-592	16
Change in liabilities and prepayments related to commercial operations		1 428	2 440	91	156
Interests paid		-571	-2 094	-37	-134
<b>Total cash flow from commercial operations</b>		<b>-1 708</b>	<b>2 010</b>	<b>-109</b>	<b>129</b>
<b>Cash flow from investment</b>					
Acquisition of tangible assets and construction in progress	3	-557	-726	-36	-46
Sales of tangible assets		121	295	8	19
Trademark-related payments made	4	-4 112	-1 095	-263	-70
Repayments of loans given		56	147	4	9
Interest received		17	19	1	1
<b>Total cash flow from investment</b>		<b>-4 475</b>	<b>-1 360</b>	<b>-286</b>	<b>-87</b>
<b>Cash flow from financing</b>					
Loans raised	4	15 500	17 506	991	1 119
Loans repaid	4	-5 250	-16 200	-336	-1 035
Financial lease principal repayments	4	-241	-2 802	-15	-179
Repayment of other debt	4	-433	-434	-28	-28
Change in overdraft balance	4	-1 910	1 956	-122	125
Repayment of other loans	4	-800	-1 120	-51	-72
<b>Total cash flow from financing</b>		<b>6 866</b>	<b>-1 094</b>	<b>439</b>	<b>-70</b>
<b>Total cash flow</b>		<b>683</b>	<b>-444</b>	<b>44</b>	<b>-28</b>
<b>Increase/decrease in cash and cash equivalents</b>		<b>683</b>	<b>-444</b>	<b>44</b>	<b>-28</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>2 831</b>	<b>3 400</b>	<b>181</b>	<b>217</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>3 514</b>	<b>2 956</b>	<b>225</b>	<b>189</b>

**Statement of changes in owners' equity**

Consolidated, unaudited

EEK thousands

	Share capital	Share premium	Revaluation reserve	Legal reserve	Unrealised exchange rate differences	Retained profit	Profit/loss for financial year	Total
<b>Balance as of 31.12.2004</b>	<b>18 969</b>	<b>40 294</b>	<b>13 876</b>	<b>1 046</b>	<b>139</b>	<b>-44 737</b>	<b>-11 901</b>	<b>17 686</b>
Transfer of loss for 2004 into retained profit	0	0	0	0	0	-11 901	11 901	0
Share capital issued	500	700	0	0	0	0	0	1 200
Unrealised exchange rate differences	0	0	0	0	184	0	0	184
Profit for financial year	0	0	0	0	0	0	-5 639	-5 639
<b>Balance as of 30.06.2005</b>	<b>19 469</b>	<b>40 994</b>	<b>13 876</b>	<b>1 046</b>	<b>323</b>	<b>- 56 638</b>	<b>-5 639</b>	<b>13 431</b>
<b>Balance as of 31.12.2005</b>	<b>19 469</b>	<b>40 994</b>	<b>0</b>	<b>1 046</b>	<b>26</b>	<b>-42 762</b>	<b>-3 215</b>	<b>15 558</b>
Transfer of loss for 2005 to retained profit	0	0	0	0	0	-3 215	3 215	0
Unrealised exchange rate differences	0	0	0	0	-13	0	0	-13
Profit for financial year	0	0	0	0	0	0	3 029	3 029
<b>Balance as of 30.06.2006</b>	<b>19 469</b>	<b>40 994</b>	<b>0</b>	<b>1 046</b>	<b>13</b>	<b>-45 977</b>	<b>3 029</b>	<b>18 574</b>

EUR thousands

	Share capital	Share premium	Revaluation reserve	Legal reserve	Unrealised exchange rate differences	Retained profit	Profit/loss for financial year	Total
<b>Balance as of 31.12.2004</b>	<b>1 212</b>	<b>2 575</b>	<b>887</b>	<b>67</b>	<b>9</b>	<b>-2 859</b>	<b>- 761</b>	<b>1 130</b>
Transfer of loss for 2004 to retained profit	0	0	0	0	0	-761	761	0
Share capital issued	32	45	0	0	0	0	0	77
Unrealised exchange rate differences	0	0	0	0	12	0	0	12
Profit for financial year	0	0	0	0	0	0	-360	-360
<b>Balance as of 30.06.2005</b>	<b>1 244</b>	<b>2 620</b>	<b>887</b>	<b>67</b>	<b>21</b>	<b>-3 620</b>	<b>-360</b>	<b>859</b>
<b>Balance as of 31.12.2005</b>	<b>1 244</b>	<b>2 620</b>	<b>0</b>	<b>67</b>	<b>2</b>	<b>-2 733</b>	<b>-206</b>	<b>994</b>
Transfer of loss for 2005 to retained profit	0	0	0	0	0	-206	206	0
Unrealised exchange rate differences	0	0	0	0	-1	0	0	-1
Profit for financial year	0	0	0	0	0	0	194	194
<b>Balance as of 30.06.2006</b>	<b>1 244</b>	<b>2 620</b>	<b>0</b>	<b>67</b>	<b>1</b>	<b>-2 939</b>	<b>194</b>	<b>1 187</b>

## Accounting methods and valuation principles used for preparing the Consolidated Interim Report

### Bases for preparation

This Interim Report has been made pursuant to the requirements of IAS 34 "Interim Financial Reporting" of the International Accounting Standards and the International Financial Reporting Standards (IFRS) adopted by the European Union. The same accounting methods were used in the preparation of interim reports as in the Annual Report for the financial year, which ended on 31 December 2005.

This Interim Report shows results in thousands of Estonian kroons (EEK) and thousands of euros (EUR). The Estonian kroon is pegged to the euro at the rate of 1 EUR = 15.6466 EEK.

### Comparability

The financial statements have been made pursuant to the principle of consistency and comparability. The content of the changes in the methodology and their impact has been described in the following table. If the presentation of the entries of the financial statement or the classification method indicated in the Annual Report 2005 has been changed, the comparison data in the Income Statement of Q2 2005 has been reclassified respectively.

	<b>Income Statement 2005 H1 Interim Report</b>	<b>Reclassifica tion</b>	<b>Adjusted H1 2005 Interim Report</b>
Sales revenue	58 033	0	58 033
Other operating revenue	125	36	161
<b>Total operating revenue</b>	<b>58 158</b>	<b>36</b>	<b>58 194</b>
Change in finished goods and work in progress	-2 618	0	-2 618
Goods, raw materials and services	-18 720	0	-18 720
Other operating expenses	-13 200	-104	-13 304
Staff costs	-22 114	0	-22 114
Other operating charges	-542	-566	-1 108
<b>Total operating charges</b>	<b>-57 194</b>	<b>-670</b>	<b>-57 864</b>
<b>EBITDA</b>	<b>964</b>	<b>-634</b>	<b>330</b>
Depreciation	-3 482	0	-3 482
<b>Operating profit</b>	<b>-2 518</b>	<b>-634</b>	<b>-3 152</b>
<b>Financial income and expenses</b>			
Interest expenses	-2 557	0	-2 557
Gains (losses) on conversion of foreign currencies	-10	85	75
Other financial income and expenses	-554	549	-5
<b>Total financial income and expenses</b>	<b>-3 121</b>	<b>634</b>	<b>-2 487</b>
<b>Net profit (loss)</b>	<b>-5 639</b>	<b>0</b>	<b>-5 639</b>

## Notes on the Consolidated Interim Report

### Note 1. Trade Receivables

	30 June 2006	31 December 2005	30 June 2006	31 December 2005
	EEK thousand	EEK thousand	EUR thousand	EUR thousand
Trade receivables	2 487	3 095	159	198
Less: Allowance for uncollectible accounts	-87	-43	-6	-3
<b>Total</b>	<b>2 400</b>	<b>3 052</b>	<b>153</b>	<b>195</b>

The trade receivables are accounted in nominal value on the date of emergence of the claim (transaction date) and later at the adjusted acquisition cost (less the possible write-downs arising from a decrease of the value). If it is likely that the Group cannot collect all the amounts receivable pursuant to the terms of the claims, the claims will be written down. Upon assessment of claims the accrual of each specific claim is treated separately, considering the information available on the solvency of the debtor.

Receivables the accrual of which is unlikely are written down in the Balance Sheet to the collectible amount and written off.

In the first half of 2006 receivables were found to be uncollectible in the amount of EEK 148 thousand (EUR 9 thousand) and irrecoverable receivables were taken off the Balance Sheet in the amount of EEK 60 thousand (EUR 4 thousand). Irrecoverable receivables in the amount of EEK 377 thousand (EUR 24 thousand) were written off the Balance Sheet in the first half of 2005.

### Note 2. Inventories

	31 December			
	30 June 2006	2005	30 June 2006	31 December 2005
	EEK thousand	EEK thousand	EUR thousand	EUR thousand
Raw materials	9 951	7 604	636	487
Work in progress	3 281	2 242	210	143
Finished goods	9 784	9 280	625	593
Goods for resale	11 734	6 264	750	400
Prepayments to suppliers	8	106	1	7
<b>Total</b>	<b>34 758</b>	<b>25 496</b>	<b>2 222</b>	<b>1 630</b>

In H1 2006, inventories in the amount of EEK 23 thousand (EUR 1.5 thousand) were written off.

### Note 3. Tangible and Intangible Assets

	Tangible assets		Intangible assets	
	EEK thousand	EEK thousand	EUR thousand	EUR thousand
<b>Acquisition cost 31.12.05</b>	<b>38 115</b>	<b>11 732</b>	<b>2 436</b>	<b>749</b>
Accumulated depreciation 31.12.05	-27 579	-5 110	-1 763	-326
<b>Residual value 31.12.05</b>	<b>10 536</b>	<b>6 622</b>	<b>673</b>	<b>423</b>
Acquired during period under review	116	441	8	28
Sales during period under review	-63	0	-4	0
Depreciation	-2 226	-474	-143	-30
<b>Acquisition cost 30.06.06</b>	<b>37 876</b>	<b>12 163</b>	<b>2 420</b>	<b>777</b>
Accumulated depreciation 30.06.06	-29 513	-5 574	-1 886	-356
<b>Residual value 30.06.06</b>	<b>8 363</b>	<b>6 589</b>	<b>534</b>	<b>421</b>

	<b>Tangible assets</b>	<b>Intangible assets</b>	<b>Tangible assets</b>	<b>Intangible assets</b>
	<b>EEK thousand</b>	<b>EEK thousand</b>	<b>EUR thousand</b>	<b>EUR thousand</b>
<b>Acquisition cost 31.12.04</b>	<b>79 272</b>	<b>13 877</b>	<b>5 066</b>	<b>887</b>
Accumulated depreciation 31.12.04	-26 376	- 6 303	-1 685	-403
<b>Residual value 31.12.04</b>	<b>52 896</b>	<b>7 574</b>	<b>3 381</b>	<b>484</b>
Acquired during period under review	726	0	46	0
Sales during period under review	-298	0	-19	0
Depreciation	-2 992	-490	-191	-31
Written off during period under review	-3	0	0	0
<b>Acquisition cost 30.06.05</b>	<b>79 271</b>	<b>13 877</b>	<b>5 066</b>	<b>887</b>
Accumulated depreciation 30.06.05	-28 942	-6 793	-1 849	-434
<b>Residual value 30.06.05</b>	<b>50 329</b>	<b>7 084</b>	<b>3 217</b>	<b>453</b>

#### Note 4. Short-term and Long-term Debts

The Group has the following payables as of 30 June 2006:

	<b>Short-term</b>	<b>Long-term</b>	<b>Short-term</b>	<b>Long-term</b>	<b>Interest rate</b>	<b>Due</b>
	<b>EEK</b>	<b>EEK</b>	<b>EUR</b>	<b>EUR</b>		
	<b>thousand</b>	<b>thousand</b>	<b>thousand</b>	<b>thousand</b>		
<b>Guaranteed debts</b>						
Overdraft from Hansapank	1 560	0	100	0	6%	30.01.2007
Loan from Hansapank	3 000	0	192	0	6%	15.12.2006
Loan from Hansapank	3 500	1 750	224	112	Euribor+3.5%	15.12.2007
Loan from Hansapank	4 000	0	255	0	6%	21.06.2007
Loan from Hansapank	1 500	2 500	96	160	Euribor+3.5%	09.02.2009
<b>Non-guaranteed debts</b>						
Financial lease liabilities	300	0	19	0	7,4-8,0%	2007
Other debt	72	0	4	0	7%	31.07.2006
<b>Total</b>	<b>13 932</b>	<b>4 250</b>	<b>890</b>	<b>272</b>		

On 15 December 2005 AS Klementi entered into a long-term loan agreement with Hansapank for refinancing the loans of AS Alta Capital. The loan amount was EEK 7,000 thousand (EUR 447 thousand) with an interest rate of EUR 6 months' Euribor + 3.5% and a due date of 15.12.2007 and the loan was put into use in January 2006.

On 21 June 2006 AS Klementi entered into a revolving credit line contract with Hansapank. The loan amount is EEK 5,000 thousand (EUR 320 thousand) with a fixed interest rate of 6% a year, an obligation fee rate of 2% a year and a due date of 21 June 2007. The loan in the amount of EEK 4,000 thousand (EUR 255 thousand) was put into use in June 2006 and EEK 1,000 thousand (EUR 64 thousand) in July 2006.

#### Loan collateral

The loans and overdraft taken from Hansapank are secured by a commercial pledge of immovable property amounting to EEK 29,000 thousand (EUR 1,853 thousand).



The Group has the following payables as of 31 December 2005:

	Short-term EEK thousand	Long-term EEK thousand	Short-term EUR thousand	Long-term EUR thousand	Interest rate	Due
<b>Secured loans</b>						
Overdraft from Hansapank	3 470	0	222	0	6%	30.06.2006
Loan from Hansapank	6 000	0	383	0	6%	15.12.2006
<b>Non-secured debts</b>						
Financial lease liabilities	407	134	26	9	5,5-8,0%	2005-2007
Other debt	505	0	32	0	7%	31.07.2006
Loan from PTA bankruptcy estate	800	0	51	0	5%	31.12.2005
Trademark payables	4 112	0	263	0	8%	15.01.2006
<b>Total</b>	<b>15 294</b>	<b>134</b>	<b>977</b>	<b>9</b>		

## Note 5. Earnings per share

	2006 H1	2005 H1
No. of ordinary shares as of January 1 (Qty)	1 946 875	1 896 875
Ordinary shares issued	0	50 000
No. of ordinary shares as of June 30 (Qty)	1 946 875	1 946 875
Weighted average number of ordinary shares (Qty)	1 946 875	1 924 776
Net profit (loss) for financial year, EEK thousand	3 029	-5 639
Net profit (loss) for accounting period, EUR thousand	194	-360
<b>Basic earnings per share (EEK)</b>	1,56	-2,93
<b>Basic earnings per share (EUR)</b>	0,10	-0,19
<b>Diluted earnings per share (EEK)</b>	1,56	-2,93
<b>Diluted earnings per share (EUR)</b>	0,10	-0,19

The diluted earnings per share do not differ from the basic earnings per share, because AS Klementi does not have the financial instruments, which allow for diluting the earnings per share in the future.

The comparison data of 2005 have been adjusted in comparison with the Interim Report of Q2 2005.

## Note 6. Owners' Equity

### a) Shares

The share capital of AS Klementi amounts to EEK 19,469 thousand (EUR 1,244 thousand), which is divided into 1,946,875 shares with a nominal value of EEK 10 (EUR 0.63) each. All the shares of AS Klementi are Class A registered shares. A Class A share gives the shareholder one vote at the general meeting. No share certificates are issued for registered shares. The share register is electronic and maintained at the Estonian Central Depository for Securities. According to the Articles of Association, the maximum share capital of AS Klementi is EEK 52,000 thousand (EUR 3,323 thousand). All the issued shares have been paid for.

AS Klementi had 571 shareholders as of 30 June 2006.

The shareholders of AS Klementi with a shareholding exceeding 1% as of 30 June 2006 are as follows:

<b>Name</b>	<b>Number of shares</b>	<b>Shareholding</b>
<b>Major shareholders</b>	<b>1 729 347</b>	<b>88,8%</b>
OÜ Alta Investments I	462 731	23,8%
Bryum Estonia AS	342 809	17,6%
ING Luxembourg S.A.	188 805	9,7%
Hansa Baltic Growth Fund	183 758	9,4%
Alta Capital AS	137 988	7,1%
Bank Austria Creditanstalt AG Client's	100 000	5,1%
Firebird Avrora Fund LTD.	68 611	3,5%
OÜ Alta Holding	67 500	3,5%
Peeter Larin	50 000	2,6%
PTA Group OY	50 000	2,6%
Skandinaviska Enskilda Banken Finnish Clients	29 296	1,5%
OÜ Merona Holding	25 000	1,3%
Hansa Pension Fund K3 (Growth strategy)	22 849	1,1%
<b>Minority shareholders</b>	<b>217 528</b>	<b>11,2%</b>
<b>Total number of shares</b>	<b>1 946 875</b>	<b>100,0%</b>

#### b) Legal reserve

The reserve indicated under the owners' equity is a legal reserve established pursuant to the Commercial Code, which can be used for covering losses or increasing the share capital by way of a bonus issue based on a decision of the shareholders. The minimum legal reserve amount is 1/10 of the share capital.

#### c) Information about shares

The shares of AS Klementi are listed on List I of the HEX Tallinn Stock Exchange.

During the first half of 2006 the highest and lowest prices of the AS Klementi share on the Tallinn Stock Exchange were EEK 41.46 (EUR 2.65) and EEK 31.29 (EUR 2.00), respectively.

### Note 7. Sales Revenue

	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>H1</b>	<b>H1</b>	<b>H1</b>	<b>H1</b>
	<b>EEK thousand</b>	<b>EEK thousand</b>	<b>EUR thousand</b>	<b>EUR thousand</b>
<b>Sales revenue</b>				
Apparel sales	48 514	42 913	3 101	2 743
Subcontracting and services	11 227	13 887	717	887
Other sales	1 347	1 233	86	79
<b>Total sales revenue</b>	<b>61 088</b>	<b>58 033</b>	<b>3 904</b>	<b>3 709</b>
<b>Incl. export</b>				
Apparel sales	20 014	19 565	1 279	1 250
Subcontracting and services	6 723	11 137	430	712
Other sales	447	2	28	0
<b>Total export</b>	<b>27 184</b>	<b>30 704</b>	<b>1 737</b>	<b>1 962</b>
<i>Share of export</i>	<i>44.5%</i>	<i>52.9%</i>	<i>44.5%</i>	<i>52.9%</i>

The main export destinations were as follows:

Country	2006	2005	2006	2005
	H1	H1	H1	H1
	EEK thousand	EEK thousand	EUR thousand	EUR thousand
Finland	12 744	15 596	814	997
Latvia	13 154	7 875	841	503
Other markets	1 286	7 233	82	462
<b>Total</b>	<b>27 184</b>	<b>30 704</b>	<b>1 737</b>	<b>1 962</b>

## Note 8. Transactions with Related Parties

For the purposes of the Consolidated Interim Report of AS Klementi parties are considered related if one party has control over or a significant influence on the financial or management decisions of the other party. In preparing this Interim Report, the following have been deemed as related parties:

- a) owners who have a significant influence or control and usually a shareholding of over 20%;
- b) the management, the members of the Management Board and Supervisory Board;
- c) close relatives of the aforementioned persons and the companies being controlled by them or being under the significant influence of such persons.

Purchase of goods and services	H1 2006	H1 2005	H1 2006	H1 2005
	EEK thousand	EEK thousand	EUR thousand	EUR thousand
Companies related to the members of the Management Board and Supervisory Board	390	70	25	4
<b>Total purchase of goods and services</b>	<b>390</b>	<b>70</b>	<b>25</b>	<b>4</b>

Sales of goods and services	H1 2006	H1 2005	H1 2006	H1 2005
	EEK thousand	EEK thousand	EUR thousand	EUR thousand
Companies related to the members of the Management Board and Supervisory Board	3	0	0	0
<b>Total sales of goods and services</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>0</b>

Balances with related parties	30.06.2006	31.12.2005	30.06.2006	31.12.2005
	EEK thousand	EEK thousand	EUR thousand	EUR thousand
Companies related to the members of the Management Board and Supervisory Board	1 245	1 233	80	79
<b>Total current liabilities</b>	<b>1 245</b>	<b>1 233</b>	<b>80</b>	<b>79</b>

Compensation paid to members of the Management Board	H1	H1	H1	H1
	2006	2005	2006	2005
	EEK thousand	EEK thousand	EUR thousand	EUR thousand
Pay and compensation	940	360	60	23
<b>Total</b>	<b>940</b>	<b>360</b>	<b>60</b>	<b>23</b>

## Note 9. Segments

### a) Primary segment – business segment by area of activity

	Retail trade	Production, wholesale and subcontracting	Inter-segment transactions	Total	Retail trade	Production, wholesale and subcontracting	Inter-segment transactions	Total
	H1 2006	H1 2006	H1 2006	H1 2006	H1 2006	H1 2006	H1 2006	H1 2006
	EEK thousand	EEK thousand	EEK thousand	EEK thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand
Extra-group sales revenue	36 384	24 704	0	61 088	2 325	1 579	0	3 904
Inter-segment sales revenue	0	12 326	-12 326	0	0	788	-788	0
<b>Total sales revenue</b>	<b>36 384</b>	<b>37 030</b>	<b>-12 326</b>	<b>61 088</b>	<b>2 325</b>	<b>2 367</b>	<b>-788</b>	<b>3 904</b>
Operating profit/loss of segment	6 321	3 870	0	10 191	403	248	0	651
Unallocated operating revenue and operating charges				-6 322				-404
<b>Total operating profit / loss</b>				<b>3 869</b>				<b>247</b>
Other financial income and expenses				-322				-36
Withholding tax				-264				-17
<b>Net profit (loss)</b>				<b>3 029</b>				<b>194</b>
Assets and receivables	27 356	22 000	0	49 356	1 748	1 406	0	3 154
Unallocated assets of group				9 241				591
<b>Total assets</b>				<b>58 597</b>				<b>3 745</b>
Liabilities	1 761	19 928	0	21 689	112	1 274	0	1 386
Unallocated liabilities of group				18 334				1 172
<b>Total liabilities</b>				<b>40 023</b>				<b>2 558</b>
Acquisition of fixed assets	67	490	0	557	4	32	0	36
Depreciation of fixed assets	836	1 864	0	2 700	54	119	0	173

The assets and liabilities set out in the Note are disclosed as of the Balance Sheet date, i.e. 30.06.2006.

	<b>Retail trade</b>	<b>Production, wholesale and subcontracting</b>	<b>Inter-segment transactions</b>	<b>Total</b>	<b>Retail trade</b>	<b>Production, wholesale and subcontracting</b>	<b>Inter-segment transactions</b>	<b>Total</b>
	<b>H1 2005</b>	<b>H1 2005</b>	<b>H1 2005</b>	<b>H1 2005</b>	<b>H1 2005</b>	<b>H1 2005</b>	<b>H1 2005</b>	<b>H1 2005</b>
	<b>EEK thousand</b>	<b>EEK thousand</b>	<b>EEK thousand</b>	<b>EEK thousand</b>	<b>EUR thousand</b>	<b>EUR thousand</b>	<b>EUR thousand</b>	<b>EUR thousand</b>
Extra-group sales revenue	30 643	27 390	0	58 033	1 958	1 751	0	3 709
Inter-segment sales revenue	0	12 508	-12 508	0	0	799	-799	0
<b>Total sales revenue</b>	<b>30 643</b>	<b>39 898</b>	<b>-12 508</b>	<b>58 033</b>	<b>1 958</b>	<b>2 550</b>	<b>-799</b>	<b>3 709</b>
<b>Operating profit/loss of segment</b>	<b>-3 125</b>	<b>4 319</b>	<b>0</b>	<b>1 194</b>	<b>-200</b>	<b>276</b>	<b>0</b>	<b>76</b>
Unallocated operating revenue and operating charges				-3 712				-237
<b>Total operating profit / loss</b>				<b>-2 518</b>				<b>-161</b>
Other financial income and expenses				-3 121				-199
<b>Net profit (loss)</b>				<b>-5 639</b>				<b>-360</b>
Assets and receivables	24 822	58 680	0	83 502	1 586	3 751	0	5 337
Unallocated assets of group				15 031				961
<b>Total assets</b>				<b>98 533</b>				<b>6 298</b>
Liabilities	1 426	17 489	0	18 915	91	1 118	0	1 209
Unallocated liabilities of group				66 187				4 230
<b>Total liabilities</b>				<b>85 102</b>				<b>5 439</b>
Acquisition of fixed assets	726	0	0	726	46	0	0	46
Depreciation of fixed assets	615	2 867	0	3 482	39	183	0	222

The assets and liabilities set out in the Note are disclosed as of the Balance Sheet date, i.e. 30.06.2005.

**b) Secondary segment – sales revenue, total assets and investments in fixed assets**

	Sales revenue	Sales revenue	Assets	Assets	Investmen ts in fixed assets	Investmen ts in fixed assets	Sales revenue	Sales revenue	Assets	Assets	Investmen ts in fixed assets	Investmen ts in fixed assets
	H1 30 June 2006 EEK thousand	H1 30 June 2005 EEK thousand	H1 30 June 2006 EEK thousand	H1 30 June 2005 EEK thousand	H1 30 June 2006 EEK thousand	H1 30 June 2005 EEK thousand	H1 30 June 2006 EUR thousand	H1 30 June 2005 EUR thousand	H1 30 June 2006 EUR thousand	H1 30 June 2005 EUR thousand	H1 30 June 2006 EUR thousand	H1 30 June 2005 EUR thousand
Estonia	33 904	27 329	52 338	92 617	528	0	2 167	1 747	3 345	5 920	34	129
Latvia	13 154	7 875	6 141	0	29	726	841	503	392	0	2	2
Finland	12 744	15 596	0	0	0	0	814	997	0	0	0	0
Other markets	1 286	7 233	118	5 916	0	0	82	462	8	378	0	1
<b>Total</b>	<b>61 088</b>	<b>58 033</b>	<b>58 597</b>	<b>98 533</b>	<b>557</b>	<b>726</b>	<b>3 904</b>	<b>3 709</b>	<b>3 745</b>	<b>6 298</b>	<b>36</b>	<b>132</b>

According to the management's estimation, the prices used in inter-segment transactions do not significantly differ from market prices.

The Group considers the business segment by areas of activity as the primary segment and the geographical segment by the location of consumers as the secondary segment.

The goods and services sold in the retail trade system of the Group are accounted under the retail trade segment in the accounts of the business segment and the services not listed in the retail trade are accounted under the wholesale, manufacturing and subcontracting segments. The operating charges not directly related to a specific segment have been indicated as the joint operating charges of the Group.

The assets of the segments account all assets directly related to the segments and they do not contain assets that are used for the company in general or for the headquarters. The assets of the segment include the goodwill that can be directly attributed to the segment and in 2004 the expenses of the segment included depreciation of the goodwill directly related to the segment. The obligations of the segments indicate all obligations directly related to the segments. The unallocated expenses of the Group mean the expenses of general management.

Other receivables, loans interest claims and obligations have been indicated as the joint assets and obligations of the Group.

**Note 10. Post-Balance Sheet events**

On 17 July 2006 the Supervisory Board of AS Klementi decided to found a subsidiary in Lithuania. The business name of the subsidiary will be UAB PTA Prekyba. The area of activity of the subsidiary is retail trade and wholesale of women's apparel and accessories. The purpose of foundation of the subsidiary is expansion of the chain store operating under the PTA trademark to the Lithuanian market and a respective increase of the retail turnover. The first PTA stores will be opened in Lithuania at the end of this year. Since the expansion of retail trade has been planned by the end of the year, AS Klementi is not planning on a significant impact on the performance of the Group in the financial year 2006. The share capital of UAB PTA Prekyba is LIT 10,000, i.e. EEK 45.3 thousand (EUR 2.9 thousand), which has been divided into 100 shares with a nominal value of LIT 100 per share. All shares of the company will belong to AS Klementi.