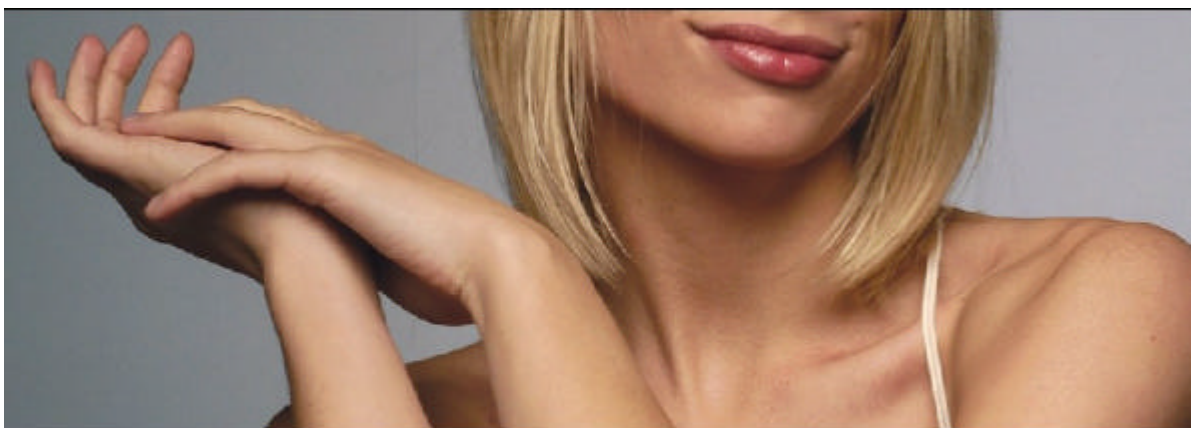


KLEMENTI

SHARE ISSUE PROSPECTUS



THE NUMBER OF SHARES TO BE ISSUED: **575,000**

THE PRICE PER SHARE: EEK **27.50**

Lead Arranger:



The current prospectus is approved by the listing body of the Tallinn Stock Exchange.

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TERMS AND CONDITIONS OF THE ISSUE

» The issue

The decision to carry out the current issue was taken on May 23, 2003 at the shareholders' extraordinary general meeting of AS Klementi (hereinafter "Issuer").

The Issuer's share register is maintained by the Estonian Central Depository for Securities (hereinafter "ECDS"), the shares are registered under ISIN code EE3100001751.

In the course of the current issue 575,000 (five hundred and seventy five thousand) new A-shares will be issued with a nominal value of EEK 10 and issue price of EEK 27.50 (twenty seven kroons and fifty cents) per share. The share premium constitutes EEK 17.50 (seventeen kroons and fifty cents) of the share price.

» The shares to be issued

The type of shares to be issued:	A-share
The number of shares to be issued:	575,000 shares
The number of shares after the issue:	1,896,875 shares
The percentage of shares to be issued of the share capital:	30.31%
The nominal value of the shares:	EEK 10
The issue price of the shares:	EEK 27.50
Lead arranger:	AS Hansapank
Subscription period:	from 02.06.2003 9a.m. to 10.06.2003 5p.m.

According to the decision taken at the Issuer's extraordinary general meeting the pre-emptive subscription right of the current shareholders is precluded. The underlying reason for precluding the pre-emptive subscription right is the intention to increase the number of shareholders and improve the liquidity of shares after the issue on the secondary market.

The existing 1,321,875 shares are listed on the Tallinn Stock Exchange and they are traded on the stock exchange under the abridged name KLEAT in the investor's list.

» The goal of the issue and the issue-related costs

The goal of the issue is to raise additional capital to finance an increase in turnover. The issue arrangement costs amount to ca EEK 900,000

It is possible to examine the Issuer's statutes, financial reports and the current prospectus at the Issuer's office: Akadeemia tee 33, Tallinn and also on the homepage of the Tallinn Stock Exchange: <http://www.hex.ee/>

» The subscription of shares

The subscription of shares by monetary contribution and the payment for the shares are simultaneous. A precondition of subscription is the ownership of a securities account in the ECDS. The issue subscription period is from 02.06.2003 to 10.06.2003. The share subscription can be done at all the account operator banks of the ECDS listed below:

Eesti Krediidipank
Eesti Ühispank
Hansapank

Narva mnt. 4, Tallinn
Tornimäe 2, Tallinn
Liivalaia 8, Tallinn

Lõhmus Haavel & Viisemann
Nordea Pank
Preatoni Pank
Sampo Pank
Tallinna Äripank

Roosikrantsi 2
Hobujaama 4, Tallinn
Roosikrantsi 2, Tallinn
Narva mnt. 11, Tallinn
Estonia pst. 3/5, Tallinn

To subscribe the following documents have to be filled in:
subscription application, containing the name of the subscriber, his/her ECDS account number, the number of shares subscribed and a reference to the payment document that proves the payment of the subscription sum; and

payment order, made out to a special ECDS account in the Bank of Estonia with the following requisite information specified:

Recipient:	KLEMENTI EMISSIOON 2003
Recipient's account number:	30101017551
Reference number:	investor's securities account number (as specified in the subscription application)
Recipient's bank:	ECDS
Details:	Subscription of Klementi shares

Subscription applications with insufficient or incorrect data are declared invalid. In case the sum transferred for the subscribed shares is less than that specified in the subscription application, the investor's subscription application will be partially satisfied and the number of shares transferred to the investor's ECDS account is only to the extent secured by the transferred monetary resources.

The issued shares are transferred to the investors' securities accounts no later than ten (10) working days after the end of the subscription period.

» The issue allocation rules

First of all the application submitted by investors who subscribed 1,000 to 10,000 shares will be satisfied. In case the specified investors have over-subscribed the shares, the shares will be distributed between the investors in proportion to the number of shares they have subscribed.

Next, the applications submitted by all the other investors who subscribed the shares will be satisfied. In case of over-subscription the shares will be distributed between the investors in proportion to the number of shares they have subscribed.

Investors, whose subscription can not be satisfied in full or whose application is declared invalid, will receive the money not subject to subscription to their securities account as specified in the ECDS securities account requisite information in no more than ten (10) working days after the end of the subscription period.

Shares not subscribed during the issue will be acquired by AS Alta Capital. The Issuer has entered into an agreement with AS Alta Capital to underwrite the issue, according to which the issue guarantor undertakes to subscribe and buy the shares that remained unsubscribed by the investors during the subscription period at the price specified in the decision of the Issuer's extraordinary general meeting (i.e. EEK 27.50 per share).

THE ISSUER'S GENERAL INFORMATION

The business name of the Issuer	AS Klementi
Registry code	10175491
Registration date	23.12.1996 Tallinn City Court registration department
Address	Akadeemia tee 33, Tallinn 12618
The place and time of the establishment of the Issuer	Established on July 19, 1996 with the merger of AS Klementi and AS Klementi Kaubandus
Legal jurisdiction	AS Klementi is established and operates pursuant to the laws of the Republic of Estonia
The issuer's form of ownership	Public limited company
Activities specified in the articles of association	Design, manufacture management, manufacturing and sale of women's wear; transportation, including international road transport; training (with a duration of up to six months) and consultancy in the fields of activity specified above; wholesale and retail of industrial goods;

» Legal and financial advisers

Legal assistance	The Company has had legal assistance from various legal bureaus depending on the nature of the legal matter.
Main bank	Hansapank, Liivalaia 8, Tallinn 15040
Auditor	KPMG Estonia, Ahtri 10a, Tallinn 10151

The new wording of the articles of association of AS Klementi was approved at the special general meeting on 31.07.2002.

» Overview of the Issuer's subsidiaries as of 10.05.2003.

Company	Address	Registration date	Registry code	Share capital (in EEK)	Klementi shareholding
Klementi Trading OY	Mikkolantie 1, Helsinki, Finland	28.09.1998	746302	131,600	100%
UAB Klementi Vilnius	Laisves pr. 123-43 Vilnius, Lithuania	17.04.2000	2514461	1,037,647	100%

The following gives an overview of the activities specified in the articles of association of the companies in the ownership of AS Klementi:

Klementi Trading OY:	Womenswear manufacturing, wholesale and retail; import and export of industrial goods
UAB Klementi Vilnius:	Womenswear manufacturing, wholesale and retail; import and export of industrial goods
OÜ Eesti Ettevõtjate Ärikeskus:	Shareholding of 12.5%; the economic activities of the company have been suspended
OÜ Balti Rõivamees:	Shareholding of 16.66%; the main activity of the company is organising clothing trade fairs in Estonia
OÜ Moemix:	Shareholding of 25%; the main activities of the company: the wholesale, retail and manufacturing of designer collections; organising conferences, trade fairs and fashion shows; fashion consultancy and publishing fashion-related publications. It was founded by the Estonian Academy of Arts

BUSINESS ACTIVITIES

» History

1944 – the predecessor of Klementi, a sewing team Osta started.

1950 – based on Osta a sewing factory named after V. Klementi (V. Klementi nimeline õmblusvabrik) was established.

1971 - V. Klementi sewing manufacturing combination (V. Klementi nimeline Õmblustootmiskoondis) was formed.

1973 – the enterprise moved to its current location in Mustamäe, Akadeemia tee 33.

1990 – at the beginning of the decade V. Klementi nimeline Õmblusvabrik manufactured ca 1,000,000 garments per year and employed 1,600 people.

1992 – based on V. Klementi nimeline Õmblustootmiskoondis the state limited company Klementi (RAS Klementi) and in its body the RAS Pärnu Õmblusvabrik and RAS Rapla Rõivas were formed.

1993 – RAS Klementi was listed among the companies to be privatised.

1993 – at the end of the year Estonian Privatisation Agency sold the set of assets of RAS Pärnu Õmblusvabrik to the Swedish company Kurt Kellermann AB. Subsequently the production capacity of RAS Klementi decreased by ca 40% and as a result of restructuring the loss for the financial year 1993 was EEK 5 million.

1994 – AS Klementi Kaubandus, a company formed by the company's own employers privatised 80% of RAS Klementi shares (A-shares). In 1994 the total loss of the company was EEK 2 million.

1995 – Estonian Privatisation Agency privatised 20% of AS Klementi shares (B-shares) through a public offering.

1995 – the new business plan of the company gave the first results and the year ended with a profit of EEK 2 million.

1996 – the profit was EEK 4.3 million. Klementi continues to increase the share of own production. By the end of the year the company had sold the previously privatised unprofitable subsidiaries in Võru, Rapla and Jõgeva. The two limited companies Klementi and Klementi Kaubandus merged and continued with the name Klementi.

1997 and 1998 – planned stable turnover increase and also the increase of own production share in the turnover.

1999 – in January the Finnish garment manufacturer P.T.A. Group OY bought 43% of AS Klementi shares. The own production retail network (5 outlets) was developed in Tallinn.

2000 – the share capital was extended by EEK 11 million and convertible bonds worth EEK 2 million were issued to the P.T.A. Group OY. The raw material logistics centre (for receiving fabrics and ancillary materials, customs procedures and collection for the sub-contractors in Estonia, Latvia and Lithuania). AS Klementi established a 100% subsidiary Klementi Vilnius UAB in the Republic of Lithuania. The retail network was extended.

2001 – the development of retail outlets gained further importance in the sale of own production. There were 19 Klementi shops in the three Baltic States.

» The events in 2002

2002 marked the beginning of great changes for AS Klementi. On April 21, 2002 the bankruptcy of the main client and parent company of AS Klementi, the P.T.A. Group OY

was declared. The volume of services provided to the P.T.A. Group OY in 2001 was EEK 19.8 million, i.e. 17.8% of Klementi turnover. At the point of the declaration of bankruptcy the P.T.A. Group OY owned 79.08% of AS Klementi shares. The bankruptcy of the parent company had some short-term repercussions on the economic activities of AS Klementi.

On July 12, 2002 the Estonian private equity investment company AS Alta Capital and its co-investors acquired the P.T.A. Group OY shareholding in AS Klementi. Simultaneously, AS Klementi acquired the rights of internationally recognised trademarks of the P.T.A. Group OY (PTA, Avenue, MalliMari, MasterCoat, ClubLine and Piretta).

Resultant of acquiring the trademarks and customer relationships gave AS Klementi, a fashion industry company, the opportunity to increase its exports to the Nordic countries significantly. Considering the time factor necessary for product development and preselling, the full effect of the acquired trademarks will be reflected in the sales figures of the 2003 autumn collection.

With a change in the main shareholder of AS Klementi the business philosophy and strategy have also changed. To implement the new goals a new motivated team has been formed and the reorganisation of the company has started.

The business activity of AS Klementi today consists of two essentially independent business processes aimed at different markets:

- the design, manufacturing and marketing of womenswear collections;
- subcontracting sewing services.

» Net turnover breakdown by branches of activity

thousand EEK

Year	Net turnover	Apparel sales	Share of apparel	Subcontracting	Other
2000	113,544	77,460	68%	34,141	1,943
2001	110,591	70,301	64%	38,315	1,975
2002	133,258	98,680	74%	32,433	2,145

In 2002 the turnover increased by 20.5%. The biggest increase, i.e. 40.4% was in the sale of apparel. The share of export in the turnover in 2002 was 55%.

» Net turnover geographical breakdown

thousand EEK

Year	Export turnover	Share of export	The Nordic countries	Latvia	Lithuania
2000	61,656	54.3%	46 879	7 532	7 245
2001	61,637	55.7%	49 588	7 942	4 107
2002	73,314	55.0%	55 769	7 102	10 443

The Nordic turnover includes the sales in very small numbers in Austria and Canada

In 2002 the turnover structure in the Nordic countries changed considerably. In 2001 the sale of apparel was just 27.7% i.e. EEK 13.7 million of the Nordic turnover. In 2002 the share of the sale of apparel in the Nordic turnover was already 49.7% i.e. EEK 27.5 million. The sale of apparel in the Nordic countries doubled in a year.

» Personnel

On average there were 628 employees in the group in 2000, 621 employees in 2001 and 627 employees in 2002. As of 31.03.2003 there were 564 employees in the group. With the reorganisation programme initiated by the new main shareholder the number of employees has decreased by 68 people i.e. 11% within nine months.

» Assets

The following table shows the buildings, civil engineering works and land owned by the Issuer and its subsidiaries as of 31.03.2003.

Owner	Address	Building / land	Balance sheet value
AS Klementi	Akadeemia tee 33/ Kadaka tee 179, Tallinn, Estonia	Office building, production and ancillary production building, logistics centre, shop and land	44,318,892 EEK

» Investments

Investments in 2000, in thousand EEK

Object	Sum	Source of financing
Tangible fixed assets*	8,812	Own funds, loans, leasing
Intangible fixed assets	50	Own funds
Immovable improvements	6,369	Own funds, loans, leasing
TOTAL	15,231	

* *Tangible fixed assets – production technological fixtures EEK 6,046 thousand, computer technology EEK 1,536 thousand, means of transport EEK 454 thousand, equipment for shops EEK 776 thousand*

The biggest investment in 2000 was the building of the logistics centre (total area 1,327 square metres). The total cost of the investment was EEK 6,597 thousand, to finance the building financial lease in the sum of EEK 3,773 thousand was used.

Investments in 2001, in thousand EEK

Object	Sum	Source of financing
Tangible fixed assets*	6,357	Own funds, loans, leasing
Intangible fixed assets	484	Own funds, loans, leasing
Immovable improvements	2,902	Own funds, loans, leasing
TOTAL	9,743	

* *Tangible fixed assets – production technological fixtures EEK 1,850 thousand, computer technology EEK 439 thousand, means of transport EEK 423 thousand, equipment for shops EEK 3,645 thousand*

Investments in 2002, in thousand EEK

Object	Sum	Source of financing
Tangible fixed assets*	6,427	Own funds, loans, leasing
Intangible fixed assets	5,485	Own funds
Immovable improvements	795	Own funds
TOTAL	12,707	

* *Tangible fixed assets – production technological fixtures EEK 4,025 thousand, furniture EEK 195 thousand, computer technology EEK 885 thousand, means of transport EEK 403 thousand, equipment for shops EEK 919 thousand*

Planned investments in 2003, in thousand EEK

Object	Sum	Source of financing
Tangible fixed assets*	3,200	Own funds, loans, leasing
Intangible fixed assets	1,800	Own funds, loans, leasing
Immovable improvements	200	Own funds
TOTAL	5,200	

* including the equipment for shops EEK 2,200 thousand

Additionally, the 100% acquisition of the Latvian company retailing Klementi apparel in Latvia SIA Vision is planned for the current year. The company has been retailing Klementi apparel for a number of years already and is currently renting two showrooms in Riga. AS Klementi does not have any shareholding in the company as of now.

» Important contracts

Insurance contracts

The following insurance contracts are effective in the company:

Insurer	Insured object	Risks covered	Insurance contract volume (in thousand EEK)
AS IF Eesti Kindlustus	Assets insurance, incl. equipment insurance	fire, flood, phenomena of nature, crime etc.	208,290
ERGO Kindlustuse AS	Employer's liability insurance	Accident at work, occupational diseases	2,000
AS IF Eesti Kindlustus	General and operational liability	Liability resultant of activities	2,000 / 4,000
AS IF Eesti Kindlustus	Motor insurance	fire, accident, vandalism, theft, breaking of a window	

Patents and licences

There are no patents of licences that have a significant impact on the business activities. The company has the following registered trademarks: Klementi, Height.

AS Klementi owns the rights of the following internationally recognised trademarks: PTA, Avenue, Mallimari, MasterCoat, Clubline, Piretta since 12.07.2002.

» Litigations

The company has no current lawsuits.

Klementi does not plan to file a suit in the foreseeable future and is not aware of any suits filed against the company to the court or arbitrator that might have a significant impact on the operations and/or economic situation of the company.

CLOTHING INDUSTRY MARKET

According to the Statistical Office of Estonia there were 384 companies in Estonia involved in the manufacturing of apparel in the 4th quarter of 2002. 132 of those companies had more than 20 employees. In total there were 13,012 people employed by the clothing industry.

The net turnover of the clothing industry companies in 2002 was EEK 2,883 million. Compared with 2001 the turnover of clothing industry companies increased by 16%. Most of these companies provide subcontracting services. As the resources, primarily the labour force become more expensive, the question arises for how long can the companies solely aimed at subcontracting compete with the regions where the labour force is cheaper, i.e. Far East and others.

The largest clothing industry companies manufacturing own production are as follows:

Company	net turnover in 2002	turnover increase from the previous year
AS Baltika	EEK 485.4 million	17%
AS Sangar	EEK 176.2 million	10%
AS Klementi	EEK 133.3 million	21%
AS Ilves-Extra	EEK 98.1 million	7%

DEVELOPMENT PLAN

» Objectives

The main objective of AS Klementi is to replace the current production-driven management and business philosophy with a client-driven approach.

The focus is on the development of the two strong trademarks i.e. PTA and Klementi. The Klementi trademark targets the Baltic market and the main distribution channel is its retail outlets. The target markets of the PTA trademark are both the Nordic and the Baltic countries and the distribution channel used is wholesale.

» The Klementi trademark

The best-known corporate trademark in Estonia, Klementi, will retain its respectable name and will develop into a viable retail chain in the Baltics.

The content of the collections will be changed radically as a result of getting to know the needs of the customers thoroughly. In developing Klementi's collections a woman is envisioned who prefers to wear comfortable and feminine apparel, needs modern clothing for office and leisure time with the family and who values good price/quality ratio.

Klementi's classical coat and suit collections will retain their renowned quality. As an innovation, Klementi will launch its leisurewear collection for women - Klementi Weekend. The collection will include comfortable denim and cotton products, a broad selection of knitwear, tops and weatherproof sporty outdoorwear.



The Klementi trademark aims to offer women real pleasure in shopping – the best ratio of price, quality and fashionability.

Our client is a woman with a secondary or higher education and an average income that assumes practicality in making purchasing decisions. Her personal taste, lifestyle and profession require a stylish and correct look and therefore she has to choose her wardrobe very carefully – the price, quality and fashionability are of equal importance. Our clients include representatives from different walks of life – teachers and hairdressers, accountants and shop assistants, clerks and chefs. The common characteristic of all these women is the desire to look young, stylish and beautiful.

» The PTA trademark

The history of the PTA trademark dates back to 1978. As of today the trademark is re-establishing its onetime position in the Nordic countries.



The content of the collections has been modernised – PTA is again going to be the trend making apparel collection. The new content has been accompanied with a change in the visual identity.

The trademark consists of three subcollections:

PTA

A modern, stylish and sporty collection for young women. The buyer of PTA values her freedom and youth and prefers the PTA trademark because then she has no need to make any compromises between fashionability and comfort.

PTA signed

A collection for the cosmopolitan, fashion conscious city woman. This woman values her independence and freedom. She favours the PTA signed collections because of the unique design inspired from different cultures of the world and the northern aesthetics.

PTA outdoor

Offers a fashionable and functional collection of outerwear. The design of broad selection of items takes into account the active lifestyle of the modern woman, and her demand for trendiness and comfort.

» Real estate development

The real estate owned by AS Klementi has the total area of 17,500 square meters, of which the company needs approximately 60%. Since real estate management and development are not among the main activities of AS Klementi, it is planned that the real estate will be sold in 2003 and the premises necessary for production and administration will be rented from the same real estate.

» Profit centres

Since 2003 the company has been divided into three separate profit centres: Retail, Fashion and Production. These three profit centres are coordinated and serviced by the General Management. The underlying idea of the new organisational structure, which is

based on the profit centres, is to increase the flexibility and business efficiency of the company.

The objective of the Retail profit centre is to develop and launch the new retail concept. The new retail concept is positioned for a client with a lower or average income. The critical factors are the location and size of the shops and a match between the collection and the interior. In the last quarter of 2002 the optimisation of shops was started. By now six inefficient shops have been closed and two new shops have been opened. The new shops already comply with the new retail concept. In 2003 entry into the Latvian market is planned through a new subsidiary. The emphasis is on a more aggressive pricing policy and optimal management of inventories.

The objectives of the Fashion profit centre are to regain wholesale clients of the PTA trademark in the Nordic countries and an expansion in the Baltic wholesale market. The wholesale contracts have been signed with the most strategically important clients: Åhlens, NK, MQ and SAKS in Sweden and Stockmann, Sokos, Halonen, Alexi 13 and Tradeka in Finland. From autumn 2003 over 200 shops in the Nordic countries will be selling womenswear bearing AS Klementi trademarks.

The main objectives of the Production profit centre is an improvement in the speed and efficiency of the production processes and more active sales. The new strategy envisions gradual replacement of simplistic subcontracting i.e. CMT (cutting, making, trimming) service with the more complex full-service (from product design and material procurement to the logistics of finished goods). The advantage of Klementi is the well-developed finishing technology and the readiness to provide the service of making both the light clothing and outerwear. Among the current subcontracting clients of the company are such well-known companies as Marimekko OY, Luhta OY, Mac Scott AB, Oratop AB, Turo Tailor AB and NP Collection OY.

AS Klementi commissioned a production efficiency analysis from the international consultancy firm EA-Projects Ltd. OY in April 2003. Based on the analysis the plan for restructuring the production has been drawn up and the company's team has grown by a new production director. The production restructuring is planned to be carried out during the summer of the current year and it should result in the increase of production efficiency by 15%. As of today the production administrative staff makes up 19% of the total production staff. The respective average level in production is 10 to 12%. Thus, one part of the production restructuring plan is a cut down in the production administrative staff so it conforms to the industry standards.

To conclude, the reorganisation plan initiated by the new main shareholder of the company in the second half of the past year should result in a decrease of the personnel by 20%. The interim summary of the results as of March 31, 2003 showed a decrease in the number of employees already by 11%.

As a result of more effective personnel management the company should be able to cut costs by EEK 9 to 11 million per year.

The priority of the new Klementi is to be more open, transparent and client-friendly.

FINANCIAL DATA

» Financial statements

The financial data below are based on the consolidated accounts of the annual reports of the company. The reports of 2000, 2001 and 2002 financial years are audited by KPMG Estonia. The consolidated accounts of 2000 and 2001 of AS Klementi are compiled in conformity with the good accounting practice recognised in the Republic of Estonia. The good accounting practice in the Republic of Estonia is based on the International Accounting Standards and the Accounting Directives of the European Communities. The main requirements of the good practice are set in the Accounting Act of the Republic of Estonia, which is supplemented by the guidelines published by the Accounting Committee of the Republic of Estonia. The annual report of 2002 is compiled in conformity with the International Accounting Standards.

» Income statement

in thousand EEK	2003 3 months	2002	2001	2000
Net sales	31,811	133,258	110,591	113,544
Other revenues	326	1,598	2,391	2,889
Change in inventories	-2,761	-13,126	14,658	2,558
TOTAL REVENUE	29,376	121,730	127,640	118,991
Goods, raw material, services	12,870	44,680	46,346	43,342
Miscellaneous operating expenses	6,924	35,137	18,436	15,487
Personnel expenses	14,718	58,688	49,915	48,691
Depreciation	1,835	7,214	6,084	4,911
Other operating expenses	904	2,406	1,249	1,313
TOTAL EXPENSES	37,251	148,125	122,030	113,744
OPERATING PROFIT	-7,875	-26,395	5,610	5,246
Income from subsidiaries	-	-	-	286
Foreign exchange gain	-	121	96	-
Other interest and financial income	52	258	256	138
Total financial income	52	378	352	424
Loss from subsidiaries	-	-	-	8
Interest expenses	1,253	5,718	4,791	4,220
Foreign exchange loss	39	146	114	154
Other financial expenses	-	-	53	9
Total financial expenses	1,292	5,864	4,958	4,391
NET PROFIT	-9,115	-31,881	1,004	1,279
BASIC EARNINGS PER SHARE (EEK)	-6.89	-12.06	0.28	0.39
DILUTED EARNINGS PER SHARE (EEK)	-6.63	-11.42	0.27	0.38

» Balance Sheet

in thousand EEK	31.03.03	31.12.02	31.12.01	31.12.00
Cash and bank accounts	1,696	4,485	3,925	3,064
Accounts receivable	14,934	12,537	15,847	14,349
Miscellaneous receivables and accrued income	477	868	768	1,621
Prepaid expenses	2,477	2,896	2,264	1,114
Inventories	24,211	29,002	42,343	25,727
Total current assets	43,795	49,788	65,147	45,875
Long-term financial investments	2,587	2,578	2,856	2,801
Tangible fixed assets	62,762	64,649	50,067	47,630
Intangible assets	5,880	5,771	906	969
Total non-current assets	71,229	72,998	53,829	51,400
TOTAL ASSETS	115,024	122,786	118,976	97,275
Debt obligations	38,668	34,792	38,730	21,646
Customer prepayment	53	852	6	0
Accounts payable	9,120	10,867	9,802	5,138
Miscellaneous payables	0	0	1,035	0
Tax liabilities	4,263	3,875	2,951	2,581
Accrued expenses	3,628	3,905	3,125	2,830
Unearned revenue	0	12	12	12
Short-term provisions	9	12	12	39
Total short-term liabilities	55,741	54,415	55,673	32,246
Long-term debt	27,494	27,467	15,266	17,996
Other long-term liabilities	4,996	4,996	68	68
Total long-term liabilities	32,490	32,463	15,334	18,064
TOTAL LIABILITIES	88,231	86,878	71,007	50,310
Share capital (nominal value)	13,219	13,219	35,250	35,250
Share premium	30,863	30,863	3,774	3,774
Revaluation reserve	15,578	15,578	816	816
Mandatory legal reserve	1,046	1,046	923	863
Retained profit	-24,798	7,083	6,202	4,983
Profit for the financial year	-9,115	-31,881	1,004	1,279
TOTAL EQUITY	26,793	35,908	47,969	46,965
TOTAL LIABILITIES AND EQUITY	115,024	122,786	118,976	97,275

» Cash Flow Statement

in thousand EEK	2003 I quarter	2002	2001	2000
<i>Cash flow from operating activities</i>				
Net profit	-9,115	-31,881	1,004	1,279
Depreciation and revaluation of fixed assets	1,835	7,214	6,084	4,919
Profit from sale of subsidiary shares	-	-	-	-286
Profit from sale of fixed assets	-27	-217	-174	-288
Interest expense	1,253	5,718	4,791	4,220
Payment for fixed assets of subsidiary sold	-	-	-	-116
Depreciation of fixed assets of subsidiary sold	-	-	-	209
Interest expense	-1,076	-5,411	-4,560	-4,136
Loss from write-off of fixed assets	2	425	45	-
Net profit adjustments	-7,128	-24,152	7,190	5,801
Change of current assets	3,183	15,702	-19,090	-10,023
Incl. current assets of subsidiary sold	-	-	-	-6,189
Change of short-term liabilities	-2,727	2,373	5,573	1,951
Incl. liabilities of subsidiary sold	-	-	-	3,350
Change of working capital	456	18,075	-13,517	-8,072
Total cash flow from operating activities	-6,672	-6,077	-6,327	-2,271
Purchase of shares	-	-10	-	-41
Change of long-term liabilities	-	200	-	-
Purchase of tangible fixed assets	-44	-4,957	-3,447	-6,451
Proceeds from sale of fixed assets	69	459	764	1,227
Proceeds from sale of subsidiary shares	-	-	330	1,979
Incl. residual money of subsidiary sold	-	-	-	-71
Proceeds from subsidiary liquidation	-	-	-	123
Loans granted	-	-	-323	-1,130
Interests collected	12	204	237	58
Receipt of repayment of loans	-	101	380	394
Reconstruction of fixed assets	-	-795	-2,902	-7,308
Cash flow from investing activities	-37	-4,798	-4,961	-11,149
Proceeds from debt	-	68,262	26,098	16,938
Changes in credit line	5,875	-1,509	3,483	-
Repayment of loans	-1,570	-58,047	-15,394	-13,036
Repayment under finance lease	-459	-2,329	-2,038	-2,233
Proceeds from share issue	-	5,058	-	8,550
Proceeds from convertible bonds	-	-	-	2,000
Total cash flow from investing activities	3,846	11,435	12,149	12,219
TOTAL CASH FLOW	-2,789	560	861	-1,201
Change in exchange rate	-	-	-	-193
Cash flow with change in exchange rate	-2,789	560	861	-1,394
Cash at beginning of year	4,485	3,925	3,064	4,458
Cash at end of year	1,696	4,485	3,925	3,064

» Ratios

		2002	2001	2000
Operating profit margin	(%)	-21.7	4.4	4.4
Pre-taxation profit margin	(%)	-26.2	0.8	1.1
Net profit margin	(%)	-26.2	0.8	1.1
ROE	(%)	-76.0	2.1	3.1
Equity rate	(%)	34.7	43.9	46.3
Solvency rate	(x)	1.0	1.3	1.5

Operating profit margin: operating profit / operating revenue ratio.

Pre-taxation profit margin: pre-taxation profit / operating revenue ratio.

Net profit margin: net profit / operating revenue ratio.

Return on equity (ROE): net profit / average equity ratio.

Equity rate: average equity / average assets ratio.

Solvency rate: average current assets / average short-term liabilities ratio.

» Figures per share

In EEK	2002	2001	2000
Profit	-12.06	0.28	0.39
Operating revenue	46.30	36.20	36.60
Equity	13.60	13.60	14.50
Dividend	0.00	0.00	0.00

» Debt obligations

The debt obligations of AS Klementi and its subsidiaries as of April 30, 2003 were as follows:

AS Klementi, in EEK

Short-term loans	Balance	Interest	Initial sum	Term	Guarantee
EÜP's credit line	8,911,203	8.5%	9,333,333	30.05.2003 16.05.2003	I ranking commercial
EÜP's secured bills of exchange	17,999,895	av. 7.2%	18,000,000	04.06.2003 20.07.2003 28.07.2003 03.08.2003	pledge, II ranking collateral mortgage
Hansapank's credit line (incl. increase in I Q 2003 in the sum of EEK 3,000,000)	7,758,007	10%	5,000,000	15.05.2003	commercial pawn on movable assets,
Hansapank's short-term part of loan	2,126,582	Euribor+5%	2,924,051	31.12.2003	I ranking mortgage
EÜP factoring	-	10%	772,885		unguaranteed
Leases	1,192,830	av. 10.5%			assets
Innovation Fund liability	814,000	0%	814,000	without a term	unguaranteed
Short-term debts:	38,802,517				

AS Klementi, in EEK

Long-term debts:	Balance	Interest	Initial sum	Term	Guarantee
Alta Holding OÜ	3,120,000	0%	3,120,000	15.07.2007	unguaranteed
Hansapank's long-term part of loan	17,810,123	Euribor+5%	17,810,123	15.07.2009	commercial pledge on movable assets, I ranking mortgage
Leases	4,497,493	av. 10.5%		2003-2007	assets
Convertible bonds	1,200,000	5%	1,200,000	20.01.2010	assets
Other debts	800,000	5%	800,000	31.12.2005	assets
Long-term debts:	27,427,616				

UAB Klementi Vilnius, in EEK

	Balance	Interest	Initial sum	Term	Guarantee
Leases, short-term	45,500	Euribor+3%	66,000	2003	assets
Leases, long-term	67,000	Euribor+3%	67,000	2004	assets
Total	112,500				

Klementi Trading OY has not taken any loans.

» Loans granted by AS Klementi

As of 30.04.2003

Company	Sum (EEK)	Interest	Term	Guarantee
AS Proflin	135,000	Euribor+5%	05.07.2005	assets
OÜ Unisekt	1,300,000	Euribor+1%	05.07.2010	AS Proflin shares
Personnel	18,683	7%	2003-2006	suretyship
TOTAL:	1,453,683			

» Convertible bonds

At the shareholders' extraordinary meeting on July 31, 2002 it was decided in compliance with the application submitted by the PTA Group OY AB and forwarded to the general meeting by the Management Board that as of 12.08.2002 at 8a.m. the 150,000 convertible bonds registered in the name of the convertible bond owner (owners) issued by the public limited company based on the decision taken on 24.03.2000 at the shareholders' general meeting should be cancelled and the conditions concerning the remaining 50,000 convertible bonds should be changed (confirmed on 24.03.2000) as follows:

- (i) the total number of issued registered convertible bonds is 50,000 (not 200,000 as provided for in the decision on 24.03.2000);
- (ii) the issue price of convertible bonds is EEK 24 per bond (not EEK 10 as provided for in the decision on 24.03.2000);
- (iii) the issue price of the convertible bonds in the sum of EEK 1,200,000 has been received by the company (whereas EEK 800,000 also previously paid for the convertible bonds of the PTA Group OY AB will be reformulated as a loan with an interest of 5% a year and repayment date 31.12.2005; the owner of the convertible bonds receives the interest at previous rate of 5% of the nominal value of the convertible bond on the basis of a 365-day year);
- (iv) the owners of the convertible bonds have the right to demand the convertible bonds in their name to be changed for the registered shares (A-shares) of AS Klementi every year from 2002 until 20.12.2005 (not until 10.01.2010 as provided for in the decision on 24.03.2000);

- (v) the convertible bonds will be redeemed on December 31, 2005 (not on January 20, 2010 as provided for in the decision on 24.03.2000) and the redemption payment is made to the person who is the owner of the convertible bond according to the Convertible Bonds Registry as of December 21, 2005 at 8a.m. (not December 31, 2009 as provided for in the decision on 24.03.2000); and on the condition he/she has not submitted an application to the Management Board of AS Klementi by December 20, 2005 (not January 10, 2010 as provided for in the decision on 24.03.2000) for the convertible bonds to be changed for shares; and
- (vi) AS Klementi has the right to buy the convertible bonds back on any date up to 31.12.2005 from the owner by giving them at least 14 days prior notice in writing; should the owner of the convertible bonds not notify of his/her request to convert the bonds into shares during the specified 14 days, then AS Klementi returns the sum paid for the convertible bonds and any accrued interest during five days after the end of the specified 14-day period to the owner.

» Working capital

The company has sufficient working capital for its business activities.

» Main financial indicators of the subsidiaries

As of December 31, 2002

in EEK	Share/share capital	No. of Shareholder's shares/ units	Shareholder's equity	Balance sheet total	Net turnover	Net profit
Klementi Trading OY	131,600	50	73,449	2,936,651	10,141,961	- 57,591
UAB Klementi Vilnius	1,037,647	230	-2,565,041	5,066,469	10,725,344	-2,962,024

MANAGEMENT

» Management Structure

The supreme body of management in the company is the general meeting of shareholders. The general meeting takes decisions in the following areas: changing the articles of association; increasing or decreasing of share capital; issuing of convertible bonds; election and removal of members of the supervisory board; appoint auditors, special audits; confirming the annual report of the economic year and distribution of profit; deciding on dissolution of public limited company and choosing liquidators and solves other issues.

The supervisory board plans the activities of the company, organises the management of the company and monitors the management board. According to the articles of association the supervisory board has four to five members. The supervisory board is elected for five years by the general meeting. Currently the supervisory board has five members.

The management board is the management body of the company that represents and manages the company. The council elects the management board for three years. According to the articles of association the management board has one to seven members. The management board elects and removes the executives. Currently the management board has one member.

» Members of the Management Board

The following gives an outline of the members of the supervisory board and management board and executives and the managers of subsidiaries. A summary of the work experience and education of the management board follows the table.

» The Supervisory Board

Changes in the supervisory board

from 01.01.02	from 27.03.02	from 31.07.02	from 28.11.02
Kari Mattsson	Kari Mattsson	Indrek Rahumaa	Indrek Rahumaa
Risto Wartiovaara	Risto Wartiovaara	Andres Rätsepp	Andres Rätsepp
Heikki Mäntynen	Heikki Mäntynen	Sven Mansberg	Sven Mansberg
Henri Aljand		Sakari Sorri	Sakari Sorri
Peeter Kross		Toomas Leis	Madis Võõras

Due to the change of the majority shareholder of AS Klementi all the members of the supervisory board resigned on 31.07.2002.

Andres Rätsepp was among the founding members of an investment bank, the public limited company Balti Cresco Investeerimisgrupp. In 2000 Andres Rätsepp sold his shareholding in Balti Cresco Investeerimisgrupp and is one of the founding members of AS Alta Capital. Andres Rätsepp has been in the supervisory board of Estonian Air and AS Eesti Metalliekspord. At present Andres Rätsepp is a member of the supervisory board in the public limited company Aeroc. Andres Rätsepp graduated from the University of Tartu, specialising in finances and has participated at the Company's Finances courses of the Stockholm School of Economics.

Indrek Rahumaa was among the founding members of an investment bank, the public limited company Balti Cresco Investeerimisgrupp. In 2000 Andres Rätsepp sold his shareholding in Balti Cresco Investeerimisgrupp and is one of the founding members of AS Alta Capital. Indrek Rahumaa is a member of HEX Tallinn Stock Exchange Listing and Monitoring Commission. Indrek Rahumaa has graduated the Stockholm School Of Economics specialising in finances.

Sven Mansberg worked as a sales manager in AS Dunker in 1993. In 1994 Sven Mansberg was one of the founding members of the public limited company S-Marten, and thereafter became the marketing manager in the company. Since 1999 Sven Mansberg was on the management board of the private limited company Säästumarket, where he became a member of the supervisory board of Säästumarket in 2001. Currently Sven Mansberg is in the supervisory boards of S-Marten and the private limited company Ehitus Service OÜ.

Sakari Erkki Johannes Sorri is the administrator of the bankruptcy estate of the PTA Group OY and a partner in a Helsinki based Bützow Nordia law office.

Madis Võõras worked in AS Klementi from 1991 to 2002. Since 1994 he was the managing director of AS Klementi, since 1996 chairman of the management board. From January 2003 Madis Võõras is the regional director of Nanso Eesti OÜ in the Baltic and Russian region. He has graduated the Tallinn Polytechnic Institute with a specialisation in mechanic engineering and the University of Tartu in 1999 with a Master of Business Administration.

» The Management Board

The management board of AS Klementi was changed four times during 2002.

On November 28, 2002 the director of AS Klementi changed. Toomas Leis, replacing Madis Võõras, was designated as the new director.

During 2002, 13 meetings of the management board were held.

Since September 2, 2002 the management board has one member.

Changes in the Management Board

from 01.01.02	from 06.02.02	from 19.03.02	from 02.09.02	from 28.11.02
Madis Võõras <i>managing director</i>	Madis Võõras <i>managing director</i>	Madis Võõras <i>managing director</i>	Madis Võõras <i>managing director</i>	Toomas Leis <i>director</i>
Mare-Ann Perkmann <i>production manager</i>	Mare-Ann Perkmann <i>production manager</i>	Mare-Ann Perkmann <i>production manager</i>		
Liisa Rentola <i>procurement manager</i>	Liisa Rentola <i>procurement manager</i>	Liisa Rentola <i>procurement manager</i>		
	Tarmo Maasikamäe <i>IT and financial manager</i>	Tarmo Maasikamäe <i>IT and financial manager</i>		
			Valentina Liinsoo <i>marketing manager</i>	

Toomas Leis was a member of the supervisory board of Estonian Air in the years 1996 to 2000, having prior to that participated in the privatisation of the limited company Estonian Air. Toomas Leis is also a member of the supervisory board of Reval Hotelligrupi AS since 1995. Since 2001 Toomas Leis has been involved in AS Alta Capital being one of the founding members of AS Alta Capital. Toomas Leis graduated from the Department of Economics of Tallinn Technical University.

» The management

Anu Kudeviita – retail manager

In Klementi since February 2003. From April 2001 to November 2002 she worked as the director of purchases in AS A-Selver, prior to that she worked in Tallinna Kaubamaja AS as the chief buyer of fashion wears. She graduated from the Department of Economics of the University of Tartu specialising in foreign economics and marketing in 1995.

Lilli Kaska – financial manager

In Klementi since November 2002. From 1997 to 2002 worked for the Estonian Foundation of Promoting Investments and Trade, later in Enterprise Estonia as the chief accountant–financial manager. She graduated from the Tallinn Polytechnic Institute specialising in building economics and organisation in 1986.

Katrin Kuldma – creative manager

In Klementi since October 2002. She opened her own fashion studio in 1995 and her fashion house in 1998 (Katrin Kuldma Moemaja). She worked as the head designer for AS Sangar from 1999 to 2002. She has designed outfits for the first lady of Estonia Helle Meri as well as the hosts of the Eurovision Song Contest Anneli Peebo and Marko Matvere. She graduated from the Tallinn Academy of Arts specialising in fashion design. Additional training in clothes design in the USA, in the Rhode Island School of Design.

Maia-Leena Tikk – production manager

In Klementi since May 2003. Before starting her position in Klementi she worked as a production manager of A&G Textile AS since 1994. She graduated from the Tallinn Technical University specialising in sewing technology and drawing in 1993. She has passed an international business administration programme in the Estonian Higher Commercial School.

Leif Hill – fashion manager

In Klementi since November 2002. He has a long-term (25 years) experience in international apparel industry. During the years 1995 to 2000 worked as the managing director of the skiing clothes wholesaler SOS-Sportswear AB. In the years 2001-2002

he worked for the apparel company G-Spot AB as a marketing and product development consultant. He graduated from the Stockholm technical University.

Erik Haavamäe – financial controller

In Klementi since October 2002. During the years 1996 to 2002 he worked as an analyst for the investment bank AS Cresco. He graduated from the Tallinn Technical University specialising in industry planning in 1992.

» The Management of Subsidiaries

	Management board members	Supervisory board members	Remuneration 2002/2003 I quarter
Klementi Trading OY	Toomas Leis, Leif Hill, Jyrki Ristiluoma (replacement member)	none	was not paid
UAB Klementi Vilnius	Toomas Leis	none	was not paid

» Remuneration of the Management Board Members

In 2002 7 meetings of the supervisory board were held. The members of the supervisory board with an Estonian citizenship received EEK 40 thousand in total for participating in the work of the supervisory board in 2002. The members of the supervisory board with a Finnish citizenship waived the supervisory board member remuneration. The new members of the supervisory board do not get any compensation. In the 1st quarter of 2003 the supervisory board members have not been paid.

A member of AS Klementi's management board is also a member of the management. The Estonian members of the management board were paid salaries in the total of EEK 1,359 thousand in 2002, including EEK 130 thousand for participating in the work of the management board. The total salaries and wages paid to the management board and the management in 2002 was EEK 1,927 thousand.

In the 1st quarter of 2003 the management board and the management received salaries and wages in the sum of EEK 593 thousand.

» Significant Business Interests of the Members of the Management Board

Toomas Leis

AS Alta Capital - shareholding of 6,4% reg. no 10792048, activities as specified in the statutes: investments, investment consultancy, real estate administration, financing services and financial consultancy;

OÜ Merona Holding, shareholding of 100%, reg. no 10925259, activities as specified in the statutes: trade and intermediate commercial transactions, legal, economic, and financial consultancy, transport services, catering, real estate transactions;

Indrek Rahumaa

Investeerimisvabrik OÜ - shareholding of 100%, reg. no 10656629, activities as specified in the statutes: providing the following services not subject to licensing: financial services and investments related activities, incl. administration and consultancy of investments, securities transactions, management services, real estate development, administration and maintenance, buying and selling, renting and letting of movable and immovable assets, buying and selling, renting and financial leasing of passenger cars, providing services with a passenger car, consultancy related with the main field of activity;

2R Investments AS - shareholding of 50% reg. no 10656629, activities as specified in the statutes: investments, investment consultancy, financing services;

AS Alta Capital - shareholding of 26,6% reg. no 10792048, activities as specified in the statutes investments, investment consultancy, real estate administration, financing services and financial consultancy;

Andres Rätsepp

Sarto Holding OÜ – shareholding of 100%, reg. no 10812288, activities as specified in the statutes: providing the following services not subject to licensing: financial services and investments related activities, securities transactions, management services, real estate development, administration and maintenance, buying and selling, renting and letting of movable and immovable assets, buying and selling, renting and financial leasing of passenger cars, providing services with a passenger car, consultancy related with the main field of activity;

2R Investments AS - shareholding of 50% reg. no 10656629, activities as specified in the statutes: investments, investment consultancy, investment assistance and advising, financing services;

AS Alta Capital - shareholding of 26,6% reg. no 10792048, activities as specified in the statutes: investment, investment advising, real estate administration, financing services and financial consultancy;

Sven Mansberg

OÜ Relaxor - shareholding of 100%, reg. no 10715266, activities as specified in the statutes trade and intermediate commercial transactions, administration of investments, legal, economic and financial consultancy, real estate transactions

Leif Hill

G-Spot AB – shareholding of 100%, registered in Sweden, reg. no. 556625-7882

Maia-Leena Tikk

OÜ Gevaliine – shareholding of 100%, reg. no. 10349241

AS Tech Group – shareholding of 20%, reg. no. 10786243

» Transactions with Employees:

AS Klementi has sold tangible fixed assets to its employees at the market value in the total amount of EEK 29 thousand and the gain from the sale was EEK 26 thousand. AS Klementi sold used sewing machines that were registered as expensed assets to its employees in the total amount of EEK 13 thousand. A passenger car that was registered as tangible fixed asset was transferred to a former employee as severance pay and the tax fringe benefit was paid based on the market value of the car in the amount of EEK 112 thousand. Also, a passenger car was sold to a former employee as severance pay below the market value, the loss from the sales was EEK 147 thousand. Fringe benefit tax was paid based on the difference of the sales price and the market value in the amount of EEK 86 thousand.

» Transactions with Shareholders:

On September 1, 2002 AS Klementi signed a contract with AS Alta Capital with the objective to receive consultancy services with regard to the development of company's new retail concept and internal financial system, in the total amount of EEK 300 thousand. The term of the contract was December 31, 2002.

» Transactions with Parent Company:

With the P.T.A. Group OY until 12.07.2002.

During the first half of 2002 the P.T.A. Group OY bought from AS Klementi sewing services, ancillary material, etc in the total amount of EEK 6,611 thousand and logistics services in the amount of EEK 1,145 thousand. Logistics services were sold to

the PTA Group OY bankruptcy estate in the total amount of EEK 286 thousand. Telephone services were sold to the P.T.A. Group OY in the total amount of EEK 11 thousand and to the PTA Group OY bankruptcy estate in the amount of EEK 5 thousand.

During the first half of 2002 AS Klementi bought from the P.T.A. Group OY goods purchased and fabrics in the total amount of EEK 787 thousand and returned the purchased goods to the parent company in the total amount of EEK 1,104 thousand and tangible fixed assets in the amount of EEK 111 thousand.

The interest expense of the convertible bonds paid to the P.T.A. Group OY was EEK 31 thousand and to the PTA Group OY bankruptcy estate EEK 27 thousand.

In the transactions with the related parties ordinary prices have been used.

» Transactions with the Related Parties

The members of the supervisory board, management board and the management are forbidden to vote in case of granting an agreement to a transaction between any of the above mentioned persons and the Company. Also, the specified persons are forbidden to vote in case of granting an agreement to a transaction between the Company and a legal person, where a member of the supervisory board, management board or the management or their close relative has a significant shareholding.

SHAREHOLDERS' STRUCTURE

The following table exhibits the structure of the shareholders as of 09.05.2003. Shareholders whose shareholding is greater than 5%; also the shares owned by the members of the management and small shareholders have been included. Both direct and indirect shareholding have been taken into consideration.

Name of the owner	Address	Number of shares	Share
OÜ ALTA HOLDING	Pärnu mnt 15, 10142; Tallinn	87,500	6.62%
BRYUM ESTONIA AS	Pärnu mnt 15, 10142; Tallinn	524,709	39.69%
OÜ ALTA INVESTMENTS I	Pärnu mnt 15, 10142; Tallinn	508,631	38.48%
709 small shareholders (share under 5%)		201,035	15.21%
Total		1,321,875	100.0%
<i>Including shares controlled by the management:</i>			
SVEN MANSBERG	Pärnu mnt 15, 10142; Tallinn	165,305	12.51%
INDREK RAHUMAA	Pärnu mnt 15, 10142; Tallinn	96,163	7.27%
ANDRES RÄTSEPP	Pärnu mnt 15, 10142; Tallinn	96,163	7.27%
TOOMAS LEIS	Pärnu mnt 15, 10142; Tallinn	77,908	5.88%

The company and its subsidiaries do not own any Klementi shares.

SHARE CAPITAL

» General

In accordance with the articles of association of the company the share capital is from EEK 13,000,000 to 52,000,000. All the shares of the company are registered A-shares. The nominal value of a registered A-share is EEK 10 (ten) and it gives one vote at the general meeting. The share capital is divided into ordinary shares with the nominal

value of EEK 10. As of the date of the prospectus no preferred shares have been issued.

The Issuer has 1,312,875 ordinary shares.

» Rights Attaching to Shares

The shareholder of the Company has the following rights attaching to shares:

- participate in the General Meeting of the shareholders either personally or through an authorised representative. The representative must have an authorisation in the written form;
- elect and be elected to the management body of the Company;
- get the necessary information from the Management Board concerning all the issues on the agenda of the General meeting. The Management Board can decline from giving out any information only if it might harm the business interests of the Company or would reveal the business secrets of the Company. The extent of the Company's business secrets are set in the internal provisions of accounting by the Management Board;
- get information from the Management Board at the General Meeting about the activities of the Company;
- get a transcript of the General Meeting minutes from the Management Board;
- examine the share register and get a copy of it or a transcript of part of it;
- in proportion to the shares owned the shareholders can get a share of the Company's profit, which is distributed between the shareholders (dividends) based on the suggestion of the Management Board and approved by the General Meeting;
- subscribe new shares pursuant to the law and the current statutes;
- pledge or encumber shares with possessor mortgage;
- in case of liquidation of the Company get part of the own capital in proportion to the shares owned according to the confirmed liquidation balance of the Company.

The shareholders who in total represent at least 1/10 of the share capital of the Company have the right to request:

- the calling of a General Meeting if they present a written request and formulate the reason for calling together the General Meeting and make a proposal for the agenda;
- raising a certain issue at the agenda of the General Meeting. The specified request has to be sent to the shareholders before sending out or publishing the notice of the General Meeting;
- removal of a member on the Supervisory Board for a good reason in the court;
- the calling together of the Supervisory Board meeting;
- at the General Meeting of the Company deciding over a special audit in regard to the management or financial situation of the Company and designate an auditor for the special audit.

» Overview of Trading with the Issuer's Shares on the Tallinn Stock Exchange.

AS Klementi shares have been listed on the Tallinn Stock Exchange B-list since May 20, 1997. the following table gives a statistical overview of the prices and turnover of the shares in the period 01.05.02 – 15.05.03.

Month	Lowest price	Highest price	Volume of transactions (EEK)
2003 May (up to 15.05)	22.37	25.03	87,172
2003 April	21.28	23.47	120,012
2003 March	19.56	22.69	134,575
2003 February	18.31	23.78	31,950
2003 January	18.78	26.91	128,209

2002 December	17.37	20.03	19,834
2002 November	16.43	18.31	24,106
2002 October	12.52	16.74	100,911
2002 September	11.73	13.46	78,074
2002 August*	10.64	21.28	68,870
2002 July*	18.16	23.80	178,996
2002 June*	16.88	22.52	60,731
2002 May*	19.40	23.16	133,333
Total period	10.64	26.91	1,166,772

*Transactions before the reduction in share capital on 12.08.02 are adjusted to enable comparability.

» Transferability of Shares

A shareholder has the right to transfer his/her own shares freely. A shareholder can pledge and encumber shares with possessor mortgage without any limits.

» Changes in Share Capital

The following table gives an overview of changes in share capital, in the number of shares issued and in the nominal value of the shares since 1995.

	Number of shares	Nominal value (EEK)	Share capital (EEK)	Contents of change
01.01.1995	1,500 A-shares, 3,750 B-shares	A-share 10,000, B-share 1,000	18,750,000	
31.08.1995	1,500 A-shares, 3,750 B-shares	A-share 10,000, B-share 1,000	18,750,000	The new statutes was registered, based on which the B-shares were privatised in the period 09.10.-30.10.1995 according to the decision of the Council of the Estonian Privatisation Agency dated 30.08.1995
04.06.1996	187,500 A-shares	100	18,750,000	AS Klementi was entered in the commercial register; all shares were transformed into one type; the shares were split
23.12.1996	187,500 A-shares	100	18,750,000	The merger of AS Klementi and AS Klementi Kaubandus and the establishment of the new association As Klementi was entered in the commercial register
14.03.1997	2,425,000 A-shares	10	24,250,000	Shares were split; 550,000 new shares were issued (bonus issue 300,000, private subscription (price EEK 26) 190,000, option for managing directors, members of the management and supervisory board (price EEK 13,30))
01.06.2000	3,525,000 A-shares	10	35,250,000	Placing for the P.T.A. Group 1,100,000 shares with a sale price of EEK 10 per share
12.08.2002	881,250 A-shares	10	8,812,500	Reduction of share capital by four times in order to involve ancillary capital and issue new shares at the market price
September 2002	1,321,875 A-shares	10	13,218,750	Increase of share capital through ancillary monetary payments without pre-emptive subscription rights
Current issue	1,896,875 A-shares	10	18,968,750	Increase of share capital through ancillary monetary payments without pre-emptive subscription rights

» Dividends

The governing bodies of the Issuer have not made any decisions concerning the payment of dividends in the future.

The Issuer has not paid any dividends in the years 1999-2002. The owners of the shares issued in May 2003 have the right to dividends for the first time in the distribution of profit of the financial year 2002.

According to the articles of association the dividends can be paid once a year based on the report of the financial year approved by the general meeting. The management board notifies all the shareholders of the time and place of payment of dividends either in written form or via the media. Dividends are paid once a year. The dividends that have not been withdrawn during three years will become the property of the Company.

TAXATION

Pursuant to the Income Tax Act a company, resident of the Republic of Estonia, pays and withholds income tax from the dividends and other profit distributions paid out as follows:

- if a resident company pays dividends to a resident natural person, the company has to pay income tax of 26/74 calculated based on the payable sum.
- since 01.01.2003 a resident company paying dividends to a resident legal person has to pay income tax also from the dividends, similarly to the dividends paid to the resident natural person.
- if a resident company pays dividends to a non-resident, then the company has to pay income tax calculated based on the payable sum 26/74 and withholds the 26% income tax from the payable sum (the latter tax is not withheld if the non-resident legal person owns at least 25% of the company paying dividends).

The non-resident taxable dividend income taxation rate can vary from the above mentioned, if the Republic of Estonia and the country of location of the non-resident company have signed an income and capital tax double taxation and tax evasion prevention agreements. The capital gain earned from the Issuer's shares is subject to taxation at the income tax rate of 26%. The income tax is to be declared and paid by the party gaining benefit.

RISK FACTORS

INVESTMENT INTO SHARES TO BE LISTED CONTAINS SEVERAL RISKS. INVESTORS SHOULD READ THE WHOLE PROSPECTUS CAREFULLY AND IN ADDITION TO OTHER ASPECTS THE INVESTORS SHOULD ALSO CONSIDER THE FACTORS THAT INFLUENCE THE ACTIVITIES OF THE ISSUER DESCRIBED BELOW AND ELSEWHERE IN THE CURRENT PROSPECTUS. THIS PROSPECTUS CONTAINS CLAIMS REGARDING THE FUTURE, WHICH CONTAIN RISKS AND PLAUSIBLE EVENTS. THE REAL RESULTS AND THE TIME NEEDED FOR CERTAIN EVENTS COULD DIFFER SIGNIFICANTLY FROM THOSE SPECIFIED IN THE CLAIMS REGARDING THE FUTURE, THE RISK FACTORS LISTED BELOW AND OTHER FACTORS DESCRIBED IN THE CURRENT PROSPECTUS. SEE ALSO "NOTE ON CLAIMS REGARDING THE FUTURE" BELOW. ALSO, THE LIST OF RISKS LISTED BELOW IS NOT EXHAUSTIVE AND THERE COULD BE OTHER RISKS THAT NEED TO BE TAKEN INTO ACCOUNT WHEN INVESTING INTO THE ISSUER'S SHARES.

The investors should know that investing into Estonia and other developing markets bears a higher risk than investing into developed markets, and may in some cases involve significant legal, economic and political risks. Therefore, the investors should carefully evaluate all the risks associated with the investment and make a decision in the light of these risks whether the investment is appropriate. Generally, investing into developing markets is more befitting to the experienced investors who can fully acknowledge the risks in such markets.

Next there is a summary of some investment considerations, that often are associated with investing in Estonian entrepreneurs and also a few considerations that concern investing into the Issuer. The investors have to take into consideration that a common characteristic of developing markets is their rapid changes and thus the information in the current prospectus could become out-dated relatively fast.

» The Economic and Political Factors of Estonia

After Estonia regained its independence in 1991 the Estonian Government has followed a political and economic programme aimed at introducing a market economy through the privatisation of state enterprises and the deregulation of the economy. Although the majority of privatisation has been carried out, no claims could be made as to whether such reforms will continue or will achieve the planned objectives. Furthermore, although the general result of the policy of the Estonian Government has been the improvement of economic figures, it is impossible to declare that the level of such economic figures can be retained or that the political changes in the Estonian Government would not be accompanied by the slow-down, decrease or even a reversal of Estonia's development.

Although Estonia has been invited to join the European Union in the next enlargement round, no concrete date has been specified for the admission of Estonia. In addition it is not clear whether the Estonian bodies of power will implement all the European Union requirements or whether there won't be any repercussions in the admission process and whether this will have any negative influence on the business activities or financial activities of the Issuer.

The slow down of the Estonian economy, an increase in interest rates or decrease of consumption could have a certain negative impact on the business activities of the company.

» Company Risk

The price of shares on the market is determined by the supply / demand ratio, which are influenced by the financial results of the company, the market share, the dividends payable in the future, development trends and other factors which could influence the price of the shares both positively and negatively.

» Competition

The rapid development of trade over the past years has brought an ever increasing number of new companies and trademarks to the retail market, the international trade competition has clearly developed. As the competition increases the revenues of the Issuer could decrease due its clients preferring analogous products that in turn are influenced by trends. At the same time, competition could be regarded as one of the positive factors to the development of the company.

» Liquidity of Shares

The Tallinn Stock Exchange is less liquid than the bigger European Stock Exchanges. Investors may therefore experience difficulties in trying to sell securities. The market price of securities could be volatile and be influenced by the economic activities of the company, the factors related with the industry, interest rates and general economic conditions.

» A Note on Claims Regarding the Future

Certain claims in the current prospectus could contain estimates and viewpoints regarding the future. These claims regarding the future involve known and unknown risks, uncertainties and other factors that could cause the real results, activities or achievements of the Issuer or the industry to differ significantly from those results, activities or achievements specified in the claims regarding the future. Taking into consideration these probabilities, investors should not rely too heavily on the claims regarding the future. The Issuer does not take liability for reviewing or the making public of any changes concerning the claims regarding the future in the current prospectus that reflect changes in the expectations of events, conditions, circumstances or assumptions such claims are based on.

DATA ACCURACY CONFIRMATION

The undersigned accepts responsibility for the accuracy and comprehensiveness of all the information contained in the present listing particulars. The person signing the listing particulars confirms that he has taken all reasonable care to check the accuracy and comprehensiveness of the information contained in the present listing particulars and that the information provided does not omit anything likely to affect the contents or meaning of the information contained in the present listing particulars.



Toomas Leis
Director

Tallinn
27 May 2003

TRANSCRIPT OF THE MINUTES OF THE GENERAL MEETING

THE PUBLIC LIMITED COMPANY KLEMENTI, registered on 23.12.1996 in Tallinn City Court registration department under the registry code 10175491, at the address Akadeemia tee 33, Tallinn, the extraordinary general meeting of shareholders (hereinafter "Meeting") was held in Tallinn, Akadeemia tee 33, started at 16.00 and finished at 16.12.

The meeting was chaired by **Andres Rätsepp** with active legal capacity and judgement and the minutes were taken by **Toomas Leis** with active legal capacity and judgement

The chairman of the Meeting made it public that 6 shareholders were present, whose shares gave a total of 1,139,534 votes, which form 82.61% of votes determined by shares and thus the Meeting had a quorum.

Decision of the Meeting:

- It was decided to increase the share capital of the public limited company through ancillary monetary contribution by EEK 5,750,000 (five million seven hundred and fifty thousand), by issuing 575,000 (five hundred and seventy five thousand) new A-shares with a nominal value of EEK 10 (ten) per share.
- The issue price of the shares is EEK 27.50 (twenty seven kroons and fifty cents) per share, thus the issue premium is EEK 17.50 (seventeen kroons and fifty cents) per share.
- The share capital is EEK 18,968,750 (eighteen million nine hundred and sixty eight thousand seven hundred and fifty).
- The shares to be issued yield the right to dividends starting with the financial year of the increase of the share capital.
- The subscription period of the new shares starts at 9.00a.m. on 02.06.2003 and lasts until 5.00p.m. on 10.06.2003.
- It was decided to preclude the pre-emptive subscription right of the new shares with the objective of ensuring the involvement of new shareholders and improving the liquidity of shares on the secondary market.
- It was decided that first the applications of small investors will be satisfied, i.e. the applications of investors who subscribed 1,000 (thousand) to 10,000 (ten thousand) shares and next the applications of all other investors who had subscribed shares will be satisfied.
- The subscription of shares is conducted through the account operator banks of the Central Depository for Securities in accordance with the rules and regulation of the Estonian Central Depository for Securities. The subscribed shares have to be paid for at the subscription and the payment has to be made in monetary contribution to a special account opened by the Estonian Central Depository for Securities.
- Should it transpire that the shares have been subscribed over the planned increase of share capital, the supervisory board of the public limited company will decide on the distribution of shares between the subscribers.
- The public limited company enters into an agreement with AS Alta Capital to guarantee the issue subscription, according to which the issue underwriter undertakes to subscribe and buy the shares that remained unsubscribed during the subscription period at the issue price (i.e. EEK 27.50 per share).