

Financial Statements of Estonian Central Depository for Securities

Balance sheet, in EEK

ASSETS	Note	31-Dec-99	31-Dec-98
Cash and bank		394,092	1,734,714
Marketable securities	1	1,246,050	1,100,927
Customer receivables		1,995,525	979,428
Accounts receivable		1,995,525	979,428
Accrued income	1	15,363	12,837
Prepaid expenses		499,090	337,426
Prepaid taxes	6	0	232,800
Other prepaid expenses		499,090	104,626
Other receivables		5,966	0
Total current assets		4,156,086	4,165,332
Long-term financial investments	2	19,545	19,545
Tangible fixed assets	3	2,016,876	2,801,387
Other equipment and fixtures		4,716,444	5,394,465
Accumulated depreciation (less)		-2,699,568	-2,593,078
Intangible fixed assets	3	933,714	1,036,550
Formation costs		5	220,209
Software		933,709	816,341
Total fixed assets		2,970,135	3,857,482
Total assets		7,126,221	8,022,814
LIABILITIES AND OWNERS' EQUITY			
Debentures	4	82,215	125,900
Customer prepayments		5,556	3,932
Supplier payables		143,975	196,689
Interest and amounts of issue in the Bank of Estonia		288,036	1,349,204
Tax liabilities	6	215,024	336,081
Accrued expenses		439,764	193,729
Total current liabilities		1,174,570	2,205,535
Non-convertible debt	4	178,504	0
Deferred income tax liability		0	108,465
Share capital	5	2,800,000	2,800,000
Share premium	5	80,000	80,000
Mandatory legal reserve	5	169,000	169,000
Retained earnings	5	2,659,814	3,437,657
Net profit (loss) for the financial year	5	64,333	-777,843
Total owners' equity		5,773,147	5,708,814
Total liabilities and owners' equity		7,126,221	8,022,814

Income statement, in EEK

REVENUE	Note	1999	1998
Net sales	7	11,197,032	10,853,377
Other revenue		208,270	125,210
Total revenue		11,405,302	10,978,587
EXPENSES			
Other operating expenses		4,825,243	5,828,021
Personnel expenses		3,584,225	3,133,702
Wages and salaries		2,665,886	2,333,074
Social security taxes		918,339	800,628
Depreciation	3	2,381,856	2,365,001
Depreciation of fixed assets		2,381,856	2,365,001
Other expenses		548,129	55,918
Total expenses		11,339,453	11,382,642
OPERATING PROFIT		65,849	-404,055
Financial income		52,931	179,483
Interest income from short-term investments	1	45,335	88,066
Income from sale of securities		0	84,142
Interest income from current account		7,595	7,275
Financial expenses		37,239	444,806
Interest expenses	4	37,239	17,987
Loss from sale of securities		0	426,819
Profit / loss before taxes		81,541	-669,378
Income tax	6	125,673	0
Deferred income tax		-108,465	108,465
NET PROFIT (LOSS) FOR THE FINANCIAL YEAR		64,333	-777,843

"Interest income from short-term investments" and "Interest income from current account" are presented as one balance on "Interest from investments" account in the financial statements for year 1998.

Cash flow statement, in EEK

		1999	1998
Cash flow from operating activities		194,523	-46,241,866
Profit / loss before taxes		81,541	-669,378
Profit (-)/loss (+) on sale of fixed assets		-5,440	36,928
Adjustment for depreciation	3	2,381,856	2,365,001
Profit from sale of securities	1	-21,565	342,677
Loss from liquidation of fixed assets	3	57,337	4,671
Change in current assets		-1,186,253	440,535
Change in current liabilities		-987,280	-48,740,727
Calculated corporate income tax (-)	6	-125,673	-21,573
Cash flow from investing activities		-1,535,145	-1,887,234
Investments into current investments	1	-2,503,559	-1,842,789
Proceeds from the sale of current investments	1	2,380,000	2,444,331
Proceeds from the sale of fixed assets		63,750	143,220
Acquisition of fixed assets	3	-741,376	-2,036,219
incl. finance lease		295,000	210,626
Finance lease payments	4	-160,180	-84,726
Acquisition of software	3	-868,780	-721,677
Cash flow from financing activities		0	0
Total cash flow		-1,340,622	-48,129,100
Cash and cash equivalents at the end of the financial year		394,092	1,734,714
Cash and cash equivalents at the beginning of the financial year		1,734,714	49,863,814
Net change in cash and cash equivalents		-1,340,622	-48,129,100

Principles of Preparing the Financial Statements and Accounting Policies

Basis of Preparation

The financial statements of Estonian Central Depository for Securities Ltd. (hereinafter referred to as "ECDS" or "Company") for year 1999 are prepared in accordance with the Estonian Accounting Law and generally accepted accounting principles, as provided in International Accounting Standards and relevant European Union directives. The main requirements of generally accepted accounting principles are also provided in Estonian Accounting Law, decrees of the Government of Estonia and the Ministry of Finance, and regulations issued by Estonian Accounting Board.

All amounts are in Estonian kroons, unless stated otherwise.

Income statements for years 1998 and 1999 are prepared in line with Format no. 1 provided in the Estonian Accounting Law.

Income

Income from services rendered by ECDS is accounted for on accrual basis. Interest income is calculated using the effective rate of return.

Short-term Investments

Marketable securities are accounted for on first-in first-out method. Shares and other securities classified as current assets are shown at acquisition cost on the balance sheet.

Customer Receivables

Customer receivables are carried at anticipated realisable value. Receivables from each customer are evaluated separately, taking into account the information available on the customer's credit solvency and other information. Bad debts in amount of EEK 113,186 were expensed (including EEK 79,293 in claims against bankrupt insurance companies and banks). ECDS has begun to independently collect receivables recorded as bad debts. In year 1999 ECDS collected EEK 82,278 recognised as bad debts in 1998 financial statements.

Fixed Assets

Assets with useful life over one year and acquisition cost above EEK 4,000 are classified as tangible or intangible fixed assets. Assets acquired at cost of under EEK 4,000 (regardless of length of useful life) are recognised 100% as expenses at the time of acquisition.

Depreciation is calculated on the straight-line method according to their residual values over their estimated useful life as follows:

furniture	20%
computers	40%
other office equipment	20-35%
software	20-40%
cars	16-35%
formation costs	20%

Accounting for Leases

As of 1998 all lease agreements that meet at least one of the following criteria are classified as finance leases:

- 1) lessee cannot terminate unilaterally a lease agreement before meeting all terms and conditions provided in the lease agreement, or before the end of the lease term, without additional payments;
- 2) ownership of leased assets will transfer to lessee during or after the end of the lease term.

Related Party Transactions

In 1999 ECDS sold a vehicle to a Management Board member, and earned EEK 4,083 of profit from the transaction.

Deferred Income Tax Liabilities

Until the end of year 1998 the Company made provisions for deferred income taxes on all temporary differences between the tax bases of assets and liabilities and their carrying values. The principal temporary differences arose from depreciation on fixed assets and tax losses carried forward.

Pursuant to the new Income Tax Law, effective from 01.01.2000, the differences between the tax bases of assets and liabilities and their carrying values no longer exist. Dividends paid by a company to resident individuals and non-residents are subject to income tax (26/74 from the amount paid as net dividends). Due to the above the amount of deferred income tax liability shown on the balance sheet as of 31.12.1998 was recognised as income in year 1999.

The effects of the new Income Tax Law are reflected on the basis of International Accounting Standards and generally accepted accounting principles, which prescribe the effects of the changes in legislation to be reflected in the accounting period when the changes were made. Thus the current statements are not in line with the Estonian Accounting Board's act "Effects of Income Tax Law on Financial Accounting and Reporting" that ordains the effects of the new Income Tax Law to be treated retrospectively by adjusting the balance sheet and income statement for year 1998. Application of the provisions of the aforementioned act would not have had any effect on the Company's owners' equity account as at 31.12.1999; however, the Company's net profit for year 1999 would have been lower by EEK 108,465.

Due to the above the net profit for year 1999 was increased by the amount of deferred income tax liability recorded during the previous years, EEK 108,465.

Other Operating Expenses

Substantial increase in Company's other operating expenses compared to the results of 1998 incurred due to settlement of losses from insurance case, where ECDS was responsible for covering the insurance retention in the amount of EEK 400,000.

Potential liabilities

Due to error made in definition of financial institutions in §5 of Law on Credit Institutions, effective as of 01.07.1999 (hereinafter LCI), the current redaction of the law allows to interpret that Estonian Central Depository for Securities Ltd. (hereinafter ECDS) cannot be defined as financial institution, opposite to the provisions of the previous law redaction. This is in direct conflict with several principles of law. Central Bank of Estonia and Ministry of Finance are of the opinion that an error was made upon final editing of the aforementioned law provision, as a result of which the current redaction of the law conflicts with its aim. Pursuant to law, a financial institution is defined as undertaking, which main and constant fields of activity are acquisition of holdings and/or conclusion of one or several listed transactions. Such approach is in line with the practices of European financial circles and article 1 of European Union Second Council Directive (89/646/EEC).

Pursuant to section 3 of §2 of General Provisions of Civil Law, law provisions must be interpreted in the framework of other provisions of this law, proceeding from the aim of the law.

Interpretation of §5 of LCI along with provisions of §6 provides grounds to argue that ECDS can continuously be defined as financial institution under the currently valid LCI.

Bank of Estonia has proposed amendments to the Law on Credit Institutions, including amendments to definition of financial institutions, to conform the grammatical construction of the aforementioned provision with the aim of this law.

ECDS is not liable to pay value-added tax, as the aforementioned law amendment is to have retroactive effect. Hence ECDS has neither calculated the amount of value-added tax from its turnover, nor reflected it in the annual report. The amount of potential value-added tax liability approximates to EEK 625,000. Estonian Central Depository for Securities Ltd. finds that the aforementioned tax liability is unlikely to take effect.

Note 1

Short-term financial investments

Beginning balance at 31.12.1998				Acquired in 1999		
Security	Number of securities	Cost	Accumulated interest	Number of securities bought	Acquisition price	Reinvested amount
HRTF*	316	316,000		1,350	1,350,000	21,000
Eesti Energia	4	388,192	10,190			0
Nominal		100,000				
Eesti Energia	4	396,734	2,402			0
Nominal		100,000				
Swedbank bond 15.06.99				38	373,509	0
Nominal		10,000				
Swedbank bond 18.02.00				78	759,050	0
Nominal		10,000				
Total		1,100,926	12,592		2,482,559	21,000

No write-downs of securities have been prepared in 1999.

Note 2

Long-term financial investments

Beginning balance at 31.12.1998				Closing balance at 31.12.99		
Security	Quantity	Price	Total	Quantity	Price	Total
ANNA share	1	19,545	19,545	1	19,545	19,545

Note 3

Long-term financial investments

Tangible fixed assets	Beginning balance at 31.12.1998	Acquired in 1999	Depreciation in 1999	Sold	Written off	Fully depreciated	Closing balance at 31.12.1999
Acquisition cost	5,394,465	741,376		152,891	312,532	953,974	4,716,444
Depreciation	-2,593,078		-1,416,164	-94,581	-261,119	-953,974	-2,699,568
Total	2,801,387	741,376	-1,416,164	58,310	51,413	0	2,016,876

Intangible fixed assets	Beginning balance at 31.12.1998	Software acquired	Written off	Depreciation	Closing balance at 31.12.1999
Software	816,341	868,780	5,924	-745,488	933,709
Formation costs	220,209			-220,204	5
Total	1,036,550	868,780	5,924	-965,692	933,714

Note 4

Lease

Vehicles leased under finance lease agreement	1999	1998
Acquisition cost	505,625	210,625
Accumulated depreciation	197,378	123,628
Depreciation during accounting period	129,613	67,765
Average interest rate	12.5%	13%
Total payments in accounting period	160,180	32,070
Interest paid in accounting period	37,239	17,987

	31-Dec-99	31-Dec-98
Finance lease liability	260,719	125,900
incl. up to 1 year	82,215	31,119
1-5 years	178,504	0

ECDS has a pre-emptive right to buy the vehicle at the end of the lease term; if buying the vehicle before the end of the lease term, ECDS is liable to pay a fine in amount 2% of vehicle's book value on lessor's balance sheet.

In 1999 ECDS paid EEK 335,084 in rental payments for office premises under relevant rental agreements.

Sold in 1999			Closing balance at 31.12.1999		
Number of securities	Amount	Interest earned	Number of securities	Cost	Accrued interest
1,200	1,200,000		487	487,000	
4	400,000	1,618	0	0	
4	400,000	864	0	0	
38	380,000	6,491	0	0	
			78	759,050	15,363
	2,380,000	8,973		1,246,050	15,363

Note 5

Changes in owners' equity

	Share capital	Share premium	Mandatory legal reserve	Retained earnings	Total
Beginning balance	2,800,000	80,000	169,000	2,659,814	5,708,814
Net profit for the year				64,333	64,333
Closing balance	2,800,000	80,000	169,000	2,724,147	5,773,147

All issued shares are fully paid as at the balance sheet date.

Dividends will not be paid to the owners, as ECDS is non-profit organisation under its Articles of Association.

Minimum number of shares under Articles of Association:	100
Maximum number of shares under Articles of Association:	400
Number of shares issued and outstanding:	280
Par value:	EEK 10,000
Shares issued in 1999:	0

Note 6

Taxes

	Beginning balance at 31.12.1998	Calculated	Paid	Refunded	Mutual settlement / offsetting	Closing balance at 31.12.1999
Tax fines	-4,578	-20 *	4,598			0
Individual income tax	-129,925	-627,258	683,768			-73,415
Non-resident income tax	-104,299				104,299	0
Income tax on fringe benefits	0	-30,407	30,374			-33
Social security tax	-97,282	-857,290	851,969			-102,603
Corporate income tax	232,800	-125,673	86,700	-232,780	-20 *	-38,973
Total	-103,284	-1,640,648	1,657,409	-232,780	104,279	-215,024

* Tax fines were settled on the account of prepaid corporate income tax.

Note 7

Net sales

	1999	1998
Total net sales:	11,197,032	10,853,377
Incl. Domestic market:	11,197,032	10,853,377
Arrangement of securities subscription	186,641	35,000
Transaction fees	2,513,333	2,706,949
Registration and annual maintenance fees	2,641,865	3,198,362
Account maintenance fees from corporate clients	2,172,688	1,430,168
Account maintenance fees from individual clients	1,295,600	410,021
Allocation of securities	97,872	190,136
"Estonian Securities Market" bulletin	13,052	29,985
Arrangement of meetings	475,350	409,600
Payment of dividends	81,469	97,379
Delivery of shareholders' lists	80,945	156,526
Other services	1,638,217	2,189,251

Auditor's Report

Translation of the Estonian original

To the shareholders of Estonian Central
Depository for Securities

We have audited the financial statements of Estonian Central Depository for Securities (the Company) for the year ended 31 December 1999 as set out on pages 42 to 50. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

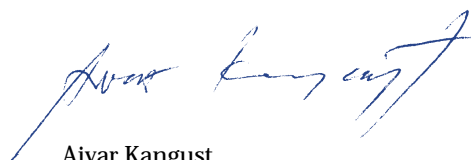
We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements.

An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the financial statements give a true and fair view of the financial position of the Company as at 31 December 1999 and of the results of its operations and its cash flows for the year then ended in accordance with Estonian Accounting Law.

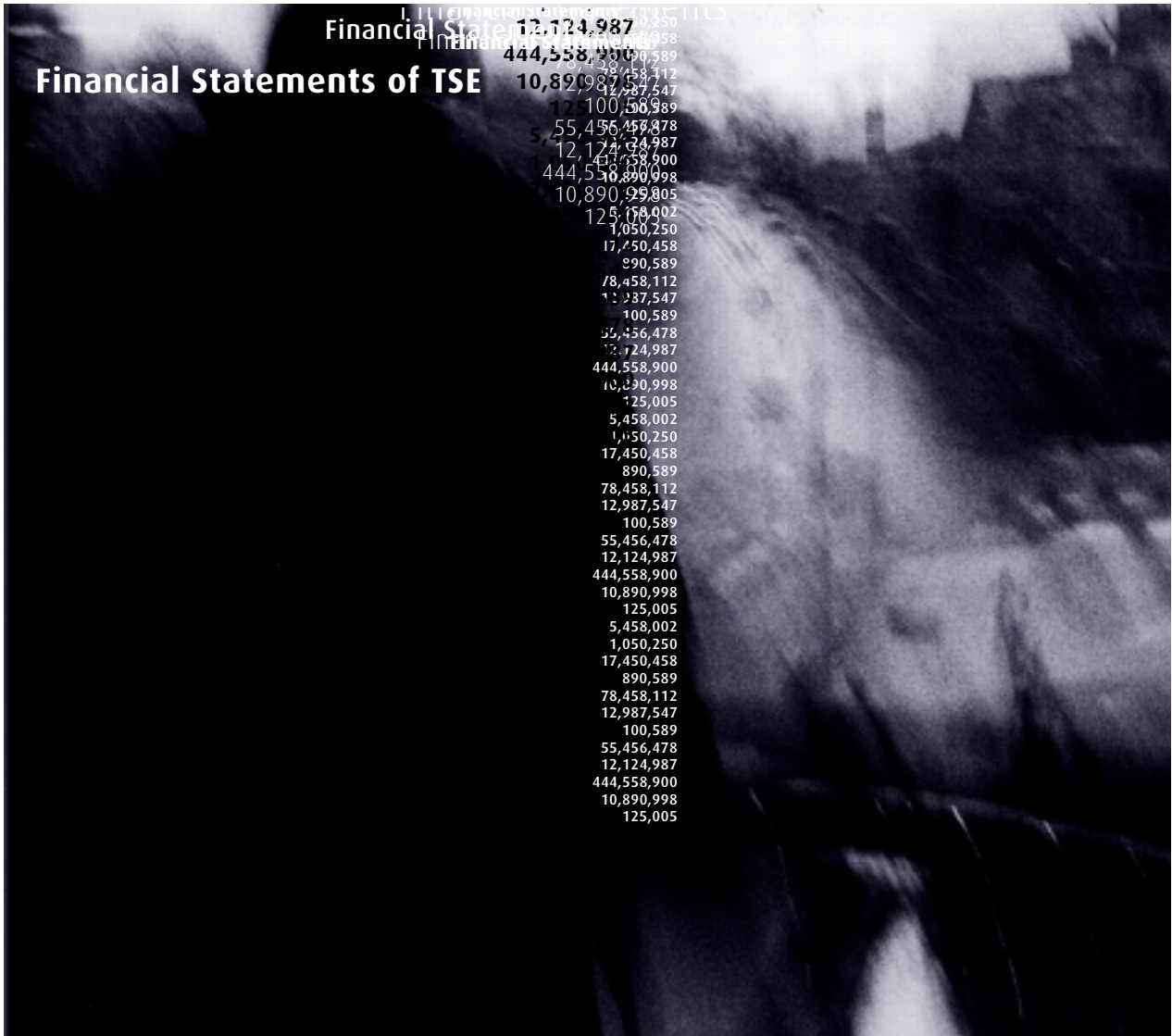


Urmas Kaarlep
AS PricewaterhouseCoopers



Aivar Kangust
Authorised auditor

2 March 2000



Financial Statements of TSE

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Financial Statements of Tallinn Stock Exchange

Balance sheet, in EEK

ASSETS	Note	31-Dec-99	31-Dec-98
Current assets		10,391,968	10,399,500
Cash and bank		3,551,810	3,685,346
Marketable securities	1	5,791,499	5,018,489
Customer receivables		523,818	1,501,058
Accrued income		64,889	34,679
Prepaid taxes	5	303,007	0
Prepaid expenses		156,945	159,928
Fixed assets		1,280,146	1,702,899
Tangible fixed assets	2	1,279,706	1,702,019
Other equipment and fixtures		2,759,974	2,696,994
Accumulated depreciation (less)		-1,480,268	-994,975
Intangible fixed assets	2	440	880
Total assets		11,672,114	12,102,399
LIABILITIES AND OWNERS' EQUITY			
Current liabilities		1,123,646	1,461,830
Debentures		3,200	57,925
Supplier payables		460,434	254,926
Other payables		134,607	300,110
Tax liabilities	5	183,047	530,785
Salary related accrued expenses		336,908	318,084
Other prepaid revenue		5,450	0
Non-current liabilities		1,370,062	2,460,286
Non-convertible debt		0	287,650
Other long-term liabilities		1,363,993	2,111,938
Guarantee fund		1,363,993	2,000,000
Deferred income tax liability		0	111,938
Provisions	7	6,069	60,698
Owners' equity		9,178,406	8,180,283
Share capital	4	3,300,000	3,300,000
Share premium	4	1,625,000	1,625,000
Mandatory legal reserve	4	194,099	133,582
Retained earnings	4	2,158,384	1,911,361
Guarantee fund reserve	4	902,800	0
Net profit / loss for the financial year	4	998,123	1,210,340
Total liabilities and owners' equity		11,672,114	12,102,399

Income statement, in EEK

REVENUE	Note	1999	1998
Net sales	6	9,191,837	8,316,989
Other revenue (net)		733,648	1,259,210
Total revenue		9,925,485	9,576,199
EXPENSES			
Other operating expenses		4,860,624	4,587,728
Services		513,271	1,724,080
Lease of office space and equipment		1,651,378	944,192
Other expenses		2,631,558	1,910,299
Repairs of office space		64,417	9,157
Personnel expenses		3,674,973	3,157,780
Wages and salaries		2,732,556	2,351,829
Social security taxes		942,417	805,951
Depreciation		679,559	577,217
Depreciation of fixed assets	2	679,559	577,217
Total expenses		9,165,155	8,322,725
OPERATING PROFIT		710,329	1,253,474
Financial income		515,249	626,899
Financial expenses		0	237,589
Profit / loss before taxes		1,275,578	1,642,784
Income tax	5	339,393	361,821
Deferred income tax		-111,938	70,623
NET PROFIT FOR THE FINANCIAL YEAR		998,123	1,210,340

Cash flow statement, in EEK

	Note	1999
Cash flow from operating activities		1,304,053
Operating profit/loss		710,329
Adjustment for depreciation	2	679,559
Loss on sale of fixed assets		-58,309
Change in balance of current assets		950,012
Change in balance of current liabilities		67,228
Change in tax balances (excl. income tax)	5	14,082
Corporate income tax paid (incl. advance payment)	5	-1,004,221
Amortisation of grant to income		-54,628
Cash flow from investing activities		-28,572
Acquisitions of fixed assets	2	-600,312
Proceeds from the sale of fixed assets		65,000
Other disposals of fixed assets	3	345,324
incl. adjustment of capital lease into operating lease	3	- 345,324
Finance lease payments	3	-8,509
Interest received		515,249
Cash flow from financing activities		-636,007
Guarantee fund		- 636,007
Total cash flow		639,474
Cash and cash equivalents at beginning of the financial year		8,703,835
Cash and cash equivalents at end of the financial year		9,343,309
Net change in cash and cash equivalents		639,474

Principles of Preparing the Financial Statements and Accounting Policies

Basis of Preparation

The financial statements of Tallinn Stock Exchange Ltd. (hereinafter referred to as "TSE" or "Company") for year 1999 are prepared in accordance with the Estonian Accounting Law and generally accepted accounting principles, as provided in International Accounting Standards and relevant European Union directives. The main requirements of generally accepted accounting principles are also provided in Estonian Accounting Law, decrees of the Government of Estonia and the Ministry of Finance, and regulations issued by Estonian Accounting Board.

All amounts are in Estonian kroons, unless stated otherwise.

Income statements for years 1998 and 1999 are prepared in line with Format no. 1 provided in the Estonian Accounting Law.

Income

Income from services rendered by TSE is accounted for on accrual basis. Interest income is calculated using the effective rate of return.

Short-term Investments

Marketable securities are accounted for on first-in first-out method. Shares and other securities are classified as current assets and shown at acquisition cost on the balance sheet.

Customer receivables

Customer receivables are carried at anticipated realisable value. Receivables from each customer are evaluated separately, taking into account the information available on the customer's credit solvency and other information. Bad debts in amount of EEK 198,528 were expensed (including EEK 148,528 of claims against bankrupt insurance companies and banks). Tallinn Stock Exchange has begun to independently collect receivables recorded as bad debts. In 1999 TSE collected EEK 82,490 of the amounts recorded as bad debts in 1998 financial statements, including EEK 28,530 covered from the TSE guarantee fund according

Fixed Assets

Assets with useful life over one year and acquisition cost above EEK 4,000 are classified as tangible or intangible fixed assets. Assets acquired at cost of under EEK 4,000 (regardless of length of useful life) are recognised 100% as expenses at the time of acquisition.

Depreciation is calculated on the straight-line method according to their residual values over their estimated useful life as follows:

furniture	20%
computers	40%
other office equipment	20-45%
software	30-40%

Accounting for Leases

As of 1998 all lease agreements that meet at least one of the following criteria are classified as finance leases:

- 1) lessee cannot terminate unilaterally a lease agreement before meeting all terms and conditions provided in the lease agreement, or before the end of the lease term, without additional payments;
- 2) ownership of leased assets will transfer to lessee during or after the end of the lease term.

Due to amendment of relevant agreement terms and conditions as of 01.01.1999, the vehicle lease payments recognised as finance lease in 1998 are recorded as operating lease in 1999.

Deferred Income Tax Liabilities

Until the end of year 1998 the Company made provisions for deferred income taxes on all temporary differences between the tax bases of assets and liabilities and their carrying values. The principal temporary differences arose from depreciation on fixed assets and tax losses carried forward.

Pursuant to the new Income Tax Law, effective from 01.01.2000, the differences between the tax bases of assets and liabilities and their carrying values no longer exist. Dividends paid by a company to resident individuals and non-residents are subject to income tax (26/74 from the amount paid as net dividends). Due to the above, the amount of deferred income tax liability shown on the balance sheet as of 31.12.1998 was recognised as income in year 1999.

The effects of the new Income Tax Law are reflected on the basis of International Accounting Standards and generally accepted accounting principles, which prescribe the effects of the changes in legislation to be reflected in the accounting period when the changes were made. Thus the current statements are not in line with the Estonian Accounting Board's act "Effects of Income Tax Law on Financial Accounting and Reporting" that ordains the effects of the new Income Tax Law to be treated retrospectively by adjusting the balance sheet and income statement for year 1998. Application of the provisions of the aforementioned act would not have had any effect on the Company's owners' equity account as at 31.12.1999; however, the Company's net profit for year 1999 would have been lower by EEK 111,938.

Due to the above, the net profit for year 1999 was increased by the amount of deferred income tax liability recorded during the previous years, EEK 111,938.

Accounting for grants

Tallinn Stock Exchange's software, granted by European Bank for Reconstruction and Development (EBRD), is carried at acquisition cost and depreciated at equal terms with all other software owned by TSE (30% annually). The grant is recorded on long-term provision account on the balance sheet, and it is amortised to income according to the depreciation calculated on granted software. In 1999 the granted software was depreciated by EEK 54,628, and income from amortising the granted software totalled EEK 54,628.

In 1999 TSE conducted no sale or purchase transactions with related parties. No changes were made in income statement format and accounting methods in 1999.

Potential liabilities

Due to error made in definition of financial institutions in §5 of Law on Credit Institutions, effective as of 01.07.1999 (hereinafter LCI), the current

Note 1

Short-term financial investments

Security	Net book value at 31.12.1998		Acquired in 1999		Reinvested interest	
	Quantity	Total	Quantity	Total	Quantity	Total
EHP RTIF	78,024	700,492		0		0
HPRTF	3,648	3,648,000	420	420,000	206	206,000
Swedbank Bond *	7	669,997		0		
Leonia CP 14.04.99		0	1	97,562		
Swedbank CP 15.03.99		0	3	295,702		
Swedbank CP 15.04.99		0	3	292,581		
Merita Bank ECP 22.04.99		0	5	488,529		
Hansa Liising 26.04.99		0	4	434,136		
SEKCP 24.05.99		0	7	685,854		
SEKCP 24.05.99			5	490,557		
Swedbank 15.06.99			30	294,876		
Swedbank 15.09.99			5	488,375		
Hansa Capital Bond 26.04.2000			70	644,322		
Swedbank 01.11.99			37	359,470		
Swedbank 16.08.2000			50	470,878		
Svensk Exportkredit 25.10.99-25.04.00			51	496,620		
Eesti Gaas			21	205,679		
Total		5,018,489		6,165,141		206,000

* Interest from Swedbank bonds in amount of EEK 13,406 is accounted for on accrual basis in income statement for year 1998. EEK 1 million deposit (maturity date 19.03.2000) is recognised on balance sheet account "Cash and bank".

redaction of the law allows to interpret that Tallinn Stock Exchange Ltd. (hereinafter TSE) cannot be defined as financial institution, opposite to the provisions of the previous law redaction. This is in direct conflict with several principles of law. Central Bank of Estonia and Ministry of Finance are of the opinion that an error was made upon final editing of the aforementioned law provision, as a result of which the current redaction of the law conflicts with its aim.

Pursuant to law, a financial institution is defined as undertaking, which main and constant fields of activity are acquisition of holdings and/or conclusion of one or several listed transactions. Such approach is in line with the practices of European financial circles and article 1 of European Union Second Council Directive (89/646/EEC).

Pursuant to section 3 of §2 of General Provisions of Civil Law, law provisions must be interpreted in the framework of other provisions of this law,

proceeding from the aim of the law.

Interpretation of §5 of LCI along with provisions of §6 provides grounds to argue that TSE can continuously be defined as financial institution under the currently valid LCI.

Bank of Estonia has proposed amendments to the Law on Credit Institutions, including amendments to definition of financial institutions, to conform the grammatical construction of the aforementioned provision with the aim of this law.

TSE is not liable to pay value-added tax, as the aforementioned law amendment is to have retroactive effect. Hence TSE has neither calculated the amount of value-added tax from its turnover, nor reflected it in the annual report. The amount of potential value-added tax liability approximates to EEK 490,000. Tallinn Stock Exchange Ltd. finds that the aforementioned tax liability is unlikely to take effect.

Sold / redeemed in 1999			Net book value at 31.12.1999		Accrued interest
Quantity	Total	Profit	Quantity	Total	Total
78,024	715,480	14,988	0	0	
300	300,000	0	3,974	3,974,000	
7	700,000	16,597	0	0	
1	100,000	2,439	0	0	
3	300,000	4,298	0	0	
3	300,000	7,419	0	0	
5	500,000	11,471	0	0	
4	441,000	6,864	0	0	
7	700,000	14,146	0	0	
5	500,000	9,443	0	0	
30	300,000	5,124	0	0	
5	500,000	11,625	0	0	
			70	644,322	37,737
37	370,000	10,530	0	0	
			50	470,878	10,789
			51	496,620	4,832
			21	205,679	1,800
	5,726,480	114,944		5,791,499	55,158

Note 2

Fixed assets

Tangible fixed assets	Beginning balance at 31.12.1998	Acquired in 1999	Depreciation in 1999	**	Sold	Closing balance at 31.12.1999
Acquisition cost	2,696,994	600,312	0	382,746	154,586	2,759,974
Depreciation	-994,975	0	-679,119	-45,930	-147,896	-1,480,268
Total	1,702,019	600,312	-679,119	336,816	6,690	1,279,706

** Fixed assets disposed from the balance sheet upon adjustment of finance lease agreement into operating lease agreement.

Intangible fixed assets	Beginning balance at 31.12.1998	Depreciation in 1999	Closing balance at 31.12.1999
Trademark	880	0	880
Depreciation		-440	-440
Total	880	-440	440

Note 3

Lease

Finance lease on fixed assets	Acquisition cost	Accumulated depreciation	Repayments in 1998	Termination of agreement	Operating income in 1999
Car	382,746	45,930	-37,422	-382,746	8,508

In 1999 TSE paid EEK 128,837 in lease payments under operating lease agreement of vehicles, and EEK 358,484 in rent payments for office premises under relevant rental agreements.

Note 4

Changes in owners' equity

	Share capital	Share premium	Mandatory legal reserve	TSE guarantee fund	Retained earnings	Total
Beginning balance	3,300,000	1,625,000	133,582	0	3,121,701	8,180,283
Retained earnings			60,517		-60,517	0
TSE guarantee fund				902,800	-902,800	
Net profit for the year					998,123	998,123
Closing balance	3,300,000	1,625,000	194,099	902,800	3,156,507	9,178,406

All issued shares are fully paid as at the balance sheet date. Dividends will not be paid to the owners, as TSE is non-profit organisation under its Articles of Association.

Maximum number of shares under Articles of Association: 1,000
 Number of shares issued and outstanding: 330
 Nominal value: 10,000
 Shares issued in 1999: 0

Note 5

Taxes

	Beginning balance at 31.12.1998	Calculated	Paid	Closing balance at 31.12.1999
Prepaid taxes				
Corporate income tax	-361,821	-339,393	1,004,221	303,007
Total	-361,821	-339,393	1,004,221	303,007

Tax liabilities

Individual income tax	-97,133	-661,354	689,052	-69,435
Income tax on fringe benefits	653	-32,044	31,187	-204
Social security tax	-72,485	-908,628	867,781	-113,332
Tax fines	0	-76		-76
Total	-168,965	-1,602,102	1,588,020	-183,047

Note 6

Net sales

	1999	1998
Total net sales:	9,191,837	8,316,989
Incl. Domestic market:	9,191,837	8,316,989
Transaction fees	3,300,465	4,999,975
Listing fees	1,137,679	744,554
Membership fees	1,225,000	772,500
Annual fees for securities	2,894,773	1,407,564
Additional terminals	240,000	306,917
Other services	383,920	21,979
Securities lending	0	21,500
Broker examination fees	10,000	42,000

Note 7

Long-term Liabilities

1. EEK 6,069 balance of provisions account for EBRD's grant to the Tallinn Stock Exchange for acquisition of software. Provisions account is amortised according to the amount of depreciation calculated on subsidised software.

The calculated amortisation is recognised as income on monthly basis (see also Accounting for Grants under Accounting Policies).

2. Guarantee fund in the amount EEK 1,363,993 contains payments made by TSE member firms. Usage of guarantee fund is regulated under TSE Rules and Regulations.

Auditor's Report

Translation of the Estonian original

To the shareholders of Tallinn Stock Exchange

We have audited the financial statements of Tallinn Stock Exchange (the Company) for the year ended 31 December 1999 as set out on pages 53 to 58. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

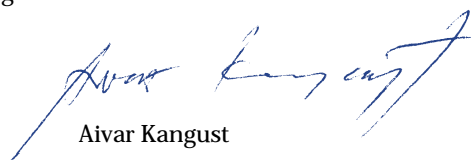
We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements.

An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the financial statements give a true and fair view of the financial position of the Company as at 31 December 1999 and of the results of its operations and its cash flows for the year then ended in accordance with Estonian Accounting Law.



Urmas Kaarlep
AS PricewaterhouseCoopers



Aivar Kangust
Authorised auditor

2 March 2000