

# **Balti Kindlustuse AS**

**Purchase-Offer  
to the Shareholders and Warrantholders of Leks Kindlustuse AS**

Arranger



10. January 2000

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## TERMS AND CONDITIONS

The present Offer has been made by Eesti Ühispank on behalf of Balti Kindlustuse AS (hereinafter: BICO) for the purchase of the shares and warrants of Leks Kindlustuse AS on the following terms and conditions:

1. The Offer becomes effective upon being made public on January 10<sup>th</sup>, 2000 and is in force up to and including February 7<sup>th</sup>, 2000.
2. BICO shall purchase the shares owned by the shareholders of Leks Kindlustus at the price of EEK 18 per share.  
The Offer is made to all shareholders whose stake in the company is less than 5 per cent.
3. BICO shall purchase the warrants owned by the warrant holders of Leks Kindlustus at the price of EEK 2 per warrant.  
The Offer is made to all warrant holders of Leks Kindlustus.
4. The securities' transactions between BICO and the persons, who have accepted this Offer, will be carried out on February 10<sup>th</sup>, 2000.

Should the above terms and conditions be acceptable, a shareholder/warrant holder has to present to its securities' account operator (i.e. the respective custodian bank) a securities' transaction order, specifying the following data:

### Transaction order for the sale of the shares

Security:	Share of AS Leks Kindlustus
ISIN code:	EE3100002965
Price per share:	EEK 18
Amount of shares:	at the seller's discretion
Counterparty:	Balti Kindlustuse AS
Securities' account operator of the Counterparty:	AS Eesti Ühispank
Value date of the transaction:	February 10 <sup>th</sup> , 2000
Type of settlement:	Delivery versus payment

### Transaction order for the sale of the warrants

Security:	Warrant of AS Leks Kindlustus
ISIN code:	EE3902002965
Price per warrant:	EEK 2
Amount of warrants:	at the seller's discretion
Counterparty:	Balti Kindlustuse AS
Securities' account operator of the Counterparty:	AS Eesti Ühispank
Value date of the transaction:	February 10 <sup>th</sup> , 2000
Type of settlement:	Delivery versus payment

Securities' transaction orders, specifying the above data and delivered to securities' account operator by 5 p.m. on February 7<sup>th</sup>, 2000, shall be regarded as conforming to the Offer contained herein.

On the value date (February 10<sup>th</sup>, 2000) the seller's securities' account operator shall transfer to the seller's current account the sales consideration of the shares and/or warrants, as the case may be.

## THE PURPOSE AND MOTIVES OF THE OFFER

By the publication date of this Offer BICO has acquired about 69 % of the shares in Leks Kindlustus.

Another major shareholder of Leks Kindlustus – Swiss Reinsurance Company – owns currently about 21 % of the shares in Leks Kindlustus.

The shares held by public in the meaning of the Listing Rules of TALSE, represent about 10 % of all the shares in Leks Kindlustus. Therefore, the proportionate amount of the publicly held shares is less than the amount, required under the Listing Rules of TALSE.

Leks Kindlustus has not declared its dividend policy for the coming years and therefore there is uncertainty regarding to such payments.

The above circumstances have considerably decreased the liquidity of Leks' shares on the secondary market.

Considering the above-said and in line with good practice BICO has made this public offer for the purchase of the shares and warrants of Leks Kindlustus held by minority shareholders.

At the Tallinn Stock Exchange the average closing price of Leks Kindlustus shares for the last six months, from the 1<sup>st</sup> of July up to the 31<sup>st</sup> of December 1999, was EEK 10.86; the average closing price for the last 10 days of trading was EEK 14.91. Thus the price per share offered by BICO to minority shareholders **exceeds the average closing price by 65.75 and 20.72 per cent respectively.**

Upon execution of the present Offer BICO shall make a proposal to Leks Kindlustus to apply for resignation from the secondary list of the Tallinn Stock Exchange.

Additional information:

Balti Kindlustuse AS, Hille Karm, phone 6 106 511  
Leks Kindlustuse AS, Ivo Viires, phone 6 658 270

# BALTI KINDLUSTUSE AS

## FINANCIAL INFORMATION

### BALANCE SHEET

	(EEK)	30.09.99	31.12.98
<b>ASSETS</b>			
<b>1. Cash and banks</b>		3 252 517	2 770 421
<b>Accounts receivable</b>			
2.1. Receivables from direct insurance business		3 001 440	2 283 446
incl. 2.1.1. Policyholders		454 352	501 247
2.1.2. Intermediaries		2 547 088	1 782 199
2.2. Receivables from reinsurance business		790 708	1 319 231
2.3. Other receivables		159 615	62 094
<b>2. Total</b>		3 951 763	3 664 771
<b>Accrued income and prepaid expenses</b>			
3.1. Accrued income		116 804	2 613
3.2. Deferred acquisition expenses		3 098 686	2 891 493
3.3. Other prepaid expenses		570 868	801 008
<b>3. Total</b>		3 786 358	3 695 114
<b>Investments</b>			
4.1. Land and buildings		9 158 220	8 886 564
4.3. Associates		4 481 442	4 749 749
incl. 4.3.1. Shares and stocks		4 481 442	4 749 749
4.4. Other financial investments		30 376 714	12 671 418
incl. 4.4.1. Shares and other variable-yield securities		8 328 026	551 754
4.4.2. Bonds and other fixed income securities		3 229 780	1 757 635
4.4.4. Mortgage loans		1 304 035	1 380 079
4.4.5. Other loans		94 533	101 152
4.4.6. Deposits with credit institutions		17 140 000	8 400 541
4.4.7. Others		280 340	480 257
<b>4. Total</b>		44 016 376	26 307 731
<b>6. Intangible fixed assets</b>		1 627 210	2 045 827
<b>7. Tangible fixed assets</b>		5 732 631	7 284 337
<b>TOTAL ASSETS</b>		62 366 855	45 768 201

	(EEK)	30.09.99	31.12.98
<b>LIABILITIES AND EQUITY</b>			
<b>Creditors</b>			
1.1. Creditors of direct insurance business		1 551 021	1 782 021
incl.	1.1.1. Policyholders	492 343	937 296
	1.1.2. Intermediaries	1 058 678	844 725
1.2. Creditors of reinsurance business		5 479 492	2 797 121
1.5. Other liabilities		1 449 218	1 569 193
<b>1. Total</b>		<b>8 479 731</b>	<b>6 148 335</b>
<b>Accrued expenses and deferred income</b>			
4.1. Accrued expenses		2 362 645	2 749 045
4.2. Deferred reinsurance commissions		2 931 279	1 411 275
<b>4. Total</b>		<b>5 293 924</b>	<b>4 160 320</b>
<b>Technical provisions</b>			
5.1. Provision for unearned premiums		16 208 112	16 219 836
incl.	5.1.1. Gross amount	25 666 226	21 265 885
	5.1.2. Reinsurance amount	9 458 114	5 046 049
5.3. Claims outstanding		12 713 908	9 530 151
incl.	5.3.1. Gross amount	18 702 259	19 426 375
	5.3.2. Reinsurance amount	5 988 351	9 896 224
5.6. Other technical provisions		173 135	
incl.	5.6.1. Gross amount	174 353	
	5.6.2. Reinsurance amount	1 218	
<b>5. Total</b>		<b>29 095 155</b>	<b>25 749 987</b>
<b>Capital and reserves</b>			
8.1. Share capital		30 417 400	20 017 400
8.2. Share premium		5 552 970	2 952 970
8.3. General reserve		1 804 593	1 804 593
8.5. Retained earnings		-15 046 404	-718 273
8.6. Profit (loss) for the financial year		-3 210 814	-14 328 131
8.7. Treasury stock ( - )		-19 700	-19 000
<b>8. Total</b>		<b>19 498 045</b>	<b>9 709 559</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>62 366 855</b>	<b>45 768 201</b>

## PROFIT AND LOSS ACCOUNT

### Technical account — non-life insurance business

Balti Kindlustuse AS

	(EEK)	9 kuud 1999	9 kuud 1998
<b>Earned premium, net of reinsurance</b>			
1.1. Gross premiums written		69 424 105	49 600 720
1.2. Outward reinsurance premiums		29 601 308	15 227 657
1.3. Change in the gross provision for unearned premiums		-4 400 341	-4 346 839
1.4. Change in the provision for unearned premiums, reinsurer's share		4 412 065	-1 043 138
<b>1. Total</b>		<b>39 834 521</b>	<b>28 983 086</b>
<b>2. Other technical income, net of reinsurance</b>		<b>602 004</b>	<b>28 356</b>
<b>Claims incurred, net of reinsurance</b>			
3.1. Total claims		37 746 956	21 001 100
incl. 3.1.1. Claims paid		35 783 851	19 592 611
3.1.2. Claims handling expenses		2 381 395	2 004 484
3.1.3. Amounts received from recourse and realisation of residual assets		-418 290	-595 995
3.2. Reinsurer's share in total claims		16 665 481	8 621 868
3.3. Change in the provision for claims		724 116	-16 164 709
3.4. Reinsurer's share in change in the provision for claims		-3 907 873	10 751 264
<b>3. Total</b>		<b>24 265 232</b>	<b>17 792 677</b>
<b>Change in other technical provisions, net of reinsurance</b>			
4.1. Gross amount		-174 353	
4.2. Reinsurance amount		1 218	
<b>4. Total</b>		<b>-173 135</b>	
<b>5. Bonuses, net of reinsurance</b>			
<b>Net operating expenses</b>			
6.1. Acquisition costs		14 600 821	10 627 180
6.2. Change in deferred acquisition costs		207 193	1 312 469
6.3. Administrative expenses		10 359 599	10 440 823
6.4. Reinsurance communication and profit participation		9 121 555	4 221 665
6.5. Change in deferred reinsurance communications		-1 520 004	545 489
<b>6. Total</b>		<b>17 151 676</b>	<b>14 988 380</b>
<b>7. Other technical changes, net of reinsurance</b>		<b>637 923</b>	<b>339 432</b>
<b>9. RESULT OF TECHNICAL ACCOUNT — NON-LIFE INSURANCE BUSINESS</b>		<b>-1 791 441</b>	<b>-4 109 047</b>

**Non-technical account — non-life insurance business**

Balti Kindlustuse AS

(EEK)	9 months 1999	9 months 1998
<b>1. Result of technical account</b>	-1 791 441	-4 109 047
<b>Investment income</b>		
2.2. Income from land and buildings	268 534	239 942
2.3. Income from other investments	777 571	556 205
2.4. Value adjustments on investments	8 154	
2.5. Gains on the realisation of investments	101 432	98 531
<b>2. Total</b>	1 155 691	894 678
<b>Investment expenses</b>		
3.1. Investment expenses	661 408	424 678
3.2. Expenses from subsidiaries and associates	268 307	
3.3. Value adjustments on investments	64 448	223 236
3.4. Losses on the realisation of investments		151 539
<b>3. Total</b>	994 163	799 453
<b>4. Other income</b>	478 247	395 312
<b>5. Other expenses</b>	778 825	903 773
<b>8. Income tax</b>	1 280 323	1 205 593
<b>9. PROFIT (LOSS) FOR THE FINANCIAL YEAR</b>	-3 210 814	-5 727 876

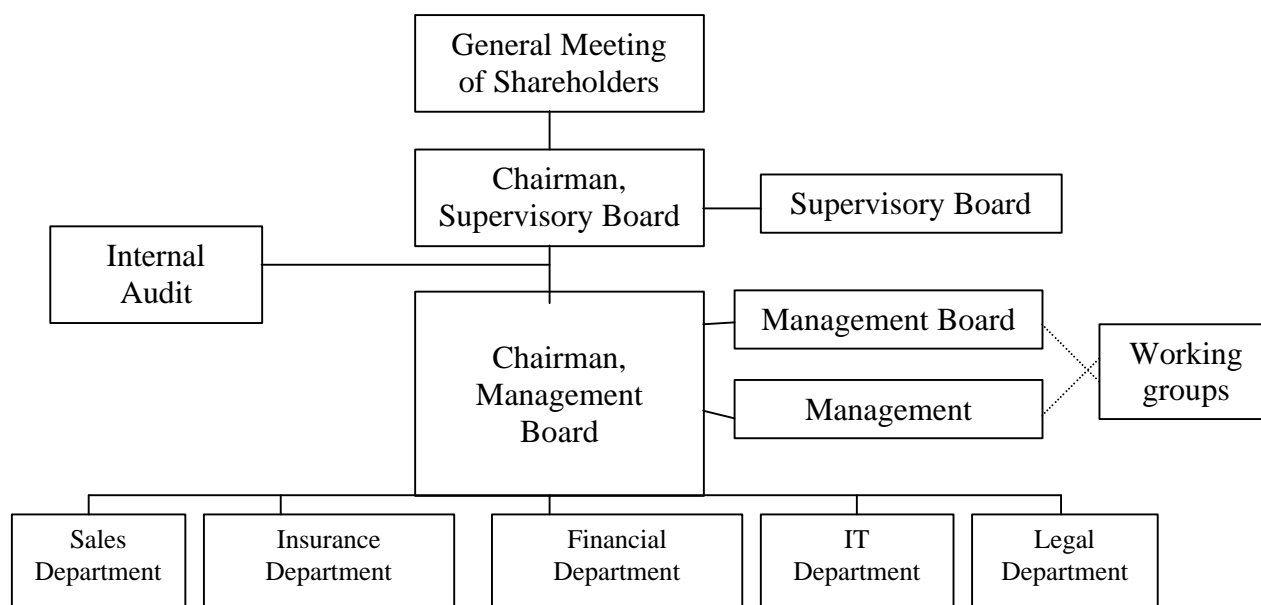
## LEKS KINDLUSTUSE AS

### OWNERSHIP STRUCTURE

Ownership of shares grouped by number of owned shares as at 4 January 2000

Number of shares	Number of shareholders	% of total number of shareholders	Total amount of shares	% of share capital
1-500	466	85,50%	39879	1,00%
501-1000	36	6,61%	23878	0,60%
1001-2000	19	3,49%	29360	0,74%
2001-5000	14	2,57%	42020	1,06%
5001-10000	2	0,37%	12945	0,33%
10001-20000	2	0,37%	24489	0,62%
20001-50000	1	0,18%	21534	0,54%
50001-100000	3	0,55%	226417	5,70%
100001 and more	2	0,37%	3552840	89,42%
<b>Total</b>	<b>545</b>	<b>100%</b>	<b>3 973 362</b>	<b>100%</b>

### MANAGEMENT MANAGEMENT STRUCTURE



### SUPERVISORY BOARD

The General Meeting of Shareholders (GMS) of Leks Kindlustus AS on 20 May 1999 made the decision to recall member of Leks Kindlustus Supervisory Board Tõnu Mägi and Toivo Kuldkepp. The term in office (three years pursuant to the Articles of Association of Leks Kindlustus AS) of the following Supervisory Board members came to an end: Guido Sammerselg, Targo Raus, Otu Sukles, Arle Mölder, and Jaak Roosipuu. The new elected Supervisory Board members are Indrek Holst, Eero Sirendi and Kalle Kaldjärv.

The Supervisory Board of Leks Kindlustus has five members. In compliance with the decision of the GMS meeting of 20 May 1999 it consists of the following persons:

Indrek Holst	Supervisory Board chairman 1995 – Management Board member, Hansapanga Kindlustus (Hansapank Insurance) and head of Development Department; September 1998 – director, Insurance Division, Eesti Ühispank; January 1999 – Management Board chairman, Ühispanga Elukindlustus AS, the insurance arm of Eesti Ühispank; Higher education
Otu Sukles	Supervisory Board member 1976- Various positions at AS Lääne Kalur fishery For the last three years Management Board chairman, AS Lääne Kalur Higher education
Cristoph Dorschel	Supervisory Board member For the last three years Management Board member of Swiss Re Higher education
Eero Sirendi	Supervisory Board member 1994 – FX markets dealer and portfolio manager, Eesti Ühispank; presently corporate finance specialist, Investment Banking Division, Eesti Ühispank
Kalle Kaldjärv	Supervisory Board member 1 May 1996 – managing director and Management Board chairman, AS ETAS Kindlustus (ETAS Insurance Ltd.) 1 May 1998-1 July 1998 – managing director, Leks Kindlustus AS; presently senior officer at AS Tallinna Sadam (Tallinn Port Ltd)

### MANAGEMENT BOARD

Raul Kastan	Management Board chairman 1993-1997 – managing director, Leks Kindlustus AS and Leks Elukindlustus AS (Leks Life Assurance Ltd.); 1996- managing director, Leks Kindlustus AS Higher education ( Tallinn Technical University, mechanical engineering, 1978)
Sergei Vahnitski	Management Board member 1991-1995 – ASA Kindlustus; 1995-1997 – Nordika Kindlustus; 1997- insurance director, Leks Group Education: Tallinn Technical University, unfinished course in radio engineering
Andres Piirsalu	Management Board member 1996- reinsurance officer, Leks Kindlustuse AS Higher education (Tartu University, Biology and Geography Department, 1995)
Ivo Viires	Management Board member 1995- director of legal affairs, Leks Kindlustuse AS Higher education (Tartu University Law School, 1994)
Arvi Luhakooder	Management Board member 1994- insurance director, Leks Kindlustuse AS Higher education (Tallinn Technical University, civil engineering, 1993)
Mart Aare	Management Board member 1995-1995 – 1st deputy mayor, Narva Municipal Government; 1996-1998 – manager of Virumaa Region, Leks Kindlustuse AS 1998- sales director , Leks Kindlustuse AS Higher education (Tallinn Technical University, economics, 1991)

## **MANAGEMENT TEAM**

Raul Kastan	Management Board chairman since 1996
Ivo Karilaid	director of finance since 1999
Ivo Viies	director of legal affairs from 1995
Arvi Luhakooder	insurance director from 1994
Mart Aare	sales director from 1998
Pille Kaselo	head, Marketing Department from 1996 1994-1995 – head, PR Services, Estonian Central Depository of Securities Higher education (Estonian Institute of Humanities, 1997)
Katrin Kelder	head, Personnel Department from 1997 1997-1998 head, Personnel Department, Tallinn Pharmaceutical Company Higher education (Tallinn University of Educational Sciences, the Estonian language and literature, 1984)
Andres Piirsalu	reinsurance officer from 1996
Andres Konsap	chairman, Management Board, Kahjukäsitluse AS since 1998 Higher education (Tallinn Technical University, 1993)

## FINANCIAL INFORMATION

### BALANCE SHEET

(EEK)	Consolidated		Leks Kindlustus	
	30.09.1999	31.12.1998	30.09.1999	31.12.1998
<b>ASSETS</b>				
<b>1. Cash and banks</b>	3 490 115	5 092 880	3 477 733	2 041 753
<b>Accounts receivable</b>				
2.1. Receivables from direct insurance business	9 948 515	15 379 032	10 264 839	10 550 646
incl. 2.1.1. Policyholders	6 248 645	13 285 651	6 248 645	8 464 397
2.1.2. Intermediaries	3 194 538	1 938 691	3 194 538	1 931 559
2.1.3. Others	505 332	154 689	821 656	154 689
2.2. Receivables from reinsurance business	859 199	7 402 936	859 199	6 511 390
2.3. Other receivables	234 527	891 451	112 968	1 44 972
2.4. Receivables from shareholders				
<b>2. Total</b>	11 042 241	23 673 419	11 237 006	17 207 008
<b>Accrued income and prepaid expenses</b>				
3.1. Accrued income	1 345 313	884 154	1 342 661	723 317
3.2. Deferred acquisition expenses	5 724 679	12 210 493	5 724 679	6 884 560
3.3. Other prepaid expenses	4 775 818	7 240 203	3 967 183	5 560 978
<b>3. Total</b>	11 845 810	20 334 850	11 034 523	13 168 855
<b>Investments</b>				
4.1. Land and buildings	29 766 661	29 841 661	17 426 661	17 501 611
4.2. Investments in subsidiaries			1 345 198	27 013 585
incl. 4.2.1. Shares and stocks			629 749	26 100 523
4.2.2. Bonds issued by and loans to			715 449	913 062
4.3. Associates				
incl. 4.3.1. Shares and stocks				
4.4. Other financial investments	82 807 786	52 467 348	95 337 786	48 684 132
incl. 4.4.1. Shares and other variable-yield securities	10 486 492	4 054 963	10 486 492	3 526 052
4.4.2. Fixed income securities	36 038 463	39 095 082	36 038 463	25 695 740
4.4.4. Loans guaranteed by mortgages	89 898	94 487	12 619 898	12 624 487
4.4.5. Other loans	664 511	908 662	664 511	869 162
4.4.6. Deposits with credit institutions	35 528 422	8 314 154	35 528 422	5 968 691
<b>4. Total</b>	112 574 447	82 308 959	114 109 645	93 199 327
<b>5. Investments for the benefit of life-assurance policyholders who bear the investment risk</b>		81 563		
<b>6. Intangible fixed assets</b>	1 415 339	1 699 024	1 410 695	1 692 832
<b>6.1. Goodwill</b>	1 410 695	1 692 832	1 410 695	1 692 832
<b>6.2. Other intangible fixed assets</b>	4 644	6 192		
<b>7. Tangible assets</b>	10 963 350	20 976 146	9 387 156	12 897 704
<b>TOTAL ASSETS</b>	<b>151 331 302</b>	<b>154 166 841</b>	<b>150 656 758</b>	<b>140 207 479</b>

(EEK)	Consolidated		Leks Kindlustus	
	30.09.1999	31.12.1998	30.09.1999	31.12.1998
<b>LIABILITIES AND EQUITY</b>				
<b>Creditors</b>				
1.1. Creditors of direct insurance business	3 794 887	5 747 920	3 794 887	5 443 145
incl 1.1.1. Policyholders	2 133 423	3 677 376	2 133 423	3 372 601
1.1.2. Intermediaries	1 184 361	1 579 127	1 184 361	1 579 127
1.1.3. Other	477 103	491 417	477 103	491 417
1.2. Creditors of reinsurance business	3 709 255	9 144 609	3 709 255	5 240 950
1.4. Loans from credit institutions				
1.5. Other liabilities	1 952 094	4 301 710	1 858 274	15 031 307
<b>1. Total</b>	<b>9 456 236</b>	<b>19 194 239</b>	<b>9 362 416</b>	<b>25 715 402</b>
<b>Accrued expenses and deferred income</b>	<b>9 981 022</b>	<b>6 840 606</b>		
4.1. Accrued expenses	4 309 015	7 909 368	6 263 401	5 074 399
4.2. Deferred reinsurance commissions	14 290 037	14 749 974	4 309 015	5 508 665
<b>4. Total</b>			<b>10 572 416</b>	<b>10 583 064</b>
<b>Technical provisions</b>				
5.1. Provision for unearned premiums	43 478 226	44 947 902	43 478 226	38 790 918
incl 5.1.1. Gross amount	57 085 391	70 215 607	57 085 391	56 544 906
5.1.2. Reinsurance amount	-13 607 165	-25 267 705	-13 607 165	-17 170 665
5.2. Life assurance provision		6 965 424		
incl 5.2.1. Gross amount		7 035 127		
5.2.2. Reinsurance amount		-69 703		
5.3. Claims outstanding	45 004 031	39 669 182	48 140 928	37 911 868
incl. 5.3.1. Gross amount	63 489 586	56 312 083	66 626 483	52 772 871
5.3.2. Reinsurance amount	-18 485 555	-16 642 901	-18 485 555	-14 584 488
5.4. Provision for bonuses		95 804		
incl. 5.4.1. Gross amount		95 804		
5.4.2. Reinsurance amount				
5.6. Other technical provisions	1 425 048	1 105 644	1 425 048	932 887
incl 5.6.1. Gross amount	8 868 512	5 522 629	8 868 512	5 348 129
5.6.2. Reinsurance amount	-7 443 464	-4 416 985	-7 443 464	-4 415 242
<b>5. Total</b>	<b>89 907 305</b>	<b>92 783 955</b>	<b>93 044 202</b>	<b>77 635 672</b>
<b>Technical provisions for life- assurance policies where the investment risk is borne by the policyholders</b>		<b>81 805</b>		
6.1. Gross amount				
6.2. Reinsurance amount				
<b>6. Total</b>				
<b>8. Minority interests</b>		<b>694 105</b>		
<b>Capital and reserves</b>				
8.1. Share capital	39 737 140	76 116 800	39 737 140	76 116 800
8.2. Share premium	16 970 400	19 784 000	16 970 400	19 784 000
8.3. General reserve	2 922 434	3 836 739	2 922 434	2 922 434
8.4. Treasury stock		-3 613 600		-3 613 600
8.5. Unrealised exchange differences		-59 440		
8.6. Retained earnings	-19 936 293	-2 594 720	-19 936 293	-1 680 415
8.7. Profit (loss) for the financial year	-2 015 957	-66 807 017	-2 015 957	-67 255 878
<b>8. Total</b>	<b>37 677 724</b>	<b>26 662 762</b>	<b>37 677 724</b>	<b>26 273 341</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>151 331 302</b>	<b>154 166 841</b>	<b>150 656 758</b>	<b>140 207 479</b>

**PROFIT AND LOSS ACCOUNT****Technical account — non-life insurance business**

(EEK)	Consolidated		Leks Kindlustus	
	9 months 1999	9 months 1998	9 months 1999	9 months 1998
<b>Earned premium, net of reinsurance</b>				
Gross premiums written	150 511 237	142 809 401	150 527 979	118 626 288
Outward reinsurance premiums	-40 942 474	-52 022 515	-40 942 474	-39 574 953
Change in the gross provision for unearned premiums	-540 485	-7 876 650	-540 485	-5 170 357
Change in the provision for unearned premiums, reinsurer's share	-4 146 823	4 616 294	-4 146 823	-478 736
<b>Total</b>	104 881 455	87 526 530	104 898 197	73 402 242
<b>Other technical income, net of reinsurance</b>	5 859 476	425 570	5 859 476	398 403
<b>Claims incurred, net of reinsurance</b>				
Total claims	-76 381 578	-79 288 491	-79 493 801	-69 855 691
Reinsurer's share in change in the provision for claims	23 715 026	30 108 955	23 715 026	27 377 886
Change in the provision for claims	-17 003 508	-17 795 079	-13 853 611	-17 879 950
Reinsurer's share in change in the provision for claims	3 624 551	5 160 317	3 624 551	3 971 937
<b>Total</b>	-66 045 509	-61 814 298	-66 007 835	-56 385 818
<b>Change in other technical provisions, net of reinsurance</b>				
Gross amount	-3 520 383	2 588 706	-3 520 383	2 588 706
Reinsurance amount	3 028 222	-64 682	3 028 222	-64 682
<b>Total</b>	-492 161	2 524 024	-492 161	2 524 024
<b>Net operating expenses</b>				
Acquisition costs	-24 629 472	-28 750 087	-24 629 472	-23 339 505
Change in deferred acquisitions costs	-1 159 881	69 884	-1 159 881	-1 473 989
Administrative expenses	-26 112 992	-35 508 328	-26 121 164	-26 495 193
Reinsurance communication and profit participation	11 839 078	13 107 349	11 839 078	10 939 386
Change in deferred reinsurance communications	1 199 650	-538 548	1 199 650	-538 548
<b>Total</b>	-38 863 617	-51 619 730	-38 871 789	-40 907 849
<b>Other technical changes, net of reinsurance</b>	-4 465 674	-3 078 457	-4 465 674	-3 078 457
<b>RESULT OF TECHNICAL ACCOUNT — NON-LIFE INSURANCE BUSINESS</b>	873 970	-26 036 361	920 214	-24 047 455

**Technical account — life assurance business**

	<b>Consolidated</b>		<b>Leks Kindlustus</b>	
(EEK)	<b>9 months 1999</b>	<b>9 months 1998</b>	<b>9 months 1999</b>	<b>9 months 1998</b>
<b>Earned premiums, net of reinsurance</b>				
Gross premiums written		9 517 682		
Outward reinsurance premiums		-572 368		
<b>Total</b>		8 945 314		
<b>Unrealised income on investments</b>				
<b>Other technical income, net of reinsurance</b>				
<b>Claims incurred, net of reinsurance</b>				
Claims paid		-968 052		
Reinsurers share in total claims				
Change in the provision for claims				
Reinsurer's share in change in the provision for claims				
<b>Total</b>		-968 052		
<b>Change in life assurance provision, net of reinsurance</b>				
Gross amount		-2 819 291		
Reinsurer's share		-122 177		
<b>Total</b>		-2 941 468		
<b>Change in other technical provisions, net of reinsurance</b>				
Gross amount		577 792		
Reinsurers share		-8 255		
<b>Total</b>		569 537		
<b>Bonuses and rebates, net of reinsurance</b>		-24 425		
<b>Net operating expenses</b>				
Acquisition costs		-1 691 419		
Change in deferred acquisition costs		972 599		
Administrative expenses		-3 123 576		
Reinsurance commissions and profit sharing		195 945		
<b>Total</b>		-3 646 451		
<b>Unrealised loss on investments</b>				
<b>Other technical expenses, net of reinsurance</b>		-782		
<b>RESULT OF TECHNICAL ACCOUNT— LIFE ASSURANCE BUSINESS</b>		1 933 673		

**Non-technical account**

	<b>Consolidated</b>		<b>Leks Kindlustus</b>	
(EEK)	<b>9 months 1999</b>	<b>9 months 1998</b>	<b>9 months 1999</b>	<b>9 months 1998</b>
<b>TOTAL RESULT OF TECHNICAL ACCOUNT</b>	873 970	-24 102 688	920 214	-24 047 455
<b>Investment income</b>				
Income from subsidiaries and associates	631 778	747 000	638 804	2 149 640
Income from land and buildings				
Income from other investments	3 663 105	3 147 323	3 732 992	1 547 499
Value adjustments on investments	989 807		989 807	
Gains on the realisation of investments	1 150 945	819 692	1 150 945	575 754
<b>Total</b>	6 435 635	4 714 015	6 512 548	4 272 893
<b>Investment expenses</b>				
Investment expenses	-787 635	-944 151	-761 728	-883 964
Expenses from subsidiaries and associates	-742 133	-3 594 520	-742 133	-5 792 960
Value adjustments on investments	-2 387 542	-1 576 156	-2 387 542	-2 376 748
Losses on the realisation of investments	-2 810 949	-8 284 057	-2 810 949	-3 010 883
<b>Total</b>	-6 728 259	-14 398 884	-6 702 352	-12 064 555
<b>Other income</b>	907 569	1 475 970	839 887	1 382 821
<b>Other expenses</b>	-1 323 269	-1 084 893	-1 404 651	-2 109 498
<b>Extraordinary income</b>		17 363		
<b>Extraordinary expenses</b>		-10 337		
<b>Income tax</b>	-2 181 603	-1 397 536	-2 181 603	-1 308 471
<b>Net profit</b>	-2 015 957	-34 786 990	-2 015 957	-33 874 265
<b>Minority interest</b>		912 725		
<b>PROFIT (LOSS) FOR THE FINANCIAL YEAR</b>	<b>-2 015 957</b>	<b>-33 874 265</b>	<b>-2 015 957</b>	<b>-33 874 265</b>

## **ACCOUNTING PRINCIPLES**

### **Consolidation principles**

The 1988 annual group report contains the consolidated annual reports of Leks Kindlustuse AS, Kahjukäsitluse AS, Leks Investeeringud OÜ, and of AS Saules Laiks, the insurance subsidiary in Latvia.

In compiling the consolidated report the balance sheets and income statements of Leks Kindlustuse AS and its subsidiaries have been combined by line by line, while intra-group income, expenses, claims and liabilities have been eliminated. The statements of subsidiaries incorporated abroad have been adjusted in line with the accounting principles of the parent company.

Companies in which Leks Kindlustuse AS has a more than 50 per cent stake are deemed to be subsidiaries, and associates if the stake is 20-50 per cent.

Investments of the parent company itself in its subsidiaries have been booked applying the equity method. The profit thus calculated is has been entered on the Investment Income line and loss on the Investment Expenses line.

The participation of minority stakeholders in subsidiaries has been entered on a different line of the consolidated account.

The income statements of subsidiaries incorporated abroad have been adjusted in the Estonian kroons pursuant to the average currency exchange rate of Eesti Pank (the Bank of Estonia), the balance sheet adjustments have been made according to the Eesti Pank currency exchange rate of the respective date.