



Estonian Securities Market Yearbook 1999

Tallinn Stock Exchange

Estonian Central Depository for Securities



TALLINNA VÄÄRTPABERIBÖRS
Tallinn Stock Exchange



Estonian Central Depository
for Securities

List of Contents

Major Events in 1999	3
Chairman's Statement	4
Management Report	6
Estonian Securities Market in 1999	13
Major Events of Listed Companies in 1999	18
Key Figures of Tallinn Stock Exchange	21
Turnover	22
• Total securities market	
• Tallinn Stock Exchange	
• OTC	
• Breakdown of total securities market turnover	
• Number of trades	
• Failed trades	
Market Capitalisation	25
• Total securities market	
• Tallinn Stock Exchange	
TSE Trading Statistics by Securities	26
Top TSE Companies	28
• By turnover	
• By capitalisation	
• By price increase	
• By price decrease	
Securities Listed on TSE	30
Corporate Events of Listed Companies	32
New Share Issues Registered at ECDS	34
• Total securities market	
• Listed companies	
• Public issues	
• Directed issues	
• Top share issues of Estonian companies	
New Debt Instruments Registered at ECDS	36
• Total securities market	
• Up to 1 year	
• Over 1 year	
• Top new debt instrument issues	
TSE Member Firms' Trading Activity	38
Holdings in Securities by Countries	38
• Listed securities	
• Total securities market	
Holdings in Total Securities Market by Investor Type	38
Payments Made via ECDS	39
• Dividend payments	
• Interest payments	
• Liquidation payments	
• Redemption payments	
Other Corporate Events	40
Securities Accounts Registered at ECDS	40
New Shareholder Lists Registered at ECDS	40
Financial Statements of ECDS	42
Financial Statements of TSE	53
Structure of Estonian Securities Market	60
Managing Bodies of TSE	66
Managing Bodies of ECDS	67
Contact Information of TSE Member Firms	67
Contact Information of ECDS Account Operators	67
Contact Information of Companies Listed on TSE	68

Major Events in 1999

1999 Trading Statistics

The main index of the Estonian securities market, TALSE, gained 38% during the year. The market capitalisation of the Exchange was up 298% to EEK 28 billion (EUR 1.8 billion).

IPO and Listing of Estonian Telecom

Estonian Telecom was listed on the Main List of the Exchange in February 1999 after the successful completion of its EUR 222 million IPO, the largest equity issue in the Baltics ever. Listing of the telecommunication giant doubled the market capitalisation of the Exchange.

Norex

The Exchange started negotiations on a possible link-up with the Scandinavian stock exchange alliance NOREX. A Letter of Intent, officially charting the objectives and timeline of the negotiations, is expected to be signed early 2000.

Baltic Co-operation

In April 1999, the Estonian, Latvian and Lithuanian Exchanges signed a Memorandum of Understanding, aimed to deepen the integration of the Baltic securities markets. The Exchanges launched the Baltic List, the list of Baltic blue-chip securities as of January 2000. Other co-operation projects include the establishment of real-time data feed link between the three and trading statistics publication.

Take-over Rules

The Exchange approved take-over rules as part of its Rules and Regulations. Relevant legislation, so far absent in Estonian legislation, was passed by the Estonian Parliament in January 2000.

Supervision

The Exchange, to enhance its capacity as a self-regulatory organisation over its member firms, formed a Surveillance Committee in February 1999. The Committee has sanctioned member firms on five occasions for rule violations within the year.

Remote Membership

The Exchange adopted changes to its Rules and Regulations to enable remote membership status for European securities intermediaries.

New Location

As of August, TSE and ECDS are located at a new building at the following address: Pärnu St. 12, Tallinn.

TSE/ECDS Merger

In December 1999, TSE Supervisory Board resolved to initiate talks with ECDS aimed at deepening the co-operation between, and possibly merging, the two organisations. The goal of this process is to create a more efficient marketplace in order to better serve the needs of our clients.

Key Macro-Economic Data

	1995	1996	1997	1998	1999	2000
GDP growth, %	4.3	3.9	10.6	4	0...-1*	3.5...4.5**
CPI growth, %	29	23.1	11.2	8.2	3.3	4...5**
C/A deficit of GDP, %	4.4	9.2	12.1	9.2	4.5*	6...7**

Source: Central Bank of Estonia

* preliminary

** forecast



Rein Parelo

Chairman of the Supervisory Board of ECDS

Peeter Saks

Chairman of the Supervisory Board of TSE

Chairman's Statement

1999 marked the end of the first macro-economic cycle in Estonia as the slowdown, which had begun in 1998, bottomed out by the first half of the year. The behaviour of capital markets imitated the performance of the macro-economy, which experienced a steady recovery during the year.

Tallinn Stock Exchange and Estonian Central Depository for Securities had a significant year, during which several strategically important projects were completed and others launched to increase the competitiveness and trustworthiness of the Estonian capital market.

The year began with a major new listing – telecommunications giant Estonian Telecom doubled the market capitalisation of the Exchange. The shining success of its initial public offering was a sign of strong investor confidence towards the Estonian capital markets against the backdrop of relative uncertainty in emerging markets. The IPO, oversubscribed by 18 times, was also met with high local investor interest, proving that Estonian investors had not forsaken the equity markets despite the turbulence of past years.

The initiatives by the Exchange for the improvement of securities market regulation were peaked with the approval of take-over code to the Rules of TSE as well as the Securities Market Act in January 2000. These rules eliminated one of the major weaknesses of the Estonian securities market – lack of such regulations to protect the interest of not only minority shareholders, but also of offerors and target companies. The application of these rules is certain to increase investor confidence in the market.

1999 was also a significant year on two strategic fronts. In international co-operation, we set our sights on firmly integrating the Estonian capital market into the Europe by moving from the pan-Baltic vision on to integration with the Scandinavian bourse alliance Norex. The creation of a one-stop shop for Nordic and Baltic financial products should make Estonian securities easily accessible to the global investor community, enable Estonian firms direct access to European capital markets and give Estonian investors a choice of a broad range of products.

Domestically, the owners of ECDS and TSE launched talks to create a radically more efficient marketplace. We shall address the future needs of both domestic and foreign investors as well as the roles of different market participants and new technologies available for securities trading. The outcome should be a marketplace where best practices and innovative technologies are used for increased efficiency.

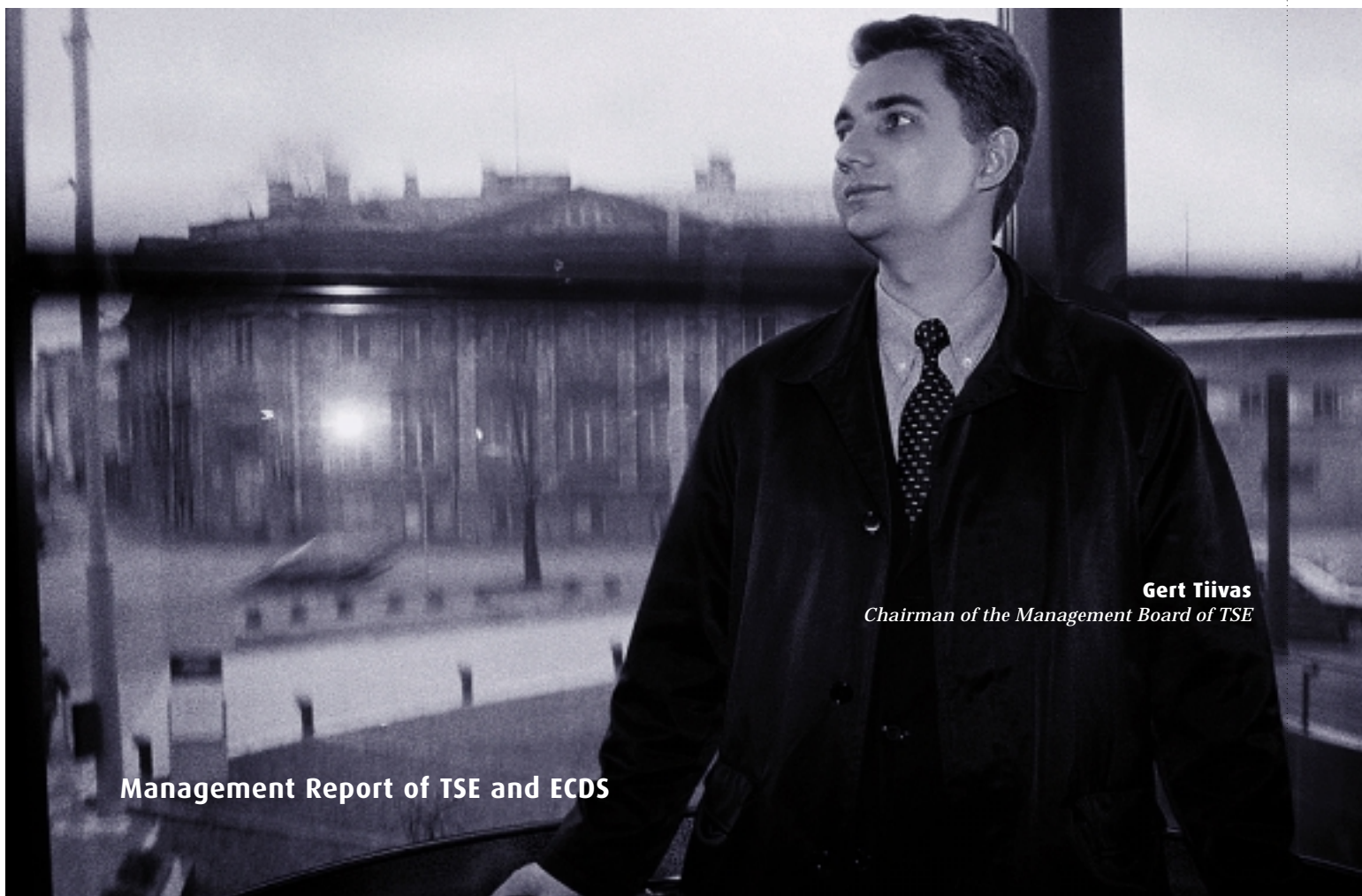
As 2000 should be the year of return to economic growth and continuing integration with the European Union for Estonia, we remain optimistic over the future developments of the Estonian securities market. We are confident that the strategic efforts initiated in 1999—namely, integration into European exchange alliances and reform of the securities market infrastructure—will see major breakthroughs in 2000. Finally, we hope to see significant progress on two much awaited developments for increasing the transparency and trustworthiness of the Estonian securities market—the new Securities Market Act and the Law on the Central Registry of Securities should be adopted by the Parliament in 2000.



Peeter Saks
*Chairman of the Supervisory Board
Tallinn Stock Exchange*



Rein Parelo
*Chairman of the Supervisory Board
Estonian Central Depository for Securities*



Gert Tiivas

Chairman of the Management Board of TSE

Management Report of TSE and ECDS

1999 marked the start of a thorough process of strategic change for the Tallinn Stock Exchange (TSE) and the Estonian Central Depository for Securities (ECDS).

TSE and ECDS launched efforts to radically increase the efficiency, openness, and transparency of the Estonian securities market and find a strategic international alliance partner as the global exchange landscape is changing beyond recognition.

In a bid to increase the competitiveness and transparency of the market ahead of Estonia's entry into the European Union, the improvement

of regulation and tightening of supervision were the other items on the high priority agenda.

International exchange co-operation: the way of the future

In sync with the consolidation and reorganisation process among the players on the European securities market, the TSE and ECDS have taken an active role to find our place in the emerging global capital markets network. We have started moving towards a link-up with our closest European partners, the Scandinavian exchanges, while pursuing greater integration of the Baltic exchanges.

The main driving forces for co-operation among the Estonian, Latvian and Lithuanian stock markets are investors' perception of the Baltic region as a single investment area and the need to reduce entry costs to investors.

According to the memorandum signed by the three Baltic Exchanges in April 1999, the bourses aim to offer investors a single point of entry to the Baltic equity markets, establish a list of Baltic blue-chip securities and combine efforts to promote the Baltic capital markets as a common investment area.

The exchanges have implemented a real-time information feed, which allows brokers in all three countries to follow each market. We have also harmonised trading hours, and developed joint publications and a marketing strategy. As of January 1, 2000, we launched the Baltic List of up to 15 'blue chip' securities to enable investors more easily to focus on the leading firms of the region. All of the Baltic List companies must have a minimum market capitalisation of EUR 15 million, sufficient free float for liquidity and financial statements prepared according to International Accounting Standards (IAS) in order to ensure reliability and transparency. An index to track the performance of the securities listed on the Baltic list will be launched shortly.

Co-operation between the exchanges is supported by the efforts of the Estonian and Latvian central depositories to harmonise and simplify cross-border settlement procedures. In addition to offering free of payment transactions, the depositories have decided to take further steps to ease transactions. During the year, we agreed on a cross-border DVP model, which supports the idea of cross-membership of the market participants.

The Baltic co-operation is just the beginning of bringing the Estonian bourse into the evolving global network of exchange alliances. During the summer of 1999, the Baltic exchanges started negotiations with Norex in a bid to create a one-stop-shop for all Nordic and Baltic financial products. Norex is an alliance formed by the Copenhagen Stock Exchange and the OM Stockholm Exchange, and joined now also by Oslo, which is based on a common trading platform, cross-membership, single listing and a common set of rules.

The Norex alliance formally invited the Baltic bourses to commence negotiations aimed at

Composition of Baltic List as of 01.01.2000

	Company	Home stock exchange	Market cap, mln EUR as of 15.12.1999	Profile
1.	Balta	RSE	25.43	insurance
2.	Eesti Telekom	TSE	904.35	telecommunications
3.	Eesti Ühispank	TSE	89.16	banking
4.	Hansapank	TSE	446.74	banking
5.	Kalnapiilis	NSEL	20.69	brewery
6.	Latvijas Gaze	RSE	113.50	gas
7.	Latvijas Unibanka	RSE	65.99	banking
8.	Norma	TSE	28.50	vehicle components
9.	Optiva Pank	TSE	26.40	banking
10.	Rokiskio Suris	NSEL	25.65	dairy products
11.	Utenos Trikotazas	NSEL	17.21	wearing apparel
12.	Ventspils Nafta	RSE	86.71	oil
13.	Vilniaus Bankas	NSEL	93.61	banking

joining the alliance in September 1999. As the next step, a letter of intent is expected to be signed in early 2000 by the parties.

Integration with Norex should be a major qualitative leap for the Baltic exchanges, helping us to serve our clients much better. It means gaining access to a global distribution network, including

all the largest Scandinavian as well as the majority of the world's leading securities firms. Norex members would have next to zero marginal cost to start trading in Baltic securities. Estonian investors and intermediaries would benefit from a simplified access to a wide range of financial instruments, enabling them to trade at lower costs and better diversify their portfolios. Listed companies would have direct access to Scandinavian and European capital markets, thus creating better and cheaper financing possibilities for them. Such a financial products super-market would result in a liquid and more efficient market, benefiting investors, listed companies and intermediaries alike.

The Exchange in February signed a Memorandum of Co-operation with the London Stock Exchange, which provides a mechanism for the development of long-term co-operation between the exchanges. In addition to other areas, the memorandum provides for the exchange of information and co-ordination of activities on the status of cross-listed securities (currently Estonian Telecom). The document also provides a framework for information exchange on the functioning of the securities markets and relevant regulations in the two countries.

Redesigning the marketplace to increase efficiency

In a bid to create a more competitive market structure in Estonia and to become a strong partner to international alliances, TSE and ECDS have started to reform the securities market model.

In December, talks were launched with the aim of deepening the co-operation between the two organisations, possibly leading to the formation of a company under joint strategic management. The process would result in a stronger, more efficient and flexible organisation, which is better able to satisfy the needs of its clients. The two organisations can already now be characterised by similar organisational structure, ownership and culture. Joint activities are taking place in many fields, such as cost-sharing in information technology and administrative

functions. Additional joint activities—such as in product development, marketing and market supervision, could create further synergy effects. We aim to increase competition in the securities market, which would decrease costs to end customers and speed up market development. Market participants, especially non-bank brokerage firms, would have better opportunities to offer integrated services.

Regulation

TSE and ECDS have taken an active role in the improvement of Estonian securities market regulatory environment, which needs to be upgraded to meet the needs of our dynamically developing marketplace and harmonised with the relevant European Union regulations. ECDS and TSE have proposed a number of amendments to the draft Law on the Central Registry of Securities, which is to improve the legal foundation of the electronic securities registry. The parliament started legislative proceedings on the draft law in October.

On TSE's initiative, significant amendments to the Securities Market Act, the main law governing the market, were passed by the Parliament in January 2000. These established regulation of take-over bids, instituting a mandatory offer to all shareholders by a person obtaining 50% of a company's shares. Definition of a public offer of securities was clarified, public offer registration procedures, especially the ones regulating bond programme issues, were simplified, as was access to the Estonian market for EU licensed securities intermediaries who no longer need to set up a local branch office.

We will continue our efforts to help to pass a totally new version of the Securities Market Act, which would meet the needs of the capital markets. The improvement of minority shareholder rights and tightening of supervision should boost confidence and transparency in the market.



Jaanus Erlemann
Chairman of the Management Board of ECDS

The Exchange, acting as a self-regulative organisation, also continued the improvement of its own Rules and Regulations. The most important amendment was the inclusion of detailed take-over rules, which are to become effective in early 2000.

The rules are based on the principles of the relevant European Union draft directive and they provide a regulatory framework for take-overs of listed companies. The rules aim to ensure transparency and legal certainty for minority shareholders, offerors and offerees. The fundamental principle of the rules is equal treatment of all shareholders in regard to offer conditions and information availability. A person obtaining a controlling interest in the issuer has an obligation to make a take-over bid to all other shareholders.

TSE Supervisory Board also approved amendments to the Membership Rules to establish remote membership status of the Exchange from January 2000. The change enables securities intermediaries from the European Economic Area countries, and others with equivalent standards, to obtain remote membership status at the TSE. The requirement of the stock exchange members to own shares in TSE is waived for remote members.

Market participants

The consolidation and restructuring process of capital market participants, which started in 1998, continued during the year. The number of Exchange member firms fell from 22 to 12, out of which 11 were actively trading as of the end of the year.

The number of ECDS account operators increased from four to six, out of which five are currently operating.

Newly established Preatoni Pank started operating as an account operator of the ECDS in November and as an Exchange member a month later.

The Supervisory Board of ECDS has approved the account operator status of Merita Nordbanken, which will start operations as an account operator in the nearest future. Entry of the major foreign participant would boost competition while bringing state of the art know-how to the Estonian securities market.

With the establishment of remote membership status of the Exchange, and upon the approval of amendments in the law to simplify the relevant procedure, the Exchange expects more foreign participants to enter the market.

Supervision

TSE and ECDS are self-regulated organisations carrying out supervision over market participants – securities intermediary firms, issuers and investors over possible violation of information disclosure requirements, trading rules, insider trading and market manipulation and other requirements of the regulations.

An important event was the launch of the TSE Surveillance Committee in February. The committee is a body of the Exchange and it inspects the compliance of member firms Exchange activities with the Rules and Regulations of the Exchange. During the year the committee made five decisions, sanctioning four Exchange members for violations of the Rules.

The Listing Committee sanctioned five listed companies for violations of information disclosure requirements.

Marketing

We continued the development of information services, focusing on the most popular channel for the distribution of free information, i.e. our Internet homepage.

The new version of Internet homepage, to be launched in the first quarter of 2000, not only increases the amount of freely available information, but makes the usage of these databases more simple and user-friendly. For example, the new site will have search engines for issuer announcements, trading statistics, corporate actions and ECDS registry entries.

Online trading overview of the Latvian and Lithuanian markets was included to the real-time trading information site. The same site has also a page for online trading overview of the Baltic List.

In a bid to improve communication with foreign institutional investors and media, an e-mail based news service was launched to notify the fund managers, analysts and journalists on major events of the Estonian capital market.

One of the leading information vendors in the world, Bloomberg, started distribution of real-time trading information of the Exchange via its terminals. The largest mobile phone operator Estonian Mobile Telephone launched a service to enable its clients to get real-time price information as SMS messages. Internet Securities, Internet-based vendor of financial information, started distributing listed company announcements.

Organisation

The annual general meeting of shareholders of the Exchange elected Toomas Tsopp of Eesti Ühispank and Priit Põldoja of Hansapank as new members of the Supervisory Board. The AGM simultaneously accepted the resignation of Margus Schults of Eesti Ühispank.

The AGM of the Depository in June elected Arvo Juhkami of Optiva Pank as a new member of the Supervisory Board and accepted the resignation

of Peep Soone of Eesti Energia. In September, shareholders elected Siiri Sonntak of Merita - Nordbanken as new member of the Supervisory Board, and replaced Andrus Kluge with Eimar Astok (both of Eesti Krediidipank).

The Exchange changed the composition of its Management Board. The Supervisory Board recalled in May the following members of the Management Board: Jüri Kõo, Hilma Naaber, Toomas Tsopp and Margus Uudam. The Management Board continues with two members—Gert Tiivas and Jaanus Erlemann (CEO's of TSE and ECDS, respectively). The decision proceeded from the TSE corporate governance reform plan, according to which the owners of the Exchange are represented only on the Supervisory Board and the Management Board is composed of executives.

The Supervisory Board of the TSE elected Roy Vaimand (manager of the corporate finance department of KPMG Estonia), Mart Habakuk (manager of the corporate finance department of PriceWaterhouseCoopers) and Erkki Raasuke (chief financial officer and member of the Management Board of Hansapank) as new members of the TSE Listing Committee. The Supervisory Board also accepted the resignation from the TSE Listing Committee of Mart Mägi.

Information technology

In January, the ECDS implemented a new software programme Depository 2000. The new, user-friendlier Windows-based programme was developed in Estonia.

In March, a gateway between the computer systems of ECDS and TSE was launched, marking the commencement of real-time information exchange between the two companies. The gateway was implemented to improve the exchange of trade settlement details; thus it decreases the share of postponed and failed trades. It enables brokers to check the status of their transactions in the stock exchange system and make the necessary changes to allow flawless settlement. Earlier brokers were unable to see whether the trade confirmations entered into the

system were valid and transaction details accurate.

The ECDS changed the format of account statements to investors. The currently issued registration advice was replaced with a more informative statement of securities account in November.

TSE and ECDS encountered no Year 2000 problems in the computer systems. The Y2K compliance of the two organisations was completed in July after successful completion of testing, done in accordance with the requirements of the British Standard Institute document DISC PD 2000-1.

New location of TSE and ECDS

In August, TSE and ECDS moved to a new building located at Pärnu St. 12, Tallinn. The neo-renaissance style building is located in the Old Town and was built at the end of 19th century.

Financial results

Revenues earned by the TSE during the year totalled EEK 9.9 million, which is a 3.6% increase compared to the previous year. The net profit was EEK 1 million compared to EEK 1.2 million the year before.

Transaction fees and listing fees accounted for the bulk of the revenues (36% and 42%, respectively). Membership fees amounted to 13% of revenues. Salary expenses accounted for the largest share (30%) of the operating expenses. The number of employees was 16 at the end of the year.

Shareholders' equity rose by EEK one million to EEK 9.2 million. The size of the Guarantee Fund was EEK 2.3 million.

The ECDS earned EEK 11.4 million in revenues during the year. The largest revenue sources were annual fees (23% of net revenues), transaction fees (22%), account management fees (31%). Total expenses were EEK 11.3 million and salary expenses accounted for 30% of this. ECDS had 14 employees at the end of the year.

ECDS operating profit was EEK 66 thousand, of which net profit was EEK 64 thousand. Owners' equity stood at EEK 5.8 million.

Priorities for 2000

2000 should see a major leap towards integrating the Estonian securities market with European markets. TSE plans to sign the Letter of Intent with Norex in early 2000, begin the preparations work and be prepared to take a decision on accession by the end of the year. Joint marketing and information distribution activities are the key projects with our Latvian and Lithuanian partners.

Domestically, we aim to agree on a new, more efficient model for the provision of securities market infrastructure services during the first months of 2000. Thereupon, concrete actions to improve the functioning of the market will be undertaken.

We will continue our efforts to achieve a breakthrough in Estonia's securities market legislative framework. A completely new Securities Market Act and the Law on the Central Registry of Securities have to be passed. The aim is to have an open, flexible and trustworthy securities market environment for all market participants, one which is in line with the relevant European Union requirements and therefore easily accessible and understandable to the international investor community.

2000 should also be the year when we achieve the first tangible results on the secondary bond market development project. We plan to make relevant amendments to legislation, TSE Rules and our trading system. The aim is to create a strong public bond market in Estonia, the demand for which is great both by retail and institutional investors as well as issuers.

The launch of the new Internet homepage of ECDS and TSE should bring much more information about the Estonian securities market to your easy reach. Together with other promotional activities, such as road-shows and improvement of electronic news services, we strive to continuously boost investors' awareness of the possibilities of the Estonian securities market.

We enter the new millennium bristling with optimism for accomplishing many exciting developments for the Estonian securities market.



Gert Tiivas
Chairman of the Management Board of TSE



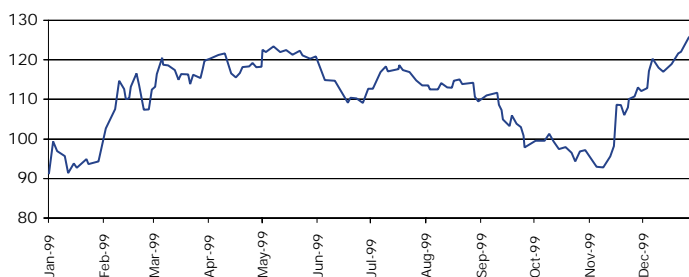
Jaanus Erlemann
Chairman of the Management Board of ECDS

Estonian Securities Market in 1999

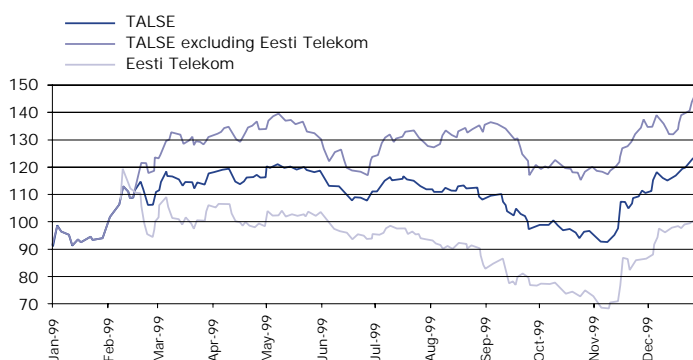
TALSE full history



TALSE in 1999



TALSE vs Eesti Telekom

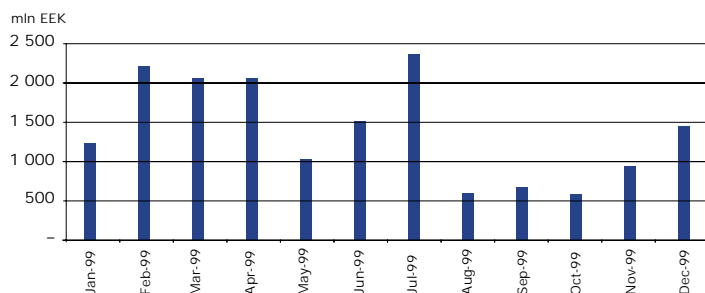


1999 will be remembered in Estonia as the first post-independence economic recession — the economy contracted by 4% in the first half of the year, which marked a significant slowdown from the 11% growth recorded in 1997 and 4% in 1998. The turnaround of economy in the second half of the year shifted the sentiment. Despite the pressures the slowdown caused on fiscal policy and employment, the broad economy seems to have adjusted quite well, providing grounds to expect solid macro-economic figures in 2000. The annual GDP is expected to be slightly negative year-on-year, followed by an estimated growth of 4-5% of GDP in 2000. Current account deficit, which has been one of the major weaknesses for the Estonian economy, moved into surplus during the 3rd quarter. Analysts expect the deficit to fall to a manageable 4-5% by the year-end, compared to 9.2% in 1998. The 1999 inflation was a record low 3.3%, a spectacular fall from 8.2% growth a year before.

Furthermore, stable currency, continuing integration with Europe, large inflows of foreign capital and falling interest rates should lead to a better year 2000 for the Estonian economy and its capital markets.

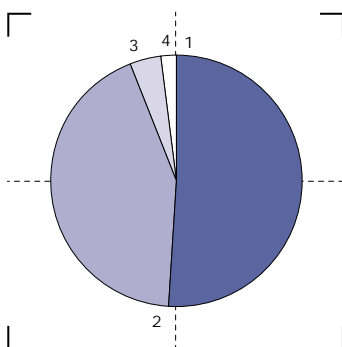
These positive expectations were also reflected in the performance of the main index of the Estonian stock market, TALSE, which grew by 38% by the end of the year.

Total securities market turnover

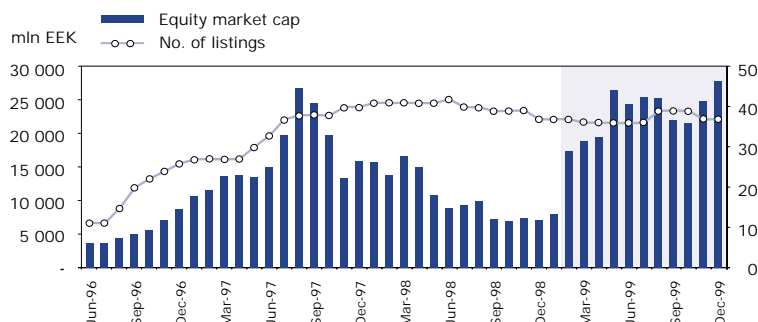


Total securities market turnover

- 1 Debt instruments 51%
- 2 Shares 43%
- 3 Fund units 4%
- 4 Others 2%

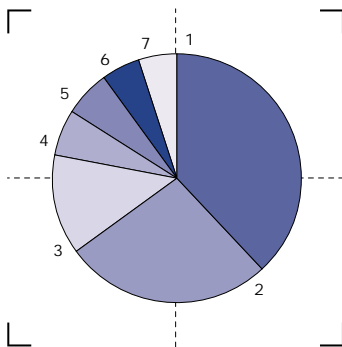


TSE market capitalisation vs no. of listings



Holdings in listed securities

- 1 Sweden 38%
- 2 Estonia 27%
- 3 USA 13%
- 4 Finland 6%
- 5 Netherlands 6%
- 6 UK 5%
- 7 Others 5%



Round-up of 1999

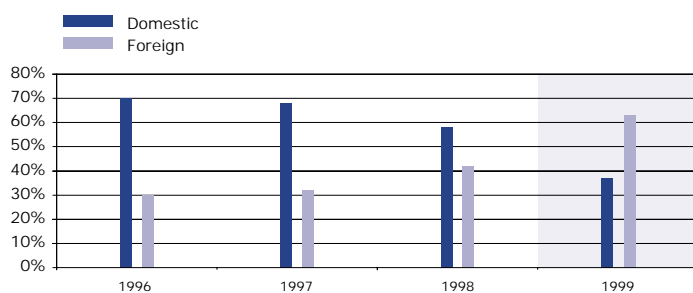
Macroeconomic uncertainty, together with the after-shocks of the emerging markets' crises of 1997-98 had their influence on the Estonian securities market in 1999. Foreign investors' significantly changed risk appetite for emerging markets' stocks, especially for those that are of relatively low liquidity, compounded by the continuing instability in Russia and Y2K fears, made 1999 a tough year for Baltic equity investors.

To a large extent, foreign investors stayed on the sidelines, making the liquidity of the Baltic markets suffer. The average daily turnover of the Estonian bourse was EEK 18 million (EUR 1.1 million), down from EEK 53 million (EUR 3.4 million) in 1998. Total securities market turnover fell by two times to EEK 16.7 billion (EUR 1.1 billion).

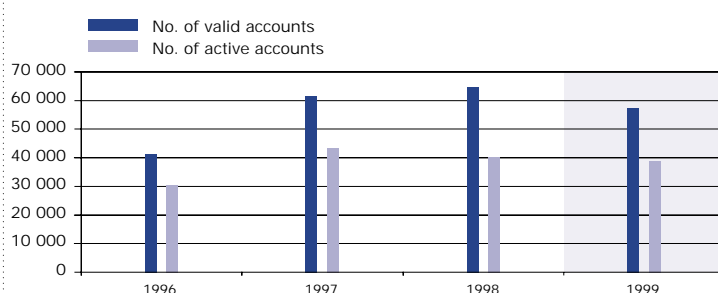
The major event for the Estonian capital market was the initial public offering and listing of Estonian Telecom (Eesti Telekom) in February 1999, which doubled the equity market capitalisation of the Estonian bourse, making it the largest in the Baltics. The IPO was the largest Baltic equity issue ever at EUR 222 million. The issue, done in relatively turbulent times in emerging markets, was highly successful, being oversubscribed by 18 times. Telecom's GDRs were also listed on the London Stock Exchange in February.

Total market capitalisation of the Tallinn Stock Exchange stood at EEK 28 billion (EUR 1.8 billion) at the end of the year, having grown threefold since the beginning of the year. Equity market capitalisation made up 98.3% of the total sum. Equity market capitalisation of GDP was among the highest in the Central Europe at 58%. The behaviour of the TALSE index was mostly influenced by the movements of Eesti Telekom share, as the telecommunications giant makes up about half of the market capitalisation-based index. The index gained 38% in value, ending the year at 125.51 level. Excluding the telecom firm, however, the market was up by 59%.

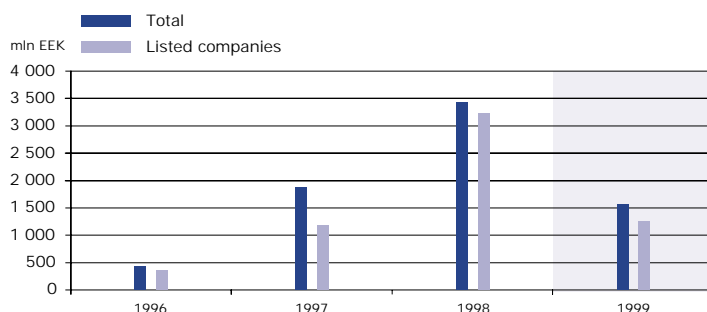
Investments to total securities market



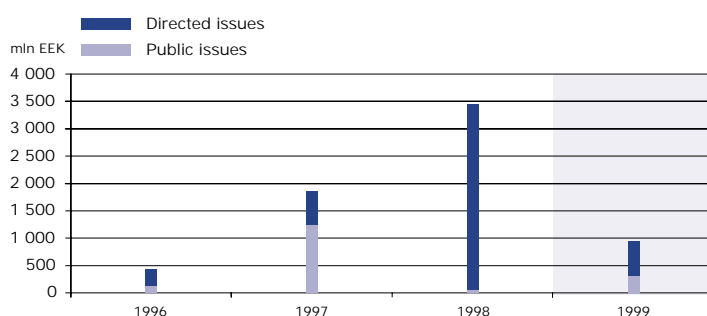
Securities accounts



New share issues



Public and directed share issues



Foreign direct investments continued to grow at a respectable rate - some EEK 2.6 billion (EUR 0.2 billion) came to Estonia during the first half year 1999, lifting the total stock of FDI to EEK 27 billion (EUR 1.8 billion). According to the U.N. World Investment Report 1999, Estonia was in 1999 the leader among Central and East European states with FDI of EUR 407 per capita.

Abolishment of corporate income tax on re-invested profits from 2000 should result in increased investment, both foreign and domestic, and encourage firms to consider all the economic advantages the country has to offer when looking at investment opportunities in Northern Europe.

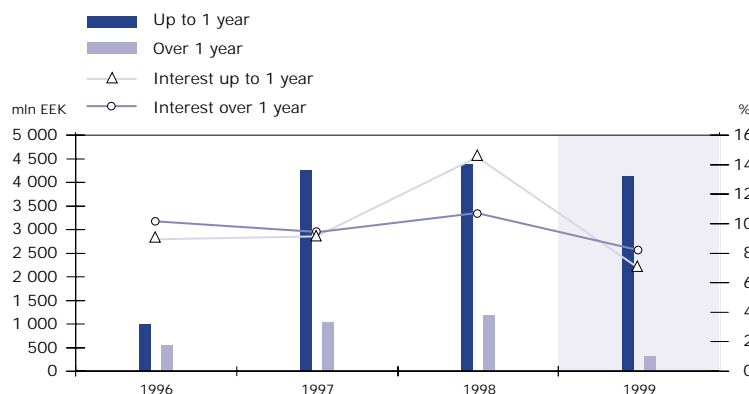
The trend of FDI inflow is also seen from the share of foreign holdings of listed securities, which is currently at 73%, up from 62% at the end of the previous year. Swedish investors are the major foreign participants in the market, holding 38% stake in total listed securities.

One of the major deals among listed companies during the year was an investment by Swedish Autoliv to acquire 49% in the vehicle components producer Norma, with an option to obtain a majority stake in the company. Norma shares were also one of the top share performers on the Exchange as news on the new western strategic owner more than doubled the share price during 1999.

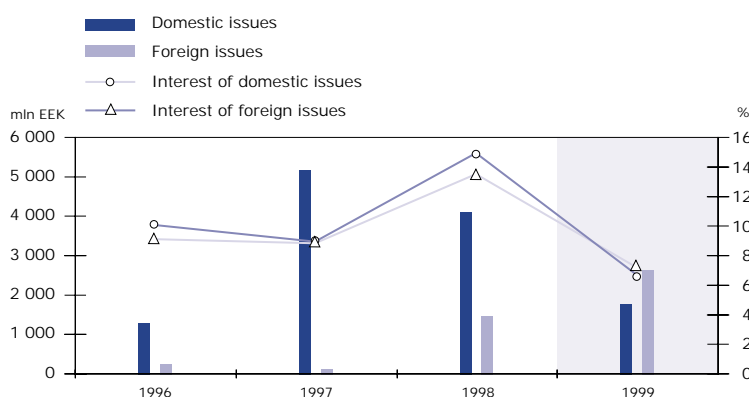
Two Swedish banks, FöreningsSparbanken and Skandinaviska Enskilda Banken (SEB), after obtaining in 1998 strategic stakes in the leading Estonian banks, Hansapank and Ühispank respectively, increased their holdings further to slightly above 50%.

Three secondary list companies were delisted. Insurer ASA Kindlustus and EVEA Pank were delisted due to bankruptcy procedures. Fairs organiser Eesti Näitused went private after making an offer to minority shareholders as requested by the Exchange.

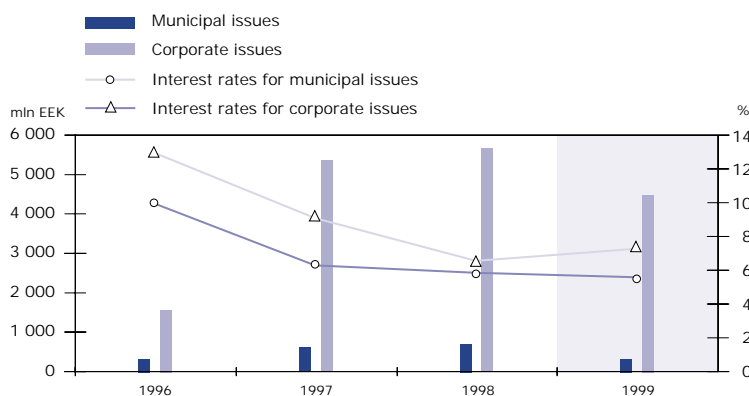
Debt instrument issues



Domestic and foreign bond issues

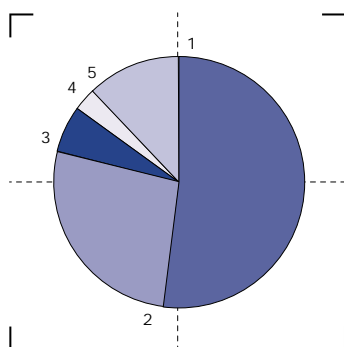


Municipal and corporate bond issues



TSE market cap by securities as of end-1999

- 1 Eesti Telekom 52%
- 2 Hansapank 27%
- 3 Ühispank 6%
- 4 Pro Kapital 3%
- 5 Others 12%



Bond market

Hüvitusfond, state compensation fund issuing bonds for privatisation vouchers, listed three new bond issue series – X, XII, XIV and XV - on the Exchange.

Bond market turnover on the Stock Exchange grew by over four times to EEK 97 million (EUR 6.2 million). However, the importance of debt instruments on the Exchange remained low (bonds make up 1.7% of total market capitalisation).

The Tallinn Stock Exchange expects the volume of new bond market listings to grow substantially in the nearest future as the Parliament in January 2000 passed amendments to the Securities Market Act to simplify the procedure of public bond issues. The Exchange also plans to amend its own Rules and Regulations in early 2000 to improve the relevant regulation and add bond-specific features to its trading system.

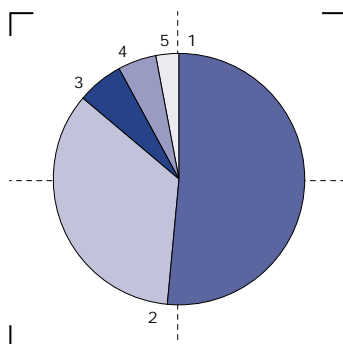
Out of the total securities market turnover, fixed instruments made up 51% of the total turnover figure, which includes the OTC as well as Stock Exchange trades.

Primary market

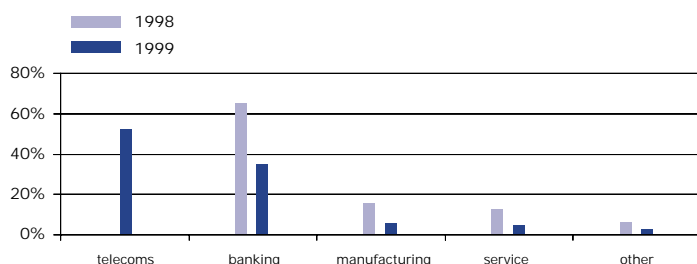
The activity on the primary market was stable to lower in 1999 compared to the year before. The Central Depository registered 22 new equity issues in total amount of over EEK one billion, slightly below EEK 1.3 billion result in 1998. Companies listed on the Stock Exchange conducted eight new issues. Most of the issues or 19 were closed while only three were public. The volume of new debt instrument issues totalled EEK 4.4 billion, compared to EEK 5.6 billion the year before. The most active issuers with EEK 2.6 billion were foreign institutional investors, the largest of which were Merita Bank, FöreningsSparbanken and Svensk Exportkredit. Hansapank's subsidiary Hansa Capital and energy conglomerate Eesti Energia lead the list of major domestic issuers.

TSE market cap by sectors as of end-1999

- 1 Telecoms 52%
- 2 Banking 35%
- 3 Manufacturing 6%
- 4 Service 5%
- 5 Others 2%

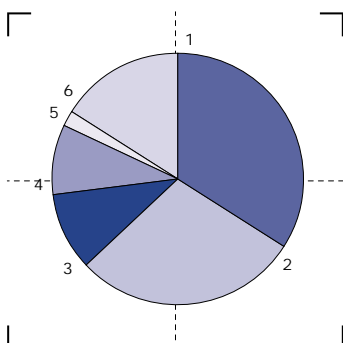


TSE market cap by sectors



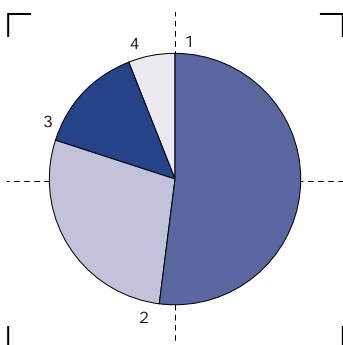
TSE turnover by securities 1999

- 1 Hansapank 34%
- 2 Eesti Telekom 29%
- 3 Norma 10%
- 4 Ühispank 9%
- 5 Optiva Pank 2%
- 6 Others 16%



Distribution of options by underlying assets as of 30-Jun-1999

- 1 Hansapank 52%
- 2 Norma 28%
- 3 Optiva Pank 14%
- 4 Eesti Ühispank 6%



Options market

The trading activity on the options market was in constant rise, indicating re-established confidence and upturn in the equity market by both foreign and domestic investors.

The net open position, or difference between option contracts sold and bought, stood at EEK 96.6 million at the end of 1999 (EEK 7.4 million at end-1998), up from EEK 34.7 million level at the end of June.

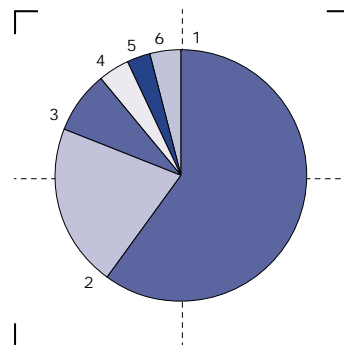
At the end of the year, call options accounted for the majority, or 99%, of the valid contracts (97% at the end of 1998), as compared to 94% half-year figure.

At end-December most of the option contracts were made for shares of Hansapank (61%) and Norma (21%), similar to the end of the first half-year when majority of contracts were concluded for shares of the same companies (52% and 28%, respectively). In 1998 the options market was dominated by Eesti Ühispank (58%) and Hansapank (18%). In 1999 majority of option contracts were made for a period of three months.

As of the year-end 1999, the options were written by three market participants: Hansapank, Eesti Ühispank and Suprema Securities. Options and other derivatives are traded off-exchange.

Distribution of options by underlying assets as of 31-Dec-1999

- 1 Hansapank 60%
- 2 Norma 21%
- 3 Eesti Ühispank 8%
- 4 Eesti Telekom 4%
- 5 Merko Ehitus 3%
- 6 Others 4%



Major Events of Listed Companies in 1999

MAIN LIST

Eesti Telekom

- Leading telecommunications company Eesti Telekom was listed in the TSE Main List on February 11 after the EUR 222 initial public offering of 73.5 million ordinary shares. The company's GDRs were listed on the London Stock Exchange on February 17.
- In the course of restructuring of Eesti Telekom the company issued in April 63,883,178 shares to Swedish Telia and Finnish Sonera Holding in exchange for full ownership in the leading mobile phone company Eesti Mobiiltelefon and monopoly fixed phone firm Eesti Telefon. Additionally issued shares were listed in the TSE Main List in May.

Eesti Ühispank

- In May Ühispank sold its 25% stake in cash transportation and handling services firm Sularahakeskus.
- Ühispank acquired a 30% holding in power producer Viru Energia in July.
- In July Ühispank consolidated its life assurance arms Ühispanka Elukindlustus and Leks Elukindlustus.
- In August Moody's Investors Service affirmed Ühispank's deposit rating at Baa3/Prime-3 and financial strength rating at D.
- In October Skandinaviska Enskilda Banken increased its stake in Ühispank to 50.15% level.
- In October Ühispank acquired full ownership in leasing company Ühisliising.
- In December, Ühispank sold its stakes in

Latvian subsidiary Saules Banka to Italian investor Ernesto Preatoni, and in insurer Leks Kindlustus to Alte Leipziger Europe's subsidiary Balti Kindlustus (BICO).

Hansapank

- In February Hansapank consolidated its life assurance arm Eesti Elukindlustus with Hansabank Insurance. In April Hansapank's fully owned subsidiary Eesti Varakindlustus sold its stake in Baltic Insurance Group, the majority owner of Lithuanian insurer KDK Draudimas. In May Hansapank sold to Finnish Sampo its non-life insurance company Eesti Kindlustus, the leading Estonian insurer. In October Hansabank Insurance also sold its Latvian life insurance subsidiary, Hansa Apdrosinasana to Sampo.
- In April Hansapank sold 50% holding in cash transportation and handling services Sularahakeskus and 100% holding in Russian daughter bank Faba Bank.
- In July Hansapank opened a daughter bank in Lithuania, Hansabankas.
- In August the Moody's Investors Service raised Hansapank's long-term deposit rating by one notch to Baa2.
- In December Swedbank exercised the option to obtain majority stake in the bank, increasing its shareholding to 52.64% of Hansapank's common stock.
- In December Hansapank's Latvian subsidiary Hansabanka and Latvian commercial bank UBB Ventpils signed a letter of intent whereby Hansabanka would purchase 100% of UBB Ventpils shares.

Optiva Pank

- Due to the restructuring of Optiva Pank Group, Optiva Pank sold in February its shareholdings in the investment company Laforte, leasing firm Raeraha, securities intermediary Vendor Kapital Trading PHT, auditor Foreks Konsultatsioonid and real estate development firm Foreksi Kinnisvara.
- Austrian East Fund Management obtained a 50% holding in Optiva's asset management subsidiary in June.

Merko Ehitus

- Construction company Merko Ehitus obtained the ISO 9001 quality certificate in June.
- In August Merko Ehitus issued call options for shares in its subsidiary E.L.L. Kinnisvara, a real estate developing company. A majority of call options were exercised by Merko Grupp.

Norma

- In October, Norma Grupp and leading Swedish car safety supplies producer Autoliv signed the share purchase agreement, pursuant to which Autoliv acquired 49.5% stake in Norma. Autoliv got also an option to buy additional 1.5% holding in Norma, and exercised it in February 2000.

Tallinna Kaubamaja

- In January, the leading department store established real-estate subsidiary Tallinna Kaubamaja Kinnisvara with total capital stock at EEK 203 million.

SECONDARY LIST

ASA Kindlustus

- Insurer ASA Kindlustus was delisted in December after cancellation of its insurance licenses and the initiation of bankruptcy procedures.

Baltika

- In August the apparel producer Baltika established in Poland a wholly-owned subsidiary, Baltika Poland, with the share capital of DEM 25,000.

Eesti Näitused

- Fairs organiser Eesti Näitused was delisted in December after the company had made a public offering to buy shares from minority shareholders.

EMV

- Construction company EMV obtained ISO 9001 quality certificate in March.
- In January 2000 Swedish construction giant Skanska obtained controlling stake in EMV and made a public offering to the company's minority shareholders.

Estiko

- Retailer Estiko acquired a 100% stake in wrapping materials printing company Estiko-Raamex in February and real estate administrator Estiko Investeeringud in November.
- In June Estiko sold its 51% holding in super-market chain Eesti Spar for EEK 3 million.

EVEA Pank

- EVEA Pank was delisted in March after initiation of bankruptcy procedures.

Harju Elekter

- In March electrical equipment producer Harju Elekter and Danish Inexa Panel became strategic partners in Saajos Balti, producer of fireproof safety doors.
- In August Harju Elekter's subsidiary Saajos Balti received EU certificate to fireproof doors.

Kalev

- Confectionery Kalev sold in January its 26% holding in Lithuanian sweets producer Vilniaus Pergale for USD 1.4 million.

Klementi

- In January Finnish P.T.A.Group acquired from Optiva Pank a 43% stake in apparel producer Klementi, increasing its stake to 54% level in November.

Leks Kindlustus

- Insurer Leks Kindlustus sold its holding in Lithuanian insurance company Ukio Draudimas in March.
- In April Leks Kindlustus and Leks Elukindlustus sold their holdings in Latvian insurer Saules Laiks for EEK 3.4 million.
- In May Leks Kindlustus sold 100% of its share holding in Leks Elukindlustus to Ühispanga Elukindlustus for EEK 24 million.
- In December Eesti Ühispank sold its majority stake in Leks to Alte Leipziger Europe's Estonian subsidiary Balti Kindlustus (BICO). BICO made a public take-over offering to obtain full ownership in Leks in January 2000.

Pennu Computer Technology Group / XXL.EE

- In August Pennu acquired full ownership in digital media agency and portal developer Internetivärv XXL.
- In November Pennu was restructured into an internet-based information technology company and its business name PCTG was replaced by XXL.EE.

Pro Kapital

- Real estate development company Pro Kapital acquired in February a 70% holding in Neotrust, the administrator of the Riga World Trade Center.
- In March Pro Kapital sold its stake in Viruäri, the owner of Demini shopping centre in Tallinn.
- In October Pro Kapital acquired full holding in Nurmelin, the owner of the Kristiine shopping centre in Tallinn.
- In November Pro Kapital acquired 100% holding in real estate companies Arco Kinnisvaraarendus and Vinkrist.
- Between June 1 and December 31 1999 Pro Kapital issued 4.5 million convertible bonds, which were listed in the TSE Bonds' List in January 2000.

Reval Hotelligrupp

- Hotel management company Reval signed in September an agreement to acquire the company administrating hotel Central in the centre of Tallinn.
- In December Reval's Supervisory Board

decided to consolidate its subsidiary Hotell Olümpia with the parent company. During the same month IFC agreed to invest up to USD 2 million into Reval's capital stock, also to grant to Reval up to EUR 7.7 million loan.

Saku Õlletehas

- In June Saku acquired additional 50% stake in malt producer Saku Linnas, to raise its holding in the company to 100%.
- In October Saku agreed to produce and market PepsiCo beverages in the Baltic countries starting in year 2000.

Tallinna Farmaatsiatehas

- Pharmaceuticals producer Tallinna Farmaatsiatehas received in March the ISO 9002 quality system certificate.
- In August the company sold its holding in Magnum-Medical for EEK 10 million.

Tallinna Külkhoone

- In October the leading Baltic ice-cream producers Tallinna Külkhoone and Lithuanian KPC agreed on merger. The merged company will be the largest ice-cream producer in the region with planned annual turnover of EEK 500 million.

Viisnurk

- In July wood processing company Viisnurk sold its 51% stake in subsidiary Ülejõe Soojusvõrk for EEK 3.5 million to Vattenfall Estonia.

BONDS' LIST

Hüvitusfond

- In 1999 Hüvitusfond (State Compensation Fund) conducted four bond issues, consisting of two public and two closed issues. Four issues were listed in TSE Bonds' List, including three in August (X, XII and XIV series) and one in December (XV series).
- In December Hüvitusfond increased its holding in Kawe Plaza, the owner of Kawe Plaza office building in Tallinn, from 58% to 68%.