



Estonia is like Finland, things are running rather smoothly.

Jan Bielefeldt, LWF **PAGE 12**

## MANUFACTURING

Emerging domestic demand boosts industrial output further **PAGE 2**

## FINANCE

The year 2010 on the stock exchange: losers and winners **PAGE 3**

## FOOD & AGRICULTURE

Agricultural census: farming activities concentrate at enormous speed **PAGE 5**

## PROPERTY & CONSTRUCTION

Estonian builders Merko Ehitus and K&H become active in Lithuania **PAGE 7**

## RETAIL & SERVICE

Sales of manufactured goods recover from the recession **PAGE 8**

## IT & MEDIA

Oskando car tracking firm acquires domestic peer, plans expansion **PAGE 8**

## TRANSPORT & LOGISTICS

Swedish coastguard revamps its order to Saaremaa ship-builders **PAGE 10**

## ENERGY & ENVIRONMENT

Swedish ÅF Group consultancy lands on the second major deal **PAGE 14**

## ECONOMY & POLITICS

Year-end price rally promotes Estonia's yearly inflation to 3% **PAGE 14**

Bonnier Group/AS Äripäev publishes similar business reports on Poland, Latvia, Lithuania and China. As a subscriber you have access to your country report ten years back through our on-line archives at [www.news2biz.com](http://www.news2biz.com). Multiple user access available - write [contact@news2biz.com](mailto:contact@news2biz.com) or phone +372 667 0251.



## Estonia adopts euro without glitches

The transition went as smoothly as planned, the authorities reported on 1 January, the first day for Estonia in the eurozone. Estonia became the 17th member of the common currency area almost without incidents, if not counting in few dozen falsified euro notes.

**PAGE 14**

**Gotcha! PM Andrus Ansip withdraws the first 20-euro note from the ATM, specially installed for the occasion.**

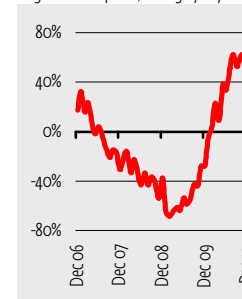
Photo: Erik Prozes, Äripäev

## Vehicle sales recover from recession

The first-time registration of vehicles increased in the 2nd half of 2010, giving a hint that the sales of cars are recovering from the recession. Although the customers still prefer pre-used cars to new ones due to low purchasing power, the dealers of new cars can breathe more freely as well: the 'black hole' is behind. **PAGE 9**

### Filling the streets

Registration of cars, change y-o-y



## Estonian project leads the race for Baltic LNG terminal

Balti Gaas, the Paldiski-based liquefied natural gas terminal project, claims to have advanced the most compared to the competitors at home and abroad. Still, the race to construct the first and most likely the only LNG terminal in the Baltic area is far from being over. **PAGE 3**

## Most important updated key figures in this issue

Inflation **PAGE 16**

Industrial production **PAGE 16**

Producer price index **PAGE 16**

Consumer price index **PAGE 16**

Retail trade **PAGE 16**

**SEE ALL KEY FIGURES PAGES 16-18**

## ALSO IN THIS ISSUE:

- ▶ Hipobaby launches production of novel cotton diapers **PAGE 2**
- ▶ Redgate Capital revises strategy: bye Russia, welcome Estonia **PAGE 4**
- ▶ Danish LWF sets up an Estonian unit to collect light bulbs **PAGE 12**
- ▶ Tallinna Vesi asks for the EC help in water tariffs dispute **PAGE 13**

## EVENTS **PAGE 15**

- ▶ DECC's Seminar
- ▶ AHK's Workshop, Seminar
- ▶ ERPP's Visit to St. Petersburg
- ▶ BECC's Burns Supper
- ▶ HBC's Happy Hour

## MANUFACTURING

### INDUSTRIAL PRODUCTION Emerging domestic demand boosts output further

Similarly to the growth figures of earlier months, the increase of Estonia's industrial production by 35.1% year-on-year in November was mostly due to booming exports. The domestic demand, however, which has been declining or stalled for the whole year of 2010, showed a decent increase in November as well.

The manufacturing production rose by 36.1% y-o-y in November. According to the statistical office Eesti Statistika, the sector exports over two-thirds of its output. The yearly increase in production to the foreign markets reached 62% in November. At the same time, the production to the domestic market rose by 22%; the first increase worth of noting in domestic demand for manufactured products for three years.

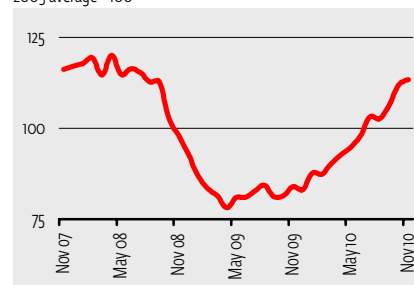
The output of the manufacturing industry has increased from the last spring, and in especially rapid manner since summer. The main fueler of the growth has been the high demand in the main export markets of Estonia, while the electronics manufacturing has proved to be a true engine of the recovery.

The electronics industry added 226% of production in yearly comparison, workday adjusted, while wood and metal processing industries grew by 22.5% and 16.2%, respectively.

Of branches with a lesser share in total output, the production of machinery rose by 68.3% and that of chemicals by 44.7%. The smallest increase in November was posted by the food industry, mainly oriented to the domestic market – 4.6% y-o-y.

### Industry: strong growth continues

Production volume, seasonally & workday adjusted;  
2005 average = 100



Source: Eesti Statistika

The production of energy sector grew by 42.3% y-o-y in November, workday adjusted. The main factors for the growth were the increasing export as well as much cooler weather than in the same month a year ago.

In monthly comparison, the total industrial output increased by 1.2%, seasonally and workday adjusted, while that of manufacturing sector only rose by 1.7%.

### CHILD CARE PRODUCTS

#### Hipobaby launches re-usable diapers production

Hipobaby, the Estonian distributor of goods for newborns, launched

production of re-usable nature-friendly diapers, called Hipsik.

The novel diapers, designed by Eero Tölpt, are bio-degradable and machine-washable, are made of cotton and feature user-friendly velcro fixings. While more expensive than ordinary throwaway diapers, their developers assure that in the longer run, using Hipsik diapers will be also more economical solution.

"We produce in Estonia, in our facility in Tallinn as well as try to use domestic raw material as much as possible. The closure of Kreeholm made the latter harder, though," says Avo Tölpt, CEO of Hipobaby and father of Hipsik's designer Eero, to news2biz.

The serial production of Hipsik was launched in the 2nd half of 2010. "We launched quite carefully, not investing too much. Still, I cannot complain about the sales so far – it sells very well for a niche product," says Avo Tölpt.

Hipsik is distributed in all three Baltic states via the Estonian MotherCare and the Finnish Tamro medicals and childcare wholesalers. According to Tölpt, the next markets for Hipsik will be those of Scandinavian countries.

"The plan is to use Tamro and MotherCare there as well. We decided to use professionals rather than start to build our own marketing and distribution organisation," he says.

"Protection of Hipsik's rights has been quite a long and expensive process as well. Soon we are about

to receive a pan-European patent to the design," he adds.



**Hipsik's product line consists of regular diapers and trouser-like pants for both potty-training and sunbathing.**

Photo: Hipobaby

The sales of Hipsik account for 20% of Hipobaby's EUR 0.2m turnover. The majority of Hipobaby's turnover originates from assembling the so-called "mother packages", the packages that are given to mothers of newborn children by the local government and that include necessary supplies for starting to take care of the baby.

Hipobaby has currently such a contract with the Tallinn city government, but as the contract period is ending, new procurement bid has been announced. "We have also made an offer, as the turnover originating from this business is still quite essential for us," says Tölpt.

In 2011, the company plans to turn over EUR 0.2m as in the previous year, but become profitable.

"Should Hipsik prove to be more popular than expected, we have several options available: to find a sub-contractor, or to increase our own facility," says Tölpt.

We have talked to

Avo Tölpt avo@hipobaby.ee

Tel +372 605 1230 (switchboard)

## IN BRIEF

### Brave Capital invests in notepads producer

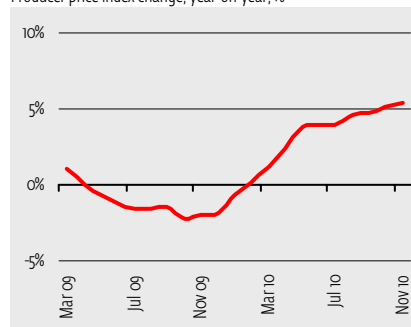
**Brave Capital**, the Estonian-steered investment vehicle of Finnish businessmen (see no 302 page 4), acquired one-third of **KP Factory**, notepads and workbooks producer situated in Kohila, 30 km south of Tallinn. The paper mill of Kohila was abandoned by the Dutch stationery producer **Atlanta Office Products** in the beginning of 2009 (see no 268 page 2), but re-started by the Estonian stationery distributor **Charlot** (see no 302 page 7). Kuno Pindmaa, the Estonian businessman owning Charlot and the remaining two-thirds of KP Factory, has told to news2biz that he wants to invest in the plant in order to multiply its production volume.

### Producer prices increase by 5.4% y-o-y in November

The producer prices index rose by 5.4% year-on-year in November, mostly influenced by price rise in the metal processing industry, reveals the statistical office Eesti Statistika. The index grew by 0.4% compared to October; the main factor contributing to the monthly increase appeared to be the price increase in food production.

### PPI growth remains above 5%

Producer price index change, year-on-year, %



Source: Eesti Statistika

## FINANCE

### STOCK MARKET

#### Excellent year for investors: OMXT adds 72.6% in 2010

The **NASDAQ OMX Tallinn** stock exchange provided the investors one of the best performances world-wide in the last year with the bourse indice **OMXT** rising by 72.6% y-o-y. The adoption of the euro added more fuel to the fire – in the first trading week of 2011, **OMXT** increased by 9.6%.

Even with modestly diversified portfolio, investors had only minimal chances to bet in a completely wrong manner in the Tallinn stock exchange last year.

Of sixteen listed shares, only two failed to add value – those of the building company **Nordecon** (ticker: **NCN1T**) and the utility service **Tallinna Vesi** (**TVEAT**).

### Merko-Nordecon 1:0

Nordecon's share fell obviously victim of the company's failure in securing large-scale infrastructure construction orders: the procurement bid of building the Aruvalla-Kose patch of the Tallinn-Tartu road that Nordecon won was declared void in autumn (see no 304 page 13), while the company also struggles in completing of the Liiapeksi-Loobu patch of the Tallinn-Narva road (see no 306 page 12).

Also, Nordecon's order book as well as turnover and profitability lag behind of those of the competitor **Merko Ehitus** (**MRK1T**). Merko turned over EUR 126m in the first nine month of 2010, having a EUR 170m strong order portfolio by September, and earning a profit of EUR 0.29 per share. At the same time, Nordecon's turnover reached EUR 75m with the orders portfolio amounting to EUR 89m – but posting a loss of EUR 0.19 per share.

The market valued both construction enterprises accordingly: the share of Merko added 86.8% in 2010 rising up to EUR 9.32, while that of Nordecon declined by 13.5% to EUR 1.315.

### TV declines, Premia stays still

The other loser of market cap – Tallinna Vesi, the water and sewage services provider within the borders of the country's capital – had completely different problems, though. The company is highly efficient, profitable and in monopoly position

in Tallinn, gushing continuous flow of dividends each year. However, after the parliament Riigikogu adopted the monopoly control law last summer, the money fountain is on the verge of drying (see page 13); and that is also the main reason for the share to drop by 22.1% last year.

### NASDAQ OMX Tallinn in 2010

NASDAQ OMX Tallinn prices in closing on 30 December 2009 and 30 December 2010, change in %

Ticker	2009	2010	Change
<b>ARC1T</b>	3.00	5.470	82.3%
<b>BLT1T</b>	0.65	1.134	74.5%
<b>EEG1T</b>	0.97	1.529	57.6%
<b>HAE1T</b>	1.99	3.100	55.8%
<b>MRK1T</b>	4.99	9.320	86.8%
<b>NCN1T</b>	1.52	1.315	-13.5%
<b>OEG1T</b>	0.72	1.452	101.7%
<b>PRF1T</b>	0.93	0.943	1.4%
<b>SFGAT</b>	0.77	2.687	249.0%
<b>TAL1T</b>	0.37	0.790	113.5%
<b>TKM1T</b>	3.85	6.290	63.4%
<b>TPD1T</b>	0.44	0.491	11.6%
<b>TVEAT</b>	10.00	7.790	-22.1%
<b>VSN1T</b>	0.72	1.398	94.2%
<b>JRV1T</b>	0.32	0.360	12.5%
<b>OMXT</b>	404.58	698.38	72.6%

Source: NASDAQ OMX

Of listed companies, the newcomer in the bourse, the frozen food producer and supplier **Premia Foods** (**PRF1T**), added only 1.4% to its value in 2010 since first listing in May (see no 294 page 2). The telecom **Eesti Telefon**, delisted by **Telia-Sonera** in the beginning of the year (see no 287 page 9), may be also considered as a non-performer, as its

share price stayed close to the EUR 5.94 level of TeliaSonera's takeover offer in the remaining few weeks of trading. The same goes for **Norma**, which was delisted by **Autoliv** in June (see no 298 page 3).

### Even "stalled" firms rise

All other listed entities, even the ones not engaged in serious business operations – **Järvevana** (JRV1T), the "land swap court case file" of Merko (see no 254 page 6), and **Trigon Property Development** (TPD1T), the company with one undeveloped real estate plot in its books – increased their value in 2010.

The share of the women's apparel producer and retailer **Silvano Fashion Group** (SFG1T) gained the most in 2010. The company posted excellent sales figures for the three first quarters of the last year, boosting the share price by 249%.

The casino operator **Olympic Entertainment Group** (OEG1T) and the furniture producer **Viisnurk** (VSN1T) both doubled their share value, while the share of the property developer **Arco Vara** (ARC1T), going through a 20:1 reverse split in spring (see no 288 page 6), rose by 82.3%.

### Turnover, market cap drop

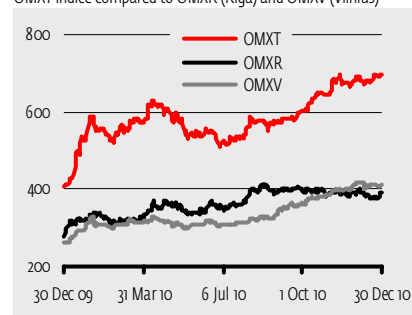
According to NASDAQ OMX Tallinn, 101,300 securities transactions were completed on the stock exchange in 2010 – the second highest result of the last decade. At the same time, the turnover of the bourse reached

EUR 243m, being one of the lowest in history.

Both results were indefinitely influenced by the departure of Eesti Telekom and Norma. Along with this departure, most of Swedish investors departed the bourse as well: while in the end of 2009 the share of the Swedes reached 47.8% in the bourse, the percentage had declined to 5.6% by the end of the year. The vacuum left by the Swedes was filled by the locals: the share of Estonian investors doubled to the total of 63% in 2010.

### OMXT: best performer in Baltics in 2010

OMXT indice compared to OMXR (Riga) and OMXV (Vilnius)



Source: NASDAQ OMX

The total market cap of the listed companies amounted to EUR 1.7bn on 30 December, the last trading day of the previous year. The departure of Eesti Telekom and Norma left a hole in the total market cap as well, a hole which was not mended by the arrival of Premia and the 73% rise of the index. Thus, the total market cap of the Tallinn stock exchange dropped by 9% last year.

In recent years, the trend has been that every year more companies leave the bourse than enter it. The year 2010 was no exception to that rule, and seemingly, neither will be the year 2011.

While several companies have been showing interest towards becoming listed – for instance, the road construction company **TREV-2** (see no 299 page 6) and the IT firm **Webmedia** () – their initial public offering will unlikely happen in the current year.

### INVESTING

#### Redgate revises strategy; invests in companies, r/e

The Estonian investment firm **Redgate Capital** has revised its strategy: instead of launching investment funds and operating in Russia, the company has started to acquire domestic enterprises and plans to enter the real estate development business.

When three former top bankers – Mart Allvee (ex-**SEB**), Veikko Maripuu (ex-**Evli Securities**), and Aare Tammemäe (ex-**Nordea**) – set up Redgate Capital in the beginning of 2009 (see no 267 page 4), the company's focus was set on Russia and Ukraine, where the partners hoped to capitalize their experience and knowledge as financial advisors and asset managers. In addition, two Russia and Ukraine-oriented funds were planned to launch in 2009.

"We realised quite soon that we need to revise the original strategy,"

admits Veikko Maripuu, partner at Redgate Capital, to news2biz. "Instead of Russia we concentrated our operations in our own region – Estonia and other Baltic countries."

According to Maripuu, the plan to launch equity funds is shelved at the moment. "We revise our long-term strategy every year and the short-term one in every three months," he says. "In 2009, we were mostly engaged in financial advisory services; in 2010, the focus moved to alternative investments: enterprises and property development."

#### First buys: printer, quarry

In autumn 2010, Redgate Capital acquired two enterprises: the gravel quarry **Põltsamaa Graniit** in mid-Estonia and the Tartu-based printer **Ecoprint**. **Ecoprint**, which had only completed the construction of the EUR 1.1m eco-friendly printing house in June 2008 (see no 256 page 8), has a yearly turnover of EUR 1.9m. **Põltsamaa Graniit** turned over EUR 1.6m in 2009.

"We have had 20 times that many enterprises going through our investment pipeline," says Maripuu. "We are careful in picking the investment targets." According to him, the third deal is nearing its closure, while two acquisitions are currently under consideration.

Redgate invests their owners money as well as that of investors. "We have not opened up our investment services to the wide circle of investors yet, and for now, we in-

clude only institutional investors who we know previously," explains Maripuu. "Still, we plan to rope in more investors in 2011."

In addition to the former bankers' trio, Redgate Capital's owners' circle includes **Ambient Sound Investments**, the investment vehicle of the former **Skype** engineers as well as the holdings of the Estonian businessmen Indrek Prants, Armin Kõomägi and Sven Mansberg. The latter trio founded the discount retail store chain **Säästumarket** (which now belongs to the Swedish **ICA**) and the DIY-chain **Ehitus Service** (now **Bauhof** and majority owned by the Swedish **Askembla**).

### Housings in central Tallinn

Redgate Capital is also claiming its share of the recovering real estate development market. "We started a programme of constructing residential housing in the middle of Tallinn," says Maripuu. "Our idea is to build smaller, more intimate houses with 8-20 apartments next to the city center as well as in highly-valued districts of Kadriorg and Nõmme."

According to Maripuu, the first development project is already in the end-stage of planning, with the construction activities expected to launch this year. "Redgate's real estate management arm **Redgate Property Advisors** will act as a developer; they possess both people as well as know-how needed," he says.



**While not yet officially revealed by the developer, an undeveloped plot Poska 13 in the highly-valued district of Kadriorg is most probably Redgate Capital's first housing project, according to the sources of news2biz.** Photo: Andras Kralla, Äripäev

"Initially, we have agreed a three-year period with our investors – thus, we have to proceed relatively quickly," he adds.

We have talked to

Veikko Maripuu [veikko.maripuu@redgatecapital.eu](mailto:veikko.maripuu@redgatecapital.eu)

Tel +372 666 8202 (switchboard)

## FOOD & AGRICULTURE

### FARMING

#### Agricultural activities concentrate in large farms

The agricultural activities in Estonia are concentrating more and more into large holdings, according to the preliminary data extracted from the agricultural census conducted in the end of 2010 by the statistical office Eesti Statistika.

According to Eesti Statistika, the number of agricultural holdings has

decreased by almost threefold in comparison to the previous agricultural census in 2001. In 2010, there were 19,700 agricultural holdings in Estonia, which had at their disposal at least one hectare of agricultural land or produced agricultural products mainly for sale – compared to 55,700 in 2001. Thus, in nine years, 36,000 holdings have abandoned agricultural activities or their agricultural land usage has dropped below one hectare.

The decrease in the number of agricultural holdings has occurred mostly on account of smaller holdings using less than 10 hectares of arable land. The medium segment (holdings with land usage of between 10 and 100 hectares) has decreased as well. At the same time the number of holdings using above 100 hectares of arable land, has almost doubled.

While the number of farms is decreasing, the total area of land used for agricultural activities increases – by 8% in 2010 compared to 2001. According to the census, nearly 938,800 hectares of agricultural land is utilised in Estonia.

While the growth can be partly explained by the change in methodology – since 2007, maintained permanent grassland is considered to be agricultural land as well – the arable land area has increased also at the cost of fallow land newly taken in use.

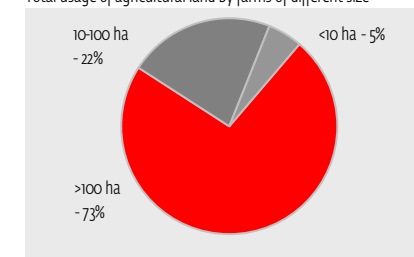
Concluded from the above, the agricultural area has concentrated at the disposal of large farms. Accord-

ing to the census of 2010, the segment of larger holdings (above 100 hectares) use almost three-quarters of agricultural land.

Similar trend is spotted by Eesti Statistika in farms dealing with livestock: over three-quarters of the total cattle are held in herds with more than 100 bovine animals.

### Concentration in progress

Total usage of agricultural land by farms of different size



Source: Eesti Statistika

While the final results of the recent census are yet to appear, and the data from similar censuses in other member countries of the EU is not yet published, the development of Estonia's agricultural sector cannot put in the proper context.

Still, when comparing Estonia's preliminary results from the census of 2010 with the data available for other countries from 2007, several observations can be made.

The average size of Estonian agricultural holding has increased within nine years from 16 to 48 hectares, four times larger than the EU average (13 ha in 2007). In terms of the average size of agricultural holding, Estonia stands in the same

league with Germany, France and the UK, behind the Czech Republic and Denmark.

In the EU in average, the holdings having above 100 hectares had at their disposal 47% of the agricultural land, while in Estonia the respective share accounts for 73%. The concentration of agricultural land into large farms is bigger only in Slovakia, Czech Republic and Bulgaria. Also by the concentration of cattle breeding in hands of large-scale farmers, Estonia is one of the leaders in the EU.

The process of concentration of agricultural activities into larger holdings is characteristic for the EU in whole. However, in Estonia, the process has been several times faster than in the EU on average.

#### FARMING MACHINERY

### Linus Agro starts agri machinery trade in Estonia

Lithuanian **Linus Agro Group**, the farming and farming supply, agricultural commodity trading company that less than a year ago debuted in the Vilnius stock exchange (see news2biz LITHUANIA no 290 page 6), has established presence in Estonia where it will start with farming machinery trade.

So far Linus Agro has covered Estonia rather episodically and only through sale of certified seeds via local partners.

In the new market, Linus Agro will be represented by a local subsidiary of Lithuanian **Dotnuvos** pro-

**jektai** that is 50/50 owned by its management and Linus Agro. Last year Dotnuvos also set up a machinery sales operation in Latvia.

#### Best time for expansion

"Conditions for the Baltic expansion of Dotnuvos' machinery sales business have been very good as the economic crisis has undermined the positions of local sales agents that represent Dotnuvos' brands," says Andrius Pranckevicius, deputy managing director of Linus Agro Group, to news2biz.

"After intensive talks with the machinery brand owners, Dotnuvos has been granted a licence for pan-Baltic representation."

Dotnuvos represents such brands as US **Case IH**, Norwegian **Kverneland Group**, and Danish **Cimbria**. Previously, Case IH was represented in Estonia by a local agri machinery dealership called **Uhtna Talutehnika**. However, the company went bust in 2009 when **Swedbank** declined to extend its credit line.

In Estonia Dotnuvos is now buying 2,500 sq.m of warehousing and office area near Tartu. Later the firm will invest into a network of semi-mobile sales and service units.

"It will not be a capital intensive expansion as skilled staff is here the main asset," Pranckevicius explains. "Both in Latvia and Estonia we have employed staff from the local firms that used to represent the machinery brands, so we already have a good base to start from. We also consid-

ered buying existing players but eventually decided to start on our own in order not to be burdened by potentially bad balance sheets of prospective targets."

Tartu, Estonia's second largest city 185 km southeast of Tallinn, has been selected due to its good logistics connections but also because of its advantage of hosting Estonia's life sciences university.



**Linus Agro's subsidiary Dotnuvos projektai starts to represent Case IH tractors in Estonia.** Photo: Case IH

In Latvia, where Dotnuvos has been for less than a year, the firm has managed to beat its own sales target by 50%, reaching EUR 3.3m.

"In agriculture, various indicators show that Lithuania is as big a market as Latvia and Estonia together. But when it comes to machinery, the two other countries are bigger," Pranckevicius comments. "Otherwise, the three markets are rather similar in terms of competition level and Western machinery brand penetration."

#### Good growth in agri inputs

Based in central Lithuania, Dotnuvos projektai is staffed by 190 employees and runs a chain of five trade and service centres throughout the country (it will grow to six in March). In 2009, the firm turned over EUR 28m, in January-November 2010 the figure went up to EUR 30m. The company annually sells around 11,000 tonnes of seeds and 700 units of farming machinery. Additionally, it installs some 30 silos of various sizes.

During its last 2009/2010 financial year Linus Agro Group suffered a 25% decrease in turnover to EUR 184m due to low grains and milk purchasing prices, while gross profit dropped by a more modest 7% to EUR 17m.

Seeds and farming machinery sales, as well as that of fertilisers and plant protection products, fall under agricultural inputs, one of Linus Agro's four main business lines. Last financial year agricultural inputs were the group's only successful activity and reported an almost three-fold growth to EUR 21m, or from 3% to 12% of the group's total turnover.

#### We have talked to

Andrius Pranckevicius a.pranckevicius@linusagro.lt

Tel +370 6877 1419 (mobile)

## PROPERTY & CONSTRUCTION

### ENGINEERING

#### Estonian K&H ready to step into Lithuanian market

Estonian **K&H**, a 20-year-old construction firm specialising in engineering and environmental facilities, will try to seek its first contracts in Lithuania.

"Our Lithuanian strategy is to participate in tenders with local partners and to begin entering the market in small steps," says Ilmar Kokk, CEO of K&H, to news2biz.

"Another important point is that I am sure that we can only be successful in a new market if we are able to offer some new added value to services that are already available in Lithuania. We did it 6-7 years ago when the company started up in Latvia," he says, adding that he would not reveal the ingredients of the firm's recipe for success for competition considerations.

K&H's first attempt to gain a foothold in Lithuania is likely to be unsuccessful as the Estonian firm is not willing to dump prices. "With a local partner we are participating in a tender. The official results are not yet out but our duo is likely to finish at the bottom of the contenders list," Kokk comments.

Ilmar Kokk explains that with ample work available at home the firm has not been in a rush to expand to the southernmost Baltic

market. "For us, expanding to more distant foreign markets makes sense only when there is no activity at home. That has not been the case in Estonia and Latvia. One last straw that has encouraged us to try Lithuania is the availability of financial support from the Estonian government that Estonian firms may receive when entering a foreign market."

Are Lithuanian acquisitions on the agenda for K&H? "We do have information that there are available targets but it is too early to discuss these," Kokk comments.



**Although Estonian K&H is not rushing to enter Lithuania, its track record features some of the biggest water sector projects in the Baltics, such as the EUR 39m Daugavpils project in Latvia.** Picture: K&H

K&H was set up in 1991. Today it employs around 160 of staff in Estonia (including two 50% and 100% owned subsidiaries) and Latvia (70% stake in local **Vides Projekts**). In 2009, the group turned over EUR 20m. One of the group's major com-

pleted contracts was a EUR 39m municipal water supply and sewage treatment system upgrade and expansion in Latvia's second biggest city Daugavpils in 2006-2009.

We have talked to

Ilmar Kokk [ilmar.kokk@askh.ee](mailto:ilmar.kokk@askh.ee)

Tel +372 730 8100 (switchboard)

### CONSTRUCTION

#### Merko working on new housing projects in Vilnius

**Merko statyba**, the Lithuanian subsidiary of the Tallinn-listed **Merko Ehitus** construction company prepares for new projects in the Lithuanian housing market that is showing clear stabilisation signs. Last October the company set up a new daughter firm that has now been renamed into **Merko bustas** (Merko housing).

In 2011 Merko bustas plans to start on three new projects in Vilnius. "We own two land plots in Vilnius' new residential areas where we plan to construct a total of around 220 flats in the economy and what I call economy plus price segments. Additionally, we plan to purchase on the market another project for 200 units. In all three cases detailed plans should be in place this spring, then construction will take another 2-3 years," says Gediminas Tursa, CEO of Merko statyba, to news2biz.

Today Merko statyba has no unsold flats in the multi-unit projects that it completed when the housing price bubble burst at the end of 2008.

Similarly, Merko plans to establish a separate unit for engineering construction. "Here we are ready to acquire an existing firm with experienced staff, or, if there are no acquisition targets that fit our needs, we will start from scratch with our own smaller team," Tursa explains.

In engineering construction, the company now works on a couple of water treatment projects in Siauliai and is also participating in the construction of a new major CHP unit at the Elektrenai gas-powered plant.

Merko's expectations for commercial construction and development are much lower. "There are a couple of office construction tenders upcoming in Vilnius in which we will participate, but we have no plans for shopping centres," Tursa says.

Earlier Merko statyba built major shopping centres in Vilnius (**Panorama**) and Siauliai (**Saules miestai**).

During January-September 2010 Lithuanian operations contributed a mere 2.4% to Merko's consolidated turnover of EUR 126m. According to the group's mid-term strategy, by 2015 Lithuania's share in the group's sales should reach 25%.

We have talked to

Gediminas Tursa [gediminas.tursa@merko.lt](mailto:gediminas.tursa@merko.lt)

Tel +370 5210 5330 (switchboard)

## RETAIL & SERVICE

### RETAIL TRADE

#### Sales of manufactured goods recover

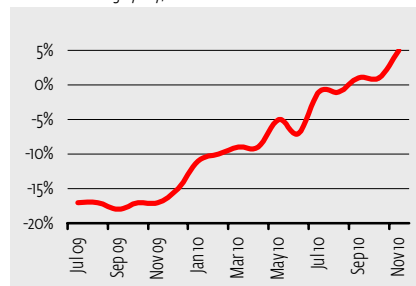
The retail sales of retail trade enterprises increased by 5% y-o-y in November, mostly influenced by the 14% rise in sales of stores trading manufactured goods, according to the statistical office Eesti Statistika.

The sales increased in annual comparison in almost all branches of retail trade. The stores selling toys, computers, books and recreational goods added 30% of sales compared to the same month previous year, while those trading in textiles, clothes and footwear added 25%. The stores selling hardware, domestic appliances and building materials increased their sales by 15% in a yearly comparison.

The sales of foodstuff, heavily influenced by the price rise, rose by a mere 1% y-o-y in November.

#### Retail trade: back in growth track

Retail sales change y-o-y, %



Source: Eesti Statistika

The total retail sales of retail trade enterprises amounted to EUR 293m in constant prices in November, rising by 1% compared to October, workday and seasonally adjusted.

## IT & MEDIA

### VEHICLE TRACKING

#### Oskando acquires Track24, plans to be no 1 in CEE

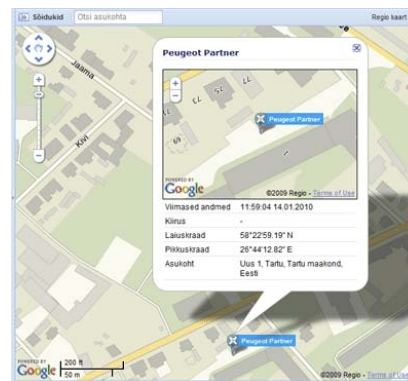
The Estonian vehicle tracking services provider **Oskando** added 40% of turnover and customers by acquiring 100% of shares of its domestic peer **Track24**. While already being present in eight countries, Oskando aims to become one of the market leaders in Scandinavia and Eastern Europe in the next few years.

The deal's value is not disclosed. Up until now, Oskando owned 20% of Track24, while the majority stake belonged to the founder of the company, Tauno Talv. Tauno Talv takes a seat in Oskando's board. The largest owners of Oskando are the investment companies of the former Skype engineers **Ambient Sound Investments** and **ASI Private Equity**.

According to Jaanus Truu, CEO of Oskando, the profiles of Oskando and Track24 are slightly different, thus complementing each other. "Track24 is experienced in the field of heavy machinery tracking – mining equipment, road machinery and heavy trucks, while Oskando's competence lies in tracking international

road carriers and large car parks," he says to news2biz.

The tracking devices and the software used to follow and operate the devices differ as well. "For now, both brands remain and both solutions continue to operate side-by-side, while we also continue supporting Track24's soft- and hardware. Some clients are accustomed to use Track24's terminal," says Truu. "However, our future development concentrates on only one solution that is more sophisticated – Oskando's solution called SeeMe."



**Big Brother is watching: Oskando's SeeMe allows following vehicles' travels in real time as well as keep the travel log.** Picture: Oskando

The turnover of Oskando reached EUR 0.8m and that of Track24 – EUR 0.5m in the last year. The joint database of objects tracked reaches 5,000.

"In the next few years, we aim to increase the number of objects we track up to 30,000," says Truu. "The

sales depend on how we manage to find motivated resellers, and how skilled they are. We might get even better results than expected."

So far, Oskando has launched sales in all three Baltic countries, Finland, Sweden, Bulgaria, Hungary, Slovakia and Poland. According to Jaanus Truu, Norway and the Czech Republic will be added to Oskando's geography this year.

"For the time being we do not plan going farther in order to cover the whole of Europe with our service. Our aim is rather to be a leader in the market consisting of the Baltic and Scandinavian countries as well as in major eastern members of the EU," explains Truu.

Oskando's CEO did not rule out the possibility of the company acquiring another peer in the future, but said that Oskando's focus in the next months will be set on completing the current acquisition. "Organising things after the deal keeps us busy for some time: the databases have to be merged, the accounts put in order, etc. Eventually, we also expect to achieve better efficacy via the merger."

In addition to distributing and operating the vehicle tracking system, Oskando also produces electronic gate keepers for parking lots as well as remote control modules for Webasto car heaters.

We have talked to

Jaanus Truu jaanus.truu@oskando.ee

Tel +372 682 9500 (switchboard)

## TRANSPORT & LOGISTICS

### VEHICLES

#### Recession is over, car sales recover

The worst days for car dealerships seem to be finally over, as the data published by the road administration Maanteeamet shows for the last six months an increasing number of registered vehicles, both new and pre-owned ones. Still, the volume of registration of vehicles is far from that of the boom years.

#### Street fleet increases

Motocycles and cars in the Estonian registry: number on 31 December 2010, change y-o-y

► Motorcycles	19,671	5,6%
► Cars	552,684	1,3%
► ... private	412,349	3,6%
► Trucks	81,204	0,1%
► ... private	26,107	2,8%
► Buses	4,167	1,2%
► ... private	579	0,9%
► Total	638,055	1,1%

Source: the road administration Maanteeamet

The total car fleet in Estonia expanded by 1.1% in 2010, after the year of contraction in 2009 (see no 287 page 10). The number of personal cars increased by 1.3% in the last year, while the number of buses and trucks rose by 1.2% and 0.1%, respectively.

The increase in privately-owned cars exceeded that of enterprise-owned ones in 2010, and quite interestingly, the same trend can also be spotted in the trucks category.

#### 15% rise expected in 2011

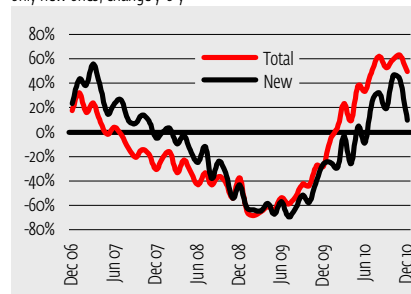
In the beginning of the recession, the registration volume of new cars still continued to grow in a yearly comparison for few months after that of pre-owned cars had already started to drop. In 2010, the situation was diametrically opposite: the number of new cars entering the registry started to grow in July, while the volume of newly-registered pre-owned cars had been increasing already since February.

"The main reason for pre-owned cars selling better at the moment than new ones is the low purchasing power of customers," says Jaak Uudla, chairman of AMTEL, the union of car dealerships, to news2biz.

"Nevertheless, the situation has improved much compared to the previous year – the monthly sales already exceeded 1,000 cars, while in the beginning of 2009, only couple of hundred of new cars were sold," says Uudla.

#### New cars registration lags behind

Monthly first-time registration of cars (pre-owned and new) and only new ones, change y-o-y



Source: the road administration Maanteeamet

The data of Maanteeamet shows the car's registration date, telling only a part of the story: it is not clear whether the car was imported by a dealer or an end-user, or how much it stood on the dealership's parking lot after the registration before being sold to the end-user. Therefore, the number of registrations in every month does not equal the number of cars sold to the end-users. Still, Maanteeamet's statistics gives a general overview of the volume of cars entering the parking lots of dealerships.

AMTEL gathers the monthly sales data from its member enterprises. Although this data is also not comprehensive, it does show the similar trend: the trade in new cars started to enliven in July 2010, when the sales of new cars grew by 19% y-o-y, increasing for the first time since December 2007.

According to Uudla, the car dealers expect an annual rise of 15% in sales in average for the current year. "The 'black hole' is behind and the economy is improving."

#### Toyota 1st, Škoda comes 2nd

In November, 956 new cars were registered (Maanteeamet) and 854 sold (AMTEL) in Estonia, a yearly increase of 42% and 97%, respectively. The recovery is impressive; still, the levels of 2006-2007 when 2500-3500 new cars were registered and sold every month, are yet far away.

Of makes, **Toyota**, the sales of which withstood firmly the recession, continues to be the favourite brand of Estonians also in the economic recovery.

The no 2 in the last year, **Renault**, has handed its position over to the Czech make **Škoda**, according to the registration data of Maanteeamet. The other East-European brand, the Romanian **Dacia** has also managed to win the hearts of the recession-worn Estonians, boosting its registration figures, and accordingly also sales, by 291% in 2010.

#### TOP 20 of registered new cars in 2010

Make	2010	2009	Change
<b>Toyota</b>	1,291	1,288	0%
<b>Škoda</b>	1,042	666	56%
<b>Renault</b>	904	1255	-28%
<b>Honda</b>	663	665	0%
<b>Ford</b>	542	385	41%
<b>Subaru</b>	496	271	83%
<b>Volkswagen</b>	492	716	-31%
<b>Citroën</b>	459	490	-6%
<b>Peugeot</b>	421	515	-18%
<b>Nissan</b>	338	289	17%
<b>Dacia</b>	309	79	291%
<b>Opel</b>	295	207	43%
<b>Hyundai</b>	290	676	-57%
<b>Mazda</b>	272	533	-49%
<b>Mitsubishi</b>	213	186	15%
<b>Volvo</b>	204	159	28%
<b>Kia</b>	200	192	4%
<b>MB</b>	191	215	-11%
<b>Audi</b>	143	204	-30%
<b>BMW</b>	117	147	-20%
<b>Others</b>	576	807	-29%
<b>Total</b>	9,458	9,945	-5%

Source: the road administration Maanteeamet

According to Janek Aavik, CEO of the Estonian Škoda dealership **Auto 100**, the main reason for Škoda's success is simple: it is a good car.

"Škoda has an excellent price-to-quality ratio, which is of high importance for consumers, and even more in the period of economical instability," he says to news2biz. "In addition, we did not abandon our marketing plans due to the recession, meaning that we succeeded in being one of the most active brands in the market."



**Škoda Octavia, the most popular new car in Estonia in 2010.** Photo: Škoda

Two-thirds of sales of Auto100 are Škodas that are assembled according to customers' orders, while the remaining third consists of cars already available at dealership. This ratio did not change significantly due to the recession, Aavik says. "I would rather say that the customers were more modest in their demands, and hence the average price of a car decreased."

"Still, as the stock cars are more tailored to suit the needs of an average customer, the share of personalised cars in total sales is declining," he adds.

The recession did not change the corporate and private buyers ratio. "There was an increasing number of those, though, who postponed the purchase decision in order to gain more secure position at work," notes Aavik.

"The sales declined also due to conservative attitude of the leasing companies. Hence, we cannot say that the car market in 2009 and partly also in 2010 could be called a normal, functioning market."

Auto 100 sold 1,095 cars in 2010, increasing its market share up to 12.4%.

"We estimate the whole market to rise up until 12,000 new cars," notes Aavik. "Our goal for the current year is to keep our market share – that is, we plan to sell about 1,400 Škodas."

"The banks are restoring their activity on the leasing market, and the demand is clearly growing, therefore we believe that in addition to new customers also those will buy a new car who have delayed their purchase for some reason," he says.

### Less show-off than ever

In terms of exclusive car brands, the year 2010 was the dullest of the decade; or in another words, it seems the Estonians have the small-

est amount of spare money available for show-off.

In 2009, in the middle of the recession, a **Maybach**, a **Bentley**, a **Koenigsegg** and a **Lamborghini** were added to the Estonian registry in addition to two **Lotuses** and two **Aston Martins**. A total of eight exclusive cars compared to seven in 2010: three **Ferraris**, three **Aston Martins** and one **Lotus**.

Similarly, the whole segment of expensive-than-average cars continued to contract in 2010. The registration volume of makes such as **Jaguar**, **Porsche**, **Infiniti** and **Range Rover** declined along with that of the more popular premium brands **Mercedes-Benz** and **Lexus**.

Škoda dealership Auto 100 sells **Lotuses** and **Lamborghinis** as well and helped the lucky customers to purchase all four sports cars of those British and Italian makes that were registered in the last two years.

"Similar signs of growth are notable in the segment of luxury and sports cars as in that of regular cars," says Janek Aavik. "However, the sales in luxury cars started to decline later than the rest of the car market, hence also a later recovery is anticipated."

Auto 100 expects to sell at least two **Lotuses** and two **Lamborghinis** in 2011.

We have talked to

Jaak Uudla [amtel@uninet.ee](mailto:amtel@uninet.ee)

Tel +372 672 2306 (switchboard)

Janek Aavik [janek.aavik@auto100.ee](mailto:janek.aavik@auto100.ee)

Tel +372 680 8280 (switchboard)

### PATROL CRAFT

## Kustbevakningen contract grows to SEK 200m

Estonia's largest yard for professional small vessels, **Baltic Work Boats** in Nasva on the island of Saaremaa, is expecting to deliver the first of its 2009 order of patrol craft for the Swedish coast guard **Kustbevakningen** in late 2011.

"Baltic Work Boats won the order in mid-2009 and then we had to design the vessels and agree on specifications and details. The plan now is that the first of the vessels should be delivered in November 2011 and the last of the five vessels in March-April 2013," says Åke Dagnevik, head of newbuildings at Kustbevakningen, to news2biz. He has no military rank or title as in Sweden the coast guard is civilian authority under the auspices of the Ministry of Defence.

Originally the order for Baltic Work Boats was for six vessels and the budget was SEK 150m. Now, according to the coast guard, the budget has grown to SEK 200m, while only five craft will be supplied. At the same time the vessels are a bit larger, 24.6 m long and 5.68 m wide, and a bit faster, with a top speed of 32 knots, than originally planned.

The Swedish Coast Guard is used to having its vessels built outside Sweden. Recently, the Dutch-owned Romanian yard **Damen Galati** on the Danube supplied three larger vessels, so-called combination vessels to Kustbevakningen. When news2biz

spoke to Åke Dagnevik, he was in Wolgast on Germany's Baltic coast (which, however, was Swedish in 1648-1814) where the Swedish Coast Guard has ordered four combination vessels from **P+S Werften**.

We have talked to:

Åke Dagnevik ake.dagnevik@kustbevakningen.se

Tel +46 45 535 3400 (switchboard)

## ENERGY & ENVIRONMENT

### NATURAL GAS

#### Balti Gaas leads LNG terminal race

The race to supply liquefied natural gas (LNG) to the Baltic and Finnish market is on, with entrepreneurs in all four countries developing their own terminal projects. However, from the viewpoint of economic viability, only one terminal for the market with a total consumption of 9.2m cb.m (2009) pays off; and the Estonian company **Balti Gaas** claims to have a firm lead in the race.

"The region will not support several large terminals, and the question is, who launches its terminal first," says Urmo Männi, chairman of Balti Gaas, to news2biz.

"We have a 1.5-year lead to our competitors," adds Männi. According to him, the development of Balti Gaas terminal in the town of Paldiski, North-western corner of Estonia, has advanced so far that the company expects to receive a con-

struction permit this summer. The construction is approximated to take two years – thus, the terminal should be ready in 2013, while its competitors have named 2014 as an earliest date of launching operations.

Balti Gaas, owned by businessmen connected to the fuel retailer **Alexela**, evaluates the cost of the terminal to be about EUR 350m. In its initial stage, two 160,000 cb.m tanks will be built along with the gasifying station and a small power plant.

The project also includes a possibility of building a vessel refueling station. "LNG as a fuel for ships is a growing trend in the world, and by the time we have completed our terminal, there are several LNG-using vessels sailing the Baltic Sea as well," notes Männi.

"The average throughput of the Paldiski terminal is calculated to be about 2.4m cb.m a year, based on the potential consumption. However, the maximum yearly capacity will be 9m cb.m, close to the total consumption of the region," says Männi. "Nevertheless, we have a possibility to expand on the plot, doubling the capacity of the terminal."

#### With or without EU support

According to Balti Gaas' plan, the financiers and owners of the terminal would be the gas pipe network operators from all four countries. In that case, the project would be vi-

able for applying for a support from the EU, which could cover approximately one-third of its construction costs. Balti Gaas itself would be an operator of the terminal.

### LNG and the Baltics

► **LNG is basically a natural gas condensed into a liquid at close to atmospheric pressure. The reduction in volume makes it much more cost-efficient to transport LNG over long distances by specially designed cryogenic sea vessels (LNG carriers). In order to distribute LNG via ordinary natural gas pipeline, it has to be re-gasified. LNG terminal is in its essence a large cryogenic reservoir similar to a vacuum flask.**

► **Currently, all the natural gas used in Finland and Baltic states originates from Russia, and is delivered via pipelines by Gazprom. The only reasonable option in pursuit for breaking Gazprom's monopoly is a construction of an LNG terminal, as this allows importing gas as far as from Qatar, for instance.**

► **A total dependance from the Russian company, who is well-known for pricing the gas not according to the economical reasoning but rather to a political will, has made the construction of the LNG terminal a project of national importance, and also a security issue.**

► **The regional gas market is quite small, though: Finland consumed 4.3m cb.m of natural gas in 2009, Estonia 0.63m cb.m, Latvia 1.53m cb.m and Lithuania 2.73m cb.m.**

**Hence, just one or two LNG terminals fit to the market.**

► **Besides the project of Balti Gaas, four LNG terminal projects are under development in the region: Inkoo (Finland), Muuga (Estonia), Riga (Latvia) and Klaipeda (Lithuania). The terminals in Muuga and Klaipeda are expected to be ready in 2014, according to media sources; the construction timeline of others is not yet revealed.**

There are several weaknesses in that plan, though. Firstly, the EU will discuss possible financing of the union's energy infrastructure development called Second Strategic Energy Review (SER2), which includes the Baltic Energy Market Interconnection Plan (BEMIP), in February.

Apart from connecting power grids of the region, BEMIP also includes a project of developing the gas networks of different countries as well as constructing an LNG terminal. But the EU is yet to decide whether it will allocate cash to the implementation of SER2 at the moment, and in what amount.

Secondly, the gas distributors, who also possess the gas pipelines, might not want to join the LNG terminal project, as it may harm the interests of their shareholder **Gazprom**, who is currently the sole gas supplier for the region.

Finding other owners to the networks might help to overcome this obstacle – that is why Estonian and Lithuanian politicians started talking about re-privatizing those networks

this summer (see no 301 page 11, news2biz LITHUANIA no 296 page 14). These plans were recently shelved, though: Lithuania sought an advice from the EU (see news2biz LITHUANIA no 308 page 13), while the Estonian coalition avoids taking drastic steps before the general elections in March.

Therefore, the financing scheme may not be established by this summer when Balti Gaas wants to start construction of the terminal – or might not be established at all.

"We are prepared for this scenario to happen, and are determined to construct the terminal anyway, even a downsized one," says Urmo Männi. "We have an alternative financing scheme ready, involving injecting our own capital as well as including other investors and loans from the banks."

### Waiting for a sub-sea pipeline

What is essential for the terminal to be built in Paldiski, though, is the southern end of the Finnish-Estonian sub-sea pipeline called **Balticconnector** (see no 234 page 12). According to the initial plan, the EUR 115m pipeline will connect Inkoo in Finland with Paldiski, thus providing Balti Gaas an excellent opportunity to sell the re-liquefied gas in the Finnish market.

Balticconnector, a joint project of the Estonian and Finnish gas distributors **Eesti Gaas** and **Gasum**, is currently in an early stage of development. The companies expect to

launch the construction of the pipeline in 3-4 years, while also hoping that the project is eligible for the EU support.

Gazprom may also hamper the LNG terminal project. "Should they decide to sell natural gas to the market in lowered price, there will be no business for us," says Männi. "The higher the gas price is, the more appealing our project is for our investors."

Recently, Gazprom revealed that it is ready to lower the gas price for the Baltic market by 15%. The Russian natural gas giant already signed such a contract with Latvia (see news2biz LATVIA no 308 page 11).

"The best scenario for us would be if we could work hand-in-hand with the Incukalns gas reservoir in Latvia. We could fill their tanks when the LNG is attractively priced, and they could sell the gas when the consumption is high," says Männi.

### Little known of competitors

However, the Latvians have plans to build the terminal of their own near the capital Riga, and Latvia's Minister of Economy Artis Kampars has called other Balts to join this project. As long as the project remains in top of Riga's agenda, the cooperation of Balti Gaas and the Incukalns reservoir is doubtful.

Lithuanians, whose LNG terminal project in the port of Klaipeda is led by the state-owned Klaipedos Nafta oil terminal, have recently decided to proceed with the plan without

waiting for the EU help (see news2biz LITHUANIA no 301 page 13). According to media reports, the Lithuanian government expects the terminal to be ready by 2014.



**Red dots mark the five LNG terminals under development in Baltic states and Finland.** Picture: news2biz

There is a little known about the Finnish LNG terminal project except the fact that it is planned to be in Inkoo, next to the northern end of Balticconnector.

Similarly, it is hard to evaluate how far the second Estonian LNG terminal project in the port of Muuga, east of Tallinn, has developed as its developer, the former Ministry of Environment and the chairman of the state-owned lottery firm **Eesti Loto** Heiki Kranich declines to give comments related to the project. "I will comment if there will be something to comment," he says to news2biz.

We have talked to

Urmo Männi [urmo@baltigaas.eu](mailto:urmo@baltigaas.eu)

Tel +372 615 4079 (switchboard)

Heiki Kranich [heiki.kranich@eestiloto.ee](mailto:heiki.kranich@eestiloto.ee)

Tel +372 650 2030 (switchboard)

### RECYCLING

## Estonia gets own recycling company for dead bulbs

The Danish association of lamp importers **LWF** that took over the management of collection of quick-silver containing long-life bulbs in Latvia and Estonia in 2009, is founding a separate company in Estonia.

LWF had started collection in Denmark back in 2006 and was ready to use its experiences in the Baltics. From the beginning, the Latvian company **Ekogaisma** took care of operations both in Latvia and also in Estonia. But in 2010, it was decided to found one legal entity in each of the countries.

First stop was Lithuania, where the company **Ekosviesa** was founded with top players **Philips**, **General Electric**, and **Osram** as shareholders. Since then, the major German, now Indian-owned bulb manufacturer **Havells Sylvania** has joined the circle of owners.

"We are in the process of getting the Estonian company ready, too, and I hope that it will be so by the end of this month," says Jan Bielefeldt to news2biz. The Dane Bielefeldt, who is a chemical engineer with a background at **Rockwool** and the largest Danish chemical disposal company **Kommunekemi**, has been heading the Baltic bulb collection effort since 2009.

The new Estonian company will be called **Ekogaisma Eesti** in order to profit from the recognition that the effort has had so far. "This is the

name of the Latvian company that so far has operated in Estonia," says Mr Bielefeldt.

The bulb collection is organised with a minimum of staff and all collection, transport and recycling activities are outsourced to partners. Each company has one staff in addition to Mr Bielefeldt, but Latvia has one extra, a financial controller for all of the three countries.

### Baltics are not Scandinavia

There are cultural differences between the Baltic countries and they also manifest themselves when it comes to bulb collection.

"When I came here in 2009, I expected the Baltic countries to be more or less like the Scandinavian countries, but I soon found out that there were great differences, not just due to different languages," says Mr Bielefeldt. "Estonia seems pretty much like Finland and things are running rather smoothly, whereas it is rather more bureaucratic in both Latvia and Lithuania."

In Estonia, the collection is carried out at municipal garbage collection stations and at companies, whereas in Latvia the municipal collection is not working too well, so in addition to collection at companies that handle light sources, Ekogaisma also has collection boxes set up at relevant retailers.

### Importer based recycling

The EU legislation regarding collection and recycling of light sources

which came into effect in April 2006, stipulates that it is the responsibility of the importer in each country to collect used bulbs and tubes. Thus, each individual importer associated with the Baltic Ekogaisma or Ekosviesa companies sends in reports to the relevant companies as to how many bulbs or tubes they have imported and the collector then bills the importer a recycling fee related to how many units that have been imported.

The collected Baltic bulbs and tubes are taken to a recycling plant in Latvia where they are separated in aluminium, glass and light phosphor. The two former are used as raw material in glass or aluminium processing, while the light phosphor, which contains quicksilver, is stored as there is no interest in commercial usage at this time.

We have talked to

Jan Bielefeldt, jb@lvf.nu

Tel +45 4037 0705 (mobile)

### UTILITIES

## Tallinna Vesi lodges complaint to the EC

**Tallinna Vesi**, the listed water and sewage services provider of Estonian capital lodged a complaint to the European Commission regarding the anti-monopoly law that came into force last year (see no 299 page 12) as well as its implementing measures.

The anti-monopoly law, passed by the parliament Riigikogu last year, set stricter limits on pricing on

those enterprises that have a monopoly status in certain area. The main initiator of composing such bill were the fat dividends paid by Tallinna Vesi while the prices for water and sewage services increased in the capital area almost every year.

The new law requires the largest utilities to seek an approval from the competition board Konkurentsiamet for tariffs, which have to be based on reasonable profitability. Tallinna Vesi sought for such an approval in November last year for the following five years wanting to increase prices in average by 3.5% in 2011 and by 2.5-2.7% y-o-y up until 2015.

In the end of November, Konkurentsiamet turned down the company's application, stating that it does not meet the requirements stated by the law. In December, Tallinna Vesi submitted a revised application while also sending a complaint to the EC.

"Tallinna Vesi has no objection to balanced and professional quality and economic regulation of the water industry," says Ian Plenderleith, Tallinna Vesi's CEO, to news2biz. "To date, however, no professional discussions have taken place with Tallinna Vesi regarding this subject."

"Tallinna Vesi is only interested in open and transparent regulation that meets with internationally acceptable principles and recognises the terms and conditions of the privatisation agreement signed in 2001," he adds.

The company applied to the EC because it sees the current dispute as

a breach of the company's privatisation contract signed in 2000. "Tallinna Vesi will use all available alternatives to protect the terms and conditions of the original privatisation contract," says Plenderleith.



**Ian Plenderleith, CEO of Tallinna Vesi, turns to the EC to protect the investors of the water company.**

Photo: Raul Mee, Äripäev

Two majority owners of the stock exchange listed Tallinna Vesi are the city government and the British utilities giant **United Utilities**.

Last year, the share in Tallinna Vesi was suddenly excluded from the major deal between United Utilities and the French **Veolia**, with which the Britons sold their overseas assets (see no 306 page 12). Although none of the parties involved comment the issue, it is quite obvious that the reason for that exclusion is the obscure status of Tallinna Vesi's future profitability.

We have talked to

Ian Plenderleith priit.koff@tvesi.ee (PR)

Tel +372 626 2209 (direct, PR)

**WASTE TO ENERGY****ÅF takes EUR 1m order for Estonia's first waste burner**

Following an order for **Eesti Energia's** power and heat plant in Narva (see no 306 page 12), the Swedish consultancy **ÅF** has moved west to Iru outside Tallinn and shifted to waste as it won another contract, for EUR 1m, from the state owned giant before Christmas.

ÅF will supply owner's engineering and supervision services for the plant in Iru just east of Tallinn and the work will be carried out by ÅF's units in Estonia, Finland and Sweden.

"The Estonians will be on site whereas some part of the project will be carried out in Sweden and Finland," says Jüri Alasi, managing director of ÅF in Estonia, to news2biz. "We have already started, in fact we started as soon as we got the contract and we will be working on this assignment all the way until production starts in 2013."

According to Alasi, ÅF had a head start in this project as the company was involved in the earlier stages as well.

"Still we are very happy to develop a new form of energy production in Estonia as this is the first waste-to-energy plant built in Estonia," says Alasi.

The plant will utilize 220,000 tonnes of municipal waste annually with a generating capacity of 50MW district heat and 17MW electricity.

The waste will be collected all over the northern part of Estonia.

Even though with this plant alone a substantial part of Estonia's solid waste will be incinerated, Alasi sees a future for waste-to-energy in Estonia. "I think that we will see more waste-to-energy plants in the coming 5-10 year period. We have worked on some plans for an investor, but sadly, they did not materialise," says Mr Alasi.

We have talked to

Jüri Alasi jyri.alasi@afconsult.com

Tel +372 504 4100 (mobile)

**ECONOMY & POLITICS****TRANSITION****Estonia joins successfully the eurozone**

In the first hours of 1 January, Estonia adopted the euro with no glitches, becoming the 17th member of the EU's common currency area.

"The New Year came exactly like the Estonian central bank and its partners had planned," said Rein Minka, the deputy governor of the national bank Eesti Pank to the journalists in the first day of the new year. "There were no glitches with adopting the euro or with technical systems. The new money reached all the places it was supposed to."

According to the European Central Bank statement on 1 January, the euro "has been successfully introduced in Estonia".

The ATMs of **Swedbank** and **SEB** were gradually taken off use on the preceding day in order to fill the machines with euro notes and make the new currency available from the very first minute of the new year. The joint ATM network of Sampo Pank and Nordea, on the contrary, issued Estonian kroons until the last minute of 2010, and was taken off use for exchange of the notes in the first hours of the new year.

The banks were somewhat overloaded in the first days of January with people depositing their kroons and withdrawing euros. Retail stores, which had the obligation of accepting kroons as a payment for the first two weeks and give the change in euros, took a lot of pressure of the banks, though.



**Queuing for euros by the Swedbank's ATM.** Photo: Andres Haabu, Äripäev

On 14 January, the period of parallel circulation comes to an end, and kroons can be changed only in banks for a whole year of 2011. Later, kroons can be changed to euros only in the central bank.

According to reports, the first ten days of transition passed quite

smoothly and calmly – if one does not count in the appearance of few dozen falsified euro notes here and there, mostly in rural area. Apart from those, few reports of the incidents regarding the new currency were more from the humorous side: for instance, one customer in a rural store had not heard anything of the transition and was sure the teller was pulling his leg by giving the change in euros. Another young man tried to pay in Tallinn central marketplace with a non-existent 1000-euro note.

**INFLATION****Year-end price rally adds 3% to yearly CPI**

Estonia's consumer price index (CPI) rose by 5.7% year-on-year in December, following a 5.3% rise in November, according to the statistical office Eesti Statistika. The fast rise in prices in the last four months of the year promoted the yearly inflation to 3%.

Although the general public loved to blame the adoption of the euro in increasing the prices, the inflation and the euro-zone entrance just happened to coincide, and had no serious connections. The price rise in the end of 2010 mostly happened due to similar rise in the world's markets.

The 2010 index was mainly influenced by a 20.1% y-o-y increase in fuel prices, but also by a 6.9% price rise of heating and electricity

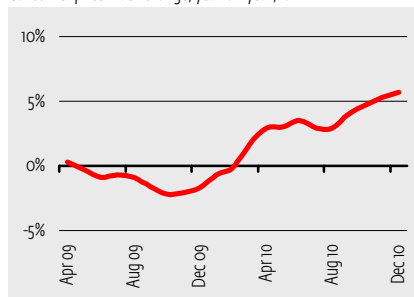
as well as a 3% price rise of food-stuff and alcohol.

In December 2010, the prices of goods rose by 7.2% compared to the same month previous year, while those of services increased by 3.2%.

The major factor contributing to the inflation in December was the 12.1% y-o-y increase in prices of food and alcohol. The prices of heating and electricity grew by 10.3%, and those of fuel by 15.1% in a yearly comparison.

### Inflation rises yet again

Consumer price index change, year-on-year, %



Source: Eesti Statistika

Of separate goods, the prices of fresh vegetables increased by 76% compared to the December 2009, while those of milk products and cereals by 37% and 29%, respectively.

Some manufactured goods became cheaper, however – for instance, the prices of cameras declined by 21% y-o-y in December 2010, and those of TV-sets by 14%.

According to the Ministry of Finance, the inflation will remain on the same level for the first months of

the year. The ministry predicts that the CPI growth will slow down in the 2nd half of the year, and the average inflation for 2011 will be about 4%.

### IN BRIEF

#### Registered unemployment down by 25%

According to the unemployment insurance fund Töötukassa, 65,260 people were registered as unemployed in the end of December 2010, amounting to 10% of the total workforce. The registered unemployment has decreased by 25.2% compared to the end of 2009, and by a third compared to the highest level (95,087 registered jobless persons, March 2010). The statistical office Eesti Statistika publishes their figures, which also include the unregistered employment for the 4th quarter, in February.

### EVENTS

#### DECC's Seminar: Let's Start Exporting – Denmark

One of the Danish-Estonian Chamber of Commerce's purpose is to support and develop economic relations between Estonia and Denmark. We start the year of 2011 with offering information on how to actually start exporting to Denmark and provide you with information on what do you need to know before you enter that market. Speakers include Uffe A. Balslev, Ambassador of Denmark; Lars Christensen, senior analyst at Danske Bank; Silvi Teesalu, director of Danish Cultural Institute; Jan Vistisen, CEO of

Estonian Expo Center. Register at latest on 16 January.

Time: 19 January

Place: Danish Embassy, Wismari 4, Tallinn

Price: up to EUR 19 members, EUR 22 non-members

Info: [www.decc.ee](http://www.decc.ee)

#### AHK Workshop: Coctails for Winter

Time: 20 January

Place: Tallinn

Organiser: The German-Baltic Chamber of Commerce AHK

Info: [www.ahk-balt.org](http://www.ahk-balt.org)

#### ERPP Visit to St Petersburg

The Estonian-Russian Chamber of Commerce organises a joint visit to St Petersburg, Russia, under the program "The electronics industry of St Petersburg" with an aim to visit the electronics manufacturing enterprises as well as find business contacts. Register before 23 December!

Time: 24-26 January

Place: St Petersburg, Russia

Price: EUR 75-100 members, EUR 150 non-members

Info: [www.erpp.ee](http://www.erpp.ee)

#### BECC's Burns Supper

Burns Supper is a celebration of the life and times of the Scottish bard Robert Burns. It is an evening of culture, haggis, neeps & tatties, good music, bad dancing ... and possibly partake of a wee small dram. A cheerful party guaranteed! Tables for 8 persons are available, if re-

served beforehand. Bring along your friends and business partners.

Time: 28 January, 19:00

Place: Glehn's castle, Nõmme, Tallinn

Price: EUR 42 members, EUR 55 non-members

Organiser: The British-Estonian Chamber of Commerce

Info: [www.becc.ee](http://www.becc.ee)

#### AHK Seminar: Use Your Potential in Germany

Time: 3 February

Place: Tallinn

Organiser: The German-Baltic Chamber of Commerce AHK

Info: [www.ahk-balt.org](http://www.ahk-balt.org)

#### Holland Business Club Happy Hour

Time: 4 February

Organiser: Holland Business Club

Info: [www.hollandbusinessclub.org](http://www.hollandbusinessclub.org)

#### Pre-election Debate "The New State Objective"

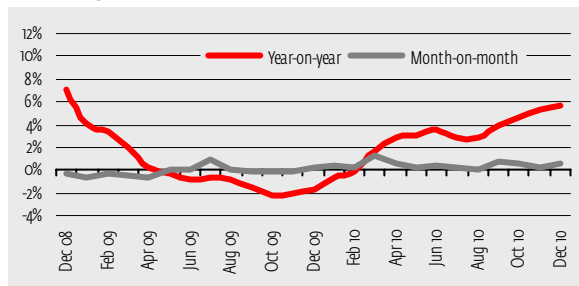
The event is co-organized by international chambers of commerce in Estonia to address the issues and to find the ways to sustain Estonia's success. All main party leaders are invited to present their main political slogans and their idea of the next Estonia's objective, discuss and answer questions from local foreign business people.

Time: 10 February

Place: Nordic Hotel Forum, Viru väljak 3, Tallinn

## KEY FIGURES

### INFLATION



Source: Estonia's statistical office Eesti Statistika

### PRODUCER PRICE INDEX

On monthly basis	May '10	Jun '10	Jul '10	Aug '10	Sep '10	Oct '10	Nov '10
100 = previous month	100.9	99.9	100.5	100.9	100.4	100.3	100.4
100 = same month prev year	103.8	103.9	103.9	104.6	104.8	105.1	105.4
Year	2003	2004	2005	2006	2007	2008	2009
100 = previous year	100.2	102.9	102.1	104.5	108.3	107.1	99.5

Note: Producer prices are prices of industrial goods excluding VAT and other taxes.

Source: Estonia's statistical office Eesti Statistika

### INDUSTRIAL OUTPUT INDEX

On monthly basis	May '10	Jun '10	Jul '10	Aug '10	Sep '10	Oct '10	Nov '10
100 = previous month	102.3	102.6	105.2	100.2	103.6	104.8	101.2
100 = same month prev year	117.1	120.7	124.6	122.8	131.1	137.4	135.1
Year	2003	2004	2005	2006	2007	2008	2009
100 = previous year	110.5	110.9	107.0	107.0	106.1	93.5	73.7

Source: Estonia's statistical office Eesti Statistika

### RETAIL TRADE

at current prices	Aug '10	Sep '10	Oct '10	Nov '10
Turnover in EUR m	307	287	307	293
Index 100 = previous month	97	92	100	96
Index 100 = same month prev year	99	101	101	105
Year	2006	2007	2008	2009
Turnover in EUR m	3,464	4,150	3,553	3,509
Index 100 = previous year	123	120	96	85

Source: Estonia's statistical office Eesti Statistika

### GROSS WAGES

column A: average monthly wages in EUR; column B: indexed average wages, 100=2005

Sector	Q1 2010		Q2 2010		Q3 2010	
	A	B	A	B	A	B
Manufacturing	718	149	766	159	745	108
Finance, insurance	1,284	123	1,375	131	666	108
Construction	723	133	787	145	1,262	72
Energy production and distribution	1,044	170	1,230	200	816	109
Retail and wholesale	693	146	726	153	1,052	102
Hotels and restaurants	483	140	513	148	500	94
Transport, logistics	807	143	833	147	702	98
<b>National average</b>	<b>758</b>	<b>149</b>	<b>822</b>	<b>159</b>	<b>802</b>	<b>101</b>

Note: Without employer's taxes; Source: Estonia's statistical office Eesti Statistika

### CONSUMER PRICE INDEX

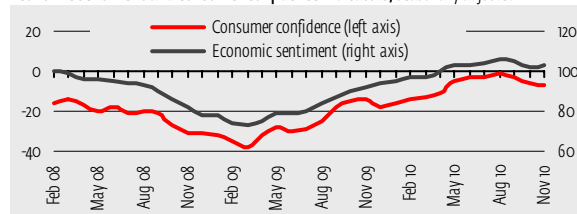
column A: 100 = current 12 months; column B: 100 = previous month

Sector	Sep '10		Oct '10		Nov '10		Dec '10	
	A	B	A	B	A	B	A	B
Food	103.9	99.0	108.9	102.0	111.6	102.2	112.1	100.9
Beverages, tobacco	105.1	100.7	107.3	100.6	106.8	99.7	106.9	99.7
Clothing, footwear	101.2	100.2	102.2	101.0	102.6	100.3	102.9	100.3
Housing	97.7	100.4	97.8	100.4	98.3	100.2	106.9	100.5
Transport	103.1	100.0	104.5	100.5	104.4	100.3	105.9	101.9
Communications	107.2	100.0	106.6	100.0	102.3	96.0	102.3	100.0
<b>Gross CPI</b>	<b>102.9</b>	<b>100.0</b>	<b>104.7</b>	<b>100.6</b>	<b>105.3</b>	<b>100.3</b>	<b>105.7</b>	<b>100.5</b>

Source: Estonia's statistical office Eesti Statistika

### SENTIMENT INDICATORS

Economic sentiment and consumer confidence indicators, seasonally adjusted

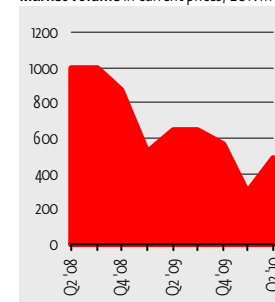


The economic sentiment (1990-2010 average = 100) is a composite made up of five sectoral confidence indicators, which are arithmetic means of seasonally adjusted balances of answers to a selection of questions closely related to the reference variable. Source: Eurostat.

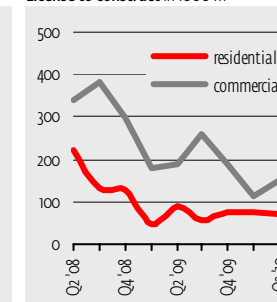
### CONSTRUCTION PRICE INDEX

On monthly basis	Apr '10	May '10	Jun '10	Jul '10	Aug '10	Sep '10
100 = previous month	99.8	100.1	100.3	100.9	100.0	100.0
100 = same month prev year	95.8	96.5	97.6	98.9	98.9	99.5
Year	2004	2005	2006	2007	2008	2009
100 = previous year	106.5	107.3	110.3	112.7	103.4	91.5

Market volume in current prices, EUR m



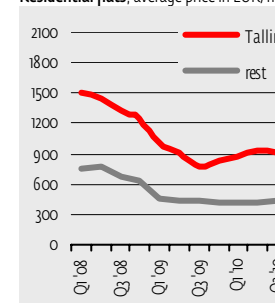
License to construct in 1000 m<sup>2</sup>



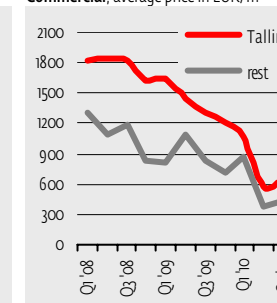
Source: Estonia's statistical office Eesti Statistika

### REAL ESTATE PRICES

Residential flats, average price in EUR/m<sup>2</sup>



Commercial, average price in EUR/m<sup>2</sup>



Number of transactions

	Q4 '08	Q1 '09	Q2 '09	Q3 '09	Q4 '09	Q1 '10	Q2 '10	Q3 '10
<b>Tallinn</b>	1,875	1,372	1,521	1,865	2,248	1,809	2,053	2,751
<b>rest</b>	5,390	4,001	4,899	4,421	5,964	4,318	5,862	7,875

Source: Estonia's Land Board Maa-amet, kv.ee

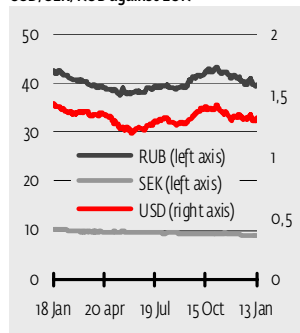
## CURRENCY

### European Central Bank rates

as of 13 January 2010

100 USD	75.76	↓
100 GBP	119.65	↓
100 CHF	77.98	↓
100 DKK	13.42	↓
100 SEK	11.24	↓
100 NOK	12.83	↓
100 JPY	9.13	↓
100 LVL	142.61	↓
100 LTL	28.96	→
100 PLN	25.87	↓
100 RUB	2.52	↓

### USD/SEK/RUB against EUR



Source: European Central Bank ECB

## MONEY SUPPLY

in EUR m	Jul '10	Aug '10	Sep '10	Oct '10	Nov '10
Monetary base	2,020	2,256	1,773	1,836	1,500
<b>M1</b>	4,570	4,604	4,637	4,672	4,431
Currency outside banks	496	481	574	453	413
<b>M2</b>	8,292	8,266	8,287	8,317	8,374
- Time deposits	3,721	3,661	3,651	3,645	3,645
<b>M3</b>	8,295	8,269	8,290	8,333	8,390
- Net foreign assets EUR bn	-2,029	-1,799	-1,785	-1,785	-1,595

**Monetary base:** Estonian currency emitted by the central bank and money on accounts held with it. **M1=** currency outside banks + demand deposits **M2=** M1+ time deposits (Inc in foreign currencies) Source: Estonia's central bank, Eesti Pank

## TRADE

Estonian exports and imports divided according to commodity groups, according to SITC classification

	EXPORTS in EUR m				IMPORTS in EUR m							
	Jan-Sep 2010	Share	Jan-Sep 2009	Share	2009	Share	Jan-Sep 2010	Share	Jan-Sep 2009	Share	2009	Share
Food, beverages, tobacco (0, 1)	525	8%	427	9%	600	10%	694	11%	632	12%	864	12%
Wood & paper, products (24-25, 63-64)	721	12%	511	11%	704	11%	333	5%	253	5%	358	5%
Crude materials except wood (2)	190	3%	94	2%	147	2%	88	1%	66	1%	91	1%
Fuel (3)	1,020	17%	781	16%	1,056	16%	1,218	18%	1,017	19%	1,391	19%
Chemical products (5)	345	6%	307	6%	414	6%	742	11%	658	12%	890	12%
Manufactured goods (6 except 63, 64)	654	11%	549	11%	725	11%	901	14%	685	13%	924	13%
Electrical & telecom machinery (76, 77)	815	13%	544	11%	724	11%	936	14%	586	11%	813	11%
Vehicles (78, 79)	343	6%	309	7%	413	6%	427	7%	319	6%	433	6%
Other machinery (7 except 76-79)	458	7%	413	9%	550	9%	507	8%	443	8%	595	8%
Furniture (82)	263	4%	236	5%	328	5%	52	1%	55	1%	73	1%
Other	777	13%	603	13%	821	13%	690	10%	637	12%	838	12%
<b>TOTAL</b>	<b>6,111</b>	<b>100%</b>	<b>4,773</b>	<b>100%</b>	<b>6,481</b>	<b>100%</b>	<b>6,588</b>	<b>100%</b>	<b>5,352</b>	<b>100%</b>	<b>7,272</b>	<b>100%</b>

## INTEREST RATES

Average weighted annual interest rates on credits

Term / currency	Jun '10	Jul '10	Aug '10	Sep '10	Oct '10	Nov '10
Short-term (USD)	2.60%	5.12%	1.66%	5.07%	5.20%	2.81%
Short-term (EUR)	1.44%	2.25%	3.66%	3.70%	3.10%	7.68%
Long-term (USD)	3.69%	3.01%	3.57%	3.40%	3.39%	1.84%
Long-term (EUR)	4.22%	3.86%	4.21%	3.57%	3.33%	5.03%

Euro Inter Bank Offered Rate (EURIBOR) 13 January 2010

	1 week	3 months	6 months	9 months	12 months
	0.592%	0.998%	1.229%	1.377%	1.513%

Note: Short-term credits - up to 12 months, long-term credits - over 12 months.

Source: European Central Bank

## CREDIT

The financial sector's net lending in EUR m, loan stock by the end of period

Type of loan	Jul '10	Aug '10	Sep '10	Oct '10	Nov '10
<b>Loans to customers</b>	<b>15,096</b>	<b>15,049</b>	<b>14,973</b>	<b>14,939</b>	<b>14,906</b>
- to private companies	6,864	6,843	6,808	6,749	6,731
- to individuals	7,313	7,299	7,290	7,283	7,270
- short term (up to 1 year)	729	723	714	667	643
- long term (over 1 year)	14,367	14,326	14,258	14,271	14,260
<b>Consolidated balance</b>					
of the banking institutions	20,021	20,140	19,781	19,732	19,717

Source: Estonia's central bank, Eesti Pank

## STOCK EXCHANGE

Tallinn Stock Exchange 13 January 2010

main list	Price	Change	Change
in alphabetic order	EUR	15 Dec	end of '09
↑ Baltika	1.240	11%	9%
↑ Harju Elekter	3.398	18%	10%
↓ Merko Ehitus	9.500	-2%	2%
↑ Nordecon	1.446	14%	10%
↑ Olympic EG	1.608	13%	11%
↑ Premia Foods	0.978	4%	4%
↑ Tallink	0.853	16%	8%
↑ Tallinna Kaubamaja	6.670	8%	6%
↑ Tallinna Vesi	9.000	18%	16%

OMX Tallinn index

**763.32**

Change 15 Dec 13% ↑

Change end of '10 11% ↑

OMX Baltic Benchmark

**558.17**

Change 15 Dec 8% ↑

Change end of '10 5% ↑

OMX Tallinn closing index

the last three months



Note: OMXT index shows changes in the prices of shares listed in the main and secondary lists.

OMXT 100 = 3 June 1996.  
Source: NASDAQ OMX Tallinn Stock Exchange

Estonia's ten largest markets, ranked according to 2009 in EUR m

No	Country	EXPORT				IMPORT					
		Jan-Sep 2010	Share	2009	Share	No	Country	Jan-Sep 2010	Share	2009	Share
1	Finland	1,066	17.4%	1,190	18.4%	1	Finland	1,002	15.2%	1,053	14.4%
2	Sweden	876	14.3%	810	12.5%	2	Lithuania	525	8.0%	796	10.9%
3	Latvia	568	9.3%	627	9.7%	3	Germany	729	11.1%	761	10.4%
4	Russia	589	9.6%	602	9.3%	4	Latvia	733	11.1%	741	10.2%
5	Germany	323	5.3%	390	6.0%	5	Russia	557	8.5%	640	8.8%
6	Lithuania	305	5.0%	316	4.9%	6	Sweden	693	10.5%	610	8.4%
7	US	238	3.9%	274	4.3%	7	Poland	436	6.6%	401	5.5%
8	Denmark	160	2.6%	221	3.4%	8	Holland	231	3.5%	269	3.7%
9	Norway	211	3.4%	206	3.2%	9	France	113	1.7%	186	2.3%
10	Nigeria	129	2.1%	189	2.9%	10	Denmark	124	1.9%	171	2.6%

Source: Estonia's statistical office, Eesti Statistika

**GDP**

at current prices

Period	Real growth year on year	GDP in EUR m current prices	GDP per capita in EUR	Current account in % of GDP
Q3 2010*	5.0%	3,758	2,804	5.6%
Q2 2010	3.1%	3,585	2,675	2.4%
Q1 2010	-2.0%	3,230	2,410	0.4%
Q4 2009	-9.4%	3,534	2,637	5.0%
Q3 2009	-15.6%	3,402	2,538	7.2%
2009	-14.1%	13,730	10,246	4.6%
2008	-3.6%	16,073	11,987	-9.4%
2007	7.2%	15,627	11,641	-17.8%

Source: statistical office Eesti Statistika; central bank Eesti Pank \*) Preliminary figure

**CURRENT ACCOUNT**

excerpts shown in EUR m

	2007	2008	2009	Oct '10	Nov '10
<b>Trade balance</b>	-2,785	-1,878	-505	18	-9
<b>Services</b>	958	1,193	1,320	115	125
<b>Direct investments, net</b>	725	595	151	384	33
<b>Current account balance</b>	-2,783	-1,505	632	104	44

Source: Estonia's central bank Eesti Pank.

**FOREIGN DIRECT INVESTMENT**

in EUR m

On quarterly basis	Q2 '09	Q3 '09	Q4 '09	Q1 '10	Q2 '10	Q3 '10
in Estonia	43	84	926	259	353	255
Estonian DI abroad	-238	-241	-456	-118	-39	-99
Year	2004	2005	2006	2007	2008	2009
in Estonia	654	532	1,006	1,102	647	632
Estonian DI abroad	-48	-177	-455	-257	-196	-237

Source: Estonia's central bank Eesti Pank

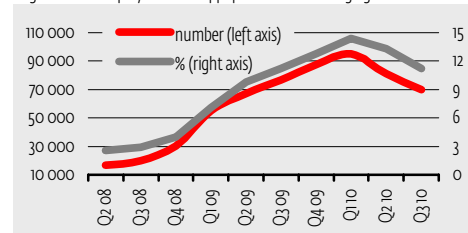
**KEY ECONOMIC DATA FORECAST**

Indicator	2009	2010		2011	
		Nordea	EC	Nordea	EC
<b>GDP change</b>	-14.1%	1.8%	2.4%	4.2%	4.4%
<b>Consumer prices (inflation)</b>	-0.1%	2.9%	2.7%	3.5%	3.6%
<b>CA balance, % of GDP</b>	4.6%	3.6%	4.1%	1.8%	1.4%
<b>Real net wage change</b>	-4.3%	n/a	0.2%	n/a	2.2%
<b>Unemployment rate</b>	13.8%	18.3%	17.5%	15.8%	15.1%

Sources: the European Commission (November 2010), Nordea (November 2010).

**UNEMPLOYMENT**

Registered unemployed and % of population in working age



Source: Estonia's unemployment office, Eesti Töötukassa

**REGIONAL DATA**

Estonia's regions (main cities indicated in brackets)

Estonia's regions (main cities indicated in brackets)	Regional GDP 2008		Monthly gross wages Q2 2010**		Unemployment Aug 2010		New dwellings 2009	
	Current prices, EUR m	GDP per capita, EUR	EUR	Y-O-Y change, %	Number	%	Number	Sq.m*
Harjumaa (Tallinn)	9,594.3	18,363	914.2	0.2	29,317	10.6	2,324	221,821
Hiiumaa (Kärdla)	71.2	7,045	625.1	1.2	545	12.4	10	1,312
Ida-Virumaa (Narva)	1,312.1	7,709	706.4	7.1	13,610	17.3	45	6,359
Jõgevamaa (Jõgeva)	190.7	5,174	667.6	7.6	1,010	6.3	20	1,762
Järvamaa (Paide)	251.8	6,961	647.2	-1.2	1,705	9.6	7	999
Läänemaa (Haapsalu)	201.1	7,310	673.2	5.4	1,268	9.3	11	1,304
Lääne-Virumaa (Rakvere)	540.6	8,037	666.0	4.1	2,971	10.1	33	4,303
Põlvamaa (Põlva)	185.6	5,971	648.4	-4.6	1,568	13.6	8	1,562
Pärnumaa (Pärnu)	762.7	8,617	726.9	5.7	4,464	10.6	89	10,776
Raplamaa (Rapla)	223.6	6,096	607.7	-14.1	2,005	11.0	22	2,921
Saaremaa (Kuressaare)	291.4	8,379	670.6	2.3	1,348	9.2	55	6,769
Tartumaa (Tartu)	1,667.2	11,156	808.5	3.5	5,912	8.1	299	33,949
Valgamaa (Valga)	200.7	5,869	625.3	6.9	2,028	13.4	46	3,768
Viljandimaa (Viljandi)	366.6	6,574	662.7	-3.1	2,220	9.3	43	5,214
Võrumaa (Võru)	242.5	6,385	670.6	-3.9	2,172	13.2	14	2,164
<b>National total/average</b>	<b>16,106.7</b>	<b>12,014</b>	<b>822.5</b>	<b>1.2</b>	<b>72,143</b>	<b>11.1</b>	<b>3,026</b>	<b>304,982</b>

\* Index 100 = same period of the previous year. \*\* without employer taxes

Source: Estonia's statistical office, Eesti Statistika; Estonia's unemployment office, Eesti Töötukassa

**COUNTRY RATING**

Agency	rating	outlook
Fitch Ratings	A	stable
Standard & Poor's	A	stable
Moody's Investor Service	A1	stable

Source: Investment agencies

**GENERAL INFORMATION**

Population: 1,340,127

Currency: from 1 January 2011 euro (EUR); until 31 December 2010 kroon (EEK) = 15.6466 EUR

In power: President Toomas Hendrik Ilves. Most seats in parliament Reformierakond (31%), PM Andrus Ansip, Keskerakond (29%).

Elections: 2011 parliamentary, 2013 local

Most important tax rates:

Income tax: 21%, VAT: 20%, Social tax: 33%

**Reports for professionals doing business in Eastern Europe & China****news2biz**

news2biz

AS Äripäev, Pärnu mnt 105

EE-19094, Tallinn, Estonia

phone: +372 667 0251 fax: +372 667 0265 e-mail:

contact@news2biz.com

web: www.news2biz.com

news2biz POLAND

news2biz UKRAINE

news2biz LITHUANIA

news2biz LATVIA

news2biz ESTONIA

news2biz CHINA

Investments, companies, market trends, key figures.

Published on-line every 2 weeks.

Independent news research since 1991.

On-site journalists in Poland, Lithuania, Latvia, Estonia, China, Ukraine and Sweden.

**Publisher**

Bonnier Group/AS Äripäev

**BONNIER****Äripäev**

Editor-in-Chief Kertu Ruus kertu@news2biz.com

Senior Editor Peter Kyhn peter@news2biz.com

Newsdesk Estonia Aivar Oepa

aivar@news2biz.com

Customer Service Andrejs Visockis

andrejs@news2biz.com

**Subscription prices e-access**

3 months (5 issues) EUR 260

6 months (10 issues) EUR 460

12 months (20 issues) EUR 790

This edition completed 13 January 2011

Next issue on-line 27 January 2011