



In the Baltics, Lithuania offers best logistics links to Central Europe.

Kai Liesmaa of M-Filter **PAGE 2**

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By acquiring control of the Lithuanian crude extraction sector Polish Lotos will gain expertise in onshore drilling. Photo: Minijos nafta **PAGE 12**

## Government to look for new ways to help SMEs after LTL 1bn lending scheme fails

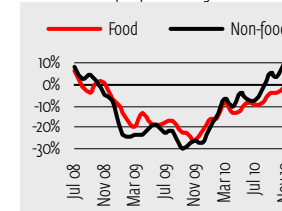
Good intentions but too strict rules: last year only LTL 50m were used from a LTL 1bn scheme intended to encourage bank lending to struggling Lithuanian SMEs. Now the government promises to use idling funds in more effective aid programmes. **PAGE 3**

## Retail trade volume posts first growth after 2 years

Last November Lithuanian retailers finally reported annual growth in retail trade volume, first in last 24 months. Non-food retail grew for 3rd month, food retail was still in the red. **PAGE 7**

### Only to be more expensive

Construction input price change



## NDX Energija to shape Mispol's growth strategy

Lithuanian private equity firm NDX Energija managed to raise its stake in a major Polish food firm Mispol to 14.5% and gain two seats in the firm's supervisory council, denting Polish shareholders' defence plans. Now NDX is ready to work on Mispol's new growth strategy. **PAGE 4**

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## MANUFACTURING

### FILTERS

#### Finnish M-Filter to make filters for Central Europe

Finnish **M-Filter**, an industrial and automotive filter maker, is to set up its first production base abroad in southern Lithuania that will target customers in Central European countries.

"Like many Finnish companies we could have expanded to Estonia but because we aim at the Central European market that today we hardly cover, Lithuania is a more favourable location in terms of logistical convenience with good transport connections and faster delivery terms," says Kai Liesmaa, managing director and a co-owner of M-Filter, to news2biz.

The Finnish firm's Lithuanian subsidiary **M-Filter EU** is based in Druskininkai, a mineral water spa resort near the Belarus border.

"But Druskininkai is also an industrial area where we believe we will find skilled labour to man our facility," Liesmaa says. He adds that the Lithuanian investment agency offered M-Filter a selection of investment options in various municipality-owned industrial zones but the Finns chose to co-operate with private partners, "not least because I have personal contacts there from my previous experience in Lithuania."

The plant will occupy 1,000 sq.m of renovated industrial premises that

will be rented from the local owner. In order to start up production by the end of the year, M-Filter will invest EUR 0.3m to acquire machinery (both new and used) and train staff.



**M-Filter says Lithuania is well placed to cover the Central European market from.** Picture: M-Filter

In the beginning the plant will employ 20-25 staff, later it plans to add another 20. During the first year of operation it should produce around 150,000 filters, compared to around 2m annually produced by M-Filter at home. Various metal parts as well as support services will be purchased locally.

"If all goes well, our investment may grow to EUR 1.5-2m in 2-3 years," Liesmaa says. "To help us fund this investment budget we are discussing various EU aid options with the Lithuanian government but there has been no decision yet what

type of investment aid or incentives we will apply for."

M-Filter has been supplying filters for OEM customers since 1962. Today it employs more than 100 staff and is one of the biggest car and industrial filter makers in northern Europe.

In 2010, the firm turned over EUR 7m. It is owned by three Finnish private persons, including Kai Liesmaa with a 37% stake.

We have talked to

Kai Liesmaa kai.liesmaa@m-filter.fi

Tel +358 10 821 5700 (switchboard)

### PLASTIC PARTS

#### New owners inject life into Kaunas' injection moulder

**KB Components**, the Swedish-owned injection moulding plant in Kaunas that supplies plastic parts for the automotive and other industrial sectors, plans strong growth in 2010 after seeing its turnover decline in 2009 for the first time since the company was set up in 2004.

Growth is expected to clock in at an impressive 60%, to around LTL 15m thanks to more products being relocated from Sweden, rising orders from existing customers that are emerging from a deep slowdown, as well as new customers.

"We are moving more products from our unit in Sweden to Kaunas. In Kaunas we focus on injection moulded items with some element of assembly and demand from clients is increasing for that kind of products," says Stefan Andersson, CEO of **Kon-**

**struktions-Bakelit AB**, KB Components' Swedish mother company, to news2biz.

Stefan Andersson through his family holding **BrA Invest** is also a co-owner of **Konstruktions-Bakelit** which is headquartered in Örkeljunga in southern Sweden.

2010 is the first year when KB Components has been able to fully utilise increased capacity that the firm acquired in 2008 when it moved from the original 1,000 sq.m location to a 4,100 sq.m plant (of which production floor space is 3,500 sq.m). During the relocation the number of injection equipment nearly trebled from 7 to 18.



**KB Components' new plant in Kaunas is accommodating a rising volume of contracts being relocated from Sweden.** Picture: KB Components

The Kaunas plant is a labour-intensive unit of Swedish **Konstruktions-Bakelit**. It now employs 46 staff of which 40 in manufacturing; before the economic crisis staff peaked at close to 60. The plant's activity is divided into two operations:

injection moulding and product assembly.

Konstruktions-Bakelit acquired new controlling owners in the beginning of 2009 when the founding Månsson family sold a 75% stake to BrA Invest, a private equity firm based in nearby Åstorp. BrA Invest is owned equally by the three Andersson brothers, Stefan (CEO of Konstruktions-Bakelit), Kenneth and Christer. In addition to Konstruktions-Bakelit, BrA Invest is the main owner in five local firms with a total turnover of more than SEK 1bn.

The deal brought more security for Lithuanian KB – and also a greater degree of autonomy. Earlier the majority of output was sold through the mother company, now 70% of output is sold directly to customers.

Major international customers are Volvo, Husqvarna, Johnson Controls, Global Garden Products; in Lithuania – Viltechmeda, Durapart, Kitron, Yazaki. The Lithuanian plant's CEO Rolandas Jackevicius heads group sales to Volvo Trucks. The Swedish investment in Kaunas runs up into around LTL 10m to date.

We have talked to

Stefan Andersson stefan.andersson@konstruktions-bakelit.com

Tel +46 702 49 97 60 (mobile)

## FORESTRY MACHINERY Swedish FTG adjusts Vilnius operation after crisis

Swedish-owned forestry machinery assembler **FTG Baltic** in Vilnius has

liquidated a metal parts production subsidiary but is witnessing a recovery in its key sales markets.

FTG Baltic closed the 4-year-old **FTG Production** company last December after the economic crisis wreaked havoc with the latter's business idea.



**FTG Baltic sees demand for its forest machinery recovering in its key export markets.** Picture: FTG Baltic

"FTG Production was established to produce metal parts to be used by FTG Baltic as well as by our Swedish mother company **FTG Forest Technology Group**. Initially we acquired used equipment from our former long-time supply partner and later planned to invest in new machinery to achieve economy of scale and ensure higher quality of our final products but the economic crisis, difficult crediting environment and lower demand ruined these plans," says Egle Rakstiene, managing director and a 10% owner of FTG Baltic, to news2biz.

"The decision was made to scrap FTG Production and source metal

parts from local suppliers. The Swedish company also invested at home to cover its own needs."

FTG Baltic assembles three modifications of 7-10 tonne load capacity forest trailers with or without cranes under the *Källefall* brand suitable for smaller forest logging operations, such as private forest and farm owners.

"95% of our output is exported to Germany, Austria, Norway and Poland, while the Swedish company takes care of its local market with a different brand that it produces on its own. After seeing our sales decline by 40% in 2008 and another 30% in 2009, we expect a 25% recovery in 2010 to LTL 4m and further growth this year. Poland is the latest and a very promising addition to our sales geography. In 2011 together with the mother company we also plan to start building first in-roads into Ukraine and Belarus," Rakstiene says.

FTG Baltic now employs 8 staff of whom 4 are directly engaged in production and assemble around 10 trailers per month. During the heyday the firm employed 8 people in production and produced up to 16 trailers.

FTG Forest Technology Group is wholly owned by **JCE Group**, a Gothenburg-based privately owned international and diversified investment company.

We have talked to

Egle Rakstiene egle.rakstiene@ftgbaltic.lt

Tel +370 5 246 23 20 (switchboard)

## IN BRIEF

### Industry growth speeds up

Lithuania's industrial output growth accelerated slightly to a yearly 17.1% in November 2010 in spite of a 2% monthly contraction. Ex-oil manufacturing output rose by 22% y/y. Meanwhile, the energy sector output (electricity, gas and steam) witnessed an 11% decline.

### Grigiskes sees higher sales and pre-tax profit in 2011

Vilnius-listed Grigiskes group paper product maker plans to lift pre-tax profit by 58% this year to LTL 12m, including a 3-fold rise for the group's main company hygiene paper specialist Grigiskes. Group's turnover is expected to rise by 30% to LTL 300m, including a 15% rise to LTL 145m for the main company.

## FINANCE

### EU AID

### LTL 1bn SME lending scheme flops, to be reformed

Strict lending terms have ruined a major EU-backed plan to stimulate Lithuania's battered SME sector by lending it around LTL 1bn of EU and bank funds last year. The government says it will decide how to use the funding facility in a more effective way in mid-January.

By the end of 2010, the three banks – **Swedbank**, **SEB** and **Siauliu bankas** – that had been selected by the **European Investment Fund** as Lithuanian partners of the JEREMIE

SME funding initiative (see no 290 page 3), extended 87 credits worth a total of LTL 48m, or 0.05% of the initiative's total budget. To compare, the whole initiative calls for lending just over LTL 1bn by February 2012.

Under the agreements with the EIF, the three banks were provided with a total of EUR 294m of EU aid (that is part of Lithuania's 2007-2013 EU aid package). When extending a credit for investment projects or to provide working capital, the banks could use the aid money to cover 50% of the loan, and match that with 50% of their own funds. If a credit turns sour, the EIF and the participating bank would share the losses in equal parts.

Clearly not satisfied with the results of the 2010 lending campaign, the economy ministry that is directly responsible for the implementation of the SME support facility, will in January be looking for new ways to enliven the flow of fresh money into the SME sector. Possible directions could be using the money to back various state guarantee and venture capital programmes.

#### VENTURING EAST

### Finasta to invest venture capital in Russian firms

**Finasta Holding**, the asset management arm of the Russian-controlled Snoras financial group in Lithuania, plans to invest venture capital into prospective Russian firms.

The investments will be carried out through funds to be set up by

**Finasta Direct Investments** (FDI), a venture capital fund management firm registered in Hong Kong but headquartered in Moscow. Finasta will control FDI through a 67% stake, the remaining part will be owned by the firm's management who come from **Alfa Group**, a major actor on Russia's financial services market.

"In the venture capital business in Russia it would be impossible to expect positive results without the backing of experienced experts who know the market in and out," Andrius Barstys, chairman of the Finasta investment bank, explains the shareholder structure to news2biz.

"Our strategy in Russia will be to seek high returns from investing into firms that suffer from temporary difficulties but display high growth potential in the pharmaceutical, retail trade, construction, commodities, chemical and infrastructure sectors," he adds.

"We plan to establish at least one fund for each sector because due to the market size and low degree of consolidation, in Russia there could be several dozen of notable players in one sector alone, compared to just a few in Lithuania."

Barstys would not reveal any planned investment figures although acknowledges that Finasta has them for internal use. According to him, investor funds will be sought in Russia but also in the Baltics and South-east Asia – that was one of the reasons for picking Hong Kong, a major

regional financial centre, as FDI's legal domicile.

Meanwhile, Finasta's first private equity fund for Lithuania, the Finasta Private Equity Fund I announced in late 2010 (see no 303 page 4), is to be established in the beginning of 2011. The fund hopes to raise EUR 20m to invest into prospective Lithuanian companies but without a clear-cut sector focus.

Finasta bank today manages LTL 2bn worth of assets and investments.

We have talked to

Andrius Barstys andrius.barstys@finasta.com

Tel +370 5 236 1864 (switchboard)

#### IN BRIEF

### Snoras votes 81% capital hike

Shareholders of Russian-controlled Snoras bank voted to increase its share capital by LTL 380m to LTL 854m. Vilnius-listed bank plans to carry out the hike in spring 2011. If fully subscribed, the new issue would make Snoras the third-biggest bank in Lithuania by share capital after Swedish SEB and Swedbank.

Two private persons (Russian and Lithuanian) together control 93% of Snoras shares.

### Energy efficiency loans

Swedbank has become the second bank in Lithuania after Siauliu bankas to participate in the EU backed scheme to lend soft loans to multi-apartment building owners to increase energy efficiency. Swedbank plans to lend LTL 21m for the purpose, Siauliu plans to extend LTL 72m of loans.

## FOOD & AGRICULTURE

#### POLISH EXPANSION

### NDX biggest shareholder in Mispol foods firm

Lithuanian private equity company **NDX energija**, linked to owners of the country's leading supermarket chain **Maxima**, has achieved some initial success in its bid to gain a strong foothold in the Warsaw-listed ready meals maker **Mispol** that it plans to use as the basis for a would-be Central European food industry major (see no 306 page 5).

The Lithuanians had sought to boost their stake in Mispol from 5% to 33%, but their hostile bid prompted a speedy reaction of Mispol's management, which was eager to orchestrate an equity boost and mergers. Mispol shareholders seem to have taken to the idea, which made the Lithuanian offer of PLN 7.2 per share (very close to the market valuation) rather unimpressive.

NDX Energija has managed to raise its ownership in Mispol to 14.5% as a result of its recent bid. This makes NDX the biggest shareholder in the company.

"Under Polish regulations, a 10%+ stake in a listed company obliges us to submit to the stock market watchdog our considerations as to what we intend to do with such a position. Therefore we will send a letter that will state our determination to raise this stake further," Petras Jasinskis, CEO of NDX energija, told news2biz in December right af-

ter the firm's offer for Mispol shares expired.

He would not say how the firm intends to carry out the plan, neither he would comment on Mispol's defence strategy. The strategy of Mispol's Polish shareholders representatives envisaged merging with one of Poland's leading pasta producers **Makarony Polskie**. Since the 2007 acquisition of ready meals maker **Stoczek**, Makarony Polskie's products range also includes ready meals, canned meat products, and preserves.

The merger of Mispol and Makarony Polskie would mark just the beginning of their expansion, however, as the two are to team up with one of Poland's leading meatpackers **PMB Bialystok**. The company produces 200 tonnes of cold cuts and meat products daily, a fifth of which is being exported, mainly to other EU markets. Its Bialystok facilities total some 11ha and employ more than 1,000 workers. PMB Bialystok is the only meatpacker in Poland with a kosher slaughterhouse. The company is developing its own chain of butcher shops, which by the end of this year is to include 200 outlets.

In the first three quarters of 2010 Mispol turned over PLN 214m, while Makarony cashed in PLN 112m. PMB's sales revenues came to PLN 315m in 2009. Together, the three companies would create a major player in the food sector with a combined turnover of more than PLN 0.8bn.

### M&A strategy to be reviewed

Now these, or any other merger plans, would have to be reworked with NDX participation: at the 4 January extraordinary shareholder meeting, two NDX representatives were elected to the 7-seat supervisory board while the important motion to increase the capital was voted down.

"As a new shareholder we do support Mispol's strategic goal to expand, also by way of acquisitions, but we want to get a more detailed view on any such option," says Ignas Staskevicius, chairman of NDX and now a member of Mispol's representative board, to news2biz while on his way to Mispol to meet the firm's management.

"So while we support the direction in general, it is too early for any specifics," he says adding that NDX will keep looking for ways to raise its Mispol stake further.

The Lithuanians already own the Polish sweets maker **Mieszko** (see no 307 page 5).

We have talked to

Petras Jasinskis petras.jasinskis@ndx.lt

Ignas Staskevicius ignas.staskevicius@ndx.lt

Tel +370 5 204 2112 (switchboard)

### SALMON PRODUCTS

## Norvelita eyes expansion to entrench position in Europe

After producing a 56% turnover growth in 2009 when Lithuania's economy was knocked down by deep recession, Lithuanian **Norvelita**

fish processor plans expanding its production capacities.

Based near Raseiniai 80 km west of Kaunas, Norvelita is now fully utilising its capacities – and that after opening a new unit in 2009.

"When we expanded back then we could not foresee that demand for our products will reach our physical production limits so quickly. The new expansion plan envisages raising the processing capacity by as much as a third, that should allow us to take in all potential new orders and leave some space for future," says Jordanas Kenstavicius, CEO and key shareholder of Norvelita, to news2biz.

### Aid would cover 60% of costs

To help finance the expansion project, the company plans to apply for EU aid under the support for food processors scheme. EU aid could cover up to 60% of the estimated LTL 15-18m investment budget. Norvelita's fish processing capacities would then increase by some 30% from today's 12,000-13,000 tonnes per month. Staff would rise from 750 today to around 900.

The company's main output is smoked salmon products around 90% of which is exported. "During these years we have expanded the sales geography from Germany to Italy and Belgium. There are still plenty of opportunities in these countries for us but in the long run we would like to gain foothold in

other big EU markets, such as Spain and France," Kenstavicius says.

Today Norvelita's main competitors are in Poland. "Western European salmon industry has migrated to lower-cost Poland from Denmark and Germany. In recent years our firm too has accommodated orders that used to be carried out in Germany," Kenstavicius adds.

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**We could not foresee that demand for our products will reach our physical production limits so quickly.**

Jordanas Kenstavicius of Norvelita

He says that Norvelita's rise to a major European player began around 2005 after years of experimenting with products. "Eventually we settled on salmon and in the course of several years managed to earn reputation of a reliable supplier among European retailers. We still produce salmon that is sold under private labels and plan to continue with this set up because promoting our own brands would be too costly and time consuming without guarantee for success. We have seen such attempts end up in tears for some other Lithuanian companies," Kenstavicius explains.

In 2009, Norvelita raised turnover by 51% to LTL 186m. In 2010,

the plan was to achieve a further 18% increase.

### Norwegian investors exited

Originally set up 15 years ago as a Lithuanian-Norwegian joint venture, Norvelita has been a local capital company for 5 years.

"Our former foreign shareholders, Norwegian private persons from the fisheries industry, saw that the company is doing quite well in Eastern Europe at that time, for instance in Ukraine and Romania. They decided to make a short cut and try their luck on their own in those markets but eventually burnt their fingers because they wanted to do business in the East the way they used to do it in the West. Fish would be delivered but money would not come. Financial troubles forced them to sell their share in Norvelita," Kenstavičius recalls.

We have talked to

Jordanas Kenstavičius info@norvelita.lt

Tel +370 428 53993 (switchboard)

### IN BRIEF

#### ALT files for bankruptcy

Vilnius-listed ALT investicijos has declared itself insolvent and filed for bankruptcy after being notified about a EUR 68m fine imposed by the Serbian privatisation agency over the breach of privatisation terms of a major Serbian brewery (see no 291 page 6). The move is likely to deal a blow to the Vilnius-listed Alita alcohol maker owned by the same owners as ALT because the two firms are co-

debtors towards Swedbank that extended a loan for the Serbian purchase.

## PROPERTY & CONSTRUCTION

### CONSTRUCTION

#### Merko builder working on three new housing projects

**Merko statyba**, the Lithuanian subsidiary of Tallinn-listed **Merko Ehitus** construction group, is building a finer corporate structure as it prepares for new projects in the 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).

"All major construction and property development groups on the market have a similar structure where the housing business is functioning as a separate unit, so we too decided to follow this pattern," says Gediminas Tursa, CEO of Merko statyba, to news2biz.

In 2011 Merko bustas plans to start on three new projects, all 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," Tursa says. 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 Elek-trenai 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 miestas).

During January-September 2010 the Lithuanian operation contributed a mere 2.4% to Merko group's consolidated turnover of EUR 126m. Sales in Lithuania declined by 20% y/y. 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

Tel +370 5 210 5330 (switchboard)

More on residential construction: no 306 page 7

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

**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.



**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 Dau-gavpils project in Latvia.** Picture: K&H

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.

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**We can only be successful in a new market if we are able to offer new added value to services that are already available.**

Ilmar Kokk of K&H

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.

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 completed 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

Tel +372 730 8100 (switchboard)

### IN BRIEF

#### Construction prices up 0.5%

In November 2010 construction input prices rose y/y for the second month running (0.5% after 0.3% in October) after a lengthy deflation period. Prices of machinery labour still deflated (-1.5%), while products appreciated by 0.3% and labour costs by 1.5%. Of building types, construction of retail trade buildings appreciated the most (2.2%) while industrial and engineering construction prices kept deflating (-0.2...-0.5%).

### RETAIL & SERVICE

#### RETAIL TRADE

#### Retail trade activity starts rising after two years

After slightly more than two years retail trade volume in Lithuania re-

corded first annual growth in November.

Retail trade expanded by a working-day adjusted 4%. Food retail was still down by nearly 1% in November after 4% declines in the previous months.

Meanwhile, non-food retail growth accelerated to a 10% increase in November and posted a third growth month in a row. Leaders in non-food trade were clothing and footwear (+27% y/y) and DIY (+16%).

### SECURITY SERVICES

#### Eurocash1 starts with physical security in Latvia

Lithuanian Eurocash1, a security services provider, has finally launched its regional expansion after first voicing such plans in 2007 (see no 238 page 8).

"As of 1 January we are offering physical security services in Latvia. Other services, such as electronic security and cash collection should follow suit this year," says Vytautas Labeckas, managing director of Eurocash1, to news2biz.

In Latvia the firm is not starting from scratch: at the end of 2010 it acquired the physical security business from local **Biznesa drosiba**, a long time player on the local market.

"The Latvian firm wanted to focus on detective services, and agreed to sell other activities to us. The deal gave us several major customers, including the local **Depo** DIY chain, a staff of 120 and an administrative

structure that will make launching additional services a lot easier," Labeckas explains.

Starting electronic security services will take "several months", according to Labeckas, while cash collection will require more time and effort – and investment.

"When we started offering cash collection in Lithuania there was only one player to compete with. In Latvia there are already a few competitors. Here too we will be looking for acquisition options. In general, Latvia is different from Lithuania in terms of market population – there are quite a few mid-size players in Latvia while in Lithuania there are a few major actors and then many small ones."



**Eurocash1 will be looking for further acquisition targets in Latvia.**

Picture: Eurocash1

After Latvia, Eurocash1 will be looking at Estonia although there is no clear timeline for further expansion.

In Lithuania Eurocash1 says it was the only major security services firm to have raised turnover during the economic crisis. "Business volumes fell in all security segments but our entry into cash collection has

helped us to defy prevailing trends," Labeckas says. In 2009, Eurocash1 reported LTL 18m in turnover with more than 500 staff.

He believes the firm's situation could have been even better if not for the actions of its main competitor in cash collection, **G4S Lietuva**. Eurocash1 now eagerly awaits a verdict by the competition authority Konkurencijos taryba on a probe into the potentially illegal non-competition and exclusive purchase agreements between G4S and Lithuania's three biggest banks (SEB, Swedbank and DnB Nord) that prevent Eurocash1 from providing services to customers of these banks.

We have talked to

Vytautas Labeckas vytautas.labeckas@eurocash1.lt

Tel +370 5 274 4686 (switchboard)

## ELECTRIC SUPPLIES

### Rexel merges Baltic firms under Tallinn HQ

The world's second biggest (according to 2009 turnover) electric appliances wholesaler **Rexel** is merging its Baltic units so that the Lithuanian and Latvian units will be branches of the Estonian company.

In the Baltics, Rexel works under the name of **Elektroskandia**, and the Estonian company will be renamed **Elektroskandia Baltics**.

"This is a matter of cutting overhead costs and making operations in the Baltics smoother. We remain in Lithuania and Latvia as before," explains Markku Sekö, CEO of **Elektro-**

**skandia Suomi** and head of operations also in the Baltics, to news2biz.

The crisis in the Baltic construction sector has seen Elektroskandia's turnover in the Baltics reduced from EUR 80m two years ago to EUR 40m today. The number of staff has gone the same way so that the company now has 80 employees in the Baltics. Elektroskandia has branches in Estonia in Tallinn, Tartu, Pärnu and Jõhvi in the northeast; also in Riga and Vilnius as well as a sales office in Kaunas.

The fate of Elektroskandia in the Baltics also deserves a closer explanation. The name comes from 1997, when the Dutch electrical wholesaler **Hagemeyer** took over the Swedish **ASEA Skandia** from Swedish-Swiss **ABB** and renamed it Elektroskandia.

The company expanded to the Baltics under Swedish leadership, but in 2008 the world's no 1 and 2 in electrical wholesale, **Sonepar** and **Rexel**, both French, decided to join bids on Hagemeyer and split the Dutch group, which was then the world's no 3 in electrical wholesale. The split meant that Elektroskandia in Finland and the Baltics went to Rexel, while Sonepar got the business in Sweden etc.

Thus Elektroskandia in Sweden today is competing indirectly with namesake companies in Finland and the Baltics. Sonepar, too, is represented in the Baltics through Finnish **SLO**, and has sales companies in all three Baltic countries. Rexel, which is listed on Euronext bourse in Paris, is listed on Euronext bourse in Paris, turned over EUR 11.3bn in 2009 and

had a net income of EUR 81m with 28,000 staff in 34 countries.

We have talked to:

Markku Sekö markku.seko@elektroskandia.fi

Tel +358 10 509 3505 (direct)

## DIME STORE

### Tiger chain to have ten shops in three years

Nils Stora, an Icelandic national and a pioneer of the Danish textiles and home supplies chain **Jysk** in the Baltics, has started up as a partner of the Danish discount gift shop chain **Tiger** in Latvia and Lithuania.

Tiger recently opened a second Latvian shop in the new *Galleria Riga* shopping mall. The new store is 160 sq.m compared to the 300 sq.m store in the *Alfa* mall, also in Riga. In Lithuania, Tiger has one store in Kaunas (see no 297 page 9).

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**It is easier for the lease-taker today compared to the boom years, but sales expectations are also lower so it goes hand in hand.**

Nils Stora of Tiger

"We have had a satisfactory start-up and we expect to open 2-4 stores in 2011 and hope to reach 10 stores in three years," Stora says to news2biz.

"Of course it is easier for the lease-taker today compared to the boom years, but sales expectations are also lower so it goes hand in hand. When looking at the malls, some do not have any available space – these are the malls where everyone wants to be – and in those places rent levels have not changed a lot," he comments on how it is to start up a retail chain in a seemingly depressed retail market.

The Tiger retail concept, as well as the 80 stores in the chain in Western Europe (Sweden, Germany, Iceland, the UK, Greece, Spain and the Netherlands) are owned by Lenart Lajboschitz, the chain's founder, and his family via Danish **Zebra**.

Zebra and its local partner each own 50% in the company that has been granted the right to develop the chain in a particular territory. In Latvia and Lithuania, the two companies are both called **Tiger Shop**.

The Tiger chain was founded in 1995 and the first shops were in fact called Zebra. The chain's concept was a coincidence to Lajboschitz whose background is a rather modest high school degree. Shortly after starting the first shop, Lajboschitz and his family went to Bornholm for their holiday and he had to instruct his sister-in-law who was to manage the shop for the duration. "Just charge a tenner per item," he said and when he returned from holiday he saw that turnover had gone through the roof as customers seemed to like the idea of being able to control their spending easily.

Eventually, the price also gave the chain its name as Lajboschitz abandoned the African plains for the king of Asian carnivores. The direct reason was that Danish word for tenner, *tier*, is pronounced almost similarly to tiger in Danish, a language renowned for its habit of dropping the occasional consonant.

We have talked to:

Nils Stora nils.stora@gmail.com

Tel +45 70 22 55 79 (mobile)

## IN BRIEF

### Balts join Hotelstars Union

A year after its founding, all three Baltic states are joining the international hotel classification organisation. Hotelstars Union is initiated by the European HORECA organisation HOTREC. Already Sweden, Germany, the Netherlands, Austria, Switzerland, Hungary and the Czech Republic have joined the cooperation that secures a harmonised hotel classification. In a Hotelstars Union classification, hotels are marked according to 270 criteria. In order to get the maximum 5 stars, the hotel must adhere to all the compulsory criteria and 70% of the voluntary ones.

## IT & MEDIA

### CABLE TV AND INTERNET

#### Tele2 sells cable operations to Lithuanian VDNET

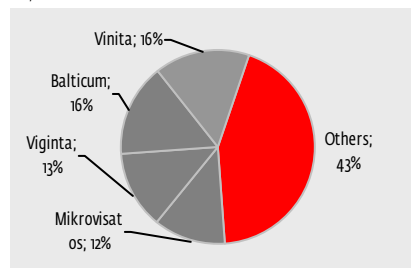
In mid-December the Lithuanian arm of the Swedish **Tele2** telecom company sold 100% of its cable TV

and fixed broadband internet service operation to Lithuanian **Viginta**, a major cable TV provider operating under the VDNET brand.

Tele2's cable TV subsidiary **Kabeliniai rysiu tinklai** (known as C Gates) and the fixed-line internet provider **Trigeris** have been sold for SEK 40m on a debt and cash free basis. "We decided to sell the CTV business because we see a clear need for that business to be consolidated and we did not want to be the consolidator. The CTV business and mobile business are two separate businesses with limited amount of synergies between them," says Niklas Sonkin, Tele2's executive VP and market area director for Central Europe and Asia, to news2biz.

### Fragmented picture

Cable and microwave multichannel TV service market by subscribers, H1 2010



Source: telecom market regulator RRT

The Swedish firm acquired CTV operations in Lithuania back in 1999. In Estonia the company sold the CTV activity in 2004.

"We believe Tele2 mobile business will benefit from this sale as

Tele2 management can focus on the mobile telephony only without need to spend time or money with the CTV business," Sonkin adds.

Tele2 Lithuania's cable operation contributed SEK 18m to the group's operating revenue in the first nine months of 2010, the EBITDA impact stood at SEK 4m.

The deal, yet to be approved by competition authorities, will see VDNET acquiring 10,700 fixed broadband customers and 33,000 TV customers. This will bring the firm's total subscriber count to 110,000 while the consolidated turnover in 2010 will reach LTL 30m. VDNET will then become the second largest player in both cable TV (after Lithuanian **Vinita**) and fixed broadband (after **TeliaSonera**-owned **Teo**) markets.

We have talked to

Niklas Sonkin niklas.sonkin@tele2.com

Tel +46 704 264 577 (direct)

### CALL CENTRES

#### Lintel opens new call centres, eyes public & export sectors

**Lintel**, a call centre arm of the Vilnius-listed **Teo** telecom group, has launched two new call centres in Vilnius and Klaipeda citing the growing demand for direct sales services during and in the aftermath of the economic crisis.

Lintel now has six call centres throughout the country. Earlier the company was present in Kaunas, Panevezys, near Siauliai and Klaipeda.

"With the economic crisis subsiding Lintel keeps seeing a growing demand in its services because customers that have realised the low cost advantage of servicing their clients through contact centre solutions are sticking to the newly-found business model. The service is especially popular among companies with huge number of clients, such as energy, telecom and retail trade firms," says Remigijus Seris, CEO of Lintel, to news2biz.

Lintel believes there are still areas where it could generate much bigger business volumes. "First of all, it is the public sector that would certainly benefit by improving the quality of public services. Secondly, we are beginning to target foreign customers that could use our services and foreign language skills of our employees, especially those of English, Russian and Scandinavian languages," Seris says without mentioning any particular steps or achievements in these two particular directions.

Lintel now employs 1,200 of staff (not all full-time), up by 50% compared to the end of 2009. In 2009, the firm turned over LTL 42m and reported a pre-tax profit of LTL 9m.

We have talked to

Remigijus Seris remigijus.seris@teo.lt

Tel +370 5 236 8301 (switchboard)

## IN BRIEF

### Teo: fibre optic for businesses

Vilnius-listed Teo telecom during the next 2 years will invest LTL 15m to install

high-speed fibre optic communication infrastructure in more than 1,000 private and public office buildings throughout the country. This will allow 80% of Lithuania's organisations to make use of high-speed internet advantages. Thanks to current investments by Teo and some of its competitors, Lithuania is now the fibre optic communication penetration leader in Europe with 21% of households able to use it.

### Not yet avid internet users

Although Lithuania is known for its high fibre optic penetration (see above), private internet usage figures still lag the EU average. In 2010, 45% of individuals in Lithuania surfed the net every day, 13% weekly but not daily, and 3% less than once per week. To compare, daily internet usage across the bloc stood at 53% while the weekly rate was 13%.

### ZIA Valda exits publishing

In order to focus on its key holdings, Lithuanian-Icelandic owned ZIA Valda investment firm has divested to local Balsas. It a controlling stake in Krasto spauda that publishes a daily and a weekly both focusing on rural readership. Balsas. It is associated with somewhat pro-Russian LibDem Party of the impeached president and now member of the European parliament Rolandas Paksas. ZIA Valda's main investments are in Avia Solutions Group (aviation services) and Agrowill Group (agriculture investments) both of which have designs to float on the Warsaw stock exchange (see no 307 page 4).

## TRANSPORT & LOGISTICS

### KLAIPEDA PORT

### Höegh Autoliners close to setting up ro/ro vehicle hub

**Höegh Autoliners**, the Norwegian-owned global provider of ro/ro vehicle transportation, is in an advanced stage of establishing a wheeled equipment hub in Klaipeda.

"Of the ports on the Eastern Rim of the Baltic Sea, Klaipeda suits our customer needs best. On the other hand, it is ice-free all year round and has been very active in attracting us in the first place, as well as supportive of our ro/ro vehicle transportation plans," says Tomasz Lis, Höegh Autoliners' representative in Russia & CIS, to news2biz.



**Belarus trucks being loaded onto the Hoegh Trotter in Klaipeda.**

Photo: Klaipedos Konteineriu terminalas

"The only thing that has kept us from going ahead with the hub plan is substantially higher port fees than what the competing ports charge. But we hope to eliminate this obstacle. It requires the involvement of

the government, and we believe the port will have some good news for us in the beginning of this year."

"Lower fees are important for us because our vessels are able to carry up to 7,300 CEU (car equivalent units), but we usually use only small part of this capacity per port. Klaipeda needs to be more competitive in this respect. As a result, high port costs divided by relatively small number of units means high costs per unit. Even with the hub in place, we do not expect Klaipeda volume to be on the same level as e.g. in Bremerhaven, one of our biggest ports, but the more vehicles we process, the more cost effective Klaipeda will be for us," Lis explains.

Höegh vessels started calling Klaipeda only a year ago in late November 2009 (see no 295 page 11). Since then they have visited the port seven times already. "Once we have a hub operational, we expect to increase the number of Klaipeda calls to about 12 per year," Lis says.

"So far transport directions have been very uneven with most vehicles being shipped out of Klaipeda. In the long run I would hope for a 50/50 export/import breakdown."

In recent months the Norwegian company has been picking up Russia- and Belarus-made tractors, forklifts and buses to be shipped to Latin America.

Höegh Autoliners is majority owned by Norwegian **Leif Höegh & Co** and has Danish **A.P. Moller-Maersk** as a minority stakeholder. Höegh Autoliners' agent in the Bal-

tics is **Maritime Transport & Agencies**.

We have talked to

Tomasz Lis tomasz.lis@hoegh.com

Tel +47 400 396 73 (mobile)

### AIRPORT BUSINESS

### Litcargus ground handling firm to have new owners

**Litcargus**, an old-timer on the Vilnius Airport ground handling and cargo market, may soon have a new owner. According to Verslo zinios business daily, the sale deal is being advised by **SEB Enskilda**. Litcargus is now 99% owned by Malta-registered **Cerebrus Holdings**.

In 2009, Litcargus turned over LTL 20m, processed more than 2,000 tonnes of cargo and serviced 20,200 flights.

None of the parties involved would comment the process but the daily claims there could be more than one prospective buyer, including companies linked to German **Lufthansa** (for which Litcargus acts as general sales agent) or Latvian **airBaltic** but excluding Lithuanian **Avia Solutions Group**, Litcargus' main competitor in Vilnius.

### North Hub: not buying Litcargus, interested in MRO

airBaltic's case seems especially interesting. Litcargus is airBaltic's business partner in Vilnius and it may also work with **BAS** that was recently established in Vilnius by airBaltic's co-owner Bertolt Flick with the aim of launching regular

flights from the Lithuanian capital this spring (see no 300 page 11). Mr Flick's other company is **North Hub Services** ground handling firm (co-owned with a Turkish investor) that already works in Riga and Helsinki and has Stockholm entry on its 2011 agenda.

"Presently we are not in talks with Litcargus," says Janis Balkens, CEO of North Hub Services, to news2biz. "Of course, we know each other because we operate in the same business. We will be in Vilnius but today the plan is to come on our own."

Meanwhile, North Hub is pursuing another line in Lithuania: at the end of 2010 an off-the-shelf company registered in Vilnius was renamed into **North Hub Technics**. The name suggests the firm will be engaged in MRO activities (aircraft maintenance, repair and overhaul). Mr Balkens says he is aware of the fact but could not provide any comments.

We have talked to

Janis Balkens baj@northhubservices.com

Tel +371 29 238 445 (mobile)

## AIRLINES

### Aurela charter airline about to change owners?

**Aurela**, a leading Lithuanian charter airline, may soon change hands following a drastic fall of its business volumes. According to local media reports, the airline's Boeing fleet last November was cut by half to two aircraft. The reduction took place after

Aurela failed to renew its contract with **Thomas Cook**, a major British tour operator, and the aircraft leasing firm that served Aurela decided to sell the two Boeings due to low profit margin.

Aurela's fleet is now down to two Boeing 757-300s and two Hawker 9-seater executive jets. Pilot headcount went down from 49 to 20.

Aurela would not comment the rumours that the sudden loss of business altitude has prompted its owners to seek a buyer. The airline is linked to Saulius Karosas, a Lithuanian businessman that resides in Switzerland and also controls Lithuania's smallest commercial bank **Medicinos bankas**.

Aurela operates in a number of EU markets as well as Africa. In 2009, the airline's turnover slimmed by 11% to LTL 128m. It made losses in both years.

## AIRPORTS

### Kaunas Airport gets ready for jumbo jets

With the help of LTL 52m of EU aid **Kaunas Airport** has completed upgrading its runway that had not been changed for 20 years.

In November, the state-owned airport completed the second stage of the runway reconstruction project that has made the airport suitable for 400-tonne *Boeing 747s*.

Together with the first reconstruction stage that took place in 2009, the airport replaced 3,250 metres of runway and aircraft parking

surface. During the second stage, all works were carried out during the night in order not to disrupt airline traffic that since this May became extremely heavy (speaking in Kaunas' terms) after the Irish **Ryanair** expanded its flight network in Kaunas from 5 to 19 destinations.

The runway reconstruction will also make Kaunas more attractive to big cargo planes.

The project's total budget clocked in at 61m, of which LTL 9m came from the government. Lithuanian road builder **Kauno tiltai** was the main contractor that has carried works worth LTL 43m.

## MARITIME

### Danish Dofita starts generation change in Lithuania

Danish-owned **Dofita**, a steel processor based in Klaipeda focusing on steel components for the shipping and industrial sector, has changed hands as part of a generation change for the Danish owner, **DOF Danmark**. Dofita has been taken over by a Lithuanian holding company called **Dofita Holding**, owned by Bo Lauridsen, son of DOF Danmark's owner Jørn Lauridsen. Dofita Holding's chairman of the board is Bo's Lithuanian spouse Rima Lauridsen.

"We plan no changes in the day-to-day operation of the companies, but eventually the generation change will also affect the Danish part of the operation," says DOF Danmark's owner and CEO Jørn Lauridsen to news2biz.



**DOF Danmark has never regretted its decision to set up a metal shop in Lithuania.** Picture: Dofita

DOF Danmark is made up of two units, one in Frederikshavn and one in Aalborg, both in the northern part of the country. The Danish units employ approximately 35 staff. The activities have been focused on off-shore and deep sea fishing vessels.

"We have not seen much of the crisis in the offshore segment and as for fishing vessels, we only supply to those that can pay, so we have not seen much of a setback there either," says the good-humoured Jørn Lauridsen to news2biz.

Dofita started in Lithuania following the closure of Danyard Frederikshavn in 1999 which until then had supplied up to 90% of the work for DOF. "All the metal handling connected to the shipping sector moved to Eastern Europe and we had to make up our minds as to what we should do. So we set up in Lithuania," says Jørn Lauridsen.

Dofita in Lithuania originally worked with **AP Møller Maersk**-owned **Baltic Shipyard** in Klaipeda, but they have continued cooperation

with the yard even when it has come under the ownership of Estonia's **BLRT Group**.

### A shipyard without a dock

"Often we work as a shipyard, even though we have no dock," explains Jørn Lauridsen. "In many cases we are the main contractor supplying directly to the client. We then take on sub-suppliers for the parts that we do not do ourselves, like electric appliances and hydraulics. To many ship owners it is a great advantage that their ship does not have to go to dock – we can repair the ship wherever it happens to be and it can go right back into operation after that."

Dofita in Lithuania employs from 30 to 50 staff depending on the assignments at hand. The company has a turnover of approximately DKK 50m. If it is at all possible to pinpoint a setback in turnover in Lithuania, it refers to supplies to local industry, whereas the maritime segment – where Dofita supplies freight, fishing, offshore and service vessels – has been thriving.

"Setting up in Lithuania has not exactly been a disadvantage to us," says Jørn Lauridsen with a characteristic understatement.

We have talked to

Jørn Lauridsen [frh@dofdanmark.dk](mailto:frh@dofdanmark.dk)

Tel +45 98 42 38 78 (switchboard)

### IN BRIEF

#### Railway co lifts base rates

State-owned railway monopoly Lietuvos geležinkeliai has as of January 2011 raised

its base freight transportation rates by 6.5%. The company will be able to apply rate discounts of up to 25% in order to attract new freight volumes. LG carried 39.3m tonnes of freight in January-October 2010, up by 14% y/y (international freight +18%, local freight +6%).

### BGS ready to leap in Poland

The Polish subsidiary of Lithuanian Baltic Ground Services has been awarded licences to provide ground handling services in six Polish airports (Warsaw, Krakow, Katowice, Wroclaw, Gdansk and Poznan). BGS entered Poland in 2010 (see no 296 page 12). The company is part of Avia Solutions Group that last December put off its IPO on the Warsaw bourse due to low price expectations on the part of institutional investors.

### Ryanair to cut German flights

Irish Ryanair airline will as of summer 2011 cut the number of flights from Kaunas to three German destinations – Berlin, Bremen and Düsseldorf – due to the new EUR 8 tourist tax per passenger to be introduced by Germany.

## ENERGY & ENVIRONMENT

### UPSTREAM

#### Lotos acquires full stake in Lithuanian oilfield company

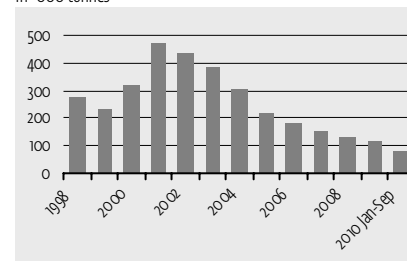
Lotos Petrobaltic, the upstream subsidiary of Poland's number two oil refiner **Grupa Lotos**, has boosted its stake in Lithuanian **Geonafta**, be-

coming the only owner of the Lithuanian crude extraction and exploration business. The transaction is said to raise Petrobaltic's annual oil output by 50%, or 100,000 tonnes.

The acquisition is in line with Lotos' newly-adopted strategic focus on the upstream segment, adding confirmed, low-risk reserve to Petrobaltic's portfolio.

### Oil production in Lithuania

In '000 tonnes



Source: Lithuanian Geological Service

"What Geonafta brings to the table is expertise in onshore drilling, something we are very much looking forward to as Petrobaltic is experienced in offshore extraction only," Lotos spokesman Marcin Zachowicz tells news2biz. "Moreover, the company holds a number of exploration concessions, which makes it a prospective investment."

Petrobaltic had held a 40.6% stake in Geonafta for 10 years, and acquired the outstanding shares from a group of private investors (mainly from Lithuanian **Hermis Capital**) for an undisclosed sum. Together with its Lithuanian subsidiar-

ies Minijos nafta, Genciu nafta and Manifoldas, Geonafta has been exploring hydrocarbon reserves and extracting oil in Lithuania for 20 years.

Asked about his company's investment plans with regard to Geonafta and the Baltic states as a whole, Marcin Zachowicz says it is way too early for any specifics. The Lithuanian company admits to having discovered fields containing an estimated 8m tonnes of oil and produced about 13% of initial Lithuanian oil recoverable reserves (56% of the total amount produced by all the companies). The Lotos spokesman declined to disclose any figures on Geonafta's current oil reserves and concessions.

Besides hydrocarbon exploration and production, Geonafta provides a wide range of drilling services, which are set to be in high demand in the region as a result of the expected shale gas boom in Poland.

Lotos Petrobaltic holds an exploration and drilling license for the Polish economic zone of the Baltic Sea, where it operates an oil rig. Via its subsidiary **Lotos Norge E&P** the company is present also on the Norwegian continental shelf, with six exploration concessions and one production license. In three cases Lotos' Norwegian subsidiary is also the operator. Petrobaltic's confirmed reserves in the Baltic and Norway total some 6.4m tonnes of crude and 4.5bn cb.m of gas.

Last year, just before Christmas, Lotos Norge E&P signed Berge Oil-

field Services AS to carry out 3D seismic work on one of its license areas in the southern part of the North Sea. The contract came to NOK 60m. Lotos plans to launch production at one of its Norwegian oil fields this year.

We have talked to:

Marcin Zachowicz marcin.zachowicz@grupalotos.pl

Tel. +48 58 308 75 70 (direct)

## RECYCLING

### Dane takes light bulb collection to Lithuania

The Danish association of lamp importers, **LWF**, in 2009 took over the management of collection of quicksilver containing long-life bulbs in Latvia and Estonia. Already in 2006 LWF started collection and recycling of bulbs in Denmark and Jan Bielefeldt, a chemical engineer with a background from Rockwool and the largest Danish chemical disposal company **Kommunekemi**, took over as CEO in the Baltics and since then has divided his time between the Baltics and Denmark.

In 2010, the initiative was expanded to 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.

### Legislation still not in place

"So far, in Lithuania we are focusing on collection from companies that

import light sources, because the legislation regarding the collection of bulbs and tubes from municipal garbage collection stations is not in place yet," says Jan Bielefeldt.



### The legislation on the collection of bulbs and tubes from municipal garbage collection stations is not in place yet in Lithuania.

Jan Bielefeldt of Ekosviesa

He hopes that this will happen soon and he says that the aim is to then increase the number of contracted collecting companies from today's three and he expects better coverage when more collecting companies are involved.

**Ekosviesa**, like its Baltic counterparts **Ekogaisma** in Latvia and the upcoming **Ekogaisma Eesti** in Estonia, 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 Bielefeldt, but Latvia has one extra, a financial controller for all of the three countries. Until 2010, **Ekogaisma** in Latvia operated as the Baltic company with a branch in Estonia, but the setup of Lithuanian **Ekosviesa** signifies a change in focus so that each country

will have a separate company. Bielefeldt expects the Estonian **Ekogaisma Eesti** to be operational perhaps as early as this month.

### Baltics are not Scandinavia

"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," Bielefeldt says. "Estonia seems pretty much like Finland and things are running rather smoothly, whereas it is rather more bureaucratic in both Lithuania and Latvia."

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 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 jib@lwf.nu

Tel. +45 40 37 07 05 (mobile)

## ENERGY POLICY

### Lithuania asks EU opinion on gas sector unbundling

Although it seemed very resolute to do so just a couple of months ago, in December Lithuania's government decided not to rush unbundling the country's natural gas sector, a move aimed at separating the gas transmission system from the **Lietuvos dujos** into a separate company.

The plan, officially known as the implementation of the EU's third energy package, calls for separating the transmission system from incumbent gas company **Lietuvos dujos** into an independent firm in order to ensure that other gas suppliers gain access to the market. **Lietuvos dujos** would then remain a gas importer and distributor. One of potential new gas suppliers could be the would-be LNG import terminal that the government plans to build in

Klaipeda for hundreds of millions of Lit.

The government's plan angered the gas utility's two strategic investors Russian **Gazprom** (37%) and German **E.On Ruhrgas** (39%) who called the scheme a nationalisation. Russia's PM Vladimir Putin went further to call it 'a robbery'. In practical terms, Gazprom's answer to Lithuania's gas independence ambitions was a 15% gas price cut promise to Estonia and Latvia but not to Lithuania.

A package of new laws that will regulate the unbundling process received general government approval in December but before putting their final signatures and sending the laws to the Seimas, the cabinet decided to request opinion of the European Commission.

The original schedule calls for unbundling to take place by March 2012. Estonia too is preparing for a similar reform, while Latvia is somewhat hesitating. Gazprom holds stakes in both countries' gas utilities.

## ENERGY

### Mazeikiai refinery starts heating oil sale in Estonia

**Mazeikiu Nafta Trading House (MNTH)**, a fully-owned subsidiary of the Lithuanian fuel producer **PKN Orlen** and the largest fuel supplier in Estonia, added trading in heating oil to its operations.

"All of our major competitors are trading in heating oil, hence we started trading it as well," says Tõnu

Ääro, CEO of MNTH, to news2biz. "Actually, we planned this move already for several years."

"We target both the corporate consumers as well as households having a central heating system using heating oil – the so-called small-scale wholesale market," says Ääro.

According to Ääro, the company strives to have about 20-25% of the heating oil wholesale market in the years to come.

### Recession diminishes sales

MNTH, established in 2003, trades with the produce of the Polish **PKN Orlen**-owned Lithuanian refinery on Estonian wholesale market. At establishing, the share of the company reached 80% in the gasoline wholesale market and 15% in that of diesel fuel.

The fierce competition has cut the company's share in the gasoline wholesale market to 25% in 2009, while its market share in diesel fuel has increased to 26%. According to Ääro, MNTH's share on both markets is currently a bit short of 30%.

In 2009, MNTH turned over EUR 0.5bn, a 45% drop compared to the year before. Along with turnover, profit more than halved to EUR 1m.

"In our field of business, turnover is not that important indicator as it fluctuates along with the world market fuel prices. Both sales volume in tonnes as well as profitability margin count a lot more," explains MNTH's head.

"Our sales volume has decreased about 12% in the last two years, mostly due to the decline in consumption, but also due to increased competition. Some clients are gone, now we try to get them back."

For 2010, Ääro predicts a decline in turnover by 10-15%. "At the moment, the decline in consumption influences the sales the most. However, in the next year, we expect the sales starting to increase again."

We have talked to:

Tõnu Ääro info@mnth.ee

Tel +372 626 4290 (switchboard)

## IN BRIEF

### German CCR exits

German CCR Logistics Systems, an industrial waste logistics specialist, is winding up its Lithuanian activities that started in the beginning of 2008 (see no 248 page 13). "The liquidation of our company mainly reflects the protectionism of Lithuania, which makes it quite hard for foreign companies to enter the market. This refers especially to our company focus, the fulfilment of WEEE, ELV and battery legislation", says Achim Winter, chairman of supervisory board at CCR Logistics Systems, to news2biz. The German firm is also shutting down its Latvian subsidiary.

We have talked to

Achim Winter achim.winter@ccr.de

Tel +49 89 49049 121 (switchboard)

### Lithuanians pay most for power in the Baltics

In H1 2010, Lithuanian household and industrial consumers paid highest rates for

electricity in the Baltics, taxes included, according to Eurostat figures. Household consumers were charged EUR 0.121 per kWh (up by 20% y/y), businesses paid EUR 0.146 (-8%). The respective rates in Latvia were EUR 0.105 and EUR 0.139, and EUR 0.1 EUR and 0.099 in Estonia.

## ECONOMY & POLITICS

### TAXES

### Bankruptcy wave calls for rise in Guarantee Fund tax

In 2011, healthy companies may be subjected to a two-fold increase of the employee compensation contribution to the Guarantee Fund that covers unpaid wages to staff of bankrupt companies.

Today the contribution amounts to 0.1% of a company's compensation total. In mid-2008, just as the economic crisis started to spread its wings, the rate was cut by half from the 0.2% rate that was introduced when the fund was set up in 2001 in the wake of the Russian financial crisis.

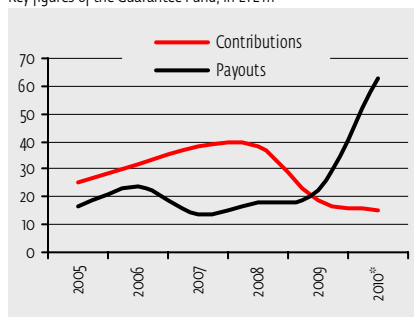
By October 2010 the fund paid LTL 63m of wages for staff of nearly 1,100 bankrupt firms which represents a three-fold increase compared to full 2009.

The fund seems to be well equipped to fare through 2011 but later it is likely to face funding shortages because bankruptcy proceedings usually last for more than a year.

The fund's council will debate the contribution rate rise this spring. At the same time, it may consider reducing the size of payouts that in 2010 averaged LTL 3,059 per employee and increased by 10% compared to 2009, and almost doubled compared to 2005.

### In need of additional guarantees

Key figures of the Guarantee Fund, in LTL m



Source: Guarantee Fund, Lithuanian Statistics Department

## LABOUR MARKET

### Labour cost decrease slows to 1.7% in Q3 2010

After five quarters in a row, in Q3 2010 Lithuania was dethroned by Greece as the EU leader by labour cost decrease.

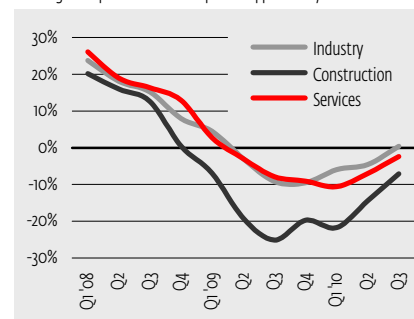
Nominal hourly labour costs in Lithuania shrank by 1.7% y/y in Q3, slowing down from -7% in Q2. In Estonia and Latvia that also witnessed a sizeable reduction during the economic crisis, labour costs fell by 0.5-1%.

After a prolonged decrease period, labour costs began to rise in Lithuania's industry (+0.4%). At the

same time, they continued to fall in construction, by -7.1% (deepest drop in the EU), and services (-2.4%), although in both cases the readings were considerably lower than in previous quarters.

### Still decreasing

Nominal hourly labour costs by main economic activity in Lithuania, % change compared with same quarter of previous year



Source: Eurostat

## PRICES

### Consumer inflation slows somewhat in November

Consumer price inflation slowed down unexpectedly last November to 2.5% after speeding up from 1.8% to 2.6% in October.

Food price inflation kept rising in November to reach 4.3%. However, the acceleration was offset by the continued fast slowdown in beverage price inflation to 2.5% (it was in low teens in August-September) and slower advance of transport prices (+3.6%).

The lower inflation rate was also supported by continued deflation of

clothing and footwear and communication prices.

Consumer goods in November appreciated by 3.7%, whereas service rates declined by 0.5%.

## IN BRIEF

### Foreign trade up by 30%

Lithuania's export and import volume in January-October 2010 rose by 30% each. Ex-oil export increased by 26%, import added 22%.

### Kubilius vs. Constitution

Lithuania's conservative Prime Minister Andrius Kubilius would like the country's Constitutional Court to be stripped of the power to evaluate economic laws. He made this statement on 10 December, the international human rights day. In April 2010, the court ruled that the law makers are obliged to compensate slashed pensions when the economy becomes healthy enough.

### Long weekends in 2011

There will be six extended weekends in 2011 in Lithuania but only one lasting 4 days (there were 4 such breaks in 2010): March 11-13, April 23-25, June 24-26, August 13-15, October 29-November 1 and December 24-26.

### Purchasing power weakens

Actual individual consumption in Lithuania in 2009 fell to 63% of the EU average level after the indicator advanced from 66% to 69% in 2009. The country's GDP also slumped in 2009 to 55% of the EU average from 61% in 2008.

## EVENTS

### Danish Library in Vilnius

Opening of Danish Library: exchange Danish books and donate Danish books for the library.

Date: 15 January, 11.00 a.m.

Place: Jeruzales Library, Vilnius

Contact: info@dcc.lt

### New German Chamber Members

German-Baltic Chamber of Commerce's new members event.

Date: 20 January

Contact: mitglieder.lt@ahk-balt.org, tel. +370 5 263 91 16

### Burns Night

12th annual traditional charity event Burns Night featuring Scottish music group Saor Patrol.

Date: 22 January, 6.30 pm

Place: Vilnius Town Hall (Rotuse)

Organiser: British Chamber of Commerce

Contact: Ms Sandra Kundrote, tel. +370 611 37486, sandra@bcc.lt

### Practical Aspects of Energy Efficiency

A conference for SMEs on how to cut costs with the help of efficient energy consumption. Fee: LTL 150.

Date: 10 February

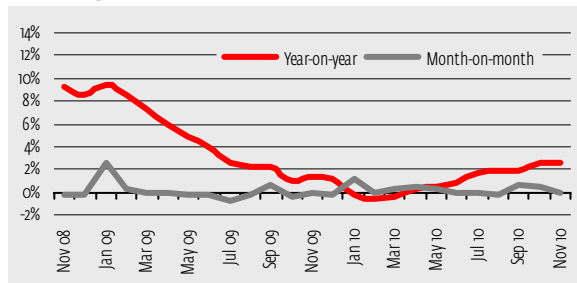
Place: Litexpo exhibition centre, Vilnius

Organisers: RST, VST, Verslo zinios business daily, Nordic Council of Ministers

Contact: tel. +370 5 252 63 61, konferencijos@vz.lt

## KEY FIGURES

### INFLATION



Source: Lithuanian statistics office, Lietuvos statistikos departamentas

### PRODUCER PRICE INDEX

On monthly basis	May '10	Jun '10	Jul '10	Aug '10	Sep '10	Oct '10	Nov '10
100 = previous month	100.2	100.6	99.0	100.1	100.2	100.9	101.4
100 = same month prev year	111.3	109.5	110.7	109.2	111.3	112.0	112.1
<b>Year</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
100 = previous year	99.5	106	111.6	107.4	107.0	118.2	86.7

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

Source: Lithuanian statistics office, Lietuvos statistikos departamentas

### INDUSTRIAL OUTPUT INDEX

On monthly basis	May '10	Jun '10	Jul '10	Aug '10	Sep '10	Oct '10	Nov '10
100 = previous month	102.1	102.9	99.4	105.2	96.3	109.7	98.0
100 = same month prev year	103.2	104.8	104.7	110.9	108.1	116.9	117.1
<b>Year</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
100 = previous year	113.4	111.3	107.0	106.5	102.4	105.5	85.4

Source: Lithuanian statistics office, Lietuvos statistikos departamentas

### RETAIL TRADE

at current prices	Aug 2010	Sep 2010	Oct 2010	Nov 2010
Turnover in LTL m	1,884	1,779	1,837	1,736
Index 100 = previous month	103.4	93.4	102.6	98.1
Index 100 = same month prev year	93.8	99.3	99.4	104.0
<b>Year</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
Turnover in LTL m	20,060	23,929	27,587	22,118
Index 100 = previous year	111.5	119.1	123.9	80.2

Source: Lithuanian statistics office, Lietuvos statistikos departamentas

### GROSS WAGES

column A: average monthly wages in LTL; column B: indexed average wages, 100=Q1 2000

Sector	Q1 2010		Q2 2010		Q3 2010	
	A	B	A	B	A	B
Manufacturing	1,988	197	2,004	199	2,061	204
Finance, insurance	3,846	192	3,836	191	3,804	189
Construction	1,708	190	1,793	200	1,846	206
Energy production and distribution	2,874	212	2,986	220	3,002	221
Retail and wholesale	1,786	196	1,843	202	1,890	207
Hotels and restaurants	1,219	167	1,242	170	1,239	169
Transport, logistics	1,883	182	1,938	187	1,958	189
<b>National average</b>	<b>2,031</b>	<b>197</b>	<b>2,056</b>	<b>200</b>	<b>2,082</b>	<b>202</b>

Note: Without taxes; Source: Lithuanian statistics office, Lietuvos statistikos departamentas

### CONSUMER PRICE INDEX

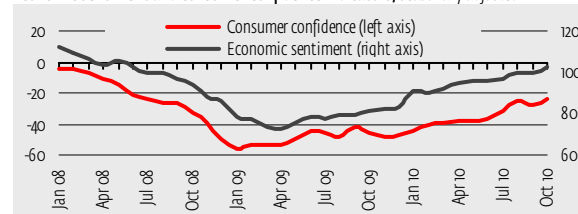
column A: 100 = current 12 months; column B: 100 = previous month

Sector	Aug 2010		Sep 2010		Oct 2010		Nov 2010	
	A	B	A	B	A	B	A	B
Food	101.0	99.6	102.1	101.1	103.6	101.0	104.3	100.6
Beverages, tobacco	111.8	100.1	110.4	100.4	106.1	100.1	102.5	98.8
Clothing, footwear	94.3	98.5	94.7	104.2	95.3	102.6	95.3	100.3
Housing	107.1	100.2	106.6	99.9	113.1	101.1	114.2	99.9
Transport	104.5	99.5	105.2	99.8	105.3	99.9	103.6	99.5
Communications	95.6	100.0	94.2	98.8	93.8	98.4	94.9	100.2
<b>Gross CPI</b>	<b>101.8</b>	<b>99.8</b>	<b>101.8</b>	<b>100.6</b>	<b>102.6</b>	<b>100.4</b>	<b>102.5</b>	<b>100.0</b>

Source: Lithuanian statistics office, Lietuvos statistikos departamentas

### SENTIMENT INDICATORS

Economic sentiment and consumer confidence indicators, seasonally adjusted

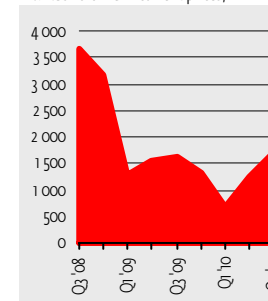


The economic sentiment (1990-2010 average = 100) is a composite made up of five sectoral confidence indicators, which are arithmetic means of seasonally adjusted balances of answers to a selection of questions closely related to the reference variable. Source: Eurostat.

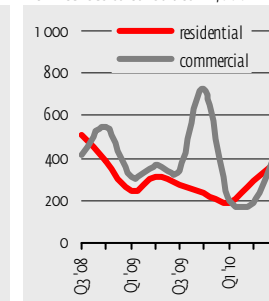
### CONSTRUCTION PRICE INDEX

On monthly basis	May '10	Jun '10	Jul '10	Aug '10	Sep '10	Oct '10	Nov '10
100 = previous month	100.4	100.4	100.9	100.0	100.3	100.1	99.7
100 = same month prev year	94.7	96.1	98.0	97.7	98.7	100.3	100.5
<b>Year</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
100 = previous year	102.2	108.1	108.7	110.6	115.5	100.4	87.4

Market volume in current prices, LTL m



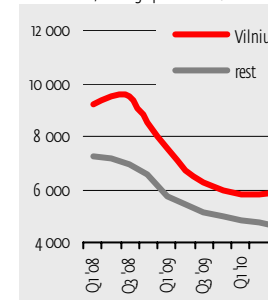
New licenses to construct in 1,000 m²



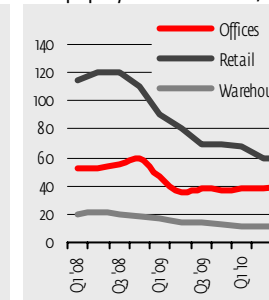
Source: Lithuanian statistics office, Lietuvos statistikos departamentas

### REAL ESTATE PRICES

Residential, average price in LTL/m²



Prime property rent rates in Vilnius, LTL/m²



Number of residential property transactions

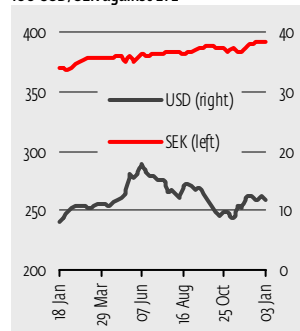
	Q4 '08	Q1 '09	Q2 '09	Q3 '09	Q4 '09	Q1 '10	Q2 '10	Q3 '10
Vilnius	1,858	1,006	1,180	1,213	1,331	1,367	1,693	1,310
rest	5,787	2,893	3,693	4,214	4,208	3,685	5,027	4,486

Sources: Ober Haus, property registry Registru centras

**CURRENCY****Central Bank average rates**

as of 4 January 2011, change on 7 Dec

100 USD	260.13	↑
100 EUR (fixed)	345.28	→
100 GBP	403.87	↓
100 CHF	277.71	↑
100 DKK	46.33	→
100 SEK	38.60	↑
100 NOK	44.36	↑
1,000 JPY	31.98	↑
100 LVL	486.63	↓
100 RUR	8.49	↑

**100 USD/SEK against LTL**

Source: Lithuania's central bank, Lietuvos bankas

**MONEY SUPPLY**

in LTL m	Jul '10	Aug '10	Sep '10	Oct '10	Nov '10
Monetary base	20,012	20,354	19,727	19,776	19,880
M1	24,967	24,823	25,169	25,567	26,309
Currency outside banks	7,471	7,509	7,498	7,598	7,627
M2	44,979	45,176	44,897	45,343	46,189
- Time deposits	19,772	20,111	19,484	19,547	19,664
M3	45,604	45,813	45,535	45,961	46,709
- Net foreign assets LTL m	-1,091	-1,094	-878	-961	-444

**Monetary base:** Lithuanian currency emitted by the central bank and money on accounts held with it. **M2:** M1 and time and savings deposits as well as deposits in foreign currencies.

Source: Lithuania's central bank, Lietuvos bankas

**TRADE****Lithuanian exports and imports according to commodity groups, according to SITC classification**

	EXPORTS in LTL m					IMPORTS in LTL m						
	Jan-Oct '10	Share	Jan-Oct '09	Share	2009	Share	Jan-Oct '10	Share	Jan-Oct '09	Share	2009	Share
Food and live animals (0)	6,208	14.3%	5,340	16.0%	6,552	16.1%	4,862	10.0%	4,122	11.0%	5,032	11.1%
Beverages and tobacco (1)	865	2.0%	610	1.8%	778	1.9%	854	1.8%	750	2.0%	920	2.0%
Crude materials except fuels (2)	1,915	4.4%	1,244	3.7%	1,566	3.8%	1,584	3.3%	1,311	3.5%	1,562	3.4%
Mineral fuels and lubricants (3)	10,347	23.8%	7,059	21.1%	8,678	21.3%	15,538	31.9%	10,298	27.5%	12,528	27.7%
Animal and vegetable oils (4)	69	0.2%	119	0.4%	133	0.3%	249	0.5%	264	0.7%	315	0.7%
Chemical products (5)	5,616	12.9%	4,666	14.0%	5,581	13.7%	6,901	14.2%	5,620	15.0%	6,784	15.0%
Manufactured goods (6)	4,541	10.4%	3,491	10.5%	4,206	10.3%	5,818	12.0%	4,644	12.4%	5,569	12.3%
Machinery, transport equipment (7)	7,718	17.8%	5,593	16.7%	6,954	17.1%	9,567	19.6%	7,283	19.4%	8,869	19.6%
Other manufactured articles (8)	6,144	14.1%	5,229	15.7%	6,249	15.4%	3,261	6.7%	3,112	8.3%	3,669	8.1%
Not classified commodities (9)	28	0.1%	32	0.1%	35	0.1%	18	0.0%	62	0.2%	63	0.1%
<b>TOTAL</b>	<b>43,451</b>	<b>100%</b>	<b>33,383</b>	<b>100%</b>	<b>40,732</b>	<b>100%</b>	<b>48,652</b>	<b>100%</b>	<b>37,466</b>	<b>100%</b>	<b>45,311</b>	<b>100%</b>

Source: The Lithuanian statistics office, Lietuvos statistikos departamentas

**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, LTL	5.60%	5.26%	5.23%	5.16%	5.09%	4.97%
Short term, EUR	4.45%	4.53%	4.42%	4.46%	4.56%	4.28%
Long term, LTL	8.09%	7.85%	7.86%	7.94%	7.87%	7.76%
Long term, EUR	4.28%	4.15%	4.18%	4.19%	4.28%	4.31%

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

**Vilnius Inter Bank Offered Rate (VILIBOR) as of 4 January 2011**

	Overnight	1 week	1 month	3 months	6 months
	0.50%	0.65%	1.05%	1.49%	1.99%

Source: Lithuania's central bank, Lietuvos bankas

**CREDIT**

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

Type of loan	Q3 '09	Q4 '09	Q1 '10	Q2 '10	Q3 '10
<b>Loans to customers</b>	<b>64,676</b>	<b>61,377</b>	<b>60,069</b>	<b>59,466</b>	<b>59,139</b>
- to private companies	32,788	30,908	30,125	29,257	28,464
- to individuals	27,445	26,948	26,432	26,010	25,469
<b>Consolidated balance</b>	<b>85,607</b>	<b>84,279</b>	<b>82,327</b>	<b>82,832</b>	<b>81,648</b>

of the banking institutions

Source: Lithuania's central bank, Lietuvos bankas

**STOCK EXCHANGE**

Vilnius stock exchange 4 January 2011

Main list	Price	Change	Change
in alphabetic order	EUR	7 Dec	end of '09
↓ Apranga	2.049	-9%	+191%
↓ City Service	2.828	-9%	+54%
→ Grigiskes	0.771	0%	+189%
↓ Invalda	2.010	-13%	+292%
↑ Lietuvos dujos	0.730	+1%	+23%
↑ Linas Agro (listed 17 Feb)	0.595	+1%	-
↑ Panevezio statybos trestas	1.945	+5%	+104%
↑ Pieno zvaigzdes	1.450	+1%	+76%
↓ Rytu skirstomieji tinklai	0.643	-6%	+22%
↑ Rokiskio suris	1.780	+7%	+118%
↑ Siauliu bankas	0.335	+4%	+2%
↓ Sanitas	5.415	-1%	+98%
↓ Snoras	0.395	-23%	+36%
↑ TEO LT	0.710	+2%	+32%
↑ Ukio bankas	0.381	+12%	+30%
↓ Utenos trikotazas	0.379	-10%	+11%
↓ Vilniaus baldai	9.500	-2%	+264%
↑ Vilkyskiu pienine	1.725	+6%	+147%

Note: OMX Vilnius index shows changes in all the prices of shares on the central market. Index value is assumed to be equal to 100 on 1 January 2000.

Source: Vilnius stock exchange, OMX Vilnius

OMX Vilnius index

**408.03**

Change 7 Dec -2% ↓  
Change end of '09 +56% ↑

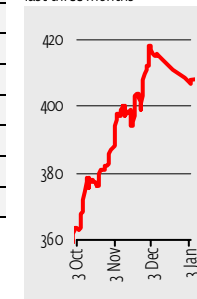
OMX Baltic Benchmark

**548.33**

Change 7 Dec +4% ↑  
Change end of '09 +74% ↑

OMX Vilnius closing index

last three months

**Lithuania's ten largest markets, ranked according to 2009, in LTL m**

No	EXPORT				IMPORT						
	Country	Jan-Oct 2010	Share	2009	Share	No	Country	Jan-Oct 2010	Share	2009	Share
1	Russia	6,627	15.3%	5,394	13.2%	1	Russia	15,882	32.6%	13,537	29.9%
2	Latvia	4,154	9.6%	4,099	10.1%	2	Germany	5,383	11.1%	5,134	11.3%
3	Germany	4,437	10.2%	3,943	9.7%	3	Poland	4,359	9.0%	4,517	10.0%
4	Poland	3,429	7.9%	2,927	7.2%	4	Latvia	2,972	6.1%	2,905	6.4%
5	Estonia	2,226	5.1%	2,861	7.0%	5	Netherlands	2,053	4.2%	1,835	4.1%
6	Netherlands	2,322	5.3%	2,068	5.1%	6	Italy	1,595	3.3%	1,737	3.8%
7	Belarus	2,165	5.0%	1,923	4.7%	7	Belgium	1,603	3.3%	1,346	3.0%
8	UK	2,105	4.8%	1,789	4.4%	8	Sweden	1,511	3.1%	1,227	2.7%
9	Denmark	1,371	3.2%	1,553	3.8%	9	Estonia	1,379	2.8%	1,189	2.6%
10	Sweden	1,562	3.6%	1,473	3.6%	10	France	1,237	2.5%	1,130	2.5%

**GDP**

at current prices

Period	Real growth year on year	GDP in LTL m current prices	GDP per capita in USD	Current account in % of GDP
Q3 2010	+1.1%	25,027	2,832	-
Q2 2010	+1.1%	23,890	2,655	4.8%
Q1 2010	-2.0%	20,449	2,465	0.9%
Q4 2009	-14.5%	22,896	2,762	11.8%
Q3 2009	-14.5%	23,417	2,824	3.7%
Q2 2009	-15.9%	23,992	2,894	1.4%
2009	-14.7%	91,526	11,039	4.2%
2008	+2.9%	111,483	14,086	-13.1%
2007	+9.8%	98,669	11,585	-14.5%

Sources: Lithuanian statistics office, Lithuania's central bank

**CURRENT ACCOUNT**

excerpts shown in LTL m	2007	2008	2009	Sep '10	Oct '10
<b>Trade balance</b>	-14,773	-14,455	-2,873	-481	-97
<b>Services</b>	1,591	1,401	1,785	313	112
<b>Direct investments, net</b>	3,578	4,026	-113	703	-336
<b>Current account balance</b>	-14,325	-14,598	3,896	-200	43

Source: Lithuania's central bank, Lietuvos bankas

**FOREIGN DIRECT INVESTMENT, FLOW**

On quarterly basis, LTL m	Q2 '09	Q3 '09	Q4 '09	Q1 '10	Q2 '10	Q3 '10
in Lithuania	389	-353	-587	-98	-366	1,486
Lithuanian DI abroad	-334	25	159	25	-19	61
Year, LTL m	2004	2005	2006	2007	2008	2009
in Lithuania	2,151	2,852	5,000	5,085	4,819	428
Lithuanian DI abroad	-731	-959	-802	-1,508	-792	-540

Source: Lithuania's central bank, Lietuvos bankas

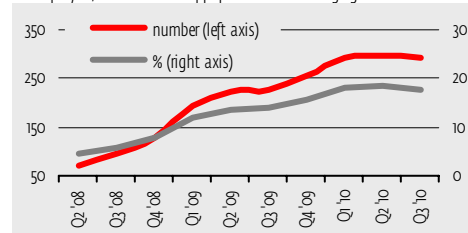
**KEY ECONOMIC DATA FORECAST**

Indicator	2009	2010		2011	
		SEB	MoF	SEB	MoF
<b>GDP change</b>	-14.8%	+1.0%	+1.6%	+4.0%	+2.8%
<b>Consumer prices (inflation)</b>	+4.2%	+1.0%	+1.1%	+2.0%	+1.8%
<b>CA balance, % of GDP</b>	+4.2%	+0.5%	+0.4%	-1.0%	-0.6%
<b>Gross wage change</b>	-8.7%	-1.0%	-4.3%	+3.5%	+1.8%
<b>Unemployment rate</b>	13.7%	16.5%	17.9%	16.0%	16.2%

Sources: Ministry of Finance (September 2010), SEB (September 2010)

**UNEMPLOYMENT**

Unemployed, in '000 and % of population in working age



Source: Lithuanian statistics office, Lietuvos statistikos departamentas

**REGIONAL DATA**

Lithuania's regions (main cities indicated in brackets)	Monthly wages (LTL) Q3 2010**		Unemployment Dec 2010		New dwellings Q3 2010	
	Wage	Index*	in '000	%	Number	Index**
Alytus (Alytus)	1,822	98	18	16.5	31	76
Kaunas (Kaunas)	1,997	97	54	12.5	263	65
Klaipėda (Klaipėda)	2,140	99	34	13.7	43	19
Marijampolė (Marijampolė)	1,759	97	15	13.3	21	36
Panevėžys (Panevėžys)	1,821	95	27	15.6	19	68
Šiauliai (Šiauliai)	1,812	96	29	13.1	20	13
Tauragė (Tauragė)	1,732	96	12	15.0	17	142
Telšiai (Telšiai)	1,922	94	18	16.3	20	105
Utena (Utena)	1,854	93	17	15.6	21	31
Vilnius (Vilnius)	2,303	98	77	13.5	610	65
<b>National average</b>	<b>2,082</b>	<b>97</b>	<b>301</b>	<b>13.9</b>	<b>1,065</b>	<b>55</b>

\* Index 100 = same period of the previous year. \*\* In addition the employer must pay social taxes amounting to app. 30% altogether.

Source: Lithuanian statistics office, Lietuvos statistikos departamentas

**COUNTRY RATING**

Agency	rating	outlook
Fitch Ratings	BBB	stable
Standard & Poor's	BBB	stable
Moody's Investor Service	Baa1	stable

Source: Investment agencies

**GENERAL INFORMATION**

Population: 3,269,566

Currency: Litas (LTL) = 0.29 EUR

In power: President Dalia Grybauskaitė. Most seats in parliament Conservatives (34%, PM Andrius Kubilius), SocDems (18%).

Elections: 2011 local, 2012 parliamentary

Most important tax rates:

Income tax: individual 15%, corporate 15%,

VAT: 21%, Social tax: up to 34%

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AS Äripäev, Pärnu mnt 105

EE-19094, Tallinn, Estonia

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

contact@news2biz.com

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**Publisher**

Bonnier Group/AS Äripäev

**BONNIER****Äripäev**Editor-in-Chief **Kertu Ruus** kertu@news2biz.comSenior Editor **Peter Kyhn** peter@news2biz.comNewsdesk Lithuania **Ramunas Kontrimas**

ramunas@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 5 January 2011

Next issue on-line 19 January 2011