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"Pressure will rise on sellers to offer good pieces of property too."
Per Skisaker of Inova Baltic. PAGE 7

Calling it new home: attracted by low airport fees and regional passenger potential, Irish no-frills airline Ryanair has picked Kaunas to establish its first aircraft base in Eastern Europe. Picture: Kaunas Airport PAGE 11

Banks to share SME crediting risks with European Investment Fund

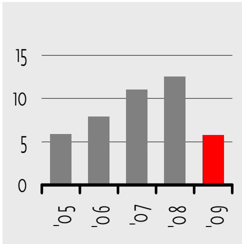
Three Lithuanian banks have joined a LTL 1bn EU co-sponsored SME lending scheme that should pour fresh blood into the corporate sector during the next two years as bank lending remains tight. PAGE 3

Building activity down 49%

The economic recession has swept the Lithuanian construction sector off its high but shaky foundation it had managed to build earlier, as construction activity almost halved in 2009 to LTL 5.8bn, while new building permits plummeted to the 2004-2005 levels. PAGE 7

Deconstruction

Construction volume, LTL bn



Scandinavian-owned food processors expand

Two food plants in Klaipeda, Swedish-owned margarine maker Norlander Zeelandia and Danish-owned fish processor Espersen Lietuva, have invested into production expansion and upgrade to maintain and grow export volumes.
PAGE 5

Most important updated key figures in this issue

DID YOU KNOW ... ?

MANUFACTURING

PRICES IN 2009

Low demand hits producer prices, recovery on the way

Last year's economic recession shaved off the better part of Lithuanian industry's earlier price gains but early signs show producer prices are finally beginning to grow again.

In 2009 average annual producer prices in Lithuania plummeted by 13.3% (first decline since 2004) after climbing a record high 18.2% in 2008. Excluding the volatile oil products, the deflation was milder, at 7.9%. Local-market prices fell at a lower pace, by 6.6% for the whole industry and 3.1% for industry excluding oil products, revealing producer woes in export markets where Lithuanian produce had to deal with both falling demand and, in some countries, adverse currency rate fluctuations.

Still, quarterly data suggests the worst must be over: annual producer price deflation in Q4 2009 was considerably milder than in Q2-Q3.

Q1 2010 data could very well show that inflation is back on rising export demand, higher oil prices, and, not least, a hike in electricity rates. In January 2010 producer prices went up by nearly 4% y/y, posting a second increase in a row. At the same time, prices of industrial output without oil products still showed a deflation of 7.7% but it was the lowest decrease since last July.

January data is not yet available for main manufacturing areas, but in December 2009 virtually all of them left record-high deflation rates behind (see table).

Producer price annual change

Selected manufacturing activities

	2009 low	Dec '09
Furniture	-4% (Oct)	-2%
Food	-7% (Aug)	-3%
Beverages	-6% (Aug)	-3%
Textile	-7% (Sep)	-5%
Building prod.	-9% (Aug)	-6%
Wood	-10% (May)	-6%
Paper	-12% (Oct)	-8%
Rubber, plast.	-13% (Sep)	-10%
Sewing	-14% (Oct)	-12%
Machinery	-16% (Aug)	-12%
Electr. equip.	-19% (Mar)	-15%
Chemical	-54% (Sep)	-33%

Source: the Lithuanian Statistics Department LSD.

Prices of exported output even shot up by 14% in January, but only thanks to higher oil prices, whereas manufacturing export prices without oil products were still down by 5%.

BUILDING MATERIALS

Labrusta expands window plant, adds new products

The Klaipeda based window and house elements maker **Labrusta**, owned by Danes Niels Melchiorsen and Anil Sandhir, is about to expand its window plant.

"We will expand it by 2,000 sq.m to 5,000 sq.m - we also expect to increase staff by app 25% to 90-95 people," says Mr Melchiorsen to news2biz.

The plant right now is running at a 6-day week in two shifts but the owners are considering adding an extra shift. The expansion is supposed to be ready by July this year.

The reason for extending the window production is continued high demand for the company's products in its primary market, Denmark (see no 286 page 6).

"We are also introducing a new product, a composite window which is a new type of window that we believe will be the standard for the future," says Mr Melchiorsen.

Labrusta mulls adding a third shift to meet growing export demand.

Picture: Labrusta

Composite windows are more expensive than existing wooden, aluminium or indeed PVC windows. The advantages are its robustness (it is made from the same material as wind turbines) and its low emission of energy - it has a U-value (overall heat transfer coefficient) of 0.85 whereas standard wooden double glazed windows score 1.5 and triple glazed windows 1.1.

Also, Labrusta is working to enter the Norwegian market and hopes to have an agent there ready sometime in February.

"Norway is a market with substantial construction activity and it has not been that seriously affected by the financial crisis, so we expect a lot from it," says Mr Melchiorsen.

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FOREST CERTIFICATION

Market leader NEPCON grows in Lithuania

NEPCON, a non-profit forestry certification organisation with a strong position in the Baltic markets, is expanding its Lithuanian office in Vilnius from two to three auditors.

NEPCON does the field work for the US Rainforest Alliance, an organisation accredited by the Forest Stewardship Council.

"We have a background in Danish environmental NGOs and started working in Eastern Europe during the nineties when the Danish Ministry of Environment founded numerous forest and nature management projects in Eastern Europe," explains Peter Feilberg, NEPCON's CEO, to news2biz.

"When the public funds disappeared in connection with the change of government in Denmark in 2001, we had already established a network over here so we could continue building up certification activities as a privately funded organisation," he continues.

In the Baltics, forestry certification has a greater demand among wood processing industries, printers, furniture makers than it has among the actual forest owners.

> **If there was organisational coverage, we could certify a whole organisation. It would be cheaper for the members.**
>
> **Peter Feilberg of NEPCON**

"When you have covered the state forests and some of the large national and international forestry players, the remaining forests are owned by people who have received their forest as part of the restitution in connection with the Baltic land reforms. Many of them are too small to have an interest in certification and many do not care," says Mr Feilberg. "It does not make sense for an owner who fells every 10 years to have a certificate he has to pay for every year."

Mr Feilberg wishes that forest owners would be better organised in the countries.

"If there was some kind of organisational coverage that we know from the Scandinavian countries, we could certify a whole organisation and it would be cheaper for the members," says Mr Feilberg.

Market booming

The forestry certification market in the Baltics is much differentiated.

A number of organisations and companies are active here: Swiss **SGS**, British **BM Trade** and **Soil Association**, German **GFA**, US **Scientific Certification Systems**, and **Dutch Control Union** in addition to some of the classical certification agencies like French **Bureau Veritas**.

Some of these only have a few certifications in the Baltics which in effect means that NEPCON is dominant with an 80% to 85% market share in Estonia and Lithuania whereas the Latvian market is much more fragmented.

The future of forestry certification seems bright and NEPCON is indeed recruiting in all of the Baltic countries and Poland, in addition to the fact that NEPCON has recently taken over Rainforest Alliance's forestry activities in Western Europe.

"Felling regulation and prevention of illegal logging was one area where environmental legislation actually moved ahead in the USA during the Bush years and they now have much tougher demands for e.g. traceability than we do in the EU.

On the other hand, the EU legislation is somewhere in a limbo between the European Commission and the parliament, so it should appear at some time," says Mr Feilberg.

news2biz: The commission sometimes has tight connections with the industry - is this also the case here?

NEPCOn estimates its Lithuanian forest certification market share at ca. 80%.

Photo: NEPCON

"No, I don't think so. I was just at a conference at Chatham House in the UK with representatives of the industry who said that they wanted the EU to push ahead with regulations so that they would know their production conditions in advance," says Mr Feilberg.

NEPCON at the moment has 32 staff and offices in the Nordic and Baltic countries and Poland as well as in most other Western European countries and Russia.

Certification is carried out by teams of auditors (certification officers) determined for the individual assignment, depending on its nature (forest, industry sector) or size. Certifications are followed up by yearly checks.

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IN BRIEF

Sacked workers get aid

1,100+ redundant workers in Lithuania's clothing and furniture manufacturing sectors will share EUR 1.2m of EU aid to help them get back into employment. The funds will arrive from the European Globalisation Fund. Lithuania has so far been the only Baltic country to apply and receive aid from the EGF whose original aim was to provide help for people who lose jobs due to the impact of globalisation. Earlier 800+ Lithuanian builders received EUR 1.1m.

Cosmetics firm ups sales

Lithuania's only cosmetics maker Biok laboratorija reported a 13% turnover increase last year to LTL 13m thanks to an increase in export sales and the introduction of a cosmetics line for men.

FINANCE

SME LOANS

EIF-backed crediting scheme grows to LTL 1bn

The European Commission and **European Investment Bank**'s joint initiative to improve access to finance for SMEs (JEREMIE) has signed up another two Lithuanian banks, the second-biggest **Swedbank** and SME-focused **Siauliu bankas** next to the scheme's pioneer **SEB**.

Under the agreements signed between the banks and the European Investment Fund (owned by the ECB and EC) in January and February, Swedbank and Siauliu will lend EUR 104m and EUR 40m, respectively, to Lithuanian SMEs over the next two years.

In each case half of the total will come from the EIF (the funds are part of EU aid for Lithuania for the 2007-2013 period), while the banks will match it by an equal amount.

"Credits will be available for both investment projects and for providing working capital," comments Orinta Barkauskaite, spokeswoman for Swedbank, to news2biz. "One credit will be capped at EUR 1.04m for no less than 10 years."

One company can apply for and receive more than one credit. Swedbank expects to start signing first credit agreements in 2-3 months.

The scheme's first partner in Lithuania, the biggest local bank **SEB** with a EUR 150m lending facility, was signed up last November (see no 284 page 4). So the EIF-backed programme now totals LTL 1bn available to SMEs.

"Fine-tuning the application processing mechanism is nearly over and we plan to invite first applicants within days," says Arvydas Zilinskas, spokesperson for SEB, to news2biz.

The EIF's scheme is called the funded risk sharing instrument, and its main aim is to encourage corporate lending in an economic environment where crediting has gone dry as banks have become super cautious on the one hand, and borrowers have been weakened by the economic recession on the other hand.

EIF's participation means the banks will carry reduced risks and losses if loans turn bad. Projects worth crediting will be selected by the banks.

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STOCK EXCHANGE

Baltic bourses implement new trading platform

Beginning from 8 February the Baltic stock exchanges along with their Nordic counterparts changed their trading platforms to INET, allowing quicker order matching and improved functionality.

"As the same trading platform is used by our parent US **NASDAQ**, the system is now more easily accessible and familiar to the investors in the USA," says Kalle Viks, head of the emittent services of **NASDAQ OMX Tallinn** to news2biz.

"However, the new system will not bring the US investors into the Baltic market at once. When the US brokerages expand their services into the region, they will start arriving, but it is quite a long process, taking months or even a year."

Enter hidden orders

In addition to previous order types – a limit order, market order, and reserve order – also a completely hidden order was introduced to the stock exchange along with INET.

While a reserve order, also called the iceberg order, is partially visible in the order-book, the existence of the hidden order on the buy or sell side can only be discovered by ordinary market participants by closely observing the order-matching book.

"The hidden order concept is designed to protect large-scale investors, whose substantial orders would otherwise distort the market," explains Mr Viks.

+/- 15% rule abandoned

Another, more visible change in the Baltic stock trading from now on is that the limits on price change no longer apply.

Until now, the price of a share was only able to fluctuate in a corridor of -15% to +15% in a single day of trading – except in rare cases when the limits were expanded by the exchanges in response to major news affecting the price. Such limits were designed to protect the investors while buying or selling on the not-so-liquid market.

"The new system places more responsibility for keeping the share price sensible on the shoulders of investors," notes Mr Viks. "Nevertheless, on the first day of trading in Tallinn no trading errors affecting the market were observed."

Meanwhile, in the neighbouring Riga stock exchange, buying a single share of **Liepajas Metalurgs** caused the share price to rise more than 150%. The trade was later cancelled by the stock exchange, though.

"INET was implemented according to our expectations, without major malfunctions," comments Mr Viks.

"The new system might feel a bit unfamiliar to investors at first. Still, the move to INET did not halt trading, while we also failed to spot any euphoric activity. It was a normal trading day, with a bit lower turnover than the year's average."

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STOCKS

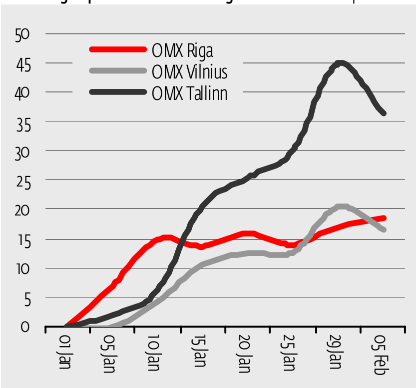
Baltic stock market indices rally in January

The Baltic stock markets experienced the biggest rally worldwide in January, according to **Emerging Nordic Research**, a pan-Baltic independent institutional equity research company. The Tallinn stock market gained 45% in January, followed by 20% in Vilnius and 17% in Riga.

"The total turnover on the Baltic stock markets in January when annualised still remains quite small and one-third of this was made up from deals with Estonian **Tallink** and **Olympic Entertainment Group**, so we did not really see any huge activity," says Ivars Bergmanis, managing director at Emerging Nordic Research, to news2biz. "There was quite a big change in prices, but the general trend suggests that large serious investors have not yet returned to the Baltic market and the change was more attributed to the activity of private investors," he says.

Baltic stock rally in January

Percentage of stock market index growth since start of 2010



Source: NASDAQ OMX

> **It would be smarter to look at specific companies rather than the general stock market developments.**
> **Ivars Bergmanis of Emerging Nordic Research**

As for the coming year, Mr Bergmanis says that the Estonian market will more likely see an increase in interest, while for Lithuania and Latvia it is more a case of stabilisation.

"If Estonia is invited to join the eurozone, then there should be a peak in interest for the market, but for Latvia and Lithuania this year will be characterised by the fact that the economies have now gained certain stability, and so should the stock markets."

"But the market should still be looked at selectively – there are companies that will continue to improve and recover and it would be smarter to look at specific companies rather than the general stock market developments," says Mr Bergmanis, who has over 20 years experience in global financial markets, mainly in Sydney, London and the Baltics.

Emerging Nordic Research was set up in mid-2009 by all three Baltic **Nasdaq OMX** stock exchanges (holding 17% each) and Mr Bergmanis (with 49%).

The company is the first independent institutional equity research body in the Baltic states founded with the aim of serving institutional investors.

Recovered ground in 2009

The average price rally in January follows a year of recovery for all three Baltic stock markets in 2009. The Riga bourse managed to regain a very humble 3% of its index value in 2009 compared to the 47% in Tallinn and 46% in Vilnius.

At the same time, the stock market indices for the Baltics are still well below the peak of October 2007: the Riga index is still 57% below the peak, while Tallinn is 44% below and Vilnius 47% below.

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FOOD & AGRICULTURE

FATS

Zeelandia expands Klaipeda margarine plant

Swedish **Norlander Zeelandia**, part of the Dutch-based food ingredient supplier for the baking industry **Zeelandia**, has doubled the capacity of its namesake 100% owned margarine plant in Klaipeda to a yearly 10,000 tonnes.

"It was the only way for us to grow because with 5,000 tonnes we were constantly running at full capacity, whereas the demand was increasing," says Dovile Vilkiene, sales director at Lithuanian Norlander Zeelandia, to news2biz.

The investment of around LTL 2m has seen the property owner Lithuanian **Minex** expanding production premises to accommodate a second production line from Germany and two new boilers.

"Bakeries are our main customers. The economic downturn has had little impact on the demand for margarine because essential food products have been affected the least. Besides, our export geography now includes the huge Polish market next to Latvia and Estonia," says Ms Vilkiene. "We've been forced out of the Polish market recently due to the low Zloty rate but it has regained some value since, so the market is increasingly attractive to us once again."

Running in two shifts with 5 staff each, the plant expects to increase turnover by at least 15-20% this year after a 27% contraction to LTL 11m in 2008 due to falling prices. The company sells 45-50% of output locally, the rest is exported. Only 5% of output is retail margarine brands.

As of beginning of this year the Klaipeda firm has started selling the whole of Zeelandia's product portfolio in the Baltics, mostly bread and confectionary ingredients.

The Swedish firm, then known as Norlander Food, acquired the then 4-year-old Klaipedos Margarinas plant in 2005 (see no 213 page 4). The Swedes themselves were acquired by Dutch Zeelandia in 2006. Zeelandia employs around 1,500 of staff and turns over around EUR 300m annually.

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BALTIC COD

Espersen fish plant upgrades in port city

The Danish fish processor **A. Espersen** is expanding is production unit in Klaipeda's Free Economic Zone. Recently, the plant has replaced its crate-based production equipment with two Marel Flow Lines with 20 workplaces each.

"The line feeds the product all the way through the plant from raw material to frozen fish. This means that we have practically completely remodelled the plant on the inside," explains Reidar Inselseth, managing director of **Espersen Lietuva**, to news2biz. "We have also removed manual crate transport and thereby eliminated heavy lifts."

A new production line is expected to produce a 20% capacity increase with unchanged workforce.

Picture: A. Espersen

The new lines are connected to an Innova software system that secures online quality control and quality registration, including comprehensive tracing through the entire process from raw material to end product.

"We expect to get a 20% increase in capacity based on the same work force. In 2009, we expanded our workforce by 35 persons. We are 211 staff here at the moment and I expect the number to remain at 210-220," says Mr Inselseth.

In addition, Espersen is adding 170 sq.m of offices and 190 sq.m of dry warehouse to the plant. "From the beginning, this was conceived as a pure production unit, but now we have more administrative tasks here, too," explains Mr Inselseth.

New products

Also the plant has introduced new products, such as lightly salted frozen cod fillet for the Southern European market.

"More women are getting employed in Southern Europe and we have seen a rising demand for products that require less preparation time. In this connection, our lightly salted cod is a good stand-in for the traditional baccalao," explains Mr Inselseth whose plant now supplies 35% of its output for Sothern Europe.

The Spanish bacalao (baccalà in Italian, bacalhau in Portuguese, klippfisk in the Scandinavian languages) is a traditional dish in Southern Europe and South America (and Scandinavia), based on typically Norwegian or Icelandic dried and salted cod, called stockfish.

Espersen, headquartered in Ronne on the Danish island of Bornholm, has a yearly turnover of more than EUR 270m and employs 1,475 staff in production units in Denmark, Poland, Lithuania and China.

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AGRICULTURE IPO

Investors display lack of enthusiasm at Linas Agro IPO

The initial public offering of Lithuanian **Linas Agro Group**, an agriculture produce trader, has failed to attract whole-hearted attention from investors but the firm's controlling owners did manage to sell the majority of the offered stocks, though only at the lowest price.

Linas Agro sold 29.8% of its shares to new shareholders of the 35% originally planned during the IPO that ended on 5 February (see no 288 page 5). At 47.3m shares sold, this represents 99% of the original pool if the 8.3m-share over-allotment option is excluded.

According to the offering manager **Swedbank**, 94% of the sold issue was acquired by 43 institutional investors, the rest was bought by some 460 retail investors.

Both groups of investors paid LTL 2.05 per share, the lowest in the LTL 2.05-2.53 range, allowing Linas Agro to raise LTL 97m.

The company earlier said to news2biz the money will be used in a LTL 200m investment programme that focuses on Lithuania and Latvia.

As of 17 February, Linas Agro will be admitted into the official list of the Vilnius stock exchange.

Controlled by five private Lithuanian investors, Linas Agro Group reported a 26% turnover drop to LTL 554m in July-December 2009 (H1 of the firm's financial year), while unaudited net profit soared by 30% to LTL 26m.

IN BRIEF

LTL 10m to aid needy farmers

Lithuania has received a go-ahead from Brussels to grant limited amounts of aid of up to LTL 52,000 to farmers from a LTL 10m scheme open till 31 Dec 2010. The measure is to support farmers who encounter difficulties as a result of the current economic crisis. Applicants must prove that they were not in financial difficulty before 1 July 2008.

PROPERTY & CONSTRUCTION

PROPERTY INVESTMENTS

Norwegian investor sees breakthrough in 2011

Vilnius-based Norwegian-owned **Inova Baltic** expects 2010 to be an even tougher year for Lithuanian commercial and industrial property owners, and sees a breakthrough sometime at the turn of 2011.

"There's a lot of talk about distressed properties on the market, and how their owners are forced to look for buyers to relieve themselves from credit obligations. But today there's still a gap between the seller's and buyer's expectations," says Per Skisaker, senior VP and co-owner of Inova Baltic, to news2biz.

"So we expect that the pressure will keep rising this year on property owners who are seeking buyers not only for the bad bits of property that few want to buy, but also for the good bits."

Mr Skisaker adds that the property market always follows macroeconomic developments but with a certain time lag.

"

Pressure will rise on sellers to offer not only the bad bits of property but also the good ones.
Per Skisaker of Inova Baltic

Inova Baltic manages a NOK 0.5bn Norway-registered property investment vehicle **NOR Property Investments** co-owned by itself, **Orkla Finans** and **Catella Corporate Finance**.

"We still have some funds available for our next move after investing into two logistics properties in Lithuania and Latvia earlier," says Mr Skisaker.

"The logistics sector received our initial attention because we strongly believe in its potential as a distinct competitive edge of the two countries. But now we're also interested in shopping centres and offices."

NOR Property Investments' two acquisitions to date are a 30,000 sq.m logistics complex in Vilnius and a smaller facility in Latvia (see no 258 page 5).

Recently Inova Baltic transferred the ownership of these properties from a Lithuania-registered **NOR Property Development** holding directly onto NOR Property Investments. "The banks have asked for this, as they wanted to see clear ownership lines," explains Mr Skisaker. The holding company has now been liquidated.

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More on property market: no 288 page 7

ROAD BUILDING
Lemminkainen lands new orders, closes Kaunas branch

Finnish **Lemminkainen Group**, one of the few foreign-owned players on the Lithuanian road-building market, has added two new orders to its local order book but at the same time is cutting its regional presence.

In January **Lemminkainen Lietuva** won two road construction contracts from the Lithuanian Road Administration that manages public road building and maintenance funds, including EU aid granted for the purpose.

The combined value of the contracts exceeds EUR 12m. Construction work will begin in spring 2010 and should be completed by September 2010. The contracts involve the basic repair and asphalt paving of 36 km of gravel-surfaced roads in the Vilnius and Klaipeda areas.

Last year only one contract in Lithuania was listed as major by Lemminkainen, participation in a EUR 17m project where the local subsidiary had a third of the order value through a winning consortium.

Lemminkainen road builder is satisfied with the Lithuanian order book.
Photo: Lemminkainen

The Finnish road builder summed up the 2009 situation in the Baltics as follows: "The order book in Lithuania and Estonia remained at a satisfactory level, but the situation in Latvia was challenging."

Lemminkainen has refrained from commenting the 2009 results and outlook for 2010 in Lithuania to news2biz, and neither would it reveal the reasons for the decision to liquidate Lemminkainen Lietuva's branch office in Kaunas.

"According to Lemminkainen group's policy we do not comment questions concerning business secrets, which your questions mostly can be considered of," says Timo Vikstrom, director of Lemminkainen Infra, an infrastructure construction unit, to news2biz.

After the Kaunas exit, Lemminkainen's organisation in Lithuania will feature a subsidiary in Vilnius with one branch office in Klaipeda.

Lemminkainen Lietuva reported a 17% drop in turnover to EUR 27m in January-September 2009 with 515 staff.

Lemminkainen Group reported a 21% decrease in net sales in 2009 to EUR 2bn, and earned a EUR 23m in operating profit (EUR 77m before recognising a EUR 54m fine imposed by a Finnish court). In Russia and the three Baltic states net sales contracted by 39% to EUR 142m.

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More on road builders: no 289 page 5

CONSTRUCTION IN 2009
Construction volume falls by half, building permits down

The 2009 economic recession swept the Lithuanian construction sector of its high but shaky foundation built in 2008 as construction activity plummeted to the 2005 level at current prices.

Annual construction volume (excluding foreign activity that constitutes a small 3% of the total) fell by 49% last year to LTL 5.8bn.

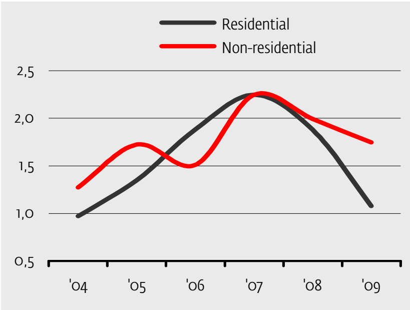
Residential building construction suffered the most, plunging to LTL 0.8bn from LTL 2.3bn in both 2007 and 2008, as banks put a stop to a torrent of housing loans, wages were cut, and unemployment soared.

9,400 apartments were completed in 2009, down by 21% y/y. Apartment number in apartment houses shrank almost by a third, suggesting that private home owners were financially stronger to complete their investments.

The number of construction permits issued in 2009 fell more than half to 7,500 apartments. The figure provides some guidance as to scope of the future activity in the sector, although accurate judgement is not possible due to the long 10 year term a building permit is valid.

Descending

New construction permits, million sq.m



Source: Lithuanian Statistics Department LSD

Non-residential building construction was virtually unaffected by the economic crisis as companies had to complete their investments started earlier.

The biggest sub-sector in gross area terms, industrial and warehousing premises, actually expanded slightly y/y to 601,000 sq.m of completed buildings, and so did office construction.

Meanwhile, new shopping and hotel area that came to the market last year decreased by 13%.

DIY WOES

Senukai chain hit worst in Rautakesko's Baltic group

Lithuanian **Senukai** posted the worst result within Finnish **Kesko Corporation**'s **Rautakesko** DIY division last year.

Senukai's net sales plummeted by 42% to EUR 260m, compared to Rautakesko's less pronounced activity contraction in Finland (-15%), Latvia (-33%), Estonia (-22%), Belarus (-26%), and Russia (-17%), all in terms of EUR. Sweden and Norway enjoyed an annual net sales increase.

"The market decline started earlier in Estonia and Latvia than in Lithuania. Therefore, the Lithuanian decline looks deeper," the Baltic results are summed up by Jouko Björkman, Rautakesko's VP responsible for international operations, to news2biz.

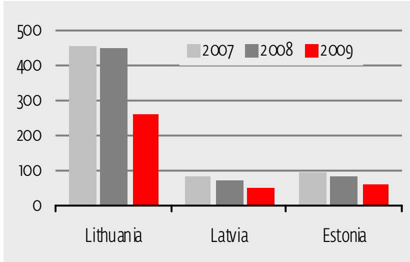
According to the Lithuanian Statistics Department, the turnover of the country's DIY sector last year contracted by 32%, while the construction market activity shrank almost by half (see story above).

Senukai is Lithuanian DIY market's leader and the third biggest operation within Rautakesko after Finland and Norway. The Finns own a majority in Senukai, the rest is held by a Lithuanian family that founded the firm. In Latvia and Estonia the K-rauta DIY chains are wholly owned by Rautakesko.

No sings of sales decrease stabilisation were in sight in Q4 2009 either, when Lithuania posted a 45% decline, compared to 32% in Latvia and 22% in Estonia.

Highest seller makes the biggest drop

Rautakesko's net sales in the Baltics, in EUR m



Source: Kesko Corporation

"We do not expect growth in the Baltic countries this year," Mr Björkman says, at the same time giving no definite answer about new openings plans for this year: "Investments are critically monitored during the market stagnation period".

Last year Rautakesko's Baltic chain added one store in Latvia, and one in Estonia, and now counts 9 stores in each Latvia and Estonia. In Lithuania Senukai counts 16 own stores plus 76 partner stores.

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ENERGY EFFICIENCY

NIB loan to help kick-start renovation programme

The **Nordic Investment Bank** has extended a EUR 100m, 20-year loan to Lithuania in order to help the country to carry out its ambitious but yet slow-moving building energy efficiency programme.

NIB's loan will become part of the programme's budget, and will be redistributed by the ministry of finance to individual projects aimed at renovating and modernising public buildings and apartment houses.

0.2m sq.m of public buildings (education institutions, hospitals, courts, libraries, theatres, etc.) as well as 0.9m sq.m of private apartment buildings should be renovated under the scheme that focuses on reducing heating energy consumption.

In total, 39 public and 300 apartment buildings should benefit from the scheme that would also give some breathing space to construction companies that are starving for orders after the collapse of the new housing market and significant cuts in the state investment budget.

Scheme not working yet

Lithuania's national housing strategy calls for renovating no less than 70% of multi-apartment buildings by 2020 (that's around 120 of Soviet-era houses per year). But the new rules governing the government's input in the renovation process are yet to show their viability.

In April 2009 the government decided to cut its participation in renovation projects from earlier 50% to 15% to be financed from a special fund that would provide 20-year loans with a 3% interest rate. The fund is expected to be made up from

LTL 1bn of EU aid money and European Investment Bank's loans, and LTL 2bn attracted from Lithuanian commercial banks.

Just a handful of apartment house renovation projects have been completed to date.

Picture: Ministry of Environment

Yet by the beginning of 2010 the amended scheme was still not functioning, reportedly due to the long negotiation process with EU institutions that should give a go-ahead for employing EU funds for the purpose.

IN BRIEF

Sector group for sale

66% of the Norwegian developer and property investor Sektor has been put up for sale. The company, a long time player on the Lithuanian real estate scene, has NOK 3.1bn worth of equity, including 22 shopping centres with a combined area of 522,000 sq.m. The group also has potential developments of 300,000 sq.m in Norway and 70,000 sq.m in Lithuania in the offing (see no 285 page 6). Sektor, with an off-set in Norway's family owned VW distributor, was founded in 2003. The company is owned by brothers Knut, Bjorn and Stein Schage. Now, Stein Schage wants to leave the company and in connection with this, the two remaining brothers also reduce their holdings by 50%. The company expects a binding offer for the Sektor shares before the end of February.

Bitumen roofing for Czechs

Russian-owned Gargzdu Mida bitumen roofing product maker near Klaipeda has made a strong inroad into the Czech market where a local competitor was forced to close down. The Lithuanian plant saw its Jan-Sep 2009 turnover contract by a third to LTL 61m on account of the collapse of the local construction market.

ArcelorMittal closes office

The world's biggest steel producer ArcelorMittal is closing its construction steel sales subsidiaries in Lithuania and Latvia but plans to continue local operations through partners.

RETAIL & SERVICE

JEANS RETAIL

Retail downturn forces Gallery Baltic to close

Gallery Baltic, a Finnish-owned youth fashion retailer, is winding up its short-lived operation in the Baltics, unable to sustain the damage inflicted by the acute consumption crisis.

"We arrived in the region in mid-2008, and the economic crisis started biting us already in the end of the same year," says Kari Halonen, owner of Finnish **Cape Nordic** that controls Gallery Baltic firms in all three Baltic countries, to news2biz.

"You can't do much when sales plummet by 40-50%, can you? So all in all we lost more than EUR 4m on this venture."

Gallery Baltic in Lithuania is now going bankrupt while the way the Latvian and Estonian operations will be ended is not clear yet. "In Lithuania we had some negotiations with potential buyers, but it seems no-one now has the money for such deals," comments Mr Halonen.

The retail chain of multi-brand stores (focussed on jeans brands like Pepe, Diesel, Lee, Wrangler, Madonna, Pepper) counted 8 stores in Lithuania, and still has 3 in Latvia and 5 in Estonia. The Lithuanian business was the biggest because of Gallery's acquisition of a local jeans retailer (see no 255 page 8).

According to Mr Halonen, while the retail venture has no future, his Baltic wholesale activity will not be affected.

We have talked to

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POSTAL SERVICES

State postal firm to become leaner, add new services

The state-owned postal services firm **Lietuvos pastas** plans a number of measures to make the company leaner and reduce the losses it is now making.

Under the action plan approved by the company's board in January, the cumbersome administrative structure will be slimmed while non-core functions and staff should be done with altogether.

Some 13% of jobs would be cut during 2010, allowing the company to save LTL 17m on personnel costs alone.

In order to boost sales, commercially successful business lines will get increased attention, such as courier services, logistics, e-services, while a number of new services will be introduced.

The two-directional plans are expected to allow Lietuvos pastas to cut losses this year to LTL 17m, compared to LTL 50m that it could carry if no changes were implemented.

The list of would-be services also includes financial services but Lietuvos pastas' road to becoming a competitor in the banking sector will be longer than expected. According to the Ministry of Transport that is directly responsible for the postal company, the results of a recent international tender where Lithuanian **Ukio bankas** won the right to acquire up to 49% of Lietuvos pastas' financial services subsidiary will be annulled because of the insufficient interest (Ukio was the only bidder) and the postal firm's inability to carry out its obligations.

The postal company today employs 7,630 staff and runs a network of 736 stationary and 28 mobile post offices. In January-September 2009 Lietuvos pastas lost LTL 21m on a LTL 153m turnover. The preliminary 2009 financial result is a LTL 36m loss.

MANAGEMENT

Latvian hotel drops Europa management, stays in chain

The Swedish owned **Amrita City Europa** hotel in Latvia's western Liepaja harbour city has dropped its management agreement with Lithuania's Europa chain run by **Europa Group**, but still remains part of the chain.

"We have dropped the management agreement and kept a franchise agreement with them so we are still part of the chain and marketed as such," explains Olle Ruthström, the hotel's owner, to news2biz.

news2biz: Why did you end the agreement with Europa?

"Let's just say that we did not think that we got enough for our money's worth. We have hired a new manager, a young lady with management experience from a bank, and we are very happy about the choice," says Mr Ruthström.

Mr Ruthström revealed no more, but sources in the Latvian hotel world say that frequent changes in the hotel's Lithuanian management has been an important reason for the move.

The Amrita hotel in Liepaja is still marketed as part of the Europa chain, but has dropped Lithuanian management. Photo: Europa

Amrita City Europa is centrally located in Liepaja with 83 rooms and 120 beds. According to Mr Ruthström, occupancy rates have been severely affected by the Latvian economic crisis, but he has no plans to leave ownership in the hotel.

Bankruptcy looming at home?

Just as news2biz was about to go to press, Europa Group's future was put in doubt by a bankruptcy petition submitted to court against the chain operator by Lithuanian **Kleta** that rents property for the hotel group in Klaipeda.

Still to be accepted or rejected by the court, the petition requests to declare Europa Group bankrupt over a LTL 0.3m debt to Kleta, that amounts to three months' rent.

We have talked to

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More on Europa: no 285 page 9, no 282 page 9

IT & MEDIA

DIRECT SALES

Finnish Talentum exits Lithuania, stays in Baltics

Finnish **Talentum**, a Helsinki-listed media company, has sold its direct marketing unit in Lithuania, **Telemarketing**, as it tries to focus on its core publishing business during the deep decline in the regional advertising market.

"Talentum has decided to direct most of its effort toward supporting its magazine publishing business that has been hit by a severe decline in advertising income. Telemarketing has always been a secondary line of business, and Lithuania was the most distant and youngest unit within Talentum's Baltic telemarketing operation," says Tarmo Laus, head of Talentum's Baltic direct marketing operation, to news2biz.

"Our bigger and more developed Estonian and Latvian units will stay with Talentum. We will also cooperate with the new owner of Telemarketing in Lithuania on a project basis - whenever our customers ask us to cover the whole Baltic region."

New owners: crisis is good for us

The new owners of Talentum are a group of Lithuanian nationals.

"The company will keep its profile of mainly targeting the household sector," says Renata Dinde, the new head of Telemarketing, to news2biz. "All firms working in the B2C sector are actively searching for new customers to purchase their goods and services, so the direct sales sector is actually benefiting from the downturn – we are anything but short of customers."

According to Ms Dinde, Telemarketing now employs 86 staff in four locations – almost three times more than the 33 figure stated by Talentum.

In its 2009 results presentation Talentum notes that "the weak economic conditions in the Baltic states could have a negative effect on the group's local direct-marketing companies".

In 2009 Talentum's telemarketing units employed 63 in Latvia (**Telemarket**) and 78 in Estonia (**Müügimeistrid**).

In 2009 Talentum reported a 28% drop in net sales to EUR 67m, of which publishing took EUR 61m. The net result was a loss of EUR 5m, compared to a EUR 12m profit a year earlier.

We have talked to

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More on Telemarketing: no 258 page 9

ALTERNATIVE OPERATORS

Eurocom to set up national office network

Lithuania's biggest virtual mobile network operator **Eurocom** mulls extending its sales and customer service office network to a national level.

Taking advantage of low rent rates and cheaper shop equipment, the firm plans to open ten offices in major and smaller cities with most of the action scheduled for mid-year.

Today the network consists of two own offices in Vilnius and Klaipeda, and two partner locations in Kaunas and Visaginas (the nuclear plant town).

Eurocom ended 2009 with 15,000 subscribers of which 70% are corporate customers, and plans growing by 20% this year. Last year the telecom was acquired by local **Telco** from the supermarket leader **Maxima LT** (see no 278 page 9).

In Q3 2009 alternative mobile telecoms (those using other networks to provide services) had 2.2% of all active subscribers (lowest indicator since 2007), and generated 2.6% of total sector income (lowest since 2006).

IN BRIEF

Tele2 keeps focus on firms

Swedish Tele2 mobile telecom says this year it will continue to focus on growing its market share in the Lithuanian corporate segment to benefit from price sensitivity among private companies and state-owned organisations. In 2009 Lithuanian Tele2 showed a strong post-paid subscriber intake but suffered from a decline in its strongest area of pre-paid subscribers. At the end of the year Lithuanian Tele2 had 1.6m mobile telephony subscribers, down by 16% y/y. The telecom's turnover slimmed by 5% to LTL 544m while EBITDA added 11% to LTL 192m on lower costs.

Teo slashes rates

TeliaSonera-owned Teo LT, Vilnius-listed triple-play operator, as of February cut its fixed-to-mobile (by up to 60%) and fixed-to-fixed alternative networks (by up to three-fold) calling rates, making use of lowered interconnection fees. Households and companies will need to subscribe to special monthly plans to enjoy the lower rates.

Ekspress scraps Klubas weekly

Estonian-owned Ekspress leidyba publisher has discontinued its weekly celebrities title Klubas citing the weak advertising market that the firm does not expect to recover to a profitable environment neither this, nor next year. The weekly's namesake internet version will continue operating in the "prospective online publishing market", the firm said in a statement. The publisher is owned by Tallinn-listed Ekspress Grupp.

TRANSPORT & LOGISTICS

AVIATION

Ryanair to set up first CEE base in Kaunas, adds flights

Enticed by the introduction of a low-fee policy by Lithuanian airport's, Europe's leading no-frills airline Irish **Ryanair** has picked Lithuania's second biggest city Kaunas to host its first base in Central and Eastern Europe and the 40th for the company in total.

A base means that aircraft stays overnight at the airport for early morning flights (and is also serviced if needed) as opposed to the non-base arrangement where aircraft only brings incoming travellers and takes off soon with outgoing passengers.

At a press conference in Kaunas Ryanair's CEO Michael O'Leary showered journalists with sweet figures associated with the move: two brand new Boeings based in Kaunas, employment of 150 crew members (pilots and flight attendants), and 1m passengers-per-year target, a volume that will sustain 1,000 jobs in the area.

The news was further sweetened by an announcement of doubling Ryanair's destinations from Kaunas from today's nine to 18 as of coming May. This will translate into 120 Ryanair flights from/to Kaunas.

While the news crowned the Lithuanian Ministry of Transport's (it owns the country's three international airports) recent efforts to bring the local aviation market back to life, Ryanair's high sensitivity to airport fees means that in theory the airline can abandon the Kaunas project fast, whenever it becomes too expensive.

"There is easily more potential in the Lithuanian market than 1m passengers per year," says Laszlo Tamas, Ryanair's sales and marketing manager for UK & Ireland and CEE, to news2biz. "Vilnius just lost 0.7m passengers last year, a Russian airline ceased operation in the Kaliningrad enclave, and there's a good catchment from Poland and Belarus, and other Baltic states."

Ryanair at Kaunas Airport

- **In 2009 Ryanair accounted for 95% of Kaunas' passenger traffic of 457,000.**
- **Ryanair currently flies to nine destinations from Kaunas: Birmingham, Bremen, Bristol, Brussels, Dublin, Frankfurt, Liverpool, London (Luton & Stansted) with a total of 36 weekly flights.**
- **Nine new destinations will be added as the summer season starts in May: Barcelona, Berlin, Dusseldorf, Edinburgh, London (Gatwick), Milan, Oslo, Paris, Tampere.**
- **Of the 18 existing and planned destinations 8 are in the UK and Ireland, Lithuania's top labour emigration destination.**

Although the Irish are in talks with a number of other airports in Europe, "Kaunas offered the lowest cost and that's why we are aiming for a long- term partnership. Besides, it has a perfect location (with regard to Russian exclave, Poland, Nordic countries), and we can manage easily the 25-minute aircraft turnaround," says Mr Tamas.

"Ryanair, Europe's largest low-cost airline, works only with low-cost airport partners. If the Kaunas costs remain on the required level, we aim for more business there."

The investment figure of USD 140m associated with the Kaunas move is related solely to the acquisition of the two new Boeing 737-800s by Ryanair, but the airline says it "will consider local investment later".

Riga, Vilnius in talks

Where does it leave Latvia's capital Riga that has been courting Ryanair's base move for years? "We are still in discussions with Riga and other CEE airports. Consider the potential of air traffic in the Baltic states: so far for 1 inhabitant we had 0.75 passenger in Lithuania [2008 data, for 2009 the figure is even lower, ed.], while in Western Europe we have 3-4 air passengers per inhabitant, so the local air traffic can still easily grow 4-5 times. Therefore two bases in the Baltics can work easily," explains Mr Tamas.

Soon there will be more: as of May Ryanair will base two new Boeing aircraft at Kaunas Airport.

Picture: Kaunas Airport

And there could be even more than two bases: the Vilnius airport is also in talks with Ryanair following a drastic cut in passenger fees at the end of last year (see no 284 page 12), and expects a successful outcome this year, if not for a base than at least for new routes.

In any case, 9 new Boeings of 48 ordered by Ryanair remain unallocated, so Baltic airports still stand a chance of getting some of them.

Hotels welcome news

Although Ryanair's services are predominantly used by Lithuanians working abroad, the local hotel sector expects a boost from the upcoming new routes.

"It should definitely increase the number of tourists. Earlier we could see that whenever a new route was announced, we would receive customers from the new destination," says Vilija Radzvilaviciene, manager of **Reval Hotel Neris**, one of the biggest hotels in Kaunas, to news2biz.

Just like the rest of the country's hospitality business, hotels in Kaunas have been hit by a VAT hike and a steep decrease in tourist stays. "Earlier, tourist agencies would book rooms for summer already in autumn but today there's no such news from them," says Ms Radzvilaviciene.

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More on Ryanair: news2biz Latvia no 283 page 11

BALTIC FERRIES

DFDS doubles Sassnitz-Klaipeda frequency

Danish **DFDS** has closed down its route from Riga to Lübeck but as a result expanded the Sassnitz-Klaipeda connection from one to two departures a week.

The Danish shipping company says that the future focus in the Baltic Sea will be eastbound services for the Klaipeda and St. Petersburg ports.

"We have closed the Lübeck-Riga route down because it was making losses and we had lost belief in that we would be able to make it profitable again," says DFDS communications director Gert Jakobsen, speaking to news2biz while on his skiing holiday.

"We are keeping a sales office in Riga because the distance from Riga to Klaipeda is short and we hope to get Latvian customers for our connections to that port," he adds.

Mr Jakobsen says that in addition to the announced increase in the frequency for the Klaipeda-Sassnitz connection from one to two round trips per week there are no plans to increase connectivity to Klaipeda.

"Volumes have to go up before we can increase frequencies. In general the volumes to the Baltics have gone down, but of course we are keeping an eye on developments," says Mr Jakobsen.

DFDS retains four staff at its Riga sales office. In October 2008, the Riga-Lübeck route was scaled down from one to two ships. M/F Kaunas that sailed the Riga-Lübeck service will be used as a replacement vessel in connection with dockings.

We have talked to

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IN BRIEF

Pilot school

Lithuanian Avia Solutions Group has opened Baltic Aviation Academy, a private pilot school.

Star1 airline gets 5% of market

Star1 Airlines, the newcomer to the Lithuanian airline scene, turned over LTL 28m during the first 6 months of its operation (H2 2009) and carried nearly 36,000 passengers on 4 European routes. The cabin factor averaged 69%. Earlier the airline said it was looking for a new investor after the start-up partner, a Lithuanian firm, left the airline.

ENERGY & ENVIRONMENT

REFINERIES

PKN Orlen fed up with Lithuanian partners

A growing number of signals suggest that Poland's leading oil refiner **PKN Orlen** has ran out of patience with the Lithuanians. Unable to find a convenient way of delivering oil to and oil products from their Lithuanian unit **Orlen Lietuva** (formerly known as Mazeikiu Nafta), Orlen executives and Polish government officials seem to have changed their rhetoric in the past few weeks.

In mid-February, Orlen Lietuva's boss Krystian Pater accused **Lietuvos Gelezinkeliai**, the state-owned Lithuanian railway monopoly, of resorting to state protectionism in order to keep the refinery from seeking services of competition. The issue regards a piece of railroad connecting Mazeikiu with Latvian seaports, which was dismantled in September 2008 by the railway company. As a result, gasoline produced in the refinery has to be transported to Latvia and Estonia via Riga instead of Renge (241 km vs. 166 km), which generates additional shipping costs.

Still running below capacity

Mazeikiu refinery key quarterly figures in 2009

	Q1	Q2	Q3
Oil processing, m t	2.16	2.05	2.25
Capacity utilization	86%	82%	90%
Turnover, EUR m	686	732	811
Net result, PLNm	-23	15	-27

Source: PKN Orlen

The Polish side claims the Renge tracks used to be in a much better shape than many passenger routes still operating in Lithuania and its closure excluded the Latvian railways firm from cooperation with Orlen. Moreover, the Lithuanian authorities rejected Orlen's offer to co-sponsor modernization of the said tracks.

Adding insult to injury, Lietuvos Gelezinkeliai refuses to repair tracks that offer Orlen a shorter route to Lithuania's **Klaipedos Nafta** terminal.

Consequently, fuel trains from Mazeikiu have to take a detour, making an additional 95 km. Consequently, fuel logistics costs for Orlen are said to be higher than for other importers operating in the Baltics, undermining its competitiveness.

Time for Russians to step in?

Krystian Pater said Orlen is contemplating taking the case to Brussels as a breach of European free competition regulations. Observers say the case may be hard to win as the Poles would have to prove that the Lithuanian railway operator purposefully dismantled the tracks to make Orlen pay extra.

Orlen's problems in Lithuania began almost immediately after the Polish refinery beat Russian competitors in a tender to acquire Mazeikiu a few years earlier. An unexplained failure of a Russian pipeline, which used to deliver oil to the Lithuanian refinery, left Orlen dependent on oil tankers.

Importing oil by sea has proven very pricey. The overall logistics costs could be lowered with the construction of a 100-km oil product pipeline to Klaipedos Nafta. However, in order to embark on such an investment, the Poles would like to acquire operational control of the Lithuanian terminal, something Vilnius seems less than enthusiastic about, citing the strategic importance of the terminal.

The USD 2.3bn acquisition of Mazeikiu Nafta remains Poland's largest foreign investment. Developing the business and defending its feasibility used to be treated as a matter of national pride, but Polish officials cannot any longer ignore the company's deepening financial difficulties.

Poland's deputy treasury minister Mikolaj Budzanowski was recently quoted as saying the government would leave it up to Orlen management to decide whether or pull out of Mazeikiu. Lithuanian President Dalia Grybauskaite told Reuters she had heard from Vladimir Putin that negotiations between Poland and Russia on Mazeikiu sale had already been underway.

"This is not true. We are not discussing the sale of Orlen Lietuva neither with the Russians nor with any other party," Orlen spokesman Dawid Piekarz told news2biz.

Following Grybauskaite's unexpected announcement, there have been a number of conciliatory statements on the part of Lithuanian politicians. After all, if no progress is made, the Lithuanian refinery may indeed end up in Russian hands, as surely no Western buyer would like to find itself in the kind of pickle Orlen has been in for the past year or so.

In Q3 2009 Orlen Lietuva turned over EUR 811m and posted a net loss of EUR 27m. PKN Orlen has invested USD 3.7bn in Mazeikiu to-date. The refinery currently operates at around 90% of its capacity.

We have talked to

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More on Mazeikiu: see no 424 page 15

GAS

Gas storage survey tender cancelled on price

Lietuvos elektrine, the state-owned operator of the biggest Lithuanian gas-powered plant, cancelled a tender to select a firm to conduct a geological survey for the planned underground natural gas storage facility for 1bn cb.m.

The company said the only bidder declined to lower the price. The offer was made by a consortium of the local oil production and exploration **Minijos Nafta**, its Danish shareholder **Odin Energy**, and a Hungarian firm.

Preliminary calculations put the storage construction project's price-tag at EUR 350m, a third of which should be sponsored by the EU.

IN BRIEF

Port activity climbs in Jan

The Klaipeda sea port saw the cargo volume increase by 14% y/y in January to 2.5m tonnes. Bulk cargo volumes shot up by 53%. Container throughput continued to fall, by 22% in TEU terms, however it rose in weight terms by 32%.

ECONOMY & POLITICS

PUBLIC FINANCES

Gov't borrows USD 2bn, S&P sees outlook improving

Lithuania's government has once again tapped the international capital market with the country's biggest to date, a USD 2bn bond issue to pay off earlier debts and finance the rising budget deficit.

The 10-year bond carries an interest rate of 7.625%, and was lead-managed by **Barclays Capital**, **HSBC Holdings**, and **Royal Bank of Scotland**. To compare, a USD 1.5bn issue placed last October was priced at a lighter 6.75%, but it was also twice as short, 5 years.

The higher interest rate means the LTL 4.9bn loan will cost Lithuania LTL 3.8bn.

The February issue has been assigned a 'BBB' rating by **Fitch Ratings**, in line with the agency's sovereign long-term foreign currency rating for the country. Fitch notes that "despite a reasonably strong response to the budgetary crisis, the 2009 deficit was large at 9.1% of GDP and much more consolidation will be needed to restore the public finances to a sustainable state".

The agency also expects the government's intention to cut the deficit to 3% by 2012 to pass the Maastricht criteria for the euro-zone entry in 2014 will be challenging due to "significant risks in reducing social transfers."

Standard & Poor's rated the issue 'BBB', while Moody's gave it 'Baa1'.

Of the three agencies only S&P has upgraded its Lithuania rating outlook to stable just before the bond placement, commenting that it sees "clear commitment across all political parties to support and implement budgetary and structural policies which anchor the currency board regime and enhance the economy's flexible labor and goods markets."

Lithuania's recent bond issues

	Term, yrs	Interest
USD 2bn, Feb '10	10	7.625%
USD 1.5bn, Oct '09	5	6.75%
EUR 0.5bn, Jun '09	5	9.375%

Source: Ministry of Finance

FOREIGN TRADE IN 2009

Trade flow down by a third, Germany advances

The global financial crisis and the economic recession that followed threw Lithuania's foreign trade activity in 2009 back to the level of 2005-2006.

Last year the country's export value tumbled 27% to LTL 40.7bn, so just above the 2006 result, while import plummeted by a deeper 38% to LTL 45.1bn, which is slightly more than was shipped into the country in 2005.

The decline's only good result was a 75% fall in trade deficit to LTL 4.4bn. Trade value without oil and oil products decreased by a lighter 23% (export) and 38% (import).

Among key export goods groups, food, plastics (mainly PET packaging) and household items escaped the worst, helped mainly by the lesser exposure of food demand to economic downturn and a lighter degree of the building industry contraction abroad than at home.

Among imports, organic chemistry products (mainly fertilisers) as well as textile fabrics and products suffered less than others.

Geographically, EU exports declined slightly less, whereas CIS-bound trade fell more than the average. Imports contracted at similar rates from both areas.

Export to Germany, Lithuania's third biggest market, only slimmed by 1%, having recovered from a 14% fall in H1 2009. If the H2 2009 trend continues into 2010, Germany is soon to take over Latvia as Lithuania's no 2 export partner. Poland (no 4) and Estonia (no 5) also managed to show single-digit contraction rates of 8-9%. The Netherlands was the only significant export destination to post a positive change of 9% that allowed the country to enter the top 10 export market group.

There were no such marked exceptions among the country's main import markets where Latvia, the Netherlands and Belgium were the only major markets to record smaller than average contraction rates of 24-28%.

Russia remained Lithuania's most important trading partner last year.

TRADE WITH NORDICS

Northern trade flows fall, new products emerge

Scandinavian markets (Sweden, Denmark, Finland and Norway) have never featured high in Lithuania's trade statistics, and the recession-marked 2009 brought no major changes in the general picture.

Sweden and Denmark remained among Lithuania's top 10 export markets even though export value to Denmark contracted twice as much (-40%) as to Sweden (-22%). The deeper Danish decrease was mostly to the near-disappearance of oil product shipments, from nearly LTL 1bn in 2008 to just LTL 30m last year.

In imports a mirror image of this trend was noticeable, with Sweden remaining in the top 10 group but posting a 44% decline, while Denmark staying out of the leader group with a milder 36% fall.

Lithuanian export to the two less important Nordic markets, Norway and Finland, posted more comforting statistics of 13% and 17% decline rates, respectively. However, imports from the two countries nearly halved.

As could be expected, the trade value of traditional Lithuania-Nordics titles declined during the economic recession, but some products posted spectacular gains, for instance Lithuanian export of specialty chemicals.

Lithuania's trade with Nordic countries

Export 2009, shares of biggest product groups and annual change

	Share	Change
▶ **Denmark**		-40%
Ships, boats	16%	-30%
Wood, prod.	13%	+5%
Furniture, bedding etc	12%	-1%
Iron & steel prod.	8%	+10%
▶ **Sweden**		-22%
Furniture, bedding, etc	22%	-12%
Misc. chemical prod.	8%	+119%
Plastics, prod.	8%	+49%
Electrical mach.	6%	-34%
▶ **Norway**		-13%
Furniture, bedding etc	15%	-30%
Misc. chemical	12%	+129%
Optical equip.	9%	+11%
Wood, prod.	9%	-30%
▶ **Finland**		-13%
Plastics, prod.	12%	+2%
Mineral fuels	8%	-66%
Optical equip.	6%	+172%

Import 2009, shares of biggest product groups and annual change

	Share	Change
▶ **Denmark**		-36%
Machinery, boilers	20%	-43%
Road vehicles	8%	-67%
Food waste, fodder	6%	+21%
▶ **Sweden**		-44%
Machinery, boilers	16%	-42%
Electrical machinery	11%	-49%
Fish, products	10%	+87%
▶ **Norway**		-47%
Fish, products	24%	+40%
Optical equip.	15%	-37%
Machinery, boilers	12%	-24%
▶ **Finland**		-45%
Electrical machinery	19%	-38%
Machinery, boilers	18%	-42%
Paper, prod.	10%	-43%

Source: the Lithuanian Statistics Department LSD

EXPORT PROMOTION

New export support scheme in the pipeline

The government is working on a new export promotion scheme for 2010 even though more than half of the funds allotted to the first one have not been disbursed yet.

Last year hundreds of local exporters (manufacturers and service providers) applied to get a tiny bit from a LTL 100m 'New Opportunities' export support programme. The demand was so big – 560 applications for LTL 175m - that the application process had to be closed almost half a year after it was opened.

The money was available to cover up to 70% of exhibition participation, marketing, market research and other similar costs. The aid amount averages LTL 0.2m per project.

The Ministry of Economy that is in charge of putting the final signature on all export aid decisions, has so far okayed around LTL 40m, the distribution of remaining LTL 60m had to be finalised during this January but no progress has been reported.

Still, the ministry is now working on a new similar initiative for 2010. The size of its budget has not been identified yet.

EVENTS

Long-term investments

Panel discussion: Long-term investments with no long-term agreements. Is it possible in Lithuania? Fee: LTL 40-65. Speakers include minister of justice, attorney at law, bankers, property developers.
Date: 23 February, 4.00 pm
Place: Reval Hotel Lietuva, Vilnius
Organiser: Norwegian-Lithuanian Chamber of Commerce, www.nlcc.lt
Contact: tel. +370 610 02690, info@nlcc.lt

French Business Breakfast

Chamber starts a new networking platform of regular business breakfasts for members and their partners. Free entry.
Date: 24 February, 8.00-9.30 am
Place: Novotel Hotel, Vilnius
Organiser: French-Lithuanian Chamber of Commerce, www.cci-fr.lt
Contact: tel. +370 5 233 5488, admin@cci-fr.lt

Lithuanian electricity market

Breakfast technical meeting with head of Enefit, Estonian energy trader, on the workings of the liberalised Lithuanian electricity market and factors influencing electricity price. Fee: LTL 35-55.
Date: 24 February, 8.00 am
Place: Shakespeare Hotel, Vilnius
Organiser: British Chamber of Commerce, www.bccl.lt
Contact: Ms Sandra Kundrote, tel. +370 269 00 62, sandra@bccl.lt

How to succeed online

Seminar on how to be visible and successful on the internet.
Date: 25 February, 4.00 pm
Place: German Chamber HQ, Vilnius
Organiser: German-Baltic Chamber of Commerce.
Contact: tel. +370 5 212 79 30, milglieder.lt@ahk-balt.org

Talking post-nuclear energy

Business luncheon with energy minister Arvydas Sekmokas who will speak of topical energy sector issues in the wake of closing the N-plant. Fee: LTL 50-75.
Date: 26 February, 12.30 am
Place: Reval Hotel Lietuva, Vilnius
Organiser: American Chamber of Commerce, www.amcham.lt.
Contact: tel. +370 5 261 11 81, acc@iti.lt

Contact fair with Turks

A free seminar and business contact fair with Turkish businessmen.
Date: 26 February, 8.30 am
Place: Radisson Blu Astorija, Vilnius
Organiser: Lithuania's Export Agency, Turkish Businessmen Assoc. MUSIAD.
Contact: tel. +370 5 262 3801, rokas.kaknevicius@lda.lt

German Firms Visit Baltics

Date: 1-4 March
Place: German Chamber HQ, Vilnius
Organiser: German-Baltic Chamber of Commerce, www.ahk-balt.org
Contact: tel. +371 6732 0718, ilze@ahk-balt.org

Tax News from Deloitte

Visit to Deloitte for update on tax news.
Date: 2 March, 6.00 pm
Place: tba
Organiser: Danish Chamber of Commerce, www.dcc.lt
Contact: tel. +370 656 87986, secretary@dcc.lt

KEY FIGURES

WAGES

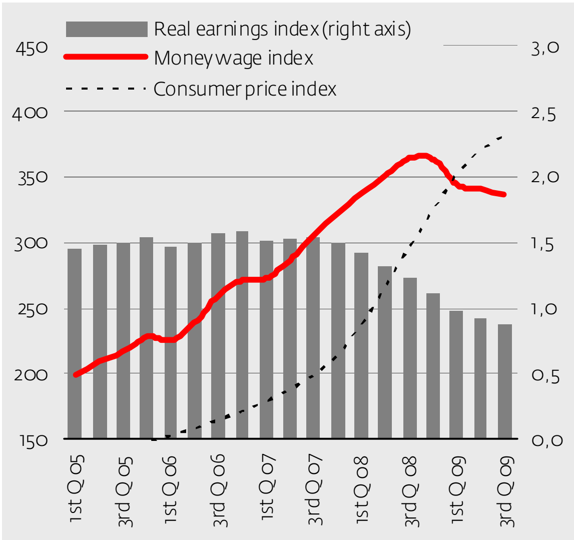
Average monthly wages in LTL and indices

Sector	Gross wage* Q3 2009	Jan 1996 = 100	Q3 2006 = 100	Q3 2008 = 100
Manufacturing	2,043	331	134	93
Agriculture, hunting, forestry	1,717	751	141	91
Food	1,994	281	138	95
Textiles	1,836	327	154	103
Wood, paper	1,789	320	149	99
Machinery	2,156	414	122	88
Water, heating, gas, electricity	2,998	305	143	106
Construction	1,933	299	103	76
Retail and repair	1,946	405	124	91
Transport and communications	2,088	207	130	89
Public administration	2,751	346	109	89
National average	**2,142**	**336**	**130**	**92**

*) As of Jan 2009 excluding the employer's legally fixed social tax (30.98-31.70%, depending on the firm's work-safety record) paid to SoDra (Valstybinis Socialinio Draudimo Fondas), and excluding a 9% health insurance contribution (employer's 3% and employee's 6%) paid to the health insurance fund (Valstybines Ligoniu Kasos).

Source: The Lithuanian statistics office, Lietuvos Statistikos Departamentas.

REAL EARNINGS



Note: The diagram shows the developments of the average national gross wages and inflation. The difference between the two graphs may be read as the average improvement of the real earnings compared to January 1996. The columns show an index of the real earnings. If index is above 1, the wages have increased more than inflation compared to January 1996.

MONEY SUPPLY

in LTL m

	Aug 09	Sep 09	Oct 09	Nov 09	Dec 09
Monetary base	20,244	20,299	21,176	**21,331**	**21,584**
M1	20,809	20,142	20,269	**21,047**	**22,050**
- Currency outside banks	7,008	6,879	6,896	**6,850**	**6,971**
- Overnight deposits	13,801	13,263	13,373	**14,197**	**15,079**
M2	41,053	40,440	41,445	**42,378**	**44,182**
- Time deposits (total)*	20,004	20,056	20,977	**21,150**	**21,416**
- Foreign currency dep.*	7,823	7,559	7,907	**7,857**	**7,927**

*) Deposits with agreed maturity up to 2 years. Monetary base encompasses Lithuanian currency emitted by the central bank and money on accounts held with it. M1 encompasses currency outside banks as well as demand deposits. M2 encompasses M1 and time and savings deposits as well as deposits in foreign currencies. 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	4th Q 08	1st Q 09	2nd Q 09	3rd Q 09	4th Q 09
Loans to customers	**71,441**	**68,967**	**66,706**	**64,676**	**61,377**
- to private companies	37,343	36,359	34,575	32,788	30,908
- to individuals	28,602	28,248	27,734	27,445	26,948
Consolidated balance of the banking institutions	**89,749**	**87,965**	**85,877**	**85,607**	**84,279**

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					
	2009	Share	2008	Share	2007	Share	2009	Share	2008	Share	2007	Share
Food and live animals (0)	6,558	16.1%	7,464	13.5%	6,066	14.0%	5,017	11.1%	6,252	8.6%	4,656	7.6%
Beverages and tobacco (1)	779	1.9%	766	1.4%	813	1.9%	919	2.0%	970	1.3%	808	1.3%
Crude materials except fuels (2)	1,572	3.9%	2,216	4.0%	2,376	5.5%	1,555	3.5%	2,714	3.7%	1,957	3.2%
Mineral fuels and lubricants (3)	8,676	21.3%	13,678	24.6%	5,791	13.4%	12,590	27.9%	20,154	27.6%	9,984	16.3%
Animal and vegetable oils (4)	134	0.3%	196	0.4%	112	0.3%	315	0.7%	449	0.6%	264	0.4%
Chemical products (5)	5,571	13.7%	7,578	13.6%	5,804	13.4%	6,767	15.0%	8,356	11.5%	7,832	12.7%
Manufactured goods (6)	4,220	10.4%	5,455	9.8%	5,162	11.9%	5,544	12.3%	9,212	12.6%	10,020	16.3%
Machinery , transport equipment (7)	6,942	17.0%	10,552	19.0%	10,022	23.2%	8,717	19.3%	19,368	26.5%	20,916	34.0%
Other manufactured articles (8)	6,238	15.3%	7,571	13.6%	7,024	16.3%	3,657	8.1%	5,318	7.3%	4,928	8.0%
Not classified commodities (9)	35	0.1%	35	0.1%	23	0.1%	57	0.1%	213	0.3%	139	0.2%
TOTAL	**40,725**	**100%**	**55,511**	**100%**	**43,192**	**100%**	**45,138**	**100%**	**73,006**	**100%**	**61,504**	**100%**

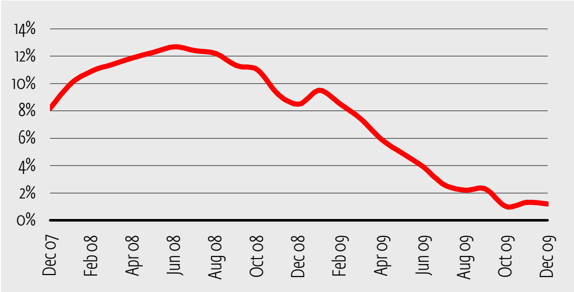
Source: The Lithuanian statistics office, Lietuvos Statistikos Departamentas.

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

EXPORT						IMPORT					
No	Country	2009	Share	2008	Share	No	Country	2009	Share	2008	Share
1	**Russia**	5,392	13.2%	8,917	16.1%	1	**Russia**	13,603	30.1%	21,855	30.1%
2	**Latvia**	4,089	10.0%	6,442	11.6%	2	**Germany**	5,040	11.2%	8,648	11.8%
3	**Germany**	3,944	9.7%	3,975	7.2%	3	**Poland**	4,497	10.0%	7,291	10.0%
4	**Poland**	2,918	7.2%	3,208	5.8%	4	**Latvia**	2,866	6.4%	3,801	5.2%
5	**Estonia**	2,913	7.2%	3,170	5.7%	5	**Netherlands**	1,839	4.1%	2,562	3.6%
6	**Netherlands**	2,066	5.1%	2,682	4.8%	6	**Italy**	1,723	3.8%	2,598	3.6%
7	**Belarus**	1,923	4.7%	2,496	4.5%	7	**Belgium**	1,335	3.0%	1,751	2.4%
8	**UK**	1,790	4.4%	2,568	4.6%	8	**Sweden**	1,224	2.7%	2,170	3.0%
9	**Denmark**	1,555	3.8%	2,598	4.7%	9	**Estonia**	1,185	2.6%	2,116	2.9%
10	**Sweden**	1,467	3.6%	1,886	3.4%	10	**France**	1,128	2.5%	2,089	2.9%

INFLATION

Harmonised, year-on-year



Source: The Lithuanian statistical office, Lietuvos Statistikos Departamentas.

INTEREST RATES

Average weighted annual interest rates on credits

Term / currency	Jul 09	Aug 09	Sep 09	Oct 09	Nov 09	Dec 09
Up to 1 year, LTL	8.61%	8.59%	8.60%	8.45%	8.09%	7.52%
Up to 1 year, EUR	4.85%	4.82%	4.58%	4.65%	4.65%	4.53%
Over 1 year, LTL	9.97%	9.98%	9.95%	9.80%	9.69%	9.69%
Over 1 year, EUR	4.48%	4.44%	4.42%	4.37%	4.24%	4.36%

Note: credit term duration refers to the initial rate fixation period. For example, a 5 - year loan with floating interest rate, revised every 6 months, is classified as 'Up to 1 year'

Vilnius Inter Bank Offered Rate (VILIBOR) as of 12 February 2010

Overnight	1 week	1 month	3 months	6 months
0.35%	0.45%	0.93%	2.03%	3.40%

Source: Lithuania's central bank, Lietuvos Bankas.

RETAIL TRADE

Period	Sep 2009	Oct 2009	Nov 2009	Dec 2009
Turnover in LTL m	2,067.6	2,166.4	2,014.2	2,371.9
Index 100 = previous month*	89.4	105.2	90.0	121.4
Indeks 100 = same mon. prev. yr*	68.1	71.3	72.8	73.4
Year	**2006**	**2007**	**2008**	**2009**
Turnover in LTL m*	16,187	19,129	20,028	-
Index 100 = previous year*	107.1	112.3	104.7	78.4

Note: Turnover in current, indices in constant (1995) prices. *) without motor vehicles

FOREIGN DIRECT INVESTMENT

in LTL m	2007	2008	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009
net *	3,578	3,505	1,448	871	276	116	- 92
stock	35,504	31,591	33,996	31,591	32,270	33,133	34,220

*) Foreign direct investments in Lithuania minus Lithuanian investments abroad.

Source for both: Lithuania's central bank, Lietuvos Bankas.

HARMONISED CONSUMER PRICE INDEX

100 = current 12 months	Jan 2006	Jan 2007	Jan 2008	Jan 2009	Jul 2009	Aug 2009	Sep 2009	Oct 2009	Nov 2009	Dec 2009
Food, non-alcoholic beverages (25.1%)	104.4	108.4	115.7	110.7	99.7	98.5	98.1	96.7	96.3	95.6
Alcohol and tobacco (7.8%)	99.2	102.6	109.2	114.9	112.8	113.0	114.8	119.3	121.4	121.9
Clothes and footwear (7.8%)	99.6	95.6	95.0	94.0	91.6	90.3	90.3	90.1	90.9	91.7
Housing, water, electricity, gas (12.1%)	104.9	110.6	117.5	122.9	112.3	110.4	110.5	100.1	96.8	94.4
Household items,furniture (6.7%)	99.6	101.3	103.2	105.7	101.2	100.6	100.3	100.6	99.2	98.7
Transport (10.8%)	114.0	97.2	116.1	100.3	92.4	95.2	94.8	97.7	105.5	109.5
Communications (3.8%)	95.6	100.1	91.5	101.1	98.0	97.0	99.0	97.6	97.6	97.3
Recreation and culture (6.8%)	102.2	100.9	100.4	104.1	102.3	103.0	102.7	100.5	99.7	99.9
Hotels and restaurants (7.3%)	102.8	104.9	113.2	113.2	105.0	103.9	102.2	100.4	99.3	98.9
Gross consumer price index	**103.5**	**104.0**	**110.0**	**109.5**	**102.6**	**102.2**	**102.3**	**101.0**	**101.3**	**101.2**
100 = previous months	**Mar 2009**	**Apr 2009**	**May 2009**	**Jun 2009**	**Jul 2009**	**Aug 2009**	**Sep 2009**	**Oct 2009**	**Nov 2009**	**Dec 2009**
Food, non-alcoholic beverages (25.1%)	99.8	99.5	99.4	98.3	99.0	98.8	100.0	99.5	99.9	99.6
Alcohol and tobacco (7.8%)	100.8	103.2	101.9	99.8	100.3	100.3	100.6	104.2	102.3	100.5
Clothes and footwear (7.8%)	100.6	100.9	98.9	98.0	97.0	99.1	103.9	101.9	100.4	97.7
Housing, water, electricity, gas (12.1%)	99.6	99.4	99.3	99.1	97.6	100.2	100.5	95.3	98.8	100.2
Household items,furniture (6.7%)	100.0	99.5	99.6	99.4	99.8	99.5	100.2	100.1	100.0	99.2
Transport (10.8%)	99.4	98.6	101.2	102.5	98.1	100.9	99.2	99.9	101.2	99.7
Communications (3.8%)	100.9	100.7	100.0	99.1	98.5	99.4	100.3	98.8	99.0	99.1
Recreation and culture (6.8%)	100.1	99.7	99.4	100.5	101.5	100.7	98.6	98.4	99.2	100.4
Hotels and restaurants (7.3%)	99.9	99.9	99.2	99.9	100.0	99.9	99.6	99.5	99.3	99.8
Gross consumer price index	**100.0**	99.9	99.8	99.7	99.2	99.8	**100.6**	99.6	**100.0**	99.7

Note: takes into account foreigners' spending in Lithuania, and thus provides a more exact measure of price dynamics. Source: The Lithuanian statistical office, Lietuvos Statistikos Departamentas.

INDUSTRIAL OUTPUT

On monthly basis	Jun 2009	Jul 2009	Aug 2009	Sep 2009	Oct 2009	Nov 2009	Dec 2009
Index 100 = previous month	101.2	103.4	95.8	98.4	100.5	100.3	102.3
Index 100 = same month prev year	82.6	85.3	85.6	84.8	92.4	91.6	91.8
Year	**2004**	**2005**	**2006**	**2007**	**2008**		**2009**
Index 100 = previous year	110.8	107.1	107.3	104.0	102.7		85.6

Note: Industrial output equals industrial production, adjusted for seasonal factors.

PRODUCER PRICES

On monthly basis	Jul 2009	Aug 2009	Sep 2009	Oct 2009	Nov 2009	Dec 2009	Jan 2010
Index 100 = previous month	98.0	100.9	98.4	99.3	101.4	99.9	101.7
Index 100 = same month prev year	80.6	81.1	80.6	83.4	91.4	101.4	103.6
Year	**2004**	**2005**	**2006**	**2007**	**2008**		**2009**
Index 100 = previous year	106.1	111.6	107.4	107.0	118.2		86.7

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

Source: Lithuania's statistical office, Lietuvos Statistikos Departamentas

PRICES

Selected goods and services as of February 2010, in LTL

Food		Non-food	
Milk, 1 l	2.29	Cigarettes, Marlboro, pack	7.20
Butter, 82%, 200g	3.19	Aspirin, Bayer, 100 tablets	19.95
Bread, loaf	3.39	Verslo Zinios, business daily	3.50
Beef, 1 kg	18.79	Photo film, Kodak, 24/200	11.89
Chicken, 1 kg	7.29	Taxi, per km	1.50
Tomatoes, 1 kg	4.99	Local phone call, 1 min.	0.12
Apples, 1 kg	1.49	Int'l phone call, 1 min., to EU	1.39
Bananas, 1 kg	3.99	Local letter, up to 20 g	1.35
Eggs, 10 pieces	4.38	Electricity, kWh	0.45
Sugar, 1 kg	3.09	Water, cb.m	4.22
Coffee, Jacobs, 250 g	6.99	Natural gas, cb.m	1.87
Beer, Carlsberg, 0.5 litre	3.39	Petrol 95, 1 litre, Statoil	4.01
Mineral water, Vichy, 0.5 litre	1.39	Diesel, 1 litre, Statoil	3.40

Note: prices are in Vilnius, for popular brands at popular shopping locations; rates are peak in Vilnius for households. Source: news2biz LITHUANIA survey.

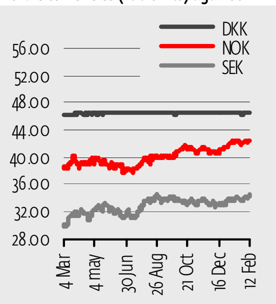
CURRENCY

Exchange rates, 12 Feb 2010, transfers

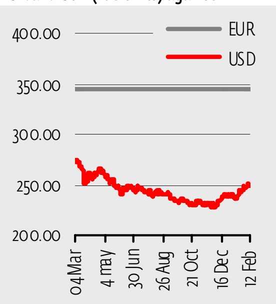
	SEB		Lithuania's Central Bank
	Buying	Selling	Average
100 USD	251.63	257.53	250.78
100 EUR	344.42	346.14	345.28
100 GBP	392.53	402.16	391.33
100 CHF	232.79	238.51	235.44
100 CAD	237.71	245.06	236.78
1,000 JPY	27.89	28.69	27.87
100 DKK	45.68	47.08	46.38
100 SEK	34.26	35.32	34.48
100 NOK	41.98	43.28	42.53
100 EEK	21.82	22.36	22.07
100 LVL	478.42	493.81	486.85
100 RUR	8.22	8.59	8.32
100 PLN	84.48	87.33	85.32
100 CZK	13.04	13.45	13.26

Note: The average exchange rates of Lithuania's central bank are fixed one day before the actual date.

Nordic currencies (100 units) against LTL



EUR and USD (100 units) against LTL



Source: Lithuania's central bank, Lietuvos Bankas.

KEY ECONOMIC DATA FORECAST

Indicator	2009	2010		2011	
		SEB	Swedbank	SEB	Swedbank
GDP change	-15.0%*	+1.0%	-2.0%	+4.0%	+3.0%
Consumer prices (inflation)	+4.2%*	0.0%	+1.0%	+2.0%	+1.0%
CA balance, % of GDP	+2.9% (Q3)	+0.5%	+1.2%	+1.0%	-0.3%
Average gross wage change	-7.7% (Q3)	-1.0%	-5.0%**	+3.5%	0.0%**
Unemployment rate	13.8%	15.5%	16.0%	16.0%	15.5%

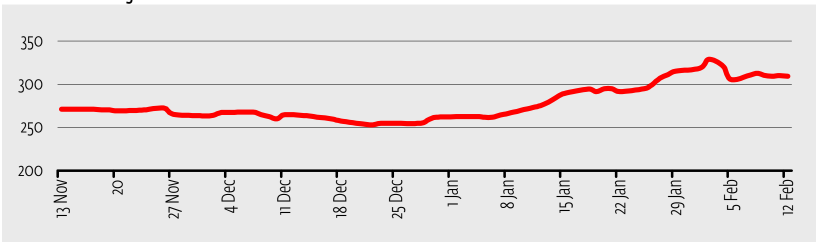
*) preliminary actual data, **) net real wage. Sources: SEB (December 2009), Swedbank (January 2010),

STOCK EXCHANGE

Vilnius Stock Exchange, main list in alphabetic order

	Price 12 Feb 10	Change 2 Feb 10	Change end of 2009		Price 12 Feb 10	Change 2 Feb 10	Change end of 2009
↓ Apranga	3.06	-9%	+26%	→ Rokiskio Suris	3.20	0%	+13%
↓ City Service	8.33	-9%	+31%	↓ Siauliu Bankas	1.11	-1%	-2%
↓ Invalda	2.86	-6%	+62%	→ Sanitas	12.00	0%	+27%
↑ Lietuvos Dujos	2.35	+1%	+15%	↓ TEO LT	2.29	-2%	+23%
↓ Panevezio Statybos Trestas	4.32	-5%	+31%	↓ Ukio Bankas	1.13	-5%	+12%
↓ Pieno Zvaigzdes	3.19	-2%	+12%	↓ Utenos Trikotazas	1.10	-4%	-7%
↓ Rytu Skirstomieji Tinklai	2.30	-5%	+26%	↑ Vilniaus Baldai	11.90	+12%	+32%
↓ **OMX Vilnius index**	**309.20**	**-6%**	**+18%**	↑ Vilkyskiu Pienine	3.13	+9%	+30%
↓ **OMX Baltic Benchmark**	**398.94**	**-5%**	**+27%**				

OMX Vilnius closing index the last three months



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: The Vilnius stock exchange, OMX Vilnius.

GDP

Period	Real growth year on year	GDP in LTL m at current prices	GDP per capita in USD
4th quarter 2009*	-13.0%	23,898	3,063
3rd quarter 2009*	-14.2%	23,799	2,950
2nd quarter 2009*	-19.5%	23,871	2,812
1st quarter 2009*	-13.3%	20,882	2,369
2009*	-15.0%	92,450	11,151
2008 *	+2.8%	111,190	14,049
2007	+9.8%	98,669	11,585

*) Non-final, preliminary data or estimate. Source: Lithuania's statistical office, Lietuvos Statistikos Departamentas.

CURRENT ACCOUNT

excerpts shown in LTL m	2006	2007	2008	Q2 2009	Q3 2009
Trade balance	-11,522	-14,773	-13,337	-673	-750
Services	2,972	1,591	1,220	146	410
Direct investments, net	4,199	3,578	3,505	116	-92
Current account balance	-8,809	-14,325	-13,259	239	705
Current account deficit in % of GDP	-10.6%	-14.5%	-11.9%	1.0%	2.9%

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