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Anti Orav, CEO of Põltsamaa Felix, the winner of Swedish Business Awards in 2011, with the produce of the company in a supermarket. Photo: Andres Haabu, Äripäev

Norwegian-owned Põltsamaa Felix winner of 2011 Swedish Business Awards

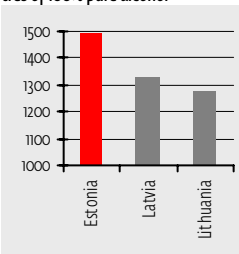
The jury of Swedish Business Awards crowned the preserved food producer Põltsamaa Felix of the Norwegian Orkla group the winner of the Sustainable Growth Award. The Young Entrepreneur of the Year title was given to Lilli Jahilo, while Entrum, Eesti Energia's programme, received the award for corporate social responsibility initiative. PAGE 14

Estonia to rise alcohol excise tax – again

The Estonian government is planning to increase the alcohol excise tax by 5% from 1 January. The move is motivated by the similar initiative of the Finnish government as well as the need to fill the state's wallet. PAGE 8

Highest in Baltics

Alcohol excise tax, EUR per 100 litres of 100% pure alcohol



An anatomy of Estonian economic miracle

A lot has happened in a year both in global economy as well as Estonia, said Robert Kitt, managing director of Swedbank's corporate banking in Estonia, in his speech "An anatomy of Estonian economic miracle" at the Swedish Business Awards ceremony. PAGE 14

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MANUFACTURING

FOOTWEAR

Samelin trademark finally celebrated in Nordics

When Estonian footwear producer **Samelin** first began to export in the beginning of 1990s, the company was asked to hide the "Made in Estonia" label on its products. Yet Samelin's mission was to sell to the world under its own trademark, and today, the Scandinavian partners are happy to do just that.

"Now that companies in Scandinavia have closed their factories, they ask us if we can produce for them a collection of footwear under the Samelin trademark," says Leida Kikka, CEO of Samelin who has been at the company's helm for nearly two decades, to news2biz.

She adds that while today retailers are the ones who have been afraid that one day the producer will bypass them and push them out of the market, it is honesty and long-time partnership that Samelin is based on. "You must be very honest, not copy your partner's product. The Scandinavians respect you if you are very open with them," Kikka remarks.

Last year, Samelin signed a 4-year contract with the Norwegian firm **Protex** which won a tender for the Norwegian army, whereby Samelin will produce 60,000 army boots per year for the Norwegian soldiers. Also, Samelin's long-time Norwegian partner **ALFA** has previously won army tenders and partnered with Samelin which is the actual producer. Both German and Estonian armies are also wearing the Tartu firm's boots.

Making boots for Norwegian army in Samelin's plant. Photo: Raul Mee, Äripäev

At Nordic Open seminar organised by DECC in September in Tallinn, CEO Leida Kikka recalled how it all started. In 1992, the Tartu company was approached by a young Finn who had a large retail company in Finland. Later, the network expanded, the Finn brought a friend from Sweden, another one brought a friend from Denmark.

But Kikka was aware that one needs to have a stable partnership. "When more firms approached me asking if I could become a producer for them, I stepped on the brakes in order not to lose relations. If you have very good relations with one retailer, why then sign up his competitor? It is like marriage – if I have one husband, why would I want to take a new to learn his mistakes?" Kikka notes.

It was largely the good partnerships that spared Samelin of the worst during the recent crisis. For 2009-2010, the turnover stood at about EUR 2m, dropping by 40% from 2008. Orders just dried up, and liquidity became a major challenge. Then, Samelin's Scandinavian suppliers extended the payment deadlines.

"I am so thankful to suppliers. I begged them to give us extensions, to send us another batch of supplies before we could pay, and in Norway, Sweden and Finland, they all trusted me. I had 6 months worth of unpaid invoices, and they all sent me material to work with," Kikka notes, adding that in Estonia even EUR 5 bills had to be paid.

So, the tide has turned. "For us, the economic crisis is over," Kikka declares. Today, she estimates that the firm loses EUR 100,000 every month in revenues only because there are not enough people to produce the boots that are in so much demand.

Samelin would be ready to hire 50 people easily, only there is not enough craftsmanship to be found. To fill the gap, the company also uses prisoners as workforce.

For the first half of this year, the turnover has increased by 110% y-o-y, with every past month showing growth and exceeding expectations. For both this full year and 2012, Samelin plans a turnover of nearly EUR 5m and a 4-5% profitability, a good rate for the industry, according to Kikka.

The company currently employs 190 workers. 90% of Samelin's produce is exported, with Norway counting for half of the export, followed by other Nordic countries.

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CONTRACT PRODUCTION

Reimax Electronics moves to larger facility

The Finnish contract manufacturer **Reimax Electronics** moves its Tallinn production plant to a larger facility, while also planning adding operations.

Reimax, who has been present in Estonia for seven years, acquired a 2,500 sq.m facility in Tallinn to replace its 1,400 sq.m rented space this year. According to Reijo Laine, board member of Reimax, moving to the new location has already started and the new plant is expected to start operations in the end of October.

The Estonian unit of Reimax is manufacturing various cable harnesses. "This is manual labour intensive production, therefore we have kept it in Estonia, when the costs of labour are lower," says Laine to news2biz.

"Another reason is that in Estonia the employment relationship is much simpler: it is possible to hire staff without consulting the trade unions first, for instance," he adds.

The total investment related to the move in Tallinn is a bit short of EUR 2m.

Now Reimax ponders adding also electronics assembly operations to its Tallinn plant. "It is also one reason we moved to the larger facility – to have room to add operations," says Laine. The exact plans of production expansion are not yet set, though.

Reijo Laine of Reimax Electronics: Estonia's employment regulation is friendlier for entrepreneurs than that of Finland. Photo: Andres Haabu, Äripäev

The Estonian subsidiary of Reimax turned over EUR 3.4m in the financial year ending 31 March 2011, an increase by 17% compared to the previous financial year. Reijo Laine expects the next financial year's turnover to surpass EUR 3m.

The main plant of Reimax Electronics, manufacturing cables and assembling various equipment, is situated in Klaukkala, 30 km north of Helsinki. Reimax has also another production unit in Finland, Reimax Finnkeskus in Salo, producing rack centres and enclosure systems.

Has Reimax any plans to expand its production also to other Baltic states?

"We have looked around there, yes, but at the moment we have no plans to move there," says Laine. "Our staff in Estonia is a valuable asset, we do not want to take a risk losing them as well as losing customers."

We have talked to

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PLAYGROUND PRODUCTION

Lappset establishes metal parts plant in Estonia

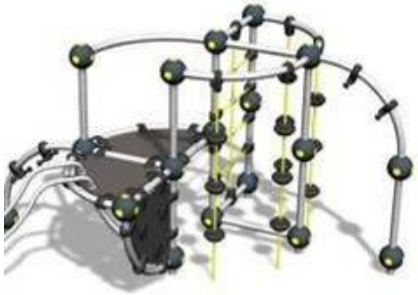
Lappset, the playground equipment manufacturer headquartered in Rovaniemi, Finnish Lappland, decided to establish a EUR 2.5m metal parts plant in the Tänassilma technological park near Tallinn.

"Estonia is a good place to operate in – it is near Finland while the production costs are lower," says Juha Laakkonen, CEO of Lappset group, to news2biz. "The location is also excellent: both harbour and workforce source are nearby."

The plant, currently under construction, is expected to be finished in December and launch next year. The 4,000 sq.m production facility is rented by Lappset.

Lappset's investments in the new plant total EUR 2.5m.

According to Laakkonen, the Estonian plant's main purpose is to produce metal components for playground sets, thus doing contract manufacturing for the assembly plants of the group. While the company's main line of products is wooden playground sets, the demand for sets made of metal has recently risen in the market.



Lappset's metal playground sets have become more and more popular. Photo: Lappset

While Lappset's production in Estonia is yet to launch, the Estonian market is already known to the company. "We have been selling our products in Estonia for quite a while already," says Laakkonen. "Along with the new plant our presence will become even more evident, and we expect our sales in Estonia and other Baltic states also to increase."

Lappset's Estonian project is steered by Aarno Martin, who has already led several different projects in the company.

Lappset, established in 1970, turned over EUR 45.3m in 2010, employing a total of 320 in its subsidiaries in Finland, France, Spain, Sweden, Germany and the UK, including two manufacturing units in Finland and one in Sweden.

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ELECTRONICS

Elcoteq's parent bankrupts, Tallinn plant continues

Despite the bankruptcy of the Luxembourg-registered and Helsinki-listed parent **Elcoteq SE**, **Elcoteq Tallinn** continues to operate while waiting to be sold to a new owner.

Elcoteq SE's creditors declined to allocate new loans in June, causing the company liquidity problems, which eventually led to the bankruptcy of Elcoteq's three Finnish plants in August, and the Luxembourg-headquartered parent's bankruptcy in the beginning of October.

Since August, news2biz has been trying to get Elcoteq SE's management to comment the future of the company's Estonian unit, but without any success.

No wonder, actually, as several head managers have left the company during the crisis. Or, as was told to news2biz by Elcoteq's lawyer in Helsinki: "Actually it is hard to determine now correctly, who is in position to give you any comments."

Nevertheless, the future looks not so dim for the Estonian unit, after all. The CEO of Elcoteq Tallinn Jan Kotka says to news2biz that the

unit is profitable, continues to work and fulfill the customers' orders while waiting to be sold as an asset by Elcoteq SE's receivers.

Still in action: Elcoteq Tallinn's assemblers of electronic equipment.
Photo: Andres Haabu, Äripäev

"The situation is that our company is waiting to be put on sale," says Kotka. "There are a lot of activity on the background at the moment, assessments, etc., but we expect the sale decision to come in due cause."

Kotka assures that the Estonian company will be sold as a functioning entity. "First, it has a value only when it functions. Second, Elcoteq SE does own the shares of Elcoteq Tallinn but not single assets – hence, the receivers can only sell the shares."

While waiting for buyers, Elcoteq Tallinn continues to produce. According to Kotka, the company has orders for 12 months ahead.

"We cannot fulfill large-scale orders, though, due to the fact that we have to negotiate much with distributors. Most of them want advance payment, and some of them try to get some money, that our parent or some other enterprise from Elcoteq group ows them, from us," says Kotka.

"Still, we expect the limbo in our ownership to end soon. Things can only get better from here," he notes.

In 2010, Elcoteq Tallinn turned over EUR 4.6m, profiting EUR 136,000, and employing 136.

Elcoteq divested a majority of its Estonian operations together with 1,200 employees to the Swedish **Ericsson** in 2009 for EUR 30m (see no 276 page 2), but made a comeback a few months later (see no 288 page 2), launching assembly operations for a major GPS producer.

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IN BRIEF

PPI growth slows in September

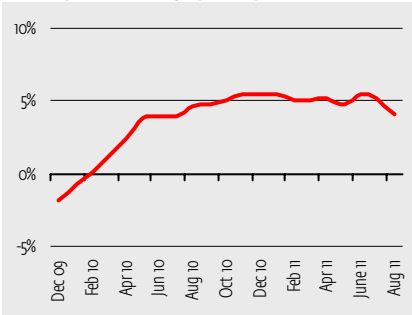
The producer price index (PPI) increased by 3.7% year-on-year in September, according to the statistical office Eesti Statistika. Considering the above 5% yearly increases in June and July and the 4.1% rise in August, the PPI growth seems to be slowing down.

According to Eesti Statistika, the prices in food and heating oil production increased the most in yearly comparison – while the prices of electronics manufacturing declined the most.

Compared to August, the PPI did not change in September.

PPI: growth slows down

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



Source: Eesti Statistika

FINANCE

CENTRAL BANK

World Bank's economist to lead Eesti Pank

The council of Estonia's central bank **Eesti Pank** has chosen Ardo Hansson, **World Bank**'s head of Chinese economic unit, to replace the current president Andres Lipstok next June.

Hansson, who has Ph.D. in economics from Harvard University, has worked for the World Bank since 1998. Before that, he was the economic adviser to Estonia's Prime Minister as well as a member of the country's currency reform team, which successfully led Estonia out of the Soviet rouble zone and implemented its own pegged currency, the kroon, in 1992.

In the 8-member council vote, Hansson won with votes 5:3 against the second candidate, Andres Sutt, the senior advisor to the executive director for the Nordic-Baltic constituency at **IMF**. Hansson and Sutt were the two remaining candidates after the preliminary voting round in September, when the council eliminated two applicants: Jürgen Ligi, the current Minister of Finance and Andres Tupits, lawyer from the law firm **Sorainen**.

With Estonia joining the eurozone, the president of Eesti Pank gained more power than before, when the bank's primary duty was to maintain the currency peg, as the person holding the seat has now also a seat in the ECB's Governing Council. Namely, the Governing Council is the body formulating the monetary policy of the euro area as well as adopting guidelines and making decisions necessary to ensure the performance of the system.

Jaan Männik, head of the council of the bank, said to the journalists after the elections that he believes the new president shall improve the management of the central bank as well as make it more efficient.

Männik, the Swedish-born Estonian, who has worked for decades in the telecom sector, and was a CEO of **Eesti Telekom** for seven years, has pushed for the changes in Eesti Pank's management for the last few months. It is widely considered Männik's initiative that the central bank's council did not prolong the terms of the two former VP-s, Rein Minka and Märten Ross, in April (see no 315 page 13), and in May appointed two new men instead to the positions: Ülo Kaasik, former

head of the fiscal policy department at Eesti Pank, and Madis Müller, former portfolio manager in International Finance Corporation, the subsidiary of the World Bank.

The current and the future presidents of Eesti Pank: Ardo Hansson (left) shaking hands with Andres Lipstok. Photo: Andras Kralla, Äripäev

In an interview to the Estonian national television **ETV** after the council had made its decision, Hansson said that he believes Eesti Pank will become recognized in ECB as an expert in certain areas of fiscal policy in the coming years.

Hansson also noted that he is a supporter of a rather conservative approach to the monetary policy, while he will also approve, ideologically, default of the banks who have taken unnecessary financial risks and are in troubles because of them. However, he also said that every such case needs to be studied carefully before making any decisions in order to avoid the recurrence of the Lehman Brothers default which launched the crisis in financial sector worldwide. "One has to have a backbone, but also a pragmatical mind," he said.

According to Hansson, he will try to make the position and actions of Eesti Pank more understandable to the public in his precidency. "People may think why we need the central bank at all when we are already a part of the eurosystem, but in fact the central banks have a very important role," he said. "The organisational culture inside the bank has to become more open, which will eventually lead to the increased openness in relations with public."

Hansson will take over the president's seat from Andres Lipstok next June. Lipstok was appointed the president of Eesti Pank in 2005 and his term as the central bank's governor lasts until 7 June 2012. The presidency of Eesti Pank lasts seven years and cannot be extended, according to the law.

IN BRIEF

SEB continues with common ATM project

The Swedish **SEB** has decided to continue with the pan-Baltic common ATM project, that the Baltic units of four Scandinavian banks launched last year, despite **Swedbank**'s decision to withdraw (see no 323 page 3). The bank has notified the press that it has three good reasons to continue: the offer of setting up the common network was made by one of the best service providers in the world, ensuring the continuosly high quality of service; there will be no extra charge for the bank's clients while using the commont ATM network; establishing such a network will stabilise the banking market.

PROPERTY & CONSTRUCTION

INTERIOR MATERIALS

Plaat Detail starts Nordic's largest laminate plant

The Estonian laminate producer **Plaat Detail** launched a EUR 2m plant in the village of Tabasalu west of Tallinn, which is the largest in the Nordic region with its 70,000 sq.m monthly production capacity.

Plaat Detail, which is the Estonian representative of **Formica**, a leading manufacturer of laminate in the world, has so far produced customized details of laminate in its plant in Tallinn. The new plant, which is actually a former Formica's Finnish plant acquired by Plaat Detail in the beginning of the year, allows the company also to mass-produce laminate.

"Both our plants now supplement each other, allowing us to offer our customers a broad scale of laminate details, from large mass-produced plates to small customized details," says Erko Ennok, member of the board of Plaat Detail, to news2biz.

"Our edge is that we continue to manufacture the product that Formica has successfully marketed for 20 years, we do not have to prove anything as would be the case with a totally new product," notes Ennok.

Production of laminate in Plaat Detail's new plant in Tabasalu.

Photo: Plaat Detail

The Tabasalu plant is fully automated, employing less than 10 people, and has a production area of 2,000 sq.m. "We plan also to add equipment of bordering laminate details to the Tabasalu plant, occupying 1,000 sq.m. This addition will further expand the nomenclature of our produce," says Ennok.

Plaat Detail turned over EUR 2.4m in 2010, an increase by 29% compared to 2009. For 2011, the company expects its turnover to reach EUR 4.5m. The majority of turnover, 70%, originated from Estonia, while the exports to Finland accounted for 16% and to Latvia, Lithuania and Denmark for 14% of the company's sales.

With the launch of the second plant, however, the importance of exports is expected to increase. According to Ennok, the company expects to export 90% of the Tabasalu

plant's production, mostly to the Scandinavian region.

"At the moment, the demand on the market is larger than our capacity. Our Finnish exports, for instance, are about to double by the end of the year, and increase more in the coming years," he says. "The part of domestic sales in our turnover is expected to be no more than one-third of the total revenues next year. So, the launch of the Tabasalu plant is quite a big turn for the company in every way."

In Finland, as well as in Sweden, Plaat Detail will rely on Formica's organisation in marketing and selling its produce.

"Today, our main task is to produce, while Formica takes care of everything else. Satisfying the demand of the Scandinavian markets is more than enough for us to produce in full steam," says Ennok. "Still, it looks like we need to go to Norway on our own, and establish a representative office there, as Formica is not that heavily present in Norwegian market."

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IN BRIEF

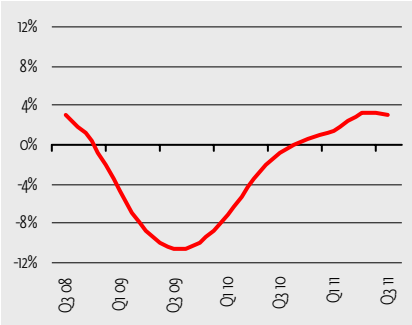
Construction price index increases by 3% y-o-y in Q2

The construction price index grew by 3% year-on-year in the 2nd quarter of 2011 compared to the same period previous year – a growth comparable to that in the 2nd quarter of 2011 (3.2%). Though, in comparison with the previous quarter, the index ended up being 1% higher.

In both yearly and quarterly comparison, more expensive building materials and the increase in labour costs had the biggest influence on the index. The index has now increased for the fourth consequtive quarter in annual comparison.

Construction becomes more and more expensive

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



Source: Eesti Statistika

ENERGY & RESOURCES

WASTE REPROCESSING

Ragn-Sells launches EUR 14.7m RDF plant

The Estonian subsidiary of the Swedish recycler **Ragn-Sells** launched an EUR 14.7m refuse-derived fuel (RDF) plant in Tallinn in October, marking the end of waste dumping era for the company in Estonia.

"Collected waste by Ragn-Sells in Estonia will be from now on sent to the plant as much as possible," says Agu Remmelg, COO of Ragn-Sells' Estonian arm, to news2biz. "There might be cases when we have to send some waste to dumpsites, for instance, when the volume of collected waste will exceed our plant's capacity, but in general we are about to end all dumping."

Still, the RDF production process is not using 100% of the municipal waste: about 15% of it cannot be processed to the fuel and has to be dumped. Although, it is possible that **Eesti Energia**'s waste incineration plant that is about to be launched in Iru near Tallinn in 2013 (see no 294 page 13) will, under some circumstances, use it along with other waste, notes Remmelg.

Not to the dumpsite anymore: workers of Ragn-Sells empty a waste container into the company's truck. Photo: Erik Prozes, Äripäev

The RDF plant's full processing capacity is 120,000 tonnes of municipal waste a year. According to Remmelg, Ragn-Sells expects the plant to process 100,000-90,000 tonnes a year.

"At the moment, our own waste collection volume is sufficient to feed the plant," he says. Recently, Ragn-Sells won 3-year contracts of waste collection operations in two districts of Tallinn, Lasnamäe and Nõmme; the company already services several districts of Tallinn and Tartu as well as several municipalities.

The RDF produced by Ragn-Sells' plant will be sold to **Kunda Nordic Tsement**, the **Heidelberg**-owned cement producer, whose kilns were recently upgraded to burn RDF (see no 285 page 12). In addition, the Latvian plant of another cement producer **Cemex** will buy RDF from Ragn-Sells.

The plant, the construction of which was launched in March (see no 312 page 12) cost EUR 14.7m to build.

Ragn-Sells, 100%-owned by the Swedish namesake, turned over EUR 18.8m in 2010, a drop by 2% compared to 2009, while earning a profit of EUR 1.7m. The company employs 300 in Estonia and has offices in five cities.

BIO-FUEL

Kuusakoski plans to catch bio-fuel train

The Finnish metal recycler **Kuusakoski** plans to step on the bio-fuel production bandwagon by launching both the refuse-derived fuel (RDF) production of waste originating from car recycling process, as well as

process tree stumps and construction waste into wood chips.

According to Marko Kippa, member of board of Kuusakoski's Estonian unit, the company plans to produce a total of 5,000 tonnes of biofuel by the end of the year. "At the moment, we are in the initial phase, so I cannot reveal any further plans and investments. The more exact plans will be ready by the end of November," he says to news2biz.

Compressed car wrecks in Kuusakoski's scrapyard: not only the raw material for recycled metal, but also for the refuse-derived fuel.

Photo: Andres Haabu, Äripäev

In October, Kuusakoski set up the wood waste collection area in the town of Paldiski, North-West Estonia. RDF production is set up in Tallinn.

RDF will be produced from seats, dashboards and other non-metallic parts of car wrecks processed by Kuusakoski. "The idea is to use the wrecks as much as possible, and diminsh the amount of waste," says Kippa.

"Speaking of volumes, it would be possible for us to produce about 10,000 tonnes of RDF yearly," says Kippa. "The produce will be most possibly exported, but there are also some local users of that kind of fuel, **Kunda Nordic Tsement** for instance, and we do have negotiations with them."

Kuusakoski's Estonian subsidiary has invested EUR 1.5m this year into upgrading its scrap metal collection yards. This investment includes changing concrete floors in yards, installing used oil collection equipment as well as preparations to enter the bio-fuel production business.

Kuusakoski turned over EUR 8.7m in Estonia, an increase by 119% compared to the previous year. The hike in turnover originated mostly from high prices on metal in the world market but also from the increased trade in scrap metal by 31.5% y-o-y. The company's profit reached EUR 4m last year, while in 2009 it posted a loss of EUR 0.5m. 94% of metal processed by Kuusakoski was sold to Finland.

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IN BRIEF

Solar power association launches in Estonia

Estonian entrepreneurs operating in the field of solar power production and development together with scientists and enthusiasts established the Estonian association of solar power **Eesti Päikeseenergia Assotsiatsioon**. The association, the purpose of which is to promote the use of solar power in Estonia, encompasses several solar power start-ups: **Solar Estonia**, **Energogen**, **Energy Smart**, **Estil Electronics**, etc.

Fuel trade: state cashes EUR 25m more with stricter rules

In the 2nd quarter of 2011, the companies trading in motor fuel paid EUR 25m more VAT compared to the same period previous year. According to the taxes and customs board Maksu- ja Tolliamet, the number of entities trading in fuel declined from 370 in the end of March to 175 in September. Both figures characterize the impact of the new motor fuel trading regulation, which came to force on 1 June (see no 317 page 11). According to the law amendments, all fuel traders have to set deposits varying from EUR 2,000 to EUR 1m and more, depending on their trade volume, in order to ensure the accrual of VAT to the state's coffers. VAT evasion and the uneven competition rendered by tax evaders emerged last year as a massive problem for the motor fuel retail sector.

TRANSPORT & LOGISTICS

HARBOURS

Saaremaa harbour to accept cargo vessels

The deep-water harbour of Ninase on the island of Saaremaa, belonging to the state-owned harbour operator **Tallinna Sadam**, is about to accept cargo vessels in addition to passenger cruise ferries.

The Ninase harbour was originally built in 2006 as a cruise harbour. However, the visits of cruise vessels to the harbour are quite rare – for instance, in the summer season of 2011, 13 ships visited Saaremaa – thus the harbour is underutilized. At the same time, the deep-water harbour is close to large shipping routes and navigable all year round, which makes it suitable for cargo handling, especially in non-cruise season.

As the harbour is situated close to the important bird migration area, Tallinna Sadam had to apply for the extension of the harbour's operations as well as assess the environmental impact of added activities. Recently the assessment plan was accepted by the environmental agency Keskkonnaamet – which is one step in the long road in gaining the harbour a permission to handle cargo, according to Sven Ratassepp, press rep of Tallinna Sadam.

Ninase harbour in Saaremaa.

Photo: Tallinna Sadam

"After the assessment plan, the assessment itself follows; then the detailed planning. The process takes some time, and we will be happy if we can process all necessary documents in the next year," says Ratassepp to news2biz.

The 10-metre-deep Ninase harbour has 460 m of quays, and can handle vessels with the length of 200 m. According to the plan, the harbour would handle up to 300,000 tonnes of cargo a year, mainly bulk cargo.

According to Ratassepp, the idea is to service mostly the local entrepreneurs, i.e., those from Saaremaa. "It does not make much sense to transport the cargo to the island in order to load it to the ship there," says Ratassepp.

The main cargo article will most probably be wood pellets, which are currently loaded on the vessels in the other harbour of Saaremaa, that of Roomassaare, which lacks both the depth and quay length of Ninase.

"Ninase allows to load much larger vessels, thus also making the process more profitable," says Ratassepp.

Ratassepp notes that the cruise shipping will still be the first priority in the harbour. "One cannot load a cargo vessel with pellets there at the time the cruise ship is moored, it is quite obvious," he notes.

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FOOD & AGRICULTURE

ALCOHOL PRODUCTION

Altia's Swedish sales jump, exports outlook up

Altia Eesti, the Estonian subsidiary of the Finnish alcohol producer **Altia** has increased exports to Sweden in 2011 and expects further growth in overall exports next year.

"We bottle the scotch whisky named Latitude for Altia's Swedish subsidiary. The sales of Latitude launched very nicely in the Swedish monopoly **Systembolaget** this year," says Kristel Mets, CEO of Altia Eesti, to news2biz.

"Our exports continued to Finland and Latvia, while Sweden became a third strong foreign market for us this year," says Mets. "We also try to be more present in Denmark in the future."

Most of Altia Eesti's foreign sales are handled via Altia's other subsidiaries, as the Finnish state-owned company is present in Sweden, Denmark, Norway, Estonia and Latvia in addition to home country. Nevertheless, the Estonian unit of Altia tries to market its produce in foreign markets itself as well, adds Mets.

Altia Eesti turned over EUR 23.3m in 2010, an increase by 8% compared to the previous year. 68.6% of the company's revenue came from the alcohol production and the rest from wholesale operations. In addition to producing alcoholic beverages, such as Saaremaa Viin, one of the most popular vodkas in Estonia, Altia Eesti also represents Altia's brands in Estonia, among others the Finnish popular Koskenkorva vodka and Renault cognac.

In 2010, the domestic sales comprised 93% of Altia Eesti's total sales. 4% of the sales originated from Finnish exports, and 2% from Latvia. Altia Eesti expects the share of exports in its revenue to increase this year and even more in the next. "We expect a rise in exports by 10-20% next year," says the company's CEO.

Bottling Latitude, the blended Scotch, allowed Altia Eesti to launch Swedish exports. Photo: Altia

Altia Eesti employs 64, and its production plant in Tabasalu near Tallinn is one of the four distilleries of Altia group, the others being in Koskenkorva and Rajamäki, Finland, and in Svendborg, Denmark.

Altia group turned over EUR 487.9 in 2010, an increase by 19.8% compared to the previous year, posting a net profit of EUR 25.7m.

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ALCOHOL TAXATION

Alcohol excise tax about to rise – again

The Estonian government is planning to increase the alcohol excise tax by 5% from 1 January, even though the local alcohol producers say it might not be a very good idea. The move is motivated by the similar initiative of the Finnish government as well as the need to fill the state's wallet.

The Estonian alcohol producers' union **Alkoholitootjate Liit** complains that noticing three months in advance is not enough for manufacturers to prepare, as the excise rise is expected to trash the normal production schedule.

Retailers start stockpiling

"Our normal production routine will de-rail when the exise tax increases," says Kristel Mets, CEO of **Altia Eesti**, to news2biz. "In the end of the year, our large-scale customers, such as retail chains, buy a lot more in order to fill their warehouses with cheaper alcohol. Hence, we have to produce in full steam."

"At the same time, the beginning of the year will be quite boring con-

sidering the production volume," she adds.

According to Mets, the output of Altia Eesti in the month preceding the excise rise exceeds that in the month after the tax increase 1.5 times. Similar phenomena has been reported to news2biz also by other Estonian alcohol producers, e.g., **Liviko**, and it derives from the constitution of the excise system.

Namely, the excise tax will be paid by the producer when the alcohol is sold to the retail merchant. Hence, if the alcohol is bought by the retailer from the producer's so-called excise warehouse before the tax rise, it costs less, as it is taxed according to the old excise rate.

After the date of excise rise has passed, the retailers are still allowed to sell the alcohol bought before the increase, during a certain period – usually 1-3 months. Thus, it makes sense for the retail merchant to accumulate a quantity of alcohol responding to the average sales of that period, as it allows selling cheaper alcohol than a competitor who does not have enough means to stockpile.

Legal vodka sales suffer

Alkoholitootjate Liit told the government that the 10% hike in excise tax on 1 January 2010 (see no 283 page 12) halted the production for almost three months, while the sales of legal alcohol dropped by 80% in the months succeeding the date of excise increase.

The union notes that the higher excise tax will enliven the trade in illegal alcohol – keeping in mind both "moonshine", the home-made booze as well as spirits and strong alcohol imported from Russia without paying any taxes.

In fact, the tax and customs agency **Maksu- ja Tolliamet**'s statistics show that the volume of confiscated alcohol products increased by 183% year-on-year in 2010, reflecting the increase in volumes in illegal imports, which in turn is most likely the result of the three consequtive excise tax rises in two years (see no 311 page 4).

"The excise tax increase is not affecting the sales of wine that much, but will be more evident in the sales of vodka. We expect our sales of vodka to drop by about 10% next year, if the excise tax is about to become a reality," says Kristel Mets.

Also, the increase in the flow of cheaper alcohol from Latvia will be quite obviously the result of the excise tax increase. Latvian vodka is already now cheaper than Estonian due to the lower excise.

Best of bad choices

Despite the protests from the producers' union and the dim outlook of illegal booze's further assault to the Estonian market, the government is confident that the parliament Riigikogu will pass the increase of the excise tax by 5% along with the next year's budget.

"Of the bad choices we had, rising the excise tax is actually a good choice," said the Prime Minister Andrus Ansip to the state radio. "Increasing the excise on alcohol is reasonable when taking the people's health into consideration, knowing that alcohol has become cheaper compared to other products, and the neighbouring countries are increasing their excise as well."

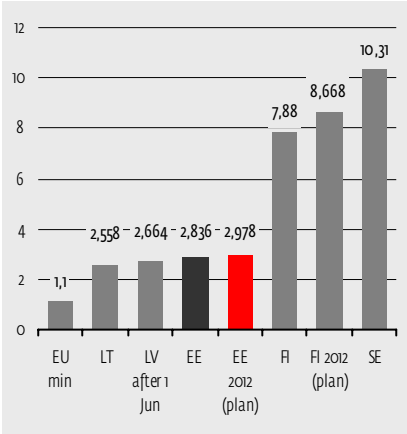
The Minister of Finance Jürgen Ligi emphasized the same reasons, while speaking to journalists on the weekly news conference of the government: health, relatively cheap price, neighbours rising excises as well.

In fact, the people's health is not a very relevant argument. The government expects to collect EUR 193m in alcohol excise in 2012, 7.8% more than the plan for 2011 (EUR 179m), meaning that the volume of legal alcohol sales is not expected to drop next year, but on the contrary.

The more relevant argument is the excise rise in neighbouring countries, or to be more precise, in one neighbouring country – Finland. Namely, the new Finnish government is planning to increase the Finnish excise tax by 10% on strong alcohol and by 15% on mild alcoholic drinks. Compared to this plan, the plan of Estonian excise rise is quite mild, and the Finnish "vodka-tourism", that is already blooming since Estonia entered the EU and the limits on private imports were lifted, could get a further boost.

Estonian excise highest in Baltic

The amount of excise tax in EUR per one ½-litre bottle of 40-degree vodka (EU min = minimum level set by the EU)



Sources: news2biz, Estonian Ministry of Finance

The liqueur bought by foreign tourists comprised 38% of total sales of strong alcoholic beverages in Estonia in 2010, according to the study of the economic research institute **Konjuktuuriinstituut**.

A total of 17m litres of strong alcohol was sold in Estonia in 2010, a drop by 7.6% y-o-y, while the sales to domestic consumer decreased by 15.4% to 10.4m litres. At the same time, the total volume of strong alcohol exported by tourists rose from 6.1m in 2009 to 6.6m in 2010, that is by 8%. And a lion's share of this alcohol is dragged to the northern coast of the Gulf of Finland and also consumed there – or right on the spot in Tallinn.

Along with strong alcohol, also 24.9m litres of beer, 11.8m litres of other mild alcoholic beverages and

3.6m litres of wine was consumed or exported by tourists last year. With the exception of long drinks, the percentage of tourist consumption and exports in total consumption has risen compared to the earlier year.

According to the calculations of the Ministry of Finance, a one-litre bottle of vodka, now costing EUR 12, will cost approximately EUR 12.35 after the excise rise, thus becoming 3% more expensive. Namely, the percentage of excise tax in the final price of an alcoholic drink, while depending on the sort and label, of course, may reach as high as 60-65% in the case of a cheaper vodka.

At the same time, the input of the producers – grain, when speaking of production of vodka – has become 40% more expensive in average compared to the previous year. Hence, it would be logical to expect that the producers will add their own increased production costs to the price next year as well, and the total price rise will be more than 3%.

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ICE CREAM

Unilever takes over Ingman Ice Cream

Unilever, the British-Dutch fast moving consumer goods (FMCG) giant, has signed an agreement to take over Finnish **Ingman Ice Cream** from the family-owned **Ingman Group**, a major ice cream player in Finland as well as in the Baltic region.

The parties have made public no acquisition terms to the deal which is still subject to regulatory approval.

"Ice cream is a strategic category and Unilever's main growth driver. Ingman's brands have a strong recognition among consumers. They offer a sizeable growth potential and match our existing brand very well," says Rafal Trydenski, head of Unilever in the Baltic countries, to news2biz.

He refuses any further comments before the deal has received official confirmation by the government regulatory bodies, which is expected to happen in early 2012.

Still, when news2biz spoke to Trydenski about the launch of Unilever's own Central European Algida ice cream brand in the Baltics (see no 318 page 6), he made no secret that the ambition for Unilever was to grow the Baltic ice cream market in the long term perspective and to have its own production base. This ambition has, save for regulatory approval, been realised now.

In addition to the Finnish mother company, Ingman Ice Cream, the deal concerns **Ingman Ledai** in Lithuania, **Ingman Saldejums** in Latvia, **Ingmani Jäätised** in Estonia and **Ingman Morozhenoye** in Gomel in Belarus, as well as two Swedish daughter companies. Ingman has production in Sibbo in Finland, Mazeikiai in Lithuania, Gomel in Belarus and Åhus in Sweden.

In Estonia, Ingman Jäätised has sold ice cream since 1991. In 2010, the company turned over EUR 4.6m and boasted a market share of 24%, which gives a strong third position after the local market makers **Premia** and **Balbiino**. The total Estonian consumption of ice cream in 2010 was 10.8m litres. In addition to the other activities, Ingman also has a chain of ice cream cafés, Spice Ice, with six outlets: three in Tallinn, and one each in Tartu, Pärnu and Rakvere.

Ingman operates a chain of ice cream cafés called Spice Ice in addition to other activities.

Photo: Indrek Susi, Äripäev

When the takeover goes through, Unilever, which since June is present with its own Algida brand in the Baltic countries, will have control over Ingman's brands like Ingman, Kingis, Jättis, Totally, SuperViva, Åhus and TofuLine, a leading non-dairy brand.

Ingman Ice Cream turned over EUR 70m in 2010 and employed 669 staff. Profits after financial items stood at EUR 3.8m.

Unilever is one of the world's leading FMCG and food products makers with representations and subsidiaries in more than 100 countries. Each year, more than 170bn Unilever products are sold in more than 180 countries. Unilever is listed on both the London and Amsterdam stock exchanges and turned over EUR 44.3bn in 2010, employing 167,000.

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AGRICULTURE

Estonia leads in EU in farm concentration

In seven years, from 2003 to 2010, the number of Estonian agricultural households has diminished by 46.6% to 19,700, according to the results of agricultural census, published by **Eurostat**, the statistical unit of the European Union. The decrease in farm number in Estonia is the fastest among EU member states before Bulgaria (-44.2%), Latvia (-34.4%) and Poland (-30.7%).

At the same time, Estonia, Latvia and Bulgaria posted the largest increases in the area of utilised arable land – 18%, 19.9% and 24.7%, respectively.

According to the statistical office of Estonia Eesti Statistika, the agricultural census shows the continuous trend of farming operations concentrating in the hands of fewer but larger households. The average agricultural household in Estonia has

47.7 hectares, about three times as much as the EU average (14.1 ha).

The percentage of households having 100 ha or more has reached 3% in the European Union, while those households have 49% of the total arable land. In Estonia, the concentration of farming is far more evident: 9% of farms have 100 hectares or more, and control 73% of the total utilised agricultural land.

Estonia has ten times less farms than Lithuania (199,900) and four times less than Latvia (83,000), yet its average farm is considerably larger than that of its Baltic neighbours (Latvia – 21.5 ha, Lithuania – 13.7 ha). The average cultivated area of one household is also smaller in Sweden (43.5 ha) and Finland (35.9 ha).

Romania has by far the largest number of farming households in the EU, 3.8m, and also one of the smallest amount of hectares per household – 3.1 ha. France's 0.5m farms have the largest arable area in the EU, 27.1m hectares.

In seven years, the number of households in the EU has declined by 19.8%, and the area of utilised land by 1.6%.

FORESTRY

First Swedish forest owner holds on to his holdings

Hans Erik Göran Persson, owner of Haapsalu-based metal processor **Haapsalu Metal** (see no 323 page 2), is not just engaged in Estonian metal processing.

Another investment is in Estonian forestry and some of his oldest purchases date as far back as 1990, before Estonian independence and indeed before the property reform which was initiated in 1991.

"I got my hands on some land back in 1990, in the Russian times," says Hans Erik Göran Persson to news2biz.

"Today, the management is done by a partner of mine in Estonia, including the forestry plans and the applications for felling and all that. I do not depend on the yield, but there is a bit of bother with it, regarding taxes and all kinds of applications," says the industrialist, who has been working in the then Soviet Union and the subsequent states for 30 years. Much of his career focused on St. Petersburg and the harbours there where until recently he was a board member in one of the local harbours.

Mr Persson's holdings in Estonian forestry today run into some 1,200 hectares on the island of Hiiumaa and in Läänemaa in the northwesternmost part of mainland Estonia.

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IT & TELECOM

BIOMETRY

Swiss firm uses Estonia to introduce biometry apps

Biometry.com AG, a Swiss developer of biometry solutions, is using Estonia as an arena for the development and roll-out of biometry solutions for smartphones.

Estonians are IT aware

"The Estonians have a very high IT awareness," says Biometry.com's CEO Werner Blessing to news2biz.

"They have a very advanced national ID card solution that dates back 10 years and approximately 10% of them have actually e-voted by using their ID card. If you ask people in Germany or France about such things, they would not know the first thing about it."

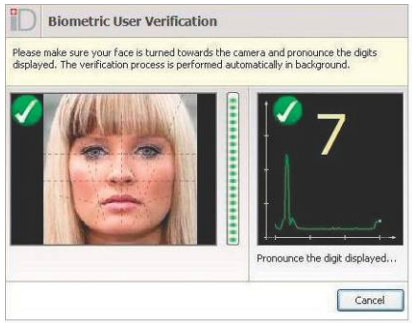
"This makes the Estonians very receptive to new IT solutions. Also they have the intellectual capital, mathematicians, typically, which is the basis of development of our services. These factors, basically, are the reasons why we have established ourselves in Estonia," tells Blessing.

The BIOMETRYsso solution that Biometry.com has introduced is based on the mobile phone displaying random numerals which are repeated by the user.

Biometry.com's software does the biometric analysis of the data based on voice, face, word recognition and lip movement.

Easy to use spells success

"What makes this a very prospective solution is that it is so easy to use. When you have spoken the numerals, you have a clearance rate of 100%, which will clear you for a number of things, transfer of money, opening of doors, whatever you want, really, but this clearance rate is reduced within 15 minutes to 50% – based on the fact that you will have completed your bank transaction in that time.



BIOMETRYsso solution by Biometry.com identifies user by face, among other parametres.

Picture: Biometry.com

The reduction rate is digressive, so that when the starting point is high, the reduction rate will be fast and vice versa. You will always retain a 10% clearance level, so that you, e.g., can transfer relatively small amounts of money. You expand your clearance by ordinary use of the mobile phone – e.g., when you text a message or have a phone conversation," explains Blessing.

Behaviour, geography checks

Biometry.com has recently turned in another patent application that adds behavioural and geographical checks to the equation.

"The novelty here is that software compares your geographical presence and behavioural history with the actions being approved by your phone. So, if you are in the US and a Slovenian company requests a payment, you will be asked to verify this. Or if you suddenly do something which is out of cue with your behavioural pattern, you will be asked to verify this," explains Blessing.

In Estonia, Biometry.com in addition to having fruitful discussions with the Minister of Economy Juhan Parts and establishing cooperation with the University of Tartu has set up a daughter company in Tallinn. As Blessing explains, there are not a lot of people on the payroll, but the share and stakeholders include a number of Estonians that represent a pool of knowledge needed to develop Biometry.com's solutions.

"We have a professor, an authority on IT security, players from the IT industry and we are also working with a very able development company called **Moon Cascade**," says Blessing.

Back in Switzerland, a staff of seven is working to develop biometry solutions for the banking in the country. In China, Biometry.com has set up a partnership with a Chinese partner.

"The basic thing there is to add the local cultural input to our products. We have signed an agreement and we will have sellable products in China in Q1 2012. Sales will start championed by our Chinese partner and when they have developed and reached a certain volume, they will be transferred to a joint venture company that we have set up with our partner," says Blessing.

On December 1, Blessing is meeing with a leading German bank to introduce the technology to the bank at a session that includes a leading German authority on biometry.

"They have already approved our technology. We are really excited about that," says Mr Blessing.

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COMMUNICATIONS

Elisa invests EUR 3m into network reliability

Elisa Eesti, the Estonian subsidiary of the Helsinki-listed telecom **Elisa**, invested EUR 3m in duplication of the central node of its network.

"We strive continuously to get as close as possible to the 100% reliability," says Sami Seppänen, CEO of the company, to news2biz. "We already had duplicated systems in our headquarters, and the reliability in a range of 99 percent point something, but now we managed to rise it even more, by some tenths of a percent."

The new node equipped with modern server and other necessary equipment is situated in **Tallinna Teletorn**, the TV-tower of the capital in the district of Pirita, and it duplicates the node in Elisa's headquarters in the district of Mustamäe in Tallinn.

"When the duplicated systems are side by side, there is always a chance of fire or water damage happening to both of them. It is more secure to have them on different sites in different part of the city, as we have from now on," explains Seppänen. "The key question is minimizing the possibility of "crazy digger driver" blacking out the entire network."

Elisa turned over EUR 26m in Q2 2011, an increase by 13% compared to the same period previous year. The company's revenue for the year 2010 reached EUR 90m, up by 7% year-on-year.

The number of Elisa Eesti's mobile network subscriptions rose by 22.5% y-o-y to 462,700 by the end of the 2nd quarter of 2011, and the company now claims to be the second largest in the sector in Estonia, after the **TeliaSonera**-owned **EMT**. The number of corporate subscriptions rose by 18.3%, while that of private subscriptions increased by 23.4%.

Recently, Elisa Eesti launched a marketing campaign promoting its corporate customer solution Elisa Ring, targeting coprorate customers. "Of course we try to get more corporate customers with the campaign, that is the purpose of the marketing," says Seppänen.

Elisa Eesti's CEO notes that the recent EUR 3m investment into the network's central node duplication was not related to the company's pursuit to get more corporate subscriptions. "The things are not connected at all. The network's reliability is important, no matter whether our clients are private or corporate," he says.

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RETAIL & SERVICES

CLOTHES RETAIL

LPP introduces Mohito brand in Estonia

LPP Retail Estonia, the Estonian subsidiary of the Warsaw-listed retailer **LPP**, opened two new stores in autumn, introducing young urban chic clothes brand Mohito to the market.

According to LPP's homepage, with Mohito the company targets young (25-35-y-o) financially independent women who value unique urban chic. The brand will complement the line of brands LPP offers in Estonia: House for young people, Cropp for urban design-lovers, and Reserved, the more general brand offering a large variety of trendy clothing to all ages and genders at reasonable prices.

In Estonia, LPP first launched Reserved; in 2005, Cropp (see no 191

page 8) was added; in 2008, House and now Mohito. There are 8 Reserved, 6 Cropp and 2 House stores in Estonia, in addition to 2 Mohito stores recently opened in Tallinn's shopping centres of **Kristiine** and **Viru**. In fact, the stores of Mohito emerged in exactly the same spots where the stores of the bankrupted women's clothes retailer **PTA** were (see the next issue).

One women's clothes store changes to another: PTA becomes Mohito. Photo: LPP

"At the moment, we have no plans to open more shops, but it may change in the coming years along with the launch of new shopping centres. If a new centre gets opened, we will take our presence there under consideration," says Hendrik I. Pass, chairman of LPP Retail Estonia, to news2biz.

LPP manages over 7,500 sq.m of trade space and employs 140 in Estonia. The company's turnover in 2010 amounted to EUR 7.8m and net profit to EUR 19,000.

Compared to 2009, LPP Retail Estonia's sales decreased by 1.2% in 2010, but the company became profitable again (loss in 2009 was EUR 0.55m) – while in 2008, the turnover reached EUR 9.4m and profit stood at EUR 0.7m.

The years 2009 and 2010 were very difficult for the clothes retail trade. This year, the trend has turned and the outlook is better," says Pass, noting that he cannot reveal the numbers due to the parent company's listed status.

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ECONOMY & POLITICS

INFLATION

More expensive food ups consumer price index

The consumer price index (CPI) grew by 5.2% in September compared to the same month previous year, mostly due to the increase in food and non-alcoholic beverages prices, according to the statistical office Eesti Statistika.

The statistical office noted that the food price rise contributed 40% of the total CPI yearly increase. The other main factor fuelling inflation were the increase in prices of electricity, heat energy and motor fuel.

Of foodstuff, the price of sugar has grown by 50% compared to September previous year, while the prices of coffee and vegatable oil have increased by 44% and 40%, respectively. The prices of all three named products are already more expensive in Estonia than in neighbouring countries, including Finland and Sweden.

The high price of sugar has been explained by exporters with high prices and high demand on the world market as well as with some unfortunate contracts with sugar producers. While some of these explanations seem to be beyond belief, and some not, the fact is that the Estonian consumers have paid 30-60% higher price for sugar than Finns for several months.

Although the price of sugar in Estonian stores has declined a bit since July and August, very likely because of people going to shop for sugar in the neighbouring countries, and even as far as in Germany, it still remains higher than the price of sugar in Finnish stores.

According to the institute of economic research **Konjuktuuriinstituut**, the price of a food basket has risen by 13.9% in September 2011, compared to September 2010.

Konjuktuuriinstituut's food basket comprises of 48 food products representing 24 different foodstuff categories, and is calculated in a quarterly basis, in a manner that it corresponds with an average weekly consumption of a 4-member family, by using average prices in the supermarkets in Tallinn. The food basket, which stood at EUR 58 in September 2010 and EUR 56 in September 2009, jumped to EUR 66 in September 2011.

At the same time, Konjuktuuriinstituut noted that its food basket's price has declined by 1.2% in September compared to June.

Compared to the previous month, the inflation stood at 0.5% in September. The price of motor fuel rose by 2% month-on-month, moving the CPI up, while the 7.4% decrease in vegetables prices, attributable to the autumn season, pulled the index in the opposite direction.

ECONOMIC INDICATORS

Economic sentiment positive, but declining

As in the European Union in whole, the economic sentiment has been dropping in Estonia in the recent months. Still, the sentiment is above average in Estonia, and also higher than that in the EU.

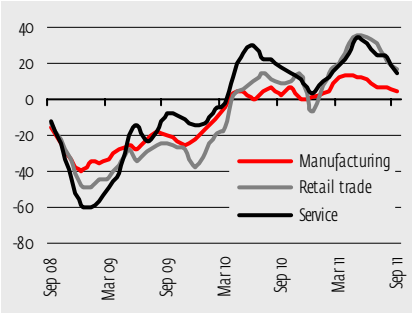
In September, the economic sentiment, the index comprising of consumers' confidence as well as of sentiment indicators from production, construction, retail trade and service sectors, fell by 2 points month-on-month to 104.3 points. While the sentiment has declined since spring, it is still above the long-term average (100).

In the EU, however, the economic sentiment dropped to 94 points in September from 97.4 in August, reports the union's statistical agency **Eurostat**. Along with Estonia, the more positively inclined countries are Germany (104.9 in September), Latvia (103.6), Sweden (102.8), Lithuania (101.8) and Luxembourg (100.5). In the other end

of the scale, on 70.6 points, is Greece – quite expectedly.

Sentiment positive, but dropping

Economic sentiment of manufacturing, retail trade and service sectors



Source: Konjuktuuriinstituut

The Estonian economic outlook is kept afloat by entrepreneurs, though, especially by those in retail and service business. The consumer confidence indicator dropped to -8 in September from -4 in August, with 0 being the breaking point (the consumer confidence as well as the sectoral sentiment indicators are measured by a difference of positive and negative replies to future-related questions). In fact, the consumer confidence has been below zero in Estonia since August 2007, with the only exeptions in January 2011 (+1) and July 2011 (0).

The only positive nuance in consumers' confidence survey, carried out on a monthly basis by the economic research institute **Konjuktuuriinstituut**, is actually that the people believe the employment situation will be better in the near future. In all other fields – savings, the financial situation of the household and the whole country, inflation expectations – the consumers see the future in more darker colours than half a year ago.

According to Konjuktuuriinstituut, the retail sector's sentiment stood at 17 in September, while the sentiments of service, construction and manufacturing sectors being at 14, 9 and 4, respectively.

SWEDISH BUSINESS AWARDS

Norwegian-owned food producer snaps the prize

This year, the jury of Swedish Business Awards crowned convenient food producer **Põltsamaa Felix** of the Norwegian **Orkla** group the winner of the Sustainable Growth Award. Felix is already the food producer with the widest product portfolio in Estonia.

The sustainable growth award was awarded acknowledging harmonious development, positive economic results in 2010, and contributions to environment and social responsibility.

Receiving the award, Põltsamaa Felix CEO Anti Orav noted that he sometimes wonders whether his company is spending too much on the community, but "thank God there are people who acknowledge this way of doing business".

Orav added that as much as he enjoys being on stage, he loves even more being in store and seeing people buy Felix products. "Then, I have butterflies in my stomach all the time," he said.

In 2010, the revenues of Põltsamaa Felix stood at EUR 18m (10% increase y-o-y) with profit at EUR 0.5m. Põltsamaa Felix employs 190 people and exports a third of its produce. Export volumes in 2010 were EUR 6.7m, showing a 23% increase y-o-y. The driving forces behind exports were Finns buying Felix's pumpkin and cucumber salads and mayonnaise, as well as Latvians opting for its juices (see no 322 page 10).

Other nominees in the sustainable growth category were sea food producer **Spratfil** and package maker **Emballage Technology Tallinn**.

The Young Entrepreneur of the Year title was given to Lilli Jahilo, a fashion designer running her own studio **Ateljee Tallinn**. Just like the Norwegian-owned Felix, she has also benefitted from her contacts with the country – before taking her MA degree in Estonia, she received her BA diploma in Fashion and Costume Design in Norway, at the Oslo National Academy of the Arts.

The award for corporate social responsibility initiative was given to Entrum, state-owned energy giant **Eesti Energia**'s programme for supporting entrepreneurship of young people.

Altogether, 47 companies and entrepreneurs ran for the three awards given jointly by the Swedish Trade Council, Embassy of Sweden and **Swedbank**. Swedish Business Awards are also awarded in Latvia and Lithuania.

Swedish Business Awards winners in 2011 (from left): Anti Orav, Põltsamaa Felix; Darja Saar, Entrum; Lilli Jahilo, Ateljee Tallinn.

Photo: Erik Prozes, Äripäev

This year's Swedish Business Awards ceremony in Estonia gathered at a historic juncture: Sweden has for the first time overtaken Finland as the largest export destination for Estonia.

In January-August 2011, EUR 1.35bn worth of good and services travelled from Estonia to Sweden, with Finland following the leader with EUR 1,17bn. Sweden has been Estonia's number one export partner every month since September 2010, with the single exception of May 2011.

REVIEW

Robert Kitt: an anatomy of Estonian economic miracle

A lot has happened in a year in both global economy as well as in Estonia, said Robert Kitt, managing director of **Swedbank**'s corporate

banking in Estonia, in his speech at the Swedish Business Awards ceremony. Below, news2biz publishes Kitt's speech in full.

What is behind the figures?

Fortunately, the turmoil almost everywhere in the economic globe has not reached us, yet. Indeed, a year ago it seemed likely that global economic recovery is underway, unusual and unexpected events were over and global economic community could return its traditional rhythm.

In this very context I called for the robust and balanced economic development in Estonia. Also, the balance, as defined a year ago, stood on four pillars 1) balance sheet, 2) output, 3) external and 4) internal balance.

As we shall shortly see, the economic recovery has been very strong, but in order to learn something from the past crises and prepare ourselves for the future ones it makes sense to analyze the anatomy of the current recovery that is already a small miracle.

Estonian economic development and crisis management has been praised a number of times in international economic press. We love to say that we should export the cost cutting competence to Greece and other countries. But what is behind the figures and how are we really doing?

In order to assess this question, it is probably worth to look at the same four pillars of stability that I touched upon a year ago.

Deleveraging

The first item to touch upon is the balance sheet of the country. Since 2002, every single year we have had increasing deposit volumes reaching EUR 10.7bn in this summer. At the same time, the total loans issued by banks reached EUR 16.6bn in 2008 and have thereafter dropped to EUR 14.1bn this August.

The leverage of the economy that can be measured by dividing loans and deposits has therefore risen from 100% in 2002 to 175% in 2008 and declined to 130% in this year.

Recall, the ratio stood at 145% a year ago. These facts cause two types of feelings: first, it can be only greeted that the economy is deleveraging and therefore reducing risks.

On the other hand side, the speed of deleveraging is worrying. Money in deposits means low investments. Low investments mean low production and therefore lower potential output. It is an eternal trade-off between risk reduction and output maximization.

As a banker, I cannot suggest of what is right and what is wrong: I can only suggest that whatever the companies and private individuals choose to do – it has to be conscious.

Production

The second pillar of stability should be the production; or gross domestic product as the economists would like to say. It is fair to say that, in terms of output, the economy has shown remarkable strength and widespread growth that is very good to look at.

Estonia has managed to turn the whole economy around: internal consumption-based highly leveraged economy has been replaced with external demand for numerous products and services.

The year-over-year GDP real growth by the end of the 2nd quarter stood at remarkable 8.4%. In nominal terms, the size of GDP in this year will most likely be equivalent to GDP in 2007 – that was slightly above EUR 16bn.

However, with inflation-adjusted prices, the gross domestic product is still ca 12% lower than in comparable 2007. If we take one level deeper look, we will find that the structure of the economy has indeed changed.

The construction sector, for example, stands in nominal terms in the levels of 2004 with volumes about two times lower than in the peaking 2008. On the other hand, the manufacturing sector has recorded life-high volume in this year surpassing peaks of 2007 and 2008.

If we look at the GDP from the income approach, we will see that the compensation component has slowly started to grow again; but the profits of the companies are still lower than in 2006 and 2007.

All in all, Estonian economy has shown robust growth figures that somewhat postulate the receipt for the future challenges: there has not been a single crisis since the last 20 years where Estonian entrepreneurs have not come out from the crises stronger. One could say that everything that does not kill you makes you stronger – I would like to say that homework has been done and everyone is just much better prepared to the challenges.

Robert Kitt of Swedbank: from each crisis, the Estonian entrepreneurs have come out stronger.

Photo: Indrek Susi, Äripäev

External balance

The third pillar of stability is external balance. And we have it! We have not seen current account deficit since 2008 and we expect current plus capital account surplus close to 5% of GDP this year.

With eight months in 2011, the export of goods totalled EUR 7.9bn that is 50% larger than in 2010. I have heard a lot of scepticism that this is only due to Ericsson or exporting energy. Well, I can easily disappoint such voices: if we exclude mineral goods and electronics (that make up about one-third of export),

all other sectors posted all time high export turnover.

From sectors that export over EUR 60-70m (over EEK 1bn), only milk and milk products decreased the export in year-over-year comparison by minor 2%. Life high numbers are also valid for major service export sector: tourism that showed 15% growth with 8 months.

Another interesting aspect is that our main exporting partners are Sweden and Finland that together make up one-third of total Estonian exports. This has definitely helped the economy to be so immune to the recent global crises.

These and many other interesting facts point to the robust growth of Estonian economy that stands on the widest base in the history.

Internal balance

Finally, it is worth to comment the internal (or social) balance that we can quantify as employment. Although very much improved, the unemployment figure stands still on the 13% level.

However, let's look at the dynamics: Estonian economy has added 50 thousand jobs between Q1 2010 and Q2 2011 that is 9% of workforce. Our employment stands north of 600,000 people. This is the level of the pre-2006 boom, but we are down from 670,000 people having the jobs.

The job creation and therefore social security is by far the biggest problem to Estonian economy. To make the situation even more complicated, the structure of unemployment proposes certain threats to some social groups.

To elaborate, there are 34,000 jobs cut in both construction as well as manufacturing sector. However, there was a similar growth of jobs in the booming years in construction sector, but no growth in manufacturing. So, the people who have lost their jobs are most likely not in the youths and they have real trouble to re-educate themselves and re-join the labour force.

To conclude, there is a room for improvement in labour market and we still have a lot to learn in this area.

A couple of weeks ago, the British Daily Mail reported that Taj Mahal, a landmark of India and the symbol of love could collapse in five years. This is because the water balance of the nearby river Yamuna has decreased; leaving the foundation of Taj dry. In turn, this has caused disintegration of the wooden parts in the foundation, which could cause a collapse of the pearl of Mughal architecture as soon as in five years.

Whether this story is true or not, it bears a significant metaphor also to the present economic environment in Estonia and abroad. Even if we have managed to improve in all important areas of economic stability, we are still vulnerable to the external factors.

Dear entrepreneurs, nominees of the Swedish business awards! It is very good to see that all of you address the economic environment from sustainable and long term perspective. We have to increase the long term thinking in the society and your achievements are very good examples to us all.

EVENTS

EAS Seminar: "Business opportunities in Finland"

A seminar organised by EAS, the Finnish Embassy in Tallinn and the Estonian Chamber of Trade and Production.
Time: 24 October
Place: Nordic Hotel Forum
Info: www.koda.ee

AHK Presentation "Tourism in Berlin & Brandenburg"

German-Baltic Chamber of Commerce's event: "Between adrenalin and chill out – news from Berlin & Brandenburg": presentations of GNTB (German National Tourist Board), Berlin Tourismus & Kongress GmbH, TMB Tourismus-Marketing Brandenburg GmbH, Steigenberger Hotels and airBaltic.
Time: 27 October
Place: Hotel Radisson Olümpia, Tallinn
Organiser: GNTB, AHK
Info: www.ahk-balt.org

BECC Executive Women's Dinner

The executive women's dinner of British-Estonian Chamber of Commerce along with the exclusive fashion show. Keynote speaker: Kristiina Ojuland, MEP.
Time: 2 November
Place: Swissotel, Tallinn
Price: EUR 26; EUR 22 BECC members
Organiser: BECC
Info: www.becc.ee

BECC Guy Fawkes Night

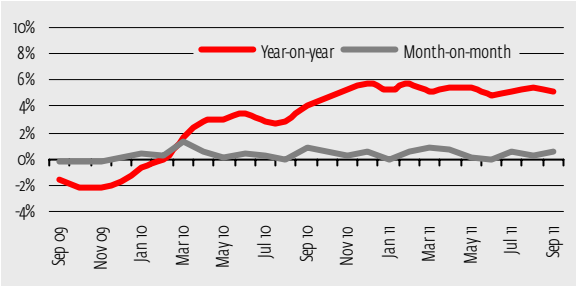
The British-Estonian Chamber of Commerce invites to one of the signature events of the year, the Guy Fawkes night. The night includes bonfire with exciting burning of "the Guy", great fireworks and charity raffle. Children are warmly welcome to this cheerful family event and there will be special entertainment for children.
Time: 6 November
Place: Winners Lounge, Kloostri tee 6, Tallinn
Price: family EUR 42, single EUR 22
Organiser: BECC
Info: www.becc.ee

Business Breakfast Seminar: Sustainable growth – the hidden opportunities!

A seminar on sustainable growth through good governance, arranged by the Swedish and American Chambers of Commerce in Estonia, the Baltic Institute of Corporate Governance and the Estonian Chamber of Commerce. Moderated by Andrus Alber (NASDAQ OMXT). The speaker panel will among others include Anders Björck, Mart Laar, Raoul Hasselgren, Stefan Stignäs and Ago Vilu.
Time: 11 November 7:45-10:45
Place: Radisson Blu Hotel Olümpia, Tallinn
Organisers: SCCE, AmCham
Info: www.swedishchamber.ee, www.amcham.ee

KEY FIGURES

INFLATION



Source: Estonia's statistical office Eesti Statistika

PRODUCER PRICE INDEX

On monthly basis	Mar '11	Apr '11	May '11	Jun '11	Jul '11	Aug '11	Sep '11
100 = previous month	100.4	100.9	100.5	100.5	100.2	99.9	100.0
100 = same month prev year	105.2	105.2	104.8	105.4	105.2	104.1	103.7
Year	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**
100 = previous year	102.9	102.1	104.5	108.3	107.1	99.5	103.3

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

Source: Estonia's statistical office Eesti Statistika

INDUSTRIAL OUTPUT INDEX

On monthly basis	Feb '11	Mar '11	Apr '11	May '11	Jun '11	Jul '11	Aug '11
100 = previous month	99.9	102.8	100.0	97.5	101.5	104.7	101.8
100 = same month prev year	131.4	132.7	131.8	126.1	123.8	122.9	122.7
Year	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**
100 = previous year	110.9	107.0	107.0	106.1	93.5	73.7	122.7

Source: Estonia's statistical office Eesti Statistika

RETAIL TRADE

at current prices	May '11	Jun '11	Jul '11	Aug '11
Turnover in EUR m	330	344	354	347
Index 100 = previous month	101	102	102	99
Index 100 = same month prev year	102	104	104	104
Year	**2007**	**2008**	**2009**	**2010**
Turnover in EUR m	4,150	3,553	3,509	3,500
Index 100 = previous year	120	96	85	96

Source: Estonia's statistical office Eesti Statistika

GROSS WAGES

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

	Q4 2010		Q1 2011		Q2 2011	
Sector	A	B	A	B	A	B
Manufacturing	777	162	777	162	807	168
Finance, insurance	1,338	128	1376	131	1431	137
Construction	853	157	745	137	812	150
Energy production and distribution	1,109	180	1241	202	1222	199
Retail and wholesale	741	157	743	157	797	168
Hotels and restaurants	506	146	476	137	521	150
Transport, logistics	844	149	822	145	840	148
National average	814	158	792	154	857	166

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

CONSUMER PRICE INDEX

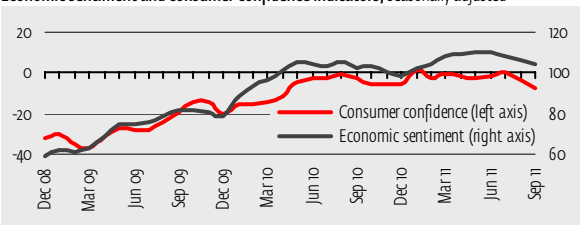
column A: 100 = current 12 months; column B: 100 = previous month

	Jun '11		Jul '11		Aug '11		Aug '11	
Sector	A	B	A	B	A	B	A	B
Food	111.5	99.4	110.8	100.7	110.8	99.0	109.3	99.9
Beverages, tobacco	107.8	99.7	108.6	101.5	106.9	99.1	105.0	100.5
Clothing, footwear	102.8	100.7	102.6	97.2	105.2	102.7	104.4	103.5
Housing	100.3	101.2	105.1	100.4	107.3	102.8	107.3	100.8
Transport	103.6	99.2	104.7	100.8	105.6	100.9	107.4	101.1
Communications	94.0	100.5	94.1	100.1	90.7	96.4	89.9	98.5
Gross CPI	**104.9**	**100.0**	**105.2**	**100.5**	**105.5**	**100.3**	**105.2**	**100.5**

Source: Estonia's statistical office Eesti Statistika

SENTIMENT INDICATORS

Economic sentiment and consumer confidence indicators, seasonally adjusted

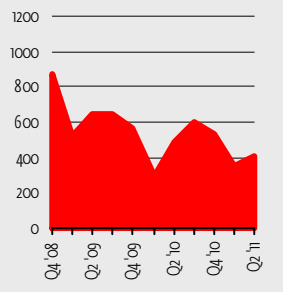


The economic sentiment (1990-2010 average = 100) is a composite made up of five sectoral confidence indicators, which are arithmetic means of seasonally adjusted balances of answers to a selection of questions closely related to the reference variable. Source: Eurostat.

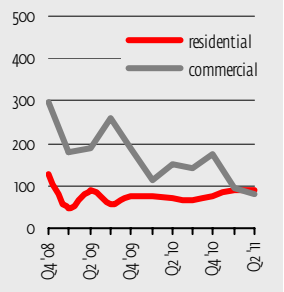
CONSTRUCTION PRICE INDEX

On quarterly basis	Q2 '10	Q3 '10	Q4 '10	Q1 '11	Q2 '11	Q3 '11
100 = previous quarter	99.1	101.2	100.6	99.8	100.5	101.0
100 = same quarter prev year	96.6	99.1	100.6	101.5	103.2	103.0
Year	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**
100 = previous year	107.3	110.3	112.7	103.4	91.5	97.2

Market volume in current prices, EUR m



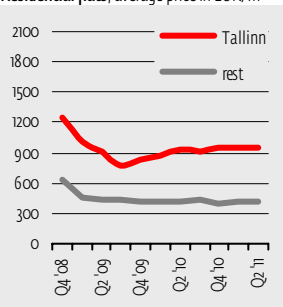
License to construct in 1000 m²



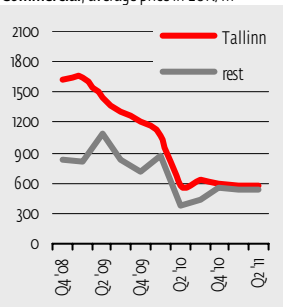
Source: Estonia's statistical office Eesti Statistika

REAL ESTATE PRICES

Residential flats, average price in EUR/m²



Commercial, average price in EUR/m²



Number of transactions

	Q3 '09	Q4 '09	Q1 '10	Q2 '10	Q3 '10	Q4 '10	Q1 '11	Q2 '11
Tallinn	1,865	2,248	1,809	2,053	2,751	3,043	2,225	2,625
rest	4,421	5,964	4,318	5,862	7,875	8,898	6,158	6,254

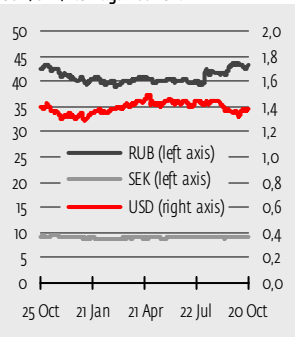
Source: Estonia's Land Board Maa-amet, kv.ee

CURRENCY

European Central Bank rates
as of 20 Oct 2010

100 USD	72.43	↓
100 GBP	114.29	↓
100 CHF	80.89	↓
100 DKK	13.43	↓
100 SEK	10.99	↑
100 NOK	12.97	↑
100 JPY	0.94	↓
100 LVL	141.78	↑
100 LTL	28.96	→
100 PLN	22.98	↑
100 RUB	2.32	→

USD/SEK/RUB against EUR



Source: European Central Bank ECB

MONEY SUPPLY

in EUR m	Apr '11	May '11	Jun '11	Jul '11	Aug '11
Monetary base	2,658	2,432	2,585	2,432	2,471
M1	4,770	4,862	4,876	4,853	4,881
Currency outside banks	2,062	2,064	2,081	2,099	2,084
M2	8,395	8,477	8,464	8,535	8,697
- Time deposits	3,625	3,615	3,588	3,682	3,816
M3	8,403	8,479	8,465	8,533	8,695
- Net foreign assets EUR bn	- 779 *	- 499 *	- 306 *	- 827 *	- 793 *

Monetary base: Contribution to euro area monetary aggregates. **M1=** currency outside banks + demand deposits **M2=** M1+ time deposits (Inc in foreign currencies). *) Starting January 2011: net external assets outside euro area. Source: Estonia's central bank Eesti Pank

INTEREST RATES

Average weighted annual interest rates on credits

Term / currency	Mar '11	Apr '11	May '11	Jun '11	Jul '11	Aug '11
Short-term (USD)	4.56%	3.77%	4.60%	1.84%	4.52%	n/a
Short-term (EUR)	6.69%	5.10%	5.01%	3.26%	5.77%	6.13%
Long-term (USD)	3.73%	3.67%	2.70%	4.34%	3.62%	n/a
Long-term (EUR)	4.92%	5.26%	4.31%	4.59%	4.78%	3.89%

Source: Estonia's central bank, Eesti Pank

Euro Inter Bank Offered Rate (EURIBOR) 20 Oct 2010

1 week	3 months	6 months	9 months	12 months
1.158%	1.584%	1.785%	1.956%	2.123%

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

Source: EURIBOR

CREDIT

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

Type of loan	Apr '11	May '11	Jun '11	Jul '11	Aug '11
Loans to customers	14,433	14,394	14,405	14,183	14,149
- to private companies	6,357	6,363	6,384	6,197	6,053
- to individuals	7,139	7,141	7,130	7,118	7,032
- short term (up to 1 year)	668	888	912	883	866
- long term (over 1 year)	13,762	13,503	13,489	13,296	13,283
Consolidated balance of the banking institutions	18,716	18,847	19,105	18,249	18,435

Source: Estonia's central bank, Eesti Pank

STOCK EXCHANGE

Tallinn Stock Exchange 20 Oct 2010

main list in alphabetic order	Price EUR	Change 6 Oct	Change end of '10
↑ Baltika	0.513	5%	- 55%
↑ Harju Elekter	2.498	10%	- 19%
↑ Merko Ehitus	5.750	13%	- 38%
↑ Nordecon	0.995	2%	- 24%
↑ Olympic EG	1.130	21%	- 22%
→ Premia Foods	0.735	0%	- 22%
↑ Tallink	0.653	17%	- 17%
↑ Tallinna Kaubamaja	5.090	13%	- 19%
↓ Tallina Vesi	6.500	- 8%	- 17%

OMX Tallinn index

577.54

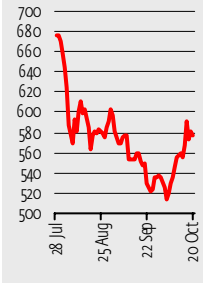
Change 6 Oct **9.2%**↑
Change end of '10 - **17.3%**↓

OMX Baltic Benchmark

466.23

Change 6 Oct **6.4%**↑
Change end of '10 - **12.7%**↓

OMX Tallinn closing index
the last three months



Note: OMXT index shows changes in the prices of shares listed in the main and secondary lists.
OMXT 100 = 3 June 1996.
Source: NASDAQ OMX Tallinn Stock Exchange

TRADE

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

	EXPORTS in EUR m						IMPORTS in EUR m					
	2011 Jan-Aug	Share	2010 Jan-Aug	Share	2010	Share	2011 Jan-Aug	Share	2010 Jan-Aug	Share	2010	Share
Food, beverages, tobacco (0, 1)	559	7%	458	9%	756	9%	745	9%	604	11%	962	10%
Wood & paper, products (24-25, 63-64)	764	10%	626	12%	993	11%	337	4%	288	5%	461	5%
Crude materials except wood (2)	182	2%	155	3%	275	3%	98	1%	78	1%	111	1%
Fuel (3)	1,396	18%	909	17%	1,349	16%	1,582	19%	1,084	19%	1,579	17%
Chemical products (5)	401	5%	300	6%	475	5%	829	10%	646	12%	1,017	11%
Manufactured goods (6 except 63, 64)	766	10%	564	11%	892	10%	1,105	13%	782	13%	1,275	14%
Electrical & telecom machinery (76, 77)	1,634	20%	658	12%	1,320	15%	1,563	19%	770	13%	1,468	16%
Vehicles (78, 79)	383	5%	292	6%	559	6%	626	7%	376	7%	616	7%
Other machinery (7 except 76-79)	623	8%	400	8%	662	8%	750	9%	440	8%	719	8%
Furniture (82)	283	4%	230	4%	377	4%	51	1%	44	1%	75	1%
Other	896	11%	663	12%	1,088	13%	670	8%	595	10%	951	10%
TOTAL	7,887	**100%**	5,256	**100%**	8,747	**100%**	8,356	**100%**	5,709	**100%**	9,245	**100%**

Estonia's ten largest markets, ranked according to 2010 in EUR m

EXPORT						IMPORT					
No	Country	2011 Jan-Aug	Share	2010	Share	No	Country	2011 Jan-Aug	Share	2010	Share
1	**Finland**	1,175	14.9%	1,489	17.0%	1	**Finland**	991	11.9%	1,377	14.9%
2	**Sweden**	1,346	17.1%	1,369	15.6%	2	**Germany**	871	10.4%	1,042	11.3%
3	**Russia**	779	9.9%	847	9.7%	3	**Sweden**	914	10.9%	1,011	10.9%
4	**Latvia**	566	7.2%	788	9.0%	4	**Latvia**	886	10.6%	1,002	10.9%
5	**Germany**	351	4.5%	457	5.2%	5	**Russia**	754	9.0%	763	8.3%
6	**Lithuania**	355	4.5%	429	4.9%	6	**Lithuania**	697	8.3%	715	7.7%
7	**US**	507	6.4%	331	3.8%	7	**Poland**	580	6.9%	594	6.4%
8	**Norway**	225	2.3%	300	3.4%	8	**Holland**	279	3.3%	307	3.3%
9	**Denmark**	202	2.6%	219	2.5%	9	**China**	348	4.2%	282	3.1%
10	**France**	264	3.3%	216	2.5%	10	**Italy**	179	2.1%	224	2.4%

Source: Estonia's statistical office, Eesti Statistika

GDP

at current prices

Period	Real growth year on year	GDP in EUR m current prices	GDP per capita in EUR	Current account in % of GDP
Q2 2011	8.4%	4,021	3,001	0.8%
Q1 2011	9.5%	3,617	2,699	4.3%
Q4 2010	6.0%	3,869	2,887	3.8%
Q3 2010	4.5%	3,705	2,765	5.6%
Q2 2010	2.5%	3,567	2,662	2.4%
2010	2.3%	14,305	10,675	3.6%
2009	- 14.3%	13,840	10,328	4.6%
2008	- 3.7%	16,304	12,165	- 9.4%

Source: statistical office Eesti Statistika; central bank Eesti Pank

CURRENT ACCOUNT

excerpts shown in EUR m	2008	2009	2010	Jun '11	Jun '11
Trade balance	- 2,125	- 560	- 214	- 26	- 46
Services	1,225	1,346	1,311	103	164
Direct investments, net	420	100	906	- 96	1,064
Current account balance	- 1,568	628	517	- 23	18

Source: Estonia's central bank, Eesti Pank.

FOREIGN DIRECT INVESTMENT

in EUR m

On quarterly basis	Q1 '10	Q2 '10	Q3 '10	Q4 '10	Q1 '11	Q2 '11
in Estonia	251	349	245	317	419	440
Estonian DI abroad	- 51	- 44	- 93	88	- 224	- 29
Year	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**
in Estonia	2,307	1,432	1,991	1,180	1,209	1,197
Estonian DI abroad	- 556	- 882	- 1,276	- 760	- 1,109	- 291

Source: Estonia's central bank Eesti Pank

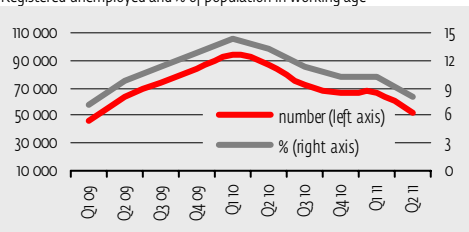
KEY ECONOMIC DATA FORECAST

Indicator	2010	2011		2012	
		SEB	MoF	SEB	MoF
GDP change	3.1%	6.5%	7.0%	3.0%	3.0%
Consumer prices (inflation)	3.0%	2.0%	2.8%	2.0%	3.1%
CA balance, % of GDP	3.6%	0.0%	0.1%	- 1.0%	- 1.5%
Real net wage change	3.9%	n/a	5.0%	n/a	5.2%
Unemployment rate	16.9%	16.0%	12.3%	15.0%	11.2%

Sources: Ministry of Finance (September 2011), SEB (October 2011).

UNEMPLOYMENT

Registered unemployed and % of population in working age



Source: Estonia's unemployment office, Eesti Töötukassa

GENERAL INFORMATION

Population: 1,340,194

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

In power: President Toomas Hendrik Ilves. Most seats in parliament Reformierakond (33%, PM Andrus Ansip), Keskerakond (26%).

Elections: 2013 local, 2015 parliamentary

Most important tax rates:

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

REGIONAL DATA

Estonia's regions (main cities indicated in brackets)	Regional GDP 2008		Monthly gross wages Q2 2011**		Unemployment Aug 2011 ***		New dwellings 2011 Q2	
	Current prices, EUR m	GDP per capita, EUR	EUR	y-o-y change, %	Number	%	Number	Sq.m*
Harjumaa (Tallinn)	9,594.3	18,363	958.3	4.8	18,301	3.5	135	38,047
Hiiumaa (Kärdla)	71.2	7,045	695.3	11.2	368	3.7	3	445
Ida-Virumaa (Narva)	1,312.1	7,709	707.2	0.1	10,493	6.3	2	383
Jõgevamaa (Jõgeva)	190.7	5,174	687.6	3.0	689	1.9	0	0
Järvamaa (Paide)	251.8	6,961	665.9	2.9	1,075	3.0	2	248
Läänemaa (Haapsalu)	201.1	7,310	709.3	5.4	869	3.2	1	180
Lääne-Virumaa (Rakvere)	540.6	8037	681.1	2.3	2,059	3.1	2	269
Põlvamaa (Põlva)	185.6	5,971	690.0	6.4	1,039	3.4	0	0
Pärnumaa (Pärnu)	762.7	8,617	726.3	- 0.1	3,027	3.4	13	1691
Raplamaa (Rapla)	223.6	6,096	681.2	12.1	1,399	3.8	0	0
Saaremaa (Kuressaare)	291.4	8,379	694.6	3.6	809	2.3	4	460
Tartumaa (Tartu)	1,667.2	11,156	840.5	4.0	3,232	2.1	5	759
Valgamaa (Valga)	200.7	5,869	687.7	10.0	1,573	4.6	40	8,765
Viljandimaa (Viljandi)	366.6	6,574	667.9	0.8	1,331	2.4	4	803
Võrumaa (Võru)	242.5	6,385	675.4	0.7	1,490	4.0	3	641
National total/average	16,106.7	12,014	857.1	4.2	47,754	**3.6**	215	52,816

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

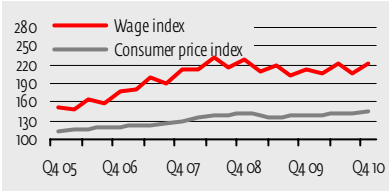
Sources: Estonia's statistical office, Eesti Statistika; Estonia's unemployment office, Eesti Töötukassa

COUNTRY RATING

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

Source: Investment agencies

REAL EARNINGS



Development of the average gross wages and inflation. Index 100 = Q1 2001. Source: Eesti Statistika

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