

Estonian economy: return of a Baltic Tiger

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and Communications



Small country but big punch!

Area

45,227 km² (similar in size to Denmark or the Netherlands)

Population

1.34 million (68% Estonians, 25% Russians)

Capital Tallinn (403,000)

Distances from Tallinn to:

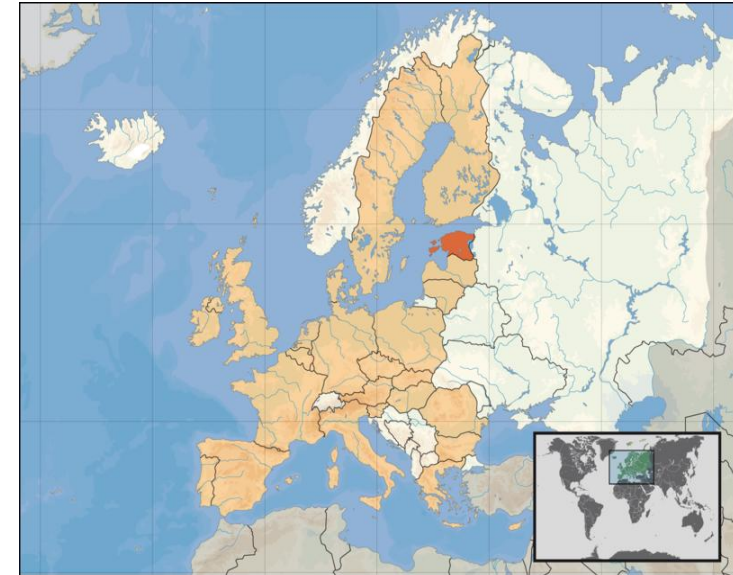
- Helsinki 85 km;
- Riga 310 km;
- St. Petersburg 350 km;
- Stockholm 375 km.

Currency EURO

Estonia became a **NATO member state** on 29 March 2004

Estonia became a **European Union member state** on 1 May 2004

Estonia became the **OECD's** 34th member country on 9 December 2010

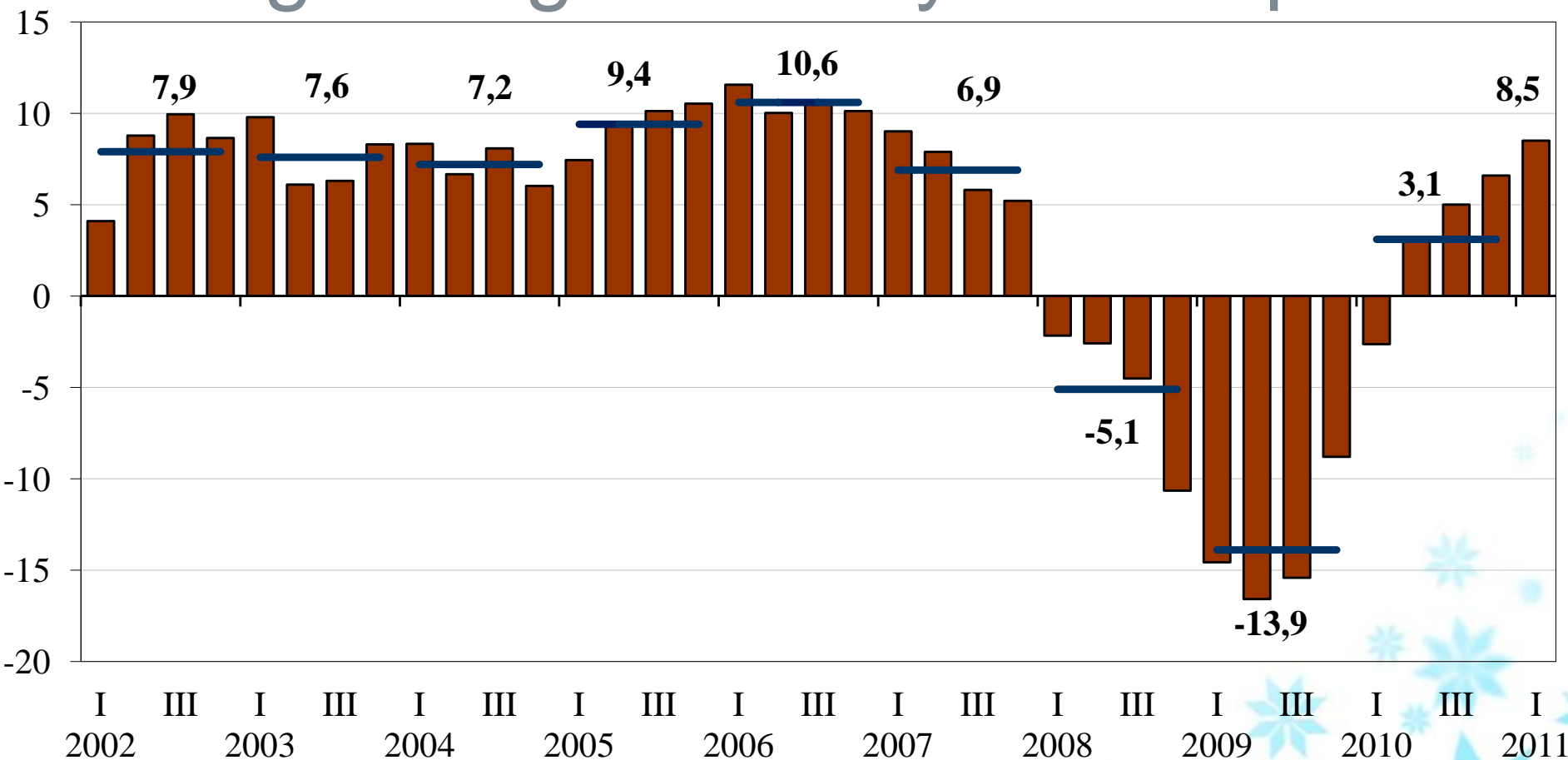


Country credit ratings

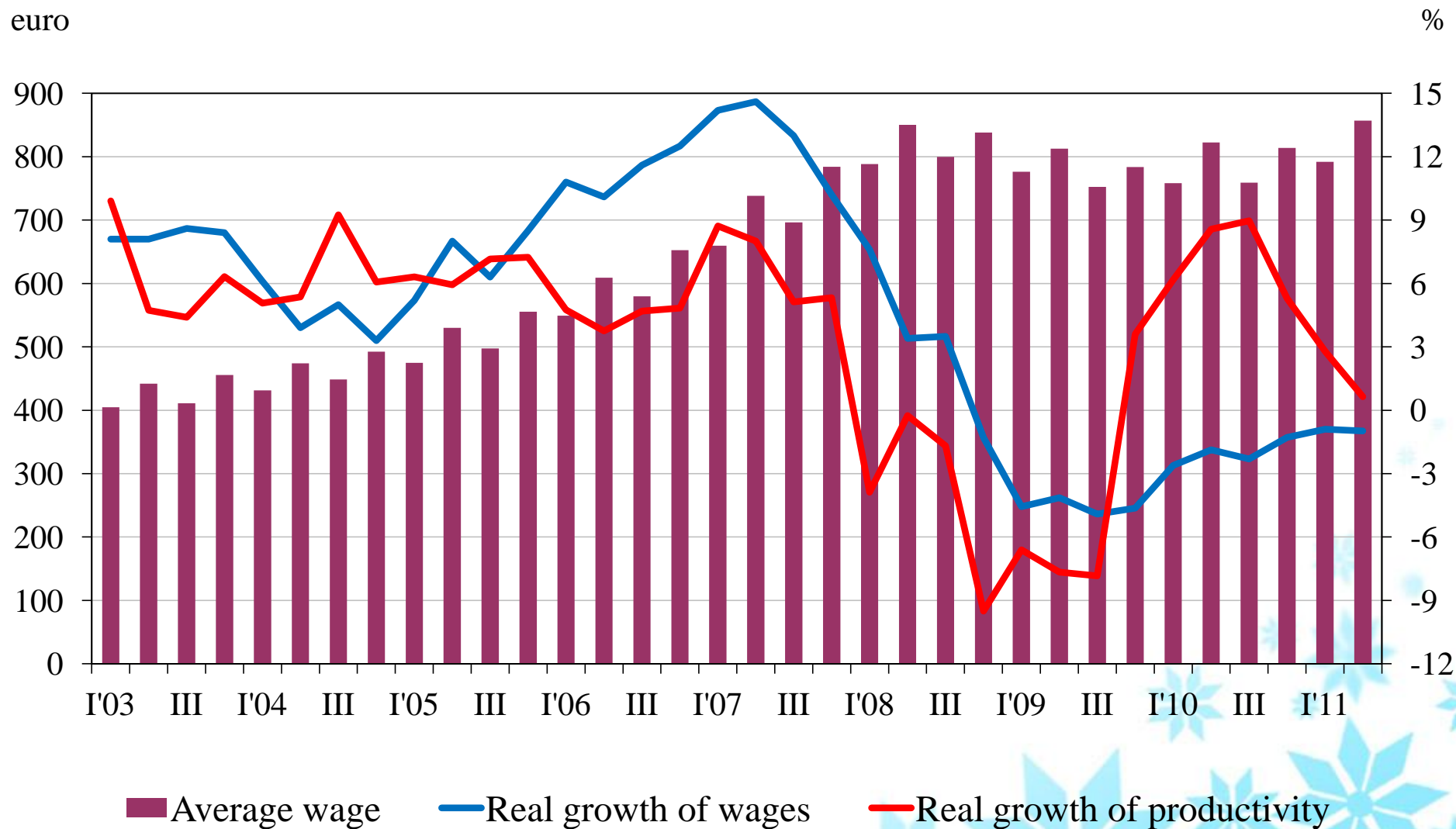
Fitch	A+
S&P	AA-
Moody's	A1

Estonia— currently the fastest growing economy in Europe

%, y-o-y



Real wages went down and productivity growth went up

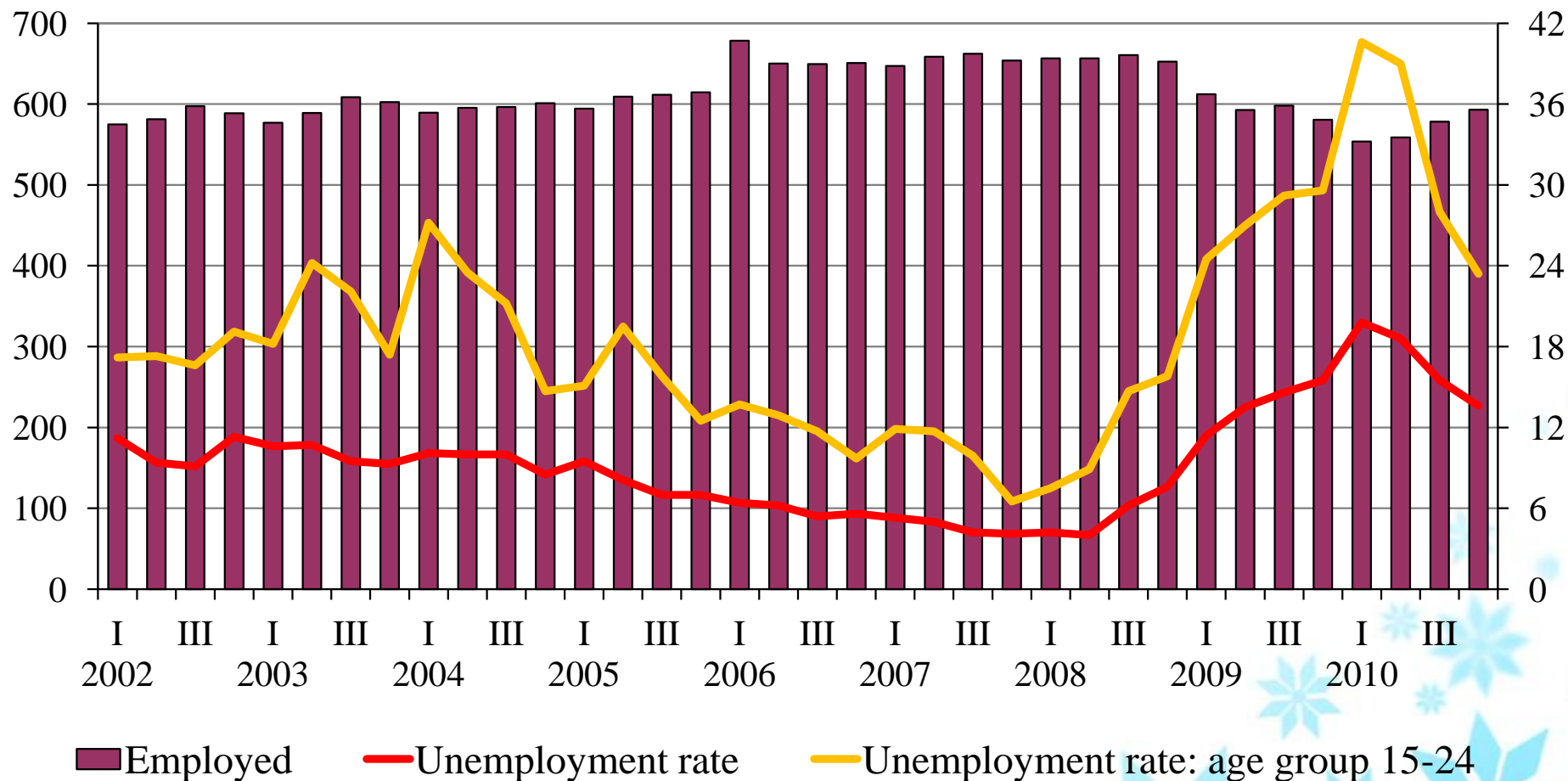


Source: Statistical Office of Estonia

Unemployment went up but job creation has been fast

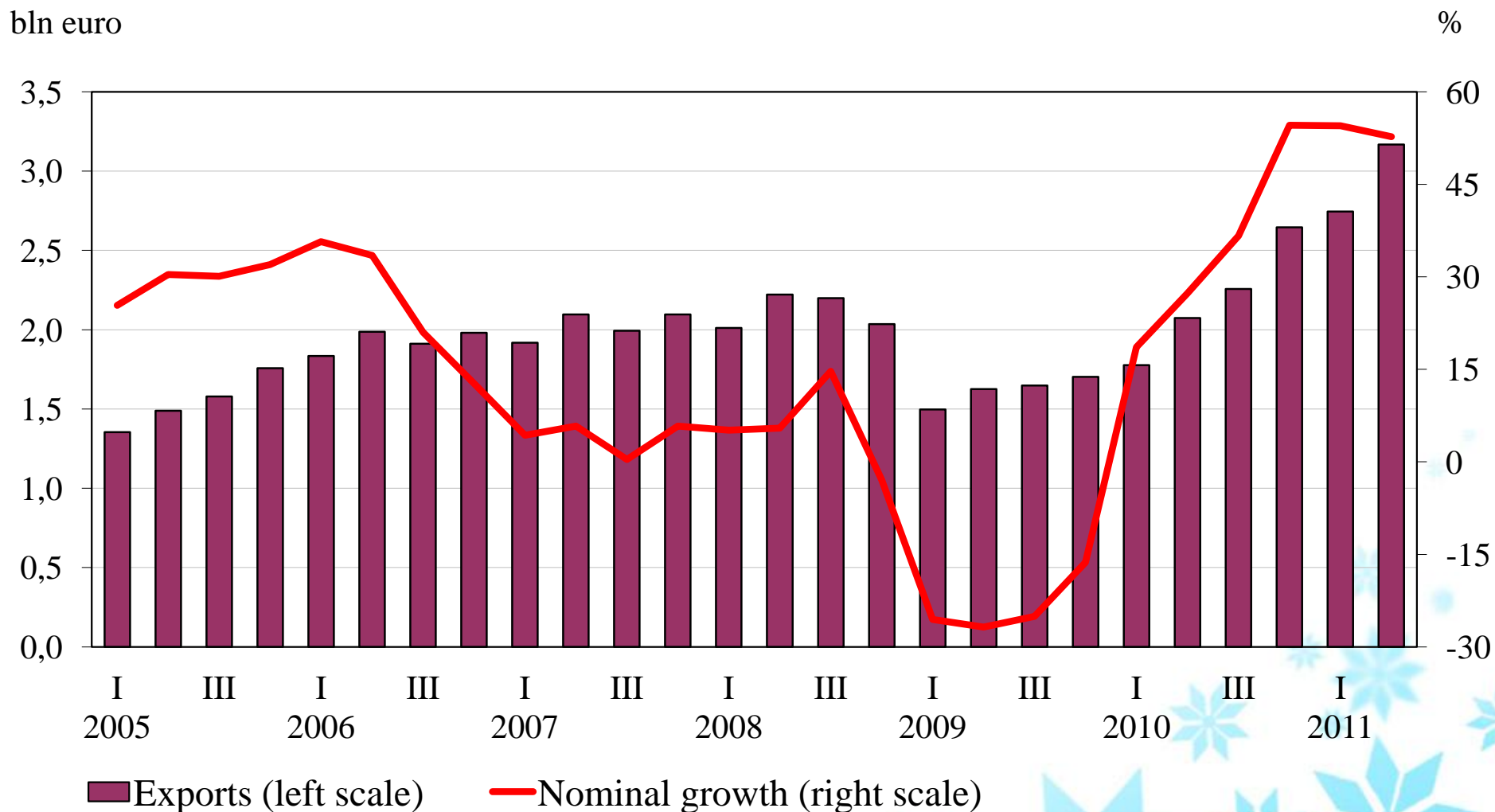
thousand

%



Source: Statistical Office of Estonia

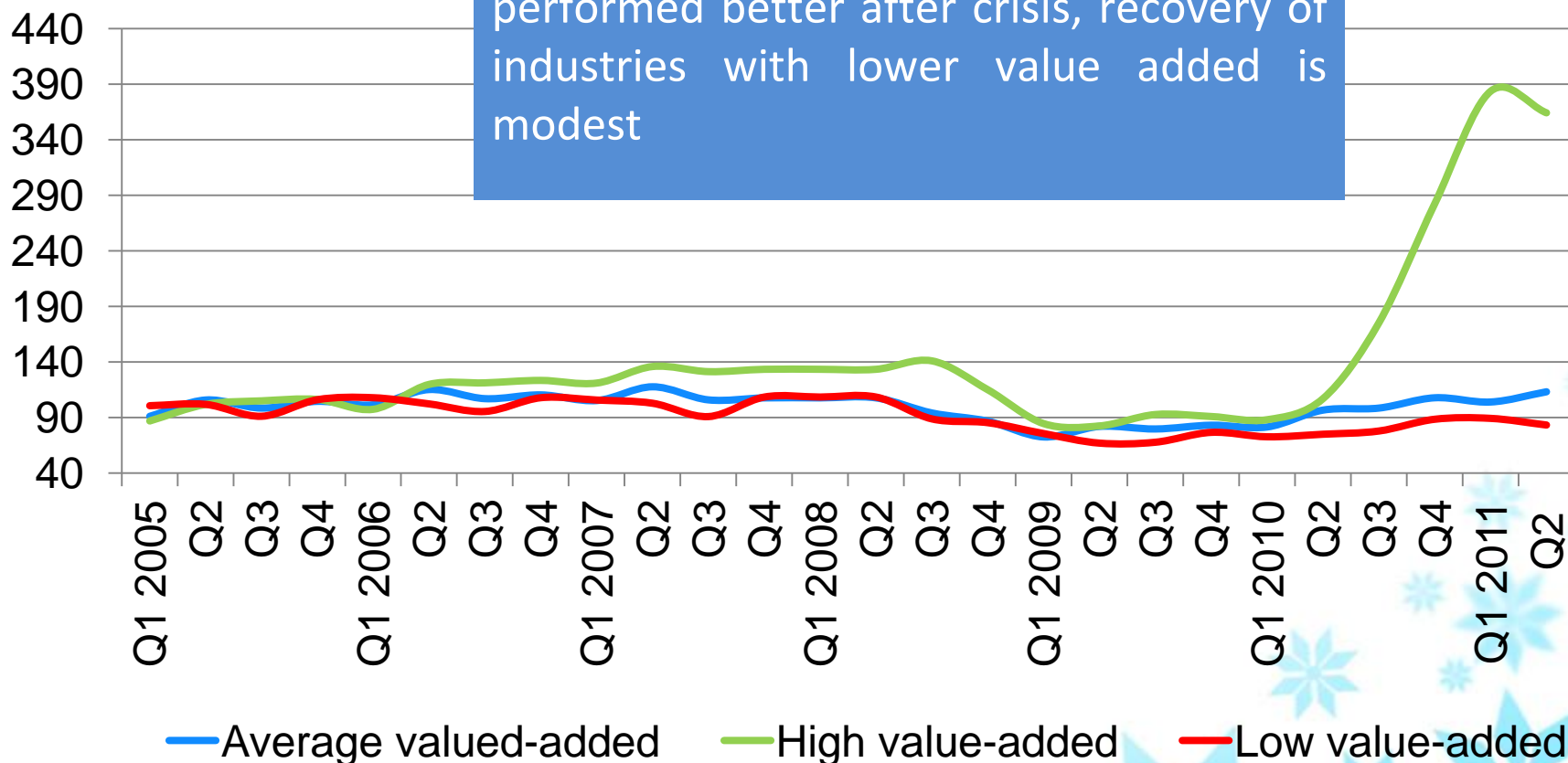
Estonian growth is now based on exports



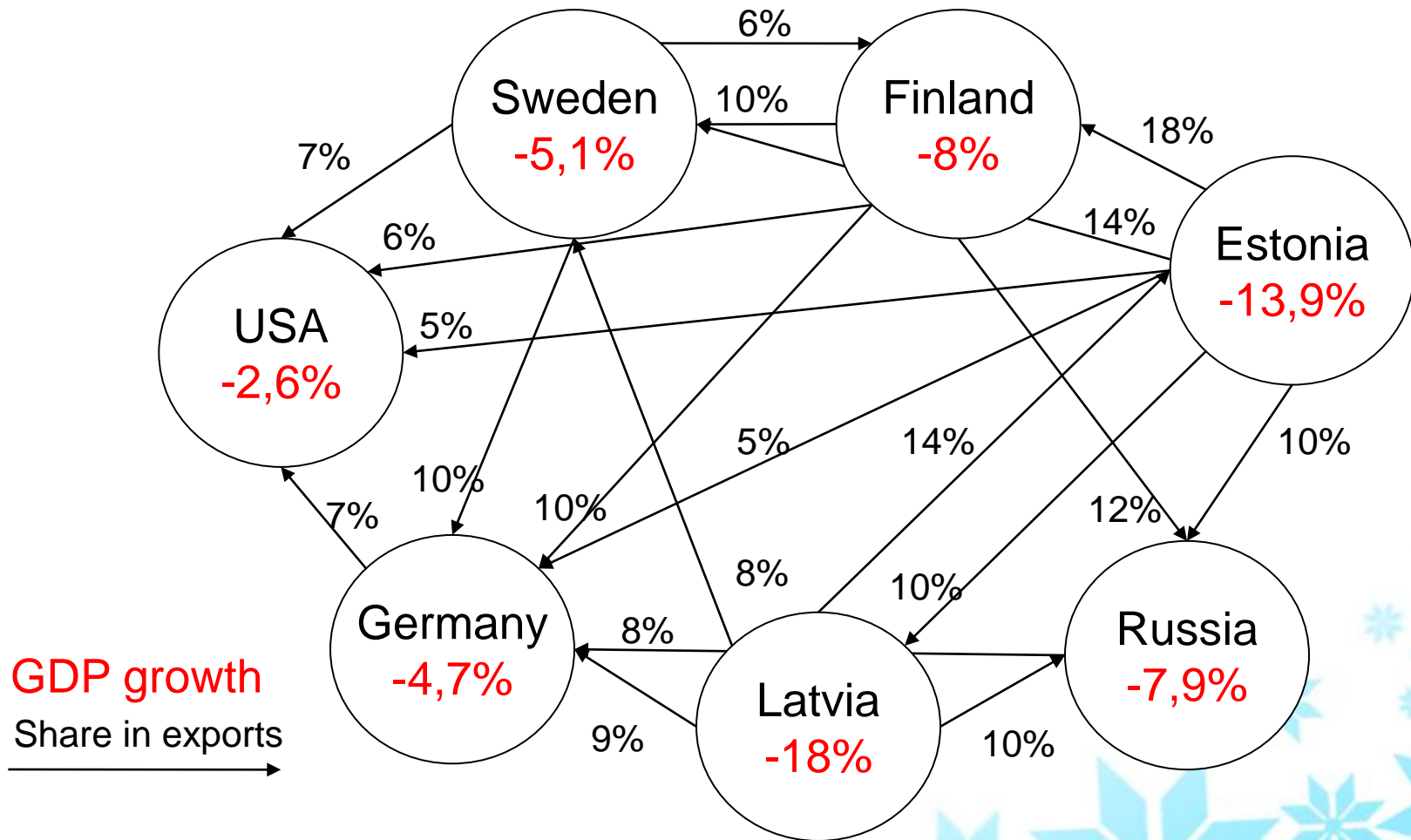
...especially in high-value products

Production
index,
2005=100

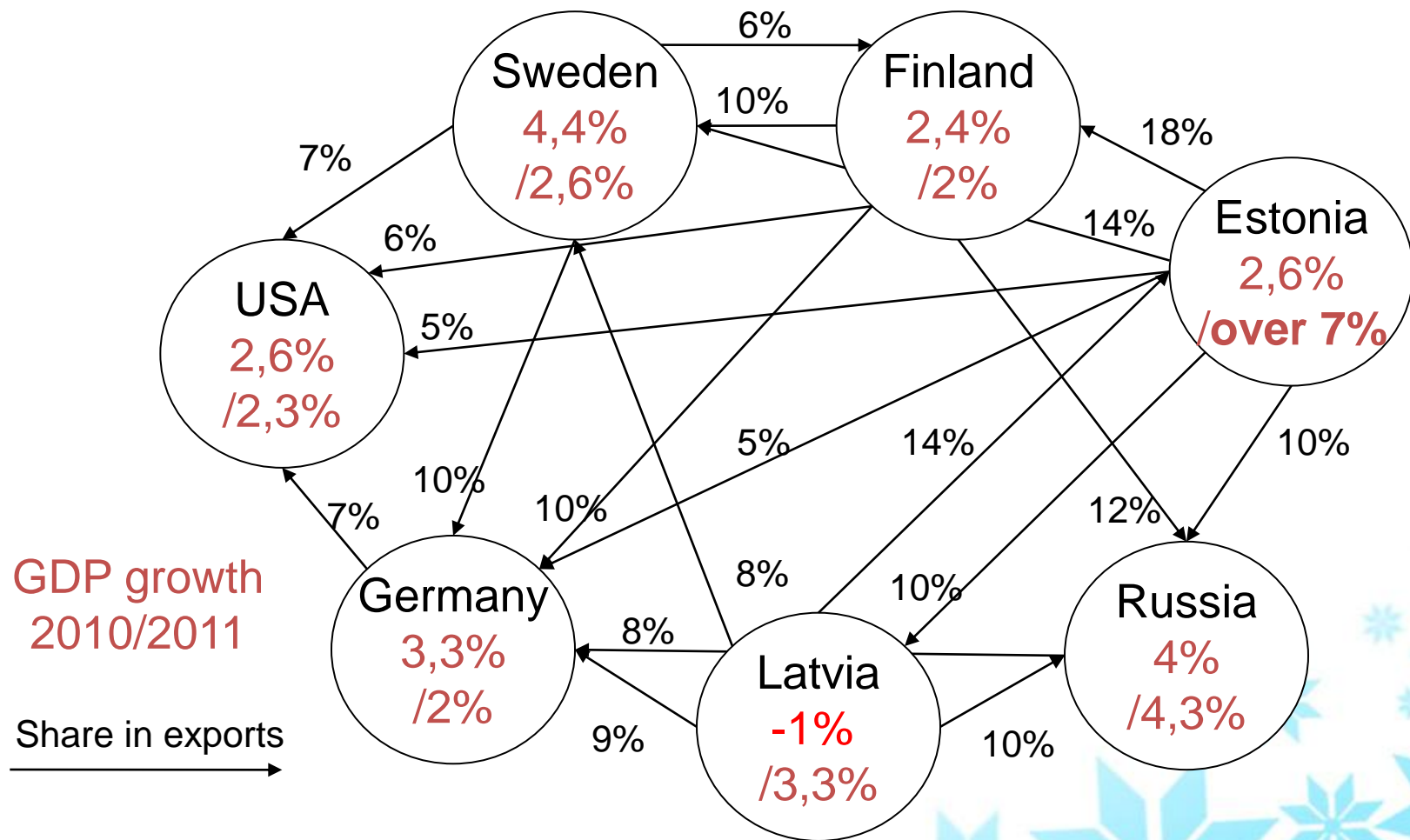
Sectors with high productivity have performed better after crisis, recovery of industries with lower value added is modest



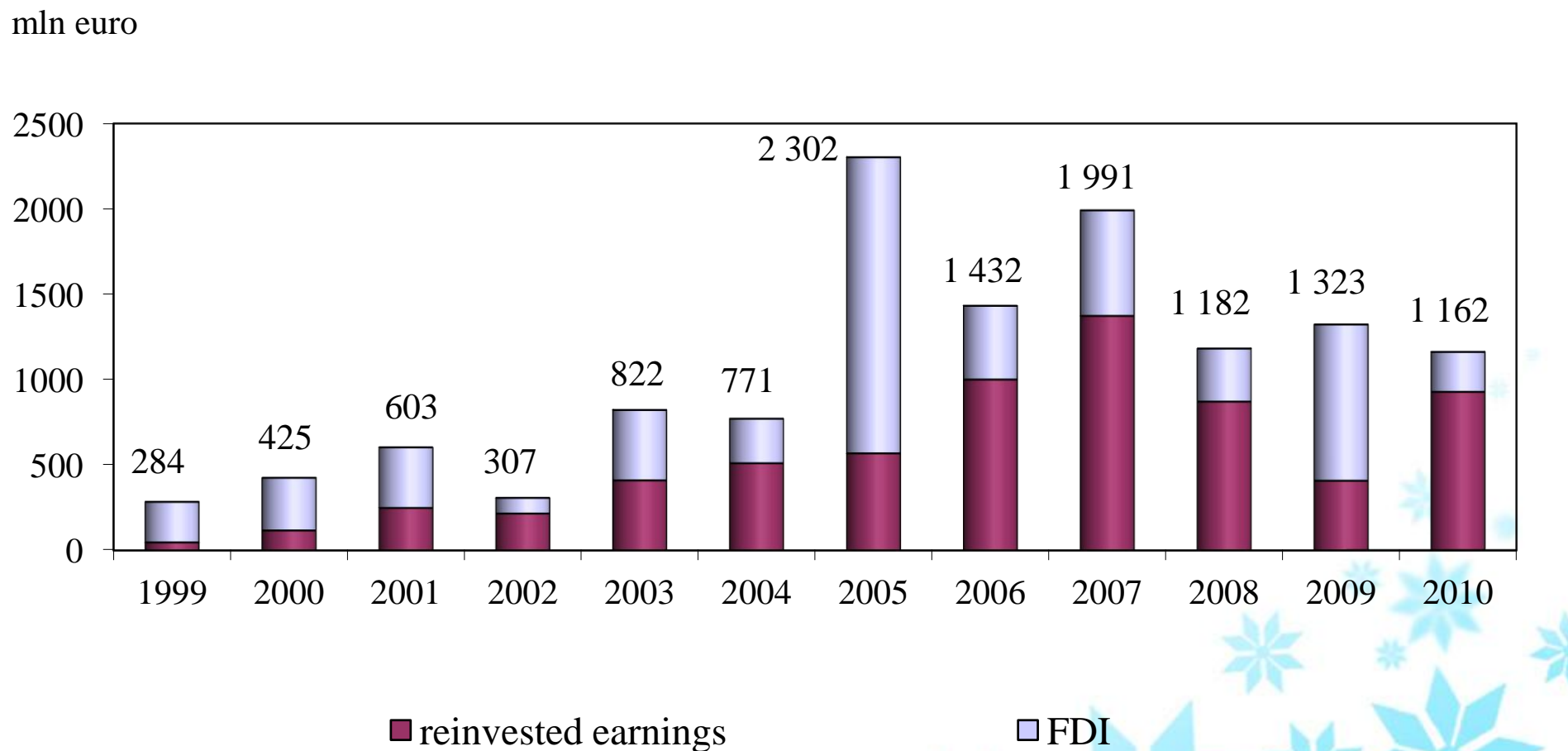
It is a regional economy and everyone was struggling in 2009



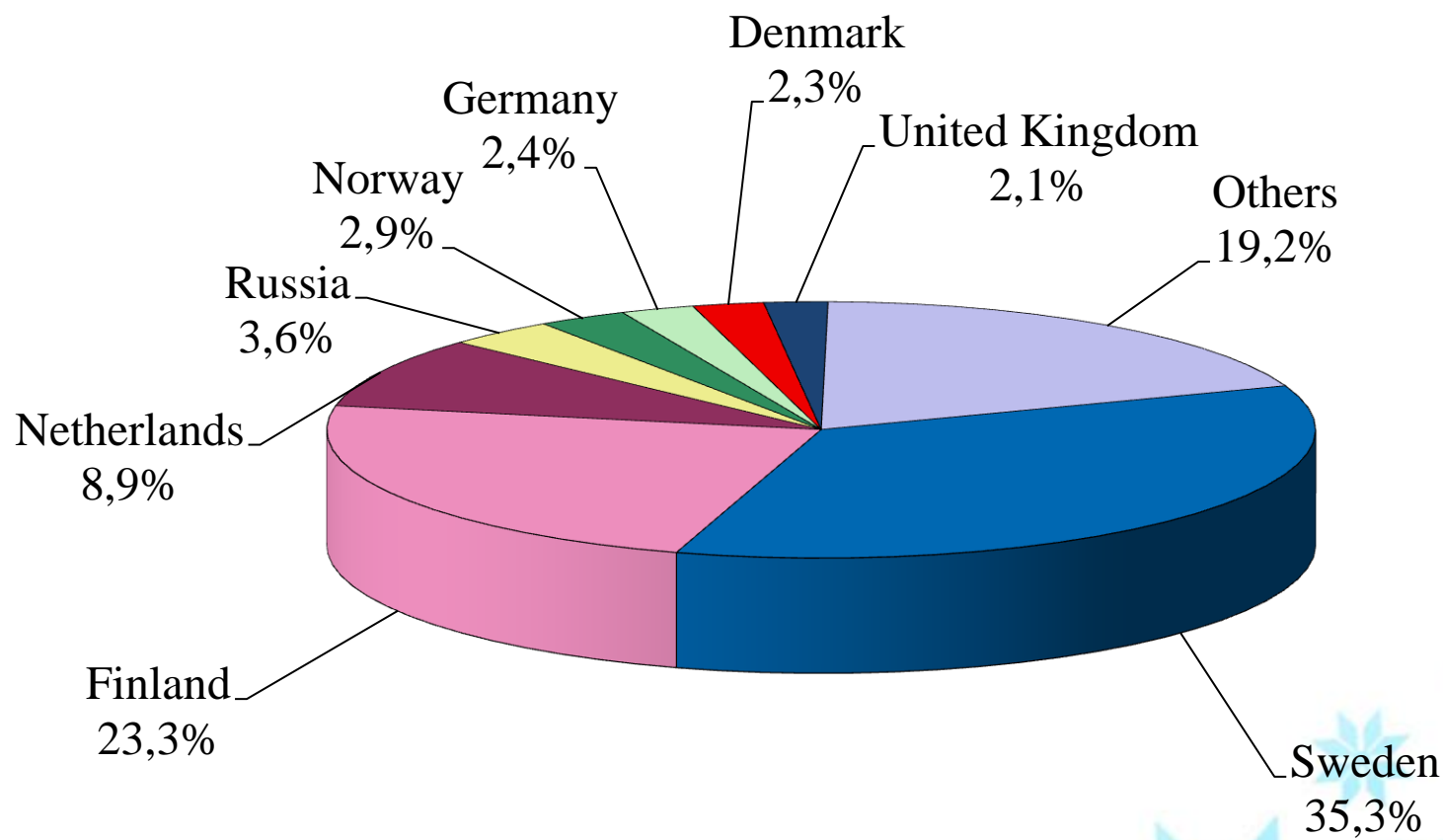
2010/11 saw recovery in our key markets and it reversed the picture



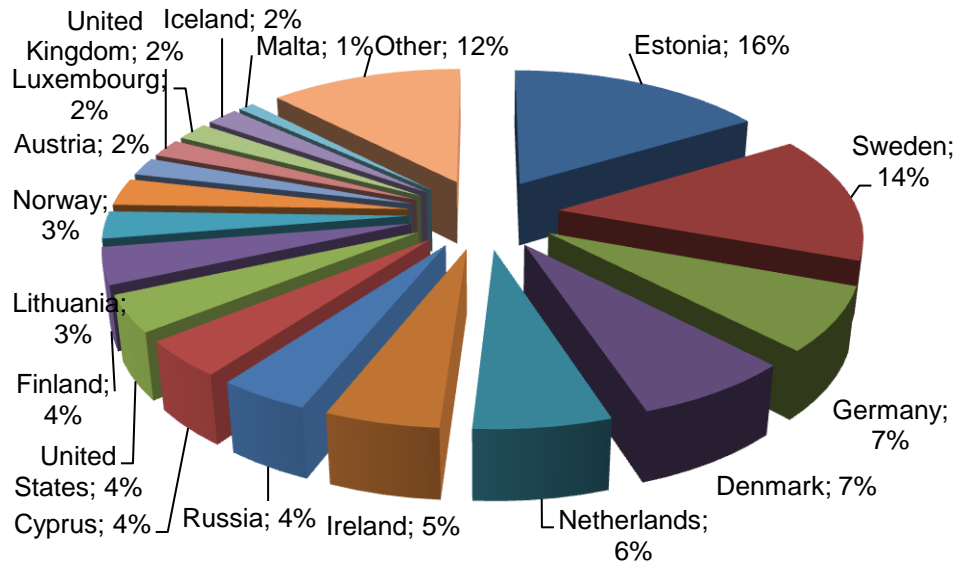
FDI into Estonia



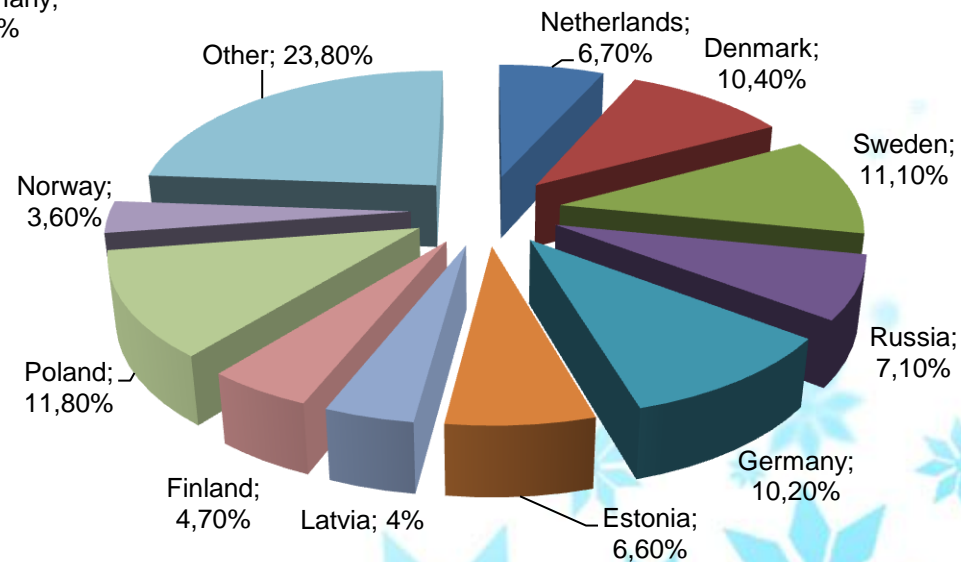
FDI into Estonia by Country as of 31.12.2010



FDI in LATVIA 2009



FDI in LITHUANIA 2010



Foreign investments in 2010

News from 2010 of significant foreign investments into Estonia

Company		Industry	Type of activity
Autoliv		Automotives	Acquisition
TeliaSonera ¹		Telecom	Acquisition
Technopolis		Real estate	Acquisition
Jago		Food distribution	Acquisition
Incap		Electronics	Moved production
Turo tailor		Textiles	Moved production
Kinnarps		Furniture	Moved production
Flexa Holding		Furniture	Moved production
Ensto Ensek		Plastic products	Built a new factory
Saarioinen		Food industry	Built a new factory
Cargotec		Machinery	Built a new factory
Trelleborg		Rubber products	Factory extension
Elcoteq		Electronics	Increased production
Ericsson		Electronics	New production (acquisition of Elcoteq in 2009)
Bauhaus		Retail	Opened first store
Seven Networks		ICT	R&D Center

Note: ¹ Signing end of 2009, final closing in 2010.

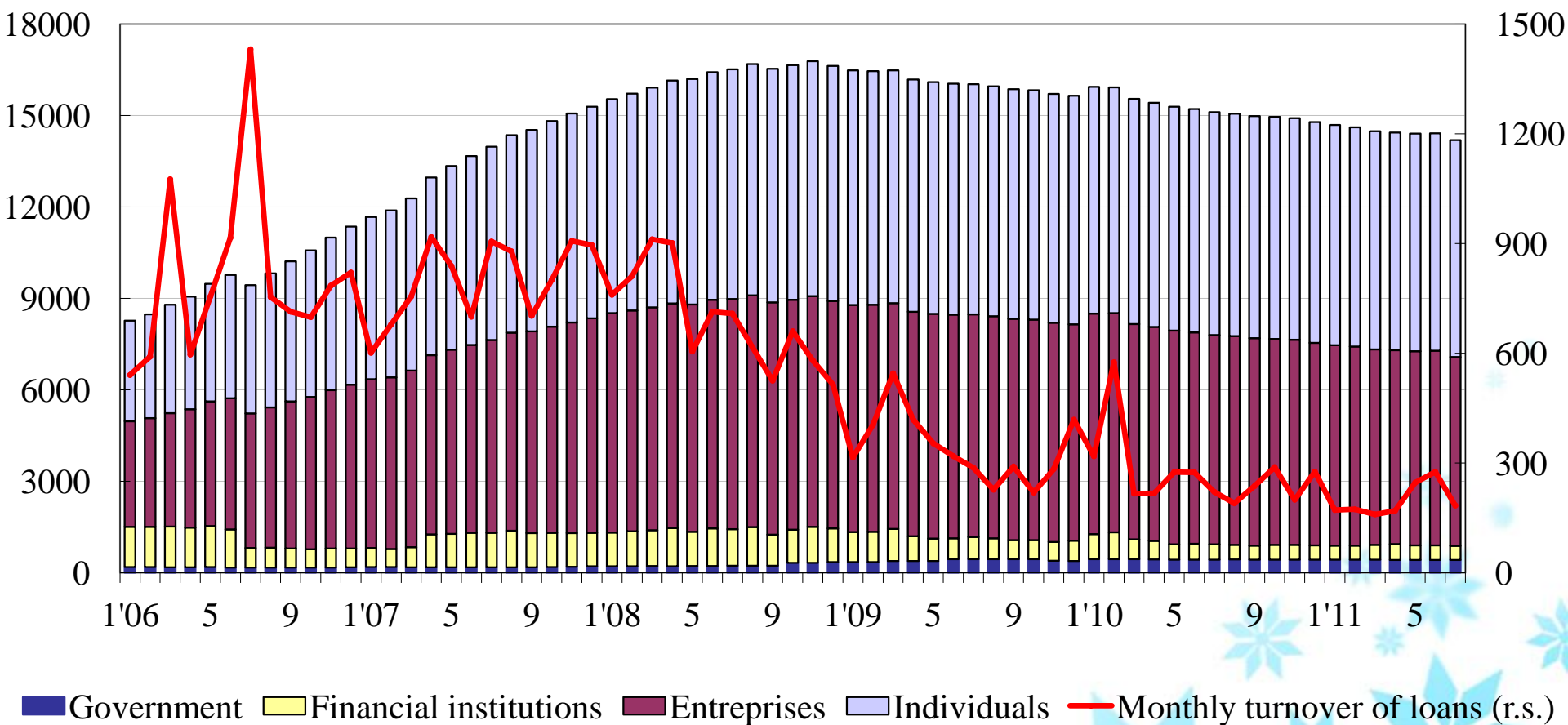


January 1, 2011

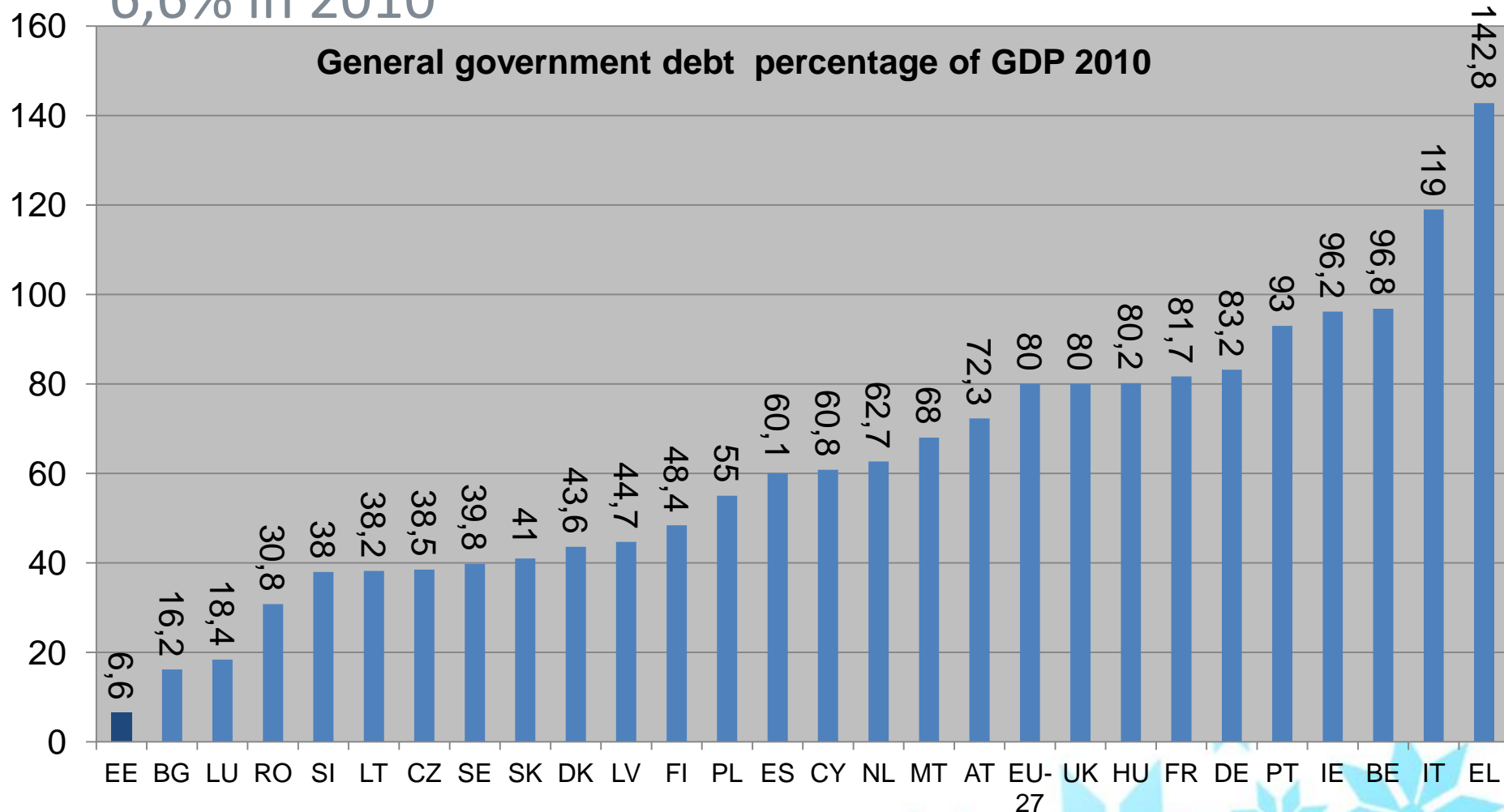
Loan burden on government is extremely low

million euro

million euro

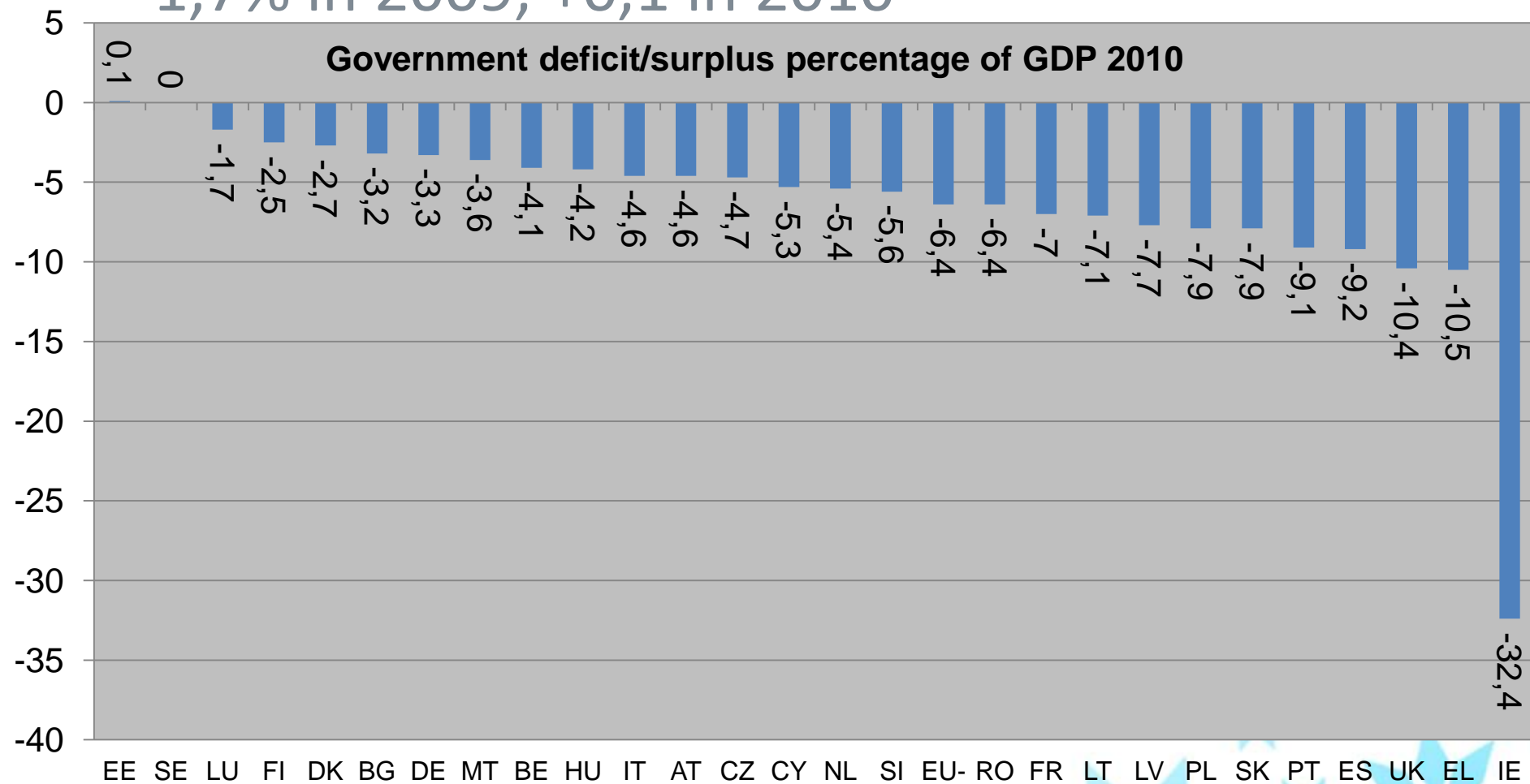


Estonia's public debt was the lowest in the EU,
6,6% in 2010



Source: Eurostat

We escaped excessive deficit,
-1,7% in 2009, +0,1 in 2010



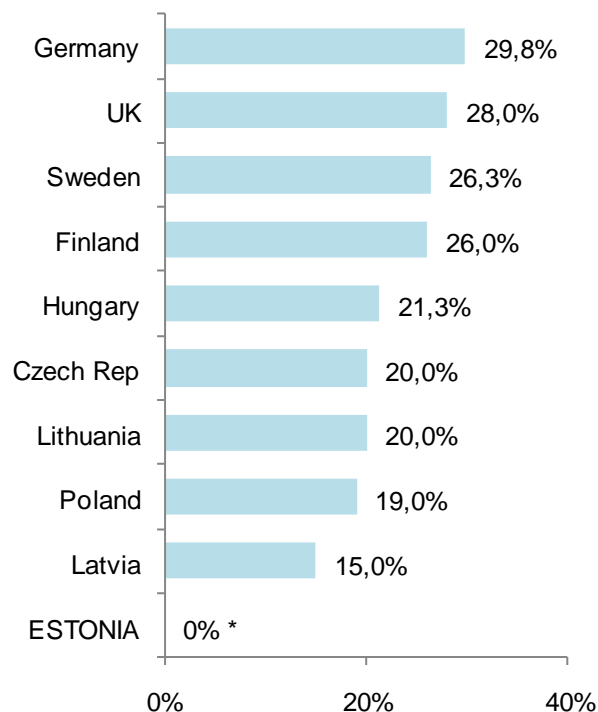
Fiscal tightening during the recession

- February 2009: cuts in expenditures by 6.6 bln kroons (operational costs incl. wages and salaries, pensions, roads)
- April 2009: 2.5 bln kroons (suspending payments by the state into mandatory pension funds, increase in unemployment insurance payment)
- May 2009: improvement of budget position by 3.4 bln kroons (increase of excise on motor fuel and non-tax revenues, cuts in ministries' expenditures)
- August 2009: Estonian Health Insurance Fund budget cut by 1 bln kroons



Simple and favourable tax system

Statutory tax rate on corporate income, 2009

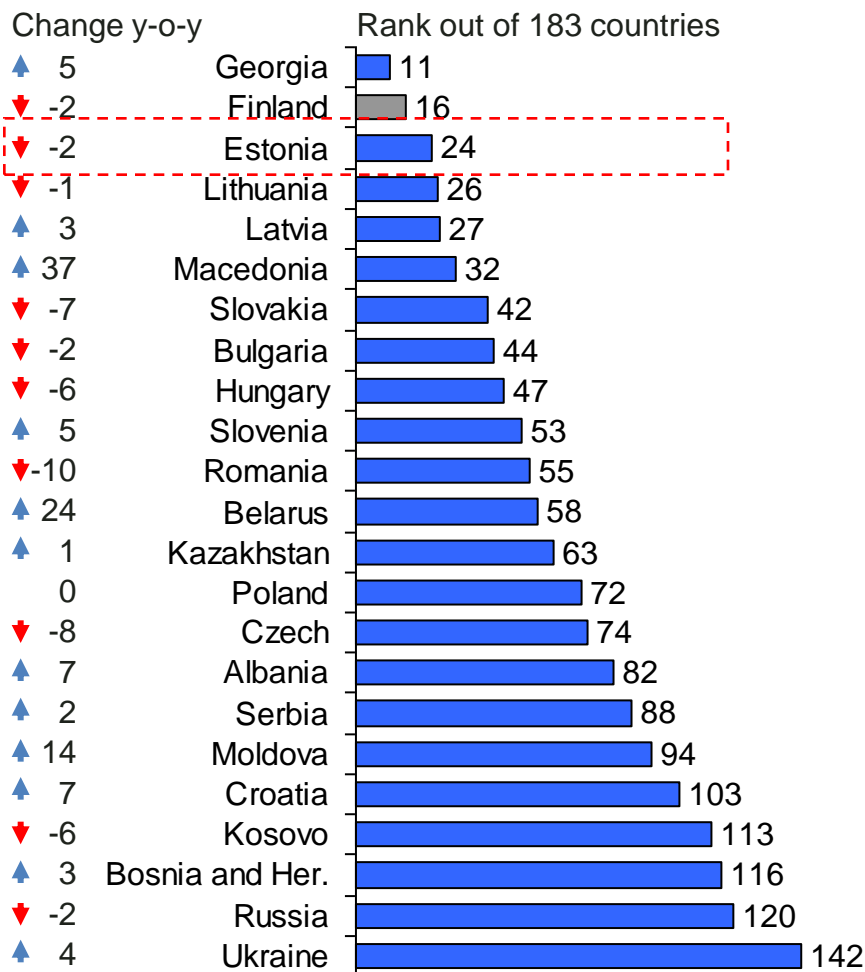


Source: European Commission

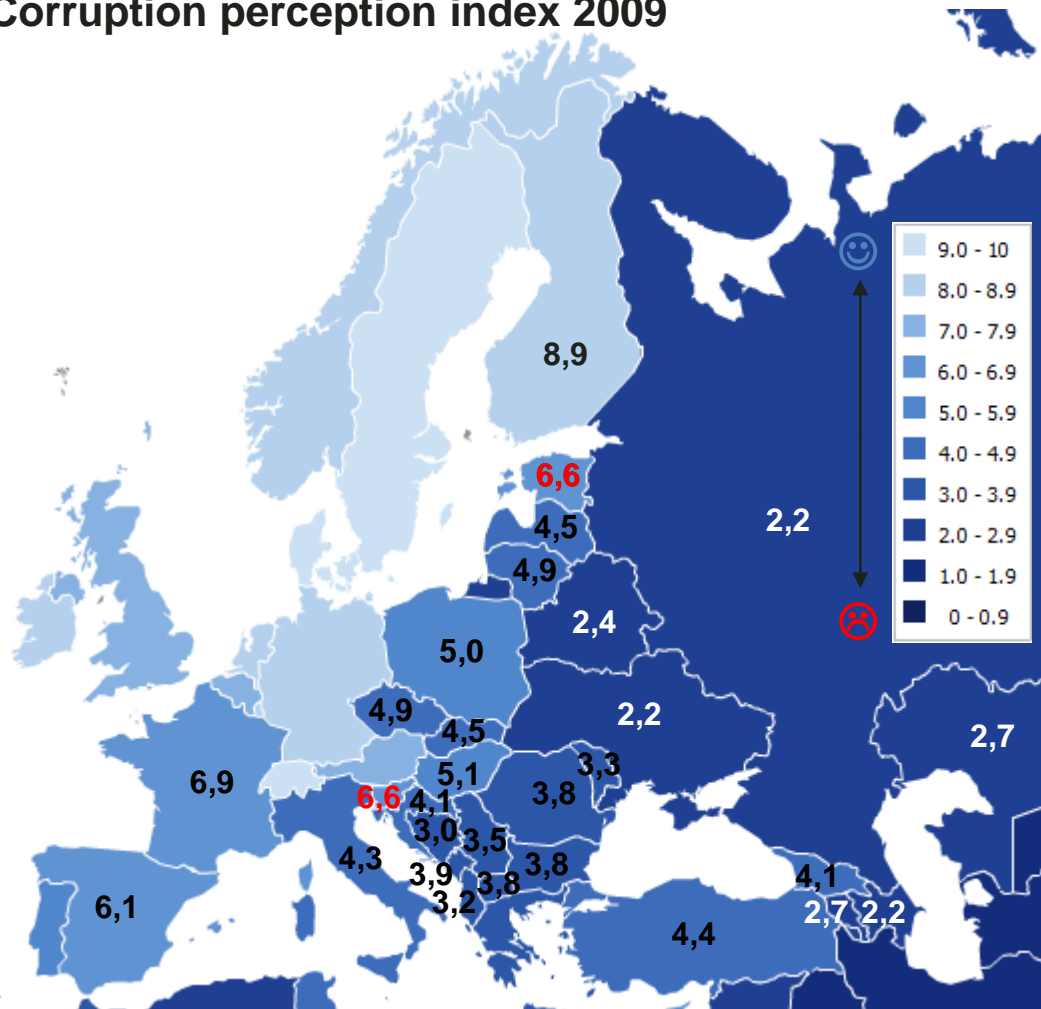
- * **0% Corporate income tax** on reinvested profits
- All distributions are subject to income tax at the rate of 21% of the amount of taxable payment
- **Personal income tax:** flat rate 21% (20% from 2015)
- **VAT:** 20%
- **Social tax:** 33% (20% for social security and 13% for health insurance)
- **Unemployment insurance:** 4.2% of the gross salary. (The employer pays 1.4% of the salary and deduction from employees salary is 2.8%.) – will be decreased from 2013
- **no property tax**
- **The land tax is** from 0,1% to 2,5% on the assessed value of the land, rate established by local government (i.e in Tallinn 1,5%).
- All the taxes can be declared via E-tax/e-customs (an electronic service desk of the Estonian Tax and Customs Board)

Baltic or Scandinavian?

Ease of doing business index 2010



Corruption perception index 2009



Easy to do business – The world class trading location

- Estonia is consistently ranked by IMD, World Bank and the World Economic Forum as **one of the easiest and most efficient places** to do business in the world
- **Estonia is Ranked 3rd** out of 181 economies for the ease of Trading Across Borders. Estonia. **Factors benchmarked:**
 - number of all documents required to export/import goods,
 - time necessary to comply with all procedures required to export/import goods, and
 - cost associated with all the procedures required to export/import goods



Source: World Bank – Doing Business 2010

<http://www.doingbusiness.org/economyrankings/?direction=Asc&sort=9>

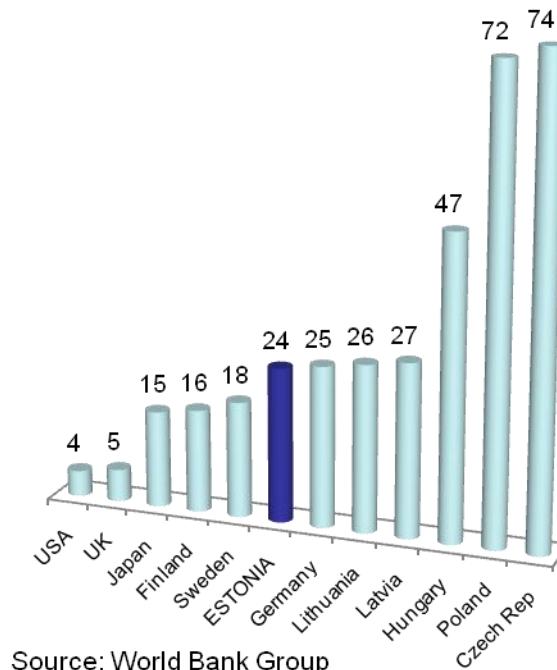
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Easy to do business – Free and easy

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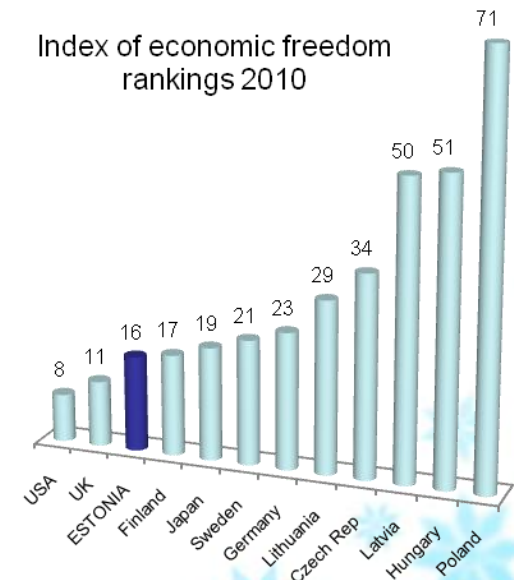
- Estonia is consistently ranked by IMD, World Bank and the World Economic Forum as **one of the easiest and most efficient places** to do business in the world
- **No 24** out of 181 economies in **ease of doing business**. Transparent regulations, easily understandable taxation systems, readily available credit, etc
- **Lowest corruption** among CEE countries

Ease of doing business rankings 2010



Source: World Bank Group

Index of economic freedom rankings 2010



Source: Wall Street Journal;
The Heritage Foundation

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Labour market and education system

- **Total labour force:** 691 000
- The **unemployment rate:** 14,6% on 03.10.2010
- **General working time:** 8 hours a day, 5 days per week. The duration of one shift may not exceed 12 hours
- Overtime is allowed by mutual agreement
- The duration of the **annual vacation:** 28 days
- 10 Public holidays a year
- The **average wages** in Estonia in 2009 was EUR 780. The monthly **minimum wage** for full-time work is EUR 278

Education system

- **10 universities** (6 public, 4 private) - ca 68 400 students
 - University of Tartu – 19 00 students
 - Tallinn University of Technology – 10 500 students
 - Tallinn University – 7 500 students
- **51 vocational schools** - ca 28 500 students
- **242 gymnasiums** - ca 30 000 students

Language Skills – Multilingual proficiency

Language Ability	Adults with Fluent Language Skills	% of Workforce
Fluent	395,000	55%
Reasonable	180,000	25%
Basic	55,000	8%

The abundance of workers with fluent foreign language ability amongst Estonia's working population can readily support investors setting up both global hub operations and cross border collaborative ventures. Some 323,000 fluent speakers are already using these skills in the workplace. Not only is over half the Estonian workforce fluent in one foreign language, but an additional 15 per cent (111,000 adults) are fluent in two or more foreign languages.

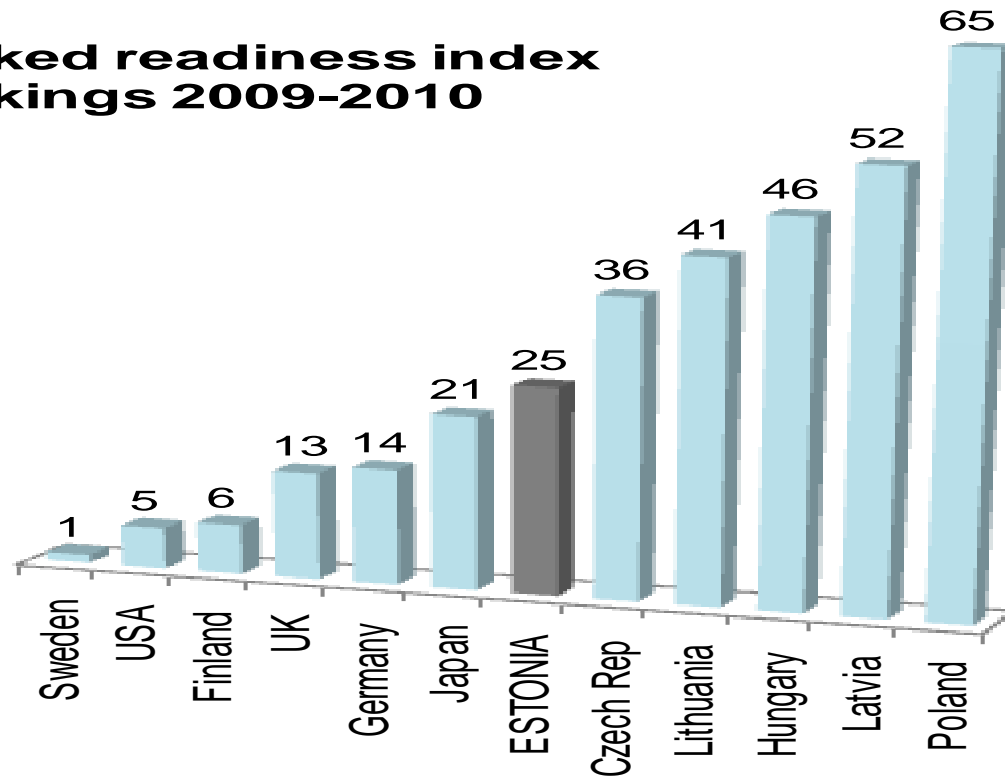
Rank	Language Skill	Fluent Speakers
1	Russian	235,800
2	English	150,000
3	Finnish	57,400
4.	German	23,300
5.	Swedish	3,500
6.	French	2,000
7.	Spanish	1,500
8.	Polish	1,300
8.	Italian	1,300
9.	Latvian	1,000

ICT and innovation



High e-readiness

**Networked readiness index
rankings 2009-2010**



Source: World Economic Forum

Internet Voting in the Estonian Elections

Type of elections	Date	E-votes (% of all votes)	Turnout (%)	E-voting turnout (% of all eligible voters)	First time users of ID card online (%)
Municipal Elections	October 2005	1.8	47.4	0.9	61
Parliamentary Elections	April 2007	5.4	61.9	3.4	39
European Parliament	June 2009	14.7	43.9	6.5	19
Municipal Elections	October 2009	15.7	60.6	9.5	18.5
Parliamentary Elections	March 2011	24.5	62.9	15.4	N/A

information society indicators

- 
- ❖ Mobile phones penetration - 116%
 - ❖ Home PC penetration - 76%
 - ❖ Business Online - 92%
 - ❖ Financial Transactions Online – 98%
 - ❖ Schools Online - 100%
 - ❖ Government Online - 100%

New human right in Estonia: access to wireless internet



Estonia: Testing Ground for New Technologies

- e-elections (local 2005 and 2009, national 2007, 2011 European Parliament 2009)
- e-government project (*august 2000*)
- e-tax board - income tax statements can be filled out via internet (*spring 2001*)
- digital signature act came into force (*december 2000*)
- 98% electronic transactions, 109% internet banking penetration
- e-billing (*july 2000*)
- world's first MPS project for society (*may 3, 2000*)
- mobile parking (*july 1, 2000*)





2008



**EU's IT agency
for justice and home affairs**

2012

Global success stories with Estonian touch



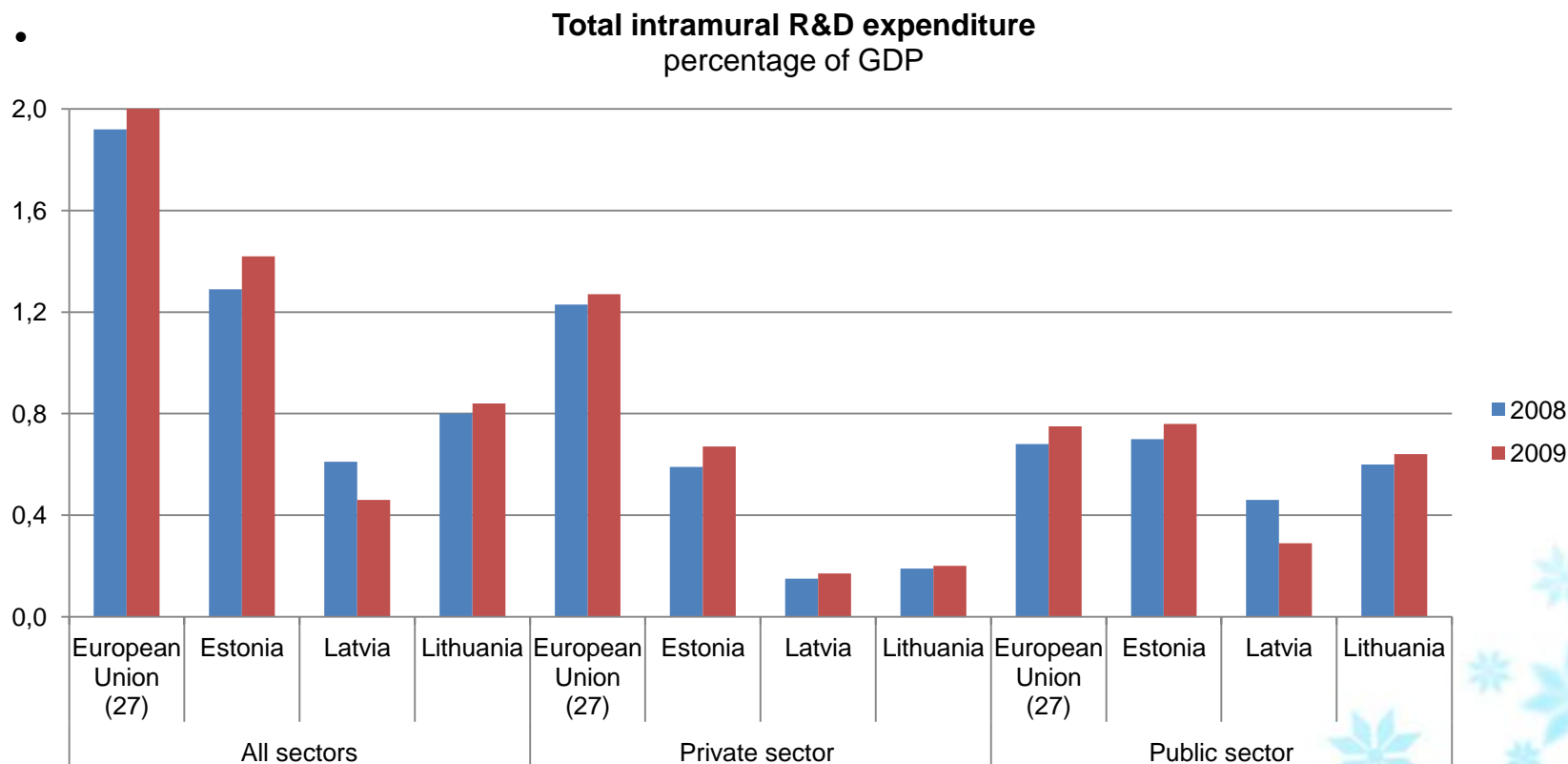
2011-12 – electromobility pilot project in Estonia



X 507

- + 250 fast charging stations
- + grant program for private individuals and companies

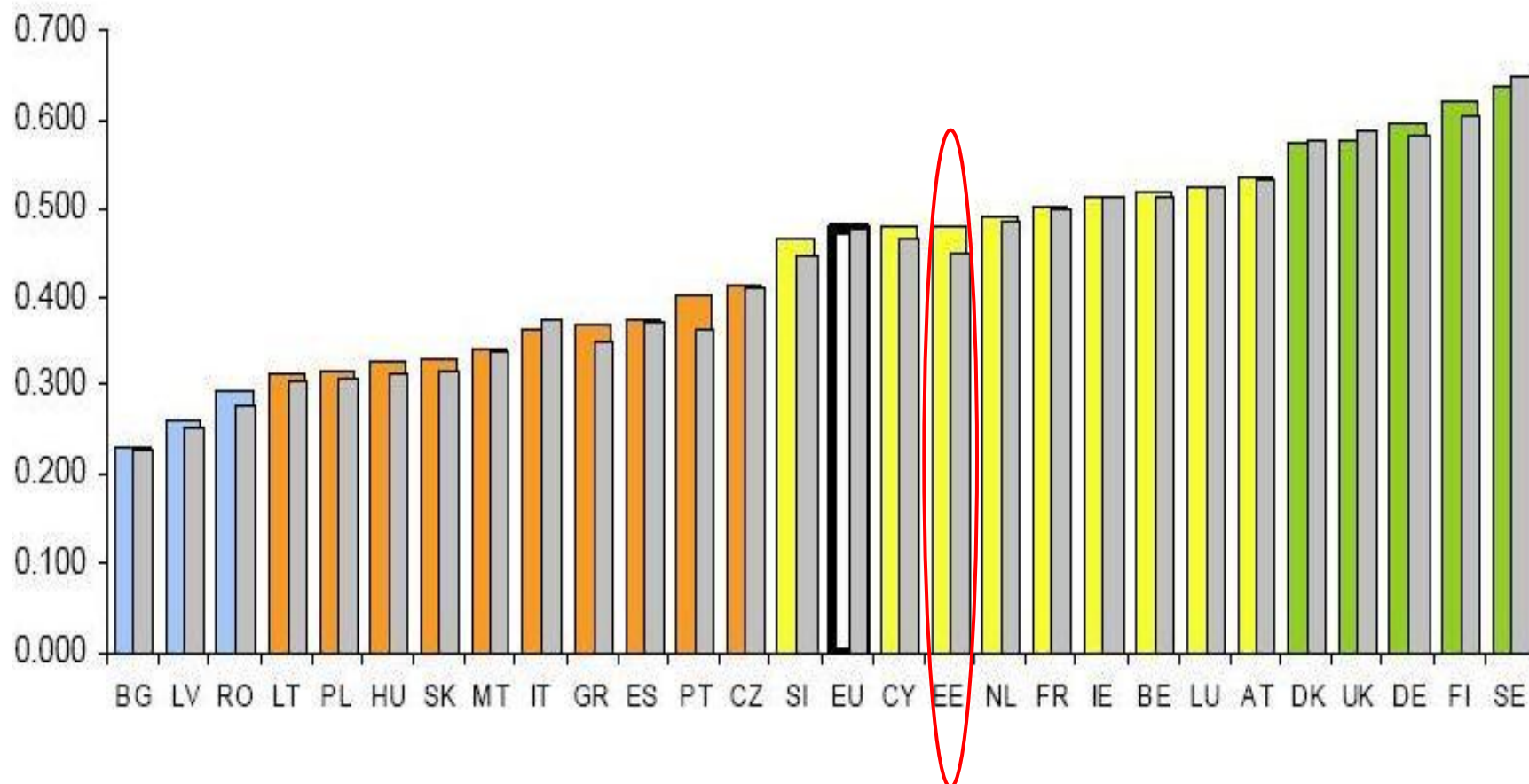
Research and Development expenditure



Source: Compiled by the Estonian Ministry of Economic Affairs and Communications on the basis of data from the Eurostat.

Note: Public sector includes higher education and government sector spending. Private sector includes spending by business enterprises and private non-profit organization.

European Innovation Scoreboard 2009



Logistics



Trading roads in Europe - 15th century



Today – access to a market of 300 million consumers

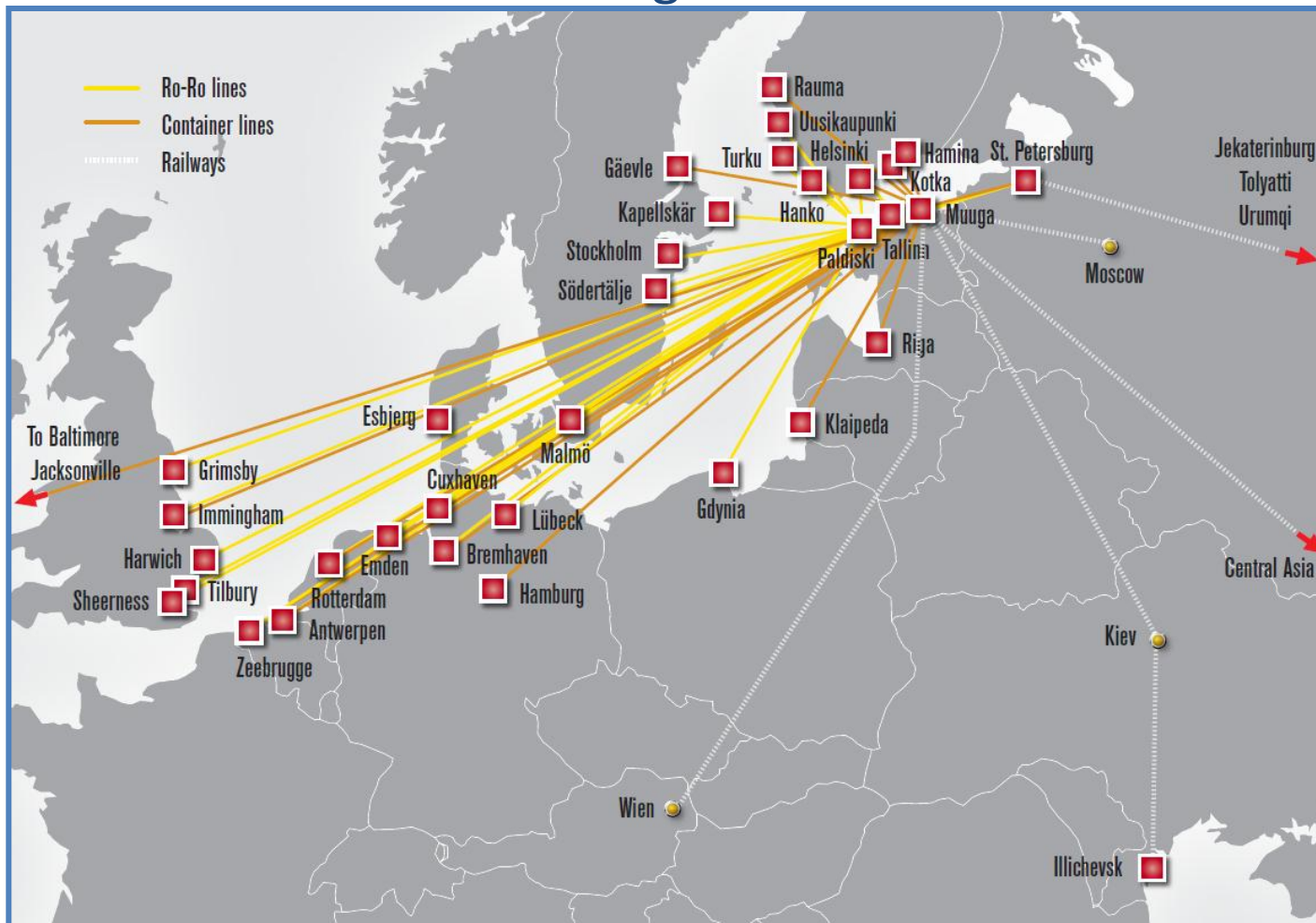


Estonia is located in Northern Europe, in the most developed and innovative economic region of Europe

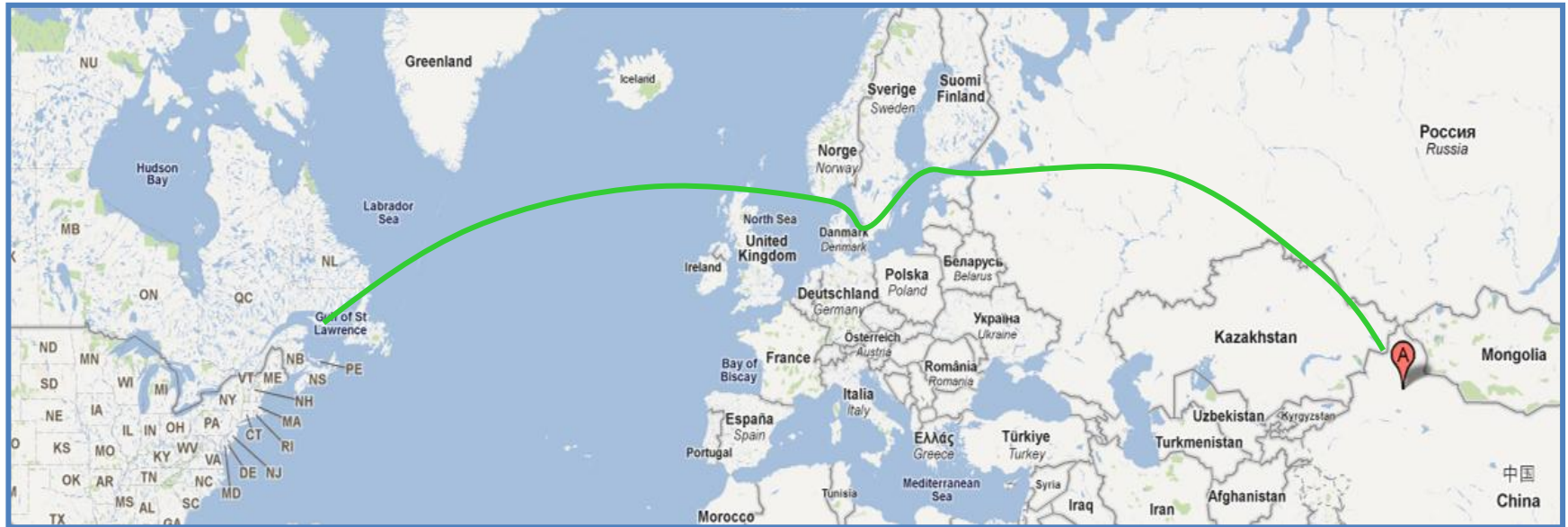
- Estonia is the geographic midpoint of the Northern Europe
- Estonia is a perfect place for setting up distribution centres and using it as a hub for east-west or west-east bound shipments



Regular shipping lines to all major seahubs of Europe with rail and road east- and southbound connections to important consumer and industrial regions



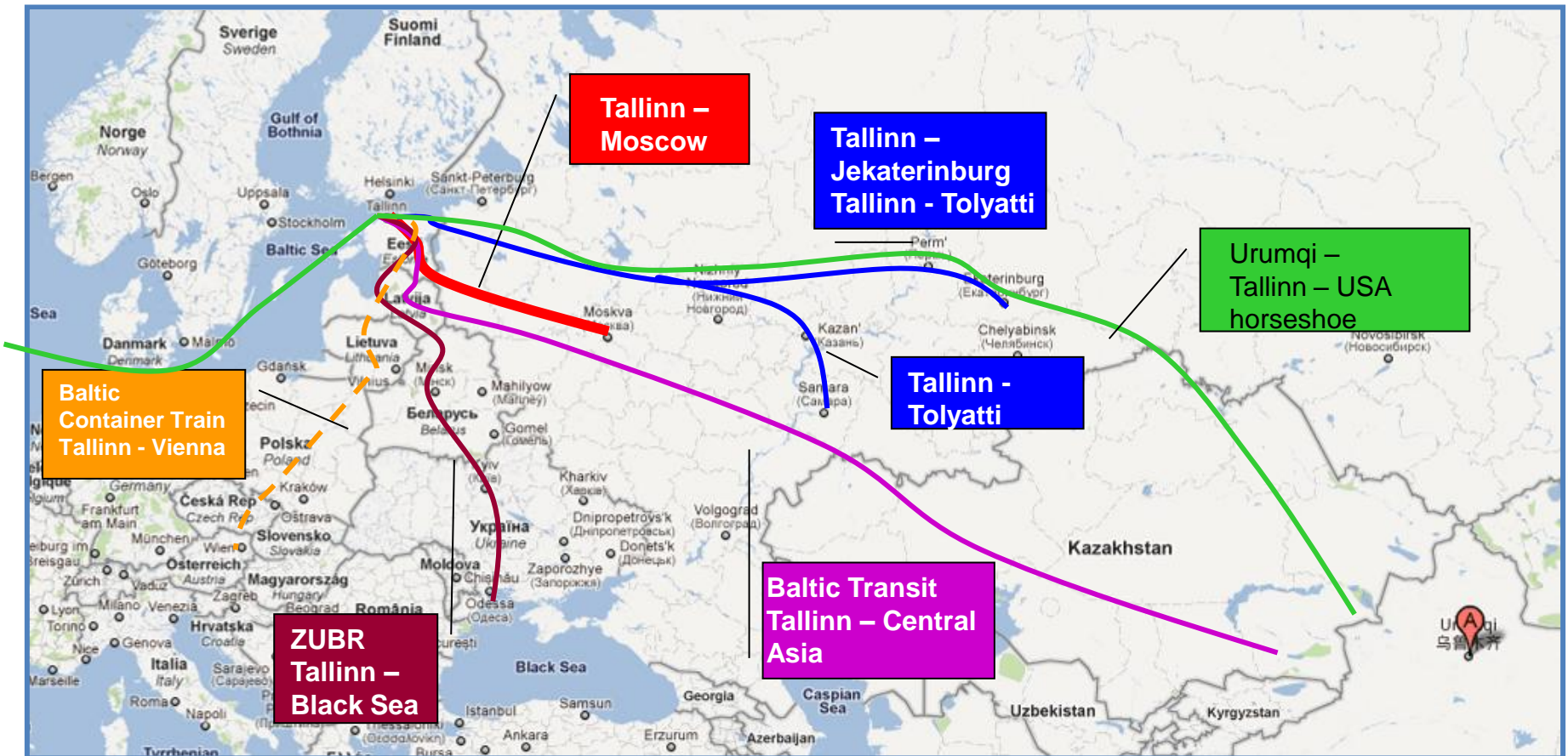
Estonia – an important link in Transatlantic Horseshoe



New transport corridor: North-America – Estonia – Russia –Asia



Estonian Railways operates several container block trains



VALUE PROPOSAL

YOUR EXPERIENCES

OUR UNIQUE SITUATION IN NORTH-EUROPE:

- **UNIQUE GEOGRAPHICAL POSITION**
- **IDEAL NATURAL CONDITIONS**
- **WELL-DEVELOPED INFRASTRUCTURE**
- **HIGHEST QUALITY AND ENVIRONMENTAL CONCERN**
- **EUROPEAN SERVICE STANDARD, FOCUS ON SAFETY**
- **FREE ZONES**
- **LAND AVAILABILITY**



You have a success story



We have land and skills



Let's change the world!



Summary – Why Estonia?

- Low risk and good governance: economic & political stability
 - Solvent: lowest government debt in Europe (7.2% of GDP in 2009)
 - Consistently ranked as one of the most politically stable countries in CEE
- Room for growth – a sustainable solution
 - Unemployment rate of 10-13%
 - Latent talent pool of 14,000 technical IT professionals and 32,000 financial services professionals
 - 76% of fluent foreign language speakers want to use these at work
 - 4,300 graduates per year in social sciences, business and law
 - 1,150 science and technology graduates per year
- Supporting your investment
 - Attractive incentives package
 - Personal EAS account managers

Summary – Why Estonia?

- Quality technical skills
 - 34,000 technical IT professionals
 - 77,000 financial services professionals
- Foreign language skills
 - 55% of the workforce are fluent in one or more foreign languages
 - 15% fluent in 2 or more languages
 - Top language skills: Russian, English, Finnish, German, Swedish
- Competitive costs and taxes
 - Labour costs are a third of those in Sweden or Finland
 - Monthly average wages in 2009 was Euros 780
 - Monthly office rents in Tallinn: Euros 6.5 to 14 per m²
 - Cheapest electricity in Europe
 - Simple, flat rate tax system
 - 0% tax on re-invested profits

Summary – Why Estonia?

- Cutting edge ICT infrastructure and Deployment
 - 100% broadband connection at 100 Mbit/s by 2015
 - More than 86% of companies are broadband connected (highest in CEE)
 - NATO Cooperative Cyber Defence COE is located in Tallinn
 - Ranked 9th in the world for e-security
- Strategic location and global vision
 - Baltic and Nordic connections by air and sea
 - Proximity to Russia by rail, road, air and sea
 - Exports represent 78% of Estonia's GDP
- Easy to do business
 - Ranked as the easiest place to do business in CEE
 - ... and the easiest place to pay taxes in CEE
 - ... and as one of the easiest places to start a business in CEE

THANK YOU!

