

1/2007



Growth or recession p. 19



The details make the difference p. 25



Taxes p. 14



focus on legalities p. 6

fOCUS



Bridging East and West

Right in the midst of the business

ABB AS **ACG-NYSTRÖM EESTI OÜ** **AD VISIBLE OÜ** **ADVOKAADIBÜROO LUIGA MODY HÄÄL**
BORENIUS **ADVOKAADIBÜROO PAUL VARUL** **ADVOKAADIBÜROO TEDER, GLIKMAN JA**
PARTNERID **ADVOKAADIBÜROO VIRRI OÜ** **AGA EESTI AS** **AIRLINE MANAGEMENT**
(FLYNORDIC) **AIS FURNITURE** **AL ELECTRONICS** **ALD AUTOMOTIVE EESTI AS** **ALLANDO**
TRAILWAYS **ALSTOM ESTONIA AS** **ALDERA HOTELL OÜ/SAVOY BOUTIQUE HOTEL**
ALTENBERG-REVAL AS **ASSA BALT AS** **ASTLANDA HOTELLI AS** **BALTIC COTTAGE AGENCY**
BANCTEC **BARONS HOLDING** **BESQAB PROJEKT JA KINNISVARA OÜ** **BLADHS EESTI AS**
-ITAB **BOOMERANG SUBCONTRACTING OÜ** **CITY AIRLINE** **DHL ESTONIA AS** **DPD EESTI**
AS **EAST PARTNERS** **E-BETOONELEMENT AS** **ELECTROLUX EESTI** **ELEVEN EST OÜ**
EMBASSY OF SWEDEN **ERICSSON EESTI AS** **ERNST & YOUNG BALTIC AS** **ESTNATURE**
OÜ **ESTONIAN GOLF & COUNTRY CLUB** **EVATA BALTIC OÜ** **FARM PLANT EESTI AS**
FLEXENCLOSURE OÜ **FONTES PMP AS** **FORS MW AS** **GOODYEAR DUNLOP TIRES BALTIC**
AS **HANSAPANK AS** **HEDMAN OSBORNE CLARKE LAW OFFICE** **HK INDUSTRIAL OÜ**
HUSQVARNA EESTI **IF EESTI KINDLUSTUS AS** **IMPLEMENT BALTIC OÜ** **INCAP**
ELECTRONICS ESTONIA OÜ **IN BRO & PARTNERS KINDLUSTUSMAAKLER** **INTEREXPRESS**
OÜ **JUS SUECANUM** **KG KNUTSSON** **AS** **KNT MEEDIAD OÜ** **KREENHOLMI**
VALDUSE AS **LASERTOOL OÜ** **LAW** **OFFICE LEPIK & LUHAÄÄR LAWIN**
LEGEND MANAGEMENT AS **LEINONEN OÜ** **LINDORFF EESTI**
AS **LUNA EESTI AS** **MAQS LAW** **FIRM ADVOKAADIBÜROO OÜ**
MANDATOR ESTONIA **MASTER** **YACHT INTERNATIONAL LTD**
MBJ INDUSTRIES **MCM OÜ** **MEDIA MENU INTERNATIONAL AS**
MEDICOVER EST OÜ **MEKANEX** **MASKIN AB** **MERITON HOTELS** **MORE**
REKLAAMIBÜROO OÜ **MPS EESTI OÜ** **NEAR-SHORING OÜ** **NORDEA BANK** **NORDIC**
COUNCIL OF MINISTERS' OFFICE IN ESTONIA **NORDIC LINT OÜ** **NORDKALK EESTI AS**
OFFICE HOTEL **ORIFLAME EESTI OÜ** **OLSTER GRUPP OÜ** **OUTUKUMPU BALTIC OÜ**
PETERSEN & PARTNERS EXECUTIVE SEARCH **POHLA & HALLIMÄGI ADVOKAADI-BÜROO**
PRIMUS EESTI OÜ **PROEKSPERT AS** **PW PARTNERITE AS** **PÖLTSAMAA FELIX** **RAGN-**
SELLS AS **RAPLA PLAST AS** **REVAL HOTEL MANAGEMENT OÜ** **RIMI EESTI OÜ** **RM**
CONSULTING AB & PARTNERS **RÖDL & PARTNER OÜ** **SAPA PROFIILID AS** **SAS** **SAVOY**
BOUTIQUE HOTEL **SCANDITRON AS** **SCANIA EESTI AS** **SCHENKER** **SCHLÖSSLE HOTEL**
SEB EESTI ÜHISPANK **SEGERSTRÖM AUTOMOTIVE OÜ** **SIEVERT EESTI AS** **SIROWA TALLINN**
AS **SLG THOMAS INTERNATIONAL EESTI OÜ** **SORAINEN LAW OFFICES** **SSAB SWEDISH**
STEEL EESTI OÜ **STENSTRÖMS SKJORTFABRIK EESTI OÜ** **STONERIDGE ELECTRONICS AS**
STORA ENSO METS AS **STRAND AS** **SVEBA-DAHLEN OÜ** **SVENSKA HANDELSBANKEN AB**
EESTI **SWECO ARCHITECTS** **SWECON AS** **SWEDISH TOOL OÜ** **SWEDISH TRADE COUNCIL**
SÖDRA EESTI AS **TALLINK GRUPP** **TALLINN HOTELS** **TARKON AS** **TELIA SONERA** **THREE**
SISTERS HOTELL **TIETOENATOR EESTI AS** **TOOTSI TURVAS AS** **V&S EESTI AS**
VARAMIESPALVELU OÜ **VAUXNER WAHLQUIST OÜ** **WENDRE AS** **WIGEN SINDI OÜ** **VIKING**
MOTORS **WINDAK OÜ** **VOGLERS EESTI OÜ** **VOLVO ESTONIA AS** **VÄVARAS OÜ** **ÖRNPLAST**



The Swedish Chamber of Commerce in Estonia



Dear Reader,

Welcome to the first edition of the Swedish Chamber of Commerce in Estonia's (SCCE) own magazine. This publication is meant for our members and people in general, who are interested in business relations in and between Estonia and Sweden. SCCE will apart from publishing this magazine quarterly continue to publish newsletters on our homepage.

The ground for SCCE activities started in the early 1990'ies when Estonia regained its independence and put an end to the Soviet occupation and an end to the Soviet Union as well. We could see a huge interest in Sweden for helping the Estonian people in various ways, because even during the Soviet times the Swedish people felt more for the Estonians than did the Swedish politicians. Politicians are supposed to represent the people but there are always cases where the politicians take a different position than the majority of the people. This is not supposed to happen in a democracy but it does, because no system is perfect.

The Swedish Government in the late 1980's was not able to follow the speed of changes that took place and the Swedish Foreign Minister made statements which did not correspond to the Swedish people's opinion at that time. The Swedish people and the Swedish business showed however that Sweden wanted to build close and long-term friendship and business relations with Estonia.

Sweden is today by far the biggest investor in Estonia, especially in banking with Swedbank, SEB, Nordea and Handelsbanken, together representing more than 90 % of the banking market in Estonia. In

Telecom business we have TeliaSonera, Tele2 and Skype. Skype maybe being the best example of new innovative Scandinavian and Estonian joint business.

Estonia is a young country with a lot of active young people involved in business life and this has brought Estonia to the top in GDP growth worldwide in 2006. The year 2006 was also a very successful year for SCCE. I dear to say that we improved almost everything in 2006. Today we are one of the most active chambers with most members. In 2006 we got around 120 corporate members and we spent more than 250 000 EEK on sponsoring. I would also like to say that a lot of these positive changes would not have been possible without the great work of our rookie ombudskvinna, Kristiina Sikk, who has done a great job during her first year in office.

Enjoy the reading!

Anders Hedman

Chairman
SCCE

Publisher

focus is published by the Swedish Chamber of Commerce in Estonia - SCCE.

Address:

focus
The Swedish Chamber of Commerce in Estonia
Rüütli 9
EE-10130 Tallinn
Estonia

E-mail:

kristiina@swedishchamber.ee
Tel: (+372) 501 9813

Editorial content and articles

SCCE accepts editorial content and articles for the **focus** magazine promoting the commerce and trade between, primarily, Estonia and Sweden. The author of editorial texts and articles published is responsible for the content. SCCE welcomes contributions to the **focus** magazine and reserves the right to refuse publishing of content not being in line with the Statutes of SCCE.

Advertising

The **focus** advertising pricelist is available at www.swedishchamber.ee

Subscriptions

The **focus** magazine is distributed free of charge to the members of the Swedish Chamber of Commerce in Estonia.

Companies not yet being members of the SCCE as well as private individuals can subscribe to **focus**. Please contact Kristiina Sikk: kristiina@swedishchamber.ee for further information.

Printed in the EU by **KNT Meediad OÜ**, Tallinn, Estonia.

All rights reserved.

The Swedish Chamber of Commerce in Estonia

The Swedish Chamber of Commerce in Estonia – SCCE - is a non-profit association registered in Estonia. Since its foundation 1991 the SCCE has grown considerably and today the Chamber unite close to 130 member companies headquartered in Estonia and Sweden.

SCCE is in many ways a mirror of the intensity in Swedish-Estonian commerce and trade. Sweden is by far the biggest foreign direct investor in Estonia and in terms of export and import Swedish-Estonian business is among the top three.

A main task of SCCE is to create an environment for networking and exchange of information. The Chamber act as a meeting place by arranging seminars, business lunches, company visits, hosting business delegations as well as arranging social events for the members.

Special and unique SCCE member benefits also include listing in the SCCE Trade Directory, the opportunity to further market introduction in the Member in HighLight section of the Chambers website as well as taking advantage of a steady flow of Special Offers.

The fee for basic membership in the Swedish Chamber of Commerce in Estonia is EEK 5.900,- per year and EEK 20.000,- per year for Partner- and Sponsor-membership. Membership is only granted to legal entities.

For more information about SCCE, please visit www.swedishchamber.ee.

You are also welcome to take a direct contact with SCCE's Ombudsman Kristiina Sikk:
kristiina@swedishchamber.ee or tel. (+372) 501 9813.

Honorary and Sponsor Members:



EMBASSY OF SWEDEN

EXPORTRÅDET
SWEDISH TRADE COUNCIL 

TeliaSonera

Reval  Hotels
Exciting moments

RAGN  SELLS

ABB



Photo: Kadi Asmer

Sharing the same hopes

My predecessor, President Lennart Meri was looking for an Estonian Nokia, said President Toomas Hendrik Ilves as he addressed more than 150 businessmen at this year's first Business Lunch January 25th.

We have to find a feasible way to get young people to study these „boring and unsexy” subjects as mathematics and engineering. We do have a lot of talented people here who can create Estonian hightech enterprises, but we don't have enough engineers to perform R&D and make the solutions happen.

At the very same time the Swedish astronaut **Christer Fuglesang** addressed students, teachers and specialists of the Royal Institute of Technology and the Swedish National Space Board in Stockholm:



Photo: NASA

- I know that my space journey to the International Space Station in December last year created some publicity and interest in Sweden, said Fuglesang. Personally I do hope that this might serve as a source for inspiration and motivation for more young people to study technologically oriented subjects as well as natural science.

Two men, having come far in their careers, being on two different spots at the same time but sharing the same hopes for the young generation in their respective homecountry.

As he was welcomed by, among others, Sweden's Ambassador to Estonia **Mr Dag Hartelius**, President Ilves looked very comfortable when addressing the impressive number of members from the Swedish, American and British Chambers of Commerce in Estonia and the French – Estonian Business Club.

- Seeing so many businessmen representing foreign investments in Estonia in front of me at the same time, makes me feel certain that Estonia, as a small country, is on the right track, said President Ilves. I would welcome this as the start of a continued dialogue on the responsibilities connected to the economical future of Estonia.

TOOMAS HENDRIK ILVES, President of the Republic of Estonia

Toomas Hendrik Ilves was born in Stockholm, Sweden and grew up in New Jersey, USA.

President Ilves has a BA in psychology from Columbia University and a MA in psychology from Pennsylvania University.

Toomas Hendrik Ilves was Estonia's Ambassador to USA, Canada and Mexico 1993-1996 and he was Estonia's Minister of Foreign Affairs 1996-1998 and 1999-2002.

During 1998 he was the Chairman of the North Atlantic Institute and was a member of the Parliament of the Republic of Estonia 2002-2004.

He was a member of the European Parliament 2004-2006 before being elected as the President of the Republic of Estonia 2006.

Rödl & Partner

Auditing

Accounting

Tax Consulting

Legal Consulting



The gateway
to national and
international
expertise

- To maintain Estonia's success story we need to lower the inflation, continued President Ilves. Adapting the Euro is a major goal for us but, as per today we simply don't meet with the Maastricht inflation criterion.

- Several countries have experienced economical booms before us, said President Ilves. The Italians actually named it il boom, and we all know about the impressive German economical growth. And we in Estonia have lessons to learn from other countries having experienced similar success stories. We have to realize and be prepared for the day when the economical growth will slow down and the overheated sectors will become cooler.

President Ilves was happy to take an active part in the traditional Business Lunch Q&A session. Many straightforward questions were put to him and several focused on the current Estonian lack of labour problem.

- Foreign labour should come from Europe and from countries with a culture similar to Estonia, said President Ilves. The Estonian salary levels are going up quickly now. But, if we can manage to keep our cost levels down, we will have no problem in the future to get foreign labour from, for example Sweden or Finland.

Text: Megazine – Tallinn

Financial Services

Rödl & Partner OÜ
Rödl & Partner Audit OÜ
Roosikrantsi 2
EE-10119 Tallinn
Estonia
Tel: (+372) 6 805 620
Fax: (+372) 6 805 621
e-mail: tallinn@roedl.ee

www.roedl.ee

Legal Services

Alvin, Rödl & Partner
Advokaadibüroo OÜ
Roosikrantsi 2
EE-10119 Tallinn
Estonia
Tel: (+372) 6 110 810
Fax: (+372) 6 110 811
e-mail: alvinab@roedl.ee

www.alvinab.ee



New members in the SCCE Council and updated Statutes

The SCCE Council 2007: Tiina Reijonen – Reval Hotel Olümpia, Anders Hedman, SCCE Chairman – Sirowa Tallinn AS, Ulrica Fors – Fors MW AS, Anders Näslund – Boomerang Subcontracting OÜ, Reidi Strandberg – Rödl & Partner, Karolina Ullman – MAQS Law Firm, Per Lindberg – Stoneridge Electronics AS, Kaie Kuum – Swedish Trade Council, Johan Aschan – Radisson SAS Hotel and (in a separate picture) Kurt Söderström – AIS OÜ.

As the Swedish Chamber of Commerce in Estonia – SCCE - met for the annual General Assembly February 8th, updated Statutes were approved and new members to the SCCE Council were elected.

Being one of the pioneers among the Chambers of Commerce in Estonia, many years have passed by now since the SCCE was founded 1991. The former Statutes were in need of an update and Karolina Ullman – member of the SCCE Council and a lawyer with MAQS Law Firm in Tallinn – introduced the new Statutes before they were duly approved by the the General Assembly.

Reidi Strandberg – also a member of the SCCE Council and manager of Rödl & Partner’s Financial Services in Estonia presented the SCCE Financial Report 2006.

Petra Zackrisson – Swedish Trade Council, **Mats Hedström** – SEB Ühispank and **Alar Schönberg** – Jus Suecanum had reported that they could not join the Council 2007 and they were all duly thanked by the General Assembly for their contributions to the SCCE.

A new SCCE Council was elected for 2007 and the General Assembly welcomed four new members to the Council: **Tiina Reijonen** – Reval Hotel Olümpia, **Kaie Kuum** – Swedish Trade Council, **Johan Aschan** – Radisson SAS Hotel and **Kurt Söderström** – AIS OÜ.

Anders Hedman, SCCE’s Chairman conducted the proceedings of the General Assembly and **Kristiina Sikk**, SCCE’s Ombudsman presented the Annual Report 2006 and introduced the SCCE plans for 2007.

The Annual Report, the new Statutes and the Calendar on upcoming events 2007 are all available at SCCE’s website: www.swedishchamber.ee

Text: Kristiina Sikk, SCCE

The Swedish Chamber of Commerce in Estonia

The Swedish Chamber of Commerce in Estonia – SCCE – is a non-profit association registered in Estonia

Legal entities and self-employed entrepreneurs are accepted as members of the SCCE

The General Assembly is the supreme governing body of the SCCE

The Council of the SCCE is elected by the General Assembly for one year

SCCE has one member of the management board (manager) called Ombudsman. The Ombudsman is accountable to the Council

The 2007 fee for basic membership in SCCE is EEK 5.900.- and EEK 20.000.- for partner- and sponsor membership

Contacts:
Kristiina Sikk, SCCE Ombudsman.
Tel: (+372) 501 9813.
E-mail: kristiina@swedishchamber.ee

Website:
www.swedishchamber.ee



SCCE's Ombudsman:
Kristiina Sikk



Karolina Ullman
Partner MAQS Law Firm
Member of the Swedish and
Estonian Bar Associations

Dear reader,

In this and the following 3 issues of the SCCE Magazine focus, I will try to write something interesting for you in the field of law. For the future, if you want me to focus on any particular question, please send your request to SCCE’s Ombudsman Kristiina Sikk at: kristiina@swedishchamber.ee and she will gather them and forward to me.

As this is the first issue, I have decided to focus on the differences between Boards in Swedish and Estonian Limited Companies, as I think this is something that should be an everyday issue for many of the SCCE members.

Swedish limited companies

In Sweden, there is only one type of limited company, called Aktiebolag or AB. If the company in question is listed, there is a "(publ.)" included in the company name as well. The shareholders of an AB elect the company’s board (Sw: styrelse) at a general meeting. The board consists of at least one member and one substitute. In addition to the board, many companies also have a general manager (Sw: "verkställande direktör" or "VD").

The signatory powers in a Swedish AB belong to the board in full, if not registered differently in the Swedish Company Register. If the company has a general manager, he or she can only sign for day-to-day business activities but has no full signatory powers. Many Swedes wrongfully believes that a general manager can always sign for the company, but this is not correct. This right belongs to the board. Extracts from the Swedish Company Register (Bolagsverket) where you can see who has the signatory powers in a certain company can be issued in English.

Estonian limited companies

Then, let’s cross the boarder to Estonia. In Estonia we have two types of limited companies; the Aktsiaselts or AS and the Osahing or OÜ. Only an Aktsiaselts can be a listed company. The shareholders of an Estonian limited company elect a

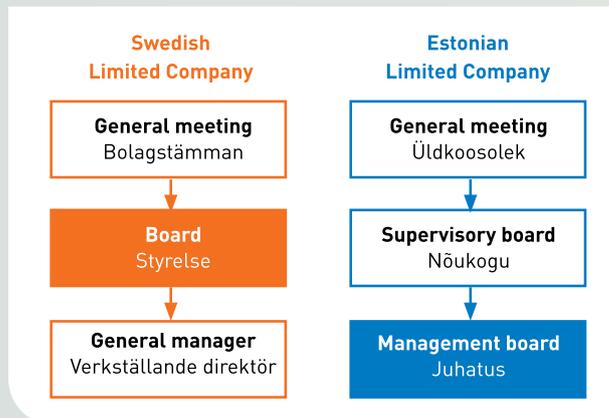
supervisory board (Est: "nõukogu") at the general meeting. There are no substitutes elected. The supervisory board then elects a management board (Est: "juhatus") with one or more members.

The signatory powers in an Estonian limited company lie only with the management board. Each member of the management board can individually sign for the company, if not differently registered with the Estonian Commercial Register. However, internally within the company, before signing anything that goes beyond the company’s day-to-day business activities, the supervisory board must make a decision to allow the management board to enter into a certain transaction. Such a decision will be an internal document. As a third party you can always trust that the management board can sign.

In addition to the above, in an Osahing, the company may be organized in a way so that the two boards are merged into one under the name "juhatus" / management board. Extracts made electronically from the Estonian Commercial Register can be issued in English.

What are the problems arising from the above?

In my practice, I often meet Estonians who does not understand why the general manager cannot sign for a Swedish company as they see a parallel with the Estonian management board. And who cannot understand the concept of the Swedish board, as a general manager may be a member of the board as well, under Swedish law.



A more common problem is, however, that Swedes take it for granted that an Estonian company is organized like a Swedish one. They get very confused when they realise that there may be two boards in one company and several general managers (as they see it).

What are the risks involved? Obviously the greatest risk is that you will end up with a contract not signed by a person who has the right to sign whereby the contract may not be binding. And that you and your counterparty in negotiations will not understand each other and perhaps end up in lengthy discussions over issues that you cannot change as they derive from legislation.

In addition to the above, when Swedes and Estonians do business together they usually use the English language. As they speak English, they need to use the English legal vocabulary which reflects the English legal system (the common law system). This system differs very much from the Swedish and Estonian systems that are both German law influenced. So by using English, things may get even more confused.

Summary

As a summary I would like to give you the following short advice. Keep in mind that each state has its own legal system, legal acts and practices. Even though there are many similarities between Swedish and Estonian law, there are also many differences.

If not otherwise registered, it is the board who has full signatory powers in a Swedish limited company and in an Estonian limited company, one management board member is sufficient.

Karolina Ullman

Karolina holds a Master of Laws from Stockholm University from 1998. She did her Swedish court practise 1999-2001 in Bollnäs District Court.

In 2001 she joined MAQS Law Firm's Stockholm office as an associate, assisting MAQS Law Firm's clients with an interest in Estonia.

Since 2002 she has worked part time in Estonia and as from 2004 full time. In October 2005, MAQS Law Firm opened its full service law firm in Estonia where Karolina is one of five partners.

Karolina speaks Swedish, Estonian and English. She is a member of the Swedish Bar Association and an associated member of the Estonian Bar Association.

MAQS Law Firm is a dynamic full service law firm within business law with offices in Stockholm, Gothenburg, Malmö, Copenhagen, Warsaw and Tallinn.

LEGAL NEWS

New legislation concerning homepages on the Internet

As from the 1 January 2007, it is mandatory for all companies as well as for Estonian branches of foreign companies in Estonia, to publish their registered company name, address and the Commercial Register number on their Internet homepages. This requirement is also mandatory for other stationary used by the company or branch.

These changes were entered into the Estonian Commercial Code (Est: Äriseadustik) § 15 subsection 2.

Possibility to establish a company in only two hours

Starting from the 1 of January 2007, it is now possible to establish an Estonian private limited company (Est: Osäühing) within a couple of hours only.

The new rules can be used only for simpler establishments where there is only monetary contribution and the articles of association follow a certain template. All documents to be sent to the Commercial Register can be submitted through the internet using the Estonian ID card for identification purposes. All the persons related to the new company such as owners, board members etc need to be registered in the Estonian registers. This criterion however rules out the possibility for foreign companies and all persons without an Estonian ID card to use these new rules.

With the new rules, however, the process to establish a company is cut from approximately 10 days to, if everything will work as smoothly as predicted, only 2 hours.

(If any of the SCCE members have tried – and succeeded (?) to establish a company under the new rules, please share your experience with the rest of us by contacting Kristiina Sikk at: kristiina@swedishchamber.ee.)

Right to receive Estonian state pension

The board of SCCE has on the initiative of SCCE members, sent a letter to the Estonian Sotsiaalkindlustusamet (Social Insurance Authority) asking questions about the rights for Swedish citizens (EU citizens) who has worked from 1 to 15 years in Estonia, to receive Estonian state pension for the years worked in Estonia. As the right to receive state pension is linked to the possibilities to enter into different types of pension insurance policies and other insurance policies under Estonian law, we find this issue important.

Under EU law, all EU member states shall allow EU citizens the same rights to social security as their own citizens/residents. So far, it seems like Estonian legislation is in contradiction to the EU law.

We will get back to this issue as soon as we have any news from the Sotsiaalkindlustusamet.

Karolina Ullman

From Assistance to Partnership – the Swedish Embassy in Tallinn

After the establishment of the Republic of Estonia in 1918 Sweden recognized Estonia in 1921 and opened a mission in Kentmanni 20.

When it was obvious that the Soviet occupation was coming to an end and it was getting possible to travel and launch cooperation projects a branch office of the Swedish Consulate General in Leningrad was opened in Tallinn in December 1989, and in August 1991 the status of this office was changed. As the first foreign country Sweden re/opened its Embassy after 51 years. Three years later we moved into the beautiful von Rosen palace in Pikk 28 which had then been thoroughly refurbished after having functioned as a Soviet train engineer school.

In some ways the work and priorities of the Swedish Embassy in Tallinn reflects the development in Estonia. Over the last years the focus of the Embassy has shifted almost as much as Estonia has changed since regaining independence. Then, in 1991, a large part of the work consisted in issuing visas to Estonians who wanted to travel to Sweden; the queues in front of the office at Endla 4 and later Pikk 28 were sometimes almost endless. Another major task of the Embassy was to channel Swedish assistance to the Estonian reform processes. Almost overnight Estonia had become one of the key target countries of Swedish overseas assistance.

All parts of Swedish society was involved in hundreds of assistance projects and the Embassy played an important role as focal and contact point and as an advisor to both Estonian and Swedish partners. And under the leadership of the outgoing and enthusiastic Ambassador Lars Grundberg it became a valuable meeting place in Tallinn.

When Estonia reached its prime goal after the end of occupation, the accession to the European Union and NATO in 2004, this also marked a crucial shift for the Embassy. Assistance projects were being phased out and instead much attention has since been given to finding areas of partnership between Sweden and Estonia as equal partners in the EU.

Today it is beyond any doubt that Sweden and Estonia see eye to eye on many issues on the European agenda – our view on the world is actually quite similar. We are free traders, we want the EU to work harder for deregulation and modernization, for

enhanced research and development and both of us believe in a Europe which is open to the world and to new European members.

But membership in the EU and becoming part of the internal market also meant that other EU member states started to discover Estonia and to compete with Sweden and Finland on the Estonian market.

This, in turn, is both a challenge and an opportunity for all of those involved in promoting trade and investments between Estonia and

Sweden – the Embassy, the Swedish Trade Council and the Swedish-Estonian Chamber of Commerce but also Estonian partners like Enterprise Estonia. Sweden promotion is today one of the key areas of operation for the Embassy.

It is important here to stress the involvement of Estonian partners. If we want to be successful we need to work together. It may sound a bit strange at first sight but if we want, for instance, to increase Swedish exports to Estonia we also need to promote Estonia in Sweden in order to convince Swedish SME's about the opportunities in Estonia.

Sweden is by far the biggest foreign investor in Estonia with about 53% of FDI Stock, followed by Finland with about 20%. This means that we are closely tied together – actually our three countries – and we are dependent on each others successes in the future. Hopefully we will also be able to think and plan in a broader perspective in the future in order to be strong and competitive together.

Encouraging in the Swedish-Estonian context is the rapid development of tourism and business travel. Incoming Swedish tourism to Estonia has increased by approximately 30% annually over the last years and Estonian tourism to Sweden outside Stockholm seems to be gaining speed. Not only is this important for the travel business, it also plays a key role in improving knowledge and understanding and thus



- 2003-
Ambassador of the Kingdom of Sweden to the Republic of Estonia
- 1999-2003
Director, Deputy Head of Department for Central and Eastern Europe, Swedish Ministry for Foreign Affairs
- 1997-1999
Vice President for European Security, EastWest Institute, New York
- 1994-1997
Political Counsellor, Embassy of Sweden, London
- 1991-1994
Deputy Director, Department for Central and Eastern Europe, MFA
- 1989-1991
First Secretary, Embassy of Sweden, Berlin
- 1987-1989
First Secretary, Embassy of Sweden, Moscow
- 1986-1987
Consul, Consulate General of Sweden, St. Petersburg
- 1985-1986
Desk Officer, MFA
- 1982-1985
Senior Analyst, Swedish Defence Staff



**Ambassador
Dag Hartelius**

Photo: Pawel Flato

strengthening the platform for business and other forms of cooperation. To those Swedes who hesitate to do business in Estonia because of an alleged high crime rate, we can successfully use the argument that despite a strong growth of incoming Swedish visitors to Estonia the (already very low) number of incidents involving Swedes continues to be reduced. The incidents happening to Swedish visitors are usually limited to someone losing a passport or a wallet. From Swedes living and working in Estonia we hear of no problems. It is simply a good country to work in for a Swede.

Naturally the bilateral cooperation between the two governments has been intensifying over the last 2-3 years following the EU accession. Our relations on all levels are excellent and in some areas developing into a true partnership. It is by the way quite possible that there will be Estonian diplomats serving in Swedish missions and vice versa in a not too distant future. And Swedish and Estonian military units will operate together in the EU Nordic Battle Group which will stand ready in 2008 – also including forces from Finland, Norway and Ireland.

The limit for Swedish-Estonian cooperation is in our minds and our imagination. This means that if we manage to generate new, joint and creative ideas, if we manage to think around the corner together, there is a lot of opportunities still to be developed.

Dag Hartelius
Ambassador of Sweden to Estonia

Rödl & Partner

The gateway
to national and
international
expertise

In today's internationalized business environment local market expertise in accounting, auditing, tax consulting and legal consulting is not enough. Rödl & Partner opens the doors both to the national and international market-places with close to 2500 experts employed in 30 countries around the world.

Personal Service

You always cooperate with one and the same person at Rödl & Partner.

Full service

Being entrepreneurs ourselves, we fully understand our customers need to focus on their business core values.

Rödl & Partner is a one-stop service organization:

Auditing

Accounting

Tax Consulting

Legal Consulting

Global service

Rödl & Partner has daughter companies on all important markets around the world. We communicate in Estonian, English, German, Swedish and Russian.

Financial Services

Rödl & Partner OÜ
Rödl & Partner Audit OÜ
Roosikrantsi 2
EE-10119 Tallinn
Estonia
Tel: (+372) 6 805 620
Fax: (+372) 6 805 621
e-mail: tallinn@roedl.ee
www.roedl.ee

Legal Services

Alvin, Rödl & Partner
Advokaadibüroo OÜ
Roosikrantsi 2
EE-10119 Tallinn
Estonia
Tel: (+372) 6 110 810
Fax: (+372) 6 110 811
e-mail: alvinab@roedl.ee
www.alvinab.ee

Estonia – Bridging East and West

Still some years ago Estonia was regarded as a low cost country, where work from Western Europe could be transferred for cost savings. While this image is still partly true, the rising costs and a lack of free labour force have meant that there is an increasing need for redefining the country's role internationally. Luckily Estonia is rapidly finding this new role, and is now re-emerging as a bridge between East and West.

Estonia has a unique position and heritage in Northern Eastern Europe. By combining a well educated population with a large Russian speaking minority and an increasingly Western lifestyle and level of living, the small country is rapidly becoming the most interesting location for many businesses, regardless of the rising cost.

At East Partners the most common question we hear after our company presentation is why we are located in Estonia. The logic behind the questions is roughly that surely it could be wiser for our multinational investment company both branding and customer-intimacy-wise to be located in e.g. Stockholm or Helsinki. As even

many of the company's owner-partners are non-Estonians, the logic of having the company headquartered in Estonia is sometimes lost.

Our answer to this question is typically going through Estonia's and Tallinn's strengths as a good location for business. First, Estonia has an attractive geographical location close to both the Nordic markets and e.g. the big Russian metropolis. Second, the availability of highly skilled, Russian speaking labour is much higher than anywhere in the Western world. Third, and perhaps most importantly, Estonians have a cultural heritage which helps them deal with businesses and people from other former Soviet countries. Already for decades, Estonia has in this old Soviet block been regarded as something between two worlds: it has been a part of the Soviet Union, but even then a distinctly European part. Even now, as a part of EU and NATO, the old "Soviet-cousins" are regarding Estonia as one of their own.

While large post-Soviet countries like Russia, Ukraine and e.g. Kazakhstan continue to draw the attention of business leaders and investments also in the future, Estonia will not loose from this. The opposite is in fact true. The vision for Estonia is to be a kind of Hong-Kong of Eastern Europe; a unique bridge between East and West, a country with highly skilled professionals and an attractive business climate for businesses of all sorts. So far so good.

Martin Seppälä

The writer has a Ph.D.(Econ.) in strategic management and is a partner at East Partners, Estonia
martin.seppala@eastpartners.com



Bridging East and West

Investment Services

Consulting

Mergers & Acquisitions



INSIGHT | FIRSTHAND EXPERIENCE | LOCAL PRESENCE





On the top for more than three centuries

The 17th century was restless in Sweden. Wars were fought and the army needed more and better equipment. In 1689 King Karl XI decreed that a small-arms factory should be built at the southern end of Lake Vättern in Sweden. Thus Huskvarna became the town that supplied the royal army with modern small-arms.

The Husqvarna weapon foundry - named after the town - operated for nearly two centuries until 1872 when sewing machines entered the product range. From that year on, most of the factory's capacity was used for peaceful purposes. Sewing machines were followed by mincers followed by bicycles towards the end of that century.

In 1903 motor bikes entered the production line and the first batch was launched only a few weeks before Harley Davidson's. Motorbikes, bicycles and several household products remained the basic items of the factory for nearly half of the last century. Lawn movers were manufactured

from 1956 and chainsaws from 1959. Today chainsaws have probably become the synonym of Husqvarna though 67 MC-championships has been won by Husqvarna motorbikes up until 2005.

Husqvarna of today is the world's leading manufacturer of landscaping equipment and the products are mostly developed for commercial and personal use. Effectiveness, user-friendly handling and eco-friendly are basic features giving Husqvarna products their competitive edge on the market.

Husqvarna's wide range of chainsaws includes models for surmounting rain forests to cutting sauna firewood. The latter models are for obvious reasons very popular in Estonia.

Lawn maintenance equipment represents the widest product range of Husqvarna including small garden trimmers for less than 2.500 kroons' up to big lawn movers priced at 250.000 kroons'.

Husqvarna as a company is not only about sales and profit. During the three hundred years the company has developed a clear understanding of its role in the society and as a good citizen Husqvarna contributes to a smoother, easier and better life. The home decoration contest, initiated by President Lennart Meri in 1997, has been supported by Husqvarna for years now as well as the related contest „Estonia's Beautiful

School“ organized by Estonia's Home Decoration Society and the Estonian Teachers' Union. Additionally, Husqvarna in Estonia also has a close cooperation with the Botanical Garden of the University of Tartu and the Estonian Evangelical Lutheran Church.

Husqvarna is convinced of its values and contributing for making Estonia even more beautiful is one of our top priorities.



Husqvarna's four-wheeler easily handles mowing grass on hilly land or a lakeside with wet and slippery grass and shoving snow during winter on frozen and slippery paths.



**UNIQUE DESIGN ENSURES OUR RIDERS
ARE IN A CLASS OF THEIR OWN.**

The Rider is a perfect example of our commitment to developing professional solutions which also benefit the leisure user. Its patented articulated steering wheel and floating cutting deck offer virtually unlimited manoeuvrability allowing you to work

almost anywhere – unbeatable features in areas with limited cutting access. Further complimented by a wide range of accessories such as trailers, moss rakes, brushes and snow blades your Rider can tackle many other jobs, all year round. www.husqvarna.ee

Taxes

How similar is Sweden's taxation system to that of Estonia's?

After achieving re-independence in 1991, Estonia began radically overhauling its Soviet era accountancy and taxation laws. Instrumental in this process, from 1992 to 1996, were two employees of the U.S. Treasury Department that were funded by the US Government to advise Estonia on reforming its income tax laws. Given that Sweden's complex accounting law and taxation system underwent major, uninterrupted development throughout the 20th century, one would not expect these two systems to have remarkable similarities. Conceptually the systems are different, but in terms of the actual payment of taxes, they are very similar.

The following is a general comparison between tax rates, tax filings and the every day workings of the Swedish and Estonian tax systems. It is not a comparison of the policy decisions or broader public issues behind various taxation structures or rates.

Corporate Tax

Sweden

In Sweden, all companies are required to file an annual corporate tax return and corporate tax rate is at present 28%. The corporate tax is paid monthly during the fiscal year, based on a previously filed preliminary declaration or the actual assessed tax amount for the preceding year. Differences are settled during the year following the fiscal year. It is not expected that this corporate tax rate will change during the course of the coming years.

Skatteverket

Maksu- ja Tolliamet



Special reserves

Swedish tax law allows Swedish companies to set aside up to 25% of profit before tax to a special tax allocation reserve. These reserves have to be taxed within 6 years of being made.

In addition to an annual corporate tax return, a signed copy of the audited and approved annual financial statements is required to be filed annually with the Swedish Commercial Registry („Bolagsverket”) not later than six months after the end of the financial year.

It should also be noted that Sweden's general VAT rate is 25%.

Reduced rates are applied on food stuffs and lodging at 12% and 6% on newspapers, concerts, books, transport etc.

Estonia

One of the main, if not the main selling point of Estonia's tax system, is that Estonia has legislated that if no dividends are paid by an Estonian company, then that company does not have to pay traditional corporate taxes on profits until 2009. Although this topic will be

dealt with in detail in the next issue of focus, it is very likely that throughout the year a company must still pay taxes on representation expenses, fringe benefits and gifts. All of the above mentioned applies equally to private limited liability companies („Osaühing”) or public limited liability companies („Aktiaselts”). In other words, Estonian companies do not have to make a corporate tax filing annually, the way that

www.tallinnhotels.ee

nära till hjärtat...

Swedish companies must file a corporate tax return on 2 May after the end of the fiscal year.

All that Estonian companies are required to do, six months after their financial year end, is to submit an annual report to the Estonian Commercial Registry („Äriregister”), where all companies of whatever type are registered in Estonia. These annual reports are public information. In other words, at this time, an Estonian company is not required to make an annual filing with the Estonian tax authorities.

How will Estonian companies be taxed after 1 January, 2009?

The real answer is that no one knows with any degree of certainty. The out-going Estonian Government has declared that it will not decide the issue and that the new Government that comes into power after the March, 2007 elections must decide the issue. In other words, domestic shareholders and foreign investors have little certainty about what will occur after 1 January, 2009. However, numerous parties have declared that they expect a corporate tax to be created, but it is in everyone's interest that this corporate tax be kept „low”. „Low,” is a relative term, but percentages for corporate tax that has been discussed by politicians has included 15%, 10% or 5%. It should be added that the general VAT rate is 18%.

Dividends

The following sets out the general rules on how the respective Swedish and Estonian tax systems treat dividends. If treatment of dividends is an important consideration, then one should always obtain professional advice that is based on the specific facts of one's case. How Sweden and Estonia handle dividends is quite different.

Sweden

In Sweden, a company must first pay corporate taxes on its profit and only after that can it declare dividends from the remaining income or profits. When a company then pays dividends to a resident natural person (i.e. an individual), then it must withhold taxes of 30 % from the amount of the dividend being paid to an individual.

Companies with up to 10 shareholders do not have to withhold tax on dividends. Instead, dividends from these companies are taxed differently at the individual level. Dividends, up to a certain fraction of the paid in capital by each shareholder, are taxed at a rate of 30%. Any remaining part of the dividend is taxed as salary at about 56% and is subject to social taxes. In other words, the company is taxed on profits before dividends are declared, and then the individual receiving the dividends must pay taxes on the dividends that he or she receives.

If a Swedish company pays dividends to another Swedish company, which is part of the same group or an associated company, then the dividend is tax-free for the receiving company. Details will be dealt with in a future issue of FOCUS.

Estonia

Until 1 January, 2009, if a company does not pay dividends, then no corporate tax is payable. Sometimes a misnomer is applied, and it is stated that the profits need to be reinvested for no corporate tax to apply. This is not accurate. If the „profit” is simply left in the company's bank account, and not used to purchase assets of some kind, no corporate tax on profits will be applied.

If however, a dividend is declared, then it is interesting to note what happens. The company that declares the dividend must pay a tax on the dividend that is paid (regardless of whether it is to an individual or to another company). This dividend is then taxed at the rate of 22/78 (in 2007) or approximately 28.2%. This is considered to be the corporate tax on the dividend.

It is interesting to note that the individual who receives this payment does NOT pay a tax on the amount of the dividend that he or she receives. In other words, the flow through of profits from the company are not taxed a second time when an individual receives them.

In the next issue of focus

The comparison between Swedish and Estonian tax systems will continue. The difference between how a „company car” is taxed in Sweden vs. Estonia will be explored and the differences between how the two tax systems handle business expenses, representation expenses, fringe benefits and deductions will be examined. Also, the differences in accounting systems will be analyzed. If this is of interest, please be sure to read the next issue of focus!

If an Estonian parent company receives a dividend payment from an Estonian subsidiary, then the parent company is not required to pay a dividend tax, assuming it pays a dividend equal in size to the received dividend from the subsidiary, when it pays a dividend to an individual. This applies if the company that wishes to pay a dividend to an individual owns more than 15% of the shares of the associated company.

If however, the company paying the dividend to an individual holds less than a 15% minority interest in the associated company that first paid the dividend, then when the second dividend payment is made to an individual, that second company must again pay the dividend tax.

In how it taxes dividends, Estonia does not distinguish between if the individual receiving the dividend is a tax resident of Estonia or if he or she is a non-resident of Estonia. The dividend, whether it goes to a resident or non-resident, is taxed at 22/78% in 2007 and it is the Estonian company paying the dividend that must pay the tax. This short article does not address the question of whether the Swedish tax authorities will also seek to tax the Swedish resident who has received a dividend from an Estonian company and how does the Swedish-Estonia Avoidance of Double Taxation Treaty deal with this issue.

Various tax filings

For the regular tax including payroll tax and VAT tax payments that every company must make to the Government, the various filings for payment of taxes are surprisingly similar between Sweden and Estonia.

Sweden

Swedish companies are required to file a tax and payroll tax application („Skatte- och avgiftsanmälan-deklaration”) when they start-up operations. Subsequently they have to present monthly returns (“Deklaration”) of taxes and social taxes concerning the previous month and make corresponding payments on the 12th day of each month (17th in January and August) for companies with an annual subject to VAT turnover of up to SEK 40 million.

Companies with higher turnover are allowed to file their returns and make corresponding payments on the 26th of each month. In broad terms, the mandatory social taxes that an employer must pay on an employee’s salary are about 40% for blue collar employees and about 48% for white collar employees. Also on the 12th of every month (17th in January and August), the VAT application is required to be made by a Swedish company with turnover in excess of SEK 1 million/year. VAT must be paid no later than the day the company is required to submit the declaration and is for the second month after the VAT return period (e.g. November VAT is paid in the following year’s January). In Swedish, the VAT filing is known as the „Mervärde skattedeklaration”.

Estonia

In Estonia the key date for tax (meaning for representation expense taxes or fringe benefit taxes) and payroll tax applications is the 10th of each month. The document that is filed is known by the initials TSD.

By this date, an Estonian company must file its social and related taxes declaration and make the relevant payments to the Estonian Tax and Customs Board. However, the period it applies to is the previous month. In general terms, the total of social taxes that are payable by employers on salaries of employees is 33.3%

For VAT, the key filings date is the 20th of the month, and by that date, an Estonian company must have filed its VAT declaration with the Estonian tax authorities and paid any VAT, if owing, to the Estonian tax authorities. The period for which it applies is the previous month that has just ended. The document that is filed is known by the initials KMD.

Personal income tax rates

Sweden

In Sweden 2007, the personal income tax rate varies between about 32 % and about 57 %, depending on the amount of income an individual earns.

Sweden has also a net wealth tax at a rate of 1.5% on net assets in excess of SEK 1.5 million for single people and SEK 3.0 million (jointly) for spouses.

Estonia

For individuals resident in Estonia, in 2007, the personal income tax rate is 22% regardless of the amount of money earned. In 2006, the personal income tax rate was 23%. Presently, the law states that this tax rate is to decrease to 21% in 2008 and to 20% in 2009.

Hillar A. Lauri

2004 -
Near-Shoring OÜ, Tallinn, Estonia
Founder and Managing Director

2002 - 2004
NA Power LLC,
Director of Business Development

1996 - 2002
NRG Energy, Inc. (HQ in USA), Tallinn,
Estonia
Executive Director Business
Development, Nordic Region

1993 - 1995
The World Bank (HQ in Washington,
D.C.), Tallinn, Estonia
Manager of Branch Office, Estonia

1992
Ministry of Finance, Government of
Estonia, Tallinn, Estonia
Legal Advisor (western trained lawyers
were not to be found in Estonia)

1990 - 1991
The Mortgage Insurance Company of
Canada, Toronto, Canada
Solicitor

1988 - 1989
Fitzsimmons & MacFarlane (Barristers
and Solicitors), Toronto, Canada

Associate Lawyer

Languages
English: Native language
Estonian: Fluent
French: Fair
Russian: Marginal

Summary

For a Swedish citizen coming to Estonia to do business, there are many advantages. The basic system how business taxes are paid is very similar to Sweden. Only the rates of taxation in Estonia are lower.

VAT rates are lower in Estonia, company profits are not taxed in Estonia and dividends are given more favourable treatment.

Rates of taxation are not the only factors to take into account when deciding where to establish a company. Many other factors need to be analyzed as well. But this summary hopefully gives a clear picture of the differences in taxation rates. More differences in the two systems will be highlighted in the coming issues of focus.

Hillar A. Lauri
Near-Shoring OÜ



Real Estate Market

Tallinn and its close surroundings

Sceptics have long predicted a blow-up of the real estate bubble. Naturally no rise can continue without an end, thus also the rise of real estate prices.

However, specialists directly related to the field do not see any reason for any panic. In the last two years great changes have taken place on our real estate market. The apartment market reached a sharp price increase during the last two years. The current situation however, is favourable mainly for purchasers. The range of objects in the apartment market is broad and this fact has stabilised the prices. Prices of older apartments have decreased, prices of apartments for after-sale will probably not increase in the near future. The only possibility for price increases on the apartment market is limited to new built apartments with a good location. The main reason for the price increases in this field is the increased costs for construction works and materials.

have become popular. In the close surroundings of Tallinn there is an increasing interest for areas with good infrastructure and city-like communications located up to 30 km from the city. A very good example is the residential district Rootsiküla at Peetriküla; privacy, closeness to the city with good and fast access to the city (see www.ober-haus.ee/rootsikula).

There is a constant demand for residential lots. Pending location the prices are varying and a decrease of prices cannot be foreseen in the most appreciated areas. In newly developed areas a stabilisation of prices can be expected, but not any decrease. The reasons behind the increase of construction prices are the increase in number of new buildings and a resulting increase of prices for materials, delivery times and a lack of qualified construction labour.

The future adaption of the Euro will probably not create a strong additional inflow of real estate investors. Many foreign investors have already purchased their real estate here and those who still want to buy will do it for Kroons.



Naturally the house market also reacted to the changes in the apartment market. The demand for private houses is continuously high mainly due to a demand for privacy among the Estonian buyers. In the most appreciated living districts of Tallinn there are few sales offers and prices are often unreasonably high. In connection with the high price level of city buildings, private houses in residential areas close to the city

Thus there is no reason to postpone real estate sales. For real estate developers we recommend an adaptation of the desired profit to the current situation or to remain patient. For real estate investors we recommend a thorough calculation of their payment capability and an equally thorough study of the various objects being available.

More information:
www.ober-haus.ee
Market Reports

Office spaces, Tallinn (2006 -2007)

In recent years the development of new office spaces in Tallinn and its suburbs has been rather restricted and in connection with that, offers on contemporary office and retail space has decreased.

At the same time the demand has increased year by year due to the rapid economical growth, bringing the level of vacancy in the centre and Old Town practically close to zero. The newly constructed buildings have mostly found tenants before the completion of the

Office spaces, Tallinn (2006 -2007)

► building and in spite of several new and larger projects, the market offers have not grown faster than demand.

Expansion of existing and new companies, both local and foreign owned, is the main factor behind the big demand for office space. The demand has increased remarkably for high-quality spaces in new office buildings, but also for larger office spaces with areas from 500m² and more.

The increased price levels for land located in the city and increased costs for construction works have not yet been reflected in office rental costs. Buildings, where construction started some years ago, are now completed or under completion and rental agreements have already been concluded.

The new Class A buildings in the centre will be completed within one or two years from now and bookings for space are already ongoing. Finding a suitable office space takes a lot of time and it is absolutely normal here that a rental agreement is concluded up to one year before completion of the space.

Demand is so high that there are queues – if some space becomes vacant, there is always someone waiting for it. In addition to local demand, the sector of business real estate is influenced by an ever increasing number of foreign companies or their affiliates – especially noticeable in Tallinn after Estonia's membership in the European Union. We can expect some increases of the rental price levels in the years to come and vacancies will remain on more or less the current level.

The vacancy trend of office space in the suburbs is similar to that of the centre – vacancies will remain on the current level, pending location and local logistics. When comparing office rental costs between Tallinn and capitals of other neighbouring countries, a continuous potential for a slight rise can be noticed in Tallinn. An increased amount of construction works for more office space have now been started up and develops for sale as well.

Katrin Klein-Näppi
Ober-Haus Real Estate Company

Real Estate Booming in Estonia – contractual and tax aspects

Real estate continues to boom in Estonia irrespective of critics forecasting the burst of the bubble. However, prior to concluding the contract for the purchase of real estate, it is useful to take notice of more aspects than just the appearance and the price of the estate in question.

It is fairly common that prior to the actual purchase of the real estate a preliminary agreement is concluded, setting out the major conditions of the future purchase and concluded in written form, but not certified by the notary public.

Such preliminary agreement often creates a false sense of security to the buyer that the seller is thereby obliged to transfer the ownership of the estate for the purchase price agreed. In fact, such preliminary contracts are legally invalid and do not bind the parties due to failure in form as both the preliminary contract and the actual purchase agreement of the real estate must be certified by the notary.



Vaido Põldoja

Kristina Vind

Therefore, after the conclusion of the preliminary contract but prior to the actual purchase the seller can often pressure the buyer to agree on an increased purchase price or refuse from selling the estate at all – the buyer in that case is merely left with the right to claim damages in the amount equal to the difference between the agreed purchase price in the preliminary contract and the market value of the real estate.

Another aspect that is often overlooked when purchasing real estate is the detailed planning. There might be significant restrictions arising from the planning regarding the options to build on the real estate which may affect the value of the estate to the buyer. Because of that, it is useful to make an enquiry to the local government's planning faculty prior to concluding the purchase agreement.

A factor sometimes left aside is taxation. Both VAT and income tax can become remarkable liabilities if not considered enough beforehand. For instance, when an undertaking sells real estate before its first use, even one transaction causes the obligation to become registered as a taxable person and that very transaction is taxable with VAT. Besides VAT, income tax is of course important as well. Wise application of double taxation treaties can contribute to tax savings that make an investment a lot more lucrative. However, the Estonian Tax Board is famous for rigorous application of the substance-over-form principle and every investment scheme needs thorough analysis in order to minimize tax risks.

Summing it up, real estate still does offer many opportunities but the devil can lie in the detail and it is strongly advisable to go through all the issues that could have an impact on a particular real estate project.

Kristina Vind and Vaido Põldoja are attorneys at Law Office Paul Varul

Growth or recession

The major Estonian political parties were offered a unique possibility to face representatives of the majority in terms of foreign direct investments and international commerce and trade on one spot at the same time, February 20th in Tallinn.



In a joint pre-election invitation to the major Estonian political parties the Swedish, American and British Chambers of Commerce together with the French-Estonian and Holland-Estonian Business Clubs called for a presentation by the parties on their political standpoints in terms of Estonia's economical future as well as taking part in a debate on the same theme.

Hosted by Tallinn's Reval Hotel Olümpia, the seminar was effectively moderated by **Yrjö Ojasaar** – Luiga Mody Haal

Borenius. Yrjö started up by welcoming **Rein Lang** – Reformierakond, **Andreas Kaju** – Isamaa ja Respublica Liit, **Marek Strandberg** – Roheline Erakond, **Sven Mikser** – Sotsiaaldemokraatlik Erakond, **Oleg Harlamov** – Keskerakond and **Maris Lauri** – Hansapank Macro Economic Analyst.

Things might go wrong

- 2006 was a very good year in the Estonian economy – the 11,5% growth is all time high, said Maris Lauri in her opening speech. Compared to the external and internal conditions in connection with the Estonian recession 1999, the Russian economy is much more stable. The EU economy is strong. Estonia's economy is stronger, our financial system is more stable, law and business regulations are more organized and our knowledge is higher.

- However, things might very well go wrong, continued Maris Lauri. Estonian based businesses are facing problems in adapting to lack of labour and demands on higher salaries. The companies have to invest in new technology and implement a strict cost control. As costs increase it is a risky option to increase prices since consumption might decrease. Estonia's image abroad should be changed – it is not a low cost labour country, it is a country with a high quality labour force and service level.

- On the political agenda, the Euro adaption has not been given enough priority and social aspects like health care and education are under evaluated, especially considering the

fact that they will start to affect the Estonian economy heavily, concluded Maris Lauri. Estonian businesses have so far been able to adopt an impressive number of changes during the past 15 years – Estonian politics have not.

The politicians opening addresses

The majority of the representatives of the political parties touched upon several common issues along the Estonian political scale in their opening addresses. The ongoing election campaign

was classified as more marketing than politically oriented. Current issues like lack of labour, the delay in adopting the Euro, the effects of a new tax system 2009 were all noted and discussed on the political arena but these political debates were poorly reported by the media community.

The overall impression of the political opening addresses was that there is a very clear understanding among the parties that the March 4th elections will result in a coalition government.

Debate

Taxes, migration of labour and the threat of a coming recession dominated the debate.

- We need a system-change in terms

of taxation, said **Marek Strandberg** – Roheline Erakond. Focus should be put on the taxation of non-renewable resources.

- We should maintain the current tax system, said **Rein Lang** – Reformierakond.

- It is realistic to retain the current tax system, but not to further reduce the income tax, said **Sven Mikser** – Sotsiaaldemokraatlik Erakond.

Migration of labour

- Estonia has the biggest number of SUV's and vans per capita while Sweden has the biggest number of multinational companies per capita, said **Anders Hedman** – SCCE's



Maris Lauri



Yrjö Ojasaar

Chairman. It's time for Estonia to put less effort on success stories and more effort on the unpleasant issues already present; an overheated real estate market, increasing salaries without increasing profitability, lack of labour and no political initiatives visible for solving these issues.

- It's a tricky question, said **Marek Strandberg** - Roheline Erakond. There are problems connected to integrating other cultures and we already have a problem with the Russian minority here.

- It deserves to be mentioned that neither Estonia, nor Latvia, has any restrictions on the free movement of labour within the EU, said **Rein Lang** - Reformierakond.

- It is most probably a myth that Estonians are tolerant people in terms of welcoming people from other cultures coming here to work and live, said **Sven Mikser** - Sotsiaaldemokraatlik Erakond. Estonia has a choice now and I hope that we will choose wisely.

- Everyone living in Estonia should feel comfortable with his or her situation here and in that perspective I don't see a full liberalisation in terms of migration as a feasible alternative, said **Andreas Kaju** - Isamaa ja Respublica Liit.



said **Karl Jaanimägi** - president of Alstom Estonia AS. Estonia needs expertise in R&D and technical innovations. Why doesn't Estonia follow the example set forth by Dubai - get the labour and expertise needed to maintain and further develop the economical growth?

- We should indeed invite scientists to Estonia and we should focus on good education in our schools and universities, said **Marek Strandberg** - Roheline Erakond. But I don't see that a further exploitation of our natural resources will contribute to any long-term growth.

- Our overall and absolute main task is continued economical growth, said **Oleg Harlamov** - Keskerakond.

- I am worried too, said **Andreas Kaju** - Isamaa ja Respublica Liit. On the other hand, a coalition resulting from the upcoming elections have all the possibilities to consider the lessons learned from 1999.

Political consensus

The questions and statements made from the panel of Chamber and Business Club Chairmen as well as the audience, didn't really fuel up the debate temperature. However - there was a consensus among the parties represented on the following three issues:

- The net effect of a future Estonian taxation system should remain the same compared with today's system
- The social taxes should not be decreased
- The migration quotas should remain limited

Text: Megazine - Tallinn



However - speeding up the handling time of migration applications here is necessary. The 6 months we have today is unacceptable. And I also think that increasing the migration quota from today's 300 permits per year to 3.000 per year is possible.

Growth or recession

- According to a recent survey, 35% of the Estonian population believes that a recession is around the corner,

Photos: AmCham, Estonia



VÄRKÄNSLOR?

WARM UP FOR SPRING IN THE SISTERS SPA!



STEP INTO OUR LITTLE TEMPLE OF SENSORY PLEASURES ...
MASSAGES, WRAPS, FACIALS AND MORE FOR MEN AND WOMEN.

10% DISCOUNT

GOOD FOR ANY TREATMENT AT
OUR SISTERS SPA

VALID FOR ONE GUEST UNTIL 30 APRIL 2007

30% DISCOUNT

GOOD FOR ANY STAY IN A ROOM
OR SUITE

APPLIES TO OUR RACK RATE, VALID TO 31 MAY 2007

15% DISCOUNT

GOOD FOR FOOD OR DRINK IN OUR
RESTAURANT OR WINE BAR

VALID TO 31 MAY 2007, NOT VALID FOR SPECIAL EVENTS

15% DISCOUNT

GOOD FOR ADMISSION TO OUR
MONTHLY WINE TASTING

MAXIMUM TWO GUESTS, VALID TO 31 MAY 2007

3S

THE THREE SISTERS

Pikk 71/Tolli 2, Tallinn Tel +372 630 6300 info@threesistershotel.com www.threesistershotel.com

Networking against unwanted trade

As business and trade becomes more and more internationalized, so does the unwanted trade handled by organized and international criminal organisations. No country, including Sweden and Estonia, has succeeded in declaring themselves clean zones in this respect and the fight against multinational criminality involves continuous and intense work.

- In a very simplified way I guess you can say that we use the same basic set up as Chambers of Commerce throughout the world, says Cecilia Hivander, Nordic Police Liaison Officer based in Estonia. We use networking for making progress!

International cooperation

- The international cooperation between national police and law enforcement organisations has increased considerably and is today an important part of our work, continues Cecilia Hivander. I - as an officer of the Swedish police being here on the spot in Estonia and working very closely together with my colleagues in the Estonian police - am just one example on this international cooperation.

- Interpol is probably quite well known to most people. Headquartered in Lyon all member states have their own local representatives down there and that includes of course also Estonia and Sweden. Europol is the crime fighting part of the EU with headquarters in the Hague. As is the case with Interpol, all member states have their own representatives locally based in the headquarter building and so does countries in the process of becoming or applying for membership in the EU. And, in addition to these two organisations there are several more international, regional and national official crime fighting organisations all over the world. My impression from up here in the Nordic region is that this networking works well and pays off. Not only in terms of taking advantage of all the information we have at our disposal through our many on-line databases, but also on a personal, colleague to colleague level.

- The laws are different from country to country. What might be illegal in one country might be legal in another country and this fact is also applicable among the EU-

members. However, this doesn't mean that our international crime fighting networking is restricted to mutual illegalities. The respect for other countries laws is solid and when we need assistance in a case that might include an action not being illegal in another country; we actually get the support and assistance we need.

- Following Estonia's membership in the EU 2004, I must say that from a criminal law enforcement perspective, the similarities between Estonian and Swedish laws are greater than the differences.

- It is important to stress that the international cooperation against crime does not only involve the police, says Cecilia Hivander. Customs and boarder control are examples on two other authorities with whom we have a close cooperation. And the quite recent merge between the Estonian customs and tax authorities is not exactly a disadvantage from my and my colleagues' perspective.

Priorities

- Some types of crimes have a tendency to be more frequent than others depending on where you are in the world, says Cecilia Hivander. As far as Sweden and Estonia are concerned my agenda is usually dominated by money laundering, trafficking of narcotics and human beings, trading of stolen cars and credit card forgeries.

- Concerning narcotics we share the same problems as other countries have. We are fighting the logistical functions of the drug trade - functions like storage, transit transports, whole-sellers as well as retail to the individual victims of this trade. Additionally we are also fighting the production of synthetic narcotics, like amphetamine, in Estonia.

Skimming

Though technology moves forward and more and more credit and payment cards are equipped with smart chips, skimming - the theft of the information contained on the card - is still a nuisance for companies, banks, private individuals and the police.

A major commonality in this type of crime - often the top of the iceberg in terms of international organized crime - is that the card is out of the card holders immediate view when the skimming takes place. Paying at a restaurant or bar with a card often means that the card is out of sight for a while as the bill is prepared for payment. That gives a skimmer the opportunity to copy the information contained on the magnetic strip and additionally store the 3 or 4 digit card security code.

Cards equipped with smart chips are tougher for skimmers to handle since the information contained on the chip is encrypted. But - the information needed for card-not-present-transactions is still available, with or without a smart chip. A great portion of e-trading on the internet for example, only requires the input of the card holders' name, the card number, expiry date and the card security code...

- A recent case in Sweden illustrates the level of internationalization in this type of crime, said Cecilia Hivander. An Estonian citizen was caught in Sweden with a forged Finnish driving licence. Further investigations revealed that the same individual had used a forged credit card.

This particular card had been skimmed in USA and the original card belonged to a German couple being in the United States on a vacation trip. The forged card was connected to an Austrian bank and had been manufactured in either Russia or Estonia. One case with 7 countries involved one way or the other!

- Trafficking of human beings include both illegal immigration and sexually related trafficking of women and girls. In the latter case, I am sad to say that the reality in many cases is much worse than showed in the recent Swedish movie Lilja 4-ever.

Proportions

- International organized crime exists in both Sweden and Estonia, concludes Cecilia Hivander. As bad news

seems to sell better than good news in some media, the publicly perceived proportions of this criminality might be a bit out of balance. As we all know, the everyday life in both our societies is dominated by legal actions, not illegal actions. But, it is important that people know that there is a continuous and intense fight going on against the international and organized crime, not only in Sweden and Estonia but all over the world.

Text: Megazine - Tallinn

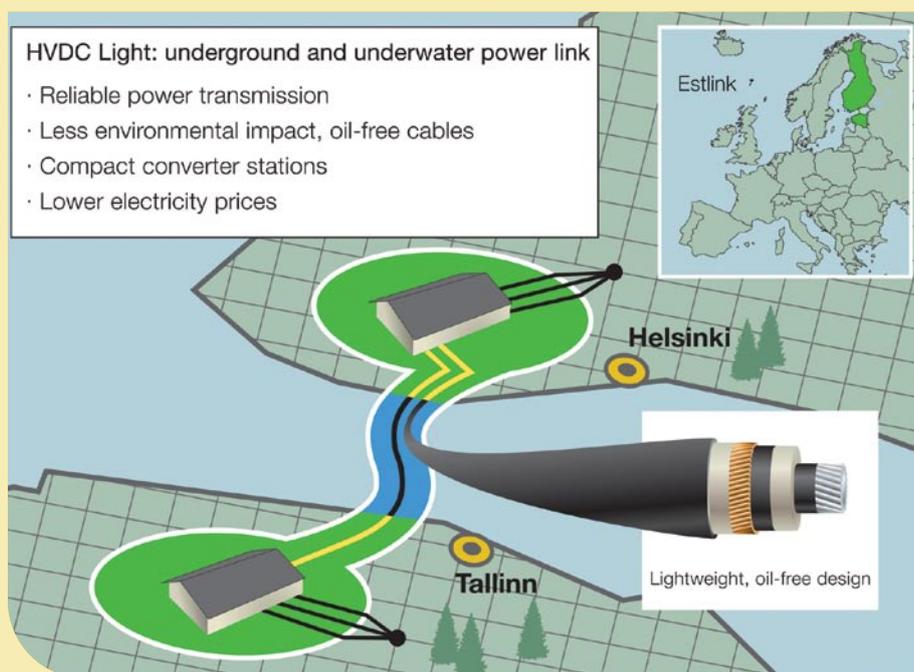
Estlink inaugurated

Designed, built and installed by ABB, the 105-kilometer underground and underwater electrical power link between Estonia and Finland was inaugurated December 4th, 2006.

The Estlink connection is one of the priority projects in the EU's plan to improve cross-boarder power infrastructure, reduce blackouts and help create more efficient power markets in Europe.

Estonia and Lithuania are self-supporting in electrical power production while Latvia is depending on import. Estlink will contribute to a more reliable power supply and will also make it possible for the three Baltic states to export or import electrical power as the power can be transmitted in either direction.

- This is the first step in connecting the Baltic electricity networks with the Nordic countries and Central Europe, said Sandor Liive, Chairman and CEO of Eesti Energia, at the inauguration. No visa for electricity is needed anymore.



The oil-free, underground and underwater cable connecting the Estonian Harku substation with the Finnish substation at Espoo was manufactured by ABB, Karlskrona, Sweden and the project was coordinated by ABB in Ludvika, Sweden.

- Estlink is more than an engineering feat, said ABB President and CEO Fred Kindle. It brings the EU closer to the goal of creating a European electricity network and extends the benefits

Advokaadibüroo Paul Varul

Attorneys-At-Law

Tallinn office

Ahtri 6A, Tallinn 10151, Estonia
Tel: +372 6 264 300
Fax: +372 6 264 306
Email: tallinn@varul.ee
www.varul.ee

Tartu office

Vabaduse pst 2-5, Tartu 51004, Estonia
Tel: + 372 6 301 610
Fax: +372 6 301 620
Email: tartu@varul.ee

Your Legal Partner in Estonia

Company Profile:

Advokaadibüroo Paul Varul is a full-service commercial law firm in Estonia with particular expertise in tax law, corporate law, property law, competition law, telecommunication services, intellectual property, medical law and litigation. The firm has a strong international capability.

ESTLINK

Connection point Estonia

Harku substation

Connection point Finland

Espoo substation

Ownership

Jointly ownership between Baltic and Finnish power companies through AS Nordic Energy Link

Project start up

May 1st, 2005

Transmission technology

HVDC Light® by ABB

Transmitted power

350 MW

DC voltage

+/- 150 kV

Cable length

Total 210 (2 times 105) km cables, including 148 (2 x 74) km submarine cable and 62 (2 x 31) km land cable

Maximum water depth

100 m

AC voltage Harku

330 kV

AC voltage Espoo

400 kV

The submarine cable

Extruded polymer insulated cable. Conductor 1000 mm² copper. Steel armouring. Diam. 96 mm. Weight 27 kg/m.

The land cable

Extruded polymer insulated cable. Conductor 2000 mm² aluminium. Diam. 93 mm. Weight 11 kg/m.

HVDC Light® converter stations

Convert alternative current (AC) to direct current (DC) and on the other side DC to AC.

Power direction

Power can be transmitted in either direction

HVDC technology

High-voltage direct current (HVDC) is a technology developed by ABB more than 50 years ago and it is the most energy-efficient technology available for long-distance bulk power transmission.

HVDC Light

ABB has led the development of HVDC since it delivered the first installation in 1954 to carry power between the Swedish mainland and the island of Gotland. A further milestone was achieved in the 1990s with the development of HVDC Light, the technology now used in Estlink.

HVDC Light is a new generation of HVDC technology currently offered in lower power ranges 10 – 1,100 megawatts, compared to HVDC systems at 300 – 5,000 megawatts. The technology offers the same benefits as traditional HVDC and in addition provides more secure power control and quick power restoration in the event of a blackout. HVDC Light is environmentally friendly, featuring oil-free cables, compact converter stations and cables that can be laid underground as well as underwater.

of a reliable power supply with low environmental impact.

ABB has used its HVDC (High-Voltage Direct Current) Light technology for the Estlink project. ABB pioneered the HVDC technology and HVDC Light is an advance of this technology, offering secure power control and quick power restoration in the event of a blackout. HVDC is also environmentally friendly, featuring oil-free cables, no



electromagnetic fields, compact converter stations and underground or underwater power lines.

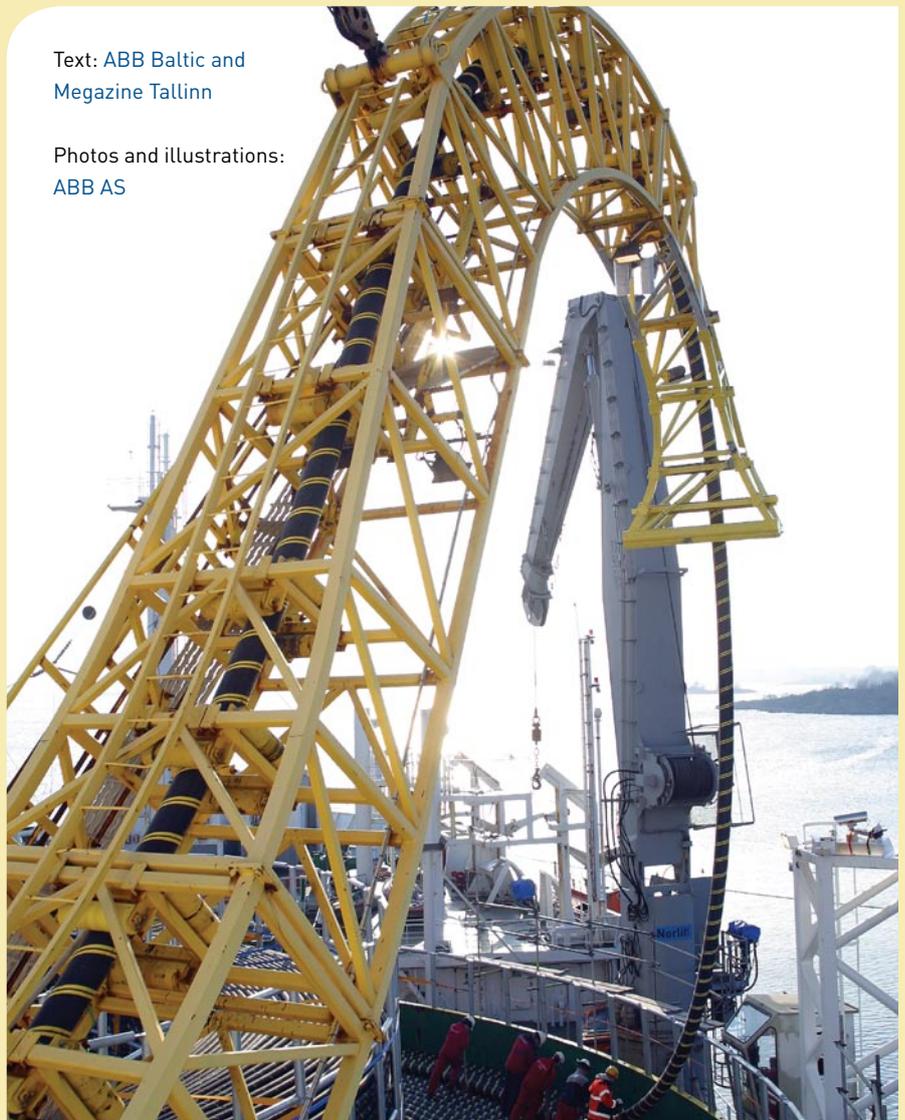
Estlink is capable of a 350 Megawatt transmission and is an obvious opportunity for the Baltic states to supply the Nordic market with electricity generated in the Baltics. Most of the Estonian, Latvian and Lithuanian power plants dates back to the 1950's and a modernization programme has now started.

- Money coming in from electricity export could very well be used as an additional financial support for this programme, said Einari Kisel Director of Energy Department of the Ministry Of Economic Affairs and Communications of Estonia.



Text: ABB Baltic and Magazine Tallinn

Photos and illustrations: ABB AS





The details make the difference

- A strong and global brand is obviously an essential asset for the more than 400 Radisson SAS and Radisson Hotels welcoming our guests around the world, said Johan Aschan, the new General Manager of Tallinn's Radisson SAS Hotel as focus met him at the hotels' top floor a January afternoon. But it is the details, may they be big or small amenities, which make our guests come back to us while at the same time attracting new guests.

- Opened in 2001 Radisson SAS Tallinn has a typical mix of guests for a hotel of our standards, continued Johan. Business travelers dominate during weekdays while leisure travelers dominate weekends. Consequently we have to offer something unique to both of these two groups of the international traveling community.

- Nice rooms, good restaurants and bars are obvious necessities, but as many businessmen travel alone you really have to take your concept a bit further to get a solid competitive edge. The room must offer something more than just being a nice room. It is actually a place for work when not being in meetings during the trip. And, to be quite honest, how fun is it to go out and dine alone?

- Our business class rooms demonstrate what we have been doing in this respect. It is not only a bedroom, it is two rooms where one can be used for

work, meetings and for enjoying a full á la carte dinner. WiFi, fresh fruit, breakfast free of charge in the room are other benefits for our business class room guests. Additional amenities include an Espresso machine – not just a coffee/hot water equipment. Having the option to chose between making yourself a cappuccino, espresso, latte or black coffee is one of the details making the difference. Another one is the bed linen – extra high and soft quality including a nice and discrete pattern.



Johan Aschan

Further development

- Yes, indeed I do have some plans for a further development of Radisson SAS Tallinn, revealed Johan. Among them is a project for making our conference facilities even more functional. That also includes new concepts and areas for conference lunches and coffee breaks. Furthermore we will build a gym and a spa for our guests. The market demand for these facilities is already very much in existence and

with a portion of intelligent planning, we do have the space in terms of square meters available.

- The Madissoni Grill & Bar around the corner of the Radisson SAS has already established itself as a popular hang-out among the Tallinn business community. We have an obvious need for increasing the number of seats there and I

Radisson – a French touch and an American success story with Swedish roots

As he crisscrossed the Great Lakes district in Minnesota and across the Canadian boarder area during the 17th century, the colorful French explorer **Pierre Esprit Radisson** hadn't a clue that some 400 years later more than 400 hotels around the world would be named after him.

The first Radisson hotel opened in Minneapolis, Minnesota just before Christmas 1909 and 29 years later, 1938, an American success story with Swedish roots took off.

Back in 1938, **Curtis L. Carlson** (1914-1999) the son of Swedish immigrants with family roots originating in the Swedish provinces Värmland and Småland took a \$55 loan and went full-hearted for a simple and genius idea of his. Recognized as a phenomenal salesman he founded the Gold Bond Stamp Company and started up a consumer-incentive business. He sold trading stamps to the grocery and retail industry. They gave out the stamps to the consumers - the more you purchased, the more stamps you got. The consumers in their turn saved the stamps and obtained worthwhile and valuable gifts (premiums) as a reward for their loyalty to the merchant who they originally got the stamps from.

The Gold Bond Stamp concept took off and is regarded as the basic model for today's customer loyalty programs like Frequent Flyer, Frequent Guest and similar business bonus concepts. ▶

Curtis Carlson started to invest his earned capital wisely and in 1962 he bought the downtown Minneapolis Radisson Hotel. The rest is a continuation of an almost 70 years old American success story. The Gold Bond Stamp Company changed its name to Carlsson Companies 1973 and is today regarded as one of the largest privately held corporations in USA. In addition to Radisson and Radisson SAS other names in the Carlson family of hotel brands include Country Inns & Suites, Park Plaza, Park Inn and Regent Hotels & Resorts. Today Curtis Carlson's daughter, Marilyn Carlson Nelson, is the Chairman and Chief Executive Officer of the corporation. Not entirely surprisingly she was named the Swedish-American of the year 2003.

Radisson SAS in Europe

In 1995, SAS International Hotels signed its first master franchise agreement with Carlsson Companies on developing and operating the Radisson SAS brand in Europe, the Middle East and Africa. Following a company name change to Rezidor SAS Hospitality; Park Inn, Regent and Country Inn were added in 2002. Three years later, in 2005 the ownership of Rezidor SAS Hospitality was splitted with a 25% share for Carlson Companies and 75% for SAS. Last year, 2006 the company name was changed to The Rezidor Hotel Group and the Carlson Companies ownership increased to 35% as Rezidor was listed on the Stockholm Stock Exchange November 28th, 2006.

have some plans for Madissoni's second floor.

- The Lounge 24 on our top 24th floor offers a spectacular and beautiful view over Tallinn. Since I have only been here in Tallinn for some 4 months now, I haven't experienced it during summertime, but people tell me that it is a great place for an outdoor drink during a nice and warm summer evening. By the way, we have started up with live jazz music up there every Wednesday evening.

Conferences and congresses

- A couple of hotels in Tallinn, Radisson SAS is one of them, handles smaller and medium sized conferences, lets say up to some 350 participants. Personally I would welcome an initiative including the building of both a new congress hall and a new and modern venue for fairs and exhibitions in our town.



- The city has a good location up here in the Nordics and is of a proper size for people to enjoy even during a short stay. The infrastructure needed in terms of air, sea and road transports is in place and continues to develop and grow in a very positive way. A big responsibility for a project like this

spent some time in Hong Kong when I was a child. My hotel career took off with a solid education and training at a Swiss hotel school and my work has taken me and my family to Saudi Arabia and Egypt.

Teamwork and personal contributions

- Getting to know your team has top priority when taking over the management of a hotel, said Johan. It is important that the team knows what I expect from them and equally important is that they know what they can expect from me. In my opinion the best way of achieving and maintain a dialogue like this is to meet face to face at the spot where the work is done. So, consequently I have done and still am doing some walking around the hotel meeting our food and beverage team, room cleaning, front office staff directly on the spot where they work.

- I can't say that I have noticed any major problems yet in our recruiting related to the current discussions on lack of labour in Estonia. On the other hand, we are not recruiting just to fill up a position. We are looking for people who can make a personal contribution to our business of hosting the guests. Actually, we can now see a clear trend towards a considerable decrease in terms of staff turn over. Probably due to our bonus system on top of the basic salary. A clean room – yes, we have a check list for that – good sales and guest satisfaction pays off at Radisson SAS.

Eyes, ears and mouth

- You meet many personalities in the hotel business, concluded Johan. Not only among the guests but also among the many personalities who make a good hotel extraordinary. One of them, a gentleman with many years in our profession, once taught me how to use the eyes, ears and mouth. The eyes and ears interact and will give you a perception of the situation, the mood and spirit among the guests – may it be in the lobby, in the restaurant or in the bar. Based on that the mouth may be used, not for making statements but for putting questions – Can I get somebody to help you with the luggage? Can I get you a taxi? Have you tried out the wireless Internet? Is your room ok? Have you tried our filet? Can I get you some more wine? Obviously it is as easy as it is fundamental in our service trade - it shows and demonstrates very clearly that you care!

Text: Megazine – Tallinn

to happen lays of course with the city authorities together with real estate and building companies. From my side I can only say that an increased number of conference and congress visitors is a pure win-win situation. Not only for Radisson SAS, but for the entire city of Tallinn.

An intense start

They actually came to Tallinn more or less at the same time, Johan Aschan and the President of the United States George W. Bush.

- Well, it is kind of a coincidence that neither the President nor I had been to Tallinn before, said Johan. On our latitudes up here I have actually never been more east than to Gotland before coming to Tallinn and the Radisson SAS Hotel.

- In a somewhat more global perspective I guess you can say that I have a rather international background. My father's work took me and my family abroad and, as far as east is concerned, we actually



Photo: Kadi Asmer

Thinking outside the box

MAQS is an independent full service law firm. We have the competence you need – within all disciplines of law – with a total of 220 employees in Sweden, Denmark, Estonia and Poland. Our aim is clear and simple. To be the best at finding the solutions that help strengthen our client's business. Even if it means challenging the conventions of how a law firm should act. Interested? Just think outside the box and contact us!

*Challenging the laws
of convention*



MAQS LAW FIRM

COPENHAGEN GOTHENBURG MALMÖ STOCKHOLM TALLINN WARSAW

www.maqs.com

Travel and transports

Unless we want to take a long detour on the roads we are depending on the services of the air and sea carriers connecting Estonia and Sweden.

Focusing on the non-stop/direct connections between Estonia and Sweden it all seems to be an issue of Stockholm, Kapellskär and Gothenburg in Sweden and Tallinn, Kuressaare and Paldiski in Estonia. The connections between Estonia and Sweden are dominated by two giants. Tallink is the main actor on the Baltic Sea and SAS is dominating the skies via part-ownership, code sharing as well as own equipment used to and from Estonia.

Tallinn – Stockholm/Arlanda

Estonian Air

Being Estonia's flag carrier in the skies it's quite natural that Estonian Air dominates the traffic in and out of Tallinn's Ülemiste airport. They have an ambitious traffic programme and Stockholm is scheduled for 3 flights every weekday and one flight on Saturdays and Sundays. The schedule is ideal for over-the-day business in Stockholm or Tallinn and travellers being members of the Eurobonus programme will earn points.



Route
Tallinn – Stockholm/Arlanda
Schedule
- Three flights every weekday
- One flight every Saturday and Sunday
Aircraft
Boeing 737-500/-300
web
www.estonian-air.ee

Estonian Air operates a fleet of five

Boeing 737's with a seating capacity ranging from 118 up to 142 passengers. With more than 5.000 aircraft built, 1.250 being airborne at the same time and with a take off or landing every 5th second, the Boeing 737 is, to put it mildly, a common aircraft type around the world.

An impressive number of B737's of the same model as Estonian Air's fleet, the B737-300 and B737-500 are operating in the Nordic and European region giving the airlines a huge bank of knowledge to share in terms of operational and technical experiences. Being owned to 49% by SAS AB (34% is owned by the Estonian State and 17% by the private Estonian investment bank Cresco) sophisticated tools for aircraft-, crew- and maintenance-planning are present within Estonian Air's sphere of owners.

The past winter traffic season has raised concern among the business travelling community on the quality in terms of regularity offered by Estonian Air. In a comment to focus, Estonian Air's Vice President Commercial and Member of the Management Board, Peter Arvidsson says:

- This winter has indeed been a challenge for us and for our customers. We had one aircraft damaged in an unfortunate ground incident at Tallinn Airport on the 1st of December and it was out of service for two entire months.



Situations like these with aircraft out of service impose a nightmare for any airline when they occur, and this has nothing to do with either the planning of our operations or the technical reliability of our 737 aircraft. Facing the fact of having one aircraft out of production, we tried as best as we could to minimize any customer inconvenience. For example we sub-contracted external capacity on a number of scheduled departures.

Nevertheless, we do apologize for any inconvenience that our customers have faced so far. The damaged aircraft is now repaired and back into operation and we are expecting normal operational conditions from now on.

In 2006 the overall regularity was 99.1% which is above the industry average of 98.5% (source: regularity statistics of short/medium haul operations from AEA, Association of European Airlines).

SAS

SAS offers two flights on the Tallinn – Stockholm route every weekday. An early bird departure to Stockholm and a very late arrival from Stockholm are complementing Estonian Air's morning and evening flights and have increased the number of available seats at these times. An afternoon flight from and to Stockholm secures the well needed frequency on this route and Eurobonus points can be earned on all flights.



Route
Tallinn – Stockholm/Arlanda
Schedule
Two flights every weekday
Aircraft
de Havilland Q400
web
www.flysas.com

SAS is operating de Havilland Q400

on the Tallinn – Stockholm flights. Some surprised faces are from time to time noted among first time travellers with SAS on the route. The aircraft has propellers – is it a relic from the 1950s when SAS was pioneering the skies with DC6s and DC7s? Not at all – highly efficient gas turbine engines give the Q400 good performance and the block time on the Stockholm – Tallinn route is just 10 minutes longer compared to pure jet aircraft.



Route
Tallinn – Stockholm/Arlanda
Schedule
Two flights per week (seasonal 04.05-30.09.2007)
Aircraft
MD80
web
www.flynordic.com

In terms of scheduled passenger traffic the SAS Group consists of Scandinavian Airlines Sverige, Scandinavian Airlines Danmark, SAS Braathens (Norway) and Scandinavian Airlines International (operating SAS' intercontinental flights). Additionally the SAS Group also include individually branded and affiliated airlines (Spanair, Wideroe, Blue1, airBaltic and Estonian Air). The SAS Tallinn – Stockholm traffic is operated by Scandinavian Airlines Sverige AB.

FlyNordic

As a low price carrier FlyNordic is focusing on leisure travellers on the Tallinn – Stockholm route. The traffic is seasonal and Tallinn will see FlyNordic land and take off between May 4th and September 30th, 2007 with two flights per week. One flight will be operated on Fridays and the second flight on Sundays, except for the period from midsummer until mid-August when the flights will be operated on Fridays and Mondays. FlyNordic is using comfy MD80 aircraft on the route and tickets are reported to be available from SEK 399:-, one way incl. taxes and fees. FlyNordic is based in Stockholm and is a daughter company of Finnair. International destinations in addition to Tallinn the coming summer season include Copenhagen, Oslo, Bergen, Dublin, Bordeaux, St. Tropez and Grenoble.

Tallinn – Gothenburg/Landvetter

City Airline relaunched their non-stop flight Tallinn - Gothenburg March 26th. Their schedule offers an afternoon flight 6 days a week with Embraer 135/145. Smooth onward connections to Manchester, Birmingham and Lyon via Gothenburg/Landvetter airport.

The Tallinn – Gothenburg route is code shared with SAS and, as is



Route
Tallinn – Gothenburg/Landvetter
Schedule
One flight 6 days a week
Aircraft
Embraer 135/145
web
www.cityairline.com

the case with all City Airline's international routes, members of the SAS Eurobonus programme will earn points on this and their other international scheduled flights. Based in Gothenburg, City Airline is owned by Investment AB Janus, a Swedish investment company with interests in the travel trade through companies like STS Education and STS Alpresor/Konferens. Investment AB Janus also has a minor ownership in the Swedish airline Skyways.

Route
Kuressaare – Stockholm/Arlanda
Schedule
Seasonal
- One flight per week (29.04-21.10.2007)
- Two flights per week (12.07-13.09.2007)



Kuressaare – Stockholm/ Arlanda

Just as FlyNordic the Swedish carrier Skyways is focusing on leisure travellers with their seasonal traffic between Stockholm/Arlanda and Kuressaare. The route is operated with a weekly Sunday-

flight between April 29th and October 21st and with two flights per week (Thursdays and Sundays) between July 12th and September 13th. A Fokker 50 seating 50 passengers will be used on the 55 minutes flights.

Being the second biggest airline in Sweden, Skyways acquired its current company name 1993. But its history dates back to 1940 as the aviation company Avia was founded on the Swedish Baltic Sea island Gotland. Operated by Mr and Mrs Thüring Avia performed air target towing services for the Swedish anti-aircraft defence. Occasionally Mrs Birgit Thüring could be seen in the cockpit being one of very few Swedish female pilots during those days.

Tallinn – Stockholm/Värtahamnen

Routes
- Tallinn – Stockholm/Värtahamnen
- Paldiski – Kapellskär
Schedule
One daily voyage on both routes
Ships
- Stockholm: M/S Victoria I and M/S Romantika
- Kapellskär: M/S Vana Tallinn
web
www.tallink.ee



Tallink offers daily voyages to and from Stockholm using two of the newest ships sailing on the Baltic Sea – M/S Victoria I and M/S Romantika. The schedule pattern is identical regardless if you board in Tallinn or Stockholm – an afternoon departure with a morning arrival. A short stop enroute in Mariehamn,

Åland secures the supply of taxfree goods for sale onboard.

Being almost identical sister-ships, M/S Romantika was built in 2002 by Aker Finnyards in Finland and M/S Victoria I was built in 2004 by the same shipyard. Both ships have a capacity for 2.500 passengers and the number of cars that can be loaded amounts to 470 for M/S Romantika and 300 for M/S Victoria I.

Tallink was established 1989 and started cargo shipping between Estonia and Sweden 1997. Tallink's passenger traffic between our two countries was started up 2001. Today Tallink is regarded as one of the biggest shipping lines on the Baltic Sea and employs appr. 3.400 persons (appr. 6.000 persons totally when including Tallink Silja Oyj).

Paldiski – Kapellskär

As Tallink put M/S Vana Tallinn on the Tallinn – Helsinki route January – March 2006, AS Baltic Scandinavian Lines - BSL was left as the sole carrier between Paldiski and Kapellskär for a while. Focusing on transports of goods, BSL operates the M/S Via Mare offering a modest 60 passenger capacity. The schedule calls for a one o'clock night time departure from Paldiski reaching Kapellskär 10.30 in the morning. The return voyage leaves Kapellskär at 11.30 and arrives Paldiski at 22.30 in the evening.

Route
Paldiski – Kapellskär
Schedule
One daily voyage
Ships
M/S Via Mare
web
www.bsl.ee



AS Baltic Scandinavian Lines was formed 2004 and belongs to the Estonian Pakri Marine Investments Group.

Text: Magazine - Tallinn



Tallinn – Gothenburg non-stop!

We are happy to announce that City Airline will launch a daily service between Tallinn – Gothenburg 26th of March. One daily departure, Monday through Friday and one on Sundays will be offered.

The City Airline one hour non-stop services to Gothenburg will be the only flights between the two cities. Flights will be operated with modern Embraer aircrafts with a capacity of 49 passengers, and will offer excellent onward connections to Manchester, Birmingham and Lyon.

Timetable

Tallinn – Gothenburg
16.25 – 16.50

Gothenburg – Tallinn
12.40 – 15.05



City Airline
GOTHENBURG NON-STOP

+46 31 600 385 www.cityairline.com

Something is going on at Tallinn airport

- Indeed it is, said **Rein Loik**, Chairman of the Management Board of AS Tallinna Lennujaam as focus met him just after the cornerstone was laid February 9th to reconstruction projects at the airport which will be ongoing until 2008 at a cost of 1.2 billion kroons.

The projects include expansion of the passenger terminal as well as reconstruction of the airside area. Growing air traffic, a growing number of passengers, Estonia entering the Schengen zone, environmental concern, raising flight safety and aviation security to new levels are some reasons for the expansion and reconstruction projects now launched.

- To put it mildly you can really say that we noted Estonia's membership in the European Union, said Rein Loik. Following the open skies of the EU, a growing number of flights and airlines generated a growing number of passengers. 2005 ended with a 40% increase compared to 2004. And compared to 2003 we almost doubled the number of passengers 2005! 2006 ended with 1.541.832 passengers departing and arriving at Tallinn airport. Our prognosis says that we can expect some 2.5 – 3 million passengers 2010 and up to 5 million passengers 2015.

Tallinn Airport

- The total cost of the 2006-2008 reconstruction projects is appr. 1.2 billion EEK (74 million EUR)

- 831 million EEK (53 million EUR) is co-financed through the EU's Cohesion Fund. The remaining cost is to be covered by Tallinn Airport

- Tallinn airport currently has scheduled direct flights to 18 European cities and two Estonian islands operated by 12 airlines

- Estonian Air was the biggest scheduled operator 2006 followed by Aero Airlines, Easyjet, CSA Czech Airlines, Lufthansa and others

- Most popular destinations out of Tallinn airport include Helsinki, London, Stockholm, Copenhagen and Frankfurt

- Civil Estonian airports and airfields in addition to Tallinn include Tartu, Pärnu, Kuressaare, Kärdla, Kihnu and Ruhnu

Passengers at Tallinn airport have certainly noted the increase. The car park area is crowded, the lines to check in and through security are long during the traffic peaks and the numbers of aircraft on the apron are sometimes bigger than the number of available boarding bridges.

The passenger terminal

Some 14.000 square meters will be added to the passenger terminal. The terminal of today will be become longer and a 200 m long and 27 m wide central gallery will be built hosting 9 boarding bridges. This will form a T-shaped terminal with two levels of movement for international passengers. The extensions at each end of the existing terminal will provide additional space for check in and baggage collection. Separate departure areas will also be built for passengers flying within the European Union and Schengen zone and those traveling outside of EU borders.



The airside area

A modern waste water collection and purification system will be built in the air traffic area and temperature sensors installed, enabling de-icing to be carried out more effectively. Special areas for de-icing will also be created, as well as space for rescue and firefighting training exercises. New security, communications, electricity and automatic systems are to be installed. Modern aircraft parking stands will be built and the network of taxiways will be extended minimizing waiting times in connection with take offs and landings.

- We are doing our utmost to carry out the extensive works without influencing operations at the airport to much, said Rein Loik. Three passenger boarding bridges will be in operation throughout the reconstruction period but many of our passengers will be transported to and from the aircraft by bus. A good tip for passengers, meeters and greeters is to take potential inconveniences into account during the intense building period – temporary structures will appear around the passenger terminal and there will be constant heavy vehicle traffic.

- An airport never gets ready, said Rein Loik. As traffic grows so does the airport. Our longer term plans calls for expanding the facilities for cargo and general aviation. Further environmental concern calls for a longer runway – not that our runway is to short today, but we would really like to move the threshold at the west end of the runway more to the east. That would make approaches and take off's over lake Ülemiste, Mustamäe and Õismaäe more environmental friendly than today.

- Tallinn airport is one vital part of our infrastructure in Estonia, concluded Rein Loik. And we are interacting with other traffic systems and lobbying with authorities in order to promote a smooth flow for passengers and cargo to and from the airport. We have proposed an extended tram line connecting the airport with central downtown Tallinn. We have proposed a railway station to be built along the existing railroad at Ülemiste. We are promoting a new circular road located outside downtown Tallinn, passing the airport and thus feeding us with passengers and cargo coming by cars, buses and trucks while at the same time minimizing through-going traffic downtown.



casefiles

FROM THE SCCE MEMBER'S CASE FILES

As **Bengt-Erik Hedberg** moved from Sweden to Luxemburg, he decided to write a book about his experiences. Att flytta utomlands (To move abroad) became a manual covering practical and economical issues, social security, contacts with authorities, forms to be completed and much more important information on moving abroad.

Having a background as a human resource manager with bigger Swedish companies and organizations and now moving himself gave him the knowledge and experiences needed for a solid factual content of his book.

Graphic design was done by **Per-Ivar Glaser** in Sweden and Estonian resources were used for repro-works, printing and binding.



Per-Ivar Glaser

Bengt-Erik Hedberg

Ann Ljungberg has been onboard the yacht s/y Olivia since 2002. She, as 1st mate and Mats, as captain are on a longtime cruise – with focus on long time and not necessarily long in terms of distance sailed. Cruising in Mediterranean waters Ann arranges courses in writing, mainly for Swedes and located to inspiring places in Italy and Turkey. Before Christmas 2005 she decided to publish Skrivarkalendern 2007 – a creative logbook for writers 2007, filled with inspiring interviews with authors, writing exercises, tips and practicalities for authors to be and authors in the process of writing.



NEAR-SHORING ACCOUNTING SERVICES

We provide professional and service-oriented Estonian accounting/bookkeeping.

Vi erbjuder professionella och kundinriktade bokförings- och redovisningstjänster.

For a native Swedish speaker, please call:



MART NÕMM
Office Manager

Phone: (+372) 650 5188
mart.nomm@near-shoring.com

For a native English speaker, please call:



HILLAR LAURI
Managing Director

Phone: (+372) 650 5186
hillar.lauri@near-shoring.com

ÕÜ NEAR-SHORING

Tulika tn. 19
Tallinn, EE-10613
ESTONIA

Phone: (+ 372) 650 5190
Fax: (+ 372) 650 5189
www.near-shoring.com

casefiles

Case Files is the focus column where business between Sweden and Estonia involving members of the Swedish Chamber of Commerce in Estonia is presented in a case format. This time, mcm öü presents some niche cases in their business – the making of books and supporting the marketing of Utö in the Stockholm archipelago.

Though market communication concepts and campaigns is the main business of mcm – market communication management öü, books and the Stockholm archipelago have a special place in the heart of the Swedish management of this Estonian based company.

Some copies of the books *Att flytta utomlands*, *Skrivarkalendern 2007* and *Spåren på bryggan* (all in Swedish language) are available from the authors directly – and at special prices for members of the SCCE. Please send an e-mail to mcm for further information: info@webmcm.com.

focus welcomes your contributions for coming CaseFile columns. Please send your cases to SCCE's Ombudsman, Kristiina Sikk: kristiina@swedishchamber.ee



Ann Ljungberg

Anna-Carin Collin
Photo: Andreas Lind

Skrivarkalendern 2007 became a truly international project. Ann wrote her material onboard s/y Olivia in the Mediterranean and sent it further by e-mail. **Anna-Carin Collin** in Täby, just north of Stockholm, went on with interviewing authors like **Åsa Nilssonne**, **Bob Hanson**, **Eva Dahlgren**, **Camilla Läckberg** and several more for the book. **Thord Thordeman** made the layout in Malmö and Estonian resources were used for final art support, repro, printing and binding.

Lars Rambe, a 38 year old Swedish lawyer had a good answer as a Swedish journalist asked him why it has taken him so long to write and publish his first book:

– Life came in between!, answered Lars.

Spåren på bryggan (The traces on the bridge) is a criminal story. The scene is Strängnäs, a town southwest of Stockholm (and the place where Lars lives since two years back). A brutal murder 2005 points towards a connection with an equally brutal double murder 40 years earlier... Currently some 350 pages of manuscript are put together for publishing and Estonian resources will be used for final art support, repro, printing and binding.

Cicki Borg lives on Utö – one of some 24.000 islands in the Stockholm archipelago. Though Utö is located in the outer part of the southern archipelago connections to the mainland are smooth, just a one hour voyage by scheduled boat. Utö has some commonalities with Estonian islands like Ruhnu, Kihnu and Vormsi. The number of permanent year-round inhabitants is quite small - 200 inhabitants on Utö - while the number of visitors is impressively bigger - some 400.000 people visits Utö every year.



Lars Rambe
Photo:
Therese Nilsson

– It is probably an advantage if you have the spirit of an entrepreneur when living on an island in the archipelago, says Cicki. We have not only managed to keep our school running – there are currently some 33 pupils in our small school from class 1 up to class 9. We also have a number of private companies on the island offering a wide variety of services, both to us permanent inhabitants and to our visitors.

Cicki herself is active in marketing the island, its attractions and the services offered. Printed information material is produced and archipelago companies are using the web to further market their services. In this marketing work Estonian resources are used for copy and final art support, repro, printing and binding as well as programming, coding and creation of Content Management Systems for the web- and IT-solutions provided.

Text: mcm öü



Cicki Borg



ps.

Bridging in the sense of building bridges to further ease up commerce and trade between Estonia and Sweden has been a theme in this first issue of focus – the magazine published by the Swedish Chamber of Commerce in Estonia - SCCE. That also reflects the main task of SCCE; to create an environment for networking and exchange of ideas by acting as a meeting place, arranging seminars, business lunches, company visits, hosting trade delegations as well as arranging social events for our members.

The aim of the focus magazine is to take a closer look at current, upcoming and past issues forming the environment for business between Estonia, Sweden as well as other important markets. focus is also an additional opportunity for our members to further present themselves to focus readers in Estonia, Sweden and other countries.

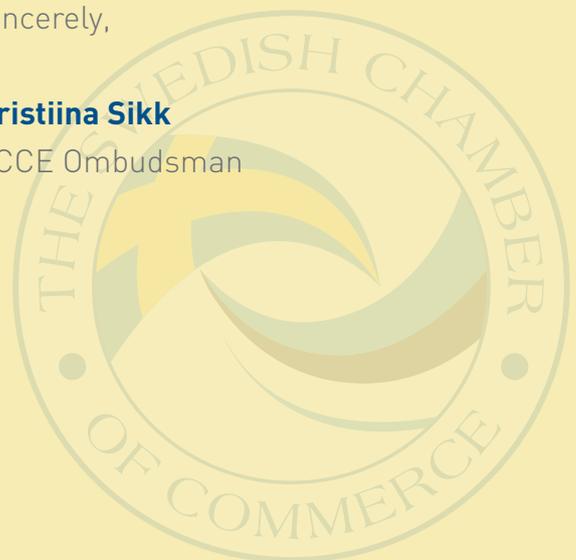


We welcome your contributions to the coming issues of focus, both in terms of editorial content and advertising. Please do put us on the mailing list for pressreleases, articles as well as your point-of-view on issues of general interest for the commerce and trade between Estonia and Sweden. You can reach me at email: kristiina@swedishchamber.ee or by phone: (+372) 501 9813. The focus advertising opportunities including sizes, prices and technical requirements are now up at our website: www.swedishchamber.ee.

I hope you have enjoyed reading this first issue of focus. Being a quarterly magazine I look forward to see you at the events and activities arranged by SCCE between the times of publishing. Latest news on these is always found at: www.swedishchamber.ee.

Sincerely,

Kristiina Sikk
SCCE Ombudsman



We don't just
promise
successful meetings
we guarantee
them*

**Radisson SAS Hotel,
Tallinn** - 14 seminar and
conference rooms
- maximum capacity 350 delegates.



* Contact us to find out how you can get '100% Satisfaction Guaranteed'

Radisson SAS Hotel
Rävala Puiestee 3
10143 Tallinn Estonia
Tel +372 682 3000
reservations.tallinn@radissonsas.com
tallinn.radissonsas.com

Radisson SAS

HOTELS THAT LOVE TO SAY YES!