

Why Choose Lithuania

- **500 million consumers in one stop:** Lithuania is a springboard to the single European market as well as to Eastern markets
- **Stable political and economic environment:** ensured by EU, NATO and WTO membership
- **Europe's prime transport centre:** two Trans-European transport corridors crossing the country
- **Innovation-driven knowledge economy:** global laser, biotech and IT leadership
- **Top-quality talent pool:** one of the best-educated human resources in the world
- **Competitive business operation costs:** productivity-driving profit tax incentives for R&D, tax "holidays" in free economic zones; competitive wages and rent rates

500 mn

consumers in one stop

By establishing your business in Lithuania, you instantly get access to the single European market, counting 500 million consumers

Market Leaders



Creator and manufacturer of laser technologies, *UAB Ekspla*, selling lasers and components under a Lithuanian brand name for more than 15 years, occupies over 50% of the world's picosecond laser market segment. Interest taken in new Lithuanian products by such Japanese and American industry giants, as *Hamamatsu*, *Olympus*, and *Laser Systems*, clearly demonstrates the global recognition of the company.



One of the world's largest manufacturers of plastic products, *Indorama* of Thailand, has been operating a high-tech PET granule plant in Western Lithuania, in the Klaipėda Free Economic Zone since 2004. The company's investment accounts for EUR 200 million, and its plant capacity is 150,000 tons per annum. Until the founding of the plant in Lithuania, *Indorama Group* controlled 12% of the world's plastic packaging raw materials. The new factory in Klaipėda increased the company's market share to around 30%.



Juozas Gecevičius' scientific services firm *GTV* creates and manufactures various automated and computerized technological equipment and machinery. *GTV* has established 196 robotization systems and technological lines for companies operating in machinery production, food industry, wood processing, and other fields. One of *GTV*'s latest creations is the cardboard production scrap-recycling technology: filling up hollow concrete blocks with strands of cardboard paper allows increasing heat resistivity. The final outcome of this research is a preliminary plan and an experimental model of production equipment for robotized companies producing such blocks.



One of the largest stainless steel receptacles and producers of technological equipment for the food, chemical, and bio-fuel production industry in Lithuania, is the machinery plant *AB Astra*. 10% of the company's production consists of various large volume receptacles, and equipment for the chemical industry. *AB Astra* is a good example of idea commercialization: close cooperation with scientific institutions, commissioning various types of research constitutes a solid basis for the development of the company's innovative know-how, and creation of organizational capital. The company annually invests an average of EUR 0.6 million in personnel training and production modernization.

Facts and Figures



LAND AREA
65,300 km²

POPULATION
3.4 million

ETHNIC COMPOSITION
Lithuanian – 84% of the population,
Polish – 6.1%, Russian – 4.9%

MAIN CITIES
Vilnius (capital): 556,000
Kaunas: 358,000
Klaipėda: 186,000
Šiauliai: 128,000
Panevėžys: 115,000

CLIMATE
Moderate Continental, with average temperatures ranging from - 5 C in January to 23 C in July

MEASUREMENT SYSTEM
Metric

TIME
Lithuania is in the Central European Time zone: GMT+2 hours

CURRENCY
The national currency is the Litas (LTL or LT), comprised of 100 centas. Litas is pegged to the Euro at the rate of 3.4528 LTL/EUR

FISCAL YEAR
Calendar year

NATIONAL HOLIDAYS

- January 1st (New Year's Day)
- February 16th (Independence Day)
- March 11th (Restoration of Independence)
- Easter (Sunday and the following Monday)
- May 1st (Labour Day)
- 1st Sunday in May (Mother's Day)
- June 24th (Midsummer Festival)
- July 6th (Coronation of Mindaugas, King of Lithuania)
- August 15th (Assumption Day)
- November 1st (All Saints' Day)
- December 25-26th (Christmas)



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Market Opportunities

The Lithuanian engineering industry presents attractive opportunities to investors:

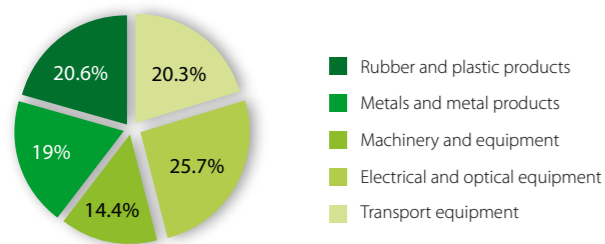
- Long-standing engineering traditions
- Rapidly growing sector competitiveness and integration into international markets
- A competitive and qualified labour force
- Significant accumulated engineering potential, experience in international production chains, and recognition of large international companies
- Financial support to increase labour force productivity, and develop high technology industry
- Market expansion potential: Lithuania may be of considerable interest to western companies trying to penetrate the vast Russian market or the markets of other CIS countries
- Baltic leaders in this sector operate in Lithuania

The Lithuanian engineering industry is growing faster than the EU average. Labour efficiency is expected to practically double over the next five years.

Industry Overview

The Lithuanian engineering industry is the country's largest processing production sector, generating 6.3% of Lithuania's total value-added. The industry consists of over 2,000 companies and employs approximately 55,000 specialists. Rapid industry growth over the past years till 2008 shows the considerable growth potential for this industry, particularly in comparison with other processing production sectors. This represents the possibility for the Lithuanian engineering industry to play a greater role in the country's economic and social spheres as well as increase the industry's comparative advantage, currently 2-3 times lower than the EU average. For the past five years, the production of Lithuanian engineering companies has grown at an average of 17% per year, reaching EUR 2.5 billion in 2007. In 2008, the sector experienced some fluctuation due to the world-wide economic slowdown.

Structure of the Engineering Industry, 2008



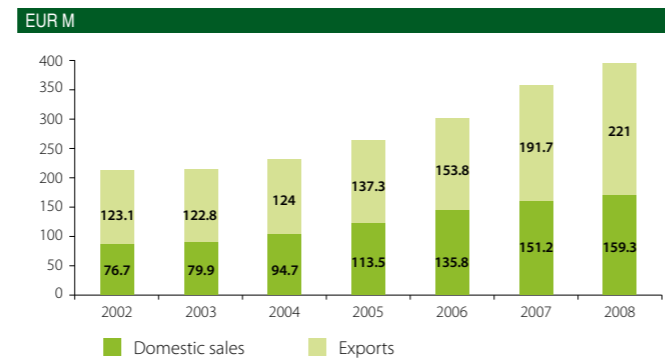
Source: Department of Statistics under the Government of the Republic of Lithuania

Strongly Export-oriented

In 2004-2007, the annual change in value added at constant prices was above 12%, but fell below 8% in 2008. Nevertheless, the growth rate picked up some speed in the first half of 2008. Analysis of changes in the volume of output sold paints a similar picture: very strong growth in the first half of the year was followed by moderate decline in the second half, while turnover during all of 2008 rose by about 11% compared with two years earlier.

The engineering industry is export-oriented, exporting 3/5 of production. Exports of machinery products went up by more than 15% in 2008 while their relative weight exceeded 58%; domestic sales increased by only about 5% compared to the previous year.

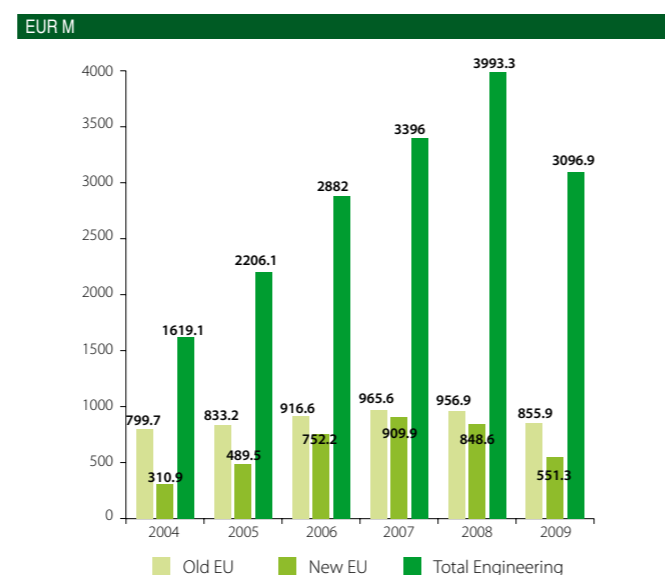
Sales of Machinery and Equipment



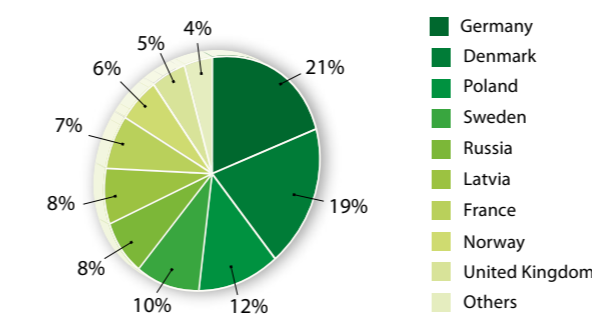
Source: Department of Statistics under the Government of the Republic of Lithuania

Foreign trade flows demonstrated fast expansion before 2008 and were among the first to recover in the second half of 2009. The main export markets for Lithuanian manufacturers are the old member states of the EU, especially Germany, Denmark, France and Sweden. Sales to the new EU members are increasing, and the importance of the CIS markets remains relatively stable.

Exports Flows of the Engineering Industry



Main Exports Markets, 2009

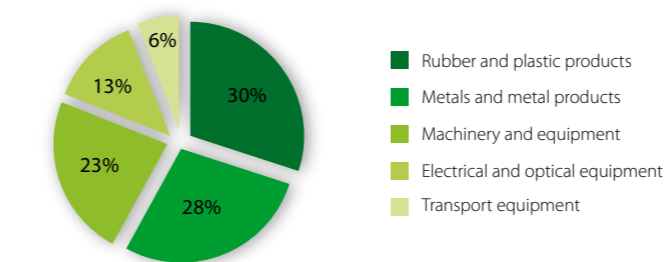


Source: Department of Statistics under the Government of the Republic of Lithuania

Remarkable Productivity Growth, Followed by Growth of FDI and Profitability

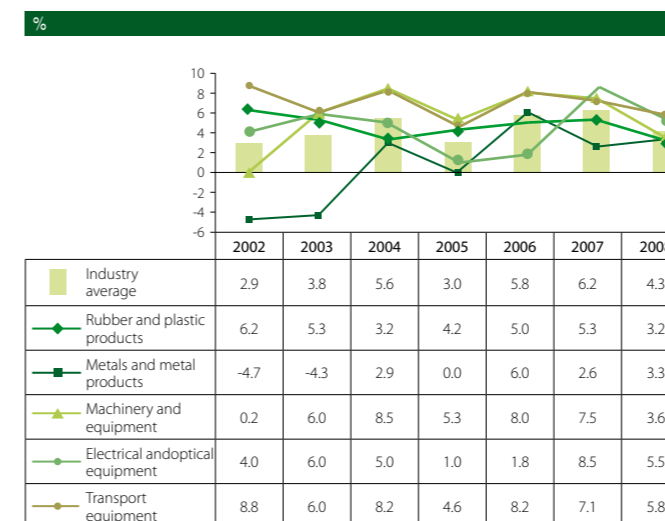
In 2004-2005, after Lithuania joined the EU, foreign direct investment escalated considerably in the engineering industry. During this period, the most noteworthy development was investment in the production of rubber and plastics. Additionally, investors from Scandinavia have been quick to realize the potential of Lithuania and have actively invested in the country as an outsourcing alternative. In 2008-2009, the total FDI value was EUR 395 million, with a total of 174 foreign investors operating in the industry and with the greatest FDI concentration observed in the electrical, optical and transport equipment manufacture as well as rubber and plastic production.

FDI Distribution in the Engineering Industry, 2009



Over the past five years, there has been a steady improvement in the financial indexes of companies in the engineering industry: 72% of companies were profitable in 2008. The overall level of profitability in the engineering industry has also been rising: from 1.4% in 2002 to 6.6% in 2007; due to the global economic slowdown, it fell to 4.5% in 2008.

Engineering Industry Profitability Rate

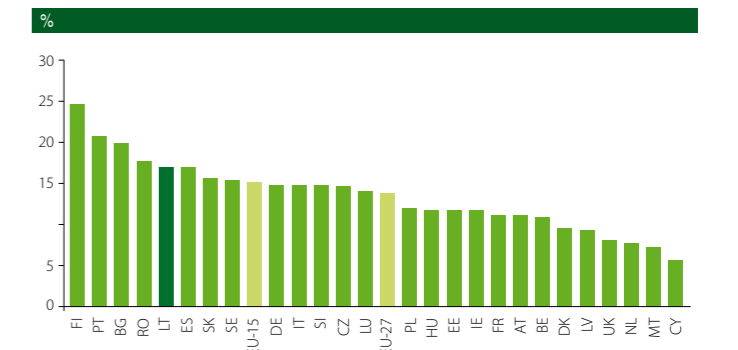


Source: Department of Statistics under the Government of the Republic of Lithuania

Availability of Skills

Lithuania, along with other new EU member countries, is among the most advanced in terms of the level of secondary and higher education. As many as 89% of Lithuanians have graduated a secondary school, a 21% higher proportion than the EU-15. Turning to the number of students pursuing studies in engineering, production, or construction (18%), Lithuania ranks among the EU top 5.

University Students Pursuing Engineering, Production, and Construction Studies, 2006



Source: Eurostat

Competitive Environment

Business models prevailing in Lithuania reflect global tendencies: a re-orientation of production from developed to developing countries for lower costs and the continuation of innovative development in western countries. The majority of companies in the Lithuanian engineering industry do not produce high value added products of their own brand, and take part in the international production chains of other brands, usually carrying out engineering cooperation commissions. Only a small portion of manufacturers produces and sells finished goods, and this generally occurs with low or medium complexity products.

It is likely that the industry's development and competitiveness intensification initiatives that are currently being implemented in the Lithuanian engineering industry will positively influence future industry competitiveness.

Key internal prerequisites for increased industry competitiveness are: creation and production of new higher value added products and services, implementation of new business models, modernization of production, advancement of R&D activities, and human resources development.

Lithuania is ranked 26 out of 183 world's economies on the ease of doing business and outpaces Latvia, Slovakia, Slovenia, Poland and Russia. Lithuania's strong advantages are the higher and professional education system, technological market base as well as infrastructure. *Doing Business 2010: Reforming through Difficult Times by World Bank*