

Swedish business in Lithuania and future market opportunities

December 2020

Swedish Chamber of Commerce in Lithuania

Commissioned by the Embassy of Sweden in Vilnius

AGENDA

- **Background**
- Swedish investments and trade with Lithuania
- Opportunities for Swedish companies

BACKGROUND AND KEY COMPONENTS

Background:

- Since Lithuania regained its independence in 1991, Lithuania's political ties and business collaboration with Sweden have grown strong. Sweden is the biggest investor in Lithuania and one of the biggest trading partners. However, there are still opportunities for enhanced cooperation in a number of fields. The vulnerabilities and interdependency of global value chains that the pandemic exposed in 2020 is another reason to further explore the opportunities of increased collaboration with and sourcing from neighbouring markets, such as Lithuania.
- The objective of this study is to present a comprehensive and up-to-date overview of Swedish business presence in Lithuania and to explore the areas of most promising future opportunities for Swedish businesses.

Key components:

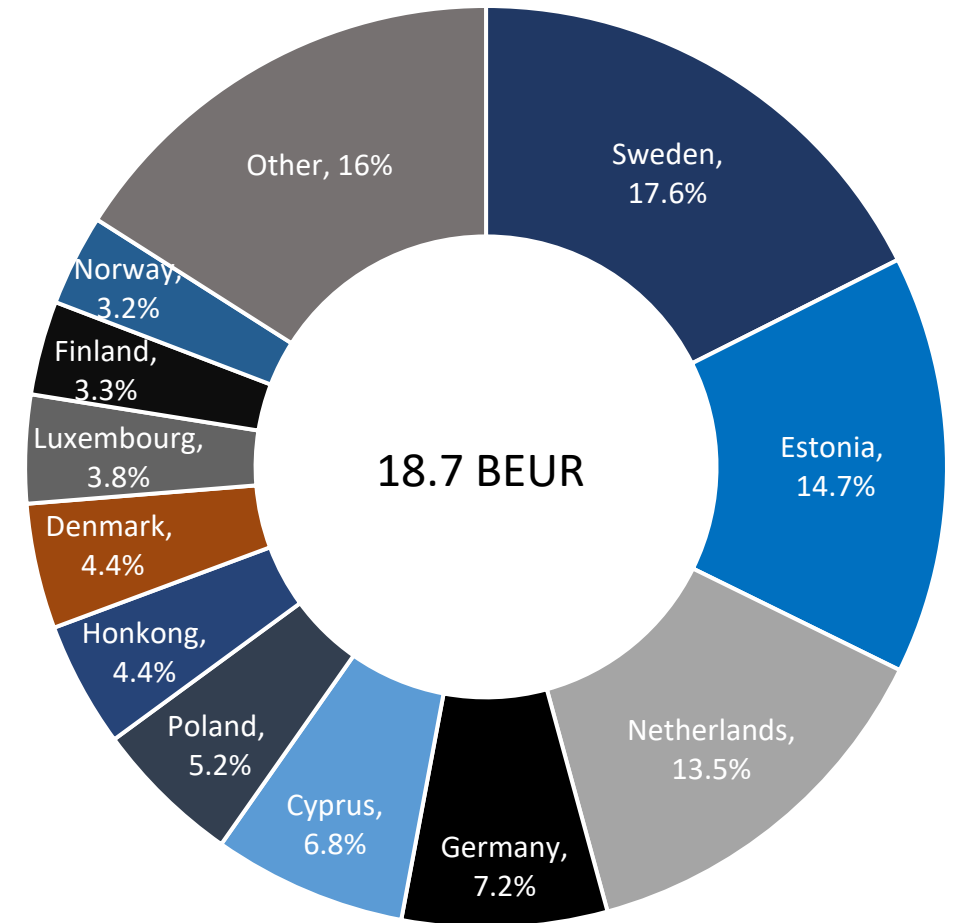
- An overview of the Swedish companies operating in Lithuania.
- Findings by the Swedish Chamber of Commerce in Lithuania of why Swedish companies choose Lithuania.
- Sectors that provide future opportunities for Swedish businesses.

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SWEDEN IS THE LARGEST INVESTOR IN LITHUANIA

- According to the Bank of Lithuania, Swedish direct investment stock in Lithuania in 2020 Q2 stood for approx. 3.3 BEUR which is **17.6% of total foreign direct investment** in the country.
- According to Orbis Bureau Van Dijk data, there are approx. **200 registered active companies** with major Swedish ownership present in Lithuania from very diverse sectors – **finance, telecommunications, manufacturing, retail and wholesale, logistics**, and others. There are also many companies that do business with Lithuania in cooperation with distributors, agents, suppliers and use other cooperation forms without a local legal entity.
- Companies with Swedish capital are present in all regions of Lithuania, but approx. 60% is located in and around the capital city Vilnius.
- According to estimates based on annual reports at the Lithuanian State Enterprise Centre of registers, **Swedish companies employ approx. 22 000 employees** in Lithuania. There are several Swedish companies that employ above 1000 employees, approx. 30 companies having 100 or more employees, 70 companies having 10-100 employees, and 50% of the companies having 1-10 employees.



Accumulated Foreign direct investments in Lithuania, 2020 Q2

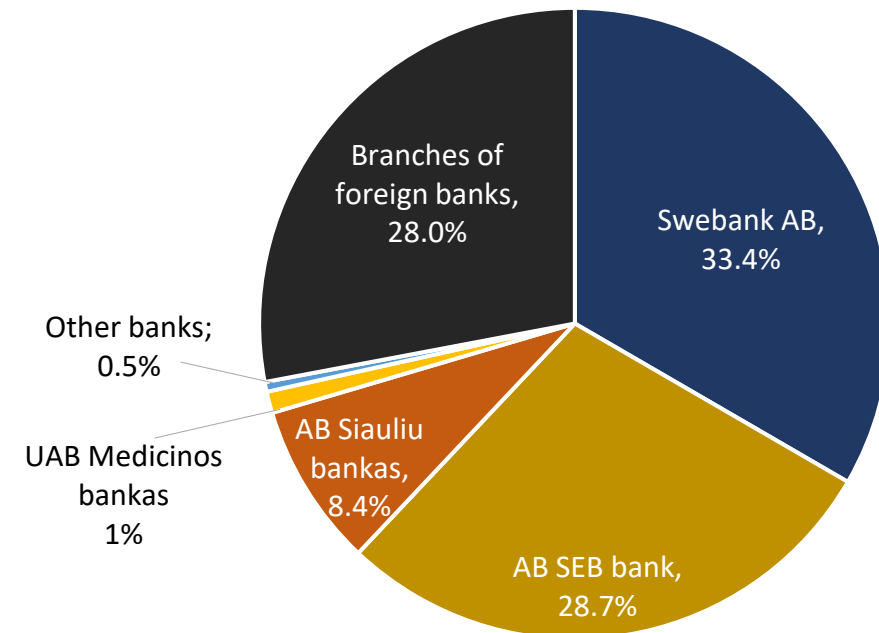
SWEDISH BANKS HAVE THE LARGEST MARKET SHARE IN LITHUANIA

Swedish-owned AB SEB Bankas and Swedbank AB are the two largest banks in Lithuania. In Q2, 2020, both accounted for 62.1% of the Lithuanian market, by assets. Branches of foreign banks, which are dominated by the Lithuanian branch of Luminor Bank AS, stood for 28.0% of the market.

Turnover 2019:

- Swedbank AB - 257,3 MEUR
- AB SEB Bankas – 219,0 MEUR
- AB Siauliu Bankas – 118,5 MEUR
- UAB Medicinos Bankas – 19,8 MEUR

Banks operating in Lithuania and branches of foreign banks
by assets, July 1, 2020



SWEDISH TELECOM COMPANIES HAVE THE LARGEST MARKET SHARE IN THE LITHUANIAN TELECOM SECTOR

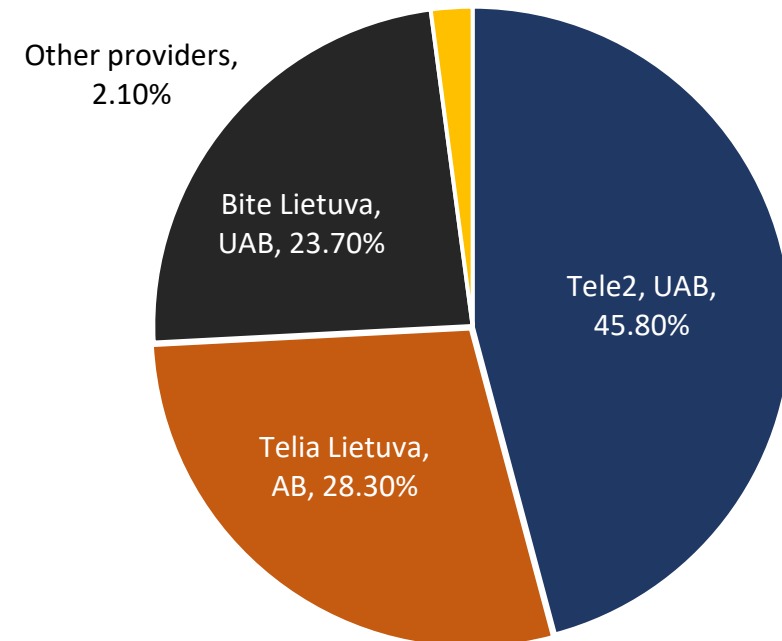
The two largest telecom operators in Lithuania are Swedish-owned Telia Lietuva AB and Tele2 UAB. In Q2, 2020 both held 74.1% of the active SIM cards in Lithuania.

Telia Lietuva AB has the biggest turnover among the telecom companies in Lithuania, yet TELE2 UAB has the largest share of active SIM cards.

Turnover 2019:

- Telia Lietuva AB - 389,3 MEUR
- Tele2 UAB - 250,9 MEUR
- Bite Lietuva UAB – 205,3 MEUR

Service providers in Lithuania by number of active SIM cards,%, Q2 2020



LARGERST COMPANIES WITH SWEDISH CAPITAL IN LITHUANIA

Largest Swedish capital companies in Lithuania
(by turnover, last available annual report)

Company name	Turnover (MEUR)	Swedish investor
TELIA LIETUVA AB	389,3	TELIA COMPANY AB
RIMI LIETUVA UAB	336,9	ICA HANDLARNAS FÖRBUND
SWEDBANK AB	257,3	SWEDBANK AB
TELE2 UAB	250,9	TELE2 AB
SEB BANKAS AB	219,0	SKANDINAVISKA ENSKILDA BANKEN AB
SCANDAGRA UAB	210,4	SCANDAGRA GROUP AB
IKEA INDUSTRY LIETUVA UAB	101,8	INTEROGO FOUNDATION
VOLVO LIETUVA UAB	87,5	AB VOLVO
H & M HENNES & MAURITZ UAB	87,5	HENNES & MAURITZ AB
SCANIA LIETUVA UAB	80,2	FAMILIEN PORSCHE/PIECH

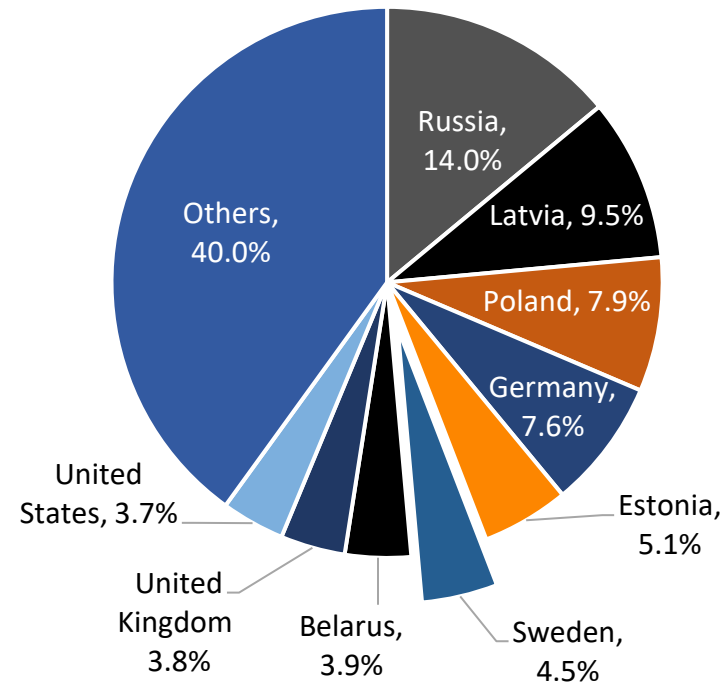
Largest Swedish capital companies in Lithuania
(by nr of employees, 2020)

Company name	Employees	Swedish investor
RIMI LIETUVA UAB	3,210	ICA HANDLARNAS FÖRBUND
TELIA LIETUVA AB	2,176	TELIA COMPANY AB
SWEDBANK AB	2,051	SWEDBANK AB
SEB BANKAS AB	1,517	SKANDINAVISKA ENSKILDA BANKEN AB
IKEA INDUSTRY LIETUVA UAB	741	INTEROGO FOUNDATION
TRANSCOM WORLDWIDE VILNIUS UAB	722	TRANSCOM TOPCO AB
AQ WIRING SYSTEMS UAB	652	AQ GROUP AB
SCAPA BALTIC UAB	584	SCAPA CAPITAL AB
TELIA GLOBAL SERVICES LITHUANIA UAB	570	TELIA COMPANY AB
TELE2 PREKYBA UAB	564	TELE2 AB

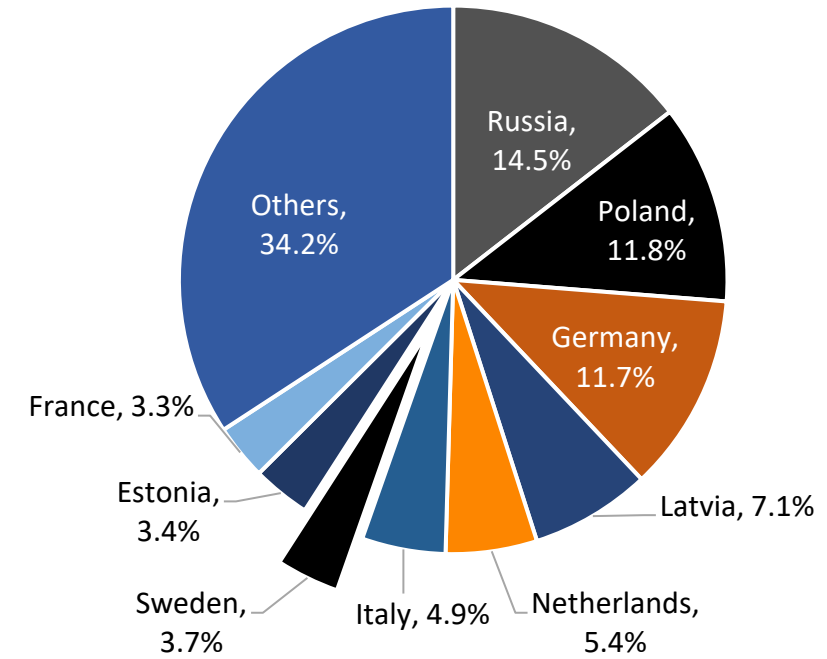
SWEDEN IS ONE OF THE MAIN FOREIGN TRADE PARTNERS TO LITHUANIA

- In 2019, Lithuania's 3 main trading partners were Russia, Poland and Germany.
- Sweden was the 6th largest export destination and the 7th largest import partner.
- In 2019, exports to EU countries made up to 59% of the total volume of Lithuanian exports. It increased by 1.35 billion euro or 4.8% compared to 2018.
- In 2019, Swedish export of goods to Lithuania stood for 0.7% of total Swedish export while Swedish import of goods from Lithuania made up 0.9% of total Swedish import.
- Lithuania was the 25th largest export destination and 21st largest import partner for Sweden.

Lithuanian export of goods 2019, destination and share in %



Lithuanian import of goods 2019, destination and share in %



SWEDISH - LITHUANIAN TRADE OF GOODS HAS INCREASED APPROX. 50% SINCE 2015

- The largest Swedish export product group “chemicals, manufactured goods and articles” includes products such as: chemicals and related products, paper, paperboard and articles of paper pulp, telecommunications equipment and parts, road motor vehicles and motor vehicles for the transport of goods.
- The main Swedish import product group “chemicals, manufactured goods and articles” includes products such as: furniture, equipment for distributing electricity, manufactures of metals, articles of plastics, articles of apparel and clothing accessories.

Main Swedish export product groups to Lithuania, 2019 (%)

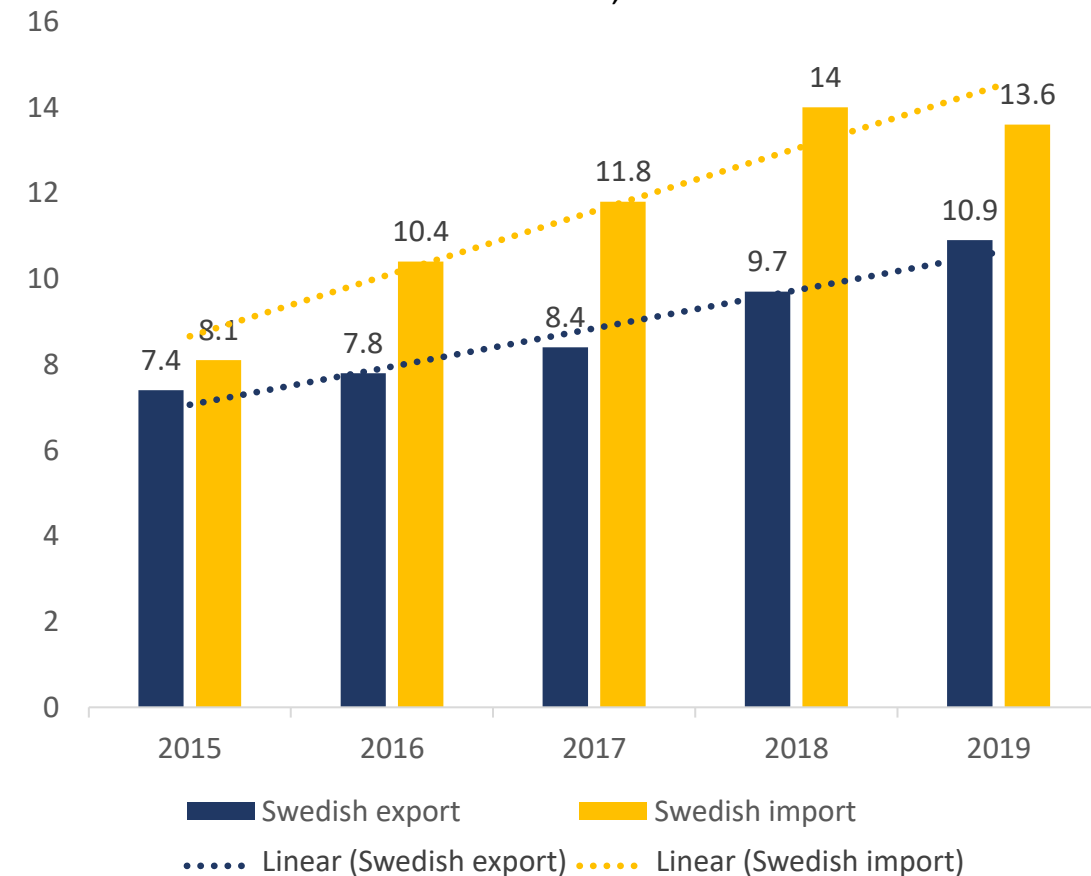
Total, BSEK	10.9
Chemicals, manufactured goods and articles	53%
Food, beverages and tobacco	27%
Crude materials and mineral fuels	16%

Main Swedish import product groups from Lithuania, 2019 (%)

Total, BSEK	13.6
Chemicals, manufactured goods and articles	75%
Food, beverages and tobacco	11%
Crude materials and mineral fuels	4%

Source: Kommerskollegium

Swedish foreign trade of goods dynamics with Lithuania
2015-2019, BSEK



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WHY SWEDISH COMPANIES CHOOSE LITHUANIA

Lithuania is an attractive market for Swedish investments due to overall good business climate (Lithuania ranks 11th globally in World Bank's Ease of doing business ranking) and attractive cost to productivity ratio.

Swedish Chamber of Commerce in Lithuania has interviewed 8 Swedish capital companies' representatives from different sectors regarding the most crucial factors for market entry or expansion in the Lithuanian market, by importance:

- Political and economic stability;
- Talent pool (education, language and IT skills in labour force);
- Transparency and sustainability;
- Tax and legal infrastructure;
- Business connectivity (geographical location, transport infrastructure);
- Closeness to Swedish business culture;
- Well-developed ICT and IT infrastructure.

"Fantastic quality and cost of labour, good economic relationship between countries and stable political situation."

SEB bankas

"Lithuania offers skilled employees with excellent language knowledge, legislation and regulation is on good European level. Combined to tax and cost level it makes Lithuania interesting place to run business."

First Insurance Baltics

"Lithuania is very strong in the transport business sector and has lots of potential for growth. Volvo Lietuva expansion in Lithuania has been related to education level, political stability and development in transparency and economy."

Volvo Lietuva

"Lithuania is an attractive market because of its potential in business development, support of Scandinavian governments and experienced local staff."

SWECO Lithuania

BUSINESS OPPORTUNITIES FOR SWEDISH COMPANIES 1/2

SOURCING



Lithuania has traditions, talent pool, infrastructure and experience within metal processing, furniture, electronics, textile, food and other sectors.

Furniture is one of the most competitive and highly developed branches in Lithuania's manufacturing industry, therefore, Lithuania is the 5th biggest IKEA supplier in the world.

The main export markets for Lithuanian manufacturers are the Baltic neighbours, Nordic countries, Germany, Poland. Flexible, well-developed logistics networks, allows efficient delivery to the EU and the CIS markets.

The vulnerabilities of global value chains that the pandemic has exposed is a good reason to consider neighbouring markets such as Lithuania.

SECURITY AND DEFENSE



Lithuania has sharply increased investments and reached more than 2% defense expenditure of GDP.

Lithuanian government plans investments in border security, military infrastructure and other areas.

TRAFFIC SAFETY



Lithuanian government seeks Vision Zero by investing in traffic safety:

- ▶ Intelligent transport systems
- ▶ Safer road infrastructure
- ▶ Safer/greener vehicles
- ▶ EV charging infrastructure

ENERGY / CLEANTECH



Opportunities in:

- ▶ Energy efficiency in public and private buildings
- ▶ Expanding energy generation from renewable sources
- ▶ Waste management solutions

RAIL BALTICA



A greenfield rail transport infrastructure project, which is being developed and is planned to be constructed by 2026/2027 with a goal to integrate the Baltic States in the European rail network:

- ▶ 870 km. European gauge 1435mm powered by el.
- ▶ Total investment ~ 6 BEUR

BUSINESS OPPORTUNITIES FOR SWEDISH COMPANIES 2/2

GLOBAL BUSINESS SERVICES



The talent pool, language skills, IT infrastructure, education level, closeness to Swedish business culture, and attractive cost levels offer business opportunities within customer support, financial and accounting, ICT, and other services.

Currently, there are approx. 19 300 specialists in the industry and 81 GBS centers in Lithuania, including SEB and TELIA.

Main functions of GBS centers in Lithuania:

- ▶ IT – 34%
- ▶ Finance and accounting - 19%
- ▶ Customer service – 14%

SOFTWARE ENGINEERING



With a talent pool of 27 000 software developers, 38 000 IT specialists and good IT infrastructure Lithuania has already attracted international tech companies like Uber, Kayak, Booking, and others.

LIFE SCIENCES



Lithuanian Life Sciences sector is growing and has already 72 companies present. 90% of all pharmaceutical and healthcare production is exported to over 100 countries. Lithuania offers:

- ▶ Attractive financial incentives for both R&D and manufacturing activities
- ▶ Exceptional government support to ensure smooth business operations in the country
- ▶ Free economic zones

FINTECH



Lithuanian authorities, including the Bank of Lithuania, Ministry of Finance, and Invest Lithuania agency are working together to actively promote the development of the Fintech sector in Lithuania. Lithuania's Fintech ecosystem offers a special legal and regulatory environment for the establishment of international Fintech players:

- ▶ E-money or payment license in 3 months
- ▶ Regulatory sandbox
- ▶ Special banking license
- ▶ Direct technical access to SEPA
- ▶ Newcomer's programme
- ▶ ROCKIT (Swedbank) fintech centre

Today there are more than 200 fintech companies in Lithuania including Revolut, Google, Revel, and other international players.



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