

INBOUND TOURISM IN ESTONIA IN 2012

1.87 million foreign tourists stayed overnight in the accommodation establishments of Estonia in 2012. Their number increased by 3.6% or by 65,600 compared with 2011. The number of nights spent was 3.82 million (2% up on 2011). The number of foreign overnights on both holiday trips and business trips increased by 3% while overnights on other trips decreased by 6%. In absolute figures, the biggest increase occurred in holiday tourism which accounts for the majority (2/3) of foreign overnights.

The growth in 2012 means a new record level in inbound tourism for the third consecutive year. It is worth noting that both in 2010 and 2011 inbound tourism in Estonia increased substantially (both in 2010 and 2011, foreign overnights increased by 17% compared with the previous year). In 2011, the driving force behind the increase was the creation of new transport connections with many European target markets (especially low-cost flights). Also, extensive media coverage of Tallinn's status as the European Capital of Culture, abundance of cultural events, and long-term cooperation by the entrepreneurs, the state and municipalities in developing tourism services and promoting Estonia in various target markets, increased Estonia's attractiveness as a tourist destination. Last but not least, international tourism in Europe in general showed a strong recovery in 2011.

The good results of the first half and especially the first quarter of 2012 can also be attributed to the factors contributing to the substantial growth already in 2011, e.g. the increase in the number of direct flights to Tallinn, the effect of extensive media coverage of the European Capital of Culture, active promotion of Estonia by the public and private sector and the continuing growth trend in European tourism in general. According to the preliminary data published by UNWTO in January 2013, inbound tourism to European countries increased by 3.3% in 2012. Central and Eastern European sub-region experienced even better results (+8%).

Regarding the increased flight capacity to Tallinn, several new routes or new frequencies were added in the 2nd or 3rd quarter of 2011, thus the number of connections in the first half and especially in the first quarter of 2012 was bigger compared with the same period of 2011. The number of direct flights from both Moscow and St. Petersburg increased significantly. The number of flights from Norway and Germany also increased compared with the first half of 2011. On the other hand, starting from spring, the number of flights from the UK decreased, leading to a noticeable decrease in the number of British overnights in Estonia starting from May (compared with the record level achieved in 2011). Starting from November, Ryanair closed several routes for the winter season. The German market felt the strongest impact in the last months of 2012, as Ryanair closed all of its routes to Germany and Lufthansa also reduced frequencies.

Such changes in air capacity partly explain why growth in inbound tourism was stronger in the first half of 2012. In the first quarter, foreign overnights increased by 7.6% (compared with the respective period a year ago). In the 2nd quarter, they increased by 3.3% whereas in the 3rd quarter they even decreased by 1.8%. In the 4th quarter, however, they increased by 2.5%. Due to the decrease in July and August and the strong increase in the winter months, seasonality of foreign overnights decreased slightly. In 2011, the three summer months accounted for 38.6% of all foreign overnights, in 2012, however, the respective figure was 37.3%.

Similarly to the development in 2011, also in 2012 tourism from **Russia** showed by far the biggest increase in absolute figures. Besides the factors named above, the general outbound travel trend in Russia continued to be very positive in 2012. According to the Q4/2012 report European Tourism In 2012: Trends & Prospects by the European Travel Commission, Russia remained the fastest growing source market within Europe, with the overwhelming majority of destinations reporting strong growth in arrivals in 2012.

The number of Russian tourists staying at accommodation establishments in 2012 – 266,192 – was 62,988 more than a year ago (+31%). The number of Russian overnights amounted to 593,783, increasing by 25% compared with the exceptionally strong figures a year ago. As in previous years, tourism from Russia continued to increase substantially in their most popular destination Tallinn (+23%) as well as in most other regions of Estonia. However, the share of Tallinn among their destinations in Estonia has slightly decreased over the past two years as several other regions have shown bigger growth (in 2010, Tallinn accounted for 66% of their overnights in Estonia whereas in 2012 the respective figure was 62%). This reflects active promotion by various regions and entrepreneurs, in addition to the promotional activities on the national level.



In 2012 the number of tourists from the largest source market, **Finland**, amounted to 829,225 (-1.4%) and their overnights to 1.65 million (-1.5%). Their overnights decreased in their four most popular destinations in Estonia. In Tallinn, their overnights decreased by just 1% – compared with the record level achieved a year ago. In Pärnu and in Saare and Lääne counties, however, their overnights decreased slightly also in 2011. On the other hand, several destinations also recorded an increase from Finland. In absolute figures, their overnights increased most in Harju County and Tartu. In Tartu, their overnights even reached a new record for the second consecutive year, partly due to the increase in average length of stay. Despite the small decrease in Tallinn, the share of Tallinn among their destinations in Estonia continued to increase slightly, following a long-term trend (in 2004, Tallinn accounted for 46% of their overnights in Estonia whereas in 2011 the respective figure was 57.1% and in 2012 – 57.3%).

The share of Finland among the inbound markets continued to decrease. In 2012, Finnish overnights accounted for the record low share – 43% of all foreign overnights in Estonia (down from 45% in 2011 and 61% in 2004). At the same time, the market share of Russia continued to increase, reaching 15.5% of all foreign overnights in Estonia (up from 12.7% in 2011 and just 3.7% in 2004).

Tourism from the third largest market **Germany** increased for the third consecutive year. Both the number of arrivals (111,251) and the number of overnights (227,959) exceeded the previous record levels. In absolute figures, their overnights showed the biggest increase in their most popular destination Tallinn where they reached a new record for the second consecutive year. Their second most popular destination Tartu as well as some smaller destinations also showed good growth rates. German overnights followed closely the changes in flight connections from German cities. Their overnights increased in the first three quarters of 2012, with the biggest increase occurring from March to May, thanks to the additional flights from several German cities. However, in the fourth quarter the number of flights from Germany decreased, leading to a decrease in the number of German overnights.

The number of **Latvian** tourists and their overnights reached a new record. The number of Latvian tourists (100,638) was 18% higher than in 2011 (the previous record). Their overnights amounted to 152,491, increasing by 17%. Their overnights increased in almost all the regions of Estonia. In absolute figures, the biggest increase occurred in Tartu. The popularity of Tartu as well as Tartu County increased substantially both in 2011 and 2012 thanks to the new attractions opened in Tartu in 2011. In Tallinn (which showed the biggest growth in 2011), their overnights increased by 6%, reaching a new record. In Pärnu, their overnights increased by 13%, following the long-term growth trend.

Tourism from **Sweden** decreased, following the recovery in 2010 and 2011. The number of Swedish tourists amounted to 78,412 (-9% compared to 2011). Swedish overnights (amounting to 161,460) decreased by 10%. The biggest decrease occurred in Tallinn (-14%) – following a rather strong (+12%) increase in 2011. In 2012 Swedish overnights decreased also in Latvia, Lithuania and Finland.

DOMESTIC TOURISM IN ESTONIA IN 2012

966,376 domestic tourists stayed overnight in the accommodation establishments of Estonia in 2012. Their number increased by 5% or by 48,358 compared with 2011. The number of nights spent was 1.72 million (4% up on 2011). After the substantial decrease in 2009 due to the economic crisis, domestic tourism has gradually recovered in the past three years. In 2012 the number of domestic tourists was 0.4% higher than in 2007 (the record year in domestic tourism so far), however, their overnights were still 2% below the record level of 2007. In 2012 overnights on domestic holiday trips increased by 6%, overnights on business trips by 5% and overnights on other trips by 0.5%. Also the seasonality of domestic overnights decreased slightly. In 2011, the three summer months accounted for 38.4% of all domestic overnights, in 2012, however, the respective figure was 37.6%.

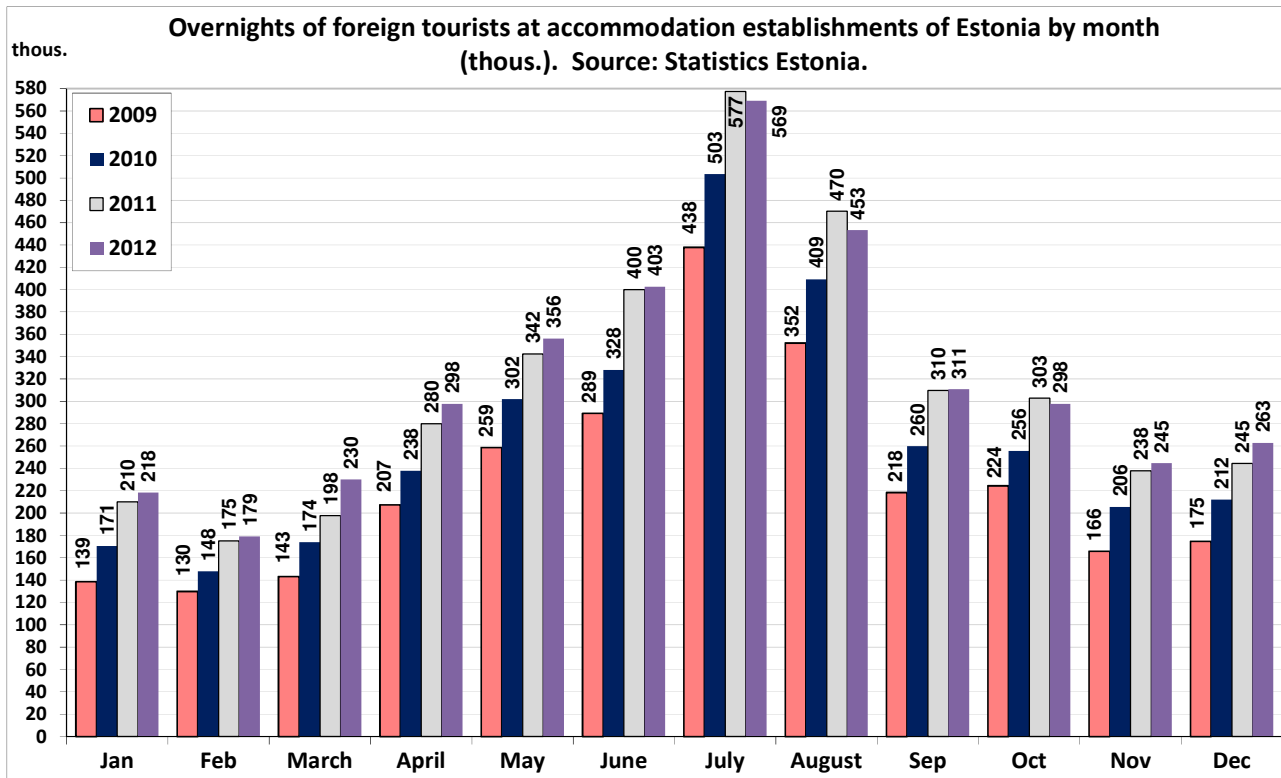
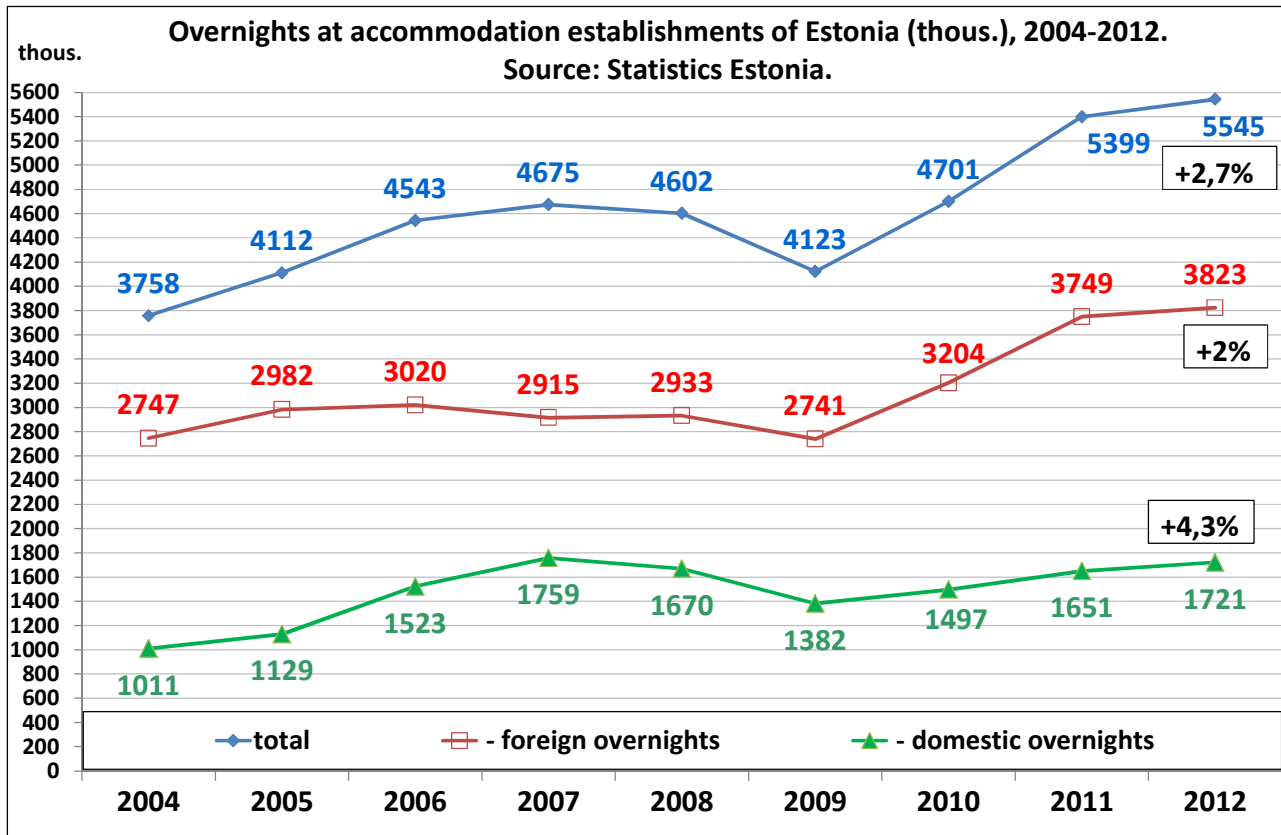
TOURISM RECEIPTS

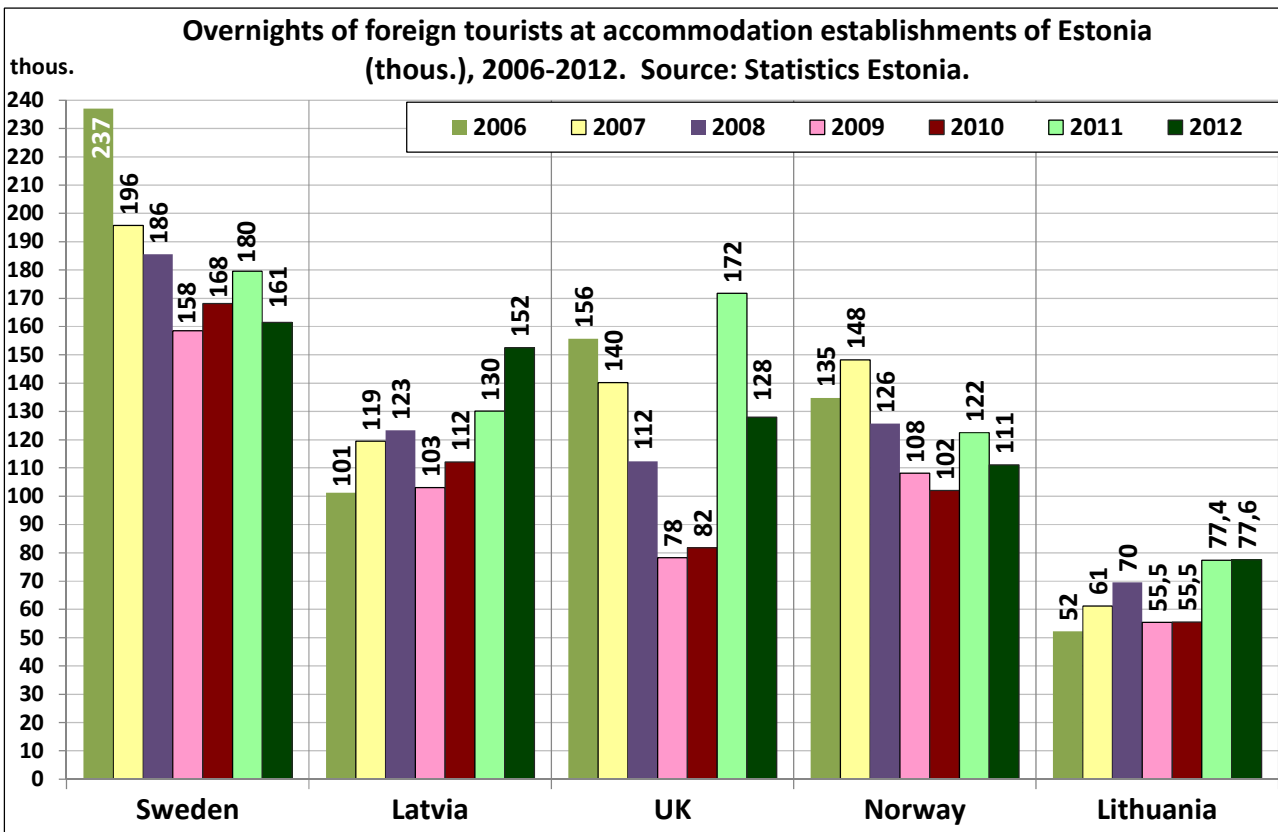
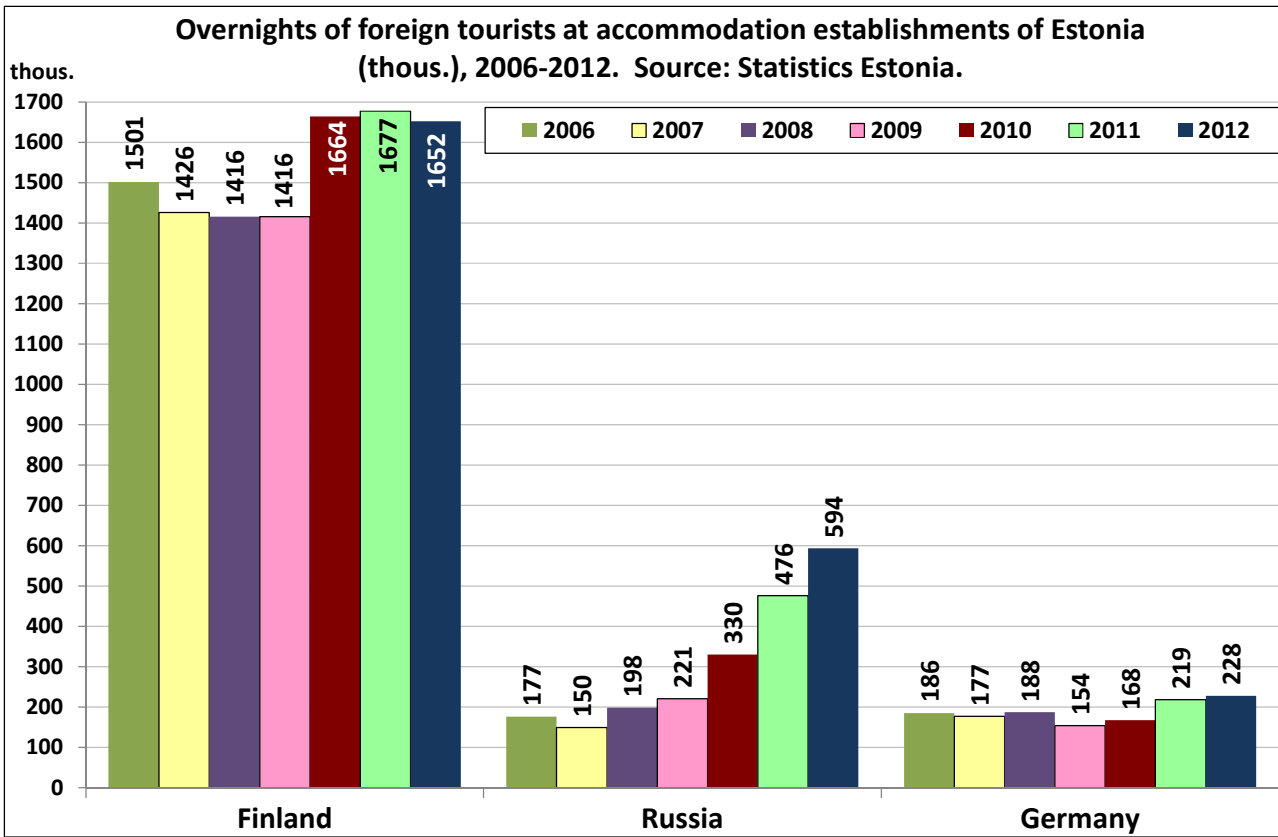
According to the Bank of Estonia, Estonia's tourism receipts reached a new record, amounting to EUR 1.24 billion in 2012. This was 2.7% more than a year ago. Travel receipts (foreign visitors' expenditures in Estonia) amounted to EUR 950 mil. (6% more than a year ago). Fare receipts (foreign visitors' payments to Estonian transport companies) amounted to EUR 286 mil. or 6.6% less than a year ago.

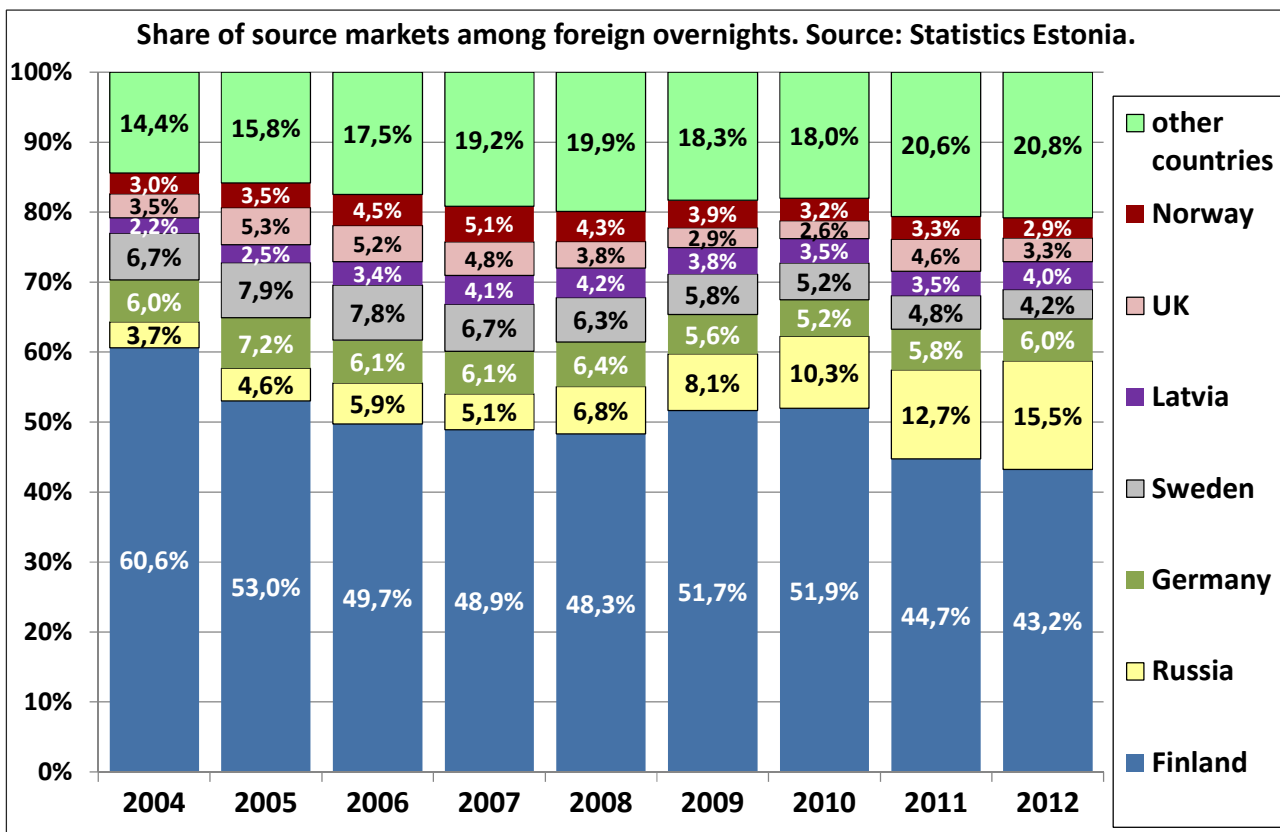
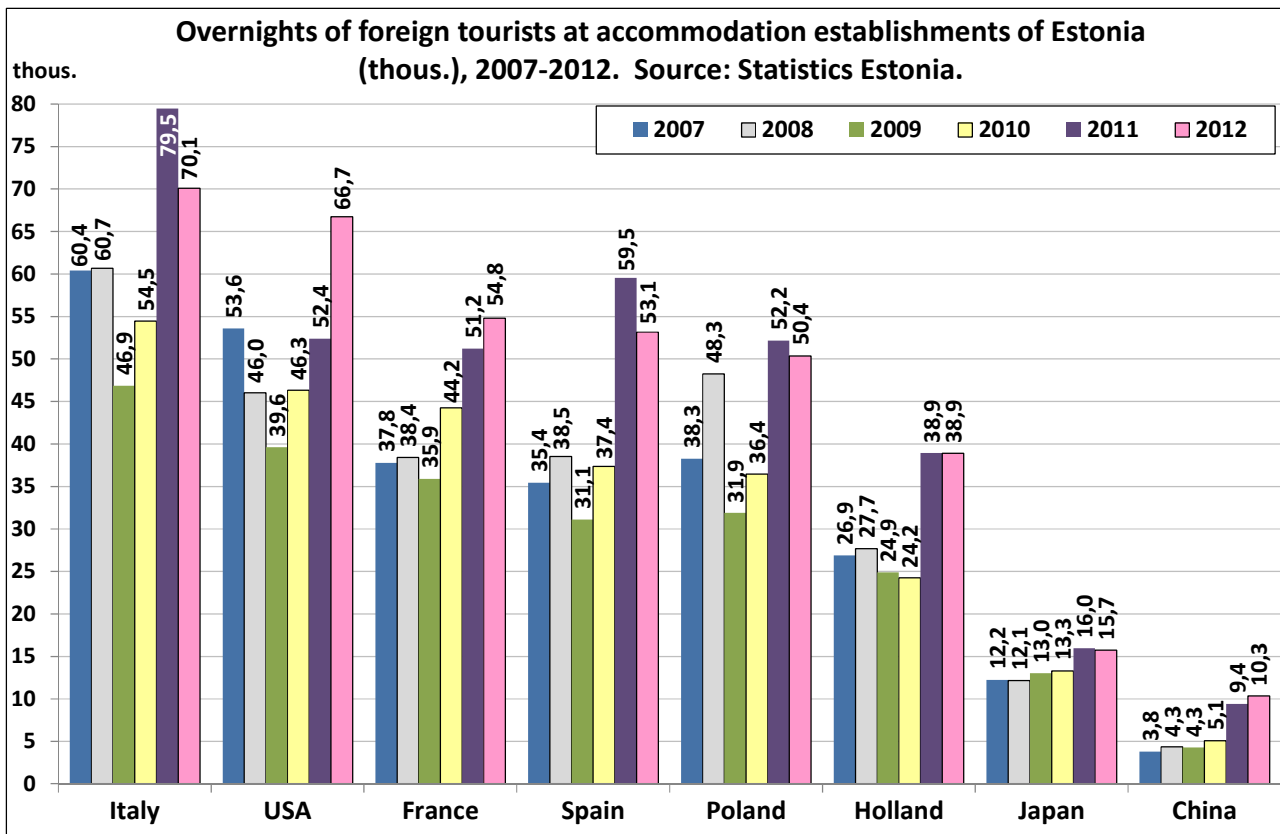
In 2012 the sales of accommodation services by all accommodation establishments amounted to 171.5 million Euros (11% up on 2011). Thus, the sales of accommodation services increased more than the

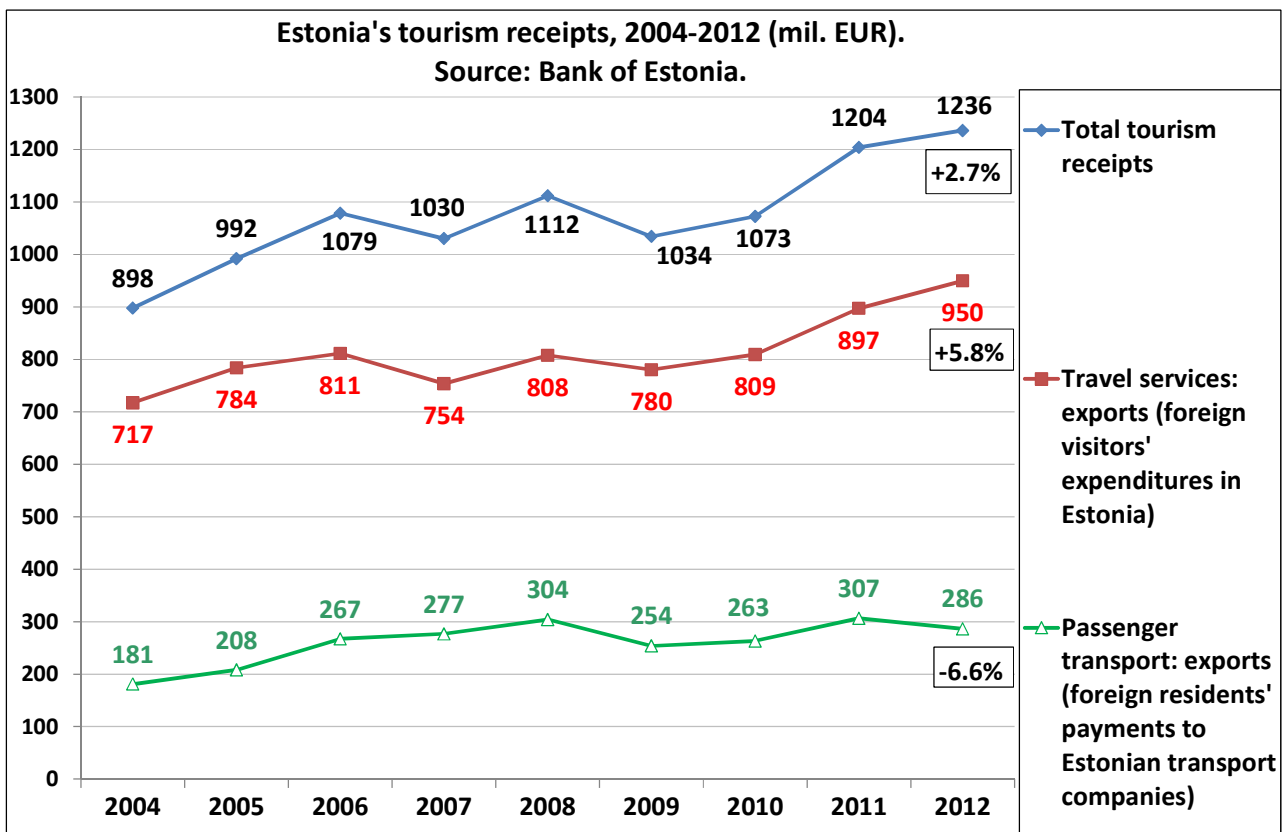
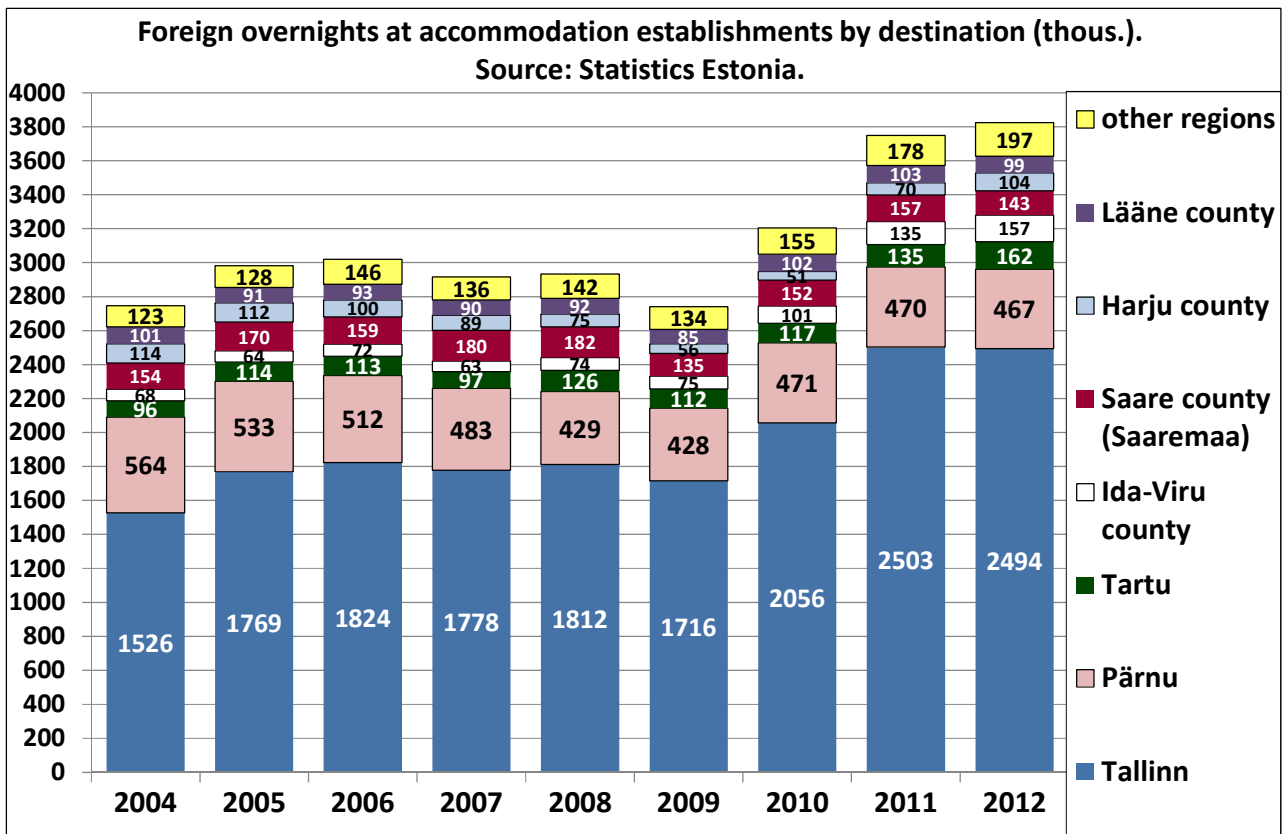


number of overnights (domestic and foreign overnights together increased by 2.7%), indicating an increase in ADR (average daily rate). According to Statistics Estonia, ADR decreased by about 10-15% between 2008 and 2010 and increased only slightly in 2011. Thus, the increase in 2012 meant that ADR reached roughly the pre-crisis level.









Arrivals and overnights at all accommodation establishments of Estonia by country of residence, 2008-2012.
Source: Statistics Estonia.

| | Arrivals at accommodation establishments | | | | | Year on year change | | | | |
|----------------|--|------------------|------------------|------------------|------------------|---------------------|----------------|----------------|---------------|-------------|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2009/08 | 2010/09 | 2011/10 | 2012/11 | 2012/11 |
| total | 2 377 671 | 2 147 133 | 2 401 763 | 2 725 937 | 2 839 895 | -230 538 | 254 630 | 324 174 | 113 958 | 4% |
| domestic | 944 325 | 766 593 | 837 811 | 918 018 | 966 376 | -177 732 | 71 218 | 80 207 | 48 358 | 5% |
| foreign | 1 433 346 | 1 380 540 | 1 563 952 | 1 807 919 | 1 873 519 | -52 806 | 183 412 | 243 967 | 65 600 | 3,6% |
| Finland | 728 181 | 750 984 | 832 874 | 840 714 | 829 225 | 22 803 | 81 890 | 7 840 | -11 489 | -1,4% |
| Russia | 82 280 | 93 947 | 141 964 | 203 204 | 266 192 | 11 667 | 48 017 | 61 240 | 62 988 | 31% |
| Germany | 91 915 | 75 966 | 84 454 | 103 559 | 111 251 | -15 949 | 8 488 | 19 105 | 7 692 | 7% |
| Latvia | 79 527 | 68 320 | 72 684 | 85 229 | 100 638 | -11 207 | 4 364 | 12 545 | 15 409 | 18% |
| Sweden | 86 308 | 77 470 | 81 196 | 86 287 | 78 412 | -8 838 | 3 726 | 5 091 | -7 875 | -9% |
| UK | 46 575 | 33 395 | 35 692 | 69 912 | 54 305 | -13 180 | 2 297 | 34 220 | -15 607 | -22% |
| Norway | 47 240 | 40 915 | 40 414 | 51 510 | 48 479 | -6 325 | -501 | 11 096 | -3 031 | -6% |
| Lithuania | 41 396 | 33 441 | 34 107 | 47 003 | 47 397 | -7 955 | 666 | 12 896 | 394 | 0,8% |
| Italy | 26 280 | 19 959 | 23 017 | 33 618 | 30 574 | -6 321 | 3 058 | 10 601 | -3 044 | -9% |
| USA | 19 185 | 16 284 | 20 503 | 23 824 | 29 601 | -2 901 | 4 219 | 3 321 | 5 777 | 24% |
| Poland | 20 859 | 17 062 | 19 522 | 27 093 | 25 513 | -3 797 | 2 460 | 7 571 | -1 580 | -6% |
| Spain | 17 844 | 15 707 | 16 860 | 27 106 | 25 003 | -2 137 | 1 153 | 10 246 | -2 103 | -8% |
| France | 18 522 | 16 864 | 19 319 | 22 301 | 24 089 | -1 658 | 2 455 | 2 982 | 1 788 | 8% |
| Holland | 12 533 | 11 595 | 11 713 | 17 968 | 18 279 | -938 | 118 | 6 255 | 311 | 2% |
| Denmark | 14 281 | 12 036 | 11 140 | 13 902 | 14 091 | -2 245 | -896 | 2 762 | 189 | 1,4% |
| Japan | 6 862 | 7 253 | 7 235 | 8 732 | 8 778 | 391 | -18 | 1 497 | 46 | 0,5% |
| China | 1 895 | 2 058 | 2 823 | 5 549 | 5 934 | 163 | 765 | 2 726 | 385 | 7% |

| | Overnights at accommodation establishments | | | | | Year on year change | | | | |
|----------------|--|------------------|------------------|------------------|------------------|---------------------|----------------|----------------|---------------|-----------|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2009/08 | 2010/09 | 2011/10 | 2012/11 | 2012/11 |
| total | 4 602 212 | 4 122 526 | 4 700 680 | 5 399 392 | 5 544 537 | -479 686 | 578 154 | 698 712 | 145 145 | 3% |
| domestic | 1 669 550 | 1 381 830 | 1 496 959 | 1 650 527 | 1 721 498 | -287 720 | 115 129 | 153 568 | 70 971 | 4% |
| foreign | 2 932 662 | 2 740 696 | 3 203 721 | 3 748 865 | 3 823 039 | -191 966 | 463 025 | 545 144 | 74 174 | 2% |
| Finland | 1 415 884 | 1 416 113 | 1 664 139 | 1 677 119 | 1 651 965 | 229 | 248 026 | 12 980 | -25 154 | -1,5% |
| Russia | 198 319 | 220 945 | 330 276 | 475 905 | 593 783 | 22 626 | 109 331 | 145 629 | 117 878 | 25% |
| Germany | 187 665 | 154 260 | 167 508 | 218 698 | 227 959 | -33 405 | 13 248 | 51 190 | 9 261 | 4% |
| Sweden | 185 592 | 158 492 | 168 165 | 179 523 | 161 460 | -27 100 | 9 673 | 11 358 | -18 063 | -10% |
| Latvia | 123 299 | 103 091 | 112 122 | 130 154 | 152 491 | -20 208 | 9 031 | 18 032 | 22 337 | 17% |
| UK | 112 423 | 78 322 | 81 791 | 171 748 | 127 969 | -34 101 | 3 469 | 89 957 | -43 779 | -25% |
| Norway | 125 683 | 108 207 | 102 019 | 122 443 | 111 131 | -17 476 | -6 188 | 20 424 | -11 312 | -9% |
| Lithuania | 69 555 | 55 465 | 55 535 | 77 428 | 77 585 | -14 090 | 70 | 21 893 | 157 | 0,2% |
| Italy | 60 692 | 46 856 | 54 451 | 79 455 | 70 070 | -13 836 | 7 595 | 25 004 | -9 385 | -12% |
| USA | 46 014 | 39 610 | 46 305 | 52 387 | 66 725 | -6 404 | 6 695 | 6 082 | 14 338 | 27% |
| France | 38 416 | 35 908 | 44 236 | 51 223 | 54 790 | -2 508 | 8 328 | 6 987 | 3 567 | 7% |
| Spain | 38 510 | 31 089 | 37 369 | 59 527 | 53 144 | -7 421 | 6 280 | 22 158 | -6 383 | -11% |
| Poland | 48 254 | 31 878 | 36 442 | 52 153 | 50 351 | -16 376 | 4 564 | 15 711 | -1 802 | -3% |
| Holland | 27 662 | 24 876 | 24 227 | 38 930 | 38 906 | -2 786 | -649 | 14 703 | -24 | -0,1% |
| Denmark | 31 684 | 25 725 | 23 489 | 27 928 | 27 887 | -5 959 | -2 236 | 4 439 | -41 | -0,1% |
| Japan | 12 143 | 12 998 | 13 303 | 15 967 | 15 723 | 855 | 305 | 2 664 | -244 | -2% |
| China | 4 344 | 4 268 | 5 057 | 9 429 | 10 337 | -76 | 789 | 4 372 | 908 | 10% |