



FINNISH GROCERY TRADE
2008–2009



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Responsible trade takes consumers into account

Trade is a consumer-focused sector that keeps track the ongoing changes occurring in consumer lifestyle and demand. Taking consumers into account means supporting their choices by creating new selections and expanding on existing ones, and by providing information and improved service. We also follow societal debates and the evolution of collective values.

Among these values, ethical integrity and responsibility have become increasingly important to consumers. In developing responsible operations, co-operation pays off. Joint efforts pursued by the whole sector are more efficient than separate measures taken by each individual trade group. Joint practices are also clearer from a consumer's perspective.

The development of the grocery store self-control system for the sale of age-restricted products is a good example of joint responsibility. It brings forth standardized store procedures for confirming a shopper's age and exercising self-control with age-restricted products. Checkout personnel receive uniform proficiency training in age limit issues.

Consumers are increasingly interested in knowing about the environmental impacts and ethicality of their purchases. To make active choices, consumers need information on issues such as production methods and environmental impacts. The trade sector provides consumers with these options and information. With improved package markings and traceability of foodstuffs, more information than ever is available.

The trade sector contributes to the joint climate effort by developing its logistics. Its transportation processes are efficient both from a logistical and an environmental point of view. Selections widen so that consumers can do all of their shopping in one place. Fast, easy shopping makes life run more smoothly, providing both the retailer and the customer with a sense of efficiency.

The main competitive edge of a store is its location. The strongest aspect of the grocery trade is its efficient service network, in which stores of varying sizes and specialties fulfill their designated roles. The ageing of the population makes it even more important to maintain a service network. Municipalities should enable the development of a service network and allocate a sufficient



number of fruitful business locations directly to companies in the trade sector.

Life is busier than it used to be, and this hectic pace of life can also be felt inside stores themselves: people shop increasingly in the evenings and on Saturday afternoons. Indeed, over 50% of respondents in recent consumer questionnaires have said that they would wish for the establishment of deregulated Sunday opening hours. Parents of young children are particularly favourable to free opening hours, which would help make their timetables more flexible.

The rigid regulation of retail trade creates an obstacle for utilizing innovations, meeting consumers' wishes and increasing the efficiency of the trade sector. This is why the trade sector hopes for the reduction of strict regulations – to better serve the interests of the consumers.

Terho Kalliokoski

Terho Kalliokoski, President of Kesko Food Ltd, is the Chairman of the Finnish Grocery Trade Association.

” To make active choices, consumers need information.

Deregulation Improves Service

The Ministry of Employment and the Economy emphasizes the importance of innovations, which ensure productivity and economic growth in the service sector. As agriculture and traditional industries occupy a diminishing segment of the national economy, an improved productivity within trade and other services becomes more crucial. In order for the Ministry's innovation policy to materialise in the service sector, trade has to be able to operate in a more liberal manner and with fewer regulations.

The needs of consumers, the environment and society at large are changing at an increasing rate, requiring trade services to continuously update. Enforcing rigid regulations in the trade sector makes it difficult to develop customer service in a way that meets consumers' needs and wishes.

Deregulation would promote an increase in productivity and competitiveness in the entire supply chain, such as that of the food industry, from primary production to the processing stages and further to grocery stores. Improved productivity would ease the pressure to increase prices, thereby containing inflation.

Year-round Sunday opening hours at retail stores

The Government's programme contains a promise to clarify the opening hour regulations of retail stores. The Finnish Grocery Trade Association insists that this be implemented in a manner that best meets the consumers' needs, allowing for the option to institute Sunday opening hours year-round.

As consumption habits change, Sunday shopping has become more important to consumers, 90% of whom



” Placing rigid regulations on the trade sector makes it difficult to develop customer service in a way that meets consumers' needs and wishes.

make use of the current Sunday opening hours. Sundays account for 4% of all grocery purchases. Moreover, the majority of respondents in various opinion polls find Sunday opening hours to be necessary.

Extended opening hours improve customer service, trade productivity, competitiveness of both domestic production and supply chains, and employment. Extended opening hours also increase the return on capital tied up in properties, as well as their energy efficiency. Year-round Sunday opening hours would increase the commercial appeal of urban centres, making them more competitive *vis-à-vis* the shopping centres planned outside population hubs. According to studies performed, a change in regulations to allow all stores to remain open on Sundays wouldn't hurt small neighbourhood stores, since different store types all play a particular role in the trade service network.

Self-care medicines to grocery stores

The sale of self-care medicines that don't require a prescription should be liberated, and these products should be available at grocery stores, similarly to nicotine-replacement products. This would improve the service provided to consumers, safeguarding the operating conditions of neighbourhood stores and lowering the cost of medicines.

The grocery trade sector has extensive experience developing efficient, comprehensive supply chains. Positive experiences gained in the sales of nicotine-replacement products show that self-care medicines could successfully be introduced into the services and selection that grocery stores offer.

According to a survey conducted by the Association of Finnish Pharmacies, the most important criteria for cus-

tomers (62% of respondents) was the close proximity of their local pharmacies. However, with no competition and available alternatives, the distribution of pharmaceuticals lags behind the general development of other service sectors, and the network does not cover the current service needs.

Among Nordic countries, Denmark and Norway have self-care medicines available in grocery stores, while Sweden plans to introduce a similar practice in 2009. The Finnish Grocery Trade Association is urging the Government to take action to deregulate the sale of self-care medicines.

Making mild alcoholic beverages available at grocery stores

The Grocery Trade Association has launched a comprehensive initiative that aims to ensure successful self-control in the sale of age-restricted products. Through these means the grocery trade wants to prepare, in a responsible manner, for the expanded availability of self-care medicines and mild alcoholic beverages.

Making mild wines and speciality beers available in grocery stores would improve customer service and productivity while safeguarding the current service network. Large-scale grocery stores that also include an Alko monopoly store within the same premises increase their sales by 10 – 15%, while taking business away from small neighbourhood stores. As is the case with self-care medicines, allowing the sale of mild alcoholic beverages at grocery stores would enable the existing network of neighbourhood stores to better meet the needs of the ageing population.

Deregulated construction of stores

The Grocery Trade Association wants to build up its service network in areas with easy traffic access, thereby supporting the existing community structure. In their urban planning policy, municipalities should allocate a sufficient number of locations specifically for businesses, rather than for developers and real estate investors, because the trade sector is responsible for maintaining a service

network in line with the principles of sustainable development. Through the associated shopping-related traffic, retail-specific construction has an important impact on the climate.

The regulation of retail construction must be updated to meet the expansion of retail services and selections. The current 2,000 sq m limit for a retail unit, determined by the Land Use and Building Act, must be increased to 3,500 sq m. The change would provide added competition and development opportunities for supermarket retailers and create new windows of opportunity to foreign competitors.

VAT on food should match the EU average

The Government programme promises to lower Finland's 17% VAT on food, currently higher than in other EU countries, to 12%, which was the numerical rate before Finland joined the EU. The decreased VAT rate will come into effect on October 1, 2009.

High indirect tax rates weaken the position of the consumer in low-income brackets. Indeed, lower-income families would gain most from a lower VAT rate, increasing their purchasing power, because applying a lower tax rate onto existing prices would decrease the overall cost of each product.

The Finnish food supply chain would also improve its competitive position in comparison to other EU countries and neighbouring countries.

The trade association finds it important that following the decrease in the VAT rate, the Government consider the ultimate objective: Lowering the VAT on food to the average EU level of 7% as early as the next government's term.

Osmo Laine

Osmo Laine is the Managing Director of the Finnish Grocery Trade Association



Grocery trade and society

Grocery trade – primary service provider

Finland has a versatile grocery store network, which serves customers through different periods of their lives and has a shared responsibility of providing food for the population. Internal immigration, as well as changes in our society's age structure and consumption habits present great challenges to the Finnish grocery trade. Retail chains meet these challenges by developing their services in big cities, smaller population hubs and sparsely populated areas.

Grocery trade as an employer

In 2007, the trade sector employed an estimated 267,600 individuals, 9,300 more than in 2006. The retail trade employed 137,400 people in stores, 86,600 in wholesales, 18,900 in car sales and 5,700 in petrol sales. In 2007, the retail grocery trade employed over 50,000 people, while the number of those employed by department stores was 22,000. (Source: The Federation of Finnish Commerce)

Trade must meet the changing needs of its customers in the service sector. Opening hours have consequently been extended and the evening and weekend hours of the staff increased, as the highest customer volumes occur during these times of the week.

2008 will see a significant change when those working 30–34 hours per week will be classified as full-time employees. (Source: The Federation of Finnish Commerce/ Finnish Grocery Trade Association)

Jobs in trade

Consumers place increasing value on high-quality service, and the trade sector is able to match service-minded people with more and more new and interesting full and part-time job opportunities. More versatile services in the sector and the development of e-commerce further increase the number of available career options in this sector.

In Finland, the most common educational backgrounds in the trade sector are the business college diploma (*merkonomi*), the polytechnic business degree (*tradenomi*) or the master's degree in business economics. Crucial areas of competence for the trade

professional are customer service and sales skills, product knowledge, IT literacy and language skills. Moreover, they must master the basics of logistics and product group management. As store selections grow and customer demands increase, a broader, more comprehensive skill set will also be required of the trade professional. Those already employed in the sector must be prepared to acquire new skill sets to meet new job requirements.

Developing professional training in the trade sector

Finnish commerce and trade operators have launched a project to introduce changes to the business college diploma (*merkonomi*), so that the degree can better match the changing needs of the retail sector. A retail-focused business college curriculum was started at four pilot institutes in the autumn of 2002. In 2004, a number of additional institutes adopted the training programme. The trade sector's aim in the future is to provide retail-specific business college curricula for nearly all of the 70 business colleges in Finland, on both the upper secondary level and in their adult education programmes.

The grocery trade is actively involved in a project to develop a centre for commercial training, whose aim is to develop retail training on a long-term and target-oriented basis. A network of business colleges and adult education centres, as well as specialised institutes of learning, will participate in the initiative through a clear division of labour. All the grocery trade chains are also represented in this group of institutions.

Grocery trade and the environment

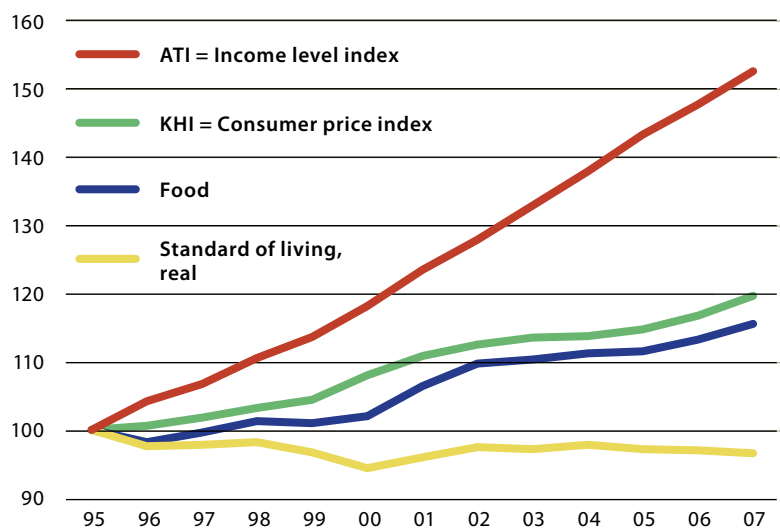
The grocery trade's environmental impacts are generated through distribution and in-store logistics. Some of its environmental impacts are indirect, caused when the retail sector creates operating conditions for others in the supply chain. Suppliers, service providers and consumers are some of these additional links in the chain.

More efficient distribution and in-store logistics throughout the supply chain result in reduced energy use, fewer emissions and less significant environmen-



tal impacts. A more efficient supply process can be achieved by establishing better recycling systems and more energy-efficient retail stores, as well as reducing the amount of generated waste generation and increasing the role of combined distribution methods in product transportation.

Consumer choices play a central role in diminishing environmental impacts. In order to make a decision, a consumer must be informed. It is the responsibility of the trade sector to provide consumers with a wide variety of options, as well as accurate information on the impacts of their product selections.



Food price trend, Consumer price index 1995 = 100

Source: Statistics Finland

Trends in Food Prices

A more efficient retail trade sector helps contain growing grocery prices. Recent studies indicate that the Finnish retail trade is top-notch in its efficiency. Thanks to the tough price competition and increased productivity of the food trade, the rate of its price growth has benefited consumers by remaining lower than in other consumer goods sectors. It was not until the consumer price increases of 2008 that the real food price index reached its 1995 level.

Grocery trade and groceries

The Nordic term used for groceries, or *päivittäistavara (daglivara)*, literally translates to “daily goods.” The expression refers not only to food but also to other daily consumer goods that are generally bought alongside food items. Thus the term ‘groceries’ includes food, beverages, tobacco products, household cleaning products, paper and tissue products, newspapers and magazines, and cosmetics.

The term ‘grocery store’ usually refers to a self-service market that offers the complete selection of goods listed above. Food accounts for about 80% of all grocery store sales.

In Finland, consumer goods other than groceries are referred to as either specialty goods or consumer goods. ‘Specialty goods’ is a term used by specialised retailers, while large supermarkets and department stores refer to ‘consumer goods’.

In Sweden, the term ‘trade in infrequently purchased goods’ (*sällanköpsvaruhandel*) includes clothing, furniture, electronics and sports goods. More illustrative than ‘consumer goods’ or ‘specialty goods’, the term is con-

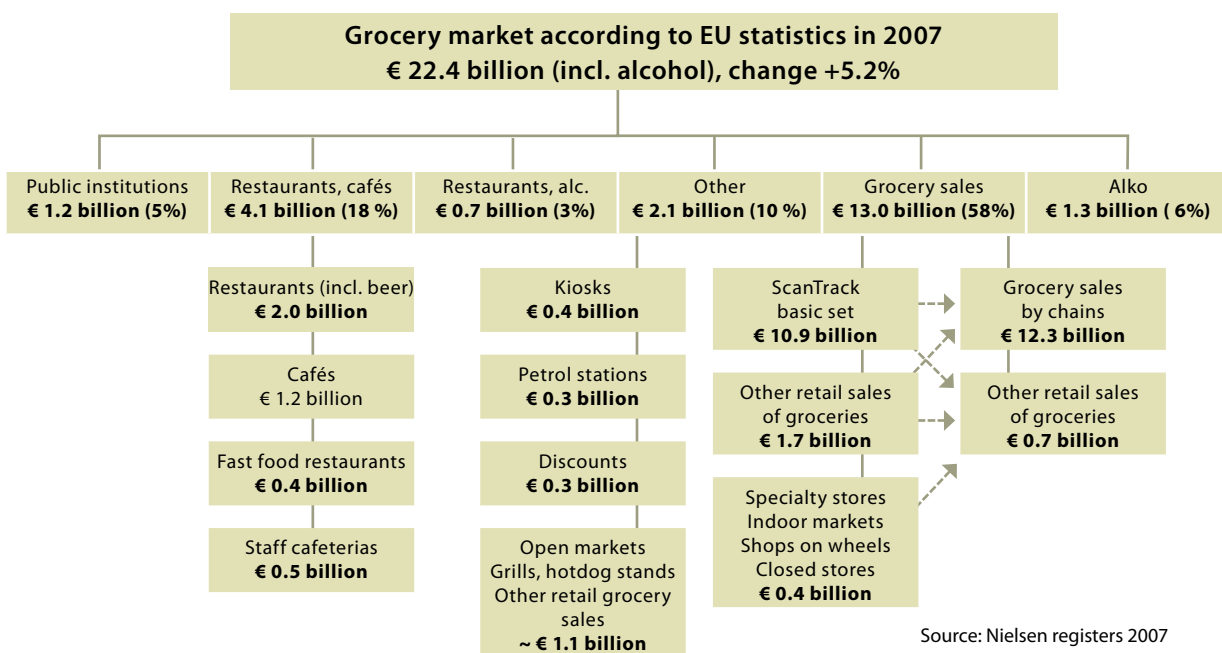
sumer-oriented and indicates that these goods are generally bought less frequently than grocery items.

Grocery Trade Market in Finland

The Finnish grocery trade market has traditionally been evaluated based on the retail sales of groceries. However, market sales are just part of a wide field characterised by constant change and internal competition.

Besides supermarkets, the retail grocery trade (€ 13.0 billion) includes sales from specialised food retail stores, kiosks, petrol stations, discount stores and open-air marketplaces. The grocery market also includes customers of catering wholesalers (HoReCa), such as daily meal services of public institutions. Sales from restaurants, cafes and staff cafeterias in the public sector are also included, as well as retail sales of alcoholic beverages, classified under grocery trade in the EU.

According to this method of calculation, the value of the Finnish grocery market was over 22 billion euros (€ 22.4) in 2007.





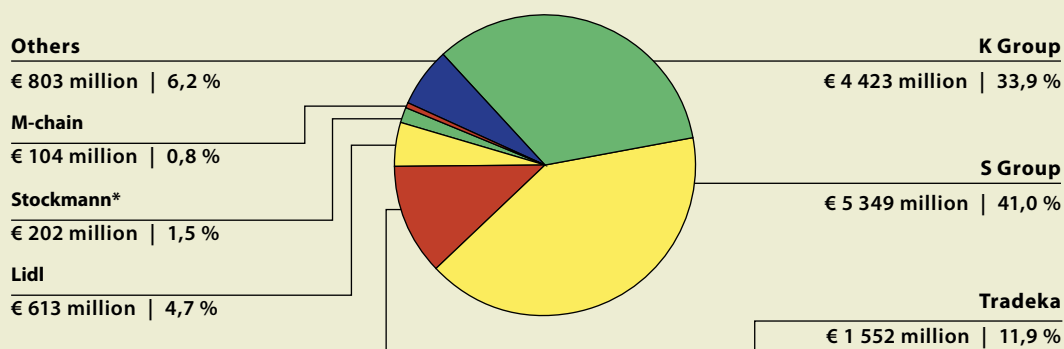
Grocery trade groups and chains

The Finnish grocery trade is characterised by the formation of chain retailers, as well as by the centralisation of procurements and logistics. The three largest chains account for 86.8% of the retail grocery market. This phenomenon is also present in other Nordic countries, whose vast, sparsely populated geographies benefit from the presence of larger, highly efficient structures.

Without sufficient cost-efficiency and retail competition, prices would escalate, selections would shrink and customers would face poorer service and a reduced sense of accessibility.

Foreign competition, the opportunity for competition among imports and the widening of the EU to include the Baltic countries have made Finland's retail market a close part of EU's internal markets.

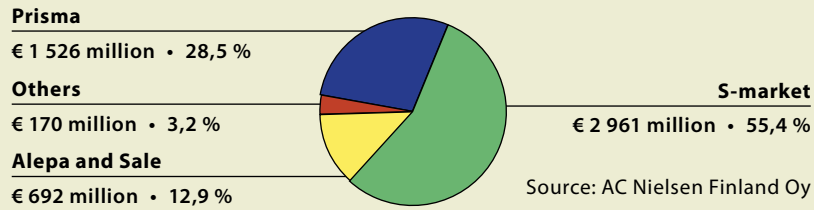
Market shares of the Finnish grocery trade groups in 2007, total sales €13,046 million



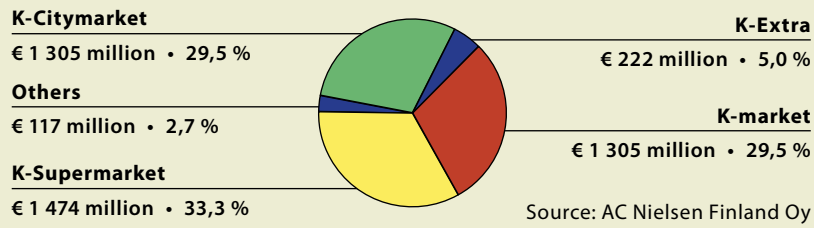
Sources: AC Nielsen Finland Oy and FGTA*

Breakdown of the grocery sales by chain in 2007

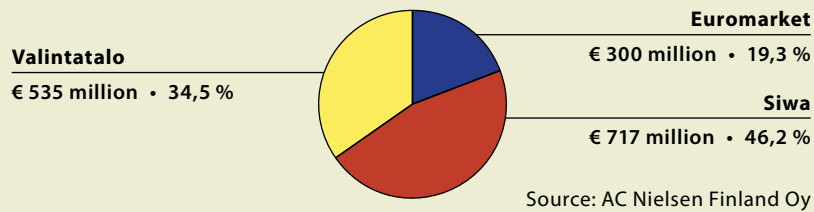
S Group • € 5 349 million



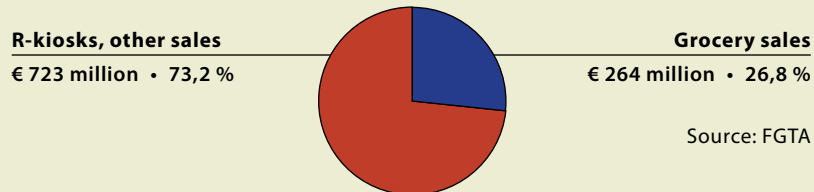
K Group • € 4 423 million



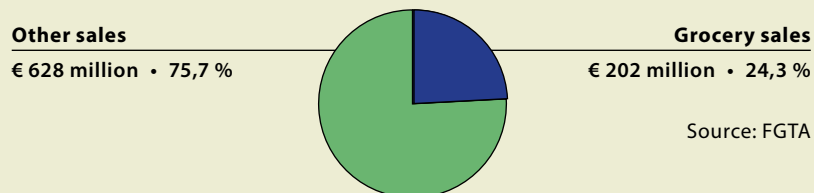
Tradeka • € 1 552 million



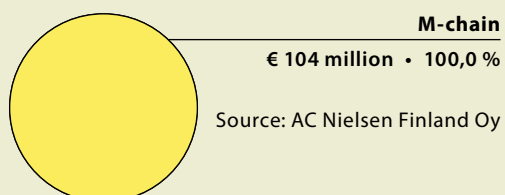
R-kiosks, total sales • € 987 million



Stockmann Group Department Store Division • € 830 million



M-chain • € 104 million





S Group

The S Group comprises the co-operative enterprises and Suomen Osuuskauppojen Keskuskunta (SOK Corporation) along with its subsidiaries. The S Group produces services for supermarkets, convenience stores at petrol stations, department stores and speciality stores, the fuel trade, hotel and restaurant businesses, the agricultural trade, and the car and car accessories trade. The S Group has 1,518 operating points in Finland. In addition, the corporation is involved in market trade, as well as the tourism and catering business in the Baltic. The S Group currently has hotel projects underway in St. Petersburg. Its banking branch, S-Pankki Oy, began its operations in late 2007.

SOK Corporation's subsidiary Inex Partners Oy is procurement and logistics provider for grocery stores, while Meira Nova Oy, an Inex Group subsidiary, provides grocery procurement and logistics services for HoReCa's operating locations. Intrade Partners Oy, which focuses on consumer goods, is the procurement company for the S Group chains. North European Oil Trade Oy is a liquid fuel procurement company owned by SOK Corporation and Greeni Oy.

Retail profits of the S Group were €10,544 million in 2007. Sales from retail accounted for €7,808 of the SOK Corporation net sales, while €7 million came from banking operations. At

the end of 2007, the S Group employed 35,899 individuals.

National chain brands

Prisma, S-market, Sale and Alepa; Kodin Terra, ABC, Sokos and Emotion; Sokos Hotels and Radisson SAS Hotels and Holiday Club Spa Hotels; Rosso, Rosso Express, Fransmanni, Amarillo, Sevilla, Torero, Buffa, Memphis, Night, Public Corner, Coffee House and Presso; S-Rautamarket, Agrimarket and Multasormi.

www.s-kanava.fi

SOK Corporation Management, Market and department store trade

Chairman and CEO.....	Arto Hiltunen
Chain Director, Chain Management and Procurements	Risto Pyykönen
Chain Director (S-market and Sale)	Jukka Ojapelto
Chain Director (Prisma)	Leena Laitinen
Chain Director (Sokos and Emotion Chains)	Heli Uusisuo
Chain Director (ABC)	Heikki Strandén
Chain Director (Hotel and Restaurant)	Sari Palokangas
Managing Director (Intrade Partners)	Jouko Nieminen
Managing Director (Inex Partners)	Johma Vehviläinen
Managing Director (Meira Nova).....	Jouni Nurmi

KESKO

K Group

Kesko is a Finnish expert in retail trade, whose stores make recognised products and services available to consumers at a competitive price and thus add to the quality of their everyday lives. The Kesko chain comprises about 2,000 stores in the Nordic and Baltic countries and in Russia.

Kesko manages its retail chain and develops retail store concepts, operating models, information management and logistics services. Kesko is active in the food, hardware, automobile, department store, agriculture, consumer goods and machinery businesses. The Group's net sales for 2007 were € 9,534 million while its operating profits, without one-off items, were € 325.1 million.

Through the ongoing internationalisation of the Kesko Group, its number of personnel has grown rapidly and its main focus directed increasingly on retail trade. About three quarters of the Group's personnel work in retail operations. Kesko has 23,000 employees, about 14,000 of whom are based

in Finland. Including K storekeepers, the aggregate number of people employed by the K Group is about 55,000.

www.kesko.fi

Kesko Food

Kesko Food manages K food store chains, consolidates their purchasing power, maintains efficient logistics, acquires store locations and provides strong marketing and development support for their stores. The K storekeepers are responsible for keeping the customer promise at their own stores. Every K food store is run by an individual storekeeper.

A subsidiary of Kesko Food, Kespro Oy provides B-toB delivery and wholesale services. Kespro Oy is the leading HoReCa wholesaler in Finland, with a clientele in hotels, restaurants, catering companies, convenience stores, kiosks, bakeries, as well as the trade industry and its distributors.

Management

President	Terho Kalliokoski
Vice President, K-citymarket, food products.....	Mika Rautiainen
Managing Director, K-citymarket Oy	Juha Ahtinen
Vice President, K-supermarket.....	Minna Kurunsaari
Vice President, K-market chain unit, K-market and K-extra	Ari Svensk
Vice President, Commerce	Ari Akseli
Vice President, Customer Relationship	Niina Ryyänen
Vice President, Retail Services	Kari Heiskanen
Vice President, Logistics and Finance.....	Petteri Niemi

K Retailer Federation

The K Retailer Federation promotes cooperation and rights of its membership. Its main mission is to develop and en-

hance entrepreneurship among K retailers. Through their sector-specific associations, K retailers (about 1,300 of them) are members of the K Retailer Federation. Each chain has a Board composed of K retailers, through which members of the federation can influence the development of their chain.

www.k-kauppiasliitto.fi

Board of Directors

Chairman.....	Esa Kiiskinen
Vice Chairman	Tapio Särkilähti
Chairman, K-food store association	Timo Könttä
Vice Chairman, K-food store association	Toni Pokela
Vice Chairman, K-food store association	Olli Runokangas
Managing Director, K retailer federation.....	Matti Mettälä



Tradeka Oy

Tradeka Ltd is a nationwide and centrally managed chain. With a network of 754 stores in Finland, Tradeka's store brands are Siwa, Valintatalo and Euromarket. In addition, Tradeka runs three stores in St. Petersburg. The procurement services related to imported and industrial food as well as logistics services are provided by Tuko Logistics Oy.

Tradeka net sales for 2007 were € 1,387.2 million. The number of personnel was 4,979 at the end of 2007.

www.tradeka.fi

Executive Officers

President and CEO	Leena Saarinen
Senior Vice President, CFO.....	Petri Kansilainen
Senior Vice President, HR and Development	Jaana Lehto
Senior Vice President, Consumers and Brands	Taru From
Senior Vice President, Product Management.....	Veijo Heinonen
Senior Vice President, Logistics	Jussi Tolvanen
Vice President, Store Operations	Niclas Ahlbom
Vice President, Euromarket Chain	Juhani Mast



Stockmann Oyj Abp

Stockmann is a Finnish, publicly traded company that operates in several retail sectors and is engaged in grocery retailing through its department stores in Finland, Russia, Estonia and Latvia. The grocery departments of Stockmann department stores are known under the name Stockmann Delicatessen. Stockmann's food purchasing channels include the company's own channel and Tuko Logistics Oy.

Net sales for 2007 were €1,398.2 million. At the end of 2007, the total number of personnel employed by the Stockmann Group was 16,478.

www.stockmann.com

Department store division, Management Committee

CEO

Hannu Penttilä

Executive vice president with responsibility

for the Department Store Division	Heikki Väänänen
Marketing Director	Maaret Kuisma
Director, Finnish and Baltic Department Stores	Maisa Romanainen
Director, Russian Department Stores	Jouko Pitkänen
Director of Purchases, fashion	Tiina Railio
Director of Purchases, non-fashion products.....	Rajja-Leena Söderholm
Director of Purchases, International operations.....	Kirsti Manninen
Director of Logistics.....	Björn Höglund
Director of Administration (as of 1 June 2008)	Kristina Nummelin
Executive assistant, Management Committee's secretary	Johanna Tarkiainen



Wihuri Oy

Wihuri Group is an international Finnish multibranch company engaged in industry and trade. Its four divisions are packaging, Wihuri Oy Aarnio, Technical Trade and Specialty Products and Services. Of these divisions, Wihuri Oy Aarnio provides wholesale groceries to large-scale kitchens and distributor customers nationwide through the Metro chain. One of Finland's leading operators in its field, Metro provides comprehensive supply services throughout the country, using its wholesale units and 31 Metro cash-and-carry outlets. Tuko Logistics Oy is in charge of Wihuri's product procurements and logistics. Moreover, Wihuri Oy Aarnio manages and develops

the Tarmo neighbourhood store concept, a chain run by retail entrepreneurs.

www.wihuri.fi | www.metrotukku.com

Executive Officers

Director of Division Leena Syrjälä
Director, Sales Juha Mattila
Director, Commerce Riku Nykänen
Director of Finance Juha Karttunen
HR Manager Jaana Kautto



Rautakirja Oy

Rautakirja practices grocery retailing through its R-Kiosk chain. R-Kiosks form a nationwide, centrally administered chain of small retail outlets, offering consumers entertainment and enjoyment alongside basic everyday consumer items and services. These small corner shops are available from morning until late evening.

There are over 700 R-Kiosks in Finland, with about 40% operating under the franchising concept while about 60% are run by the company. Moreover, Rautakirja has a subsidiary in Estonia (200 R-Kiosks), Lithuania (over 360 kiosks) and Russia (over 150 kiosks) as well as a joint venture in Latvia (over 340 kiosks). R-Kiosk acquires its products directly from the industry.

In addition to the R-Kiosks, the major Finnish Rautakirja branches are Lehtipiste, Suomalainen Kirjakauppa and Finnino.

Rautakirja's net sales for 2007 were € 849 million. The company employed 7,886 staff members at the end of 2007.

www.rautakirja.fi

Executive Officers

President and CEO Erkki Järvinen
Senior Vice President, Kiosk Markku Pelkonen
Senior Vice President, Press Raimo Kurri
Senior Vice President, Bookstores Jarmo Oksaharju
Senior Vice President, Special Trade Division Timo Mänty
Senior Vice President, Administration Hellevi Kekäläinen
Senior Vice President, Development Jukka Nikkinen



Tokmanni Group

The Tokmanni Group is Finland's largest discount store chain. The Group consists of 134 stores under seven different brands: Tokmanni, Tarjoustalo, Vapaa Valinta, Robinhood, Maxi-Makasiini, Maxi-Kodintukku and Säästöporssi. The store network encompasses all of Finland. This year, the chain's net sales will total about € 600 million. At present, the company employs over 2,700 people. During the past 3 years, the Group has expanded rapidly due to acquisitions: the net sales of the Tokmanni Group have grown nearly tenfold in three years.

The Group mission is to sell a wide selection of high-quality products at inexpensive prices. Thanks to its competent, knowledgeable staff, a well-functioning purchasing organisation and efficient logistics, the store chain is able to provide customers with both domestic and international brands.

The Tokmanni-Group holds a central position in Pick Import Finland Oy, a procurement and purchasing company originally owned by 12 Finnish discount store companies. Tokmanni is also the company's largest owner.

www.tokmanni-konserni.fi

Group Executive Group:

President and CEO..... Kyösti Kakkonen
Senior Vice President, Administration,
Deputy CEO Sixten Hjort
Senior Vice President, HR Saara Korpelainen
Senior Vice President, Commerce..... Hannele Palmroth
Senior Vice President, Chains..... Pirjo Ruokonen

minimani

Minimani-yhtiöt

Minimani-Yhtiöt is a family-owned company engaged in grocery and consumer goods trade in Finland. The Minimani chain consists of 6 hypermarkets.

Minimani is renowned for its inexpensive prices and versatile selection. The company's cost-efficient business model, operating through multiple channels, enhances Minimani's competitiveness.

www.minimani.fi

Executive Officers

President and CEO..... Kalle Lähdesmäki
Director, Groceries Tapani Rintamäki
Director, Consumer goods Jaana Metsäranta
Director of Finance..... Sinikka Ylilampi
Director, Information Management Ari Jaatinen
Director, Development Pekka Sadeharju
Director, Minimani Chain..... Taina Kinnari



M Itsenäiset Kauppiat (Independent Storekeepers)

Constituted in 2006, M Itsenäiset Kauppiat Oy is a nationwide chain owned by independent grocers.

The chain is comprised of 60 stores (2 April 2008).

Wihuri Oy Aarnio metro is M chain's main operating partner in imported and industrial foods while most of its logistics services are provided by Tuko Logistics Oy.

Board of Directors

Chairman Timo Pyrhönen
Vice Chairman Jan-Mikael Ekholm
..... Markku Kontturi
..... Pia Moisala
Marketing Manager Veli-Matti Sirkiä

Key indicators for 2007

Grocery retail sales €13 046 million

Value of sales, growth rate	5,2 %
Volyme of sales, growth rate	3,5 %
Sales per inhabitant.....	€ 2 400
Retail sales of groceries €/household (number of households in 2007)	€ 5 436
Number of stores (markets).....	3 361
plus specialty product groceries.....	533
Total surface of grocery trade.....	1,9 milj. sq m
Avarage sales per sq m.....	€ 6 400 €/sq m
Inhabitants/grocery store.....	1 345

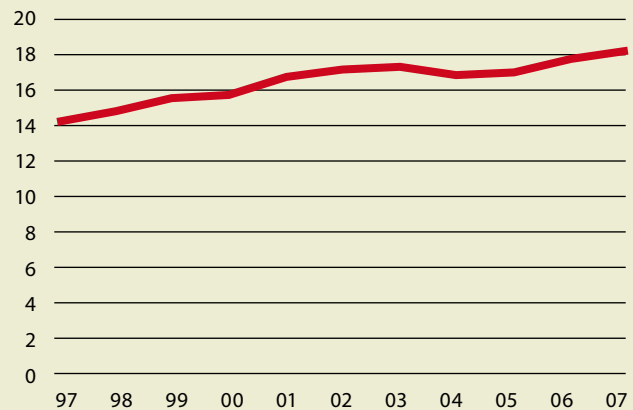
Source: ACNielsen Finland Oy, Statistics Finland

Major criteria of choice of main grocery store used (2-3 most important factors) share in percentage of households

	2007	2006	2005	2004
Proximity.....	56	58	56	54
Selection.....	41	40	34	37
Loyal customer benefits.....	40	38	36	35
Price/quality ratio.....	35	37	36	34
Ease/speed of shopping	29	26	32	30
Price level	30	29	27	26
Freshness of products.....	16	15	18	18
Opening hours	12	11	14	14
Service-minded staff.....	10	10	12	14
Parking facilities.....	9	10	11	11
Service counters	7	8	8	8

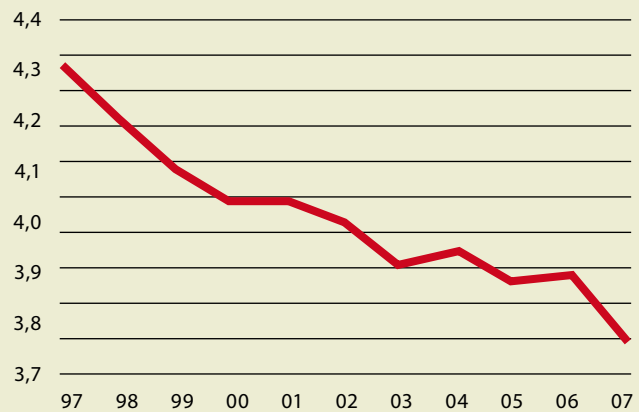
Source: ACNielsen Finland Oy Consumer panel

Average purchase (euro/purchase) 1997-2007



Source: ACNielsen Finland Oy Consumer panel

Grocery store visits/household/week = "buying frequency" in 1997-2007



Source: ACNielsen Finland Oy Consumer panel





Structural change in grocery trade

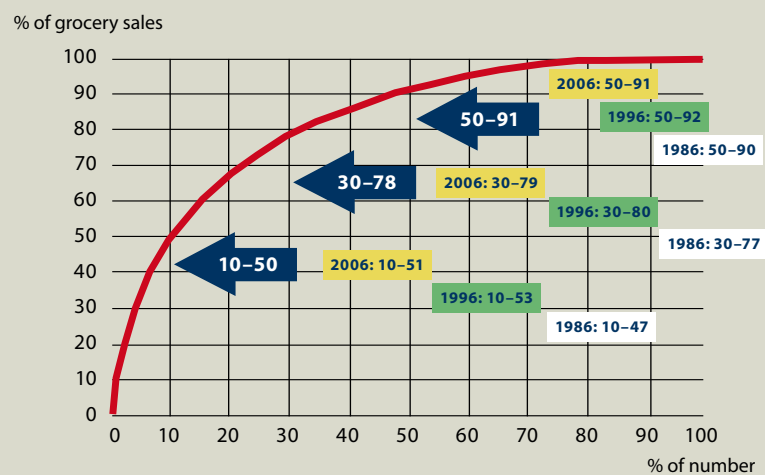
The major competitive strategy of the grocery trade sector is its efficiency. Large-scale stores excel in this respect, compared to smaller retail units. Aiming for efficiency promotes a structural change in the sector—an overall increase in store size and decrease in the number of stores. Other factors influencing the structural change are a migration trend into large cities and the increased use of cars, and, most importantly, a change in consumer demand that leads into a more extensive selection of goods. Developmental leaps in IT make it possible to manage such growth.

Compared to 9,398 in 1978, the number of market-size stores was down to 3,361 in 2007.

The “efficiency curve” designated to grocery stores proves the significance of large-scale food retailers, for both the consumers and the entire supply chain. 30% of the stores account for 79% of the nation’s grocery sales, while half of all stores only account for 9% of sales. The proportions of the efficiency curve have remained surprisingly stable for two decades.

Traditional corner shops lose purchasing power to large markets that have Alko stores and pharmacies operating in the same premises. Allowing the sale of mild alcoholic beverages and self-care medicines in grocery stores would help maintain the services provided by small corner stores.

Efficiency curve of grocery stores



Source: ACNielsen Finland Oy

Grocery store sales, change in value and volume in 1993–2007

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Number of markets	5195	4818	4597	4351	4184	4026	3858	3697	3555	3533	3529	3584	3532	3364	3361
Total number	6013	5661	5384	4966	4714	4678	4511	4325	4165	4163	4129	4192	4109	3942	3922
Sales € million	8372	8520	8388	8599	8904	9277	9466	9681	10364	10948	11265	11529	11601	12028	12842
Change in value, %	0.2 %	1.8 %	-1.6 %	2.5 %	3.5 %	4.2 %	2.0 %	2.3 %	7.1 %	5.1 %	3.3 %	1.7 %	2.3 %	4.2 %	5.2 %
Change in volume, %	-1.0 %	1.5 %	4.3 %	2.6 %	2.0 %	2.0 %	2.0 %	1.2 %	2.6 %	2.4 %	2.7 %	3.3 %	2.4 %	3.0 %	3.5 %

Source: ACNielsen Finland Oy

Number of stores broken down by type and group in 2007

Type of store	K Group	Other private*	S Group	Tradeka	Total 1.1.2008
Hypermarkets	56	0	51	26	133
Department stores	32	71	18	0	121
Supermarkets, large	170	129	237	4	540
Supermarkets, small	171	29	183	63	446
Self-service markets, large	369	78	305	332	1084
Self-service markets, small	132	145	68	215	560
Small stores	111	225	27	114	477
Specialty stores	0	533	0	0	533
Stores in indoor markets	0	28	0	0	28
Total on 1 Jan 2008	1041	1238	889	754	3922
Shops on wheels and boats	11	24	5	0	40
Wound up (factual)	31	82	28	16	157
Wound up (change of group)	3	41	2	2	48

* Wihuri is included in the group Other Private

Source: ACNielsen Finland Oy

Sales of groceries by type of store in 2000–2007 (in € million)

Type of store	2000	2001*	2002	2003	2004	2005**	2006	2007
Hypermarkets	2092	2338	2534	2618	2692	2772	2984	3150
Department stores	691	443	509	549	585	611	615	632
Supermarkets, large	2661	3118	3275	3458	3718	3789	3984	4347
Supermarkets, small	2006	1944	1913	1838	1665	1648	1615	1686
Self-service markets, large	1410	1693	1879	1921	1986	1916	1950	2102
Self-service markets, small	485	512	513	536	515	490	481	492
Small stores	191	172	173	194	212	216	238	271
Specialty stores, indoor markets	145	144	152	151	155	158	160	163
Total on 1 Jan 2008	9681	10364	10948	11265	11529	11600	12028	12843
Shops on wheels and boats	33	31	27	23	20	18	16	14
Wound up	141	119	72	120	90	289	359	190
Total	9855	10515	11047	11407	11639	11907	12404	13047

Source: ACNielsen Finland Oy

* not comparable with previous years

** As concerns hypermarkets, classification of store types has been adapted and is now based on chains, including Citymarket, Prisma and Euromarket. The criteria of other types remains unvaried. The table has been adapted retroactively.

Sales of groceries by chain in 2007
Total sales € 13.046 million, 3.922 stores (including closed stores)

Group	Chain	Number of stores	Grocery sales in percentage	Grocery sales in € million	Average sales/store, € million
K Group	K-citymarket	56	10.0 %	1305	23
	K-extra	223	1.7 %	222	1
	K-market	453	10.0 %	1305	3
	K-supermarket	158	11.3 %	1474	9
	Others	151	0.9 %	117	1
K Group, total		1041	33.9 %	4423	4
S Group	Prisma	51	11.7 %	1526	30
	S-market	417	22.7 %	2961	7
	Alepa + Sale	309	5.3 %	692	2
	Others	112	1.3 %	170	2
	S Group, total		889	41.0 %	5349
Tradeka	Euromarket	26	2.4 %	300	12
	Siwa	544	5.5 %	717	1
	Valintatalo	184	4.0 %	535	3
	Tradeka, total		754	11.9 %	1552
Lidl		121	4.7 %	613	5
Stockmann*	Grocery sales, dpt stores	7	1.5 %	202	29
M-chain		57	0.8 %	104	2
Others		1053	6.2 %	803	1
All recorded in store register, total		3922	100.0 %	13046	3
Group	Chain	Number of stores	Grocery sales in € million	Average sales/store, € million	
Rautakirja*	R-kioskit	722	264	0,4	

Source: ACNielsen Finland Oy, *FGTA

Store types and definitions

1. Definition by size

Determining the scale of a retail area

As the change in legal opening hour regulations came into force in 2001, the current definition was ratified: a sales area includes the premises in which sales operations are conducted. The sales area is calculated according to the walls of the store so that it includes service counters and the space behind them. The opposite end of the sales area is behind the cashier lines. Thus the sales area does not include the area behind the cashier line or the draught lobby area at the entrance, nor the spaces that limit access to store personnel only. These include staff locker rooms, or storage or warehouse areas.

Department store

A department store is a retail store selling a variety of articles in different categories, with a minimum sales area of 2,500 sq m. In a department store, no one category of items accounts for over 50% of the total sales area. Each department carries a selection matching that of a specialty store in that particular sector. A department store offers a high level of service, and cashiers are located at each department. Department stores can be found in city centres, in their outlying business centres or in shopping centres located elsewhere.



Hypermarket

A hypermarket is a retail store selling a variety of goods in different categories and operating largely in a self-service format. The sales area exceeds 2,500 sq m. Food accounts for less than half of the total area, but the focus of the retail business is on groceries. A hypermarket can be located in or near city centres, in shopping centres, or in other easily accessible areas.



Supermarket

A supermarket is a primarily self-service-oriented grocery store whose retail activity focuses on food. These markets have at least 400 sq m of sales area, with food items accounting for more than half of it. According to sector statistics, the supermarket stores are divided into large (those exceeding 1,000 sq m in size and small (those ranging from 400–1,000 sq m in size). These smaller supermarkets are often simply called markets.



Self-service store

Large self-service shops are grocery stores ranging between 200-399 sq m in size while the small stores in this category are between 100–199 sq m. Self-service stores in areas covered by a town plan are permitted to be open on Sundays during times defined by law. The term “corner shop” or “neighbourhood store” often refers to self-service stores.



Small store and kiosk

A small store or a kiosk has less than 100 sq m of sales area. A food kiosk can conduct its sales transactions through a window or in a manner similar to a self-service store. According to the Kiosk Statute, these retailers can only carry a limited selection of items. Opening hours can be freely determined, however, even in areas covered with a town plan.



Sources: Finnish Grocery Trade Association and Kauppa 2005

2. Definition by mode of operation or location

Corner shop

A corner shop or neighbourhood store is generally small, close to consumers and easily accessible on foot. These grocery stores are located in residential neighbourhoods. Although there is no set minimum limit to the sales area, a corner shop is normally a self-service store smaller than 400 sq m. Corner shops usually include self-service stores, village grocery stores, soft discounts and kiosks.

Village grocery store

Village grocery stores are located in sparsely populated areas or small population centres. Their sales areas are smaller than 400 sq m, and their annual sales are limited to €2 million. Located outside areas covered by town plans, these stores were freed from all opening hour regulations in 1990.

Discount supermarket

Discount supermarkets are fully self-service-operated stores, and their selection is more limited than in other self-service stores (Alepa, Lidl, Sale, Siwa).

Convenience stores and service stations

Located in population centres and especially along major highways, the grocery sales of the service stations have significantly grown in the recent past. Much of this growth can be attributed to these population centres' proximity to large flows of traffic, as well as the unregulated opening hours granted to service stations and convenience stores.

Specialty shops

Product-specific specialty shops, indoor markets, direct sales, outdoor markets, as well as shops on wheels or in boats have recently been losing their share of the total market.

E-shopping

Grocery sales over the Internet have not taken off as expected, due to unsolved logistics problems related to the distribution of food, as well as a ban on the internet sales of beer.

3. Definitions under the Land Use and Building Act

According to the Land Use and Building Act, a large-scale retail unit is a store larger than 2,000 sq m. Translated into sales area, this equals about 1,300 sq m. The construction of a large-scale unit, as referred to in the Land Use Act, calls for a respective marking in the town plan. This is not the case, however, if the unit in question is a specialty store requiring a significant amount of retail space, such as a furniture store or an auto shop.

Village grocery stores

Over the past few years, the continuing survival of village grocery stores has been promoted through investment subsidies granted by the Ministry of Trade and Industry as well as development subsidies under a project entitled "Vitality to Villages" (Elinvoimaa kylille) run by the Ministry of Agriculture and Forestry. Investment subsidies are still granted, but the continuation of the "Vitality to Villages" project is unclear at this moment. Specialized entrepreneurial training for keepers of village grocery stores begins at the Pirkanmaa adult institute in September 2008.

Store register 2007: Village grocery stores (excluding closed stores)

Province		Grocery sales in 2007 € million	Percentage
1	Uusimaa	18	14.8
2	Varsinais-Suomi	48	24.2
3	Itä-Uusimaa (Eastern Uusimaa)	15	9.1
4	Satakunta	21	8.2
5	Kanta-Häme	15	6.9
6	Pirkanmaa	35	19.5
7	Päijät-Häme	10	4.5
8	Kymenlaakso	16	5.9
9	Etelä-Karjala (Southern Karelia)	15	7.7
10	Etelä-Savo (Southern Savo)	29	10.2
11	Pohjois-Savo (Northern Savo)	38	12.2
12	Pohjois-Karjala (Northern Karelia)	29	12.4
13	Keski-Suomi (Central Finland)	21	8.9
14	Etelä-Pohjanmaa (Southern Ostrobothnia)	41	11.7
15	Pohjanmaa (Ostrobothnia)	46	29.3
16	Keski-Pohjanmaa (Central Ostrobothnia)	12	10
17	Pohjois-Pohjanmaa (Northern Ostrobothnia)	46	29.1
18	Kainuu	15	4.8
19	Lappi (Lapland)	46	22.6
20	Ahvenanmaa (Åland islands)	18	9.9
Total		534	261.9

Source: A.C. Nielsen Finland Oy

Kiosk trade

R-kiosks

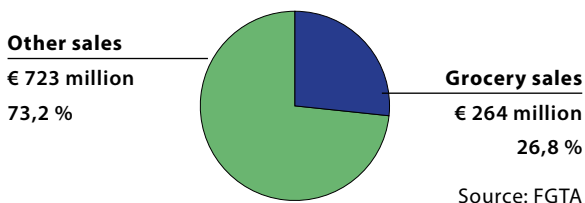
R-Kiosks form a nationwide kiosk chain that spearheads kiosk-based convenience store operations. The strong competitive edge of the kiosk chain, which also sets it apart from competitors, is the versatility and scale of its products and services. According to a survey made by A.C. Nielsen, R-Kiosks account for almost 40% of the total number of kiosks, while their sales account for over 60% of the total sales in the sector. Based on customer visits, kiosks constitute Finland's busiest store chain in its size category.

The Rautakirja-run kiosk operations have also extended into the Baltic countries and Russia. Rautakirja is currently the market leader in Estonia, Latvia and Lithuania. This year its operations will expand to Romania as well.

In early 2008, there were 1,712 Rautakirja kiosks in operation, employing 4,472 individuals.

www.r-kioski.fi

R-kiosks, total sales € 987 million





Department stores

Department stores account for a significant share of the total consumer goods market, especially in clothing, home and leisure product categories.

Department store trade in Finland has faced increasingly tough competition from foreign clothing chains. Amidst the rapidly growing competition, department

stores in city centres have to frequently evaluate their business concepts.

Finnish department store trade has been able to retain and evolve its competitive edge, unlike many European department stores. The growth of department store and hypermarket sales was 5.9% in 2007. Clothing sales grew by 3.2%, home and leisure products by 7.6% and groceries by 5.5%.

Total sales (in € million), number and trend in sales in 2006 and 2007 of department stores owned by the Finnish Grocery Trade Association's member companies (VAT 0%)

KESKO	Number in 2006	Number in 2007	Sales in 2006	Sales in 2007	Change in %
Anttila	27	28	461	477	3.5
Citymarket	54	56	1423	1518	6.7
S GROUP					
Sokos	20	20	482	506	5.0
Prisma	47	51	1913	2040	6.6
TRADEKA					
Euromarket	26	26	314	324	3.2
Stockmann	7	7	680	712	4.7
Minimani	6	6	100	111	11.0
Tokmanni-konserni	118	133	496	525	5.8
Total	305	327	5869	6213	5.9

Source:FGTA

Breakdown of sales (in € million) of the department stores owned by the Finnish Grocery Store Association's member companies in 2006 and 2007 (VAT 0%)

	Clothing			Home. leisure			Food			Total sales		
	2006	2007	Change%	2006	2007	Change%	2006	2007	Change%	2006	2007	Change%
KESKO												
Anttila	125	124	-1.0	336	353	5.1				461	477	3.5
Citymarket	135	134	-1.0	362	403	11.3	926	981	6.0	1423	1518	6.7
S GROUP												
Sokos	201	215	7.0	69	73	5.8	212	218	2.8	482	506	5.0
Prisma	127	132	4.0	548	600	9.5	1238	1308	5.7	1913	2040	6.6
TRADEKA												
Euromarket	29	29	0.0	44	43	-2.3	241	252	4.6	314	324	3.2
Stockmann	312	326	4.5	219	230	5.0	149	156	4.7	680	712	4.7
Tokmanni	96	98	2.1	285	302	6.0	115	125	8.7	496	525	5.8
Total	1025	1058	3.2	1863	2004	7.6	2881	3040	5.5	5769	6102	5.8

Source:FGTA

Clothing

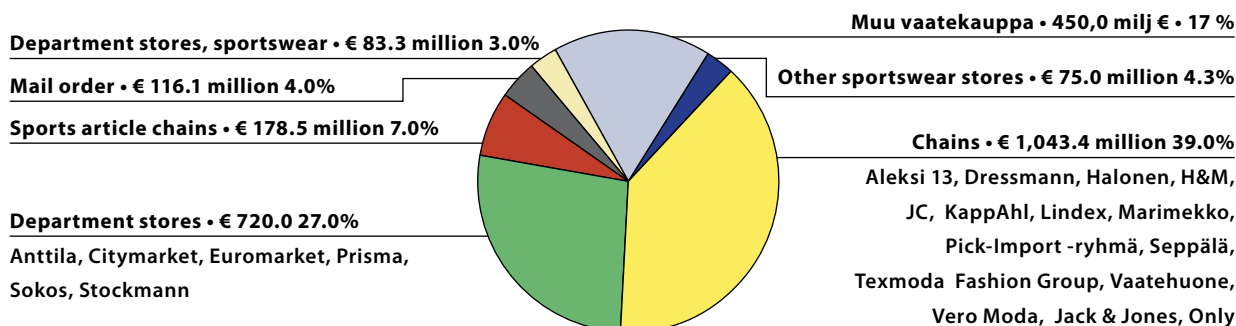
The number of clothing and footwear purchases at sports and department stores grew by 3.8% from 2006 to 2007.

Clothing sales as a whole increased by 3.4%, while the growth in footwear sales was 5.9% in 2007.

(Source: Textile and Fashion Industries TMA)

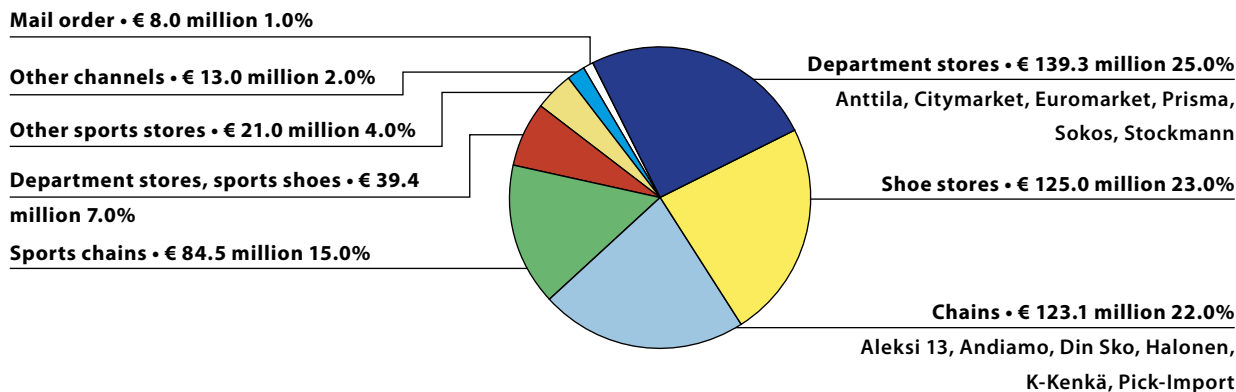
Department stores owned by the Finnish Grocery Trade Association's largest member companies saw a 30% increase in clothing sales in 2007.

Clothing retail market in 2007 • € 2,666.3 million



Source: Association of Textile and Footwear Importers and wholesalers

Footwear retail market in 2007 • € 553.3 million



Source: Association of Textile and Footwear Importers and wholesalers

Private labels

According to surveys and research, the most frequent aims attached to private labels (owned by individual stores) are:

- Increased customer loyalty
- Enhanced and diversified chain brand
- Setting a retailer apart from its competitors
- A stronger market position
- Increased retail margins
- Improved product quality
- Ensured control of the supply chain

Despite tougher competition from original brands, the 2007 sales of private labels grew in the Western European market area.

Private labels account for more than one-third of total sales in Switzerland (53%), the UK (43%), Belgium (42%), Germany (39%) and France (34%) while the corresponding percentage is more than 20% in the Nordic countries: Finland (25%), Sweden (28%), Denmark (27%) and Norway (20%).

Trend of private labels in Finland, %

	2001	2002	2003	2004*	2005*	2006*	2007*
Share of value of sales	6,6	6,7	7,6	8,4	9,2	9,0	9,0

Fruit and vegetables are not included.

* Meira is not included as an individual brand.

Not comparable with earlier years.

Source: Nielsen ScanTrack

Growth in sales value in 2003–2007, %

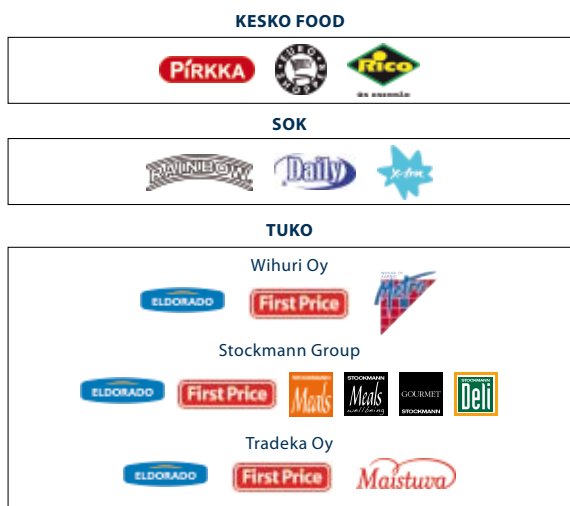
	2003	2004	2005*	2006*	2007*
Overall growth	1,9	2,2	2,8	4,1	3,1
Private labels	15,9	18,5	12,5	1,6	3,1

Fruit and vegetables are not included.

* Excluding Meira Source: Nielsen ScanTrack

In a survey made among consumers under 34, the British consulting company Ipsos MORI found these young shoppers to be the most drawn to private labels. The survey was conducted by interviewing over 3,000 individuals in France, the UK and Germany.

The market share of private labels is expected to grow in all European markets.



International purchasing organisations

Member companies of the Finnish Grocery Trade Association are involved in the following international purchasing and procurement organisations:

AMS -Sourcing

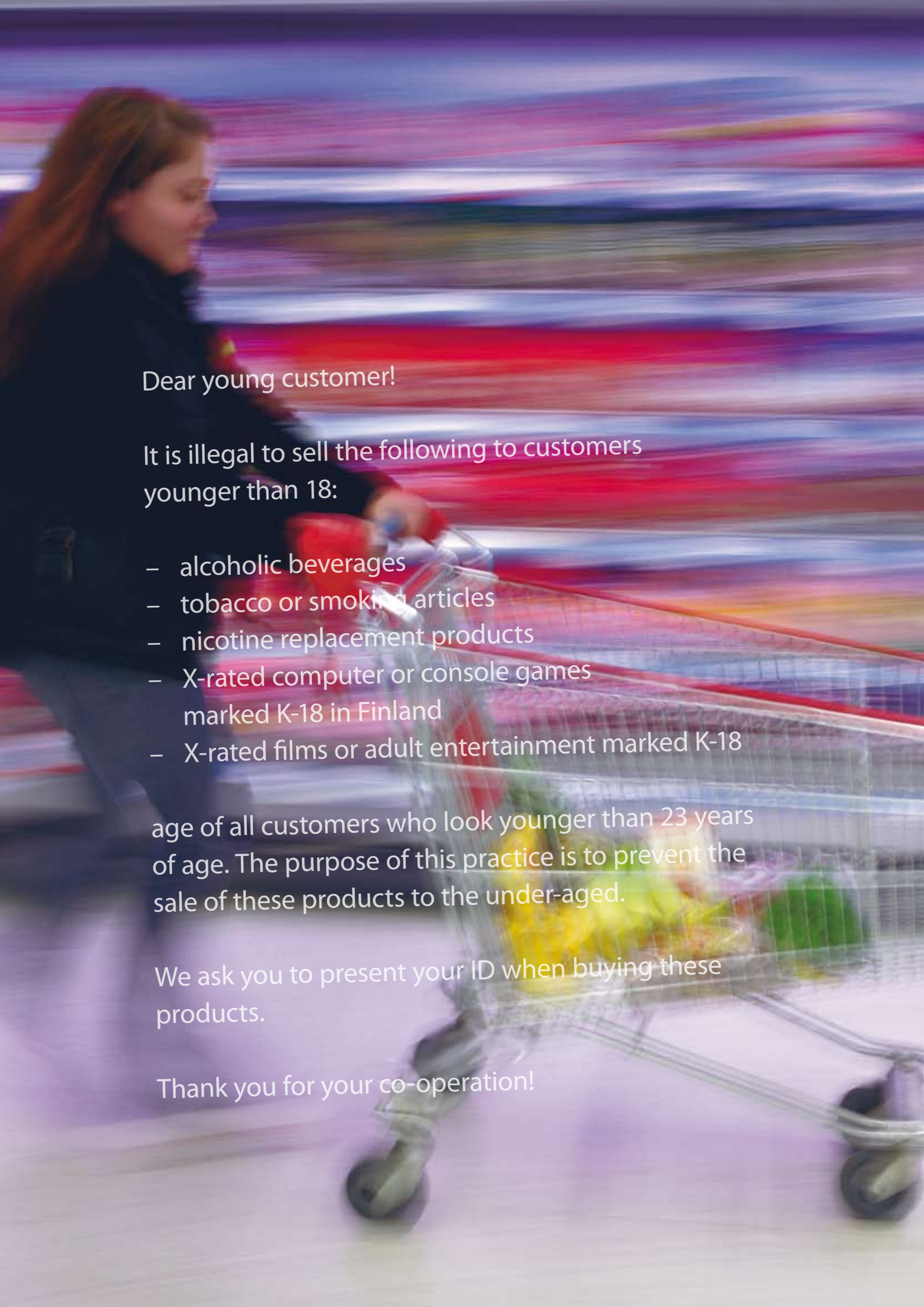
AMS-Sourcing is a buying alliance of European retailers, whose purpose is to generate synergies for shareholders through efficient co-operation, such as joint buying activities. Incorporated in 1988, the AMS is based in the Netherlands. The Finnish trade sector is represented in the AMS by Kesko Food. Results of this co-operation are, for example, the Euro Shopper products.

www.ams-sourcing.com

Coop Trading

Both the S Group and Inex Partners Oy collaborate with Coop Trading.

www.cooptrading.com

A woman with long brown hair, wearing a dark jacket, is pushing a metal shopping cart filled with groceries. The background is heavily blurred, showing streaks of red, blue, and white, suggesting a fast-moving environment like a supermarket aisle. The text is overlaid on the left side of the image.

Dear young customer!

It is illegal to sell the following to customers younger than 18:

- alcoholic beverages
- tobacco or smoking articles
- nicotine replacement products
- X-rated computer or console games marked K-18 in Finland
- X-rated films or adult entertainment marked K-18

age of all customers who look younger than 23 years of age. The purpose of this practice is to prevent the sale of these products to the under-aged.

We ask you to present your ID when buying these products.

Thank you for your co-operation!

Responsible operation is a team effort

The term 'responsibility' is a term increasingly associated with the retail business. Responsible methods of operation have always been an integral part of the FGTA member companies' operations. In today's world, the challenge is to formulate our everyday activities in a way that allows us to communicate them easily to our customers, co-operation partners, authorities and other stakeholders.



The role of the Finnish Grocery Trade Association is to efficiently represent the interests of its member companies and the grocery trade sector in business policy and political decision-making. The goals of lobbying efforts can only be reached through shared interests. In issues of responsibility, cooperation is often the only avenue to success. Issues related to the environment and people, customer safety and health are not only important, but also complex. Teamwork has to be the foundation of responsibility, both among the authorities and other actors in the food supply chain, as well as the retail companies.

The joint interests of the FGTA member companies have been the driving force for developing, among other efforts, the retail store self-control solution, which goes beyond the statutory requirements. Ensuring product safety is the most important responsibility-related issue in the retail business. Customers must be able to trust that the products they purchase meet the requirements of the food legislation, and will not cause any health hazards. The self-control system is currently working sufficiently, but its implementation calls for attention, diligence, and commitment to rules across the board. This work is put into practice every day at our retail stores, and suppliers are also committed to it.

At their best, co-operation efforts extend beyond the supply chain. One of 2008's most important projects is a "age-restriction certificate" that focuses on monitoring the sales of age-restricted products. This project helps carry out a sense of partnership not only among the FGTA member companies, but also with the Ministry of Social Affairs and Health, and municipal agencies for social affairs. Through joint efforts we can make a difference and keep under-aged customers from buying alcoholic beverages or other

products with a restricted age limit. In our collective challenge we will be assisted by an electronic self-control database, a system we aim to implement, as extensively as possible, during the ongoing year.

Most of the joint initiatives of 2008 are connected, in one way or another, to the concept of responsibility. During the end of the year, we will concentrate on implementing several measures related to environmental responsibility. Climate change is a reality, and the retail sector must take its own steps to help contain this phenomenon. Towards the end of the year, we will concentrate on several grassroots level efforts, including the implementation of retail store guidelines related to energy use, waste management and safety. Each of the aforementioned actions and goals are important. They will not only help build up customer trust, but better employee satisfaction as well. When it comes to issues of responsibility, actions have to be backed up by a foundation of teamwork.

” Teamwork has to be the foundation to issues of responsibility.

Jukka Ojapelto

Jukka Ojapelto, Chain Director (S-market and Sale) at the S Group, chairs the FGTA retail group.



Horeca wholesales

HoReCa is an abbreviation of Hotels, Restaurants and Catering. HoReCa is a growing segment of the modern food and beverage selection targeted at consumers. HoReCa wholesales constitute an important element of the comprehensive everyday services provided by the grocery trade. The sector is also responsible for supplying non-retail goods to about 19,000 customers. Its diversified service concept allows its customers to focus on their own operations.

Heinon Tukku Oy

is a family enterprise with four delivery wholesale units, two cash-and-carry outlets and two office supply units. The delivery wholesale units are located in Espoo, Tampere, Turku and Oulu while the cash-and-carry outlets are in Helsinki and Vantaa.

Kesko Food

With warehouse net sales totalling €1,797 million in 2007, Kesko Food is responsible for the procurement, logistics and chain management of the K food stores. The central warehouses are in Hakkila, Vantaa while Turku has a regional warehouse.

Kespro Oy

is the subsidiary of Kesko Food, with delivery sales units in Vantaa, Turku, Tampere, Lahti, Kuopio and Oulu, and 16 wholesale units in various parts of Finland.

Metro

is a Wihuri Group company, an international Finnish multibranch company engaged in industry and trade. Wihuri Oy Aarnio practices nationwide grocery wholesale to large-scale kitchens and distributors through the Metro chain. One of Finland's leading operators in its segment, Metro provides comprehensive and countrywide supply services through its wholesale units and 31 Metro cash-and-carry outlets.

Inex Partners Oy

The net sales of groceries by Inex Partner Oy, the procurement and logistics company of the retail chains of the S Group, were €1,799.4 million in 2007. The supply network comprises the grocery logistics centre in Kilo, Espoo, the consumer product logistics centre in Hakkila, Vantaa, the distribution centres in Lempäälä and Oulu as well as the terminals in various parts of Finland.

Meira Nova Oy

is a subsidiary of Inex Partners Oy, owned by SOK Corporation. The supply network comprises the logistics centre in Tuusula and five sales offices, with respective terminals, in Vantaa, Turku, Lempäälä, Jyväskylä and Oulu.

Tuko Logistics Oy

Tuko Logistics Oy is in charge of the grocery procurements for Wihuri Oy, Tradeka Oy, the Stockmann Group and Heinon Tukku Oy. The warehouse net sales were € 860.9 million in 2007. The company's places of business are in Kerava, Sompasaari, Helsinki and Petikko, Vantaa.

Growth in the HoReCa sector

2007 marked a favourable year for the HoReCa sector as a whole. Overall HoReCa wholesales climbed 3% from 2006. According to statistics published by A.C. Nielsen, the number of meals consumed outside the home grew by 2%, the same as in 2006.

The value of restaurant sales grew by 4–5%. The main increase took place in the restaurant food sales, while the prior decline in their alcohol sales levelled off. The future outlook for the demand of dining-oriented restaurants remains strong, as the purchasing power of consumers continues to grow. Like many other sectors of business, HoReCa will also soon have to face the problems associated with raw material and energy price increases, and the availability of a competent workforce.

This year's core development projects in the HoReCa wholesaler group include a potential rearrangement of B-to-B sales of alcoholic beverages, a new supplier guidebook for SME suppliers, as well as the EFR (Efficient Food-service Response) projects. These development projects aim to enhance the quality and efficiency of the entire HoReCa operating chain.

Jouni Nurmi

Jouni Nurmi, CEO of Meira Nova Oy, chairs the HoReCa wholesaler group of the Finnish Grocery Trade Association.



” The future outlook for the demand of dining-oriented restaurants remains strong, as the purchasing power of consumers continues to grow.

Higher prices and supply chain efficiency

Recently, retail business and its role in society have received a record amount of press coverage – and we are happy about it. The reason for the increased attention is the increase in food prices and the retail share of the total margins. It has been suggested that consumers pay too much for their food, and are forced to choose their meals from a limited selection chosen by a handful of decision-makers.

An increase in food prices is a real phenomenon. Those responsible for procurements know this, and many of them say that they haven't experienced anything similar in their careers. Raw materials, agricultural product prices and wages and salaries have simultaneously grown far beyond the usual levels experienced in the past, and it is impossible to brush this increase under the table. Doing so would also mean admitting excessive margins and other operative inefficiencies. If operations are efficient, rapidly changing costs run through the whole value chain and down to the consumer prices.

However, it is up to the grocery trade continue to make its supply chain more efficient. It is almost the only effective way to alleviate the impact of materialised costs on prices and competitiveness. But this effort for increased efficiency must take place in a way that does not compromise our environmental or ethical responsibilities, areas in which we have made progress during the past few years. We are not there yet.

If we keep the following simple logistic premise in mind as we develop our supply chain: "to balance production and consumption rates, there is only one place in the supply chain where the goods are found", we will easily be faced with major changes. These would involve control systems and associated ICT solutions, a profound development of our co-operation arrangements, working capital models, as well as solutions related to business premises, ownership, insurance, wastage and so on. Only our imagination and mathematical skills set the limits.

A lot remains to be done. Let us hope that the fluctuating prices and the resulting, justifiable concern for the future will drive Finnish producers, industry and trade to cooperate more closely. This collaboration would help develop supply chains, so that we are not taken by surprise.

Martti Laosmaa

Martti Laosmaa, Managing Director of Tuko Logistics Oy, chairs the FGTA procurements and logistics group.



” However, it is up to the grocery trade continue to make its supply chain more efficient. It is almost the only effective way to alleviate the impact of materialised costs on prices and competitiveness.

Sales trends in different product groups

TOP 20 product groups

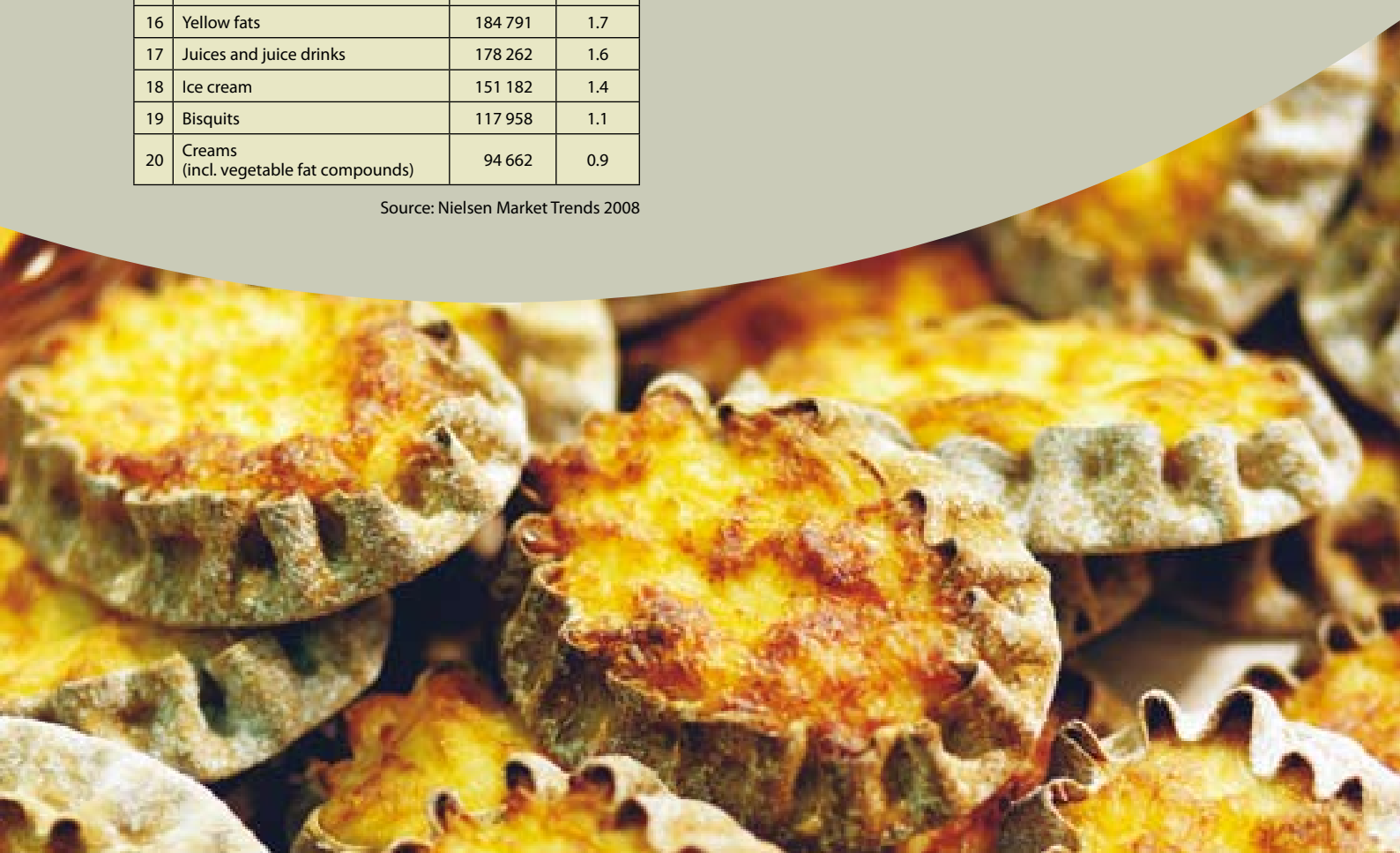
Product group	Sales € 1.000	Share of total sales %
1 Fruits and vegetables	902 340	8.1
2 Bakery products	702 994	6.3
3 Meat products	673 250	6.0
4 Beer	654 207	5.9
5 Cheese	563 170	5.1
6 Cigarettes	508 448	4.6
7 Convenience foods	447 965	4.0
8 Candy	439 642	3.9
9 Milk	438 706	3.9
10 Meat	352 386	3.2
11 Soft drinks and mineral waters	242 967	2.2
12 Yoghurt	227 968	2.0
13 Wine, cider and mixed drinks (max 4.7 %)	224 554	2.0
14 Poultry	191 719	1.7
15 Coffee, incl. coffee drinks	187 914	1.7
16 Yellow fats	184 791	1.7
17 Juices and juice drinks	178 262	1.6
18 Ice cream	151 182	1.4
19 Biscuits	117 958	1.1
20 Creams (incl. vegetable fat compounds)	94 662	0.9

Source: Nielsen Market Trends 2008

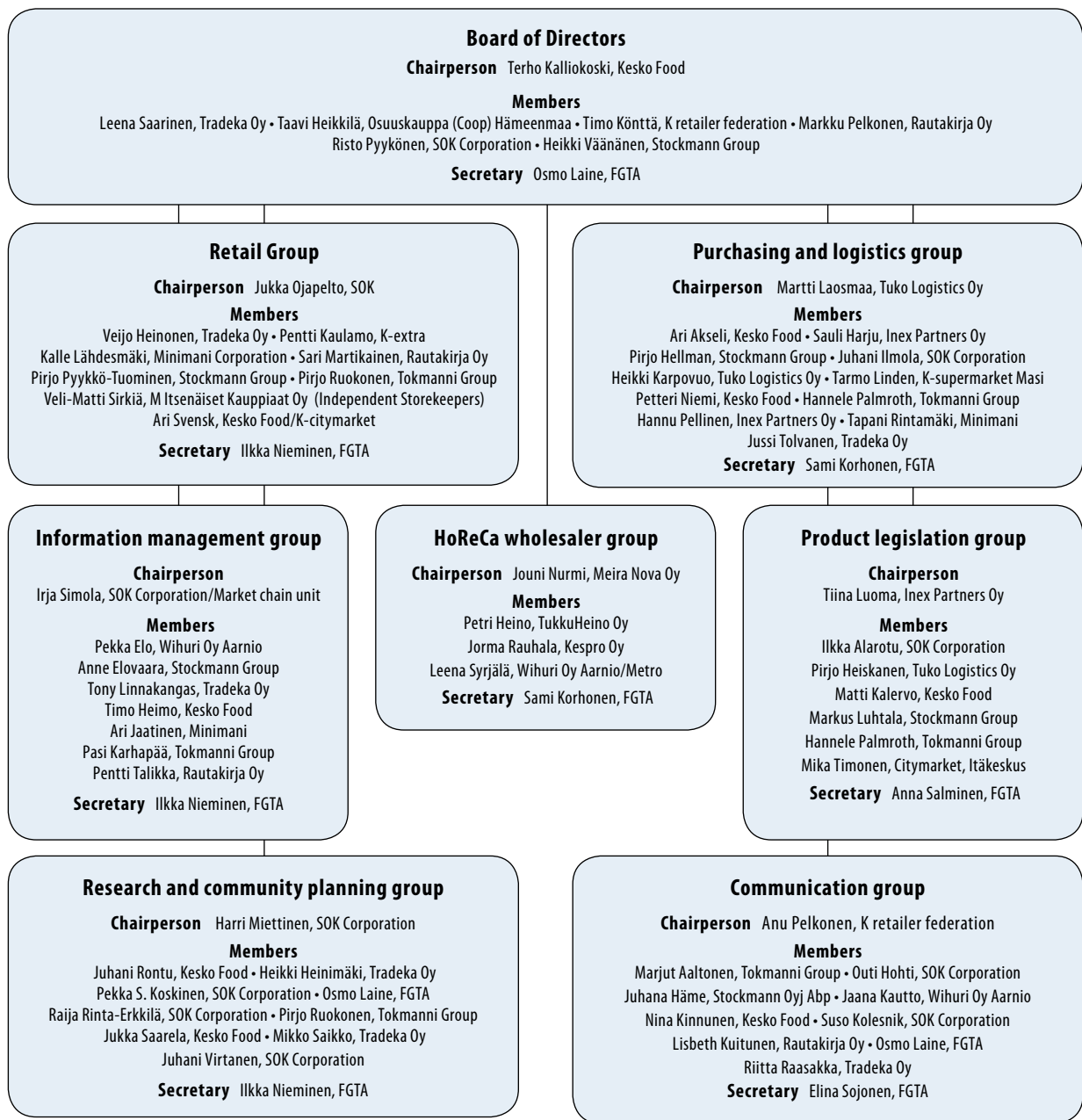
Fastest growing product groups in 2007, % change in value 2007 vs. 2006

	Change in %
1 Nicotine replacement products	174.3
2 Shavers	38.7
3 Frozen berries	19.7
4 Battery-operated and changeable toothbrushes	18.8
5 Eggs	18.2
6 Berry soups	16.8
7 Poultry	16.4
8 Toilet fresheners	14.0
9 Facial care	13.6
10 Dessert puddings	13.1

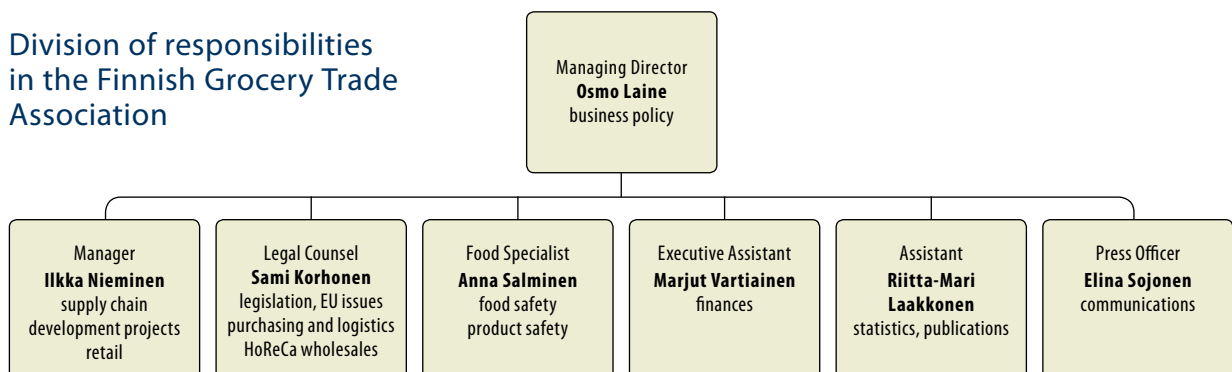
Source: Nielsen Market Trends 2008



Organisation of the Finnish Grocery Trade Association in 2008



Division of responsibilities in the Finnish Grocery Trade Association



Members

Member companies



SOK Corporation

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www.s-kanava.fi



Kesko Food

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Satamakatu 3, 00160 HELSINKI
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Tradeka Oy

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Member organisations



K retailer federation

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Procurement companies of the member companies



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