

Daily consumer goods trade 2006-2007



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CONSUMERS TO DRIVE INDUSTRIAL POLICY

The best way to secure good operating conditions for trade is to adopt an industrial policy that aims to improve consumers' purchasing power and maintain their trust in their future finances. Sales development is more or less directly proportional to the increase in purchasing power. Positive development in sales also has a bearing on other economic activities. For example, trade sales growth has improved hand in hand with the sectors' rate of employment in recent years.

In Finland trade accounts for a considerably smaller share of production and employment than it does in the rest of the EU -15 countries. This puts trade and other service provision in a good position to compensate for the decreasing share of industry in the gross domestic product. The more open and flexible the job and commodity markets are, the better chances service provision has to fill the gap left by the decrease in industrial production.

The proportion of trade in the Finnish GDP is less than the average for developed EU countries. Trade has every opportunity to increase its share of the Finnish economy and, in doing so, boost employment. The volume and employment impact of trade are linked to one another. Recent years have seen positive development in trade, which has heavily increased employment in the sector.

What consumers lack most nowadays is time. Trade can answer this need with its network. Good access to shops and easy shopping create the foundation for healthy competition. Severely restricted city planning prevents and distorts competition within trade. Tight restrictions on surface areas hamper the development of versatile store chains, which, in turn, weakens the possibilities to carry products of a wide range of suppliers. Daily shopping services offered to consumers could also be improved in terms of time use and product availability.

The majority of consumers and three of every four households with children support unrestricted opening hours. The key services in trade are related to the product, price and availability. If shops can provide service on the customers' terms, all parties – production, distribution and shops – will benefit from added efficiency. The main beneficiary would be the consumer, whose weekly time management would improve greatly.

Over half of all consumers would like to buy low-alcohol beverages and over-the-counter medicines from grocery stores. However, customers' time use and the ease of purchasing staple products do not get much attention in public discussion.

The daily consumer goods trade and department store sales operate in a versatile competitive environment. Competition takes place between different types and sizes of shops, as well as between differently organised store chains. Trade can operate best when the market is as free as possible. This involves city planning, as well as other services, such as power and waste management, which understand and support the market economy. The role of consumers, the trade sector's customers, must be strengthened in the activities and operating concepts of trade, as well as in social guidance.



Antti Sippola, Chairman
FINNISH FOOD MARKETING
ASSOCIATION



DAILY CONSUMER GOODS TRADE AND DAILY CONSUMER GOODS

In the Nordic countries **daily consumer goods** refer to foodstuffs as well as to products that consumers use on a daily basis and normally purchase with food. In other words, daily consumer goods include food, beverages, tobacco products, technological products, household papers, newspapers and magazines, and cosmetics.

Daily consumer goods trade usually refers to supermarkets operating mainly on the self-service principle and offering a full range of daily consumer goods, as defined above. Foodstuffs account for some 80% of the overall sales of daily consumer goods stores.

Consumer goods other than those used on a daily basis are called 'utility goods' or 'speciality goods' in Finland. 'Speciality goods' is a term used by speciality shops, while 'utility goods' is used by hypermarkets and department stores.

A further distinction is made in Sweden, where daily consumer goods are contrasted with 'less frequently purchased goods', which include clothing, furniture, electronics and sports items. Compared to the concepts of 'utility goods' or 'speciality goods', the notion of 'consumer goods' more accu-

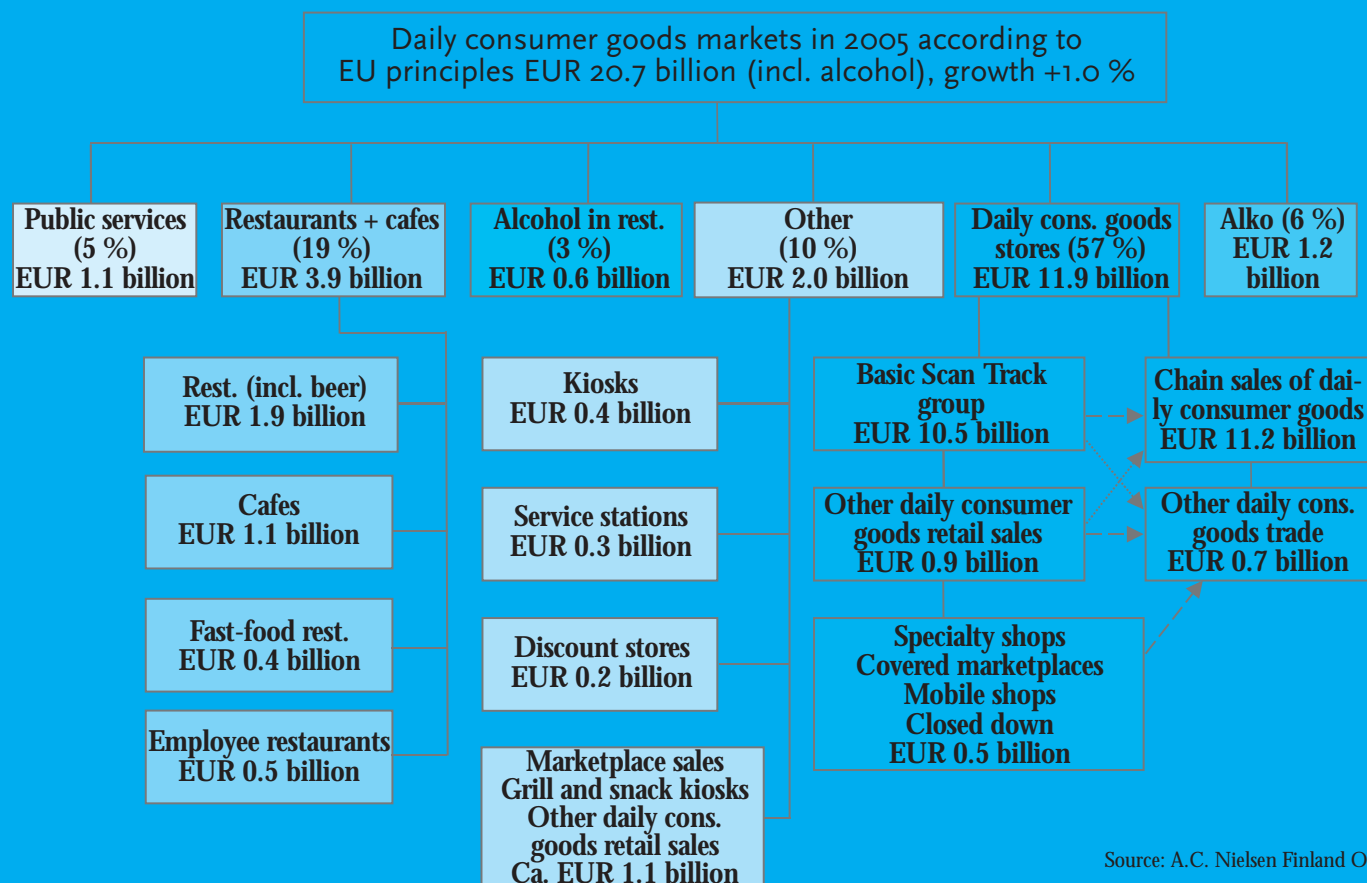
rately describes the significance that shops offering these items have to the consumer.

FINNISH MARKET FOR DAILY CONSUMER GOODS

In Finland the markets for daily consumer goods have traditionally been described in terms of retail sales. However, supermarket sales are only one part of the wide, constantly changing field engaged in internal competition.

In addition to full-range supermarkets, daily consumer goods retail encompasses speciality food shops, kiosks, service stations, discount stores and market places. The market also includes the daily food service of HoReCa wholesale customers, such as public institutions, as well as sales to other customers, such as restaurants, cafeterias and canteens in the private sector. EU statistics consider the retail alcohol sales of Alko Inc. to be part of the daily consumer goods market.

According to EU, the value of the daily consumer goods trade in Finland exceeded 20 billion euros (EUR 20.7 billion) in 2005.



DAILY CONSUMER GOODS TRADE AND SOCIETY

Trade as a producer of basic services

Finland has a versatile store network that serves customers in different lifesituations and takes responsibility for national food service. Migration, as well as changes in the population's age structure and consumption habits, pose big challenges to trade. Chain stores keep developing their services in cities and other urban areas, as well as in rural regions.

Trade as an employer

Trade employed an average of 254,400 people in 2005, over 9,000 more than the previous year. Retail trade had an average of 135,700 employees, while wholesale accounted for an average of 78,000. The remaining 40,700 wage earners were employed in vehicle and gasoline sales, among others. (Source: Finnish Trade)

Key role of the daily consumer goods trade

In 2005, the retail sales of daily consumer goods employed some 50,000 and department stores some 22,000 people. Wholesale and logistics operations employed another 20,000 individuals.

Trade must be attentive to customers' changing needs for service. Opening hours have been extended and more working hours have been added to evenings and weekends, which are the most popular shopping hours.

Big fluctuations in the need for workforce have increased the number of working hours of part-time employees, in particular.

In 2005, part-timers accounted for 50 % of the employees in the daily consumer goods trade and 65 % of the employees in department stores. Overall, part-timers made up 38% of employees in the retail trade. Nearly half of the part-time employees work 30–34 hours a week.

(Source: Finnish Trade/FFMA)

Developer of training in trade

With consumers' respect for service increasing, trade is in a good position to offer service-minded youth an increasing number of new and interesting full- and part-time positions. The development of e-commerce and more versatile services further expand the task range offered in trade.

The trade has launched a project in four pilot schools in autumn 2002 to develop vocational qualification in business and administration so that it better answers the changing needs of retail. The fu-

ture goal is for nearly all of the 70 business colleges to offer education for both youth and adults tailored to the needs of retail trade.

Daily consumer goods trade is actively involved in a new development project launched in April 2006 that focuses on training in trade. The goal is to encourage systematic and long-term development of vocational education in the field. The project is based on a network model with a clear distribution of tasks, and involves business colleges, adult education centres and special educational institutions in the trade business. All of the chains in daily consumer goods trade also participate in the network.


Challenges in trade's industrial policy

www.työväen.fi

Fact or Fiction?

	Correct	Incorrect
Deregulation of opening hours will wipe out small neighbourhood shops.	<input type="checkbox"/>	✗
Allowing wine sales in grocery stores can be justified on grounds of public health.	✓	<input type="checkbox"/>
Only pharmacies can sell over-the-counter medicines safely.	<input type="checkbox"/>	✗
More lenient construction regulations will decrease neighbourhood services	<input type="checkbox"/>	✗
The main beneficiary of a decrease in the excise duty on foodstuffs is the consumer.	✓	<input type="checkbox"/>
Lowering the excise duty on beer will reduce passenger imports.	✓	<input type="checkbox"/>

Correct information is also available at:



PÄIVITTÄISTAVARAKAUPPA RY

www.pty.fi

INDUSTRIAL POLICY SECURES SERVICES IN DAILY CONSUMER GOODS TRADE

Growing international competition on the Finnish market and the Baltic region puts new demands on the competitive strength and productivity increase of the daily consumer goods trade in Finland. The field now needs an industrial policy to secure its competitive edge and increase its productivity in trade and the entire Finnish foodstuffs chain. Such a policy involves deregulating domestic trade and harmonising indirect taxation to correspond to other EU countries.

TRADE REGULATION MUST BE RELAXED FOR THE BENEFIT OF CONSUMERS

Trade regulation is meant for conditions completely different from those that we currently live in. The Government must quickly do away with unjustified regulation that slows down free development and hinders competition on the domestic market.

Opening hours in retail trade

Shops must be allowed to keep their doors open according to customer needs. Current regulations on opening hours are confusing and difficult for consumers to keep track of. The option to keep shops open on Sundays should be expanded to improve customer service, secure domestic production and consumption, and to boost the productivity of trade.

Over-the-counter medications to grocery stores

Self-medication drugs sold without a doctor's prescription are well suited to the services and product ranges of grocery stores. Allowing their sales improves customer service, increases competition and decreases prices. As for other Nordic countries, Denmark and Norway already allow OTC drugs in stores, and both countries have had good experiences in this respect.

Light alcoholic beverages to shops

The sales of light wines in grocery stores would improve service, decrease prices and make product ranges more versatile. It would also put the Finnish daily consumer goods trade in a better position to compete with foreign players and would ensure the operating conditions for a service network of small neighbourhood stores. The monopoly of Alko's shops steals purchasing power from neighbourhood stores.

Regulation of construction prevents competition

The regulations in the Land Use and Building Act concerning construction in the trade industry hamper the competitive strength of the Finnish food industry and Finnish supermarkets with broad product ranges. Instead, regulation favours discount chains

offering more restricted ranges, as has been seen in Germany. Construction regulation must be dismantled, and the limit for 'large retail units' provided in the Act (2,000 square metres in gross floor area) must be raised to 2,500 square metres in sales area, that is, over 3,000 square metres in gross floor area.

INDIRECT TAXES

Indirect taxes in Finland are higher than those in other EU countries and they directly erode the competitiveness of Finnish trade and decrease purchasing power, tax revenues and jobs on the domestic market.

Excise duty on foodstuffs down to 12 per cent

At 17 per cent, the Finnish excise duty on food is one of the highest in the EU, where the average is some 7 per cent. The figure must be harmonised in line with the rest of the EU and, for starters, be lowered to 12 per cent, which was its calculatory value prior to Finland's EU membership. Decreasing the excise duty on foods will benefit households of limited means by improving their purchasing power. It will also introduce versatility into the range of foodstuffs in Finland and improve the competitive edge and employment throughout the foodstuffs chain.

Further decrease in the Finnish excise duty on beer

The 32% decrease in the excise duty on beer, realized in March 2004, resulted in a 15% drop in retail prices. Owing to tough competition in the daily consumer goods trade and pressure from passenger imports, beer prices showed a much bigger drop in the consumer goods trade. Estonia's excise duty on beer is only 18 cents per litre. To halt growth in passenger imports and the grey economy, as well as to ensure the competitive strength of the daily consumer goods trade and secure jobs in the field, the excise duty on medium-strength beer must be further decreased from the current 90 cents to 60 cents per litre.



Osmo Laine, Managing Director
FINNISH FOOD MARKETING ASSOCIATION

STORE CATEGORIES AND DEFINITIONS

1. By size

Determining the sales area of shops

The amendment to the Opening Hours Act, which took effect in 2001, ratified the definition previously in use, according to which the sales area includes the facilities used for sales operations. Since the sales area is calculated along the shop walls, it includes service counters and the space behind them. On the other hand, the area is limited to the point-of-sales line. It does not include the area behind the line, nor areas that only the staff has access to, such as social, storage and warehouse facilities.

Department store

A department store is a retail store that sells a variety of goods and has a minimum sales area of 2,500 square metres. No goods category may occupy more than half of the overall sales area. The offering of a department store's different sections corresponds to the product ranges of specialty stores. Department stores have a high level of service with cash desks in all departments. A department store can be located in the city centre, in a neighbourhood centre or in a shopping mall elsewhere.



Hypermarket

A hypermarket is a retail store that sells a variety of goods, mainly operates on the self-service principle and has a sales area of over 2,500 square metres. While foodstuffs account for less than half of the overall surface of a hypermarket, the focus of sales is on daily consumer goods. A hypermarket can be located in the city centre or its vicinity, in a shopping mall or any other easily accessible location.



Supermarket

A supermarket is a store for daily consumer goods that focuses on food sales, mainly operates on the self-service principle and has a minimum surface of 400 square metres, over half of which is taken up by foodstuffs. For practical purposes, statistics categorise supermarkets into large ones, with a surface of more than 1,000 square metres, and small ones, with a surface of 400–1,000 square metres, often called markets.



Self-service shop

Large self-service shops have a surface area of 200–399 square metres and focus on daily consumer goods, while small self-service shops have a surface area of 100–199 square metres. Self-service shops are allowed to be open on Sundays also in zoned areas during the hours defined in legislation. Neighbourhood shops often mean self-service shops.



Small shops and kiosks

A small shop or kiosk sells daily consumer goods and has a surface area of less than 100 square metres. Kiosks selling food can operate through an open window or like a self-service or service shop. While the decree on kiosks sets certain restrictions on the product range, the opening hours are unrestricted also in zoned areas.



Sources: The Kauppa 2005 (Trade 2005) publication and FFMA



2. By operating method or location

Neighbourhood shop

A neighbourhood shop is usually a small shop for daily consumer goods located in a residential area close to consumers and easily accessible by foot. Although there is no minimum limit for the sales area, the size of a neighbourhood shop is usually less than 400 square metres. Neighbourhood shops are usually self-service, village or discount shops and kiosks.

Village shop

Village shops are daily consumer goods stores located in rural areas or small urban areas, with a sales area of less than 400 square metres and annual sales under 2 million euros. The opening hours of shops located outside zoned areas have been free from restrictions since 1990.

Source: FFMA

Discount shops

Discount shops operate exclusively on the self-service principle and have smaller product ranges than other self-service shops (Alepa, Lidl, K-market Cassa, Sale, Siwa).

Service station shops

The sales of daily consumer goods at service stations in built-up areas and especially along highways have seen considerable growth lately. This results largely

from the shops' good location near big traffic flows and unrestricted opening hours.

Speciality shops

Product-specific speciality shops, covered and uncovered marketplaces, direct sales and mobile shops have seen a decrease in their share of overall sales in recent years.

E-commerce

E-commerce has not developed as predicted in daily consumer goods due to logistical problems related to food distribution and the sales prohibition of medium-strength beer in e-commerce. Annual sales amount to a mere 10 million euros of the overall retail sales of daily consumer goods.

3. Definitions according to the Land Use and Building Act

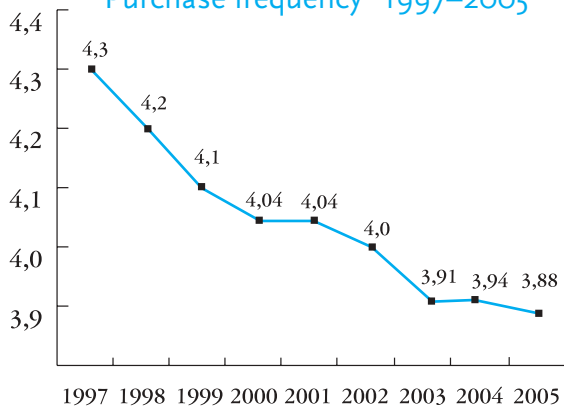
The Land Use and Building Act defines a large retail unit as a shop with more than 2,000 square metres in gross floor area. In practice, this corresponds to a shop with a sales area of approximately 1,300 square metres. The construction of a large unit, as defined in the Land Use and Building Act, calls for a special entry in the town plan, except when dealing with a special goods shop that requires a lot of space, such as a furniture shop or car dealer.

KEY FIGURES 2005

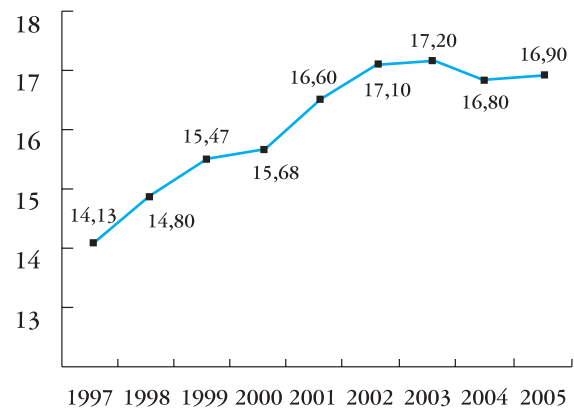
Retail sales of daily consumer goods
EUR 11,908 million

Development of value of sales	2.3 %
Development of sales volumes	2.4 %
Sales per inhabitant	EUR 2,207
Retail sales of daily consumer goods/household (number of households in 2003)	EUR 4,952.
Number of shops (markets) & small speciality shops for daily cons. goods	3,532 577
Sales area in daily consumer goods trade	1.9 million sq. metres
Average sales per sq. metre	EUR 5,860 sq. metre
Inhabitants/consumer goods shop	1,279

Source: A.C. Nielsen Finland Oy, Statistics Finland

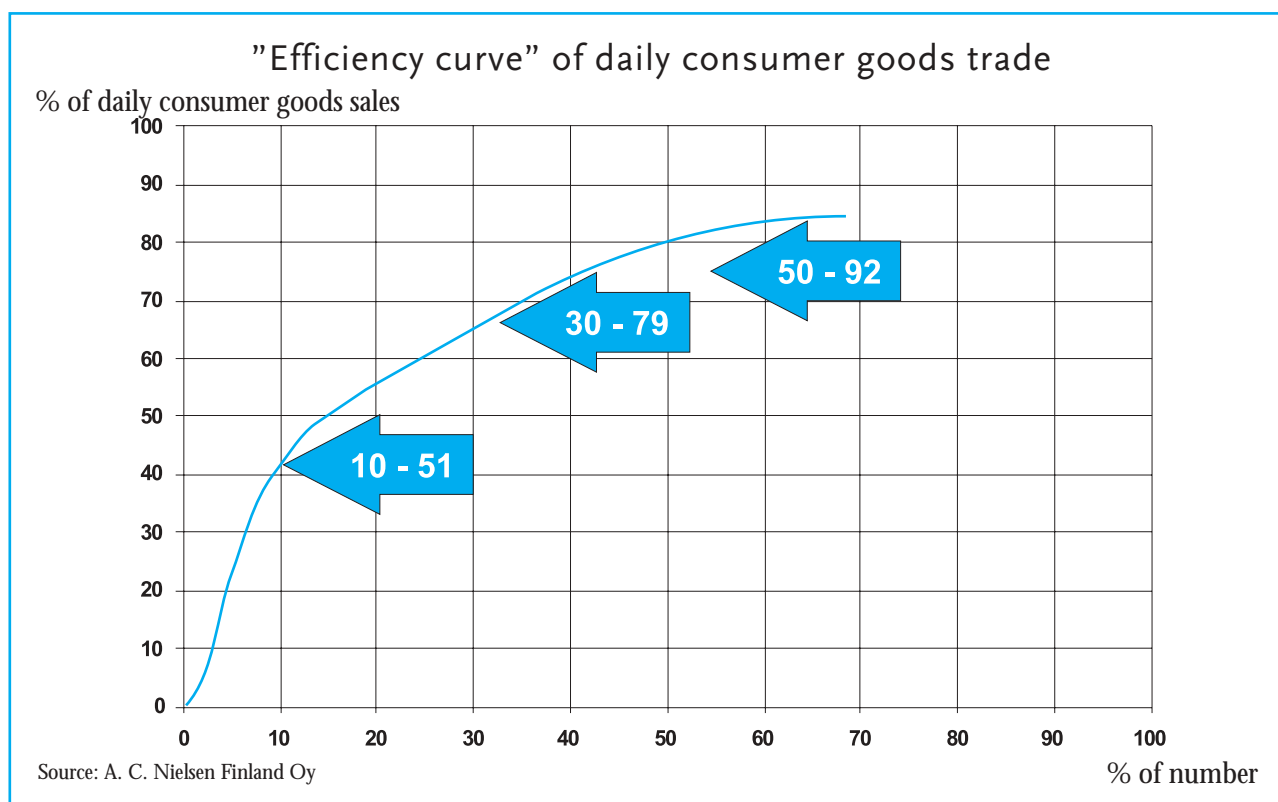
Daily consumer goods
purchases/household/week
"Purchase frequency" 1997–2005

Source: A. C. Nielsen Finland Oy Kuluttajaneeli

Average purchase (EUR/purchase)
1997–2005Main reasons for selecting the most frequently used consumer goods shop
(2–3 most important reasons)

	% of households chose		
	2005	2004	2003
Proximity	56	54	52
Preferred customer benefits	36	35	34
Price-quality ratio	36	34	34
Product range	34	37	34
Ease/speed of purchases	32	30	30
Price level	27	26	23
Product freshness	18	18	18
Opening hours	14	14	14
Service-minded staff	12	14	12
Parking facilities	11	11	12
Service counters	8	8	7

Source: A. C. Nielsen Finland Oy Kuluttajaneeli



Structural change in the retail trade of daily consumer goods

Competition in the daily consumer goods trade is largely a matter of efficiency. Enhanced efficiency of trade, heavy migration, a strong increase in the number of vehicles, increasing versatility of product ranges and IT development have maintained structural change in the daily consumer goods trade. The number of market-type shops has dropped from a total of 9,398 in 1978 to 3,532 in 2005.

The 'efficiency curve' of the daily consumer goods trade shows the importance that large shops have to consumers and to the daily consumer goods supply chain: 30 per cent of shops account for 79 per cent of the overall sales of daily consumer goods.

In comparison, small shops, which correspond to 50 per cent of the total number of shops, account for only 8 per cent of overall sales. Alcohol and medication sales are thus vital in the drive to secure the future of neighbourhood shops.

Sales and change in the value and volumes of daily consumer goods shops 1993–2005

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Markets, number	5195	4818	4597	4351	4184	4026	3858	3697	3555	3533	3529	3584	3532
Number, all	6013	5661	5384	4966	4714	4678	4511	4325	4165	4163	4129	4192	4109
Sales, million euros*	8372	8520	8388	8599	8904	9277	9466	9681	10364	10948	11265	11529	11601
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%
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%

* excl. mobile shops and shops closed down

Number of shops by shop type and alliance in 2005

Shop type	K Group	Spar Group	Other private	S Group	Tradeka	Total 1.1.2006
Hypermarkets	53	0	0	47	21	121
Department stores	33	1	72	20	0	126
Supermarkets, large	162	43	101	196	13	515
Supermarkets, small	174	71	14	167	54	480
Self-service shops, large	361	152	56	258	343	1 170
Self-service shops, small	143	7	165	79	232	626
Small shops	115	1	276	22	80	494
Speciality shops	0	0	549	0	0	549
Covered marketplaces	0	0	28	0	0	28
Total 1.1.2006	1 041	275	1 261	789	743	4 109
Mobile shops	21	1	27	3	0	52
Closed down (real)	44	11	88	8	5	156
Shops closed down (changes in alliances)	7	4	167	0	5	183

Source: A.C. Nielsen Finland Oy

Daily consumer goods shops in the provinces 2004–2005

Province	Name of province	Number 2005	Daily consumer goods sales 2005 (EUR million)	Number 2004	Daily consumer goods sales 2004 (EUR million)
1	01 Uusimaa	39	23,1	41	21,7
2	02 Southwest Finland	56	22,4	54	17,6
4	04 Satakunta	26	8,7	26	7,6
5	05 Southern Häme	29	13,4	29	12,6
6	06 Pirkanmaa	42	17,6	46	17,6
8	08 Southeast Finland	17	6,8	34	12,8
9	09 South Karelia	18	7,8		
10	10 Southern Savo	31	9,8	39	11,6
11	11 Northern Savo	41	13,6	40	10,7
12	12 North Karelia	34	13	39	14,7
13	13 Central Finland	25	8,3	29	9,2
14	14 South Ostrobothnia	48	15,1	96	35,8
15	15 Ostrobothnia	48	25,7		
16	16 Central Ostrobothnia	13	8,5	34	11,1
17	17 North Ostrobothnia	53	28,9	33	14,8
18	18 Kainuu	19	6,8	19	6,1
19	19 Lapland	54	26	58	26,1
20	20 Åland	18	9	17	7,2
Total		611	264,5	634	237,2

Source: A.C. Nielsen Finland Oy

Sales of daily consumer goods by shop type 1998–2005 (million euros)

Shop type	1998	1999	2000	x)2001	2002	2003	2004	xx)2005
Hypermarkets	1 844	1 962	2 092	2 338	2 534	2 618	2 692	2 772
Department stores	709	712	691	443	509	549	585	611
Supermarkets, large	2 259	2 415	2 661	3 118	3 275	3 458	3 718	3 789
Supermarkets, small	2 128	2 121	2 006	1 944	1 913	1 838	1 665	1 648
Self-service shops, large	1 388	1 370	1 410	1 693	1 879	1 921	1 986	1 916
Self-service shops, small	557	520	485	512	513	536	515	490
Small shops	234	210	191	172	173	194	212	216
Speciality shops and marketplaces	158	156	145	144	152	151	155	158
Total 1.1.2006	9 277	9 466	9 681	10 364	10 948	11 265	11 529	11 600
Mobile shops	43	37	33	31	27	23	20	18
Closed down	100	102	141	119	72	120	90	289
Total	9 420	9 605	9 855	10 515	11 047	11 407	11 639	11 907

x) not comparable with previous years

xx) The shop type classification for hypermarkets has been changed and is now based on chains, including the Citymarket, Prisma and Euromarket chains. The bases for other shop classifications remain unchanged. Changes have been made to the table retroactively.

Source: A.C. Nielsen Finland Oy



Sales of daily consumer goods by chain in 2005
Total sales: EUR 11,908 million; shops: 4,109 (incl. those closed down)

Alliance	Chain	Number of shops	Daily consumer goods sales, % share	Daily consumer goods sales, EUR million	Average sales/shop, EUR million
K Group	K-citymarket	53	9,8 %	1167	22
	K-extra	212	1,5 %	179	1
	K-market	367	8,9 %	1060	3
	K-supermarket	150	11,3 %	1346	9
	Others	259	2,4 %	286	1
K Group, total		1041	33,9 %	4038	4
S group	Prisma	47	11,2 %	1334	28
	S-market	376	19,5 %	2322	6
	Alepa + Sale	266	4,2 %	500	2
	Others	100	1,0 %	119	1
S Group, total		789	35,9 %	4275	5
Tradeka	Euromarket	21	2,3 %	274	13
	Siwa	492	5,0 %	595	1
	Valintatalo	133	2,8 %	333	3
	Ruokavarasto	81	0,3 %	36	0,5
	Etujätti	2	0,1 %	12	6
	Sesto	14	0,3 %	36	3
Tradeka, total		743	10,8 %	1286	2
Spar Group	Eurospar	15	0,9 %	107	7
	Spar	260	5,3 %	631	2
Spar Group, total		275	6,2 %	738	3
Wihuri*	Tarmo and Kymppi stores	322	1,8 %	209	1
Lidl		95	3,7 %	441	5
Stockmann*	Daily consumer goods sales of department stores	7	1,5	179	26
Others		837	6,2 %	742	1
All shops included in the shop register, total		4109	100,0 %	11908	3

Allience	Chain	Number of shops	Daily consumer goods sales, EUR million	Average sales/shop, EUR million
Rautakirja*	R-kiosks	719	246	0,3

ALLIANCES IN DAILY CONSUMER GOODS TRADE

Chain stores and centralised sourcing and logistics are typical of the daily consumer goods trade. The three largest alliances held 80.6% of the retail market for daily consumer goods. This is a common trend in all of the Nordic countries: trade needs large volumes to achieve sufficiently efficient operations in vast and sparsely populated countries. Weaker cost-effectiveness would lead to higher prices, more limited product ranges, less service and poorer availability. In addition to expanding the markets, foreign competition and the EU's enlargement to the Baltic countries has linked Finland to the EU's internal markets also in the field of daily consumer goods.



S GROUP

The S Group comprises cooperative enterprises, as well as SOK and its subsidiaries. It provides services for the supermarket, service station and fuel trade, department stores and speciality shops, hotels and restaurants, as well as the automobile, hardware and agriculture business. The S Group has over 1,400 outlets in Finland. The Group is also involved in the supermarket, hotel, restaurant and automobile business in the Baltic region.

Spar Finland plc became a subsidiary of SOK in January 2006. Part of Spar Finland's shop network will be merged with the S Group's regional cooperative market business. In March 2006 Inex Partners Oy became SOK's wholly-owned procurement and logistics company for daily consumer goods. Intrade Partners Oy is a SOK subsidiary that handles the procurement and logistics of utility goods for the S Group's chains. North European Oil Trade Oy is a fuel procurement company jointly owned by SOK and Greeni Oy.

National chain brands

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

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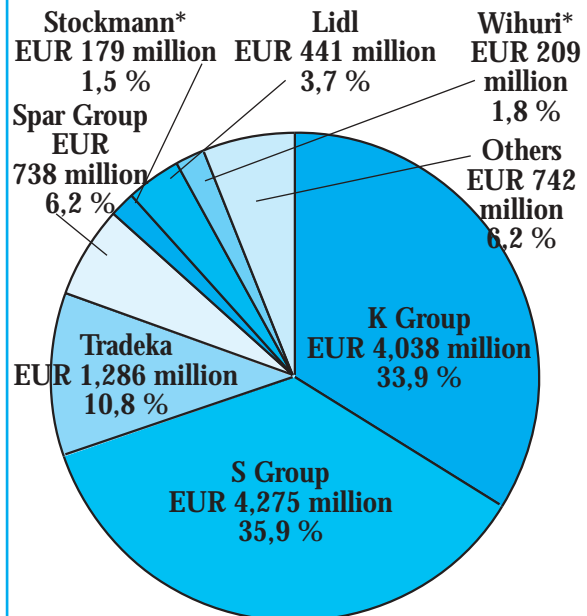
SOK MARKET AND DEPARTMENT STORE MANAGEMENT

Kari Neilimo, CEO

Market chain management:

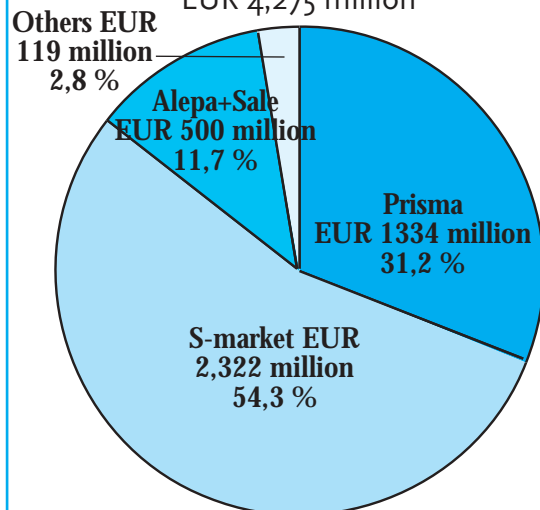
Antti Sippola, Vice President, Market Sales
Jukka Ojapelto, Vice President, Chain Operations
Elli Reinikainen, Development Manager
Irja Simola, Vice President, IT
Esa Tötterman, Shop Design Manager
Juhani Virtanen, Site Manager

Market shares of Finnish consumer goods alliances in 2005; overall sales: EUR 11,908 million



Source: A. C. Nielsen Finland Oy and FFMA*

The shares of the S Group's chains of the Group's overall consumer goods sales, EUR 4,275 million



Source: A. C. Nielsen Finland Oy

Management of the Sokos chain:

Reijo Kaltea, Vice President, Customer-ownership and Speciality Stores Division
Heli Uusiusuo, Vice President, Sales, Sokos Chain Management
Laura Ruuskanen, IT and Logistics Manager, Sokos Chain Management
Erja Takala, Vice President, Development, Speciality Stores Development
Jessica Adel, Accounting Manager, Sokos Chain Management



K-KAUPPIASLIITTO

K-retailers' Association is a co-operation and lobbying organisation whose main task is to develop and enhance entrepreneurial activities among K-shopkeepers. The ca. 1,260 K-shopkeepers are members of K-retailers' Association through their trade organisation. Each chain has its own board of directors composed of K-shopkeepers, through which shopkeepers can participate in the development of their chain.

www.k-kauppiasliitto.fi

BOARD OF DIRECTORS

Pentti Kalliala, Chairman
 Tapio Särkilahti, Deputy Chairman
 Heimo Välinen, Chairman, K-ruoka-
 kauppiasyhdistys (Union of K-grocers)
 Kari Salminen, Deputy Chairman,
 K-ruokakauppiasyhdistys
 (Union of K-grocers)
 Markku Hautala, Deputy Chairman,
 K-ruokakauppiasyhdistys
 (Union of K-grocers)
 Matti Mettälä, Managing Director,
 K-retailers' Association
 Hannu Rinne, Ombudsman,
 K-retailers' Association

KESKO
 RUOKAKESKO OY

KESKO FOOD LTD

Kesko Food Ltd operates in the daily consumer goods markets, offering versatile shop services to consumers and corporate customers in Finland and, through a joint venture, in the Baltic countries.

Kesko Food has four store chains for daily consumer goods – K-citymarket, K-supermarket, K-market and K-extra – with a total of some 1,040 stores. Kesko Food works in close chain cooperation with K-shopkeepers. It manages and develops K grocery stores and is responsible for their marketing, procurement and logistics services, shop network and shopkeeper resources. K-shopkeepers are in charge of shop management and operations. Kesko Food's subsidiary Kespro Ltd offers delivery sales and wholesale services to corporate customers.

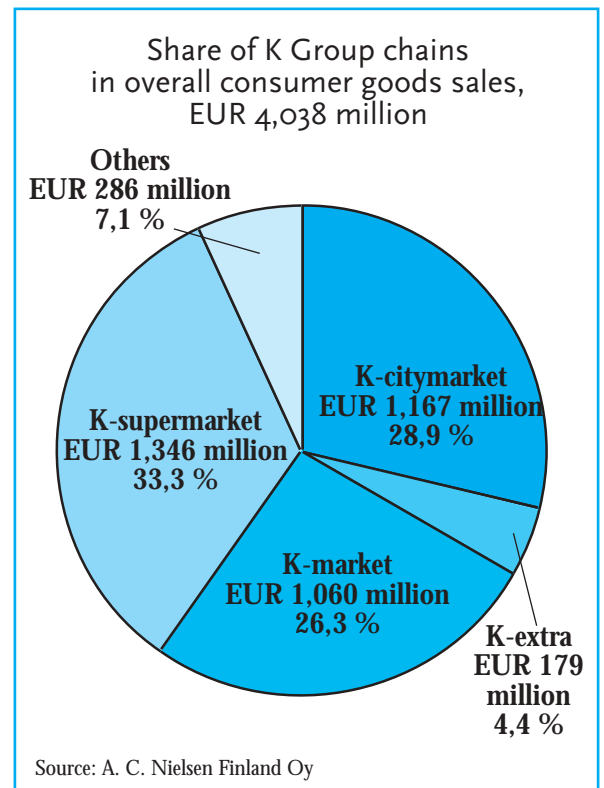
In the Baltic countries, Kesko Food has entered into a 50/50 joint venture with ICA Baltic AB, part of the Swedish Group ICA. The joint venture, Rimi Baltic AB, is active in the daily consumer goods business and has some 180 Rimi hypermarket, Rimi supermarket, Säästumarket and SuperNetto grocery stores in Estonia, Latvia and Lithuania.

www.kesko.fi

MANAGEMENT

Terho Kalliokoski, President
 Karri Pulli, Vice President, K-citymarket
 Minna Kurunsaari, Vice President, K-supermarket
 Mika Rautiainen, Vice President, K-market (K-market,
 K-extra, Cassa Oy, Pikoil Oy)
 Ari Akseli, Vice President, Commerce

Niila Rajala, Vice President, Customer relations
 and HR, and K-Plus Oy
 Kari Heiskanen, Vice President, Retail services
 Petteri Niemi, Vice President, Information and
 Finance
 Minna Laakkonen, Managing Director, Kespro Ltd
 Juha Ahtinen, Managing Director, Citymarket Oy





TRADEKA LTD

Tradeka Ltd is a centrally organised national retail chain. Its store brands include Siwa, Valintatalo and Euromarket. In addition to the 730 shops in Finland, Tradeka has three shops in St Petersburg. Tradeka's procurement and logistics services for imported and industrial foodstuffs are handled by Tuko Logistics Oy.

www.tradeka.fi

MANAGEMENT

Markku Uitto, President & CEO
 Veijo Heinonen, Vice President, Siwa
 Niclas Ahlblom, Vice President, Valintatalo
 Juhani Mast, Vice President, Euromarket
 Jussi Tolvanen, Vice President, Product Processes
 Jaana Lehto, Vice President, Business Development
 Kari Luoto, Vice President, Customer Process
 Timo Purosalo, Vice President & CFO



WIHURI GROUP

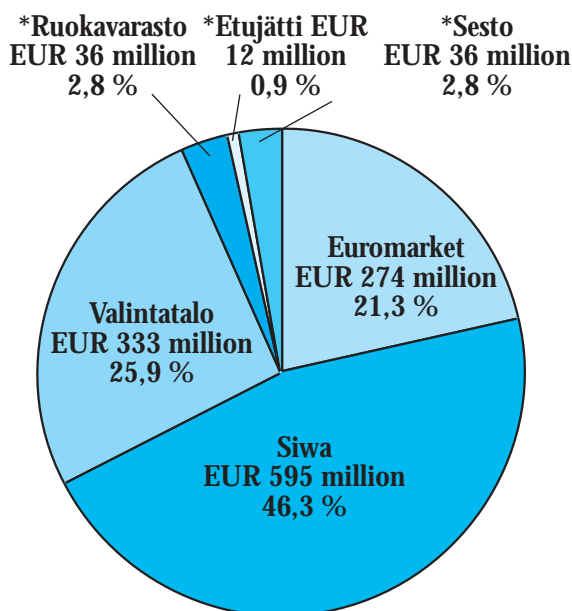
The Wihuri Group is an international Finnish conglomerate that engages in trade and industry. It comprises four divisions: Packaging, Wihuri Oy Aarnio, Technical Trade and Speciality Products and Services. Wihuri Oy Aarnio offers wholesale services to institutional and retail customers through the Metro network. The Metro family also includes the Tarmo chain of neighbourhood grocers and the Kymppi chain convenience stores, both of which are led by independent entrepreneurs. Wihuri's procurement and logistics are handled by Tuko Logistics Oy.

www.wihuri.fi

MANAGEMENT

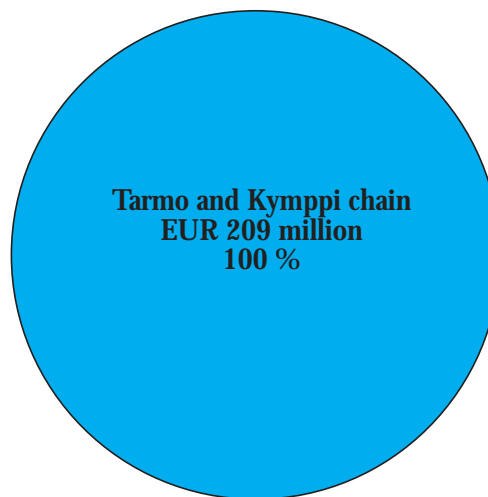
Leena Syrjälä, Senior Vice President
 Juha Mattila, Vice President, Cash-and-Carry Outlets
 Riku Nykänen, Vice President, Business Operations
 Timo Koskelin, Vice President, Key Accounts/shops
 Jarkko Tuomola, Vice President, Key Accounts/food
 Mervi Herranen, Customer Service Manager
 Kalle Svensson, Key Accounts Manager/Tuko Logistics Oy
 Jaana Kautto, HR Manager

The shares of Tradeka's chains in the Group's overall consumer goods sales, EUR 1 286 million



*Chains sales during 1.8.-31.12.2005
 Source: A. C. Nielsen Finland Oy

The shares of the Wihuri Group's chains of the Group's consumer goods sales, EUR 209 million



Source: FFMA

Tradeka Ltd, the retail business of Tradeka Corporation, and the Ruokamarkkinat Oy retail chains of the Wihuri Group merged their operations in August 2005. Tradeka's Siwa, Valintatalo and Euromarket shops and Wihuri's Ruokavarasto, Sesto and Etujätti shops were all merged into a single company now known as Tradeka Ltd.



STOCKMANN GROUP

Stockmann is a Finnish listed company that operates in several retail fields and engages in daily consumer goods retail through its department stores located in Finland, Russia, Estonia and Latvia. Stockmann's food departments are known as Stockmann Herkku (Stockmann Delicatessen). In addition to its own foodstuff procurement operations, Stockmann Group uses Tuko Logistics Oy and Finnfröst Oy as procurement channels.
www.stockmann.fi

MANAGEMENT COMMITTEE, DEPARTMENT STORE DIVISION

Heikki Väänänen, Executive Vice President, Director of the Department Store Division
Maaret Kuisma, Marketing Director
Jussi Kuutsa, Development Director for the Group's International Operations
Kirsti Manninen, Buying Director, International Operations
Risto Penttilä, Director of Administration
Tiina Railio, Buying Director, Fashion
Maisa Romanainen, Director for International Operations Department Stores
Karl Stockmann, Director of Stockmann's department stores in Finland and the Helsinki department store
Raija-Leena Söderholm, Buying Director, Non-fashion Goods
Essi Nikitin, Management Assistant, Secretary of Management Committee



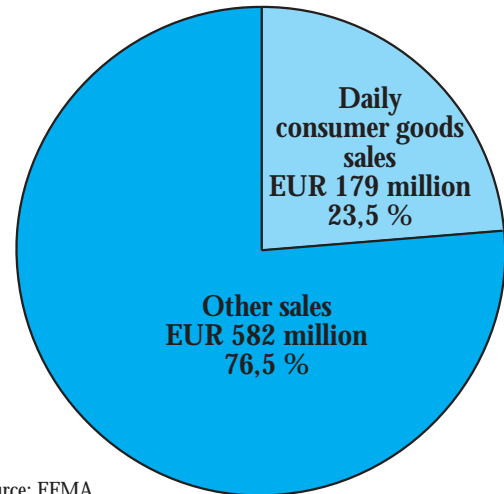
SPAR FINLAND OY

Spar Finland engages in the daily consumer goods retail business and serves Spar retailers by offering wholesale services for daily consumer goods, leasing facilities and equipment, as well as providing marketing, real estate and other support services. The retail stores of Spar Finland operate in two nationwide chains: Spar and Eurospar. Two thirds of the Spar shops are owned by independent shopkeepers, while the remaining one third are owned by Spar Finland. In 2005 Spar controlled 6.1 per cent of the market in Finland.

Spar Finland became a subsidiary of SOK on 12 January 2006 at which time SOK owned 92.3 per cent of Spar Finland's shares and 95.1 per cent of overall votes. On 18 May 2006 SOK's ownership rose to 100 per cent.

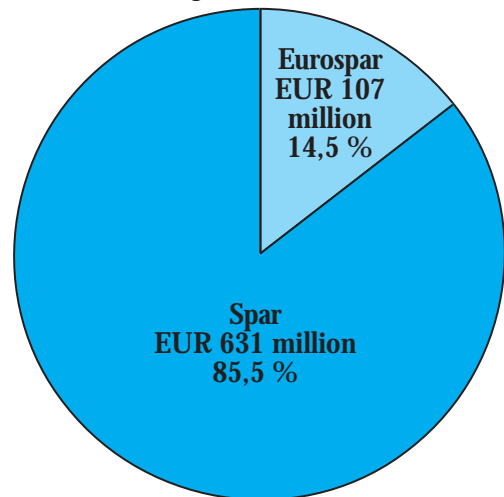
SOK aims to merge part of Spar Finland's shop network with the S Group's regional cooperative market business. The process will be carried out gradually in carefully controlled phases. The merger of operations and the decision made by the Finnish Competition Authority (FCA) on 4 January 2006 will bring about changes in the business and divisions of Spar Finland. Among other things, the FCA decreed that 30 Spar shops were to be excluded from the merger and offered for sale to other players in the daily consumer goods trade. Fourteen of these shops are owned by Spar Finland. According to the merger plan, a total of 85 Spar shops will become part of the regional cooperatives' shop network.

The overall sales of Stockmann Group's Department Store Division totalled EUR 761 million



Source: FFMA

The shares of Spar's chains in the Group's overall consumer goods sales, EUR 738 million



Source: A. C. Nielsen Finland Oy

The first of Spar Finland's own shops were transferred to regional cooperatives in March. The transfer of shops owned by independent shopkeepers will take place on termination of their cooperation agreements.

The company's material operations are handled by Tuko Logistics Oy, in which Spar Finland has a 35% holding. In compliance with the FCA's ruling, Spar Finland shall give up ownership in Tuko Logistics over the course of the transition period. As a result, the goods deliveries of Spar shops will be transferred to Inex Partners Oy.

www.spar.fi

MANAGEMENT

Jouko Vuoti, President & CEO

Timo Säiläkivi, CFO, Finance, Administration, IT and HR

Pertti Palosaari, Field Manager, Shop Operations and Product Management

Jukka Ropponen, Site Manager, Shop Locations

SPAR AND LOCAL RETAILERS' ASSOCIATION

Spar and Local Retailers' Association is an independent professional lobbying organisation for the Spar and Tarmo shopkeepers. The union was established in 1950 (as Valtakunnan KauppiaSLiitto ry). It watches out for the shopkeepers' professional and social benefits jointly with other trade organisations. The wholesaler of Spar shopkeepers is Spar Finland, and that of Tarmo shopkeepers is Wihuri.



RAUTAKIRJA OY

Rautakirja Oy operates in consumer goods retail in R kiosks, which make up a nationwide chain providing customers with entertainment, suspense and pleasure, as well as daily staples and services, rapidly and easily from early morning to late evening.

There are roughly 700 R kiosks in Finland, one third of which are based on the franchising concept while the remaining two thirds are operated by Rautakirja. Rautakirja also has a subsidiary in Estonia (200 R kiosks) and one in Lithuania (roughly 500 kiosks), as well as a joint venture in Latvia (some 400 kiosks).

R kiosk purchases its products directly from the industry. In addition to the R kiosks, Rautakirja's major brands in Finland include Lehtipiste, Suomalainen Kirjakauppa and Finnkino.

www.rautakirja.fi, www.r-kioski.fi

MANAGEMENT

Erkki Järvinen, President & CEO

Markku Pelkonen, Senior Vice President, Kiosk Operations

Raimo Kurri, Senior Vice President, Press Distribution

Jarmo Oksaharju, Senior Vice President, Bookstores

Timo Mänty, Senior Vice President, Movie Theatres and Multipurpose Arenas

Hellevi Kekäläinen, Senior Vice President, Corporate Finance and Administration

Jukka Nikkinen, Senior Vice President, Business Development

KIOSK OPERATIONS IN FINLAND

R kiosks form a leading Finnish kiosk chain that is a pioneer in kiosk-like convenience store operations. The chain's competitive advantage comes from the versatility of its product and service range, which it uses to stand out from competition. According to a study carried out by A.C. Nielsen, R kiosks make up nearly 40 per cent of all kiosks in Finland, but account for over 60 per cent of overall kiosk sales. In its own size category, the chain is Finland's most frequented shop chain.

Tough competition continues in the field of trade. A large number of small shops have been set up in Finland in recent years, and store chains have made big investments in the traditional product areas of kiosks. Meanwhile, competition among teleoperators has resulted in a drop in

BOARD OF DIRECTORS

Timo Oittinen, Chairman

Matti Marttila, Deputy Chairman

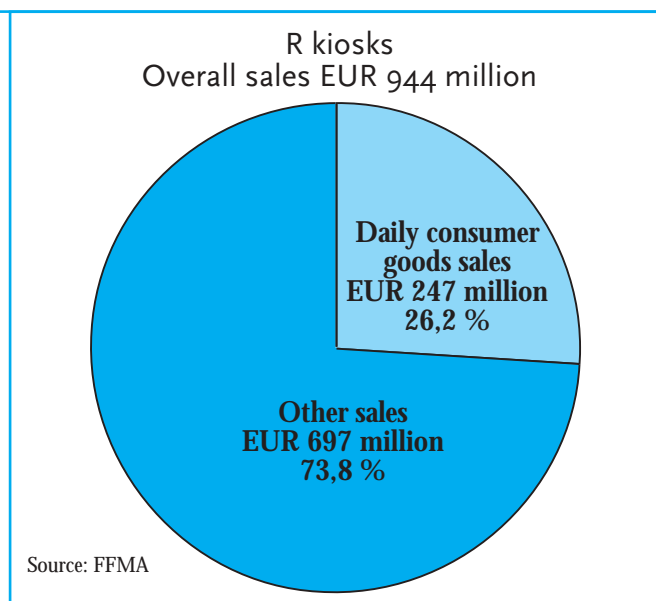
Matti Kontio, Deputy Chairman

Other Board Members: Yrjö Ahonen, Esa Kaarlela,

Terho Keisala, Markku Kontturi, Martti Kuitunen,

Aki Luomanen, Esa Mattsson, Juha Matilainen,

Leo Väisänen



phone card prices. This affects R kiosks, as they are the main sales channel for calling cards.

Services for travellers have become a key area for kiosk operations. R kiosks have been important vendors of local transport tickets for years, and in spring 2006 these operations were expanded to cover long-distance train tickets, which can now be purchased in all R kiosks.

KYMPPI CHAIN

The Kymppi (Finnish for 'Ten') chain consists of roughly twenty independent shops and entrepreneurs. The chain is administered and its concept developed by Wihuri Oy Aarnio. The Kymppi shops offer a versatile range of services, products typical of convenience stores and fresh cafeteria products made of Finnish ingredients.

The chain and its independent entrepreneurs emphasise professional and personal service. True to their name, the shops are open from 10 a.m. to 10 p.m., and most of them also offer online games by the Finnish lottery, Veikkaus. Three of the shops offer postal services.

SHOPS NOT PART OF ALLIANCES

Daily consumer goods shops that did not belong to the alliances listed above numbered 932 in 2005, that is, 23 less than the year before. With overall sales of EUR 1,182 million, these shops accounted for 9.9 per cent of the overall retail markets for daily consumer goods. Except for the Lidl chain, the non-alliance shops use the HoReCa wholesale or cash-and-carry wholesalers of shop alliances as their main sourcing channels.

DEPARTMENT STORE SALES

Department stores play a significant role in the overall markets for utility goods, especially clothes and household and leisure applications. Department stores are facing increasingly tough competition from foreign clothing chains. Especially in city centres, stores need to continuously revise their business idea to adjust to the quickly changing competitive environment for utilities.

Finnish department stores have managed to revamp their operations and maintain their competitive edge, in contrast to European department stores in general. The overall sales of department stores and hypermarkets increased by 4.3 per cent in 2005. Growth in clothing amounted to 5.7 per cent, in household and leisure to 4.8 per cent and in daily consumer goods to 3.6 per cent.



Overall sales (EUR, million), number and sales development of the department stores of FFMA's member companies in 2004 and 2005 (VAT 0 %)

	Number 2004	Number 2005	Sales 2004	Sales 2005	Change in sales, %
Kesko					
Anttila	33	27	424	437	3,1
Citymarket	51	53	1354	1353	-0,1
S Group					
Sokos	20	20	403	413	2,5
Prisma	46	47	1617	1746	8,0
Tradeka					
Euromarket	19	21	290	295	1,7
Stockmann	6	7	609	656	7,7
Total	175	176	4697	4900	4,3

Source: FFMA

Sales segmentation of the department stores of FFMA's member companies (EUR, million) in 2004 and 2005 (VAT 0 %)

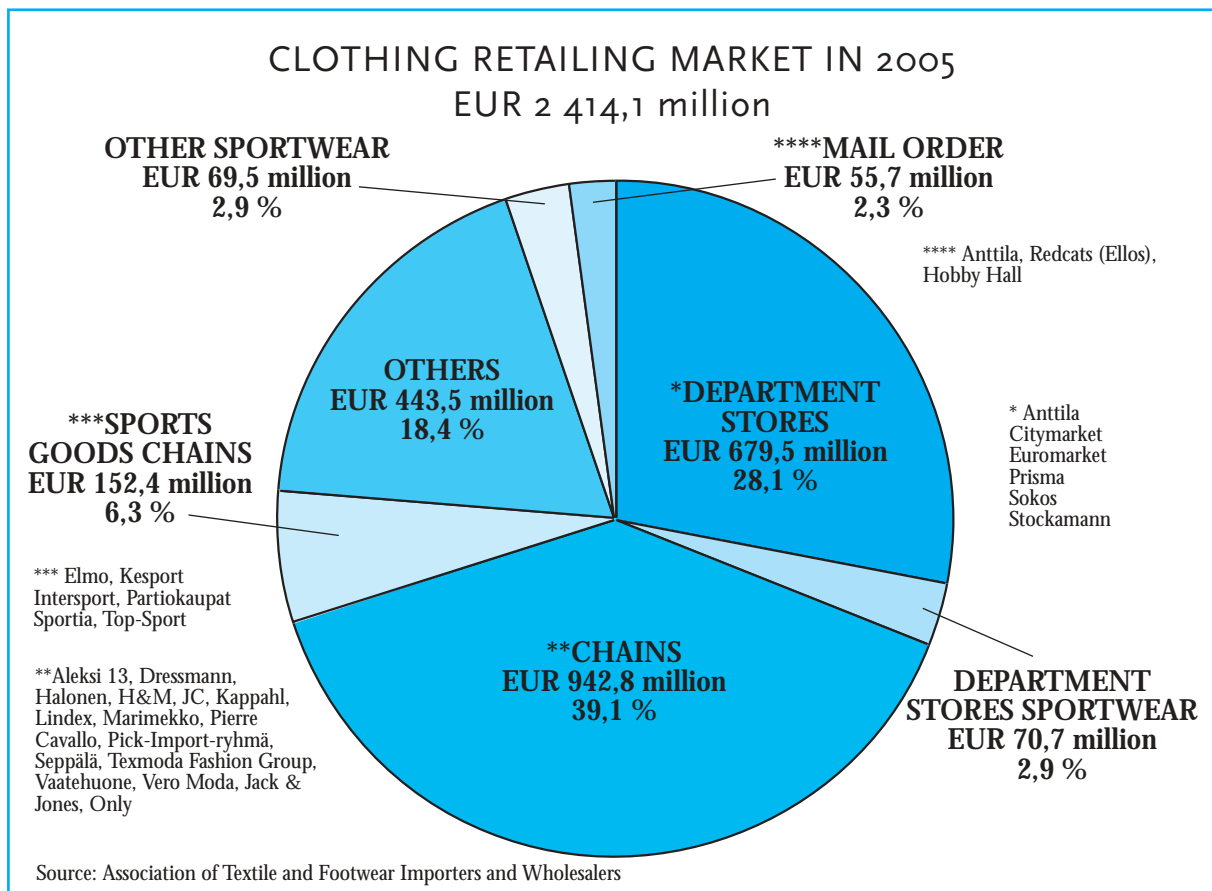
	Clothing			Home, leisure time			Food			Overall sales		
	2004	2005	Change %	2004	2005	Change %	2004	2005	Change %	2004	2005	Change %
Kesko												
Anttila	119	123	3,4	305	314	2,9				424	437	3,1
Citymarket	136	134	-1,5	338	340	-0,6	880	879	-0,1	1354	1353	-0,1
S Group												
Sokos	178	189	6,2	63	64	1,6	162	160	-1,2	403	413	2,5
Prisma	112	121	8,0	461	503	9,1	1044	1122	7,5	1617	1746	8,0
Tradeka												
Euromarket	29	29	0,0	41	41	0,0	220	225	2,2	290	295	1,7
Stockmann	270	296	9,6	210	224	6,6	129	136	5,4	609	656	7,7
Total	844	892	5,7	1418	1486	4,8	2435	2522	3,6	4697	4900	4,3

Source: FFMA



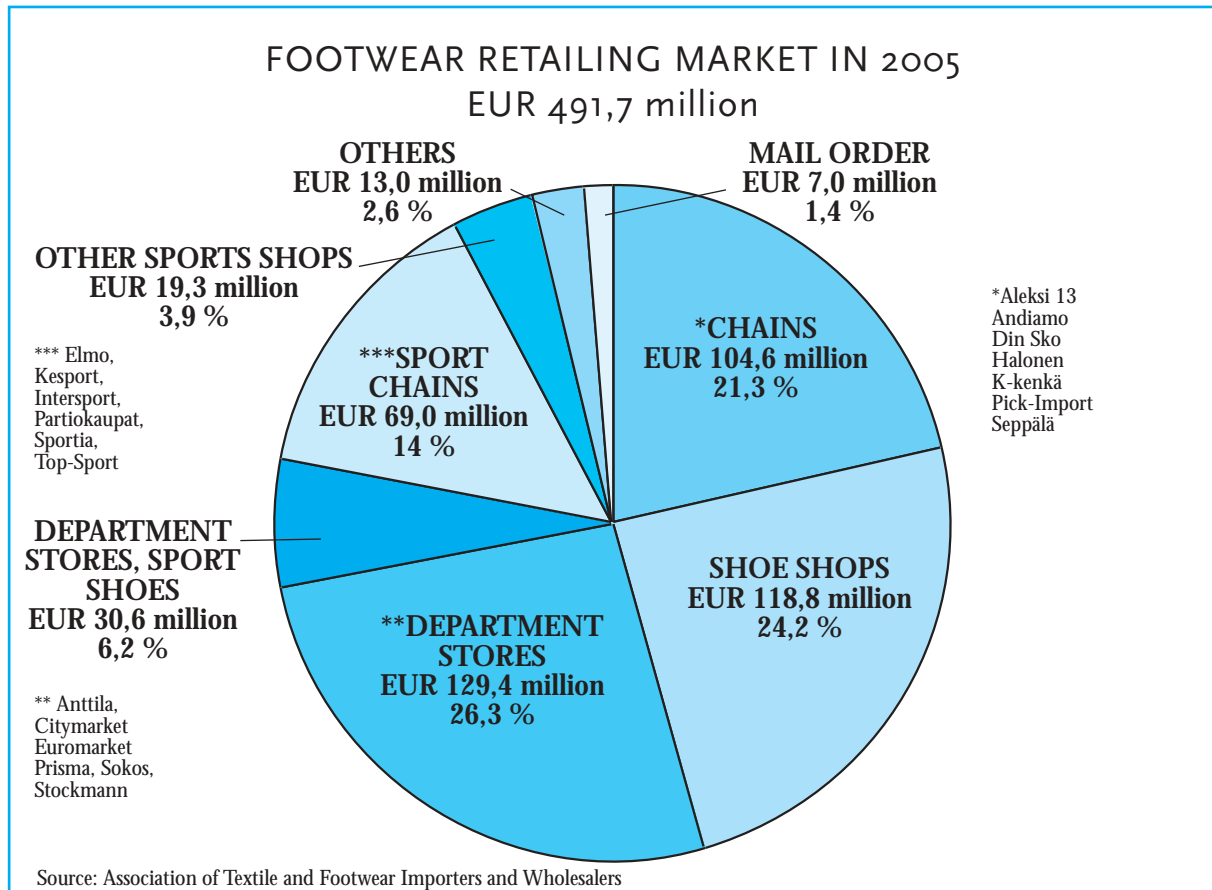
CLOTHES SALES

Department stores have reached a good position in Finnish clothes sales, accounting for 31% of clothes and 32.5% of footwear sales. They also command a significant share in other utility goods.



Based on statistics compiled by the Association of Textile and Footwear Importers and Wholesalers, including yarn, home textiles, clothes, footwear and bags, as well as other leatherwear and accessories, the field recorded a growth of 5.9 per cent in 2005. In the same period, the prices of clothing and footwear decreased by 1.1 per cent, as stated by Statistics Finland.

Footwear sales saw positive development for the second consecutive year. The growth figure for 2005 was 5.9 per cent. Clear growth was seen in footwear for men, women and children. **Bag sales** also continued on a healthy track, recording a growth of 8.2 per cent.



PROTECTION OF TRADE INTERESTS IN RETAIL GROUP

FFMA aims to effectively protect the interests of its member companies, and the daily consumer goods trade in general, as concerns decision-making on industrial and social policies. This can be carried out successfully only if all of the parties involved have common interests.

FFMA's retail group has launched a variety of projects to achieve these goals. The principles are clear: to improve the operating conditions of trade and reduce regulation that leads to unnecessary expenses in mutual understanding with authorities and the entire food chain.

The group's action plan for 2006 includes 22 projects that more or less encompass all of the interests of organised retail trade. The retail group includes all shop types, ranging from kiosks and small shops to hypermarkets and department stores. Many of the projects deal with standardisation and, consequently, the enhancement of cost-effectiveness.

Improvements to operating conditions include, for example, actions to permit sales of over-the-counter medicines and low-alcohol beverages in grocery stores. The goal is to provide better service to consumers in cities as well as in rural areas. The deregulation of opening hours is also an essential project in this respect.

A good example of projects carried out in cooperation with the authorities is the Internet application designed for own-control of foods for the trade. In addition to being cost-effective, the system contributes to the standardisation of authority guide-

lines and interpretations, which have varied in different municipalities. A new addition to the common own-control system is the standardisation of security guidelines for trade.

The Government's planned revisions to municipal borders will affect regional relations and interaction. The possibility to influence construction regulations must be ensured, especially in the case of large units. After all, the changing needs of consumers do not follow zoning regulations.

The directive on animal by-product treatment is expected to lead to considerable expenses throughout the food chain. The retail group's objective now is to achieve a reasonable waste collection and treatment solution for the trade. According to estimates, the annual expenses could reach tens of millions of euros.

The avian flu spreading around the globe revealed in spring 2006 the unpreparedness to deal with serious food crises throughout the food chain. In the long run, measures adopted in cooperation with the authorities and well-timed publication of news and information are in the best interest of the whole chain. The retail group has carried out important work for the benefit of the food chain by drafting a preparedness plan that also answers future needs.

The group continues to engage in active cooperation with other associations. One of its main partners is the Finnish Food and Drink Industries' Federation with which it carries out significant ECR development work.



FFMA's retail group is chaired by Ari Virnes, Director of Kesko Food Ltd's Yhteinen tekeminen (Joint activities) division.



HORECA WHOLESALERS

HoReCa comes from the words Hotels, Restaurants and Catering. The internationally used acronym gives a better description of this developing line of business and its customers than the previously used concept of "institutional kitchens". HoReCa wholesale is an important part of the overall consumer goods service, handling non-retail goods deliveries to some 19,000 customers. The versatile service offering helps customers focus on their own operations.

Kespro Oy

is a subsidiary of Kesko Food Ltd. The company has distribution and warehousing outlets in Vantaa, Turku, Tampere, Lahti, Kuopio and Oulu, as well as 16 cash-and-carry outlets around Finland.

Wihuri Oy Aarnio, Metro chain

belongs to the Wihuri Group's consumer goods section. The distribution and warehousing outlet in Helsinki serves customers all around Finland. The company also has 31 cash-and-carry outlets in different parts of the country.

Heinon Tukku Ltd

is a family owned company that operates three wholesale delivery outlets, two cash-and-carry outlets and two office supply units. The wholesale delivery outlets are located in Espoo, Tampere and Turku, while the cash-and-carry outlets are in Helsinki and Vantaa.

Meira Nova Oy

is a subsidiary of Inex Partners Oy, owned by SOK. The supply network consists of the Vantaa logistics centre and five sales offices along with their terminals in Vantaa, Turku, Lempäälä, Jyväskylä and Oulu. Turnover in 2005 amounted to EUR 219 million.



Jouni Nurmi, Managing Director of Meira Nova Oy, is chairperson of FFMA's HoReCa wholesale group.

Positive outlook in the HoReCa sector

The HoReCa wholesale market remained very much the same in 2005. The annual HoReCa statistics compiled by A.C. Nielsen indicate that the number of meals taken outside the home totalled 769 million in 2005, representing a year-on-year growth of 0.4 per cent. The volume of alcoholic drinks served, however, dropped by 1.1 per cent from 2004. The 2005 sales of FFMA's HoReCa wholesalers amounted to EUR 1,500 million, increasing by 1 per cent over the previous year. This figure is slightly better than the general growth figure in the field, largely due to goods supplies being increasingly distributed by HoReCa wholesalers.

Players in the HoReCa sector expect positive development to continue at a moderate level despite the modest growth figures recorded in the previous year and new regulations that may undermine development in the field. Food and drink services for consumers have never been as versatile and of as good quality as they are today, but competition over the consumers's "stomach-share" is increasing. Big inputs are being made to enhance the whole HoReCa chain.

In one of their main development projects for 2006, HoReCa wholesalers have adopted a customer-oriented and responsible approach to enhancing the field's cost structures and operating methods. Other important projects involve participation in the battle against the grey economy and in strategy work focusing on quality in the national food industry.

INTERNATIONAL PURCHASING ORGANISATIONS FOR CONSUMER GOODS SOURCING

Finnish companies participate in several joint purchasing organisations operating around Europe. FFMA's member companies are involved in the following organisations.

AMS Marketing Service BV

AMS Marketing Service BV is a consortium of leading European retailers that aims to create synergies through efficient cooperation, such as joint purchases. Established in 1988, AMS has its domicile in the Netherlands. Finnish trade is represented in the consortium by Kesko Food Ltd. Cooperation has resulted in, for example, Euro Shopper products. Internet: www.ams-marketing.com

BIGS Buying International Group SPAR

BIGS, the purchasing organisation of International SPAR, was founded in 1991.

It is a subsidiary of International SPAR and operates in conjunction with it in Amsterdam. BIGS members include 15 European SPAR companies. Finnish trade is represented by Tuko Logistics Oy.

Coop Norden

Inex Partners Oy cooperates with Coop Norden. Internet: www.coopnorden.org

PRIVATE LABELS

According to surveys, the most common goals for private labels include:

- Increasing customer loyalty
- Boosting and differentiating chain brands
- Distinguishing oneself from competitors
- Strengthening market position
- Improving retail margins
- Improving product quality
- Ensuring supply chain management

In Europe, private labels account for 20–40% of daily consumer goods. They are quickly increasing their market share in Finland as well.

Development of private labels in Finland

	2001	2002	2003	2004	2005
Share of sales value	6,6 %	6,7 %	7,6 %	8,4 %	9,2 %

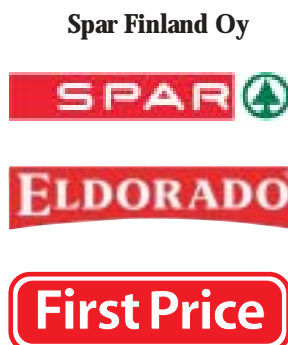
Source: A. C. Nielsen Scan Track
2004 and 2005 Meira included as a brand of its own.
Not comparable to previous years.

Growth in sales value in 2003–2005

	2003	2004	2005
Overall growth	1,9 %	2,2 %	2,8 %
Private labels	15,9 %	18,5 %	12,5 %

Source: A. C. Nielsen Scan Track, figures for 2005 do not include Meira.

Private labels in FFMA member companies



SALES DEVELOPMENT OF DIFFERENT PRODUCT GROUPS

Variance in the sales development of different product groups is an indication of variation in consumption habits, product development and changes in trade policies.

The 20 largest product groups in daily consumer goods trade in 2005
(overall sales: EUR 11,908 billion)

Product group	Sales EUR 1,000 2005	Share of overall sales (%) 2005
Baked products	687 747	5,8
Meat products	653 084	5,5
Medium-strength beer (max. 4.7 %)	641 203	5,4
Cheese	537 171	4,5
Cigarettes	476 722	4,0
Milk	423 907	3,6
Pre-processed food	402 056	3,4
Sweets, total	392 492	3,3
Industrially packaged meat	298 292	2,5
Soft drinks	229 763	1,9
Coffee	183 123	1,5
Wine, cider and mixed alcoholic beverages (max alcohol content: 4.7 %)	181 471	1,5
Yogurt	180 757	1,5
Yellow fats	180 619	1,5
Industrially packaged poultry	160 514	1,3
Ice cream	142 589	1,2
Juice and juice drinks	138 089	1,2
Crackers	107 440	0,9
Cream (including vegetable fat)	88 655	0,7
Snacks	78 158	0,7

Source: ACNielsen Market Trends 2006

Product groups showing fastest growth in 2005

	Change, % 05/04
Sunscreens	57,7
Water, bottled	55,8
Razors	33,0
Cleaning equipment	21,9
Cigars	17,5
Industrially packaged meat	17,4
Coffee	16,5
Dessert sauces	16,2
Curd cheese and curd desserts	15,3
Cleaning cloths and sponges	14,2

Source: ACNielsen Market Trends 2006



Winners and trends 2005

- Private labels
- Cigarettes
- Coffee
- Meat products
- Pre-processed food
- Yogurt
- Medium-strength beer (max. 4.7 %)
- Wine, cider and mixed alcoholic beverages
(max alcohol content: 4.7 %)
- Industrially packaged poultry
- Soft drinks

Source: A. C. Nielsen ScanTrack and Market Trends 2006

Product groups showing biggest growth in euros 2005

	Growth in euros, EUR 1,000 05/04	Sales deve- lopment (%)
Industrially packaged meat	44 164	17,4
Cigarettes	39 091	8,9
Coffee	25 788	16,2
Meat products	20 136	3,2
Pre-processed food	18 008	4,7
Yogurt	13 249	7,9
Medium-strength beer (max. 4.7 %)	8 407	1,3
Wine, cider and mixed alcoholic beverages (max alcohol content: 4.7 %)	8 135	4,7
Industrially packaged poultry	7 065	4,6
Soft drinks	7 010	3,1

A. C. Nielsen ScanTrack

SOURCING AND LOGISTICS IN THE DAILY CONSUMER GOODS TRADE

Efficient logistics

The daily consumer goods trade is seeing rapid changes in its operating environment. Players in the field have grown international and 'home markets' now cover the Baltic Sea region, Europe or global markets. A national approach is no longer sufficient when aiming to boost the competitiveness of Finnish daily consumer goods trade. Rapid development and a broader market area for both purchasing and logistics have been important considerations for FFMA's purchase and logistics group since its foundation.

The agenda prepared by the group aims to enhance the efficiency and competitiveness of the whole daily consumer goods sector from primary production to the consumer.

In addition to the public food control, the group is involved in further developing the traceability of products marketed by the sector. Both efforts will contribute to efficient logistics and food safety. The utilisation of traceability information and identifiers is improved jointly with the Finnish Food and Drink Industries' Federation and its member companies.

A recycling system for reusable PET and glass bottles will be introduced in compliance with the beverage industry's common goals. The group will draw up a plan for beverage packaging logistics with Palpa Oy, the Ekopullo Association and FFMA's retail trade division. Daily consumer goods trade will promote cooperation with producer organisations in the packaging field and devise a cost correlating and fair model for cost distribution.

FFMA's ECR and product database development projects aim to improve the operating conditions of companies in the trade sector by revising common procedures.

To decrease the environmental impact of the industry, the daily consumer goods trade will seek to enhance its logistics operations in order to reduce energy consumption, emissions and packaging waste.

ECR cooperation with small local goods suppliers will be developed within the framework of the provincial food project. The objective is to boost the domestic food sector by lowering any technical obstacles hindering products from making their way to shop shelves.

Unrestricted purchasing and efficient logistics will boost the competitiveness of the Finnish daily consumer goods trade in the years to come.



Risto Pyykönen, Managing Director of Inex Partners Oy, is chairman of FFMA's purchasing and logistics group.

Kesko Food Ltd

The sourcing, logistics and chain management of K-food stores is managed by Kesko Food Ltd, whose 2005 turnover in warehouse sales exceeded EUR 1,500 million. The central warehouse is located in Hakkila, Vantaa. Kesko Food's regional warehouses are located in Tampere and Turku.

Inex Partners Oy

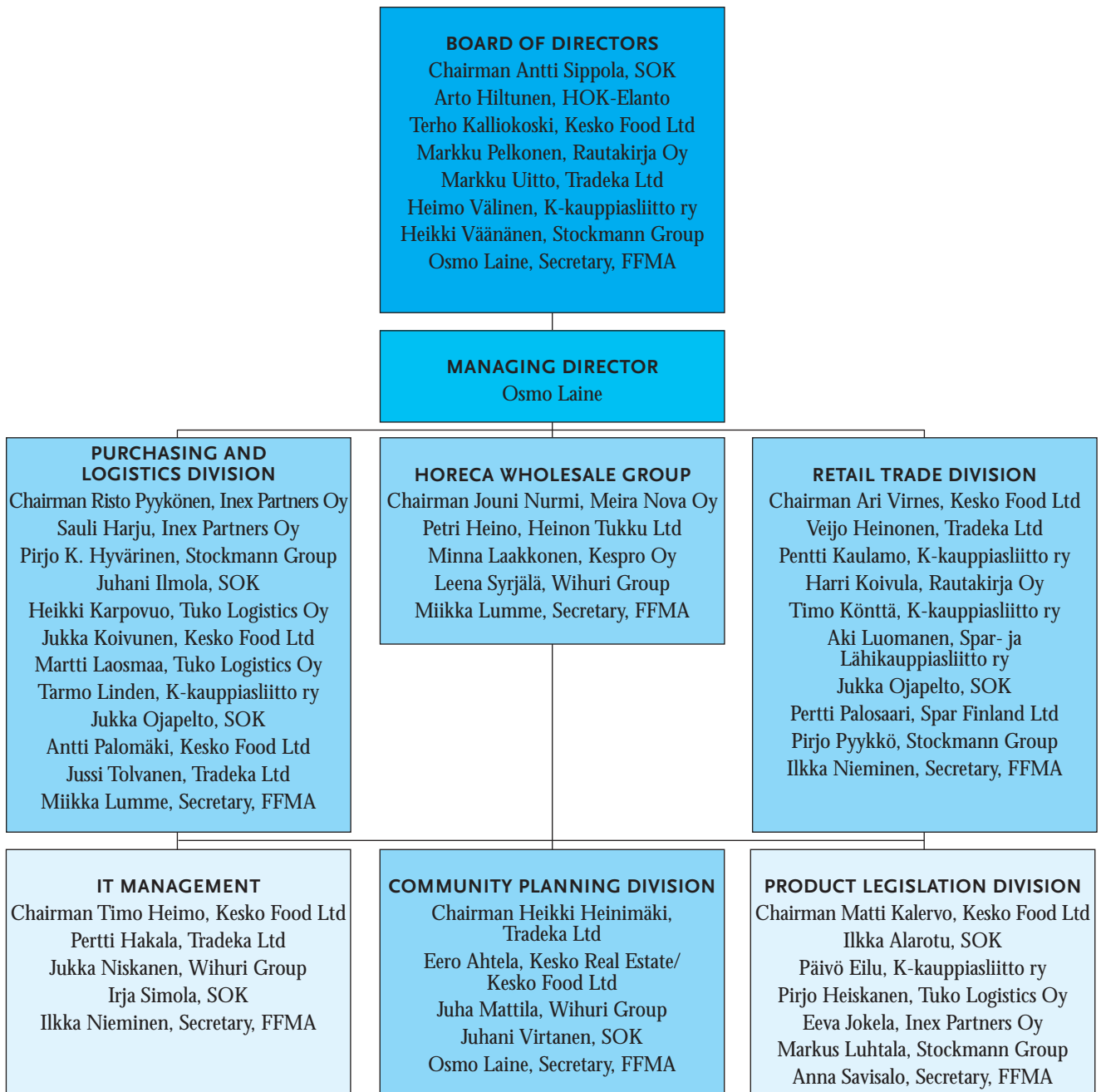
Inex Partners Oy, the sourcing and logistics company of the S Group retail shop chains, recorded a turnover of EUR 1,845 million from daily consumer goods warehouse sales in 2005. The supply network consists of the Kilo logistics centre in Espoo, distribution centres in Lemppää and Oulu, as well as terminals in Kouvola and Kuopio. The company also has a logistics centre for speciality goods in Hakkila, Vantaa.

Tuko Logistics Oy

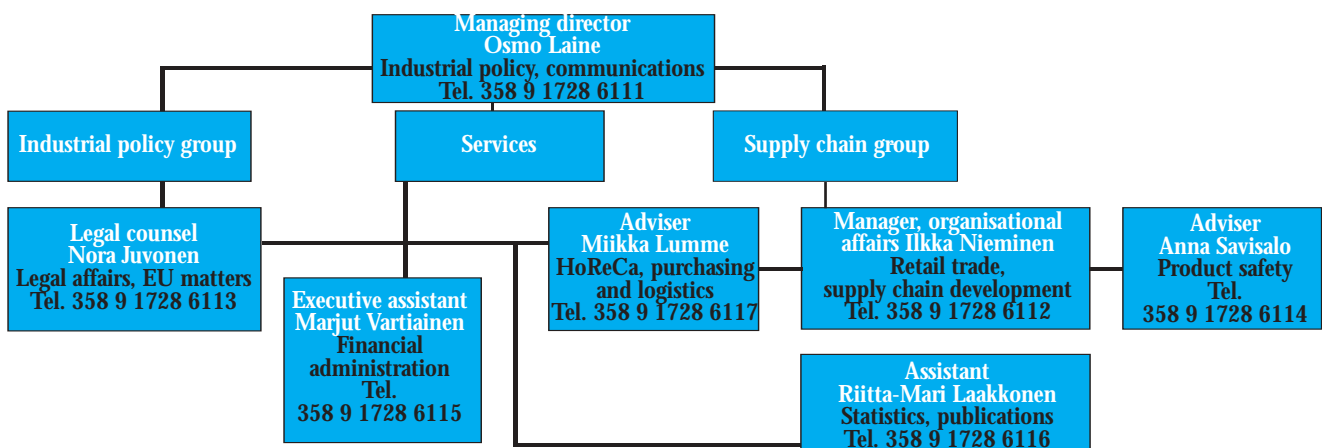
The Wihuri Group, the Stockmann Group and Heinon Tukku Ltd have entrusted the sourcing of daily consumer goods to their jointly owned company Tuko Logistics Oy, whose warehouse sales in 2005 amounted to some EUR 625 million.

Tradeka Ltd's sourcing will also be transferred to Tuko Logistics Oy in the course of 2006. For now, the company also handles Spar Finland's materials operations. The company's facilities are located in Kerava and in Sompasaari, Helsinki.

FFMA ORGANISATION IN 2006



FFMA PERSONNEL AND TASK DISTRIBUTION



Company members



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