Tradeka

ANNUAL REPORT 2006

WIDE RANGE OF PRODUCTS ...

TRADEKA LTD

Tradeka's mission is to provide services in the neighbourhood and develop them further throughout Finland.

CONTENTS

WITH ITS MULTIPLE CHAIN STORE STRUCTURE, TRADEKA LTD IS A RETAILING COMPANY WHICH OWNS ALL OF ITS CENTRALLY MANAGED RETAIL OUTLETS.

THE COMPANY'S BUSINESS OPERATIONS ARE BASED ON ITS THREE NATIONWIDE STORE BRANDS, SIWA, VALINTATALO AND EUROMARKET. YKKÖSBONUS IS TRADEKA'S LOYAL CUSTOMER SCHEME.

IN ADDITION TO THE PARENT COMPANY, TRADEKA GROUP INCLUDES SIX PROPERTY SUBSIDIARIES AND ZAO RENLUND SPB, A SUBSIDIARY BASED IN ST. PETERSBURG.

YEAR IN BRIEF

For Tradeka Ltd, 2006 was a year of growth and enhanced business. While its net turnover rose by 16 per cent and profit improved by EUR 96 million, the integration and conversion of the acquired business, coupled with the changeover to another logistics company, kept the company very busy throughout the year.

The grocery business acquired from Ruokamarkkinat Oy contributed to a higher net turnover in particular and profit was boosted by non-recurring items resulting from the sale of retail properties and shares. However, operating profit was eroded by non-recurring expenses resulting from the conversion of the acquired outlets.

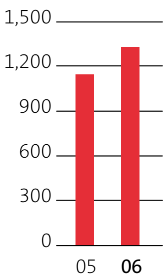
The first half saw the integration and conversion of 79 of Ruokamarkkinat Oy's outlets into Siwa, Valintatalo and Euromarket stores and 28 stores acquired from Spar Finland Ltd were integrated with these chains at the end of the year. The year saw the closure of 45 stores, 21 of them outlets bought from Ruokamarkkinat Oy and 24 the former Tradeka's outlets. In 2006, the number of brand new outlets opened totalled 21 and 85 stores underwent concept updates.

Switching Tradeka's grocery purchasing and logistics services over to Tuko Logistics Oy was one of the largest one-time changes ever made in logistics management in Finland, given that this operation covering 580 retail outlets applied to logistics flows of almost 180 million kilograms of goods.

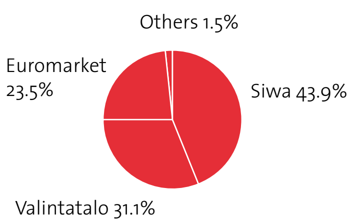
KEY FIGURES

EUR million	**2006**	2005
Net turnover	**1,332.7**	1,148.6
Profit / loss before extraordinary items	**85.8**	−9.7
Capital expenditure	**30.8**	305.3
Balance sheet total	**313.2**	443.6
Average personnel	**4,880**	4,256
Stores	**750**	746

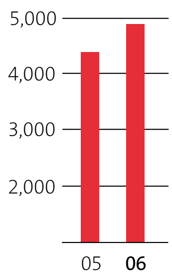
Net turnover



Net turnover by chain



Personnel, average



KEY EVENTS IN 2006

25 April

Tradeka announces its partnership with DHL, an international logistics operator, for taking charge of its logistics services for consumables.

16 May

Tradeka Ltd and Markantalo Oy enter co-operation by launching a new type of Markantalo Shop within Tradeka's largest outlets.

1 June

The last 162 Ruokavarasto, Sesto and Etujätti outlets, acquired from Wihuri Group's Ruokamarkkinat Oy and refurbished according to Tradeka's chain brands, open their doors.

28 June

Tradeka disposes of 261 retail properties to European Property Investors (EPI), a fund managed by Curzon/IXIS/AEW Europe, and leases these assets back mainly based on long-term triple-net leases.

22 August

Tradeka announces a framework agreement with Spar Finland Ltd for transferring the business of 37 Spar stores to Tradeka Ltd. On 15 September, the acquisition received anti-trust approval from the Competition Authority.

16 October

Tradeka completes the switchover of grocery logistics from Inex Partners Ltd to Tuko Logistics Oy.

16 November

Tradeka announces that it will begin co-operation with Matkahuolto Oy. Since March 2007, all Tradeka stores have served as collection points for parcels transported by Matkahuolto.

17 November

Tradeka Ltd buys 39 per cent of Tuko Logistics Oy shares.

31 December

By this date, a total of 28 stores had transferred to Tradeka, based on an agreement with Spar Finland Ltd, and opened their doors as refurbished outlets in line with Tradeka's chain brands.

CEO'S REVIEW

We seek to provide customers with a competitive option for grocery shopping and aim at sales performance superior to that of our rivals. During the last 18 months, we have built the foundations for a new Tradeka.

2006 was the current Tradeka Ltd's second year in operation. We continued our transformation, launched in the previous year, at a quickening pace. The spring saw the completion of the Grande project, integrating 162 retail outlets acquired from Ruokamarkkinat Oy with Tradeka's store network.

In line with our re-focused business-location and property strategy, in the spring we sold 261 retail properties and shares in property companies to European Property Investors, a fund managed by Curzon/IXIS/AEW Europe, with the result that Tradeka Ltd's capital structure improved significantly. Initiated in the spring, our Kirstu project was aimed at making a similar contribution, helping us to unlock the company's working capital and improve our financial standing.

The year also saw the largest-scale logistics company switchover ever carried out in Finland. This carefully planned transfer of grocery purchasing and logistics operations from Inex Partners Ltd to Tuko Logistics Oy began in the spring and came to an end in October, and I would like to thank not only Tradeka employees but also both logistics companies' staff for this successful operation.

In the midst of major changes, we continued our strong growth. I am particularly happy with the successful performance of Tradeka's well-established store network. Moreover, the acquired outlets recorded a boost in their net turnover and profitability during the autumn.

The results of the forthcoming Parliamentary Elections will also pave the way for the new Governments' policy lines related to industrial policy decisions affecting the retail sector. Hotly debated amendments to alcohol legislation and regulations, and issues related to retail regulation and any related changes will contribute to reshaping the retail sector's operating environment. The retail sector will probably continue its strong sales performance during the current year and all retail chains expect to record above-average growth. This will guarantee continued fierce competition.

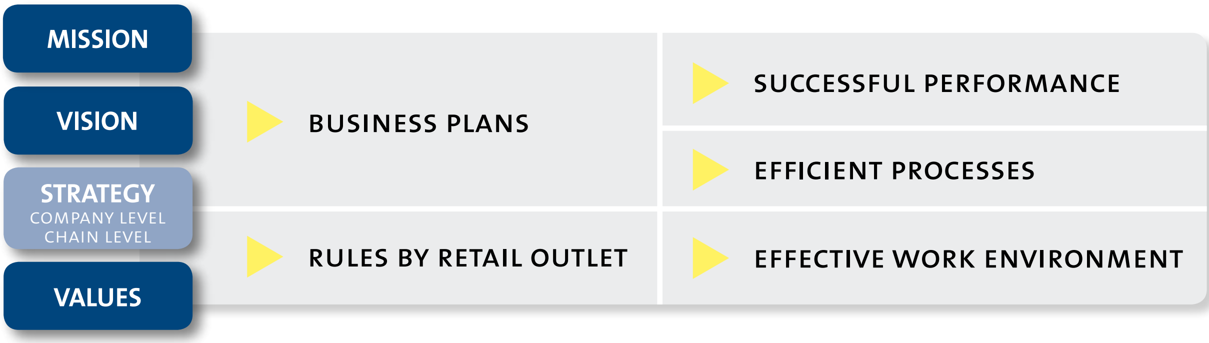
During the last 18 months, we have built the foundations for the new Tradeka. Following the related large-scale changes, we aim to stabilise the performance of our main processes. We seek to provide customers with a competitive option for grocery shopping and aim to record a sales performance beating our rivals. In addition, the successful implementation of our selected change projects will pave the way for the current year's operations.

I am proud of the Tradeka way of working. I should like to take this opportunity to thank all Tradeka employees for their contribution during a busy 2006 and to encourage them to continue to be creative as pioneers within the grocery retail sector. I would also like to thank our suppliers and other partners for their contribution in 2006.

Helsinki, 1 March 2007

Markku Uitto

VISION, MISSION, STRATEGY AND VALUES



MISSION

WE PROVIDE SERVICES IN THE NEIGHBOURHOOD AND DEVELOP THEM FURTHER THROUGHOUT FINLAND.

As the leader in the neighbourhood shop market, we will reshape Finnish grocery retailing and challenge our competitors. We are vigorously expanding our current shop network of 538 Siwa, 183 Valintatalo and 26 Euromarket outlets.

VISION

NO. 1 AS THE PROVIDER OF SERVICES IN THE NEIGHBOURHOOD

STRATEGIC GOALS

GROWTH

Profitable growth both through our existing network and by expanding operations, making use of the opportunities provided by retail-market transformation.

PROFITABILITY

Co-ordinated chain management and efficient and dynamic processes.

STRONG BRANDS

Three store brands for various customer needs and a versatile network of outlets accepting YkkösBonus cards.

EFFICIENCY

Efficient supply chain from the producer to the dinner table.

EXPERTISE

Open and unconventional learning from one another, the environment and other industries.

VALUES

TEAM SPIRIT

The Tradeka team fosters diverse individuals. Every Tradeka employee holds a key position in which (s)he utilises his/her knowledge and skills to meet shared goals.

CUSTOMER FOCUS

Tradeka employees follow customer needs closely. We genuinely feel comfortable about putting ourselves into the customer's shoes. High-quality and cost-effective service is in our own and our customer's interests.

PIONEERING

We are open and unconventional in our approach to learning new things and the resulting improved skills create high productivity. At their best, skilled people are the most efficient and profitable.

HUNGER FOR RESULTS

We do the right things correctly and at the right time. The value of our efforts is manifested in profitability and excellent customer service. We maintain our expense/income ratio in balance.

The grocery retail sector continued its restructuring and competition remained tough, with Tradeka and S Group showing the most vigorous growth, boosted by company acquisitions. Tradeka increased its market share and expanded its chains by amalgamating over 100 acquired stores into its chain brands.

MARKET AND BUSINESS REVIEW

The Finnish economy grew at a record rate in 2006 but is projected to level off in 2007, albeit remaining brisk. High consumer confidence will sustain growth in consumer spending, which has long been a driver of economic growth. The inflation rate is forecast to remain low.

The underlying trend in the retail sector's business environment is towards large retail outlets increasing their market share, with investments in new hypermarkets in progress. But then again, small stores are increasing their share of grocery sales. Price competition will remain fierce, necessitating continuous efforts to enhance efficiency in the retail sector. The current trends are towards boundaries between various lines of business becoming blurred, a larger number of small households and population ageing. Sparsely populated areas in particular will see a weaker supply of public-sector services.

Grocery retail sales in Finland totalled EUR 12.4 billion in 2006. Sales rose by 4.2 per cent on the year before, including a 1.3 per cent contribution made by higher food prices. Sales are being boosted by consumers shifting towards more upmarket wellbeing products.

According to ACNielsen, a market research firm, the Finnish grocery retail market share in 2006 was divided as follows: S Group 39.9 per cent (+4.0 per cent), K Group 33.4 per cent (–0.5 per cent) and Tradeka 11.9 per cent (+1.1 per cent). The remaining 14.8 per cent (–4.6 per cent) includes small, private discount store chains and the Lidl grocery chain, which entered the Finnish market in 2000.

RETAIL RESTRUCTURING

In early 2006, SOK embarked on making changes to Spar Finland, which it had acquired in late 2005. The majority of Spar outlets transferred to S Group's co-operative stores, which continued to increase their market share, and independent Spar retailers opting out of the deal founded a new M Group currently comprising some fifty retailers. In the early autumn, Tradeka Ltd concluded a framework agreement for buying 37 Spar outlets, 28 of which had become Siwa, Valintatalo or Euromarket stores by the end of the year.

Retail logistics channels also underwent major changes in 2006 when Tradeka Ltd purchased a 39 per cent shareholding in Tuko Logistics Oy while replacing Inex Partners Ltd with Tuko in its stores' grocery purchasing and deliveries. In the meantime, the former Spar stores, which had joined S Group, became the customer of Inex. In addition to Tradeka, Tuko Logistics Oy's other shareholders include Wihuri Oy (41 per cent), Stockmann Plc (10 per cent) and Heinon Tukku Oy (10 per cent).

RUSSIAN MARKET

Since 1993, Tradeka has also operated in Russia, where it runs three grocery stores in St. Petersburg. The St. Petersburg region has roughly 7 million consumers, showing rapid growth in spending power. Food retail sales rose by over 12 per cent last year.

The St. Petersburg subsidiary's profitable business is showing favourable development. Tradeka is currently evaluating and analysing its operations in the St. Petersburg region's market.

NET TURNOVER BY CHAIN	EUR million	%
SIWA	585.7	+12.6
VALINTATALO	415.1	+28.0
EUROMARKET	312.6	+6.8
ZAO RENLUND SPB	11.0	+19.7
OTHERS	8.3	+23.3
Total	1,332.7	+16.0

NUMBER OF STORES ON 31 DEC 2006	No.	Change
SIWA	538	+46
VALINTATALO	183	+50
EUROMARKET	26	+5
OTHERS (former Ruokamarkkinat stores)	–	−97
ZAO RENLUND SPB	3	
Total	**750**	+4

SHAREHOLDERS	%
Cooperative Tradeka Corporation	50.6
Industri Kapital	31.8
Wihuri/Ruokamarkkinat Oy	15.9
Company management	1.7

Rich in tradition, the current Tradeka Ltd is a young company comprising a combination of the Finnish retail co-operative business, a remarkable family company and the tradition, knowledge and expertise of an international owner.

In 2006, Tradeka's market share rose by 1.1 percentage points, to 11.9 per cent.

MARKET AND BUSINESS REVIEW

BUSINESS

2006 was the new Tradeka's first full financial year in its current form, dating back to 1 January 2005. In August 2005, the business of Wihuri Group's Ruokamarkkinat Oy retail chains joined this new company owned by Co-operative Tradeka Corporation, Industri Kapital (a private equity firm), Ruokamarkkinat Oy and the company's management.

Tradeka Ltd leads the neighbourhood shop market, its strengths lying in a multiple chain store structure, centrally co-ordinated chain management, efficiently managed processes, three nationwide store chains suitable for markets of various size and the ability to make use of customer data. In line with its strategy, Tradeka is focusing on its core competence, the grocery retail business. This service concept is supplemented by 20 other firms, which are serving as partners to the YkkösBonus scheme with its almost two million loyal customers. YkkösBonus forms Finland's most extensive service network of various firms, encompassing over 2,300 outlets throughout Finland.

Based on open and unbiased co-operation with its suppliers and service providers, Tradeka Ltd also aims to identify new policies and practices in an effort to streamline joint processes involving retailers and manufacturers. An agreement concluded with Markantalo marked a new type of networking, which brought about the new Markantalo Shops inside Tradeka's largest outlets, sharing the same checkouts. Ten Tradeka outlets have opened a Markantalo Shop.

2006 was characterised by a large number of Tradeka Ltd's store refurbishments. The integration and conversion of stores transferred from Ruokamarkkinat Oy were completed on 1 June and those of 28 Spar outlets at the end of the year. In addition, Tradeka's 85 old stores underwent concept updates.

The process of switching grocery logistics from Inex to Tuko Logistics Oy began in Euromarket in May and mid-October saw the last Siwa and Valintatalo stores joining Tuko's logistics.

DEVELOPMENT PROJECTS

Tradeka carries out its business development through development projects supervised by the corporate management development forum. It defines company-level projects annually by incorporating them into the project portfolio's content.

Among store operations management projects, the year saw the completion of the development project for the MOKKULA X system, enabling store-specific product-mix management.

Aimed at untying the company's working capital for growth financing, the KIRSTU project will make its full contribution at a later stage, although Tradeka already witnessed some of the related improvements in 2006.

Launched last year, the project aimed at replacing the GOLD enterprise resource planning system with a new version to be completed in the first half of 2007.

With respect to development projects related to services provided in the neighbourhood, the November framework agreement with Matkahuolto Oy marked a major breakthrough on a nationwide basis. As a result, Matkahuolto's parcel collection services now form part of all Tradeka stores' service concept. In addition, Tradeka carried out fundamental analyses at local level and examined opportunities to develop services available in the neighbourhood.

TRADEKA CHAINS

- **Siwa** serves ordinary consumers every day, who wish to do their shopping with ease, within the neighbourhood and at a convenient time. Comprising 538 stores (+46) at the end of 2006 and posting a net turnover of EUR 585.7 million (+12.6 per cent), the Siwa chain leads the neighbourhood shop market, as crystallised in its slogan, 'The Most Popular Neighbourhood Shop in Finland.'
- **Valintatalo** is targeted at customers who appreciate easy shopping, reasonable prices and a diversified product range and mix. Celebrating its 40th anniversary last autumn, the chain consisted of 183 stores (+50) at the end of 2006 and

recorded a net turnover of EUR 415.1 million (+28.0 per cent). Its customer promise, 'The Urban Grocery Shop', stands for service features including suitable sized consumer packages for small households and trendy convenience goods for open-minded customers.

- **Euromarket** meets the daily needs of adult consumers who are interested in cooking and wish to have all they need on a one-stop shop basis, with ease and at reasonable prices. Euromarket's store concepts include the compact hypermarket and the superstore. Comprising 26 (+5) stores at the end of 2006 and showing a net turnover of EUR 312.6 million (+6.8 per cent), the chain is known for its customer promise, 'Big but Nimble'.
- **ZAO Renlund SPb** operates in the St. Petersburg region, Russia, where it runs two Super Siwa supermarkets and one Siwa neighbourhood shop, their combined net turnover totalling EUR 11.0 million (+19.7 per cent).
- The year-end number of active households within the **YkkösBonus** Loyal Customer scheme totalled 1,164,649 (+39,599). With more than 2,300 outlets accepting the YkkösBonus card throughout Finland, cardholders can easily accumulate bonuses under the scheme. Bonus-based sales came to EUR 1.8 billion (+8.5 per cent) in 2006. The YkkösBonus customer promise is 'A Windfall Once a Year'. Koti-Idea, Markantalo and the chain of Helmi Simpukka restaurants joined the scheme last year, whereas co-operation with Body Shop came to an end in late 2006.

As a result of the changeover to a new logistics company, Tradeka replaced the Inex Rainbow, Daily and Xtra store labels with those of Tuko Oy's Eldorado and First Price. While the number of store labels available from its large outlets totals over 500 products, roughly 250 can be bought from its small outlets. Maistuva (Appetising) is Tradeka's own label for fresh meat and processed meat products.

YkkösBonus is a network based on Tradeka and its 20 partner organisations

Tradeka's loyal customer card, YkkösBonus, represents attractive opportunities through Tradeka's network of 750 stores and 20 partners. YkkösBonus cardholders can accumulate bonuses for purchases in more than 2,300 outlets over a 12-month period, covering e.g. foodstuffs, restaurant services, hotel accommodation and spa holidays, clothing, consumer electronics, insurance, car rental and maintenance, spare parts, M.O.T inspection, petrol, furniture, eyeglasses, travel, home improvement.

One of the most recent partners to join the scheme was Markantalo, with which Tradeka is engaged in unprecedented co-operation in Finland. June saw the first in-store Markantalo Shops open within Tradeka's largest stores, sharing the same checkouts. Naturally, purchases from all Tradeka stores and partner outlets entitle YkkösBonus cardholders to receive bonuses of up to 5.5 per cent on their purchases.

Tradeka's Siwa chain is the world's first retail chain to sell only Fair Trade certified bananas and oranges. In 2006, the number of Fair Trade banana boxes retailed by Tradeka's chains totalled 200,000. This means USD 200,000 in direct support to the farmers of the El Guabo banana co-operative in Ecuador, to be spent e.g. on constructing schools or health clinics.

CORPORATE RESPONSIBILITY

Tradeka Ltd observes the principles of sustainable development in its operations, aimed at securing a business which is profitable, respects people and creates the minimum burden on the environment. In addition to legislation, the marginal stipulations of corporate responsibility are governed by the needs of customers, shareholders, staff and other stakeholder groups and the expectations they set for the company and its operations.

CO-OPERATION WITH STAKEHOLDER GROUPS

We provide customers with services through Finland's most extensive network of neighbourhood grocery shops. These shops offer high-quality and reliable products purchased from reliable suppliers. Tradeka Ltd has signed the Charter of Ethical Principles for Import, issued by the Central Chamber of Commerce and, in its international purchasing co-operation, complies with the code of ethics of Intercoop, a buying office and service organisation. In 2007, Trakeda's purchasing and logistics company for groceries, Tuko Logistics Oy, joined the common European auditing platform for retail chains, the BSCI.

For our staff, we are a reliable employer providing various career paths, training courses and staff benefits. As a company operating mainly in the domestic market, we have a staff of over 7,000 in Finland and comply with labour legislation and collective agreements in force.

For our shareholders and financiers, we aim to generate added value by operating efficiently and profitably and by developing our business on a long-term basis.

For our suppliers and service providers, we represent a straight and open partner. Surveys suggest that suppliers regard Tradeka as an excellent partner and attractive distribution channel, the highest scores being awarded for strategic co-operation, trust and highly skilled key personnel (Finnfact Oy, 2006).

For our partners within the YkkösBonus scheme, we offer a network of over two million committed loyal customers and their daily grocery purchases. In co-operation with these partners, we will create a more diversified and extensive range of service offerings for our loyal customers.

We also co-operate with various non-governmental organisations. In recent years, we have supported e.g. the Finnish Association for Nature Conservation, the Mannerheim League for Child Welfare, the Finnish Federation of the Visually Impaired and Sydänlapset ry. We also support voluntary work through the Central Union for the Wellbeing of the Aged.

From society's perspective, Tradeka also plays a significant role as a service chain covering small rural built-up areas and a developer of local services. As a result of the 2005 corporate transaction, Tradeka Ltd enhanced its competitiveness and became a competitive player in the Finnish retail market as a counterbalancing force to the two biggest firms in the sector.

A new service available from Tradeka stores through co-operation with Matkahuolto

Tradeka Ltd has entered co-operation with Oy Matkahuolto Ab, which is reflected in tangible improvements in services provided through Siwa, Valintatalo and Euromarket stores to residents in the neighbourhood. Accordingly, in March 2007, all of Tradeka's stores introduced a collection service for parcels transported by Matkahuolto. In practice this means, for example, that customers can now collect their mail-order goods or goods ordered from e-tailers from their local Siwa, Valintatalo or Euromarket outlets while doing their grocery shopping, from early in the morning until late in the evening and at weekends.

This new partnership represents a major step forward in the development of Tradeka's services for the needs of customers in the neighbourhood. The opportunity to withdraw cash with debit cards issued by all banks numbers among the other services provided through Tradeka's retail outlets – in addition to grocery services. Some stores also act as sub post offices and run service points for Veikkaus, the Finnish lottery operator.

FINANCIAL RESPONSIBILITY

Tradeka Ltd's financial responsibility refers to profitable business operations, which provide the foundations for ensuring social and environmental responsibility. Financially responsible business operations are guided by legislation and corporate governance practices.

Good profit performance in both the short and long term requires that the company continuously develop and enhance the efficiency of its practices and processes. In 2006, Tradeka improved its financial results and untied capital, for instance by divesting property. The company amortised its debt by EUR 199.2 million and the consolidated balance sheet total reduced from EUR 443.6 million to EUR 313.2 million. It also spent untied capital on business development and expansion.

Tradeka Ltd plays an important role in society by maintaining competition in the retail sector – in addition to its role as a payer of taxes and other charges. The two largest competitors currently hold a share of more than 70 per cent of the grocery market. The current Tradeka Ltd was founded by combining the volume of the two smaller companies in an effort to create a competitive player in the market. Its founders and current owners comprise Industri Kapital (31.8 per cent), Co-operative Tradeka Corporation (50.6 per cent), Wihuri Oy (15.9 per cent) and the company's management (1.7 per cent).

Effective competition has a direct effect on prices, benefiting consumers. Moreover, a third nationwide route to the consumer market is important to suppliers. In 2006, Tradeka posted a net turnover of EUR 1.3 billion, accounting for 11.9 per cent of the Finnish grocery market.

Tradeka's nationwide network of 750 neighbourhood shops plays a significant role in society, safeguarding grocery services for small, rural built-up areas. These shops also provide other services, such as those of Finland Post and Matkahuolto.

In 2006, Tradeka had a total of 4,334 suppliers and service providers with minimum purchases amounting to EUR 1,000, 4,007 of them operating in Finland. More than 70 per cent of the company's purchases come from Finnish suppliers, including purchases made by purchasing and logistics companies used by Tradeka.

Wages and salaries paid in 2006 totalled EUR 124.6, up by EUR 19.0 million on a year earlier, and employee training expenditure totalled EUR 1.2 million. All store and support-organisation personnel were involved in either the incentive bonus or performance-based bonus scheme.

Hunger for results spawns top performance

"Heroes of old required useful skills, such as killing monsters and saving empires. Becoming a hero in this century does not seem to be any easier since present-day idols must show measurable results. Accordingly, ski jumpers must record the longest jump or pole vaulters perform the highest vault. Now, what was originally a sporting practice has spread to the business world, and each of us can certainly agree with the saying, 'Where there's a will, there's a way...' Heroes must demonstrate zeal and turn in a top performance again and again. Challenges mount while they climb the performance ladder."

This is an extract from the prize-winning text by Ritva Rinta-Holkko in a writing competition organised for employees by Tradeka. In this competition, Tradeka employees were requested to write a success story on his/her store for President and CEO Markku Uitto. Ritva Rinta-Holkko is the Murtosenmutka Valintatalo's Store Manager in Pori.

In addition to having employee wellbeing high on its agenda, Tradeka takes producer countries' human rights issues into consideration in its purchasing. By co-operating with other responsible companies, Tradeka aims to influence the working conditions and employment terms of people within the supply chain of products purchased from developing countries.

SOCIAL RESPONSIBILITY

PERSONNEL

On 31 December 2006, the number of employees on Tradeka Ltd's payroll totalled 7,177, up by 134 on a year earlier. Expressed as full-time equivalents, personnel numbered 4,880 (+624).

For production-related and financial reasons, the number of redundancies came to 83 in 2006, mainly representing the staff of closed down stores. The year saw no temporary lay-offs. A total of 37 employees retired on an old age pension and the average age was 63 years.

COMPETENCE MANAGEMENT

Tradeka continued implementing its competence management project. A total of 758 field managers participated in training dealing with employee performance reviews and team reviews. The company updated its performance review practices.

The amount and content of staff training were reshaped to be in line with the chains' strategic goals. A total of 652 employees took part in field staff training and 260 managers were involved in leadership training courses. Of the Hämeentie support organisation's staff in Helsinki, 80 employees participated in a training programme for experts that will continue during 2007.

In honour of the opening of the former, refurbished Ruokamarkkinat stores, all of the support organisation's staff spent the first of June listening to customers and performing normal store personnel duties. Marking the launch of a new Tradeka, this great customer get-together was aimed at raising the company's in-house spirit with a view to challenging competitors. Mobilising head-office staff in this way is, by and large, aimed at intensifying co-operation between store staff and the support organisation.

EMPLOYEE WELLBEING AND OCCUPATIONAL SAFETY

In 2006, Tradeka supported its employees' recreation and leisure activities by earmarking an appropriation distributed to shop stewards, who were in charge of its spending on a local basis.

The company's employees are entitled to medical examinations at five year intervals (at three year intervals for employees over 50 years of age). Occupational Healthcare Service aims to promote employees' working capacity.

The financial year saw two kinds of keep-fit course, two health maintenance (Kuntoremontti) courses and one ASLAK course for cashiers. Tradeka stores carried out the Oikeat nostot campaign, providing guidelines for the correct lifting posture.

In co-operation with the Industrial Safety Committee and the Finnish Institute of Occupational Health, in 2006 Tradeka investigated factors affecting store staff wellbeing in daily work, based on staff interviews and workshops. Issues related to well-performing in-store processes, working conditions, personal keep-fit and eating during working hours ranked among key themes. As a result, Tradeka prepared an action plan for 2007.

In 2006, sick leave absences accounted for 4.9 per cent of the number of working days and some 300 accidents occurred, which is less than a year ago if the figure is proportioned to the number of employees. According to the annual employee survey conducted in the autumn, Tradeka's working climate has remained good.

EQUALITY

Tradeka has confirmed a blueprint for equal opportunities in the workplace, aimed at equal pay for equal work, equal opportunities between men and women for placement in various duties, equal career opportunities, prevention of ageism, understanding of multi-culturalism and the prevention of sexual harassment and bullying and harassment at work.

CO-OPERATION WITH EMPLOYEE REPRESENTATIVES

Of Tradeka Ltd's Finnish chain staff, 68 per cent are trade union members. This figure covers employees whose union dues are deducted from their wages. The majority of unionised employees are members of the Service Union United PAM.

Tradeka's store network is divided into five shop-steward and industrial-safety regions, each of which has a regional shop steward who also acts as a safety officer. One shop steward acts as the chief shop steward and one as the chief safety officer. Clerical employees in both the Helsinki and Tampere offices elect their own shop steward and safety officer.

Tradeka has a Co-operation Advisory Committee. The store network has a joint Industrial Safety Committee and each office has its own. With the right to attend and speak at the meeting, one employee representative sits on Tradeka Ltd's Board of Directors. Furthermore, the three store chains' management teams each have an employee representative.

HUMAN RIGHTS IN PRODUCER COUNTRIES

Intercoop, a buying office and service organisation, accounts for roughly 30 per cent of imports of consumables sold by Tradeka Ltd. Intercoop complies with its Code of Conduct, setting strict requirements governing issues related to the use of child labour, health and safety at work, discrimination, working hours and compensation, and respect for cultural values and children's educational support.

The membership of the purchasing and logistics company, Tuko Logistics Oy, within the common European auditing platform for retail chains, the BSCI, ensures that working conditions at plants which manufacture products purchased through the organisation are in compliance with ILO conventions.

Tradeka Ltd has also signed the Charter for Ethical Principles for Import, issued by the Central Chamber of Commerce, and similar ethical principles for import issued by the Finnish Food Marketing Association.

GREAT CUSTOMER GET-TOGETHER

'We stepped into the Kuopio Euromarket, whose staff were busy unloading goods. The store's ladies naturally wore work gloves, which have reportedly 'afforded us effective protection when shaking hands with people from Helsinki'... or which, perhaps, 'would prevent us from being infected with Kuopio area's easygoing attitude '.. So, the staff welcomed us cordially and light-heartedly, without unnecessary formalities.

From the outset, we had the opportunity to get down to real work. A lot of new goods had arrived in the stockroom and we began working hard, starting with unloading, pricing and displaying and ending with cleaning. While working, we received questions and feedback from both staff and customers. It was a pleasant day which flashed by. Since a week was hardly sufficient to complete our duties there, they welcomed us back the following week – or in 10 years' time at the outside. Let's see how flexible our personal schedules will prove.

Our journey home went well and our *kalakukko* fish pies passed the security check.

During the day, we received valuable experience of practical in-store duties. We were extremely impressed by the convivial and relaxed attitude among the Euromarket staff (yes indeed, in the midst of the worst rush) and customers. Perhaps people here in Helsinki could also try and take it easier.'

The winning story in the staff's writing competition
The Corns Team, a.k.a footwear and hosiery purchasers,
Milla Farin and Johanna Voutilainen

The most extensive grocery store network in Finland brings services close to people and reduces the need for private motoring. By developing and expanding local services, we help our customers save the environment.

ENVIRONMENTAL RESPONSIBILITY

A NEIGHBOURHOOD SHOP IS A PRO-ENVIRONMENTAL CHOICE

Tradeka Ltd's most significant environmental effects stem from its stores' electricity consumption and waste recorded over store lifecycles. The company's environmental management is based on a confirmed environmental plan and the legislation in force, forming an integral part of the company's normal decision-making and management system.

In addition to environmental protection efforts, its environmental strategy, which was re-focused in 2006, is aimed at achieving cost-savings and using energy more efficiently, reducing the amount of landfill waste and intensifying waste recycling and reuse. Another aim is to enhance the personnel's environmental awareness and improve the management of environmental risks.

In its accounting, Tradeka does not specifically monitor costs or savings attributable to environmental protection.

In accordance with an agreement with the Finnish Association for Nature Conservation, Tradeka Ltd and customers donating their accumulated YkkösBonus bonuses supported the Association with a total of EUR 150,000. The number of donating loyal customers with a special YkkösBonus card carrying a picture of a ringed seal totals roughly 12,000.

Tradeka's operations do not require any environmental permits. In order to fulfil producer liability obligations under environmental legislation, Tradeka is a member of the Environmental Register of Packaging PYR Ltd and SERTY (WEEE Producer Community). With a view to intensifying stores' waste management, Tradeka launched in Pirkanmaa a project in co-operation with Lassila & Tikanoja, an environmental management specialist.

ENERGY CONSUMPTION

The most significant environmental effects stem from electricity used by retail outlets for cooling, ventilation, lighting, heating, and machinery and equipment. Emissions from electricity generation have a fundamental impact on climate change, acidification and eutrophication, while particle emissions present health hazards.

Comparing electricity consumption year on year is difficult due to the larger number of stores and changes in floor areas, in-store equipment and between chains, such as in-store baking units and the replacement of coolers and freezers. Electricity consumption in 2006 totalled 152.0 million kWh (536 stores monitored) against 145.2 million kWh (550 stores monitored) a year ago. Installing heat recovery systems within new and refurbished stores will lower energy consumption.

Carbon dioxide emissions from total electricity consumption came to 48,644 tonnes.

WASTE AND RECYCLING

Landfill methane contributes to climate change. All Tradeka stores sort cardboard in order to reduce landfill waste. Waste that can be reused for energy production, and biodegradable waste, are collected not only as required by waste-management regulations but also on a voluntary basis. During the financial year, small stores in particular have intensified the separate collection of plastic waste.

Due to the disposal of waste from containers in joint use, no data is available on the amount of weighed waste generated by Siwa and Valintatalo stores. Euromarket outlets recycle over 70 per cent of their waste. The collection of waste at the head office covers biodegradable waste, cardboard, paper and hazardous waste, and the accounting services office in Tampere recycles paper.

USE OF MATERIALS

The use of various materials affects the sufficiency of natural resources and the environment not only in terms of emissions and waste but also in terms of the landscape.

In 2006, Tradeka's combined use of paper for its customer and personnel magazines, bulletins and marketing materials exceeded the previous year's level, due to the greater number of printed copies of *Me*, Tradeka's customer magazine. In-house communications, invoicing and the provision of guidelines increasingly relied on electronic channels, thus cutting the amount of officer paper used, and the adoption of AV technology was reflected in a considerable reduction in the consumption of transparencies.

PRO-ENVIRONMENTAL PRODUCTS

Pro-environmental products are available from Tradeka's stores according to demand, ranging from organic and Fair Trade to eco-labelled products, which are less harmful to the environment than conventional ones. The range of these products varies by chain.

In 2006, Euromarket and Valintatalo stores increased the supply of organic fruits and vegetables, and as much as half of bananas were sold under Fair Trade.

The Nordic Swan environmental label granted to the Viikki Valintatalo

The Valintatalo store in Viikki, Helsinki, was the first grocery store in Finland to receive the Nordic Swan environmental label, the related flag flying on its pole. In order to become eligible for the label, a store must fulfil certain pan-Nordic criteria, monitored on an ongoing basis.

According to these criteria, the store must have a certain number of pro-environmental products in its product range and demonstrate energy efficiency in terms of energy sources, electric appliances, coolers and freezers as well as staff working methods. It must efficiently sort its waste, minimising the amount of landfill waste, and pay particular attention to materials, promotional material, substances, packaging and wrappings used. Moreover, the store must have a special environmental management plan in place, maintain its staff's environmental awareness and provide customers with environmental information through shelf-edge labels and the notice board.

Viikki is a pilot area for ecological development, whose residents have adopted Valintatalo as their local grocery shop. The Viikki Valintatalo also provides a special recycling point for packaging material managed by the Helsinki Metropolitan Area Council (YTV).

REPORT BY THE BOARD OF DIRECTORS

In 2006, Tradeka Group posted a net turnover of EUR 1,332.7 million, up by 16 per cent on a year earlier, and showed a profit of EUR 85.8 million before extraordinary items compared with the previous year's loss of EUR 9.7 million. While organic growth and the expanding outlet network contributed to the higher net turnover, non-recurring items resulting from the disposal of real properties boosted the profit.

BUSINESS ENVIRONMENT

According to a forecast by the Research Institute of the Finnish Economy (ETLA), the Finnish GDP growth rate in 2006 stood at 4.6 per cent, compared with 2.9 per cent a year earlier. Consumer spending grew by 3.2 (3.8) per cent and spending power in real terms by 2.9 (1.1) per cent. Consumer confidence in both personal finances and the Finnish economy remained high.

Grocery retail sales in Finland totalled slightly over EUR 12 billion in 2006. Turnover recorded by the Finnish Food Marketing Association's (FFMA) member companies rose by 4.1 per cent on the year before, including a 1.3 per cent contribution made by higher food prices. According to the FFMA's statistics, small grocery shops of less than 100 square metres showed the greatest growth rate (25.4 per cent), followed by hypermarkets of over 2,500 square metres (7.0 per cent) and supermarkets of less than 1,000 square metres (3.0 per cent).

The grocery retail sector continued its consolidation process as a result of the Finnish Competition Authority's antitrust approval of the acquisition of Spar Finland Ltd disclosed by SOK in late 2005. Tradeka Ltd purchased part of Spar Finland Ltd's retail outlets and independent Spar retailers opting out of the deal founded a new M group. The financial year saw major changes in retail-sector logistics when the Spar retailers joining S Group changed from Tuko Logistics Oy to Inex Partners Oy for their purchasing and deliveries. With its logistics co-operation in groceries with Inex Partners coming to an end, Tradeka Ltd opted for Tuko Logistics Oy to take charge of its co-ordinated purchasing and logistics.

GROUP STRUCTURE AND SHAREHOLDINGS

Tradeka Group is made up of Tradeka Ltd, engaged in the grocery business, and its wholly owned subsidiaries, ZAO Renlund SPb (the St. Petersburg business) and T-kiinteistöt Oy, managing the Group's real properties. At the end of the financial year, the Group also had five property subsidiaries and seven associated property companies.

Tradeka Ltd is owned by Cooperative Tradeka Corporation (50.6 per cent), Industri Kapital 2000 Fund (31.8 per cent), Wihuri/Ruokamarkkinat Oy (15.9 per cent) and its management (1.7 per cent). Cooperative Tradeka Corporation disposed of its 49 holdings in its previously wholly owned company on 1 August 2005 since when, as a result of the agreements related to share transactions, Tradeka Ltd has not been a Cooperative Tradeka Corporation subsidiary.

In the summer of 2006, the Group disposed of the majority of its real properties, in accordance with its new property strategy. T-kiinteistöt Oy and Tradeka Ltd sold a total of 261 retail outlet premises and shares in property and housing companies to European Property Investors, a fund managed by Curzon/IXIS/AEW Europe, and leased these assets back mainly based on long-term triple-net leases.

In November, Tradeka Ltd bought a 39 per cent shareholding in Tuko Logistics Oy, which has been its associated company since 17 November 2006.

The Group structure did not undergo any other major changes.

TRADEKA'S OPERATIONS – KEY EVENTS

In June 2006, Tradeka completed the integration and conversion of the retail outlets acquired from Wihuri Group's Ruokamarkkinat Oy in August 2005, bringing them in line with the Siwa, Valintatalo and Euromarket brands. The year-end saw the acquisition of 28 outlets from Spar Finland Ltd, integrated as part of these chains. The number of acquired stores refurbished in 2006 totalled 106. Tradeka also updated store concepts for 86 outlets and opened 21 new outlets.

The store networks of Ruokamarkkinat and Tradeka complement one another very well. On 31 December 2006, Tradeka ran a total of 750 stores (+4 compared to 2005). Due to simultaneous store closures, net growth in the number of outlets remained small, but the number of new outlets joining the store network during 2005–06 totalled 176.

Between April and October, Tuko Logistics Oy gradually took charge of deliveries to Tradeka's 580 stores, which Inex Partners Oy previously served as its logistics customers. In the autumn, Tradeka began to make arrangements for transferring consumables logistics from Inex to DHL. In practice, the related changes began in early 2007.

RESEARCH AND DEVELOPMENT

Development forms an integral part of Tradeka's daily business. During the financial year, several development initiatives and projects were underway, set up by the Board of Directors and the management, major projects including the development of systems required for store-specific space and product-mix management and the launch of projects aimed at developing new business and service concepts and unlocking working capital.

Rather than monitoring its development costs as separate projects or capitalising them in the balance sheet, Tradeka presents these costs as its store chains' expenses and administrative expenses.

RISKS AND OTHER ASPECTS CRUCIAL TO BUSINESS DEVELOPMENT

Risk management forms an integral part of Tradeka's daily business and management and the related responsibilities are governed by the Companies Act. Business risk management aims to safeguard the company's business development and ensure disruption-free business operations. At operational level, Tradeka has defined risk-management responsibilities on a store and project specific basis.

Tradeka Ltd paid off all of its bank loans in June, until which it had hedged interest-rate risks through interest-rate swaps. At the end of the year, the company's balance sheet included only interest-bearing subordinated loans.

In 2006, Tradeka mapped out risks associated with real properties in its possession or use, on the basis of which it began to take e.g. technical and environmental measures.

FINANCIAL POSITION

In 2006, Tradeka Group improved its net turnover to EUR 1,332.7 million (+16 per cent), boosted by the acquisition in August 2005 of Wihuri/Ruokamarkkinat Oy's stores. The purchase in late 2006 of the business of 28 Spar stores will mainly be reflected in net turnover for 2007.

Profit before extraordinary items totalled EUR 85.8 million (a loss of EUR 9.7 million a year ago). Non-recurring items resulting from the disposal of real properties and shares in property made a considerable contribution to this profit improvement.

Operating results were eroded by non-recurring expenses attributable e.g. to store refurbishments, property sales and the closure of overlapping outlet operations as a result of business acquisitions. Excluding the non-recurring items stated above, Tradeka showed an operating loss for 2006. Tradeka does not expect to record similar non-recurring expenses in 2007, sustaining favourable profit expectations.

Capital expenditure totalled EUR 30.8 million, compared with EUR 305.3 million a year ago.

KEY FIGURES AND RATIOS

EUR million	**2006**	2005
Net turnover	**1,332.7**	1,148.6
Operating profit/loss	**94.3**	–2.3
– % of net turnover	**7.1**	– 0.2
Profit/loss before extraordinary items	**85.8**	– 9.7
Return on equity, %	**74.0**	–10.3
Solvency ratio, %	**28.7**	5.4
Gearing	**–34.3**	850.9
Balance sheet total	**313.2**	443.6

PERSONNEL

The number of Tradeka Group employees, expressed as full-time equivalents, averaged 4,880 (+624) in 2006. The year-end number of employees with an effective contract totalled 7,177 (+134), this figure including staff on the payroll but unavailable. A total of 160 employees worked abroad, or with the St. Petersburg-based subsidiary.

Wages and salaries paid in 2006 totalled EUR 124.6 million (+19.9 million).

Tradeka's Annual Report 2006 contains a special section on corporate social responsibility, providing a more detailed description of human resources.

ENVIRONMENTAL ISSUES

Tradeka Group adheres to its Environmental Programme. Environmental management forms part of Tradeka's day-to-day decision-making and management system.

Tradeka's Annual Report 2006 contains a special section on environmental issues.

ADMINISTRATION AND AUDITORS

Tradeka Ltd's Board of Directors comprised Antti Remes (Chairman), Michael Rosenlew (Vice Chairman), Max Alfthan, Juha Hellgren, Kristian Kemppinen (since 28 September 2006), Christian Ramm-Schmidt, Thomas Ramsay (until 28 September 2006), Markku Uitto and as an employee representative, Terhi Raatesalmi, a regional shop steward. Markku Uitto acted as the President & CEO.

The Audit Committee comprised Thomas Ramsay (until 28 September 2006), Kristian Kemppinen (since 28 September 2006), Max Alfthan and Juha Hellgren, elected by the Board of Directors from amongst its members, while Antti Remes and Michael Rosenlew were members of the Compensation Committee.

KPMG Oy Ab, with Jukka Rajala (APA) in the capacity of chief auditor, and PricewaterhouseCoopers, with Kim Karhu (APA) in the capacity of chief auditor, acted as the company's auditors.

SHARE CAPITAL BY CLASS OF SHARES

The Notes to Tradeka Ltd's Balance Sheet on page 30 provide detailed information on the company's share capital.

SUBORDINATED LOANS

The Notes to Tradeka Ltd's Balance Sheet on page 32 provide detailed information on the company's loan terms.

PROSPECTS FOR 2007

In 2007, economic growth in Finland is expected to level off, albeit remaining at a brisk level, spurred by sustained consumer confidence reflected in buoyant consumer spending. The inflation rate is forecast to remain low.

The grocery retail business will probably continue its steady growth, but at a slightly lower rate than the year before. Major restructuring in the retail market seems to be over for the present and the market is currently characterised by fierce competition between industry players, curbing price hikes.

Tradeka Ltd's most important development projects will focus on efforts to develop its store operations further and streamline its purchasing and logistics processes, among other things. By the summer of 2007, the company will complete the process underway since early 2007 of switching to a new consumables logistics company.

Synergies from the acquired business, previously launched business development projects and the effects of development projects aimed at unlocking working capital will materialise in full during the current year. As a result of their contribution, operating results should improve from the previous year's level.

BOARD PROPOSAL FOR PROFIT DISTRIBUTION

The Board of Directors proposes that no dividend be distributed.

INCOME STATEMENT

EUR million	Note	Group 2006	Group 2005	Parent company 2006	Parent company 2005
NET TURNOVER	**1**	**1,332.7**	1,148.6	**1,322.1**	1,144.2
Other income from business operations	**2**	**122.4**	6.9	**44.2**	6.7
Materials and services	**3**	**–1,040.9**	–890.1	**–1,032.3**	–886.7
Personnel costs	**4**	**–157.5**	–132.5	**–156.5**	–132.2
Depreciation/amortisation and write-downs	**5**	**–21.6**	–18.8	**–19.4**	–16.9
Other operating costs	**6**	**–140.8**	–116.4	**–138.6**	–119.0
OPERATING PROFIT/LOSS		**94.3**	–2.3	**19.5**	–3.9
Financial income and expenses	**7**	**–8.5**	–7.4	**–7.5**	–5.3
PROFIT/LOSS before extraordinary items		**85.8**	–9.7	**12.0**	–9.2
Extraordinary items	**8**	**0.0**	0.0	**74.1**	0.3
PROFIT/LOSS before tax		**85.8**	–9.7	**86.1**	–8.9
Appropriations	**9**	**0.0**	0.0	**–4.2**	–4.6
Income tax	**10**	**–20.8**	0.8	**–19.3**	0.0
Minority interest		**0.0**	0.0	**0.0**	0.0
NET PROFIT/LOSS		**65.0**	–8.9	**62.6**	–13.5

BALANCE SHEET

EUR million	Note	Group 31 Dec. 2006	Group 31 Dec. 2005	Parent company 31 Dec. 2006	Parent company 31 Dec. 2005
ASSETS					
Fixed and other non-current assets:					
Intangible assets	1	**79.1**	85.1	**79.1**	84.8
Consolidation difference	2	**2.5**	9.4	**0.0**	0.0
Tangible assets	3	**65.3**	185.0	**48.6**	44.8
Investments:	4				
Holdings in Group companies		**0.0**	0.0	**12.6**	47.7
Holdings in associated companies		**9.3**	14.4	**9.3**	14.5
Other investments		**0.7**	6.7	**1.7**	95.9
Total		**156.9**	300.6	**151.3**	287.7
Current assets:	5				
Stocks		**76.9**	68.2	**75.5**	67.0
Long-term receivables					
Short-term receivables		**33.5**	40.4	**109.4**	38.5
Cash and bank		**45.9**	34.4	**30.4**	33.1
Total		**156.3**	143.0	**215.3**	138.6
TOTAL ASSETS		**313.2**	443.6	**366.6**	426.3

EUR million	Note	Group 31 Dec. 2006	Group 31 Dec. 2005	Parent company 31 Dec. 2006	Parent company 31 Dec. 2005
LIABILITIES AND SHAREHOLDERS' EQUITY					
Shareholders' equity:	6				
Share capital		**33.4**	32.8	**33.4**	32.8
Retained loss		**–8.9**	0.0	**–13.5**	0.0
Net profit/loss for the financial year		**65.0**	–8.9	**62.6**	–13.5
Total		**89.5**	23.9	**82.5**	19.3
Minority interest		**0.4**	3.3	**0.0**	0.0
Appropriations		**0.0**	0.0	**8.8**	4.6
Statutory reserves		**4.5**	0.0	**4.5**	0.0
Liabilities:	7				
Long-term liabilities		**9.8**	209.0	**63.5**	197.5
Subordinated loans		**14.7**	67.1	**14.7**	67.1
Short-term liabilities		**194.3**	140.3	**192.6**	137.8
Liabilities		**218.8**	416.4	**270.8**	402.4
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**313.2**	443.6	**366.6**	426.3

STATEMENT OF SOURCES AND APPLICATIONS OF FUNDS

EUR million	Group 2006	Group 2005	Parent company 2006	Parent company 2005
CASH FLOW FROM OPERATIONS				
Profit before extraordinary items	**85.8**	–9.7	**12.0**	–9.2
Adjustments:				
+ Planned depreciation	**21.6**	18.8	**19.4**	16.9
–/+ Other non-cash income and expenses	**4.4**	0.0	**4.5**	0.0
–/+ Financial income and expenses	**8.5**	7.5	**7.5**	5.4
–/+ Other adjustments; profit and loss from trade	**–111.0**	0.0	**–34.5**	0.0
Cash flow before change in working capital	**9.3**	16.6	**8.9**	13.1
Change in working capital:				
Increase (–)/decrease (+) in current non-interest-bearing trade receivables	**6.6**	–30.4	**3.2**	–30.3
Increase (–) / decrease (+) in stocks	**–8.7**	–68.2	**–8.5**	–67.0
Increase (+)/decrease (–) in short-term non-interest-bearing liabilities	**35.4**	125.3	**36.4**	124.5
Cash flow from operations before financial items and tax	**42.6**	43.3	**40.0**	40.2
Interest paid and financial expenses	**–4.8**	–7.5	**–6.0**	–7.3
Dividends received	**0.0**	0.0	**0.0**	0.0
Interest received	**0.7**	0.5	**3.0**	2.4
Income tax paid	**0.0**	0.0	**0.0**	0.0
Cash flow from operations	**38.5**	36.3	**37.0**	35.3
CASH FLOW FROM INVESTMENTS:				
Investments in tangible and intangible assets	**–21.8**	–284.2	**–18.7**	–146.7
Capital gains on tangible and intangible assets	**198.3**	0.1	**0.9**	0.1
Investments in other financial assets	**–8.9**	–21.0	**–21.7**	–68.6
Capital gains on other investments	**55.3**	0.0	**102.4**	0.0
Loans granted	**–0.1**	–0.2	**–0.4**	–89.4
Repayment of loan receivables	**0.1**	0.0	**88.7**	0.0
Cash flow from investments	**222.9**	–305.3	**151.2**	–304.6
CASH FLOW FROM FINANCING:				
Rights issue	**0.1**	32.8	**0.1**	32.8
Withdrawal of long-term loans	**0.0**	270.6	**0.0**	269.6
Repayment of long-term loans	**–250.0**	0.0	**–190.9**	0.0
Group contributions paid	**0.0**	0.0	**0.0**	0.0
Cash flow from financing	**–249.9**	303.4	**–190.8**	302.4
CHANGE IN LIQUID ASSETS	**11.5**	34.4	**–2.6**	33.1
LIQUID ASSETS AT YEAR-START	**34.4**	0.0	**33.1**	0.0
LIQUID ASSETS AT YEAR-END	**45.9**	34.4	**30.4**	33.1

NOTES TO THE FINANCIAL STATEMENTS

Domiciled in Helsinki, Tradeka Ltd is Tradeka Group's parent company.

Copies of Tradeka Group's financial statements are available at Tradeka Ltd, Hämeentie 19 A, FI-00500 Helsinki.

PREPARATION PRINCIPLES OF FINANCIAL STATEMENTS

Valuation principles

Fixed assets are stated at cost less planned depreciation. The company has adopted re-defined depreciation principles based on the new business structure, and assets are depreciated/amortised over their expected useful lives as follows:

Goodwill	20 yrs
Other non-current assets	5–10 yrs
Buildings and structures	15–10 yrs
Machinery and equipment	3–7 yrs
Other tangible assets	5–10 yrs

Goodwill is principally amortised over 20 years, since the estimated income effect generated by goodwill is a minimum of 20 years.

Asphaltisation of leased properties and renovation expenditure included in other non-current assets are amortised over ten years, unless leases require a shorter amortisation period.

Investments are stated at cost. Stocks, which consist of groceries and consumables, are stated at the lower of cost or likely net realisable value.

Accounts receivable consist mainly of credit-card receivables. Other receivables mostly include cost compensation and rebates. Receivables are stated at their nominal value.

Pensions

The Group companies' employee retirement plan is managed by external pension insurance companies. Pension costs are expensed as incurred.

Comparability of data

Previously, subordinated loans were included in equity. Owing to the amended Companies Act, they are currently included in liabilities, and the related comparatives have been adjusted to conform to the new practice. Net turnover and materials and services were adjusted for 2005 to the extent that this applied to operations whose management was assigned to an external entrepreneur. Storage responsibility does not rest with Tradeka.

When comparing year-on-year data, it is important to note that the previous financial year spanned a longer period, from 2 July 2004 to 31 December 2005.

Deferred taxes

Deferred tax liabilities and tax assets in the consolidated financial statements are based on the differences between the date of taxation and the balance sheet date, using a tax rate of 26 per cent.

The consolidated balance sheet includes deferred tax liabilities in their entirety and deferred tax assets to an estimated amount based on exercising extreme prudence.

PREPARATION PRINCIPLES OF CONSOLIDATED FINANCIAL STATEMENTS

Scope of consolidated financial statements and changes in Group structure

The consolidated financial statements include the accounts of all Group companies and associated companies. In the summer of 2006, Tradeka Ltd sold the majority of its real property shareholdings. In December 2006, Tradeka Ltd acquired all of the shares in Kiinteistö Oy Vantaan Simonsampo. In November 2006, Tradeka Ltd bought a 39 per cent shareholding in Tuko Logistics Oy. A list of subsidiaries and associated companies can be found in page 35 and page 36, respectively.

ACCOUNTING PRINCIPLES: CONSOLIDATED FINANCIAL STATEMENTS

Intra-Group shareholding

The consolidated financial statements are prepared using the acquisition cost method. The excess of the subsidiaries' acquisition cost over shareholders' equity is allocated to fixed assets. On 31 December 2006, EUR 0.2 million was allocated to land and EUR 9.4 to buildings. The amount allocated to buildings will be amortised according to plan as applicable to the asset in question.

NOTES TO THE FINANCIAL STATEMENTS

Intra-Group transactions and profits

All intra-Group transactions, receivables and liabilities are eliminated. The Group has neither unrealised profit margins based on intra-Group transactions nor intra-Group profit distribution.

Minority interest

Minority interest is separated from Group shareholders' equity and results, and treated as a separate item.

Translation differences

The foreign subsidiary's income statement is translated using the average exchange rate quoted for the financial year, and its balance sheet is translated into the domestic currency using the exchange rate quoted on the balance sheet date.

Associated companies

Comprising property companies, save Tuko Logistics Oy, associated companies are consolidated using the equity method. The Group's share of these companies' results for the period, in proportion to Group shareholding, is shown in financial items.

The accounts of Tuko Logistics were consolidated according to data available as of 31 December 2006.

NOTES TO THE INCOME STATEMENT

EUR million	Group 2006	Group 2005	Parent company 2006	Parent company 2005
1. NET TURNOVER				
Net turnover by chain:				
Euromarket	**312.6**	292.6	**312.6**	292.6
Valintatalo	**415.1**	324.3	**415.1**	324.3
Siwa	**585.7**	520.3	**585.7**	520.3
Other sales	**19.3**	11.4	**8.7**	7.0
Total net turnover	**1,332.7**	1,148.6	**1,322.1**	1,144.2

Net turnover comes mainly from domestic retail sales. Other sales include EUR 11.0 million (EUR 9.2 million in 2005) in sales generated by the Russian subsidiary.

2. OTHER INCOME FROM BUSINESS OPERATIONS				
Other regular income from business operations:				
Rental income	**8.6**	6.9	**8.2**	6.7
Capital gains on fixed assets *	**113.5**	0.0	**35.7**	0.0
Other income	**0.3**	0.0	**0.3**	0.0
Total	**122.4**	6.9	**44.2**	6.7

* Disposal of premises in 2006.

3. MATERIALS AND SERVICES				
Purchases	**–1,049.4**	–958.3	**–1,040.8**	–953.7
Change in inventories	**8.5**	68.2	**8.5**	67.0
Total	**–1,040.9**	–890.1	**–1,032.3**	–886.7

4. PERSONNEL COSTS				
Wages and salaries	**–124.7**	–105.6	**–123.7**	–105.3
Pensions	**–21.8**	–17.2	**–21.8**	–17.2
Other social expenses	**–11.0**	–9.7	**–11.0**	–9.7
Total	**–157.5**	–132.5	**–156.5**	–132.2

The President & CEO is entitled to retire at the age of 60.

Management remuneration:				
President & CEO and his deputy	**0.4**	0.2	**0.4**	0.2
Board members	**0.2**	0.1	**0.2**	0.1
Total	**0.6**	0.3	**0.6**	0.3

NOTES TO THE INCOME STATEMENT

EUR million	Group 2006	Group 2005	Parent company 2006	Parent company 2005
Average number of Group employees:				
Clerical employees	**332**	239	**332**	239
Other employees	**4,416**	3,881	**4,416**	3,881
Staff abroad	**132**	132		
Total	**4,880**	4,256	**4,748**	4,121

5. DEPRECIATION/AMORTISATION AND WRITE-DOWNS

EUR million	Group 2006	Group 2005	Parent company 2006	Parent company 2005
Goodwill	**–4.1**	–3.9	**–4.1**	–3.9
Other non-current assets	**–2.7**	–2.3	**–2.7**	–2.3
Buildings	**–1.9**	–1.8	**0.0**	0.0
Machinery and equipment	**–12.8**	–10.8	**–12.6**	–10.7
Other tangible assets	**0.0**	0.0	**0.0**	0.0
Group goodwill	**–0.1**	0.0	**0.0**	0.0
Total	**–21.6**	–18.8	**–19.4**	–16.9

6. OTHER OPERATING COSTS

EUR million	Group 2006	Group 2005	Parent company 2006	Parent company 2005
Total costs deriving from sales	**–1.6**	–1.4	**–1.6**	–1.4
Marketing expenses	**9.8**	0.8	**9.8**	0.8
Share of associates' results	**0.0**	0.0	**0.0**	0.0
Rental costs	**–59.7**	–43.4	**–65.3**	–47.4
Real estate costs	**–14.9**	–9.0	**–13.5**	–8.5
Administrative expenses	**–11.3**	–8.0	**–8.0**	–8.0
Other usage and maintenance costs	**–60.6**	–55.4	**–58.9**	–54.5
Capital losses on fixed assets	**–2.5**	0.0	**–1.1**	0.0
Total	**–140.8**	–116.4	**–138.6**	–119.0

EUR million	Group 2006	Group 2005	Parent company 2006	Parent company 2005
7. FINANCIAL INCOME AND EXPENSES				
Interest income from investments:				
From Group companies	**0.0**	0.0	**2.3**	1.9
From associated companies	**0.0**	0.0	**0.0**	0.0
From external parties	**0.0**	0.0	**0.0**	0.0
Interest income from current assets:				
From associated companies	**0.0**	0.1	**0.0**	0.1
From external parties	**0.8**	0.4	**0.8**	0.4
Total financial income	**0.8**	0.5	**3.1**	2.4
Share of associates' results	**0.0**	–0.1	**0.0**	0.0
Interest expenses:				
To Group companies	**0.0**	0.0	**–1.3**	0.0
To external parties	**–9.3**	–7.8	**–9.3**	–7.7
Total financial expences	**–9.3**	–7.8	**–9.3**	–7.7
Total	**–8.5**	–7.4	**–7.5**	–5.3

EUR million	Group 2006	Group 2005	Parent company 2006	Parent company 2005
8. EXTRAORDINARY ITEMS				
Extraordinary income:				
Group contributions received	**0.0**	0.0	**74.1**	0.3

EUR million	Group 2006	Group 2005	Parent company 2006	Parent company 2005
9. APPROPRIATIONS				
Change in depreciation difference	**0.0**	0.0	**–4.2**	–4.6
Decrease in voluntary provisions	**0.0**	0.0	**0.0**	0.0
Total	**0.0**	0.0	**–4.2**	–4.6

EUR million	Group 2006	Group 2005	Parent company 2006	Parent company 2005
10. INCOME TAXES				
Income tax for the period	**–15.6**	0.0	**–19.3**	0.0
Change in deferred tax assets	**0.5**	2.0	**0.0**	0.0
Change in deferred tax liabilities	**–5.7**	–1.2	**0.0**	0.0
Total	**–20.8**	0.8	**–19.3**	0.0

NOTES TO THE BALANCE SHEET

EUR million	Group 2006	Group 2005	Parent company 2006	Parent company 2005
1. INTANGIBLE ASSETS				
Intangible rights	**0.0**	0.0	**0.0**	0.0
Goodwill	**75.3**	78.8	**75.3**	78.8
Other non-current assets	**3.8**	6.0	**3.8**	6.0
Advances paid	**0.0**	0.3	**0.0**	0.0
Total	**79.1**	85.1	**79.1**	84.8
Intangible rights				
Acquisition cost 1 Jan.	**0.0**	0.0	**0.0**	0.0
Increase	**0.0**	0.0	**0.0**	0.0
Book value 31 Dec.	**0.0**	0.0	**0.0**	0.0
Goodwill				
Acquisition cost 1 Jan.	**82.7**	0.0	**82.7**	0.0
Increase	**0.6**	82.7	**0.6**	82.7
Acquisition cost 31 Dec.	**83.3**	82.7	**83.3**	82.7
Accumulated amortisation 1 Jan.	**–3.9**	0.0	**–3.9**	0.0
Amortisation for the period	**–4.1**	–3.9	**–4.1**	–3.9
Accumulated amortisation 31 Dec.	**–8.0**	–3.9	**–8.0**	–3.9
Book value 31 Dec.	**75.3**	78.8	**75.3**	78.8
2. CONSOLIDATION DIFFERENCE				
Acquisition cost 1 Jan.	**9.4**	0.0	**0.0**	0.0
Increase	**0.0**	9.4	**0.0**	0.0
Decrease	**–6.8**	0.0	**0.0**	0.0
Acquisition cost 31 Dec.	**2.6**	9.4	**0.0**	0.0
Accumulated amortisation 1 Jan.	**0.0**	0.0	**0.0**	0.0
Amortisation for the period	**–0.1**	0.0	**0.0**	0.0
Accumulated amortisation 31 Dec.	**–0.1**	0.0	**0.0**	0.0
Book value 31 Dec.	**2.5**	9.4	**0.0**	0.0

EUR million	Group 2006	Group 2005	Parent company 2006	Parent company 2005
Other non-current assets				
Acquisition cost 1 Jan.	**8.3**	0.0	**8.3**	0.0
Increase	**0.4**	8.3	**0.4**	8.3
Decrease	**0.0**	0.0	**0.0**	0.0
Acquisition cost 31 Dec.	**8.8**	8.3	**8.8**	8.3
Accumulated amortisation 1 Jan.	**–2.3**	0.0	**–2.3**	0.0
Amortisation for the period	**–2.7**	–2.3	**–2.7**	–2.3
Decrease; fully amortised	**0.0**	0.0	**0.0**	0.0
Accumulated amortisation 31 Dec.	**–5.0**	–2.3	**–5.0**	–2.3
Book value 31 Dec.	**3.8**	6.0	**3.8**	6.0
Advances paid				
Acquisition cost 1 Jan.	**0.3**	0.0	**0.0**	0.0
Increase	**0.0**	0.3	**0.0**	0.0
Capitalised	**–0.3**	0.0	**0.0**	0.0
Book value 31 Dec.	**0.0**	0.3	**0.0**	0.0

3. TANGIBLE ASSETS

EUR million	Group 2006	Group 2005	Parent company 2006	Parent company 2005
Land and water	**2.1**	19.9	**0.3**	0.0
Buildings and structures	**15.1**	119.7	**0.6**	0.2
Machinery and equipment	**48.0**	44.3	**47.5**	43.6
Other tangible assets	**0.0**	0.1	**0.0**	0.0
Advances paid and work in progress	**0.1**	1.0	**0.2**	1.0
Total	**65.3**	185.0	**48.6**	44.8
Land and water				
Acquisition cost 1 Jan.	**19.9**	0.0	**0.0**	0.0
Increase	**0.8**	19.9	**0.3**	0.0
Decrease; sales	**–18.6**	0.0	**0.0**	0.0
Acquisition cost 31 Dec.	**2.1**	19.9	**0.3**	0.0
Book value 31 Dec.	**2.1**	19.9	**0.3**	0.0
Buildings and structures				
Acquisition cost 1 Jan.	**121.5**	0.0	**0.2**	0.0
Increase	**0.6**	121.5	**0.6**	0.2
Decrease; sales	**–103.2**	0.0	**–0.2**	0.0
Accumulated depreciation on assets sold	**–1.2**	0.0	**0.0**	0.0
Acquisition cost 31 Dec.	**17.7**	121.5	**0.6**	0.2
Accumulated depreciation and write-downs 1 Jan.	**–1.8**	0.0	**0.0**	0.0
Depreciation for the period	**–1.9**	–1.8	**0.0**	0.0
Accumulated depreciation	**1.2**	0.0	**0.0**	0.0
Accumulated depreciation and write-downs 31 Dec.	**–2.5**	–1.8	**0.0**	0.0
Book value 31 Dec.	**15.1**	119.7	**0.6**	0.2

NOTES TO THE BALANCE SHEET

EUR million	Group 2006	Group 2005	Parent company 2006	Parent company 2005
Machinery and equipment				
Acquisition cost 1 Jan.	**55.1**	0.0	**54.3**	0.0
Increase	**17.2**	55.2	**17.2**	54.4
Decrease	**–0.8**	–0.1	**–0.7**	–0.1
Accumulated depreciation on assets sold	**0.0**	0.0	**0.0**	0.0
Acquisition cost 31 Dec.	**71.5**	55.1	**70.8**	54.3
Accumulated depreciation 1 Jan.	**–10.8**	0.0	**–10.7**	0.0
Depreciation for the period	**–12.7**	–10.8	**–12.6**	–10.7
Accumulated depreciation on assets sold	**0.0**	0.0	**0.0**	0.0
Accumulated depreciation 31 Dec.	**–23.5**	–10.8	**–23.3**	–10.7
Book value 31 Dec.	**48.0**	44.3	**47.5**	43.6
Other tangible assets:				
Acquisition cost 1 Jan.	**0.1**	0.0	**0.0**	0.0
Increase	**0.0**	0.1	**0.0**	0.0
Decrease	**–0.1**	0.0	**0.0**	0.0
Acquisition cost 31 Dec.	**0.0**	0.1	**0.0**	0.0
Accumulated depreciation 1 Jan.	**0.0**	0.0	**0.0**	0.0
Depreciation for the period	**0.0**	0.0	**0.0**	0.0
Accumulated depreciation 31 Dec.	**0.0**	0.0	**0.0**	0.0
Book value 31 Dec.	**0.0**	0.1	**0.0**	0.0
Advances paid and work in progress				
Acquisition cost 1 Jan.	**1.0**	0.0	**1.0**	0.0
Increase	**0.0**	1.0	**0.0**	1.0
Introduced	**–0.9**	0.0	**–0.8**	0.0
Book value 31 Dec.	**0.1**	1.0	**0.2**	1.0
4. LONG-TERM INVESTMENTS				
Holdings in Group companies	**0.0**	0.0	**12.6**	47.7
Other investments:				
Receivables from Group companies	**0.0**	0.0	**1.1**	89.3
Holdings in associated companies	**9.3**	14.4	**9.3**	14.5
Receivables from associated companies	**0.0**	0.1	**0.0**	0.1
Other shares and holdings	**0.6**	6.6	**0.6**	6.5
Other receivables	**0.1**	0.0	**0.0**	0.0
Total other investments	**0.7**	6.7	**11.0**	110.4
Total	**10.0**	21.1	**23.6**	158.1

EUR million	Group 2006	Group 2005	Parent company 2006	Parent company 2005
Holdings in Group companies				
Acquisition cost 1 Jan.	**0.0**	0.0	**47.7**	0.0
Increase	**0.0**	0.0	**8.5**	47.7
Transfers between items	**0.0**	0.0	**4.3**	0.0
Decrease; sales	**0.0**	0.0	**–47.9**	0.0
Acquisition cost 31 Dec.	**0.0**	0.0	**12.6**	47.7
Book value 31 Dec.	**0.0**	0.0	**12.6**	47.7
Holdings in associated companies				
Holdings 1 Jan.	**14.4**	0.0	**14.5**	0.0
Increase	**8.9**	14.5	**8.9**	14.5
Transfers between items	**0.0**	0.0	**–4.3**	0.0
Decrease; sales	**–14.1**	0.0	**–9.8**	0.0
Other change in holdings	**0.0**	–0.1	**0.0**	0.0
Holdings 31 Dec.	**9.3**	14.4	**9.3**	14.5
Book value 31 Dec.	**9.3**	14.4	**9.3**	14.5
Other shares and holdings				
Acquisition cost 1 Jan.	**6.6**	0.0	**6.5**	0.0
Increase	**0.0**	6.6	**0.0**	6.5
Decrease; sales	**–6.0**	0.0	**–5.8**	0.0
Acquisition cost 31 Dec.	**0.6**	6.6	**0.6**	6.5
Book value 31 Dec.	**0.6**	6.6	**0.6**	6.5
Total shares and holdings				
Acquisition cost 1 Jan.	**21.0**	0.0	**68.7**	0.0
Increase	**8.9**	21.1	**17.4**	68.7
Decrease; sales	**–20.1**	0.0	**–63.5**	0.0
Other change in holdings	**0.0**	–0.1	**0.0**	0.0
Acquisition cost 31 Dec.	**9.8**	21.0	**22.6**	68.7
Accumulated write-downs 31 Dec.	**0.0**	0.0	**0.0**	0.0
Book value 31 Dec.	**9.8**	21.0	**22.6**	68.7
Investment receivables				
Receivables from Group companies				
Receivables 1 Jan.	**0.0**	0.0	**89.3**	0.0
Increase	**0.0**	0.0	**0.4**	89.3
Repayments	**0.0**	0.0	**0.0**	0.0
Decrease; sales	**0.0**	0.0	**–88.6**	0.0
Book value 31 Dec.	**0.0**	0.0	**1.1**	89.3

NOTES TO THE BALANCE SHEET

EUR million	Group 2006	Group 2005	Parent company 2006	Parent company 2005
Receivables from associated companies				
Receivables 1 Jan.	**0.1**	0.0	**0.1**	0.0
Increase	**0.0**	0.1	**0.0**	0.1
Repayments	**0.0**	0.0	**0.0**	0.0
Decrease; sales	**−0.1**	0.0	**−0.1**	0.0
Book value 31 Dec.	**0.0**	0.1	**0.0**	0.1

These receivables are from Koskelan Ostokeskus Oy. The loan is being paid back in quarterly instalments. The interest on the loan is 7%.

Other receivables				
Receivables 1 Jan.	**0.0**	0.0	**0.0**	0.0
Increase	**0.1**	0.0	**0.0**	0.0
Decrease; sales	**0.0**	0.0	**0.0**	0.0
Book value 31 Dec.	**0.1**	0.0	**0.0**	0.0

5. CURRENT ASSETS

Stocks

Goods for sale	**76.9**	68.2	**75.5**	67.0

Receivables

Short-term receivables:				
Accounts receivable	**12.8**	12.3	**12.6**	12.3
Receivables from Group companies	**0.0**	0.0	**78.5**	0.4
Receivables from associated companies	**0.0**	0.0	**0.0**	0.0
Deferred tax assets	**1.5**	2.0	**0.0**	0.0
Other receivables	**17.5**	24.5	**16.7**	24.4
Accrued income and prepaid expenses	**1.7**	1.6	**1.6**	1.5
Total	**33.5**	40.4	**109.4**	38.6

Accrued income and prepaid expenses under long-term receivables refer to the Social Insurance Institution of Finland's compensation for employee healthcare costs.

Short-term accrued income and prepaid expenses include:				
Outstanding annual compensation	**0.0**	0.4	**0.0**	0.4
Outstanding interest	**0.1**	0.0	**0.1**	0.0
Other outstanding expense compensation	**1.1**	0.3	**1.0**	0.3
Other prepaid operating expenses	**0.5**	0.9	**0.5**	0.8
Total	**1.7**	1.6	**1.6**	1.5

EUR million	Group 2006	Group 2005	Parent company 2006	Parent company 2005
Receivables from Group companies				
Short-term receivables				
Accounts receivable	**0.0**	0.0	**0.0**	0.0
Other receivables	**0.0**	0.0	**78.4**	0.4
Accrued income and prepaid expenses	**0.0**	0.0	**0.1**	0.0
Total	**0.0**	0.0	**78.5**	0.4
Receivables from associated companies				
Other receivables	**0.0**	0.0	**0.0**	0.0
Accrued income and prepaid expenses	**0.0**	0.0	**0.0**	0.0
Total	**0.0**	0.0	**0.0**	0.0
Deferred tax assets				
Long-term assets:				
Timing differences of special purpose vehicles	**0.3**	0.0	**0.0**	0.0
Consolidation	**1.2**	2.0	**0.0**	0.0
Total	**1.5**	2.0	**0.0**	0.0

6. SHAREHOLDERS' EQUITY

Share capital	**32.8**	0.0	**32.8**	0.0
Share capital increase	**0.1**	32.7	**0.1**	32.7
Share issue	**0.5**	0.1	**0.5**	0.1
Share capital 31 Dec.	**33.4**	32.8	**33.4**	32.8
Non-restricted equity				
Retained earnings 1 Jan.	**0.0**	0.0	**0.0**	0.0
Net profit/loss for the previous period	**–8.9**	0.0	**–13.5**	0.0
Retained losses 31 Dec.	**–8.9**	0.0	**–13.5**	0.0
Net profit/loss for the financial year	**65.0**	–8.9	**62.6**	–13.5
Non-restricted equity 31 Dec.	**56.1**	–8.9	**49.1**	–13.5
The amount transferred from appropriations				
to shareholders' equity	**6.5**	3.4		
The company's share capital by class of shares				
A shares			**3,233,000**	3,233,000
B shares			**55,000**	55,000

A and B shares differ from each other in terms of the right to a dividend. A shares confer the normal right to a dividend, while B shares entitle the holder to a dividend that may not exceed 99.5% of the distributable non-restricted shareholders' equity.

NOTES TO THE BALANCE SHEET

EUR million	Group 2006	Group 2005	Parent company 2006	Parent company 2005
Appropriations				
Depreciation difference	**0.0**	0.0	**8.8**	4.6
Statutory reserves				
Pension reserves	**0.5**	0.0	**0.5**	0.0
Other reserve	**4.0**	0.0	**4.0**	0.0
Total	**4.5**	0.0	**4.5**	0.0

Other reserve refers to rental liability reserve.

7. LIABILITIES

EUR million	Group 2006	Group 2005	Parent company 2006	Parent company 2005
Other long-term:				
Subordinated loans	**14.7**	67.1	**14.7**	67.1
Loans from financial institutions	**0.0**	178.4	**0.0**	177.5
Other payables to Group companies	**0.0**	0.0	**58.5**	0.0
Deferred tax liabilities	**4.8**	10.6	**0.0**	0.0
Other payables	**5.0**	20.0	**5.0**	20.0
Total other long-term liabilities	**9.8**	209.0	**63.5**	197.5
Short-term:				
Loans from financial institutions	**0.4**	5.2	**0.0**	5.0
Advances received	**0.2**	0.2	**0.2**	0.2
Accounts payable	**115.0**	80.7	**113.8**	79.7
Payables to Group companies	**0.0**	0.0	**0.1**	0.1
Payables to associated companies	**0.0**	0.0	**0.0**	0.0
Other payables	**9.5**	11.7	**9.4**	10.5
Accruals	**69.2**	42.5	**69.2**	42.4
Total short-term liabilities	**194.3**	140.3	**192.6**	137.9
Total liabilities	**204.1**	349.3	**256.1**	335.4
Short-term accruals include:				
Unpaid discounts (loyal customer refund)	**17.7**	15.5	**17.7**	15.5
Unpaid personnel costs	**26.3**	25.8	**26.3**	25.8
Other unpaid operating expenses	**1.0**	0.8	**1.0**	0.7
Unpaid financial expenses	**4.8**	0.4	**4.8**	0.4
Rent deposits	**0.1**	0.0	**0.1**	0.0
Unpaid taxes	**19.3**	0.0	**19.3**	0.0
Total	**69.2**	42.5	**69.2**	42.4

EUR million	Group 2006	Group 2005	Parent company 2006	Parent company 2005
Payables to Group companies				
Other long-term liabilities to Group companies			**58.5**	0.0
Short-term:				
Accounts payable			**0.1**	0.1
Other payables			**0.0**	0.0
Accruals			**0.0**	0.0
Short-term payables to Group companies			**0.1**	0.1
Total			**58.6**	0.1

Short-term accruals consist of unpaid financial expenses.

	Group 2006	Group 2005	Parent company 2006	Parent company 2005
Payables to associated companies				
Short-term:				
Accounts payable	**0.0**	0.0	**0.0**	0.0
Deferred tax liabilities				
Long-term:				
Appropriations by special purpose vehicles	**2.3**	1.2	**0.0**	0.0
Allocated consolidation asset	**2.5**	9.4	**0.0**	0.0
Total	**4.8**	10.6	**0.0**	0.0
Subordinated loans				
Subordinated loans 1 Jan.	**67.1**	0.0	**67.1**	0.0
Increase	**0.1**	67.1	**0.1**	67.1
Decrease	**–52.5**	0.0	**–52.5**	0.0
Subordinated loans 31 Dec.	**14.7**	67.1	**14.7**	67.1

The equity-linked convertible bonds I–III/2005 will fall due for payment on 31 December 2015 and carry an annual interest rate of seven (7) per cent. It can be repaid to the lender only if, following said repayment, the lender and the lender's Group of companies receive full cover on its shareholders' equity, calculated on the basis of the to-be-adopted consolidated balance sheet for the previous financial year, and other non-distributable items under the Companies Act.

Interest can be paid only if the amount payable can be used for profit distribution in accordance with the to-be-adopted balance sheet of the lender and the lender's Group of companies. In the event of the borrower's dissolution or bankruptcy, the loan's repayment, including interest, is given lower priority than any other debts.

The borrower or a corporation within the same Group may not give security for the payment of the loan's principal or other compensation.

The related bonds entitle their holders to subscribe for a maximum of 1,467,000 Tradeka Ltd Class A shares. As a result of the conversion of bonds into shares, the company's share capital may increase by a maximum of EUR 14,670,000. The conversion will be implemented in such a way that the convertible bonds (excluding interest) are fully or party converted into company shares for ten (10) euros per share. However, the conversion price must always be at least the share's nominal value or, if no nominal value exists, must equal the share's stated value. Ownership will not change if all of the bonds are converted into company shares.

NOTES TO THE BALANCE SHEET

	Group		Parent company	
EUR million	**2006**	2005	**2006**	2005
Loans from financial institutions				
Total	**0.4**	183.6	**0.0**	182.5
In short-term liabilities	**–0.4**	–5.2	**0.0**	–5.0
In long-term liabilities	**0.0**	178.4	**0.0**	177.5
Amortisation within next 2–5 years	**0.0**	–68.8	**0.0**	–68.0
Due after five years	**0.0**	109.6	**0.0**	109.5

Other payables				
Total	**5.0**	20.0	**5.0**	20.0
Due after five years	**5.0**	20.0	**5.0**	20.0

OTHER NOTES

Commitments and contingencies				
Real estate and business mortgages, pledged as security for debts				
Loans from financial institutions	**0.4**	183.6	**0.0**	182.5
Group account with credit facility	**22.0**	8.0	**22.0**	8.0
Warranty and letter-of-credit limits	**3.0**	2.0	**3.0**	2.0
Pledged real estate mortgages	**0.0**	66.6	**0.0**	0.0
Pledged business mortgages	**370.0**	370.0	**250.0**	250.0
Mortgages pledge as security total	**370.0**	436.6	**250.0**	250.0

The credit limit of EUR 22.0 million related to the Group account was not in use. EUR 0.4 million of the warranty limit and EUR 0.7 million of the letter-of-credit limit were in use.

Shares pledged as security for debt				
Loans from financial institutions	**0.4**	183.6	**0.0**	182.5
Book value of pledged shares	**0.0**	52.4	**0.0**	52.4
Total	**0.0**	52.4	**0.0**	52.4

Other pledges				
Book value of pledged shares	**0.5**	0.2	**0.5**	0.2
Deposit guarantees and rental guarantees	**0.5**	0.4	**0.5**	0.4
Total	**1.0**	0.6	**1.0**	0.6

EUR million	Group 2006	Group 2005	Parent company 2006	Parent company 2005
Amounts due for leasing contracts				
Payable the following year	**2.5**	2.6	**2.5**	2.6
Payable later	**4.4**	5.5	**4.4**	5.5
Total	**6.9**	8.1	**6.9**	8.1

Lease liabilities payable later include rent for equipment and the equipment's redemption price and return price.

EUR million	Group 2006	Group 2005	Parent company 2006	Parent company 2005
Pledges given on behalf of Group companies				
Guarantees given	**1.0**	0.0	**1.0**	0.0
Rental guarantees	**0.3**	0.0	**0.3**	0.0
Total	**1.3**	0.0	**1.3**	0.0

The EUR 1.0 million guarantee given on behalf of T-Kiinteistöt Oy is included in the warranty and letter-of-credit limit and enables the use of the limit under the name of T-kiinteistöt Oy. The limit was not in use under the name of T-kiinteistöt Oy on 31 December 2006.

EUR million	Group 2006	Group 2005	Parent company 2006	Parent company 2005
Contingent liabilities on other companies' behalf				
Guarantees given	**0.0**	0.3	**0.0**	0.3
Other contingent liabilities				
Interest liabilities due to convertible bonds	**4.8**	1.9	**4.8**	1.9
Lease liabilities				
Payable the following year	**56.1**	36.3	**56.1**	36.3
Payable later	**365.3**	140.9	**365.3**	140.0
Total	**421.4**	177.2	**421.4**	177.2

Interest-rate swaps

The nominal value of interest-rate swaps totals EUR 111.0 million. EUR 74.0 million in interest-rate swaps will mature in three years and the remaining 37.0 million in five years. Tradeka Ltd's payment obligation is based on a fixed interest rate. The bank's payment obligation with respect to interest-rate swaps is based on the 3-month Euribor floating rate.

On 31 December 2006, the fair value of Tradeka Ltd's interest-rate swaps amounted to EUR 3.1. million and EUR 0.1 million was entered in interest carried forward.

SUBSIDIARIES

	Domicile	Shareholding %
Jyrängön Palvelukeskus Oy	Heinola	50
Oulun Eka, Ki Oy	Oulu	100
Peimarin Puoti Oy	Paimio	84
Peltosaaren Liikekeskus	Riihimäki	60
Vantaan Simonsampo, Ki Oy	Vantaa	100
ZAO Renlund Spb	St. Petersburg	100
T-kiinteistöt Oy	Helsinki	100

ASSOCIATED COMPANIES

	Domicile	Shareholding %
Koskelan Ostokeskus Oy	Oulu	29
Kärpäsen Ostoskeskus Oy	Lahti	27
Lohikosken Liikekeskus Oy	Jyväskylä	26
Punkalaitumen Pankkitalo As Oy	Punkalaidun	34
Suvilahden Palvelukeskus Oy	Vaasa	29
Tuko Logistics Oy	Kerava	39
Voisalmen Ostoskeskus Oy	Lappeenranta	50

BOARD SIGNATURES

Helsinki, 12 March 2007

Antti Remes Chairman	Michael Rosenlew Vice Chairman
Max Alfthan	Juha Hellgren
Kristian Kemppinen	Christian Ramm-Schmidt
Markku Uitto President & CEO	

AUDITORS' REPORT

To the shareholders of Tradeka Oy

We have audited the accounting records, the report of the Board of Directors, the financial statements and the administration of Tradeka Oy for the period 1 January–31 December 2006. The Board of Directors and the Managing Director have prepared the report of the Board of Directors and the financial statements, which include the consolidated and parent company balance sheet, income statement, cash flow statements and notes to the financial statements. Based on our audit we express an opinion on these financial statements, as well as on the report of the Board of Directors and on administration of the parent company.

We have conducted the audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the report of the Board of Directors and the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the report of the Board of Directors and in the financial statements, assessing the accounting principles used and significant estimates made by the management as well as evaluating the overall financial statement presentation. The purpose of our audit of administration is to examine whether the members of the Board of Directors and the Managing Director of the parent company have complied with the rules of the Companies' Act.

In our opinion the report of the Board of Directors and the financial statements have been prepared in accordance with the Accounting Act and other rules and regulations governing the preparation of financial statements in Finland. The report of the Board of Directors and the financial statements give a true and fair view, as defined in the Accounting Act, of both the consolidated and parent company's result of operations as well as of the financial position. The report of the Board of Directors is consistent with the financial statements. The financial statements with the consolidated financial statements can be adopted and the members of the Board of Directors and the Managing Director of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the disposal of result for the period is in compliance with the Companies' Act.

Helsinki, 12 March 2007

KPMG Oy Ab	PricewaterhouseCoopers Oy Authorised Public Accountants
Jukka Rajala, APA	Kim Karhu, APA

CORPORATE GOVERNANCE AND MANAGEMENT

Tradeka Ltd' corporate governance complies with the Companies Act, other related legislation and the company's Articles of Association. Tradeka Ltd applies sound business principles in managing its business, aimed at increasing shareholder value on a long term basis and taking stakeholder groups and the principles of sustainable development into consideration.

Responsibility for Tradeka Ltd's management and operations rests with the parent company's administrative bodies: shareholders' meetings, the Board of Directors and the President & CEO.

The company's highest decision-making body is the shareholders' meeting. The Annual General Meeting (AGM) convenes annually in June at the latest. It elects the Board of Directors for a term of one year at a time, comprising 3–10 members. Electing a Chairman from amongst its members, the Board of Directors is in charge of the company's management and its due organisation.

The Board of Directors sets up an Audit Committee comprising its members, responsible for preparing, co-ordinating and assessing risk management, internal control, financial reporting and audit and internal auditing. The Audit Committee meets 3–4 times a year. The Board of Directors also sets up a Compensation Committee from amongst its members, which meets whenever necessary and is tasked with preparing management remuneration issues and major issues pertaining to the organisation and appointments.

The Board of Directors appoints the company's President & CEO, responsible for the company's day-to-day management in accordance with Board instructions, and his/her deputy.

The Corporate Management Team comprises the President & CEO and other members appointed by the Board of Directors upon the President & CEO's proposal. The Corporate Management Team has no powers based under law or the Articles of Association but works as a consultative body assisting the President & CEO in preparing strategic options while answering for the implementation of strategies determined by the Board of Directors.

Since 1 June 2006, Tradeka Ltd's Corporate Management Team has comprised Vice Presidents for corporate functions and store chains, who report on the development, operations and performance within their remit to the President & CEO.

CONTROL SYSTEM

Tradeka Group's co-ordination and control of business operations are based on the management system described above. The Group applies reporting systems required for efficient business monitoring. Ultimate responsibility for the due organisation of accounting and financial-management supervision rests with the Board of Directors, while the President & CEO is responsible for accounting's compliance with law and the reliable organisation of financial management.

Reporting to the President & CEO, Tradeka Ltd's Internal Auditing is tasked with checking and assessing the appropriateness and effectiveness of the Group's internal control system, the reliability of financial information and reporting, and the adherence to rules, operating principles and instructions. The Board of Directors approves audit plans for Internal Auditing and the related audit reports are presented to the Board's Audit Committee on a biannual basis. As part of legality control, auditors assess the effectiveness of internal control measures.

The AGM elects at least one firm of Authorised Public Accountants or at least one auditor and one deputy auditor for one financial year at a time. Auditors must be Authorised Public Accountants or firms of Authorised Public Accountants, certified by the Central Chamber of Commerce.

The auditors issue their statutory auditors' report as part of the company's financial statements and report on their observations to the Audit Committee and the Board of Directors on a regular basis.

BOARD OF DIRECTORS AND AUDITORS

From left:
Markku Uitto,
Antti Remes (Chairman),
Max Alfthan,
Christian Ramm-Schmidt
Kristian Kemppinen,
Michael Rosenlew,
Terhi Raatesalmi and
Juha Hellgren

ANTTI REMES
Chairman
b. 1947, M.Sc. (Econ. & Bus. Adm.), vuorineuvos
(Finnish honorary title)
Cooperative Tradeka Corporation/President,
On Tradeka Ltd's * Board of Directors since 1994

MICHAEL ROSENLEW
Vice Chairman
b. 1959, M.Sc. (Econ. & Bus. Adm.)
Industri Kapital/Partner
On Tradeka Ltd's Board of Directors since August 2005

Members
MAX ALFTHAN
b. 1961, M.Sc. (Econ. & Bus. Adm.)
Amer Sports Corporation/Vice President, Communications
On Tradeka Ltd's Board of Directors since September 2005

JUHA HELLGREN
b. 1958, Engineer
Wihuri Oy/President & CEO
On Tradeka Ltd's Board of Directors since September 2005

KRISTIAN KEMPPINEN
b. 1974, M.Sc. (Econ. & Bus. Adm.)
Industri Kapital/Partner
On Tradeka Ltd's Board of Directors since September 2006

* or current Tradeka Ltd's predecessor

CHRISTIAN RAMM-SCHMIDT
b. 1946, B.Sc. (Econ. & Bus. Adm.)
Merasco Capital Ltd/Partner
On Tradeka Ltd's Board of Directors since September 2005

THOMAS RAMSAY
b. 1969, M.Sc. (Econ. & Bus. Adm.)
Industri Kapital/Partner
On Tradeka Ltd's Board of Directors from August 2005
until September 2006

MARKKU UITTO
b. 1964, M.Sc. (Econ. & Bus. Adm.)
Tradeka Ltd/President & CEO
On Tradeka Ltd's Board of Directors since August 2005

TERHI RAATESALMI
Employee representative with the right to attend and speak at the meeting
b. 1964, Tradeka Ltd/regional shop steward
Employee representative on Tradeka Ltd's
Board of Directors since January 2006

Auditors
KPMG Oy Ab
Chief auditor JUKKA RAJALA
b. 1965, M.Sc. (Econ. & Bus. Adm.), APA

PricewaterhouseCoopers Oy
Chief auditor KIM KARHU
b. 1956, M.Sc. (Econ. & Bus. Adm.), APA

CORPORATE MANAGEMENT TEAM

From left:
Jussi Tolvanen
Jaana Lehto,
Timo Purosalo,
Veijo Heinonen,
Kari Luoto,
Niclas Ahlbom,
Juhani Mast and
Markku Uitto

MARKKU UITTO
b. 1964, M.Sc. (Econ. & Bus. Adm.)
President & CEO
At Tradeka Ltd * since 1996, President & CEO since 2004

NICLAS AHLBOM
b. 1966, M.Sc. (Econ. & Bus. Adm.)
Vice President, Valintatalo Chain
At Tradeka Ltd since 2005, in the current position since 2006

VEIJO HEINONEN
b. 1961, M.Sc. (Econ. & Bus. Adm.)
Vice President, Siwa Chain
At Tradeka Ltd * since 1998, in the current position since 2006

JAANA LEHTO
b. 1962, M.Sc. (Econ. & Bus. Adm.)
Vice President, Business Development
At Tradeka Ltd * since 1990, in the current position since 2006

KARI LUOTO
b. 1968, eMBA
Vice President, CRM and marketing
At Tradeka Ltd * since 1990, in the current position since 2002

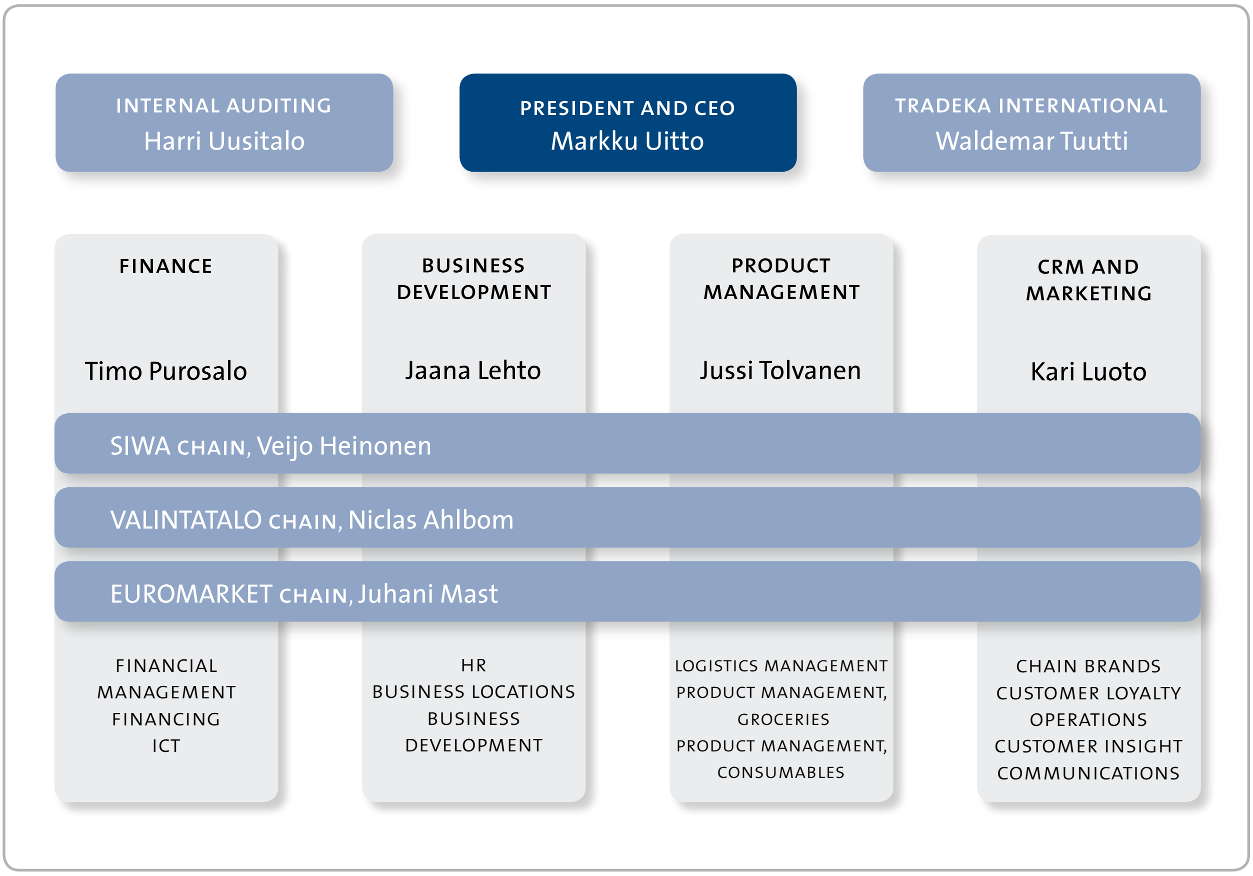
JUHANI MAST
b. 1946, QBA
Vice President, Euromarket Chain
At Tradeka Ltd * since 1961, in the current position since 2006

TIMO PUROSALO
b. 1966, M.Sc. (Econ. & Bus. Adm.)
Vice President & CFO
At Tradeka Ltd since 2005, in the current position since 2005

JUSSI TOLVANEN
b. 1974, M.Sc. (Econ. & Bus. Adm.)
Vice President, Product Management
At Tradeka Ltd * since 1999, in the current position since 2004

* or at current Tradeka Ltd's predecessor company

BUSINESS ORGANISATION



TRADEKA'S CHAIN BRANDS

SIWA

Finland's most popular neighbourhood shop, Siwa, has grown into the market leader in its sector over the last 25 years, its chain comprising a total of 538 (+46) outlets at the year end, from Hanko to Inari. Depending on their size, which varies from less than 100 to 399 square metres, the shops differ in the range of products available for sale, from 1,500 to 2,500.

valintatalo

Valintatalo is Finland's oldest grocery chain, whose first outlet was opened in 1966. At one time introducing Finns to prawns, this urban grocery shop still has the latest trendy convenience goods in its product range. The year-end number of outlets within the chain totalled 183 (+50).

Euromarket

Euromarket operates through two different concepts (the compact hypermarket and superstore) in major growth centres. In addition to its extensive and diversified range of groceries, the Euromarket chain provides excellent opportunities for easy shopping for frequently used consumables. While it offers more products than supermarkets, shopping is quicker than in hypermarkets, hence the slogan 'Big but nimble'. The year-end number of Euromarket stores totalled 26 (+5).

YkkösBonus, Tradeka's loyal customer scheme, is Finland's most extensive service network, represented by a variety of firms. Involving 20 partner organisations, the scheme has more than 2,300 outlets accepting the YkkösBonus card across Finland. Almost two million customers in more than one million households in Finland hold an YkkösBonus card. The YkkösBonus slogan is 'A Windfall Once a Year'.

Tradeka

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www. tradeka.fi

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