

A Short History of S Group

It's basic business idea and cooperative values as the frames of all businesses

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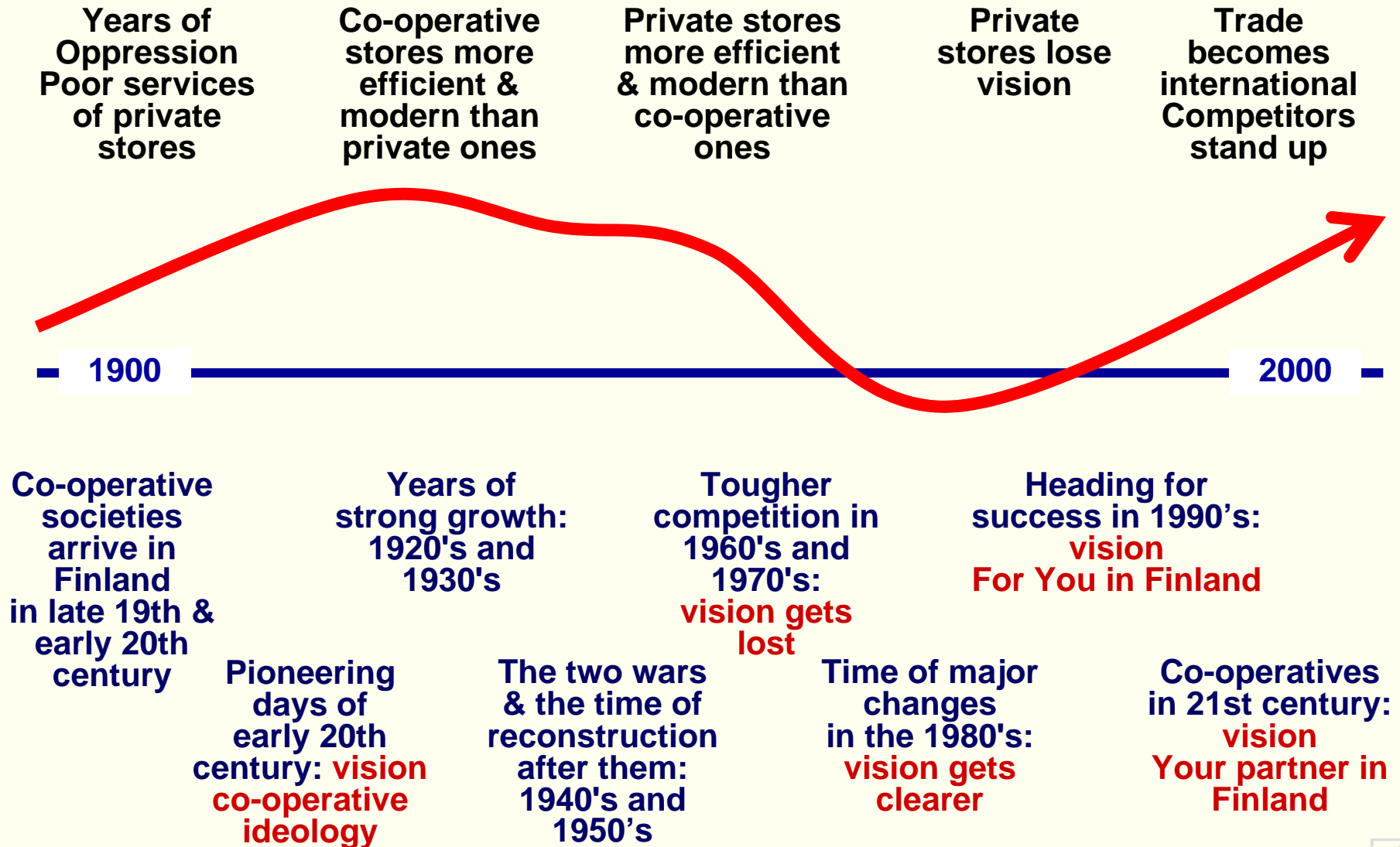


"You are a small group, but you have a future and you have supporters and helpers"

With these words an early keen promoter of co-operative stores in Finland, Viktor Fagerström, concluded the constitutive meeting of the Finnish Central Co-operative of stores (SOK) in 1904 at Tampere and wished representatives of the 12 founding co-operative stores a safe trip home and success with their co-operative store businesses.



S Group Ups and Downs



Development of Vision for S Group

Clear vision guided development – vision developed

Co-operative ideology as a vision

Your benefit in Finland – vision of the 1990's

Your partner in Finland – vision of the early 21st century

Our shop – vision of the mid-21st century

Powerful up to early 1950's

Emphasis on chain activities and customer-owner benefits

Emphasis on customer-owners, regionality and efficiency

Emphasis on co-operation, know-how & efficient networks



Common Mission, Vision, Goals and Values

Common mission

The mission of S Group is to produce services and benefits to its customer-owners – customer is owner and co-operative partner

What are we here for

Common vision

Our store

What we want to be like

Common goals

Business ideas
Strategies
Goals
Operation Models

What kind of goals and activity

Common values

Productivity
Responsibility
Renewal
Partnership

Guiding values and principles



The S Group of the 21st Century

**S Group mission statement guides all activities of the group:
Producing services and benefits for customer-owners**

**Clear
business
concept**

**S Group is a Finnish business group that is strongly
international in many of its activities**

Finnish

**S Group operates through regional co-operative stores and
regional structures near its customer-owners, common
people**

Regional

**S Group is a co-operative group of companies that
emphasizes the central values of Finnish society in its
decisions and actions, i.e. regionality and a democratic mode
of action**

**Co-oper-
ative**

**S Group seeks to be a human and economically strong group
of companies that is a front runner in the customer-centric
development of its business sectors within a market
economy**

Human



What is a Human Market Economy Company Like

Human market economy companies emphasize

Partnership of management, personnel and interest groups

Trust, justness

Management by value and connection of ethical values to mode of operation of the company

Social responsibility in a human market-economy company covers economy, environment and people

Human market economy companies are

Modern, well managed companies where internal personal relations are based on trust, respect of each other, and justness

Success of the company is a common asset that can be influenced by one's own activities and know-how

It is a modern management style in a global and multidimensional world



**Customer-owners,
regionality, co-operation
and domesticity =**

**For customer owners
and the region**

**Cost-efficiency &
management in business
and in support & service
activities =**

**Efficient, productive,
and cheapest shopping
basket**

**Our
store**

**Multi-portfolio business,
control of business
concepts & good network
coverage =**

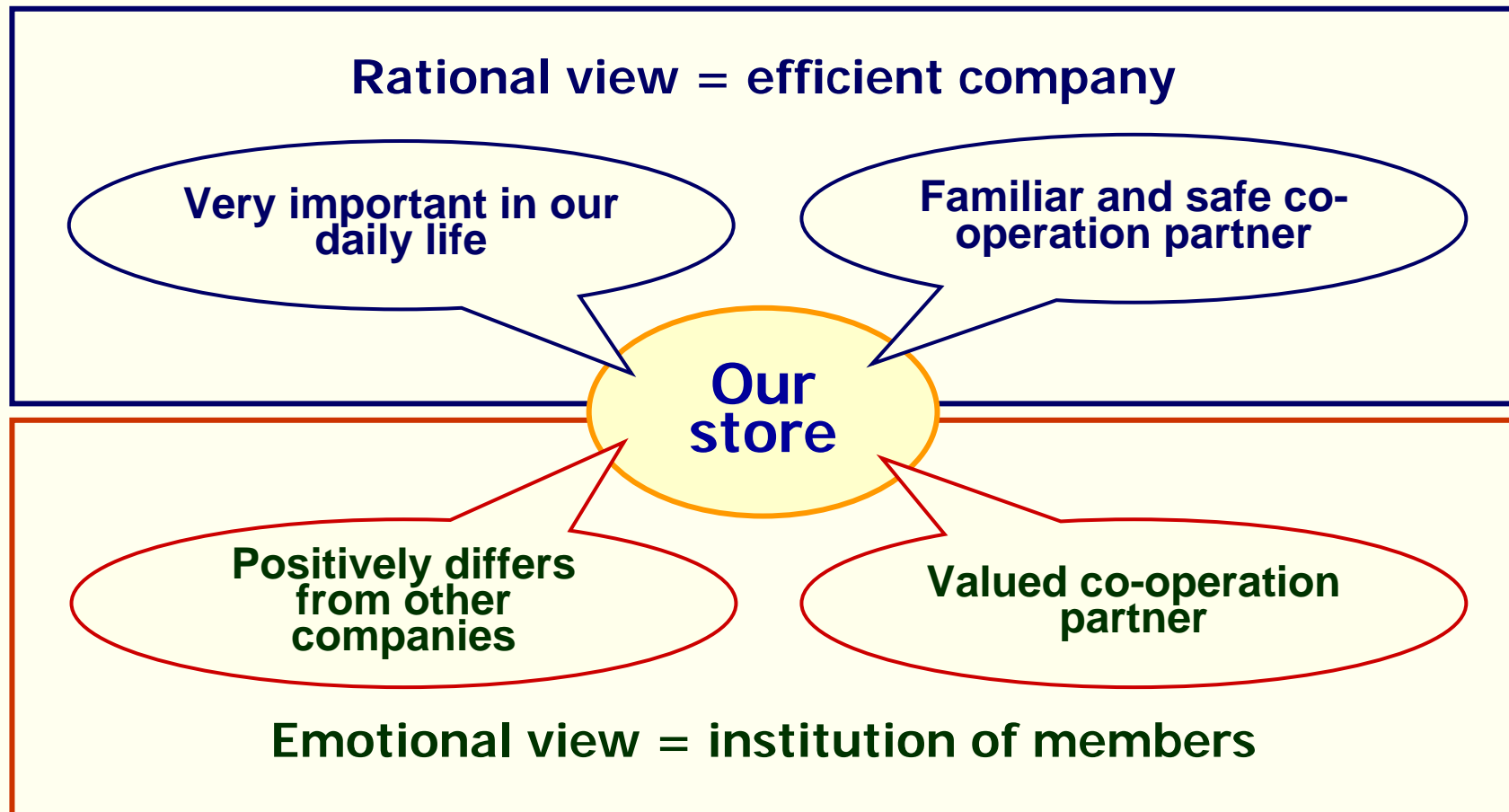
**Versatile, cheap, and
first-rate services**

**Personnel &
management,
data systems &
management by
information,
S Group co-operative
network & specialization =**

**Skilled and co-
operative persons for
all tasks**



Rational and Emotional View of the Importance of the Co-operative in the Everyday Life of a Member



Structure of S Group in brief

22 Regional Coops, which own SOK Corporation

SOK Corporation

**Associated Company Inex, Centralized
purchasing and logistics**

Retail Sales 2004 : 7.929 B€ (+10,9 %)

Operational Profit 2004 : 302 M€

Total Personnel 2004 : 26 353

**Bonus payments to members / Customer Owners
2004 : 167 M€**

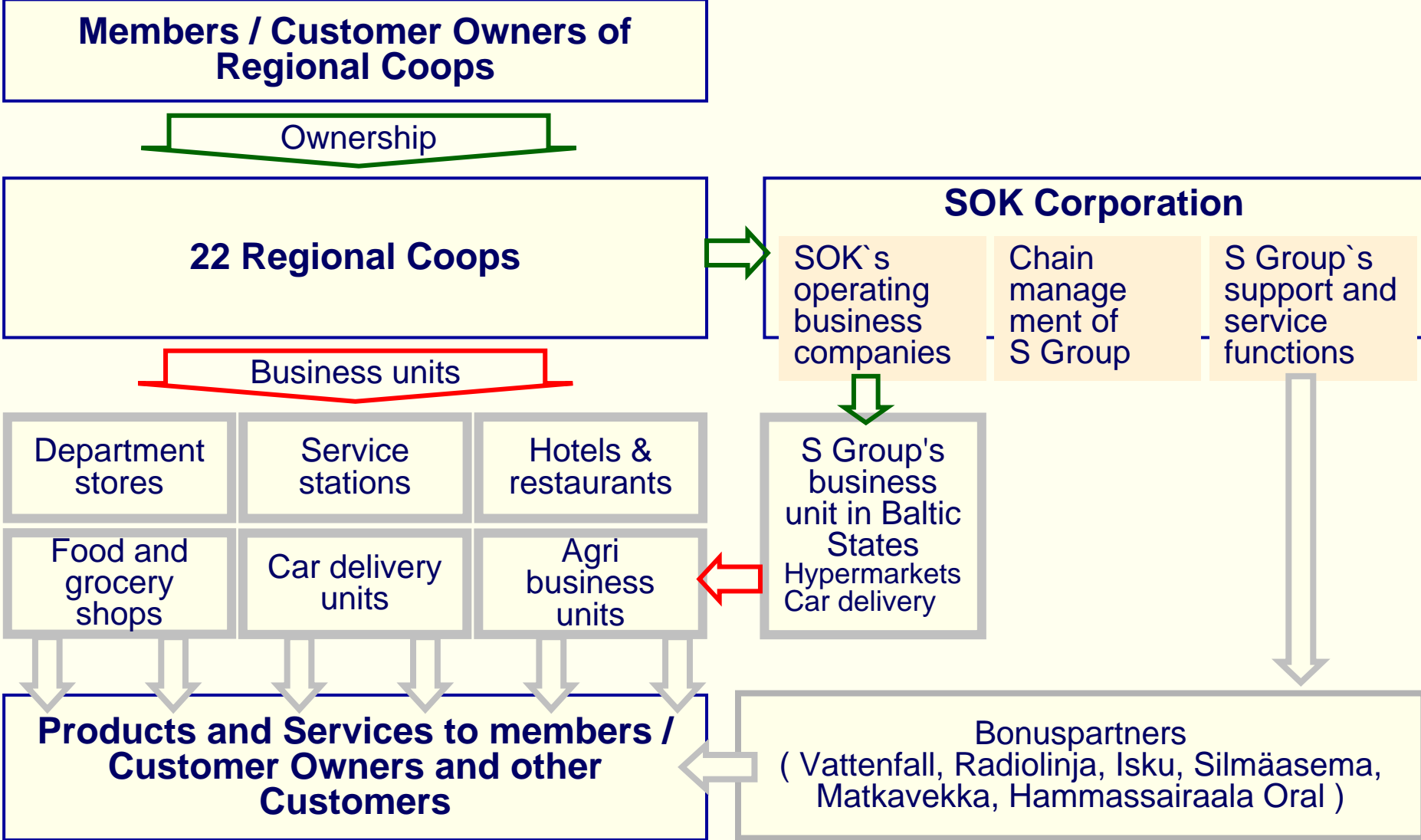


Purpose of the S Group

The purpose of the S Group is to provide services and benefits for customer-owners.



Structure of S Group



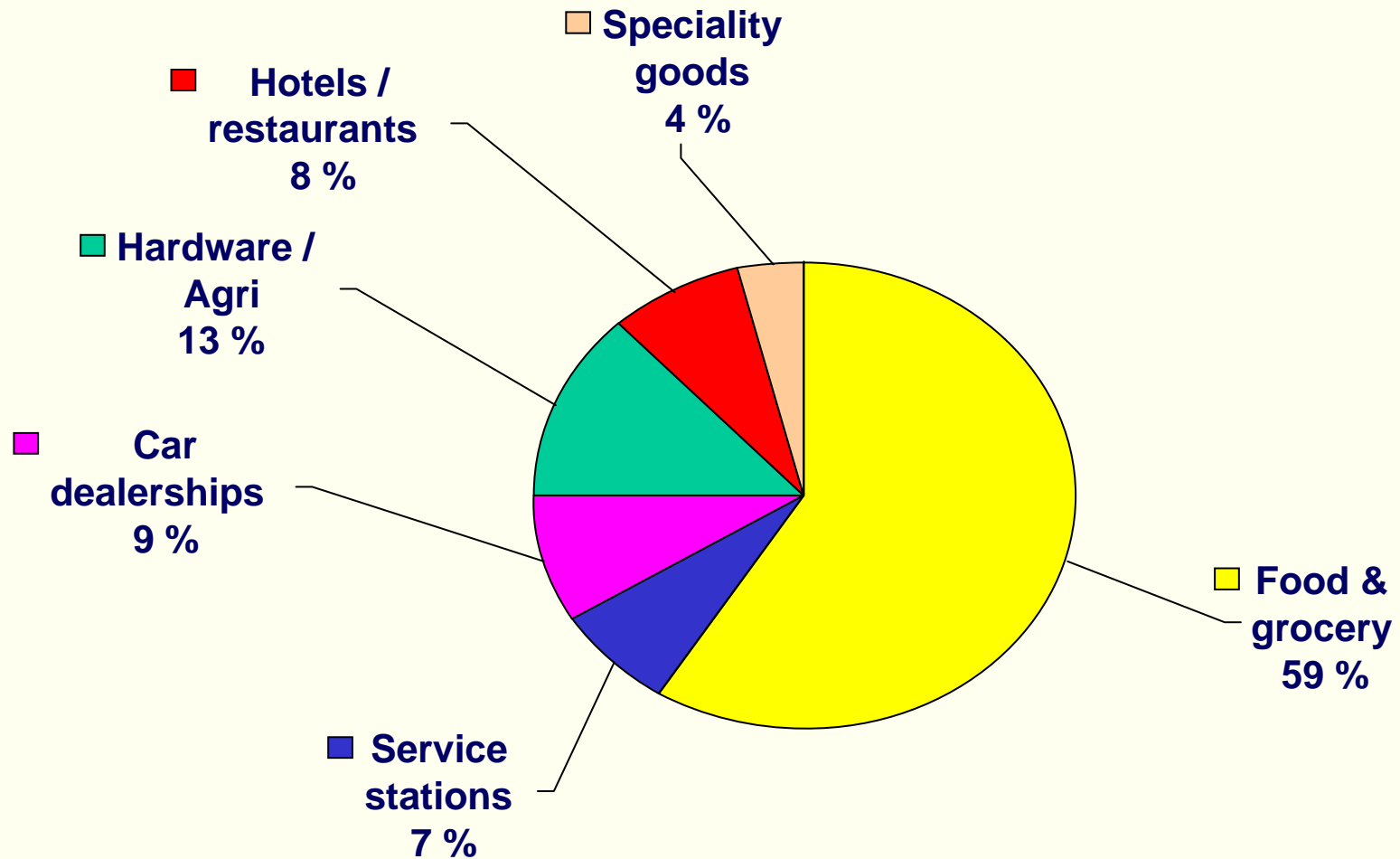
The S Group 2000 - 2004

	2001	2002	2003	2004
Retail sales (M€)	6.554	6.858	7.149	7.929
- regional coops	5.340	5.640	5.894	6.653
- SOK Corporation	1.214	1.218	1.255	1.277
Operating profit (M€)	246	288	283	302
- regional coops	207	232	229	247
- SOK Corporation	39	55	52	55
Personnel	22.615	22.814	23.437	26.353
- regional coops	18.078	18.169	18.488	21.563
- SOK Corporation	4.537	4.645	4.949	4.790
Gross investments (M€)	236	242	345	370
Bonus payments to customer owners (M€)	100	116	132	167



The S Group's retail trade by branch 2004

Total EUR 7.929 million + 10,9%

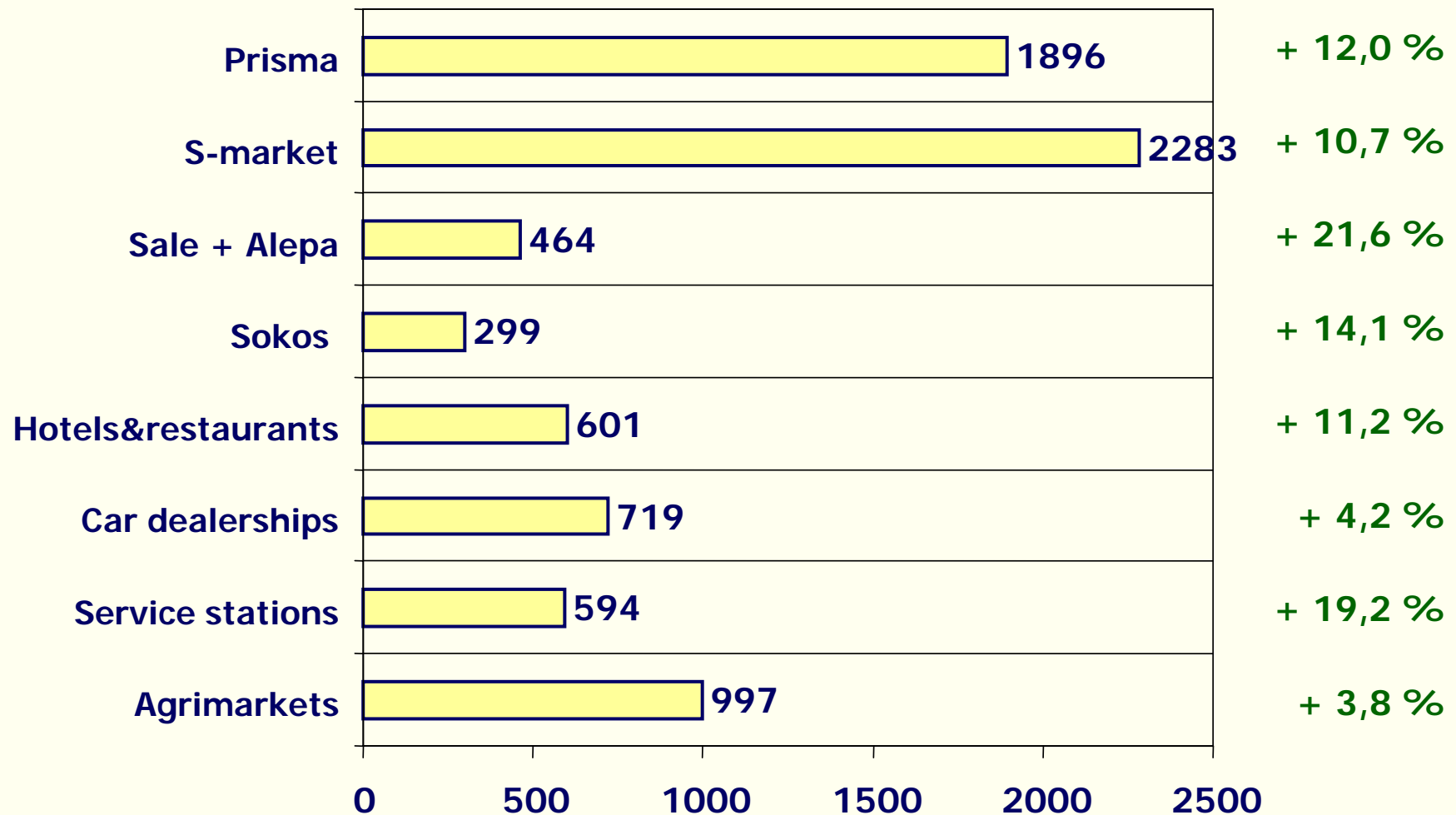


S Group's Leading Chains 2005

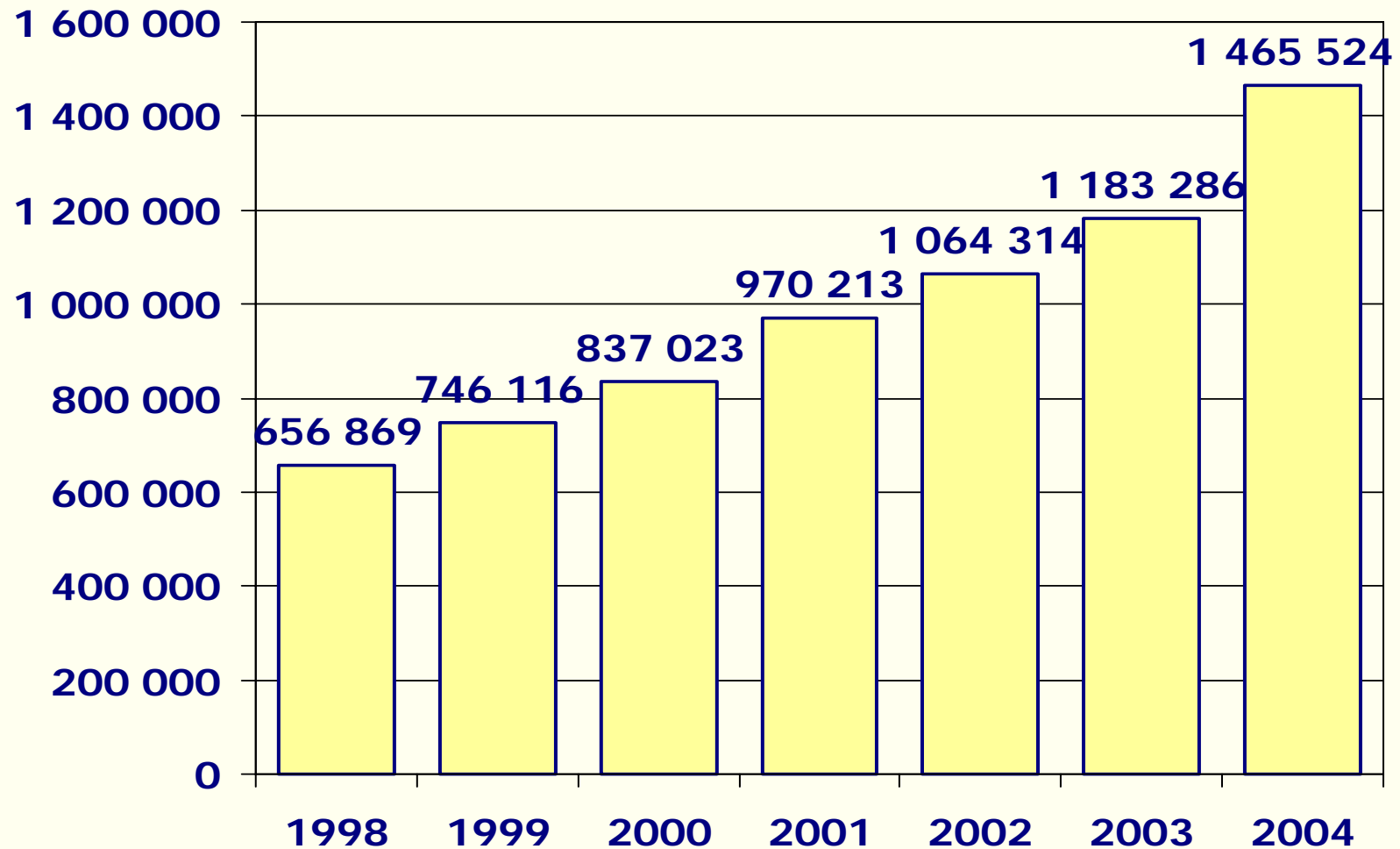
	Units 28.2.2005
Prisma (hypermarket)	46
S Markets (supermarket)	369
Sale (neighborhood store)	171
Alepa (neighborhood store)	73
Sokos (department store)	20
ABC and other service stations + unmanned stations	162
Agrimarkets and Machine Centers	154
Sokos Hotels	37
Radisson SAS Hotels	6
Chain restaurants	226



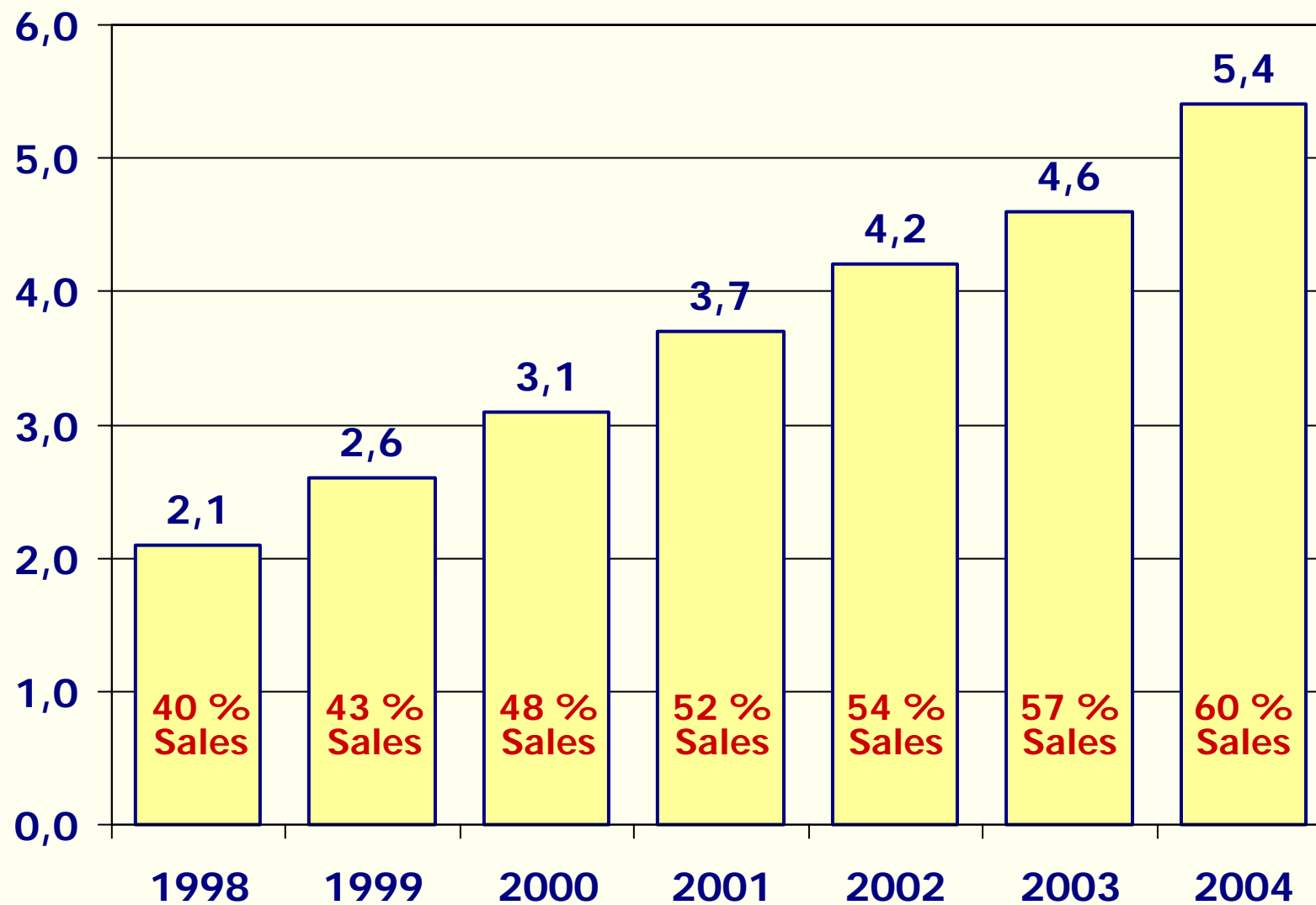
S Group retail sales by chain 2004 M€



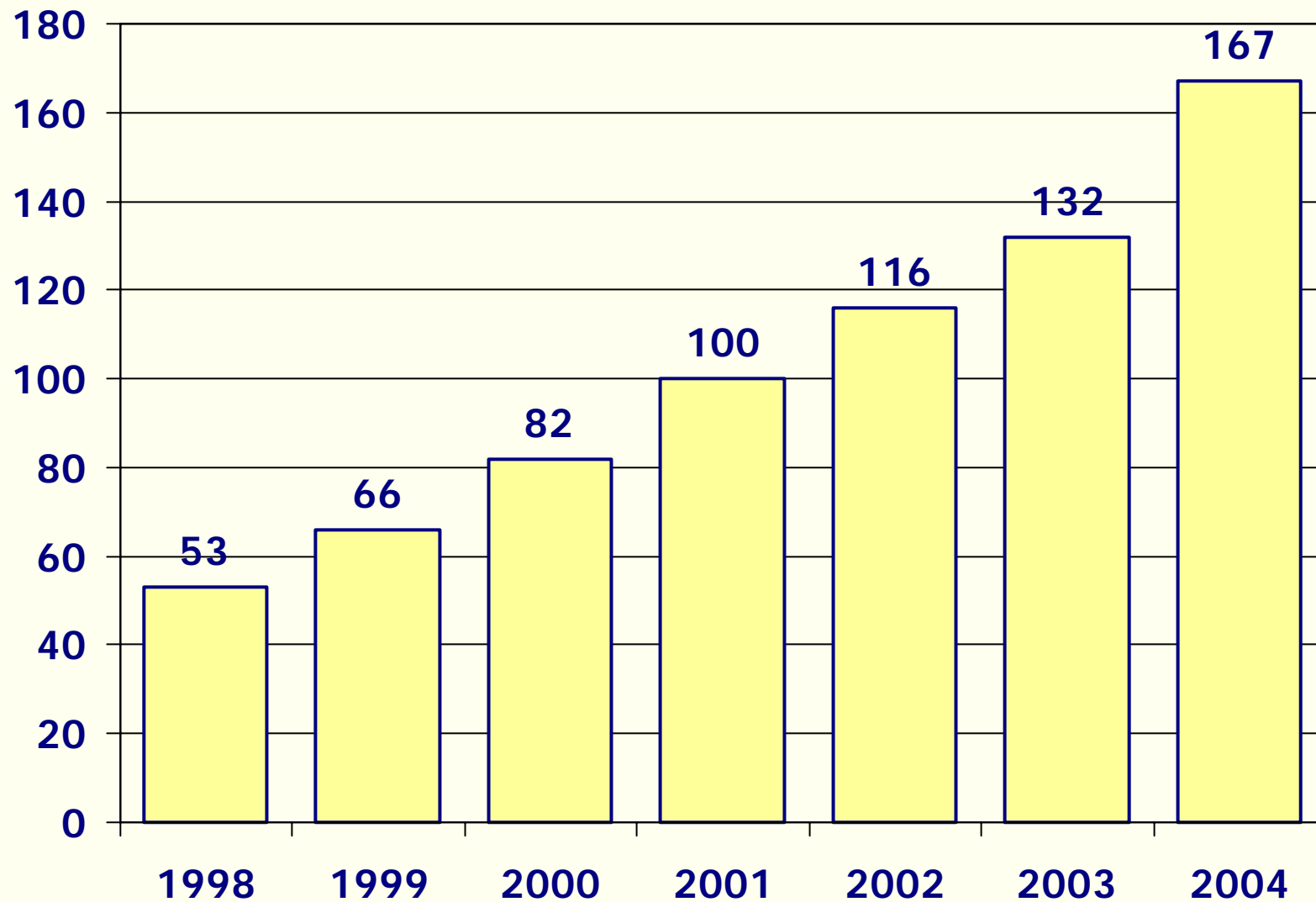
Number of customer owners 1998 - 2004



Bonus Sales to customer-owners 1998 – 2004 Mrd.€

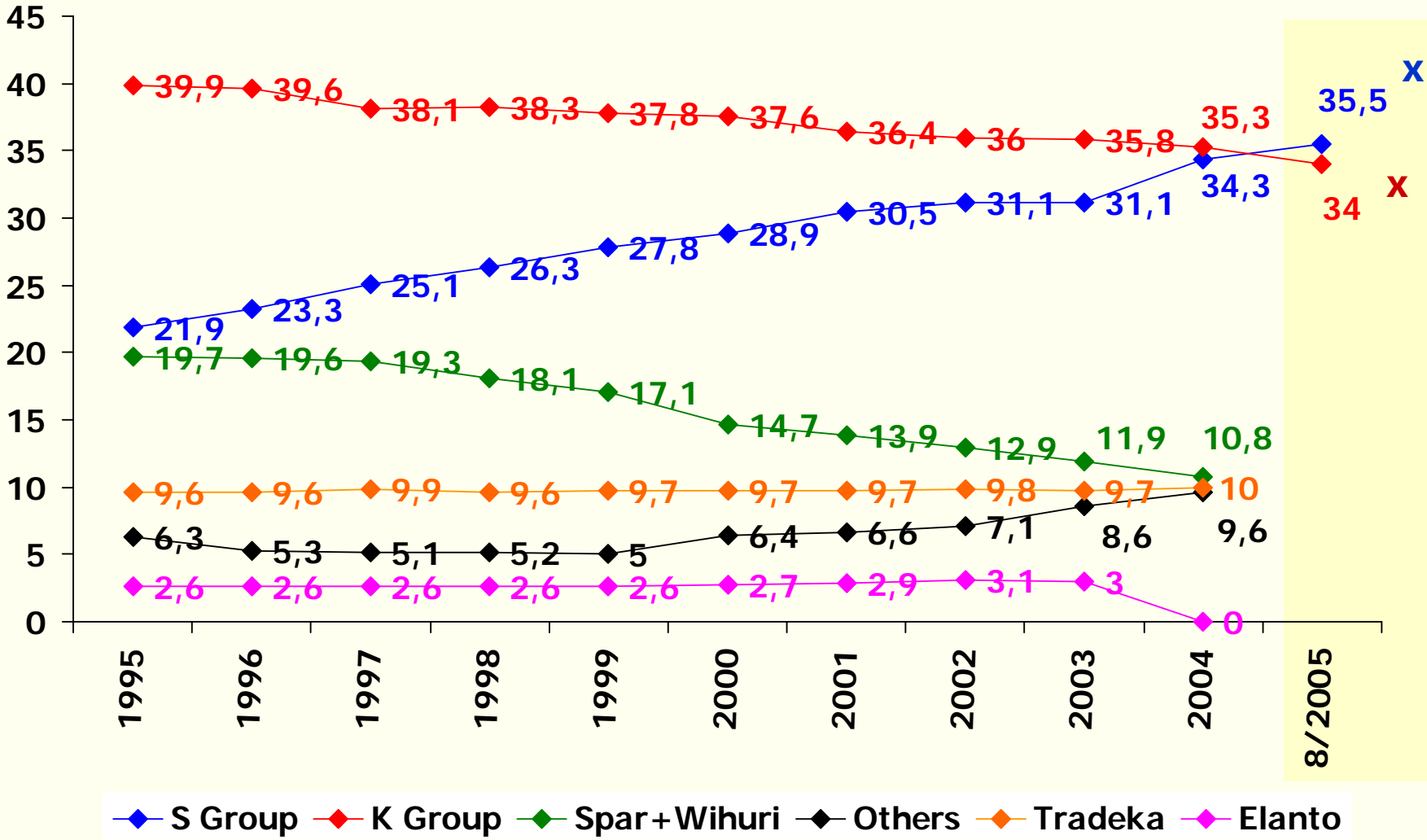


Bonus payments to customer-owners 1998-2004 M€



Market share % of Finnish retail groups

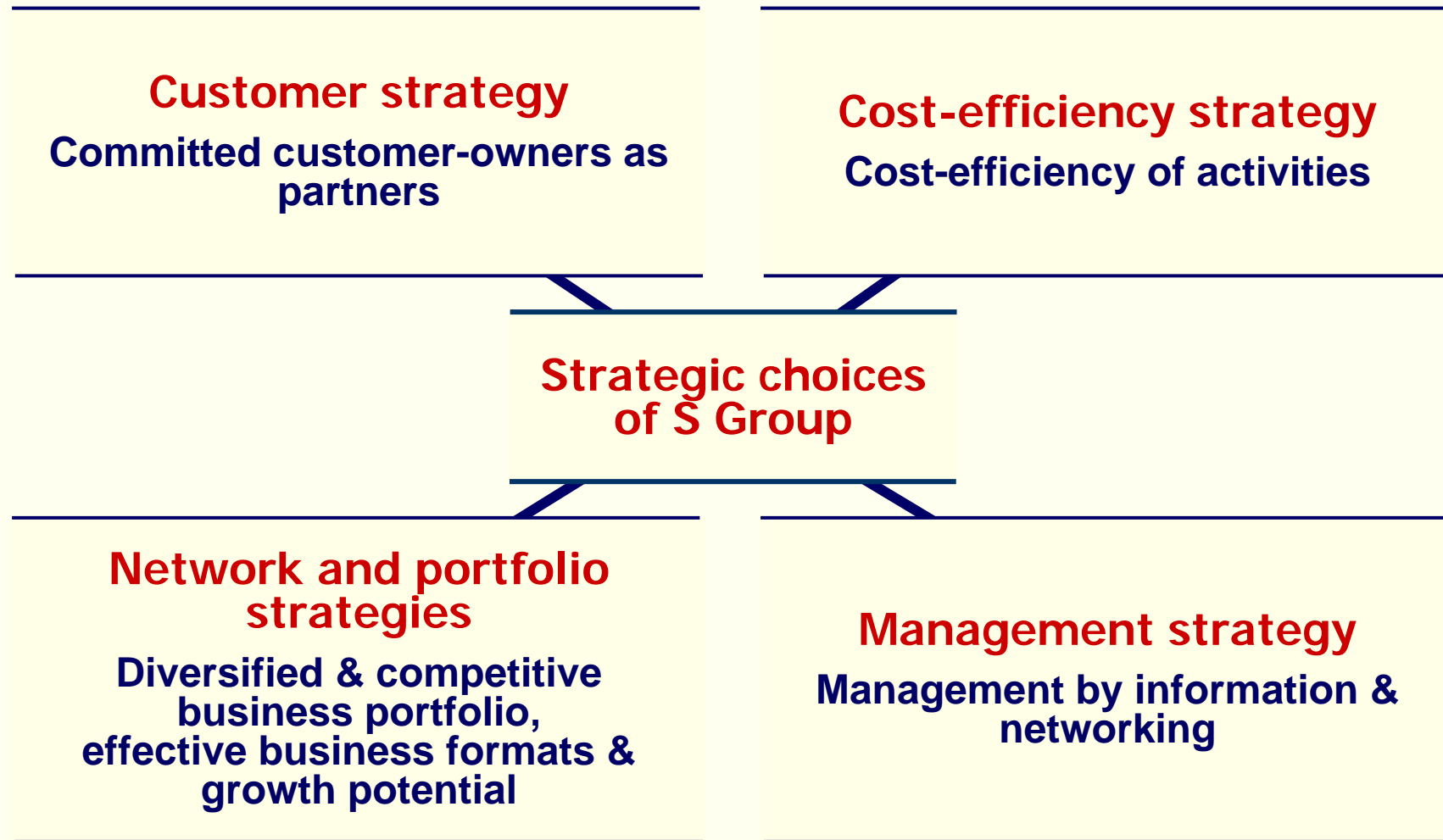
1995 – 2004/2005 (food & grocery)



X X estimate 8/ 2005



Strategic Success factors of S Group



Cornerstones of Strategic Success of S Group

Customer-owners, regionality, co-operation and domesticity

Customer-owner focus as competitive edge

Cost-efficiency and management in business and in support and service activities

Efficiency as competitive edge

The mission of the S Group is to produce services and benefits to its customer-owners

Customer is owner and co-operative partner

Quality, price and versatility as competitive advantages

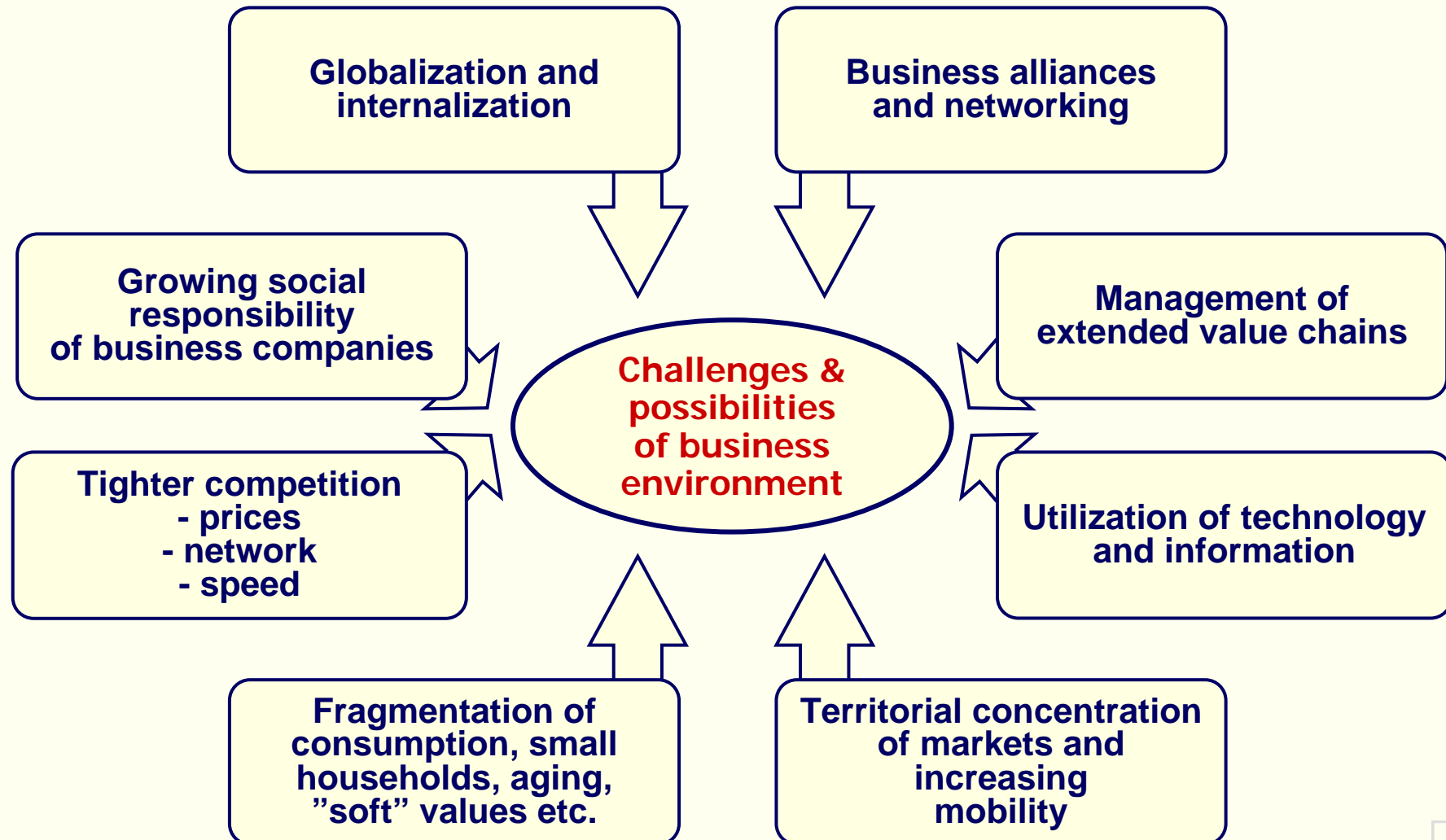
Know-how, co-operative networks and management by information as competitive advantages

Multi-portfolio business, control of business concepts and good coverage of network

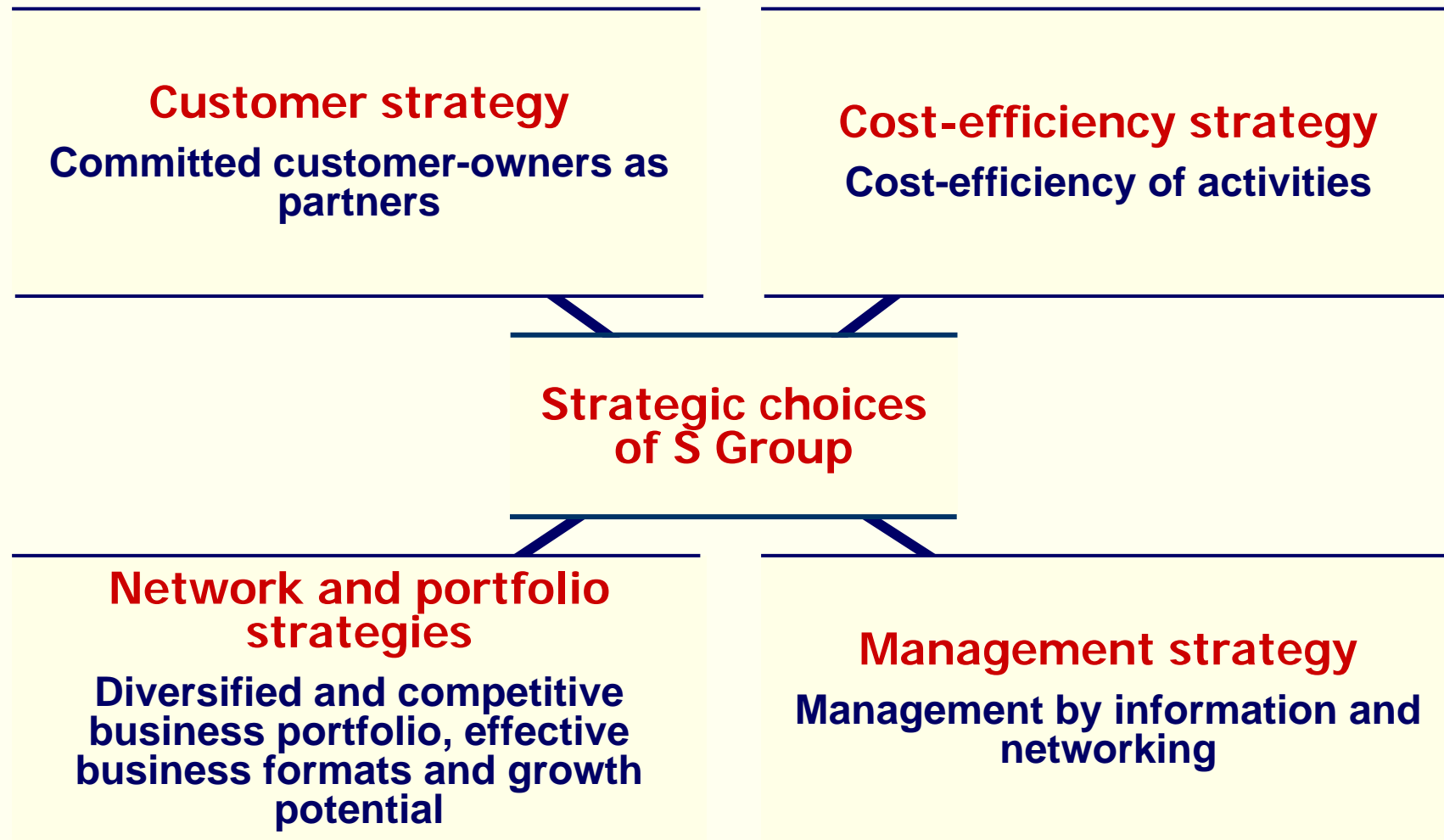
Personnel and management, data systems and management by information, S Group co-operative network, and specialization



Notes of the operating environments of trade and services in early 21st century



The Strategic Choices of S Group are Based on Business Idea and Vision



The Core of S Group Competitive Edge and Success Is, and Will be, its Business Concept

Decision-making and mode of operation

Members = owners choose decision-makers
Decision-making is democratic and emphasizes social responsibility of co-operative business

Use of profits

Profits to members = customer-owners, their companies and the region

The mission of S Group is to produce services and benefits to its customer-owners

Customer-owner is owner and co-operative partner

Services and benefits

Making buying cheaper and easier for customer-owners
Wide network and cheap shopping basket

Co-operation

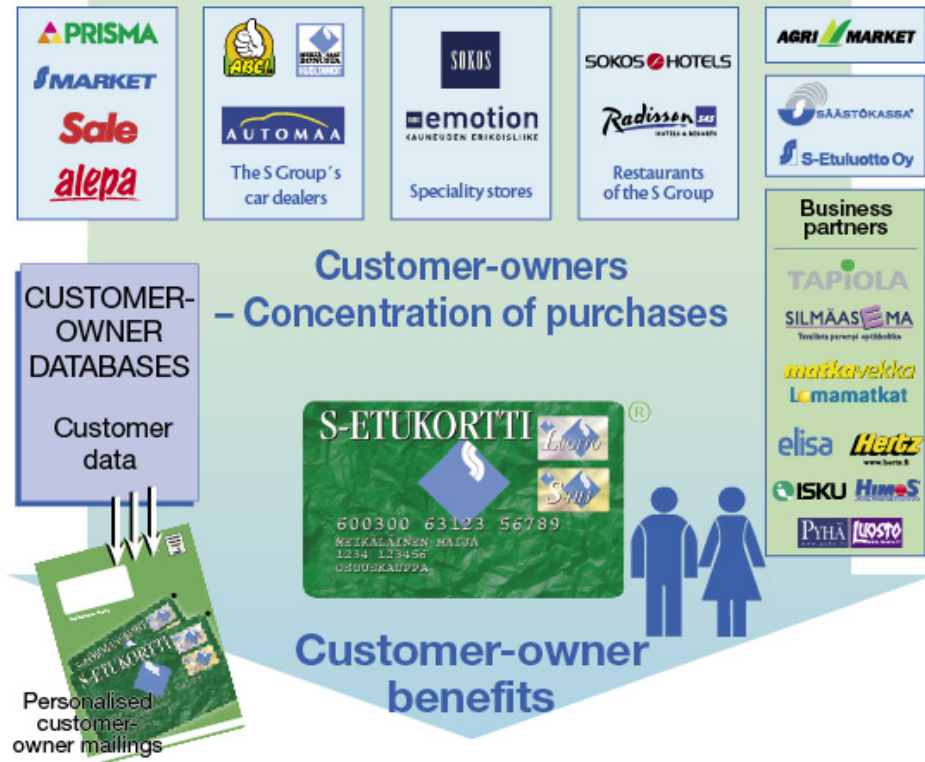
Efficient network of SOK and co-operative stores extends from customer-owner to providers of goods and services



The S Group's mission: Produce products and benefits to customer owners

Aim of the S Group

UNITS AND COMPANIES PRODUCING BENEFITS



BENEFITS FOR CUSTOMER-OWNERS

MEMBERSHIP BASED BENEFITS

- Product and service benefits
- Customer-owner mailings
- Interest on the participation share
- Accounts in the savings association
- The S Benefit Credit
- Opportunity to influence

BENEFITS BASED UPON THE UTILISATION OF SERVICES

- Bonus
- Distribution of surplus
- Rewarding recognition

08/2005