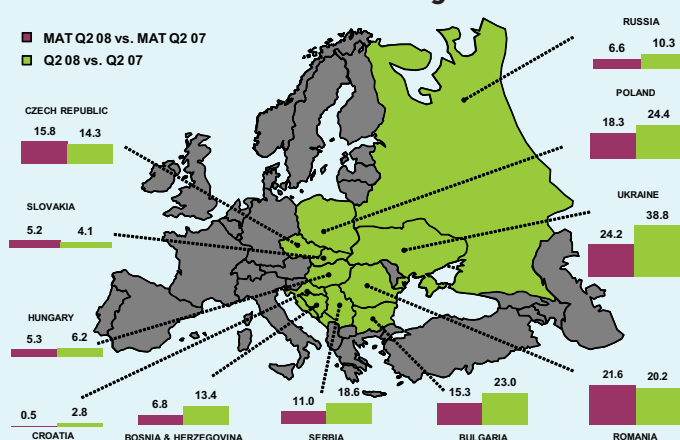


“ Welcome to the Q2 2008 Consumer Index, designed to keep you up-to-date with the latest FMCG and trade channels trends across 11 Eastern European countries.

This edition is also available for 9 Western and Northern European countries as well as the United States.

Please use the details shown below if you have any comments or questions. ”

## Total FMCG Trends % value changes



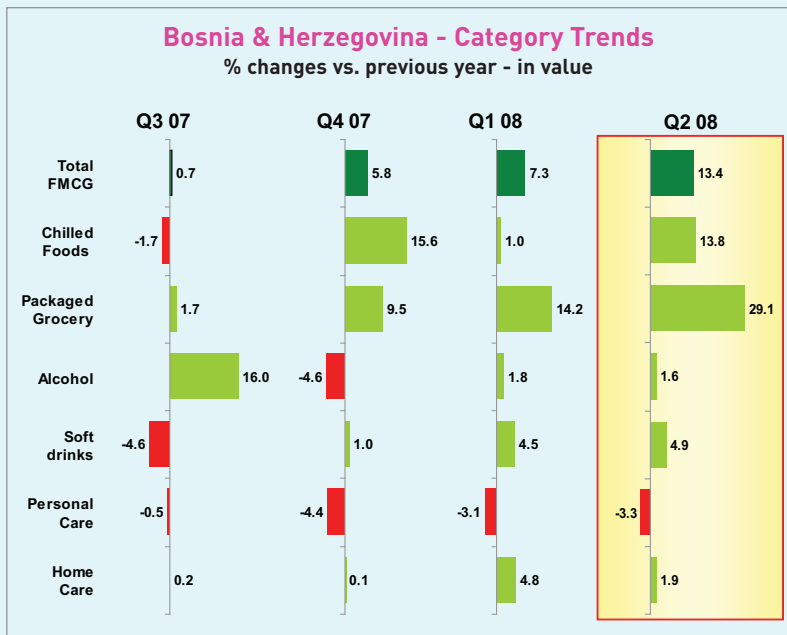
As seen in the Western European countries, the increasing prices of basic foods and commodities is having a significant impact throughout the Eastern European economies. Many shoppers are trying to be more careful with their spending and they also seem to be shopping less often. Although more traditional channels remain important, in most countries the modern retail channel continues to develop. As a result of this and the economic situation, Private Label also continues to develop throughout the region.

Packaged Grocery and Chilled Foods performed consistently well across the region, compared with last year, with Packaged Grocery displaying double digit growth in almost all cases (Slovakia being the only exception). Weaker performances were registered in Personal Care, Home Care and Soft Drinks. Down-trading and poor weather is likely to have impacted on these categories.

### Inside this issue:

- Total Europe – Shopping Behaviour p.1
- Trade Channel and Category Trends:
  - Bosnia p.2
  - Bulgaria p.3
  - Croatia p.4
  - Czech Republic p.5
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The positive evolution of FMCG, partly due to price increases, was driven by the Packaged Grocery category and, to a lesser extent, Chilled Foods. Almost all categories within Packaged Grocery increased, especially Edible Oil, UHT (long-life) Milk and Instant Coffee. The growth of Chilled Foods was mostly driven by dairy categories, such as Fresh Milk, Milk Desserts, Butter, Margarine and Cheeses.

Although most analysed categories have grown since last year, Personal Care was the exception within which almost all categories declined. However, decreased expenditure on Facial Care, Shower and Bath products, Tooth Paste and Shampoo contributed the most.

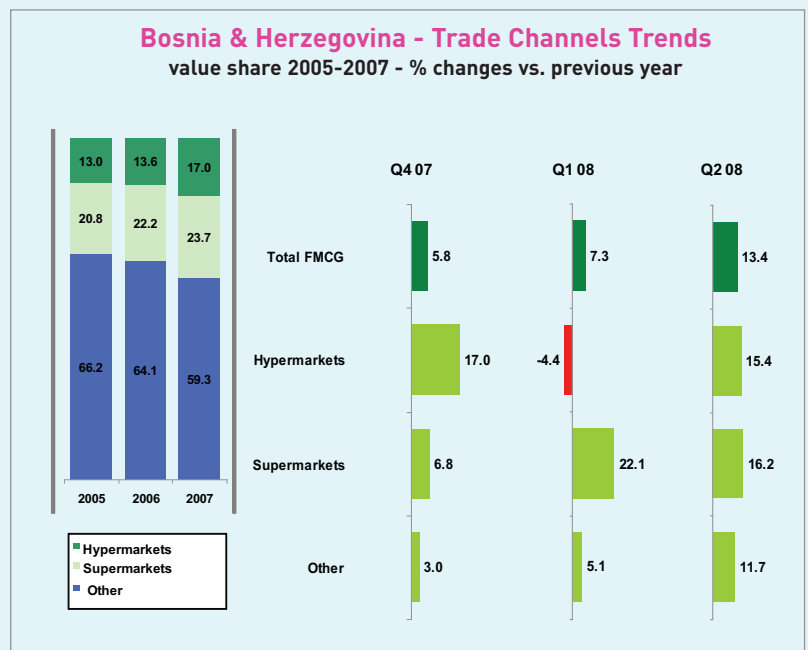
Within Soft Drinks, only CSD faced a slight drop in value.

Cleaning products, Air Fresheners and Fabric Softeners have shown the most positive evolution in the Home Care category.

The growth of the FMCG market is a result of shoppers spending more per trip, the increase of which outweighed the slight drop in frequency of purchase.

Hypermarkets continued to increase their market share, as did Supermarkets. The retailers contributing the most to the growth of Hypermarkets and Supermarkets were Bingo, Konzum and Mercator as they attracted more shoppers following their advertising campaigns.

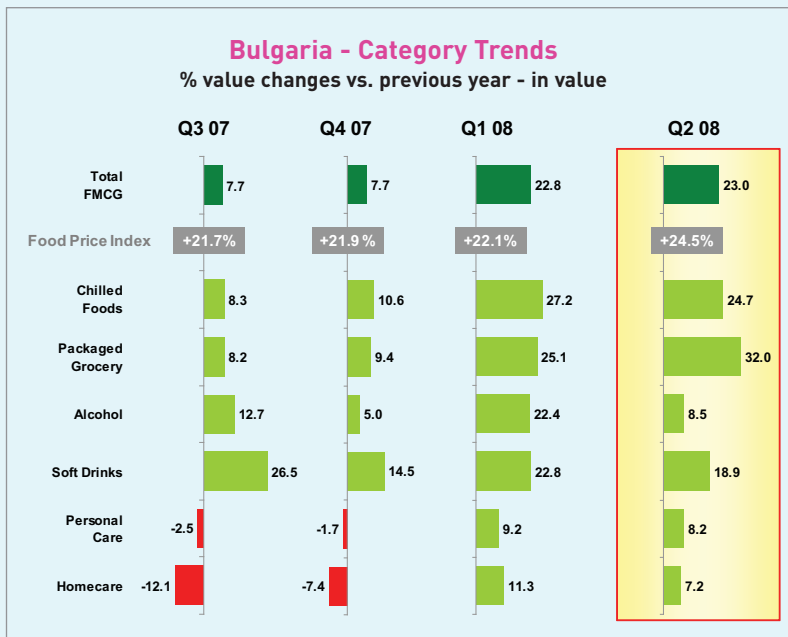
Despite loss of share for small grocers and traditional stores, which are part of Other trade channels, they remain the most popular trade channels in Bosnia, accounting for more than half of the FMCG retail market.



# Bulgaria – Quarter 2 2008



# Consumer Index



Household consumption continued to grow in terms of value, driven by the record level of inflation (consumer prices increased by 14.5% compared with the previous quarter). Another major factor was the increase of net wages following the implementation of the lower tax rate (10%) which encouraged households to spend. Furthermore, despite the credit crisis and pessimistic economic forecasts, official statistics registered considerable growth in GDP for the first time since Quarter 3 2004.

However, during the last quarter, the FMCG market declined in volume, especially Chilled Foods (mainly in Yellow Cheese and Fresh Milk), Home Care (Cleaners and Dish Washing) and Personal Care (Hair, Skin and Oral Care).

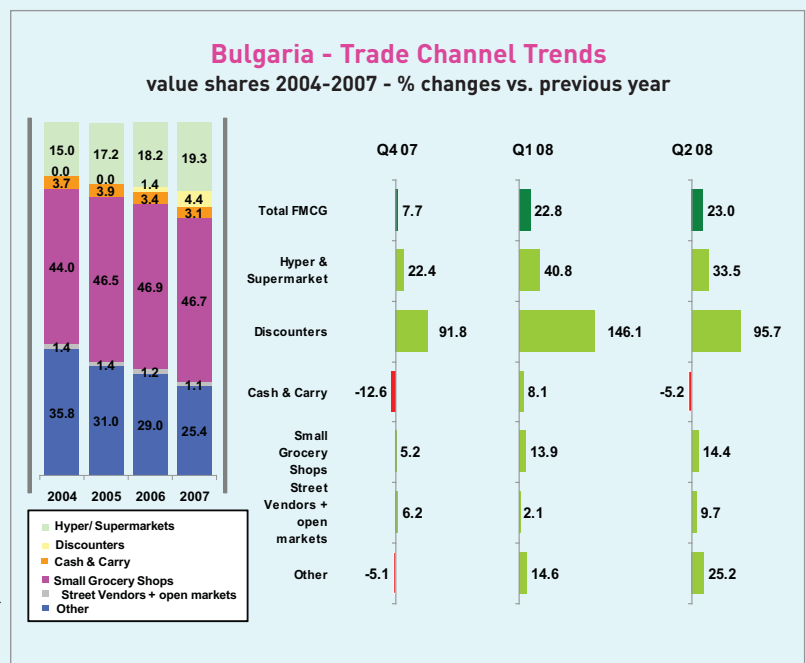
Average prices increased by more than 24% compared with the same

quarter last year. This was particularly noticeable for Cooking Oil (+90%), Fresh Milk (+60%), Skin Care (+43%) and Yellow Cheese (+36%).

Existing retailers continued to develop. For example, Picadilly (owned by the Serbian retailer Delta) has positioned itself in newly opened shopping malls in Veliko Tarnovo and in Lovech, while the local retailer Fantastiko opened a supermarket close to the southern quarters of Sofia. Carrefour is preparing to open soon in Bourgas (on the Black Sea) and, later on, in Sofia and other major cities. Kaufland also continued to grow by opening new stores both in the capital and in the countryside.

The share of Private Label also increased although it still only accounted for 2.4% share of spend.

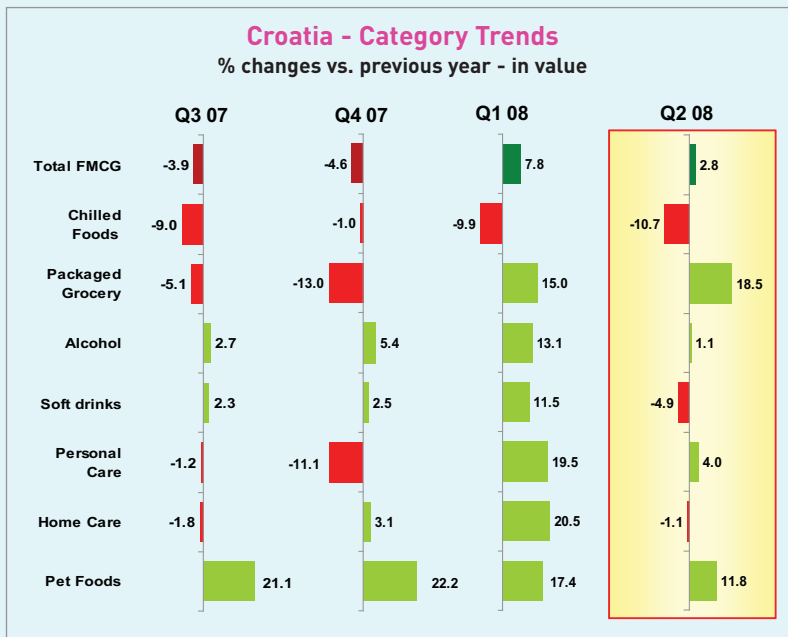
People shopped more often than the same period last year but spent less per trip, a direct consequence of higher income and price increases.



# Croatia – Quarter 2 2008



# Consumer Index



Overall the FMCG market value has increased since the same period in 2007 but not across all categories. Packaged Grocery segment showed the most intensive growth compared with last year as almost all measured categories display a positive trend following price increases.

The increased spend on Personal Care was driven by Facial Care, Hair Colorants, Depilatories, Shower and Bath products.

The Pet Food category continued to grow at a high rate, although slower than recent periods, as more and more households use pet food instead of leftovers.

Apart from Margarine and Butter, all categories contributed to the fall in value of Chilled Foods. Spend on Soft Drinks also fell as CSD, Mineral

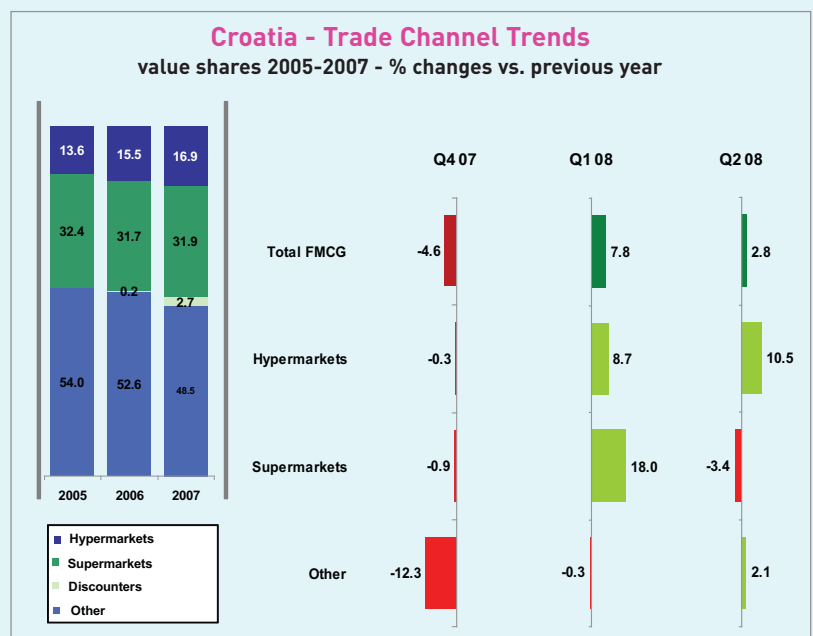
Water and Fruit Juices declined, while Iced Tea was only category to develop positively.

The poor performance of Home Care was largely due to the decline of Fabric Softeners, Hand Dishwashing products, Toilet Cleaners, Air Fresheners and Cleaning products.

FMCG spend in Hypermarkets far outstripped the market average as the channel continued to open new stores, thus attracting new shoppers. This seems to have been to the detriment of Supermarkets.

Lidl, the only discounter present in Croatia, further improved its market share.

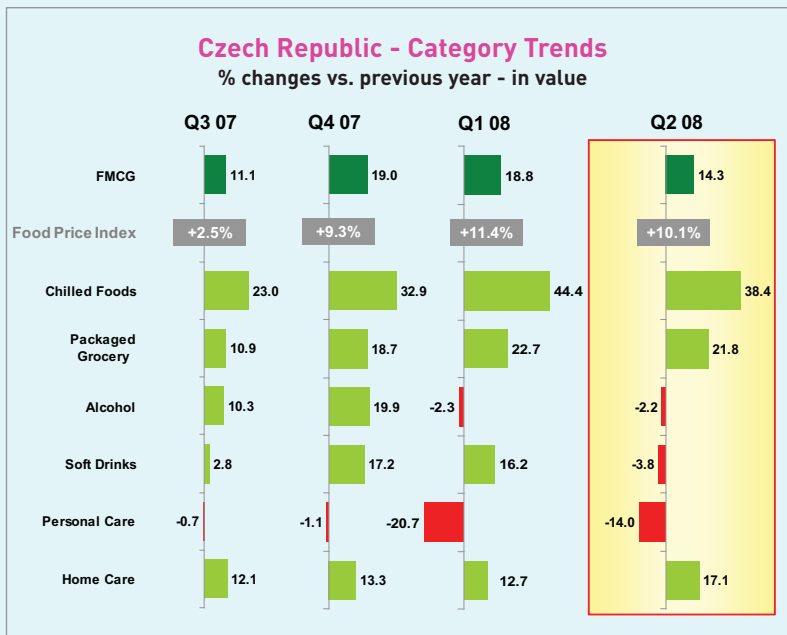
Shoppers spent more per trip than the same period last year (+22%), counterbalancing a significant drop in frequency of purchase.



# Czech Republic – Quarter 2 2008



# Consumer Index



The Czech economy continued a relatively stable level of growth. The rate of inflation decreased from 7.4% in the first quarter to 5.8% in July 2008, still higher than the Czech National Bank was aiming to achieve and above the predicted level. The unemployment rate has risen up to 5.3% in comparison to 4.7% in the first quarter.

Trends have remained similar to those seen last quarter. Private Label has increased its share considerably as prices have risen in most food categories. The most significant change was in frozen potato products where Private Label prices increased by 91% compared with 2Q 2007. Other significant increases were seen, for example, in: Cooking Fat and Edible Oil, UHT Milk, Fresh Milk and Light Duty

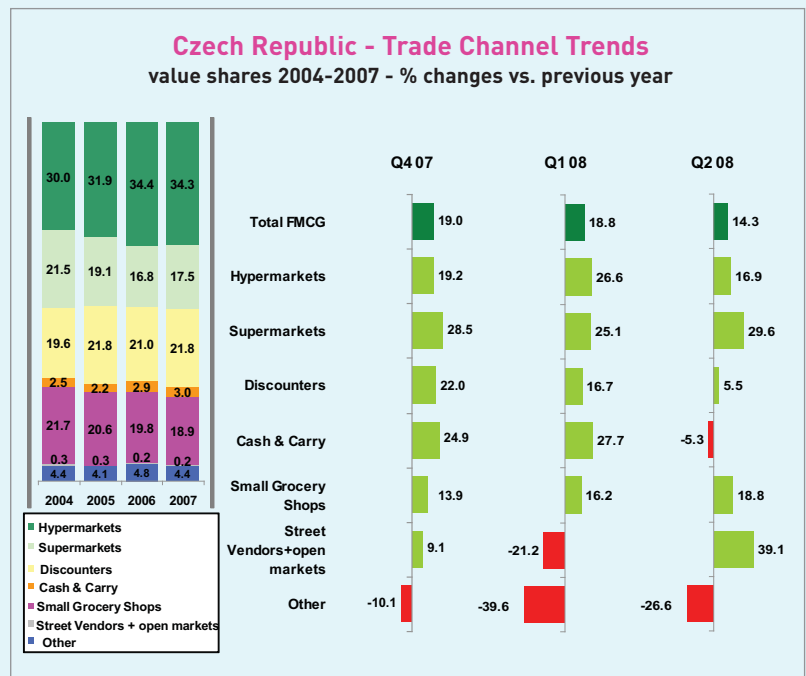
Detergents. One exception to this increasing trend was, for example, Hand and Body Multi-Purpose Care, where the decrease in price was 32%.

The Soft Drinks category declined in both value and volume. Most cold beverages declined rapidly but category performance was driven by bottled water which declined the most as Czech households switched from bottled water to tap water.

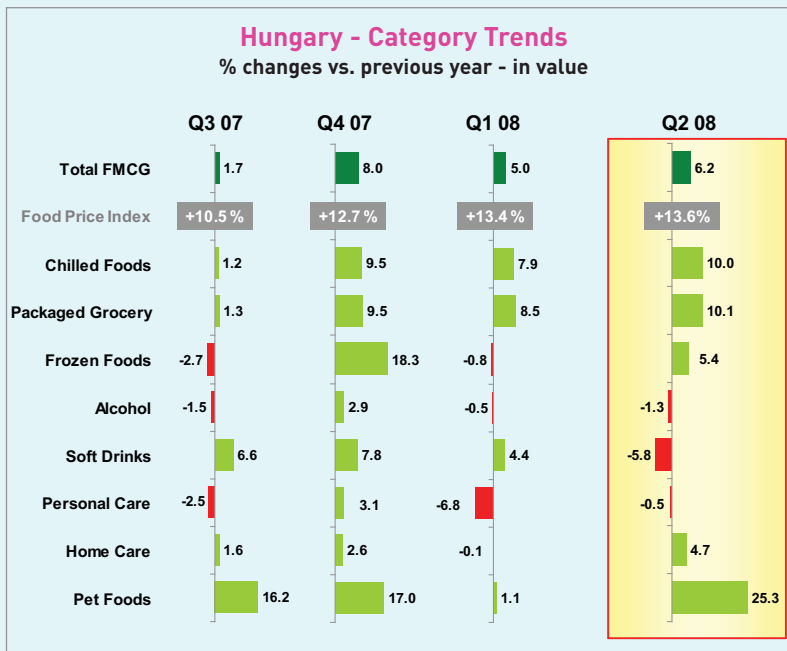
Hypermarkets and Supermarkets continued to show strong growth, Supermarkets up 30% on Q2 last year. Tesco supermarket expanded its share, partly thanks to new store openings (by June, the retailer had 101 stores). Having bought Delvita in June 2007, the remodeling of the supermarkets was completed in June 2008 and Billa's share stabilized at 8%.

Cash and Carry (Makro) has declined following the introduction of a new pricing system, making the prices higher and therefore less attractive. Furthermore, members are also restricted to spend limits that have been imposed.

The growth of supermarkets could be explained by the growing share of Private Label (+4ppt on same period last year) as extended ranges were recently introduced.



# Hungary – Quarter 2 2008



Price increases affected most of the categories and in particular chilled foods and packaged grocery which have both decreased in volume but increased in value (especially in the case of milk (21%) and edible oil (82%).

Frozen Foods growth has been fuelled by the price rise in ice cream (10%) and frozen vegetables (15%).

Alcohol decreased in both volume and value, especially beer which has the main share of the alcohol market. This is mainly due to the loss of buyers within the beer market and the price increase.

Soft Drinks decreased as well in value and volume mainly because the frequency of purchase decreased on carbonated soft drinks, fruit juice, mineral water and soda water.

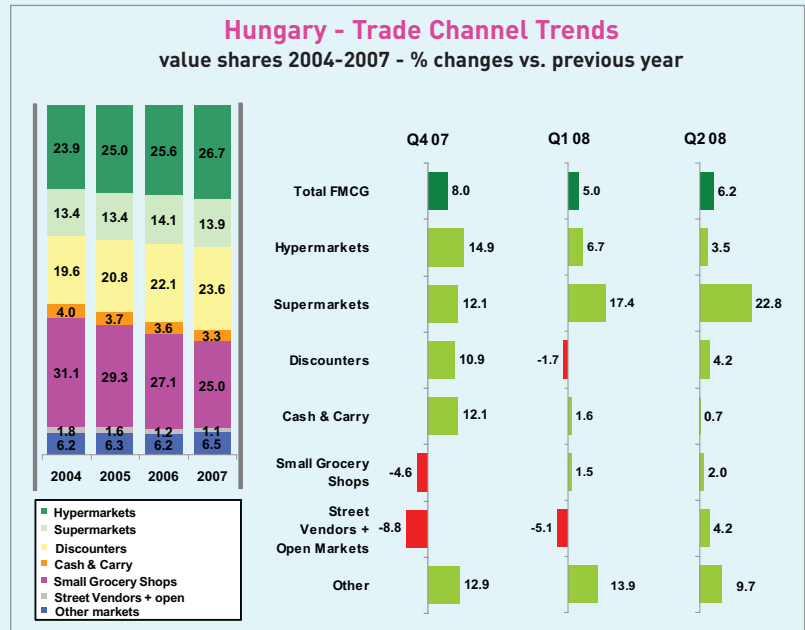
Pet Foods spectacular growth is fuelled by Private Label volume and value growth, which are driven by increased frequency and price increases.

Private Label share has increased in volume mainly because consumers see it as an easier alternative to make savings. Private label prices have increased by 20% in Q2 compared with the same period last year which also fuelled the value growth.

Supermarkets remain a key player in the trade growth, driving value and volume. Driven by new store openings the market share of supermarkets increased by 2% points in Q1 08 vs. Q4 07 (from 15% to 17%), and the channel kept its market share at the same level in Q2 08.

Market share of Discounters decreased as well as turnover in absolute terms. Lidl showed continuing signs of growth, as value and volume share were both up by 47% at but Profi, Plus and Penny Market lost share.

In April 2008 the first Hungarian Aldi store opened, it now has 24 shops open in Hungary, however its penetration is far behind Lidl when it first opened in 2004 as its market share remains below 0.5% in June 2008.

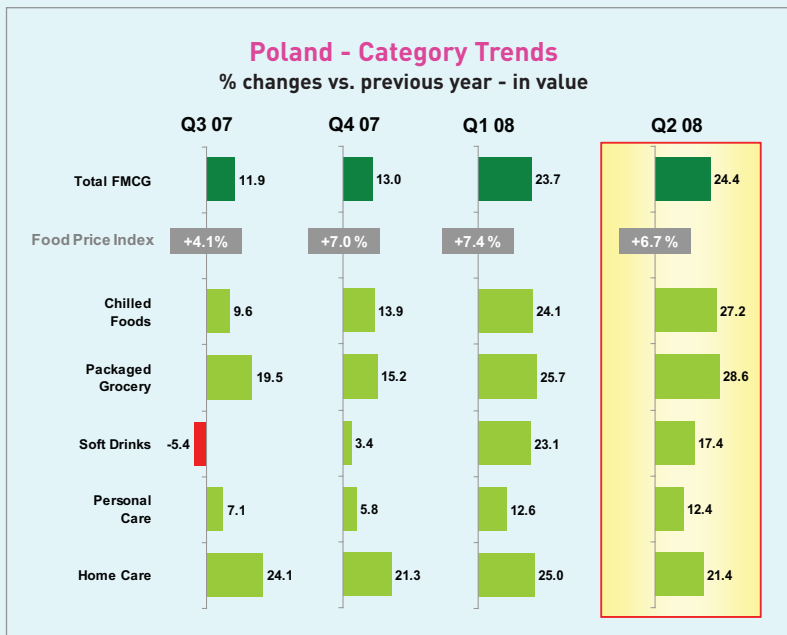


The value share of Hypermarkets fell by 2.5% in the FMCG market, however Interspar and Auchan represented a significant growth of value and volume share within this channel.

# Poland – Quarter 2 2008



# Consumer Index



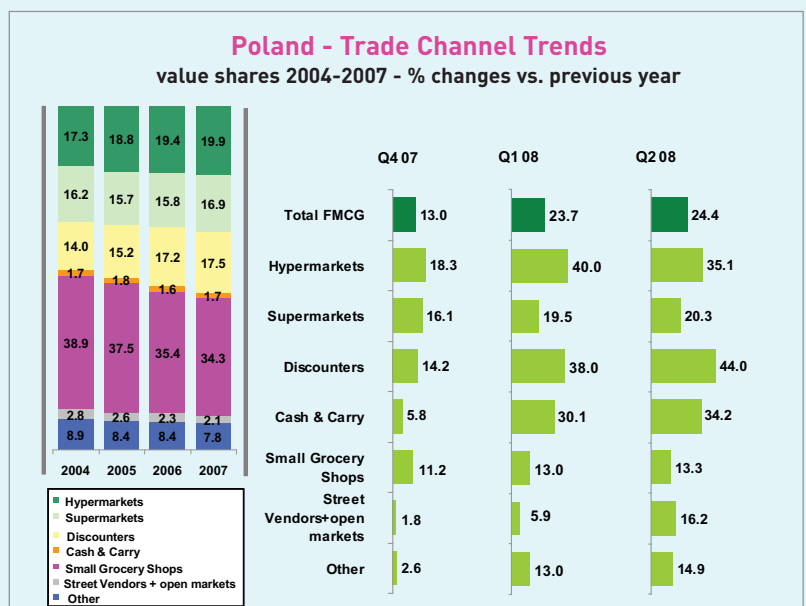
Chilled Food was the fastest growing category in value terms in the latest quarter (+27%) with buyers purchasing the category more often (+2% on Q2 07) and spending more per trip (+12%). Packaged Grocery also grew at +27% compared with last year as shoppers purchased the category more often (+5%), spent more per trip (+9%) and their loyalty increased.

Personal Care had the slowest rate of growth but still achieved +12% compared with last year despite a drop in frequency of purchase.

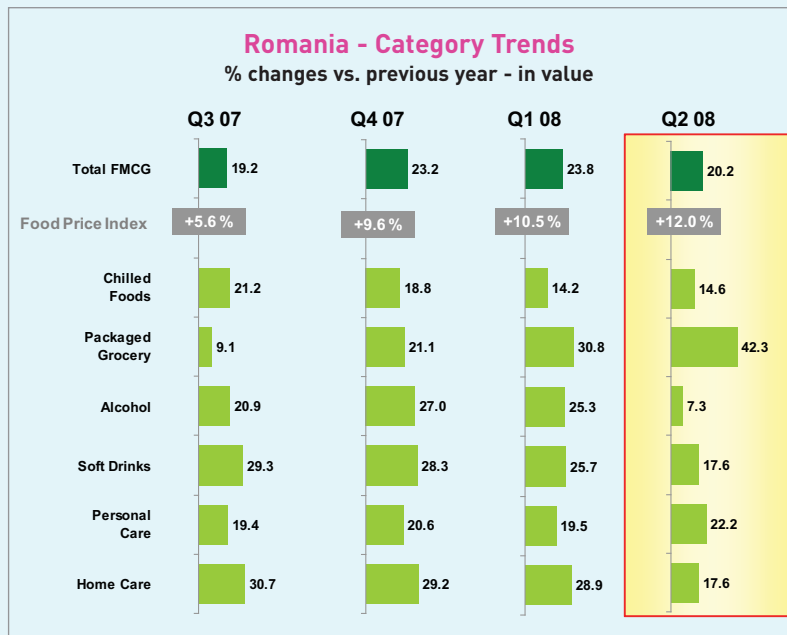
Comparing the food categories with Home Care and Personal Care, food categories saw a higher increase in absolute value as a result of different levels of inflation.

All channels increased in terms of value, but the biggest change was in Discounters (+44%) and Hypermarkets (+35%). Discounters recruited buyers faster than other channels (+4p.p.), at the same time as increasing buying frequency (+10%) and basket size (+12%).

The value of Private Label products increased by 43%, recruiting new buyers and shoppers purchasing Private Label more frequently (+11%).



# Romania – Quarter 2 2008



The second quarter of 2008 ended with an increase in FMCG value of 20.2% compared with the same period a year ago.

The most dynamic markets in terms of sales were: Packaged Grocery (Edible Oil, Mayonnaise, Chocolate Tables & Bars, Chocolate Cream, Wafers, Pasta) and Personal Care (Face Creams, Hair Care, Deodorants).

The increasing prices of raw materials remain the main influential factor.

Although Soft Drinks and Home Care registered small growth rates compared with Q2 2007, categories such as Toilet Cleaners, Water Softeners, Windows Cleaners, Toilet Blocks, Fabric Softeners and Juices showed significant increase.

NB: Romania chart based on local currency.

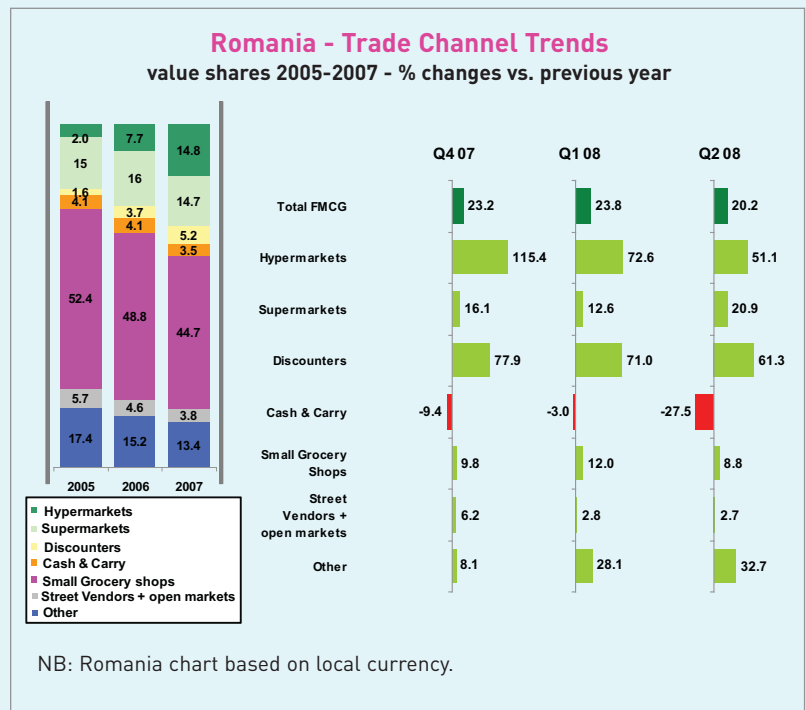
Modern trade now covers around 40% of total FMCG expenditure and Hypermarkets and Discounters are maintaining their performance.

Due to regional expansion, Kaufland continues to be the most successful retailer followed by Carrefour, Cora and Real in terms of value shares. The rapidly growing value share of Real is also based on the number of stores opened during last year.

The share held by small traditional outlets within total trade remained stable at around 42%.

The average amount spent per shopping trip by Romanian households increased by 22.5% compared with the same period last year, influenced by the increase in prices and volume purchased.

As a result of the fast development of modern trade, Private Label accounts for almost 4% of total value sales and has registered strong growth rates for food and beverage segments.

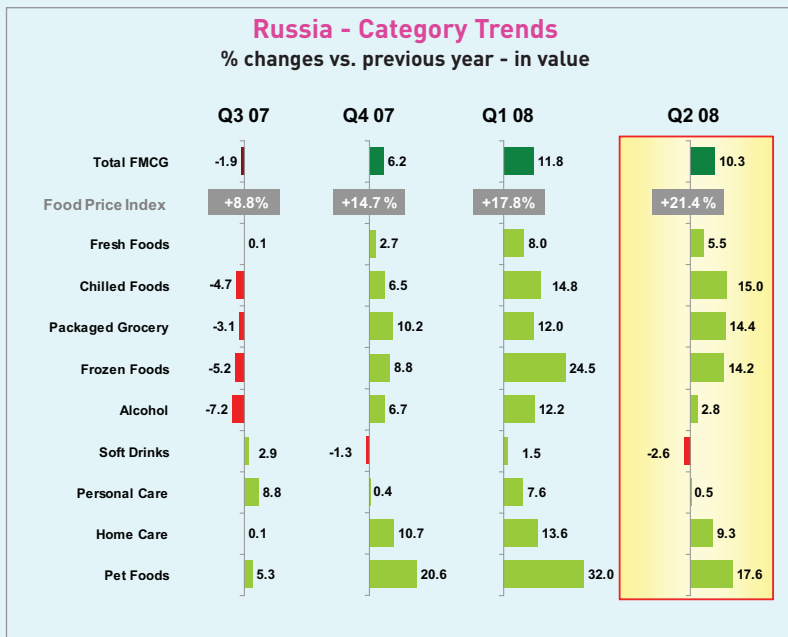


NB: Romania chart based on local currency.

# Russia – Quarter 2 2008



# Consumer Index



In Q2 2008 Total FMCG recorded a growth rate of 10.3% when compared with the same period last year due to an increase in frequency of purchase, while trip size remained fairly stable.

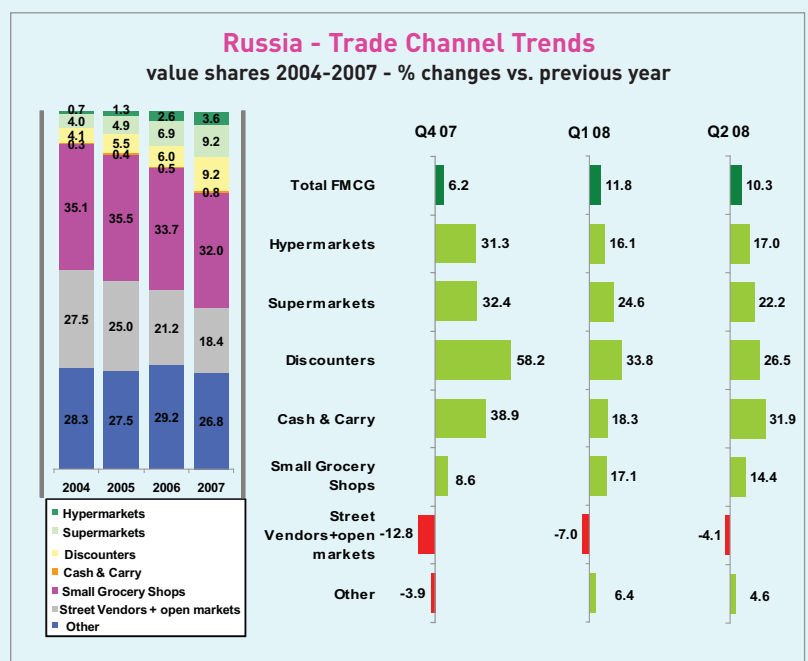
The fastest growing categories were Chilled Foods, Packaged Grocery and Frozen Foods. Chilled Foods, Cheese Spreads, Milk Drinks and Kefir (natural yoghurt drinks) continued to grow, as well as Frozen Fruit and Canned Vegetables.

There was a slight decline in Soft Drinks driven by a carbonated drinks.

Private Label's share remained small and stable, seemingly not posing a threat to branded products at this stage.

Modern Trade channels continued to increase their share, to the detriment of Street Vendors and Open Markets. The fastest growing channels in Q2 2008 were Cash & Carry, Supermarkets and Discounters. Cash & Carry increased mainly thanks to the growth of local chain Lenta and Metro, an international chain.

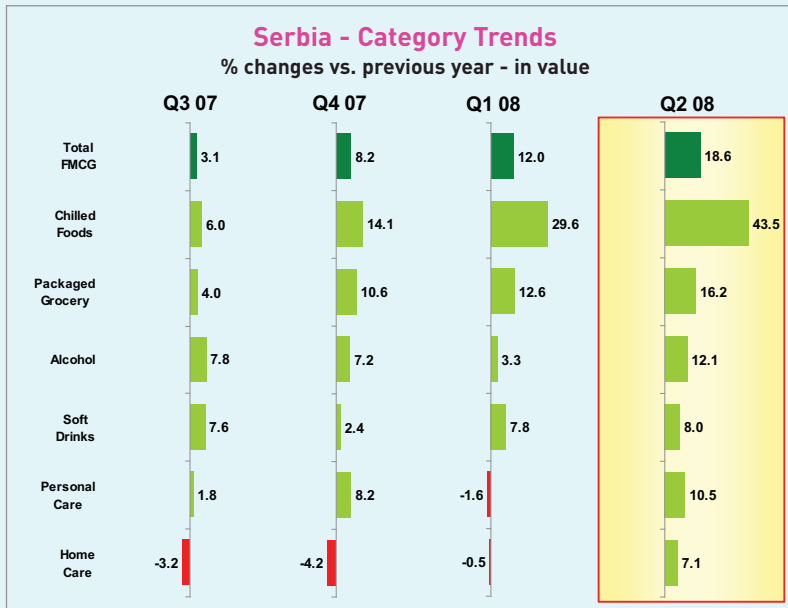
Mergers and acquisitions have become more commonplace in the Russian retail market. Auchan acquired fourteen Ramstore hypermarkets at the end of 2007, all of which have already had their signs converted to Auchan. Also, the largest Russian Retailer, X5 Retail Group purchased local player Karusel. Magnit, the largest local discounter, is developing its multi-format chain, opening hypermarkets and continuing their regional expansion.



# Serbia – Quarter 2 2008



# Consumer Index



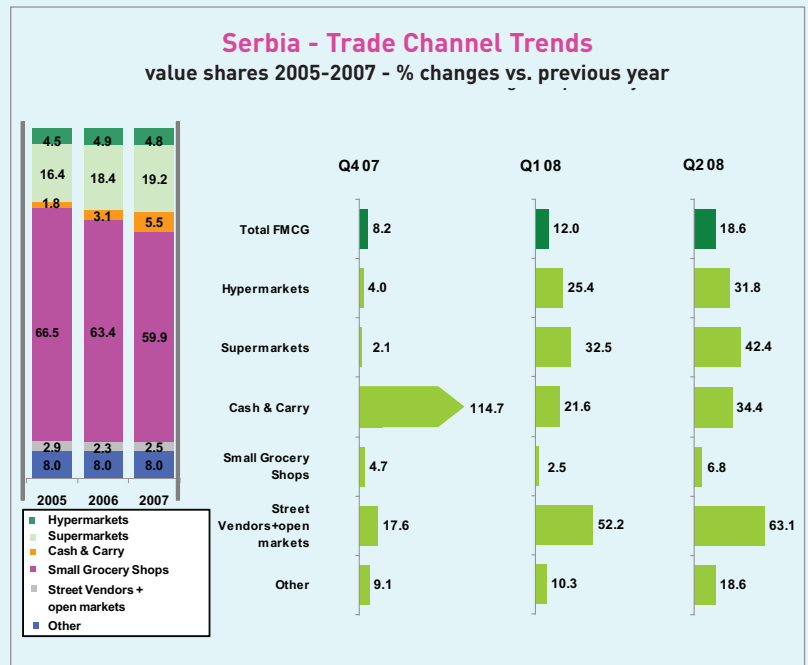
The inflation rate is significant, backed up with political instability after parliamentary elections.

As the local currency is also appreciating, retail prices remain very high. Therefore, purchasing power is decreasing and many categories face a decline even if their value is growing.

Most affected by price increase were agricultural and food products. Consequently, Chilled Foods followed by Packaged Grocery had the highest percentage change versus the previous year. Amongst them Dairy Products, Edible Oil, Margarine, Mayonnaise, Tomato Puree, Ketchup, Instant Coffee and Wafers were increasing the most in value.

Market share of Top 10 retailers finally exceeded 30%. Most retailers continue expanding their networks by opening new outlets (Idea, Tuš, Rodić C'n'C...).

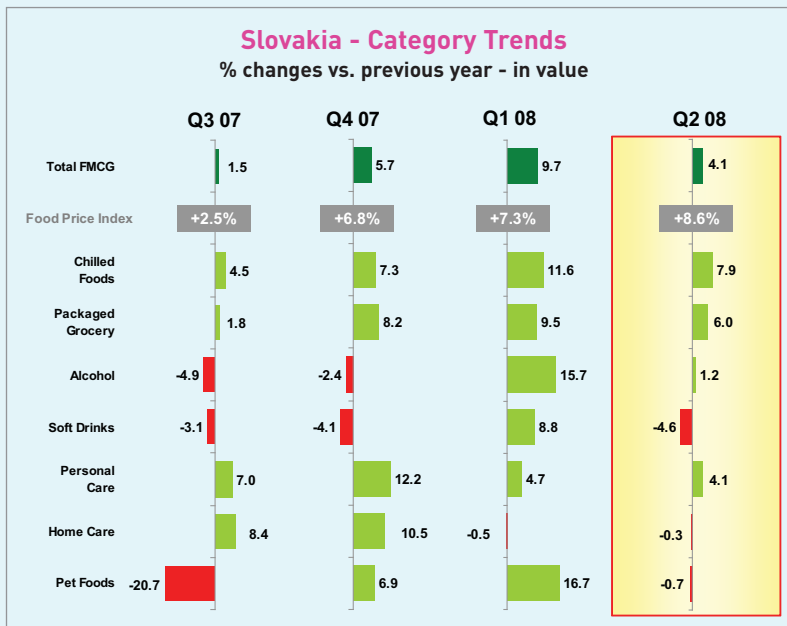
Market leader Delta continues abroad, announcing openings in Ukraine and Albania.



# Slovakia – Quarter 2 2008



# Consumer Index



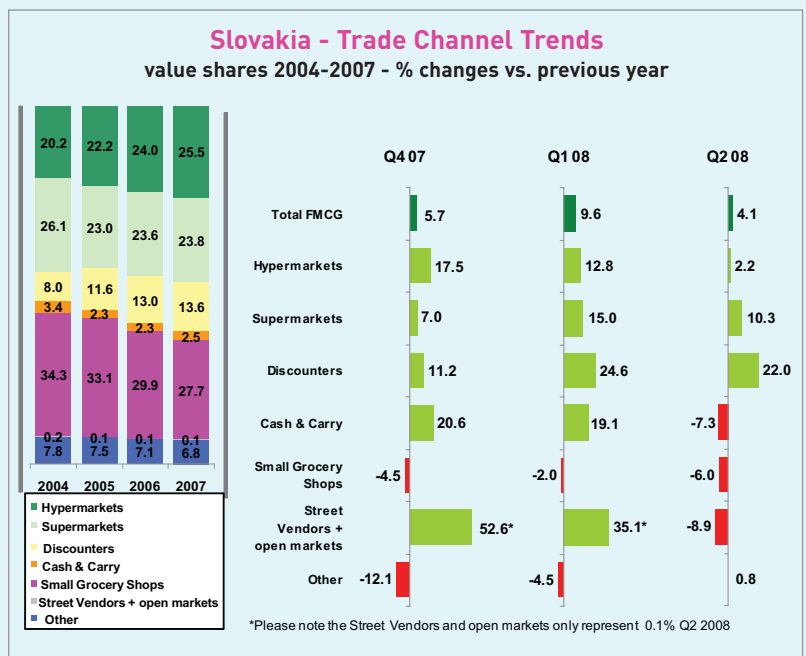
Price increases continued in Q2 2008; average prices of FMCG categories grew by 14% compared with the same period last year. Chilled Foods, with the fastest growth rate, was driven mainly by fresh and hard cheeses and milk desserts, as new buyers were attracted to the categories, purchasing more frequently and spending more per trip.

Spending on Packaged Grocery increased, due to chocolate bars, noodles, pralines, but mostly edible oils, which had the highest price growth (>30%). On the other hand ground and bean coffee continued losing to instant variants. Soft Drinks declined both in value and volume terms, caused by lower buying frequency.

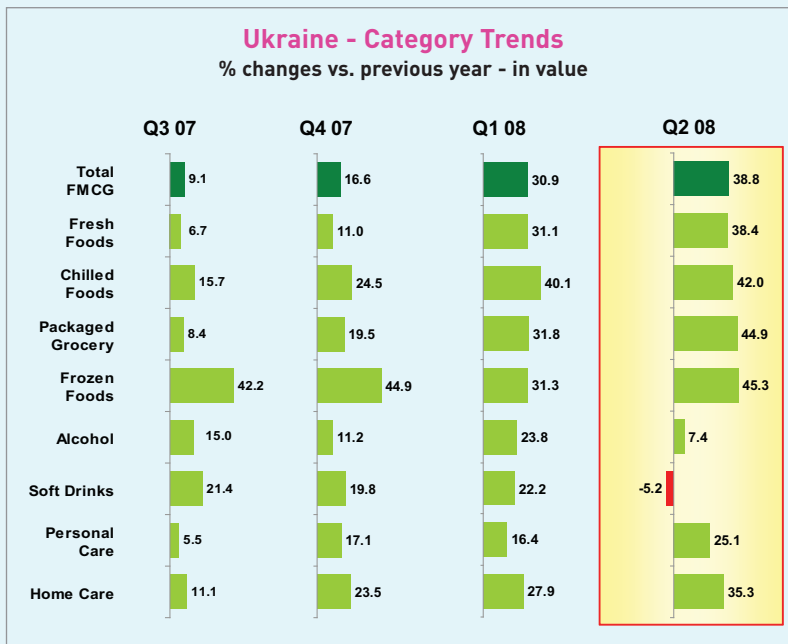
Private Label represented almost 27% of FMCG market value (almost 16% more than the same period last year) and experienced growth of 20% this quarter caused by significant price increases. Edible Oil, Milk Desserts, Hard Cheese, Yoghurt, Wafers and Processed Cheese marked the fastest value growth.

As the market share held by Hypermarkets stabilised, Supermarkets and Discounters continued to gain, mainly from traditional grocers although the latter still represent more than a quarter of FMCG outlets. The trend of shopping less often but spending more per trip also continued.

Local channel Coop Jednota remained the biggest retail chain (almost 24% share) followed by Tesco, who along with Lidl and Billa increased their share of the market. Lidl in particular gained new buyers as it increased the number of its outlets; now over 90. In terms of number of outlets, Lidl reached number two, behind Coop Jednota which has over 2,400 outlets.



# Ukraine – Quarter 2 2008



All FMCG markets except Soft drinks increased in value during Q2 2008, caused partly by the inflation (almost by 30% in Q2 2008 compared with Q2 2007) and also expanded consumption.

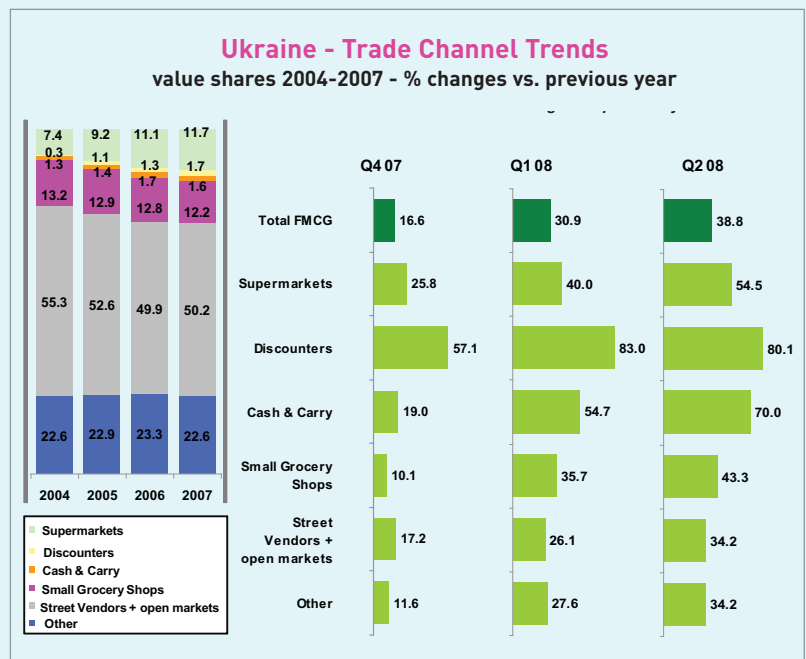
Thus along with price increase, a slight volume growth was observed for Frozen Food. Among Packaged Grocery, soluble and ground coffee as well as pralines had positive volume and value dynamics. However, the value growth on Chilled Food was mainly due to price increases on dairy products. As for Home Care, key drivers for its growth were detergents for automatic laundry. The Soft Drinks' consumption decrease is mainly explained by the households need to economize on non-essential products, soft drinks being perceived as such.

The average weight of purchase grew significantly mainly due to the increased purchase frequency. It can be assumed that taking into account price increases, Ukrainian consumers prefer to spend less money per trip but could not avoid spending more overall.

Expenditure dynamics were positive for all trade channels, although almost all of them lost share to the benefit of Street Vendors and Open Markets in the short term. The market share of this channel reached almost 50% repeating the seasonal trend in Q2 2007 and Q2 2006.

Tendency among consumers to purchase more at the Street Vendors and Open Markets along with the growing expenditures trend for discounters and C&C could be the evidence of the "saving habits" of Ukrainians under the conditions of inflation.

Private Label value share has increased very slightly but is still too small to be analysed across all categories separately.



## Source & Definitions

### Methodology

- A Consumer Panel is a permanent, syndicated and representative sample of consumers, who provide ongoing details of the FMCG they purchase. Using the diary methodology, each panel member records the details of every item they purchase.
- Sample sizes: Russia: 7,000 HHs; Poland: 5,000 HHs; Ukraine: 5,000 HHs; Czech Republic: 2,000 HHs; Hungary: 2,000 HHs; Bulgaria: 2,500 HHs; Romania: 2,200 HHs; Croatia: 1,500 HHs; Slovakia: 1,500 HHs; Serbia: 1,500 HHs; Bosnia&Herzegovina: 1,000 HHs

### Categories Universe:

- FMCG: Fast Moving Consumer Goods (includes foods, personal care and home care; excludes clothes, white goods etc...)
- Categories:
  - Fresh Foods: fresh fish, fresh meat, fresh poultry/game, fresh fruit, vegetables, salads
  - Chilled Foods: chilled deli products, chilled dairy products, chilled bakery products
  - Packaged Grocery: bread, biscuits, canned goods, hot beverages, packet breakfast, pickles, sauces, condiments, savoury carbohydrates and snacks, home cooking ingredients, take home confectionery and savouries
  - Soft Drinks: carbonated soft drinks, chilled drinks and mineral water
  - Home Care: softeners, detergents and rinse conditioners
  - Personal Care: bathroom toiletries, hair care, healthcare, oral care, other toiletries

**Food price index:** Average based on Eurostat Food Prices Indices

### Key Country Facts:

Country	Individual Population (in 000's) 2006 est.	Number of Households (in 000's) 2005	GDP per Capita (2007 est.)
Bulgaria	7,680	2,908	\$11,800
Bosnia & Herzegovina	3,900	1,114	\$6,600
Croatia	4,439	1,477	\$15,500
Czech Republic	10,349	4,423	\$24,400
Hungary	10,051	3,811	\$19,500
Poland	38,115	13,350	\$16,200
Romania	21,680	7,320	\$11,100
Russia Federation	142,221	52,700	\$14,600
Serbia (2005)	7,498	2,521	\$7,700
Slovakia	5,400	1,900	\$19,800
Ukraine	46,424	18,200	\$6,900

Source: CIA World Fact Book