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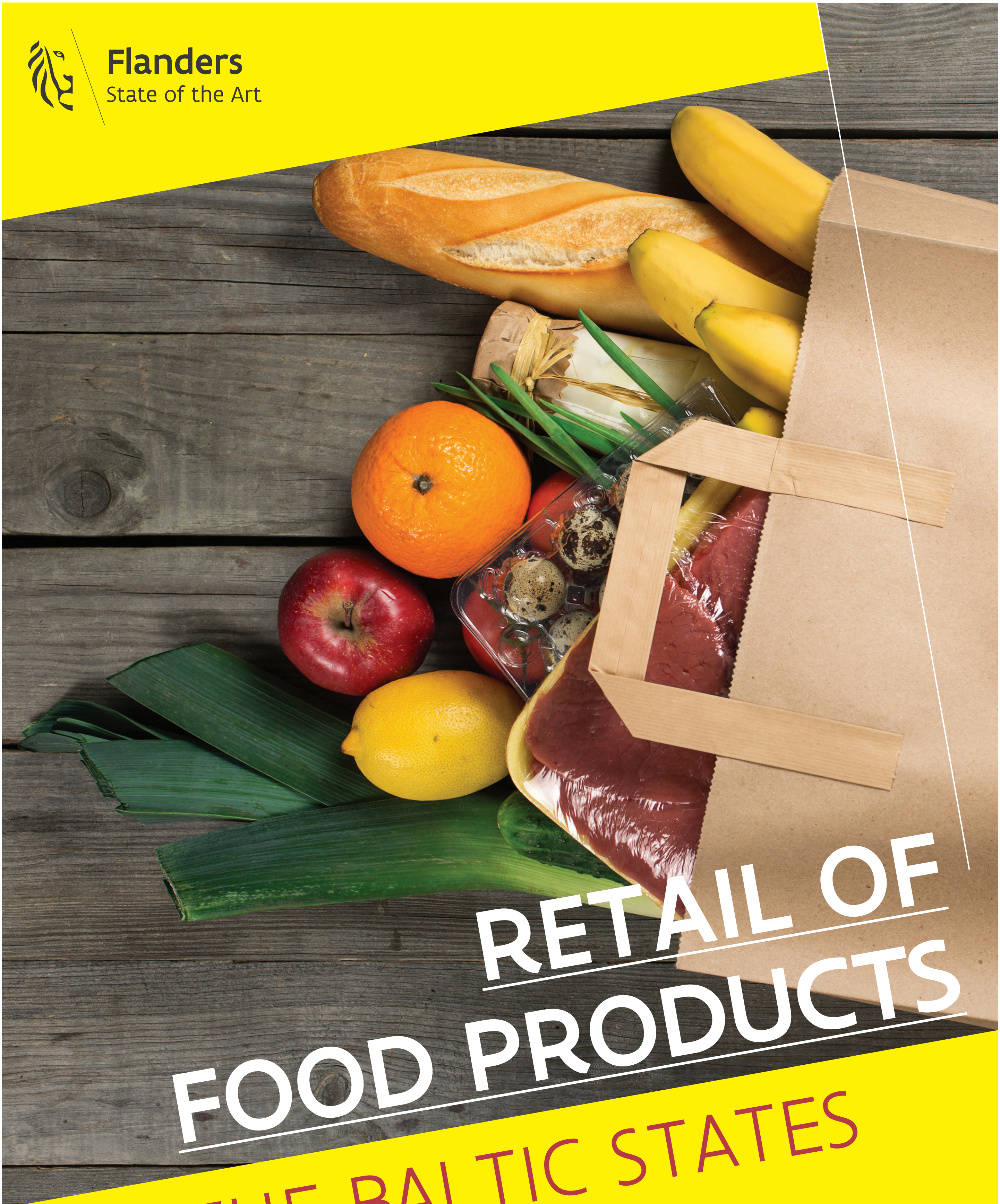


RETAIL OF FOOD PRODUCTS IN THE BALTIC STATES

FLANDERS INVESTMENT & TRADE MARKET SURVEY

Retail of food products in the Baltic States

December 2019

Flanders Investment & Trade Vilnius

Content

Executive summary

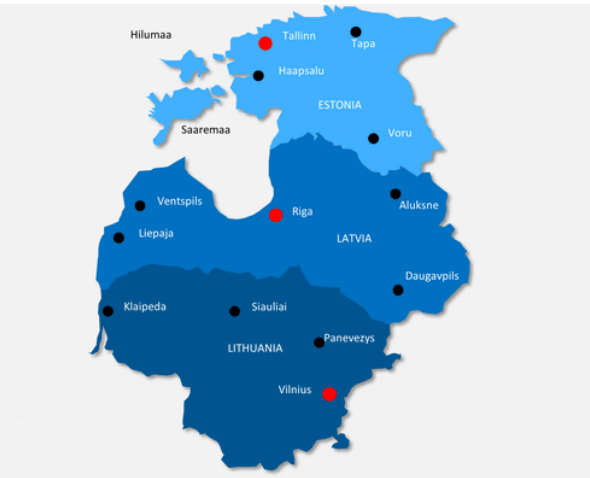
The Baltic States, although relatively small, offer one of the more attractive markets for food and drink retailers on the Central and Eastern European market. With a total population of just under 6 million people, Lithuania, Latvia and Estonia represent a combined food retail market of more than 6.5 billion euros.

During the last few years the Baltic economies were among the growth leaders in the region and that has boosted a value and volume increase of food and drink consumption.

The major drawbacks of the Baltic food retail market are its small scale and rather small density of inhabitants. Although the distribution and retail system are quite similar in the three Baltic States, it is not always possible to distribute food products to all three countries choosing one of them as a base. Separate distributors/wholesalers are often needed in each of these countries.

Furthermore the Baltic food retail market is considered to be the most concentrated in the region, with for example Maxima Grupė (Lithuania), RIMI (Scandinavian), COOP (Estonian) dominating what makes the market entrance of international retailers rather difficult. In 2016 LIDL entered the Baltic market and other players are considering to set up shop as well.

Growing purchasing power will be the key driving force in the further growth of food retail (both volume and value) in the future. A stable political climate, supported by the fact that the three countries are members of the EU, NATO and the Schengen zone and have a relatively dynamic economy will have its positive influence on the prospects of the food retail market in the Baltic States.



Overview of the consumption market Baltic States

The Baltic countries have been relatively resilient to the international deceleration. In 2018 their growth figures were among the highest in the euro zone. Moreover, wages have grown significantly. But looking ahead, a slowdown in GDP growth is unavoidable as exports weaken. If productivity growth cannot keep up with far faster pay hikes than those in major customer countries this may be become a problem in the longer run.

The Lithuanian market is clearly the biggest as far as retail is concerned. In Lithuania there are 3 economic centres: the capital Vilnius, Kaunas and the port city of Klaipeda. In Estonia and Latvia the economic activity is mostly concentrated in the capital.

Economic forecasts for the Baltic States

Lithuania

Year-on-year percentage change

	2017	2018	2019	2020
GDP	4.1	3.5	3.2	2.4
Household consumption	3.4	3.9	4.0	3.2
Exports	13.6	5.1	3.6	2.8
Consumer Price Index (CPI)	3.7	2.5	2.5	2.5
Wages and salaries	8.2	9.9	8.2	6.5
Unemployment	7.1	6.2	6.0	5.9
Public sector fiscal balance*	0.5	0.7	0.3	0.1
Public sector debt*	39.4	34.2	37.4	36.9

* Per cent of GDP. Source: Statistics Lithuania.

Latvia

Yearly change in per cent

	2017	2018	2019	2020
GDP	4.6	4.8	3.5	3.2
Private consumption	4.2	4.6	3.9	3.5
Exports	6.2	1.8	1.5	2,8
Consumer Price Index (CPI)	2.9	2.5	2.8	2.4
Wages and salaries	7.9	8.4	7.0	6.5
Public sector financial balance*	-0.6	-1.0	-0.9	-0.8
Public sector debt*	40.0	35.9	33.5	32.0
Current account*	0.7	-1.0	-1.5	-1.6

* Per cent of GDP Source: Latvia CSB, SEB

Estonia

Annual percentage change

	2017	2018	2019	2020
GDP	4.9	3.9	2.8	2.5
Private consumption	2.6	4.7	4.0	3.4
Exports	3.5	4.3	2.2	2.8
Consumer price index (CPI)	3.4	3.4	2.3	2.2
Wages and salaries	6.5	7.3	6.7	6.2
Public sector financial balance*	-0.4	-0.5	-0.2	-0.1
Public sector debt*	8.7	7.9	7,8	7,5
Current account	3.2	1.7	0.6	1.0

* Per cent of GDP. Source: Statistics Estonia, SEB.

Lithuania

Growth slows towards potential

The renewed strength of the economy in 2017/18 is expected to fade in 2019 as growth starts moving towards its potential level. Reduced pressure on the labour market (thanks to a slight increase in immigration and a fall in employment) and low productivity growth, in the absence of structural reforms, should moderate wage growth and, therefore, private consumption, which is the main contributor to growth (two thirds of GDP). Tax reforms, which will introduce a progressive taxation system, are expected to favour the poorest households, which, thanks to their higher marginal propensity to consume, should mitigate the deceleration in consumption. The level of wages, particularly the minimum wage, will nevertheless remain quite high relative to productivity, which will negatively impact the competitiveness of companies, hurting export performance. Rising international trade tensions could also have an adverse effect on exports (80% of GDP), causing trade to make a negative contribution to trade. Investment (almost 20% of GDP), which has grown briskly in recent years thanks to businesses and easy access to credit, is therefore also expected to slow down. Lower business confidence, difficulties in finding skilled workers, the large informal component of some sectors and the prospect of moderate growth, in the context of international tensions, are all factors that may also explain this deceleration, which should nevertheless be mitigated by better use of EU funds directed towards construction and civil engineering. Public expenditure is expected to change little and to have a relatively small direct impact on growth. Even so, this spending, which will be aimed at reducing inequalities and boosting productivity, should make a positive contribution through private consumption.

Small current account deficit and government surplus

According to the approved budget, the central government deficit is forecast to be 0.4% of GDP. Revenues are expected to jump by 17%, thanks in particular to European structural and investment funds, which are set to increase from 0.6% of GDP in 2017 to 2% in 2019. However, they will be outpaced by expenditure, which is expected to go up by 22%. Spending will mainly be directed towards education, social security, healthcare and a pension reform in order to reduce inequalities and improve labour productivity, with the aim of building the "new social model" recommended by international institutions to unleash growth. Tax reforms, advocating a shift in employer contributions to employees (which would be offset by higher wages) and increasing the minimum level of taxable income, also have this goal in mind. If the balance of municipalities and the social security system is added, the government deficit should turn into a surplus. The stated objective is to accumulate reserves (up to € 1.5 billion in 2019) and reduce public debt, of which 80% is held by non-residents and almost 30% is denominated in foreign currency.

In 2019, the current account is expected to turn slightly into a deficit. Sluggish demand from the EU, increased domestic demand, which favours imports, and the fall in Russian imports, which considerably reduces re-exports, will worsen the goods deficit. The overall trade surplus (2.3% in 2017) - generated by the high level of exports of services, particularly in tourism and road transport - is therefore expected to decline. Transfers (1.8% of GDP), mainly composed of remittances from expatriates and European funds, despite holding steady, are not expected to offset the income deficit (3.3%), which is explained by the high stock of FDI in the country (43% of GDP). These investments are expected to grow by almost 2% of GDP in 2019, a level equivalent to the Lithuanian portfolio investment abroad. The size of Lithuania's gross external debt (81.6% of GDP at the end of June 2018) needs to be considered in the light of the debt's composition – state (37%), central bank (28%), banks (14%) and non-financial companies (21%) –, the assets held abroad by the country (63% of GDP) and the fact that the debt is denominated in euro.
www.coface.com/Economic-Studies-and-Country-Risks/Lithuania

Latvia

Growth driven by domestic demand

Despite the continued deceleration that began in 2018, growth is expected to remain at a good level in 2019. Private consumption is the main driver of Latvian activity. It increased by 3.2% in 2018, and an increase in real wages, coupled with a further decline in unemployment, should help to maintain this momentum. However, the chronic decline in labour force participation rates is expected to continue due to the significant emigration of skilled youth and the decline in the working-age population, but could be slightly offset by an increase in the retirement age, which is to be raised by three months each year to reach age 65 in 2025. Public consumption and investment will remain brisk, supported by EU structural and investment funds over 2014-2020 in an amount of € 4.51 billion (15% of GDP), including € 1 billion for infrastructure construction and rural development, and € 140 million to develop maritime activity. Private investment will remain constrained by concerns about Russia, and could also be affected by recent controversies over the fragility of the financial system (central bank governor Ilmars Rimsevics has been accused of corruption, while ABLV, the country's third largest bank, has been accused of money laundering and facilitating illegal financial transactions towards North Korea, and is now reported to be in bankruptcy). Exports of timber (16% of total exports), equipment and tooling (15%), and food products (11%) to the other Baltic countries, Poland, and Germany - the main trading partners - are set to continue, while those to Russia may still suffer from Russian counter-sanctions. Inflation is expected to remain under control.

Continuation of satisfactory fiscal management

The public accounts are expected to continue to show a small deficit, with rising expenditure accompanied by increasing revenues. The government aims to boost certain spending items, in particular military expenditure (which is expected to reach 2% of GDP in 2020), as well as expenditure related to infrastructure, education, and healthcare. At the same time, tax reforms will continue in accordance with the stability programme (2018/21) involving, among other things, greater progressiveness in income taxation, a 20% tax rate on corporate profits (with an exemption for reinvested profits), and a VAT rate of 21%. In addition, the government plans to cut the number of civil servants by 6% by 2020. Public debt should therefore be reduced for the third consecutive year. Although it is largely contracted from non-residents, the debt does not pose an exchange rate risk because it is denominated in euro.

Turning to the external accounts, the current account deficit is expected to widen due to a deterioration in the trade balance. Imports of capital goods (21%) and food products (17%), driven by strong domestic demand and under-diversified production, are expected to outpace exports. The surplus in services, linked to tourism and freight transit (to and from Russia), and remittances from expatriate workers largely offset the trade deficit. The small current account deficit is comfortably financed by European funds and foreign investment (equivalent to 2% of GDP in 2017). However, gross external debt, one-third of which corresponds to the public share, remains high (140% of GDP, but only 26% net).
www.coface.com/Economic-Studies-and-Country-Risks/Latvia

Estonia

Growth driven by domestic demand

Lively investment (25% of GDP in 2017) will continue to contribute to growth in 2019. Private investment will be supported by sustained business confidence and the high capacity utilisation rate, which stood at 77% in the third quarter of 2018. In addition, companies enjoy a tax exemption on reinvested profits. Public investment, boosted by European funds, will benefit the development of infrastructure, particularly in transport and education. However, growth is expected to slow in 2019. Private consumption - the traditional driver of growth - should continue to expand, but its contribution will be limited by a smaller increase in the employment rate. Wage growth, fuelled by the shortage of skilled labour as a result of emigration and population decline, is also expected to be lower. Nevertheless, slower inflation will boost household demand.

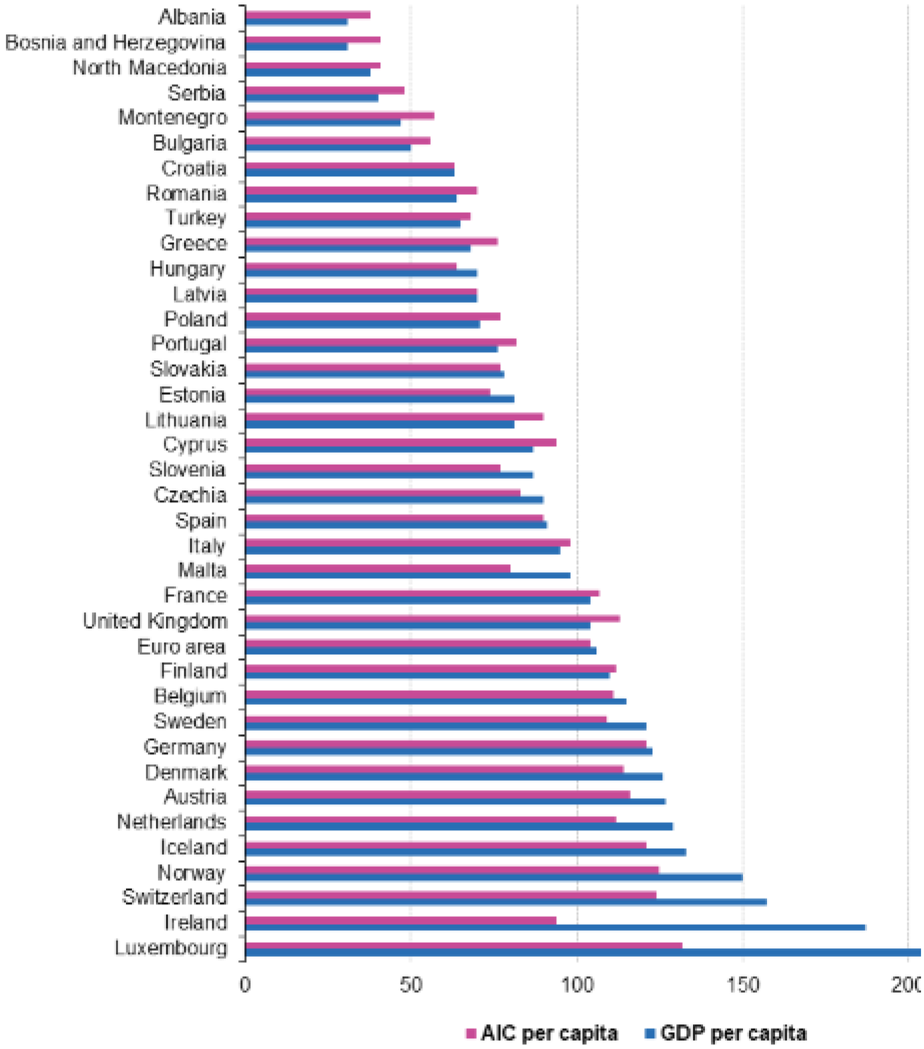
The industrial sector will remain concentrated around telephony, furniture and the automotive sector. With nearly 70% of industrial production being exported, the sector will benefit from its good level of competitiveness. However, cooler European growth could impact external demand, which is largely driven by neighbouring countries. This would have a severe effect on the country's economy, with industry generating 24% of GDP. At the same time, rail and road transport are benefiting now that the transit of capital goods to Russia has resumed. In addition, a transport cooperation agreement was signed in December 2017 to improve the train line between the two countries.

Comfortable financial situation

In 2018, growth in consumption and employment enabled public finances to show a surplus. This financial situation is expected to continue, with a fiscal strategy plan for 2019/22 that forecasts a government surplus in 2019, as well as a balanced structural balance (excluding cyclical effects). However, the local government surplus is expected to decline as a result of higher investment, with public spending by local government set to increase, particularly in the area of health (5.7% of GDP in 2019), and in promoting digitisation and innovation (4.4% of GDP in 2019). Revenues are expected to go up, even though the increase in excise duty on alcohol initially planned for 2019 was scrapped and consumption is forecast to slow.

Although it will show a slight decline, the current account surplus will remain comfortable. The decrease is mainly due to the widening trade deficit (3.8% of GDP in 2017), driven by increased imports. However, it will remain largely offset by the surplus in services, particularly related to IT and tourism (8.3% of GDP in 2017). Dividend repatriations by Swedish, Finnish and Dutch investors - who are very active in finance, real estate, supermarkets and industry - exceed the income from Estonian investments abroad, leading to an income deficit (2% of GDP in 2017). Large foreign direct investments (net inflows of 3% of GDP in 2017) are matched by portfolio investments made abroad by Estonian pension funds and insurance companies. External debt (83.5% of GDP in 2017), which is mainly private, is more than offset by the assets of residents held abroad.
www.coface.com/Economic-Studies-and-Country-Risks/Estonia

Volume indices of GDP and AIC per capita, 2018, (EU-28=100)

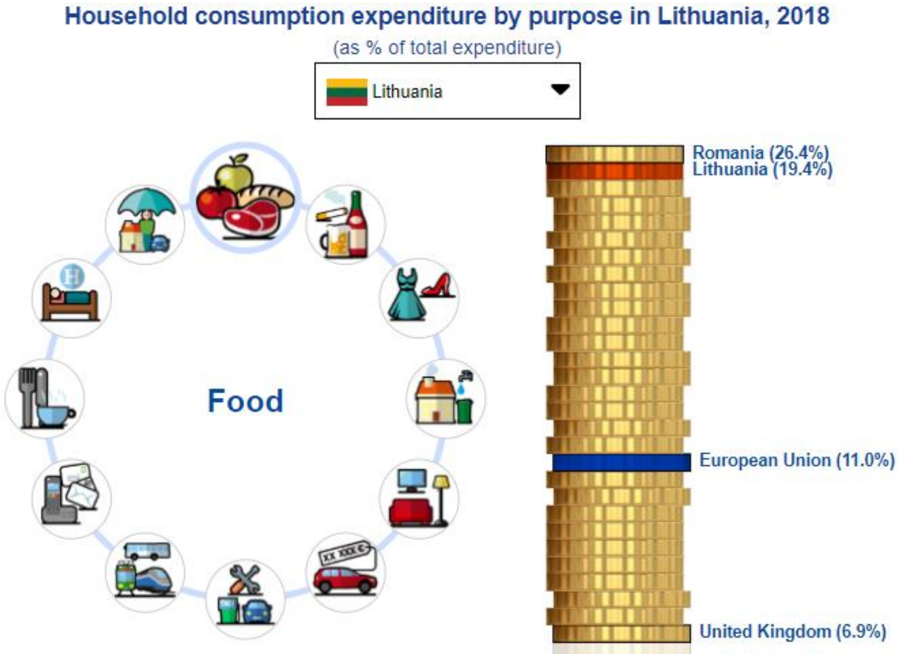


Retail trade - monthly data - growth rates
Retail sale of food, beverages and tobacco

TIME	2018M12	2019M01	2019M02	2019M03	2019M04	2019M05	2019M06	2019M07
GEO								
Euro area (19 countries)	-1.6	0.9	0.8	0.0	0.5	-0.5	1.1	-
European Union - 28 countries)	-1.4	0.8	0.9	0.4	0.2	-0.6	1.2	-
Belgium	-2.9(p)	-1.0(p)	2.9(p)	-1.8(p)	0.9(p)	1.2(p)	-0.1(p)	-
Estonia	-2.3(s)	1.7(s)	1.0(s)	1.0(s)	1.0(s)	-2.2(s)	0.3(s)	-
Latvia	-1.8	0.3	1.3	1.0	1.7	-0.9	0.0	-
Lithuania	-1.5	-0.4	1.9	2.6	3.3	-3.7	1.1	-

(p)=provisional, (s)=Eurostat estimate
Source of data: Eurostat

Lithuania



Source: Eurostat, Final consumption expenditure of households by consumption purpose.

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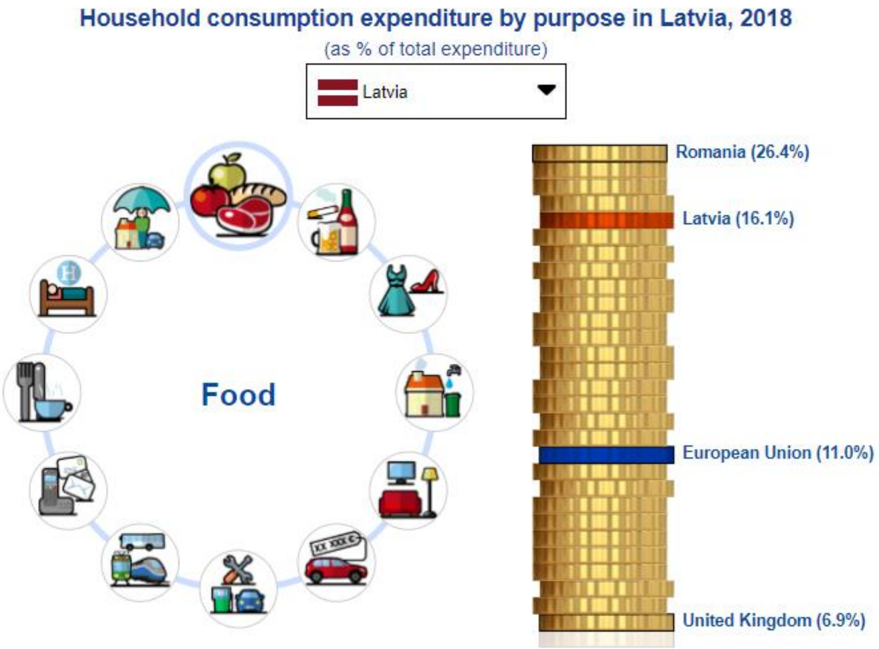
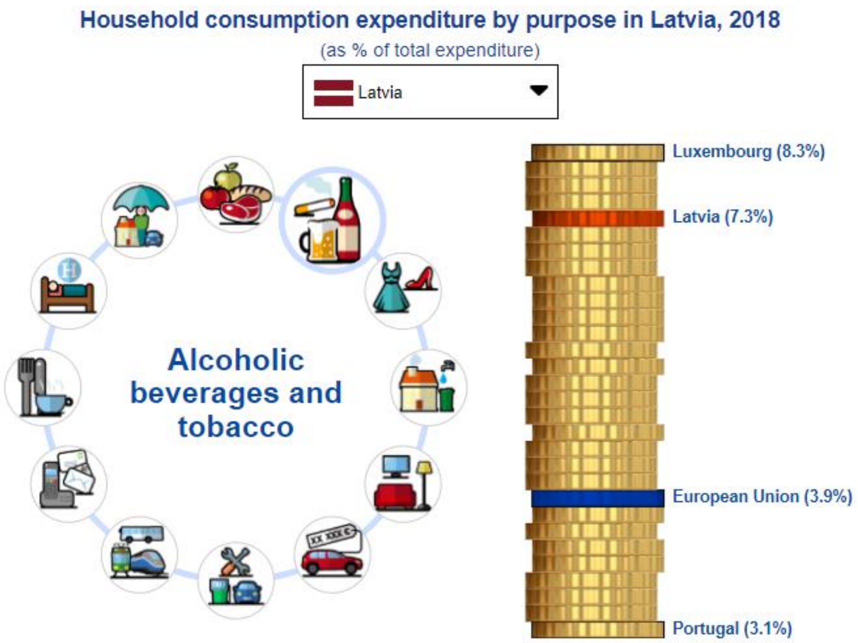
Latvia

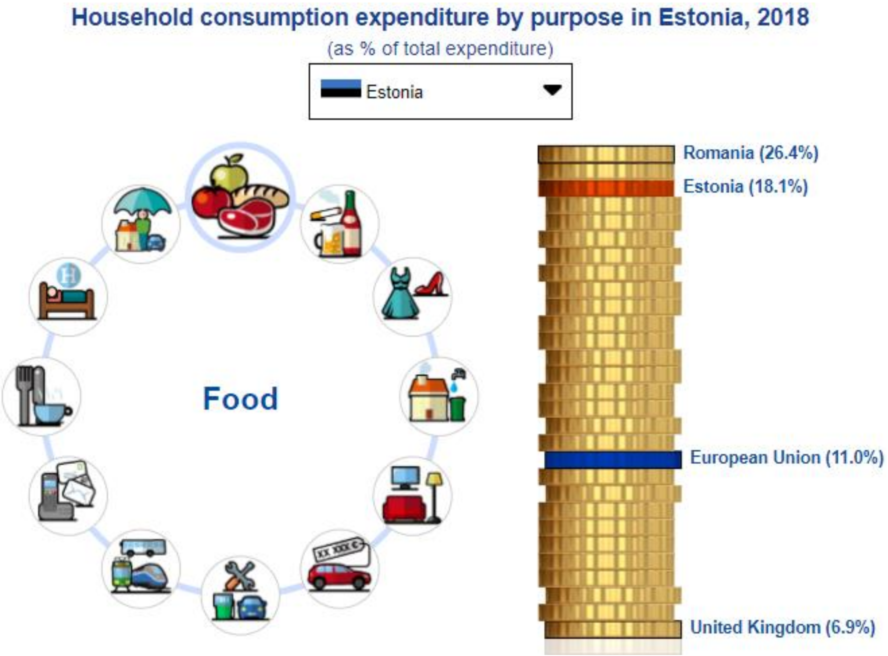


Source: Eurostat, Final consumption expenditure of households by consumption purpose.



Source: Eurostat, Final consumption expenditure of households by consumption purpose.

Estonia



Source: Eurostat, Final consumption expenditure of households by consumption purpose.

Source: Eurostat, Final consumption expenditure of households by consumption purpose.

Household expenditure by consumption purpose - COICOP, Member States, 2018, share of total

	Food and non-alcoholic beverages	Alcoholic beverages, tobacco and narcotics	Clothing and footwear	Housing, water, electricity, gas and other fuels	Furnishings, household equipment and routine household maintenance	Health	Transport	Communications	Recreation and culture	Education	Restaurants and hotels	Miscellaneous
EU-28	12.1	3.9	4.7	24.0	5.4	3.9	13.2	2.3	9.1	1.2	8.7	11.4
EA-19	12.5	3.8	4.7	23.6	5.6	4.4	13.2	2.4	8.6	0.9	9.0	11.3
Belgium	12.5	4.2	4.8	24.3	6.0	6.6	11.4	2.1	8.3	0.4	6.5	13.2
Bulgaria	19.1	5.2	3.2	19.9	5.1	6.3	13.3	4.8	7.8	1.2	7.0	7.1
Czechia	16.0	7.9	3.6	25.2	5.4	2.4	10.4	2.7	8.9	0.5	8.9	8.0
Denmark	11.4	3.5	4.2	28.1	5.3	2.8	12.5	1.9	11.6	0.8	6.3	11.5
Germany	10.8	3.2	4.6	23.6	6.4	5.2	13.8	2.3	11.1	0.9	5.5	12.5
Estonia	19.6	7.8	6.2	19.1	4.4	3.2	11.6	2.5	8.4	0.5	8.5	8.3
Ireland	8.7	4.9	3.8	24.3	4.4	5.0	12.9	2.4	5.8	2.4	16.7	8.7
Greece (¹)	16.9	4.9	3.7	19.8	2.8	4.4	13.6	4.4	4.6	2.1	15.4	7.3
Spain	12.5	4.0	4.4	21.9	4.7	4.1	12.7	2.6	7.5	1.5	14.6	9.7
France	13.1	3.7	3.6	26.3	4.8	4.0	14.1	2.4	7.9	0.5	7.6	12.2
Croatia	18.8	6.7	4.1	16.8	4.7	4.1	9.7	4.0	8.3	0.9	14.7	7.2
Italy	14.1	4.1	6.0	22.7	6.2	3.5	12.8	2.3	6.7	0.9	10.3	10.3
Cyprus	11.6	5.5	5.0	15.1	4.6	5.2	14.7	2.5	6.3	3.0	16.8	9.6
Latvia	17.8	7.3	5.1	21.4	4.0	4.6	11.8	2.9	10.3	1.5	6.8	6.5
Lithuania	20.9	5.7	6.0	15.0	7.1	4.4	15.8	2.7	8.3	0.5	4.2	9.6
Luxembourg	9.1	8.3	5.1	24.2	5.5	3.1	15.8	1.3	6.1	0.9	7.2	13.4
Hungary	18.1	7.6	3.7	18.1	4.9	4.2	13.7	3.3	7.2	1.6	9.3	8.4
Malta	11.7	4.0	4.8	10.3	7.0	3.8	11.6	3.5	9.8	1.7	20.6	11.2
Netherlands	11.4	3.2	5.3	23.9	5.7	3.3	12.4	2.6	9.9	0.7	8.7	12.8
Austria	9.7	3.2	5.6	22.2	6.6	3.8	12.3	1.9	10.0	0.9	13.6	10.0
Poland	16.4	5.6	5.3	20.5	5.7	5.8	12.9	2.1	8.1	1.0	3.6	13.0
Portugal	16.4	3.1	5.9	17.6	4.8	5.3	13.4	2.4	5.6	1.6	13.2	10.7
Romania	27.8	5.7	3.5	22.5	4.6	6.0	11.2	4.1	5.8	2.1	3.1	3.7
Slovenia	14.0	4.8	5.3	18.9	4.9	3.9	16.9	2.8	9.4	1.2	7.6	10.2
Slovakia	17.4	5.4	4.2	27.7	6.2	2.4	6.6	3.2	9.9	1.5	6.1	9.4
Finland	11.6	4.7	4.1	28.5	4.7	4.8	11.9	2.4	10.3	0.4	6.7	9.9
Sweden	12.6	3.4	4.2	25.9	6.0	3.1	12.2	3.2	11.1	0.3	7.1	10.9
United Kingdom	7.8	3.3	5.1	26.0	4.9	2.0	13.7	1.6	11.1	2.3	9.3	13.0

(¹) Greece: 2017 data
Source: Eurostat (online data code: nama_10_co3_p3)

	LITHUANIA	LATVIA	ESTONIA
POPULATION	2.8 million	2.0 million	1.3 million
GDP PER CAPITA	16,731 US$	15,550 US$	19,735 US$
COUNTRY RISK ASSESSMENT	A3	A3	A2
BUSINESS CLIMATE ASSESSMENT	A2	A2	A1
WATCH			
STRENGTHS	• Member of the eurozone since 2015 and the OECD since May 2018 • Sound public and external accounts • Banking system dominated by three Scandinavian institutions • Transit zone between the EU and Russia/Kaliningrad enclave • Diversification of energy supply (Klaipeda gas terminal, shale gas potential, electricity links with Poland and Sweden)	• Member of the eurozone (2014) and the OECD (2016) • Financial system dominated by Swedish banks (85% of domestic credit) • Transit point between the European Union and Russia (coastline and ports)	• Public accounts in surplus and low debt • Eurozone and OECD member • Close trading, financial, and cultural links with Scandinavia • Virtually energy self-sufficient thanks to oil shale • Development of high value-added sectors (electronics, IT services) • Very favourable business environment • Digitisation of administrative procedures • Flexible economic policy

WEAKNESSES	• Tight labour market: shrinking workforce (emigration of skilled young people) and high structural unemployment • Large underground economy (26% of GDP) • Wide income disparity between the capital and the regions – particularly in the northeast, where poverty persists • Limited value added of exports (mineral products, timber, agri-food, furniture, electrical equipment) • Competitiveness eroded by insufficient productivity gains	• Decline in the workforce (low birth rate, emigration); high rate of structural unemployment • Technological lag (R&D = 0.6% of GDP, EU average = 2%) • Inadequate land links with the rest of the European Union • Concentration of wealth in the capital; high income inequalities • Heavy taxation of labour, which hits people on low wages and encourages under-reporting • Importance of non-residents' bank deposits (half of the total)	• Small open economy sensitive to external shocks • Declining labour force; shortage of skilled labour • Lack of land connections to the rest of the EU • Income inequalities and persistent poverty, especially in the predominantly Russian-speaking eastern regions

Structure of distribution and market entry in the Baltic States

Structure

The Baltic States have a rather well developed network of supermarkets (food retail chains) that can be subdivided into three categories:

- Hypermarkets/big supermarkets – the largest points of sale, mostly located in big and diversified shopping malls (for example Akropolis, Maxima LT or RIMI Hypermarket).
- Supermarkets of an average size – may be operating both on its own and accompanied by other smaller diversified non-food and food shops.
- Small shops – stand-alone regional/local shops belonging to a retail chain with a limited assortment of basic consumption products (food and non-food).

In addition to that some big wholesalers of food products (for example Sanitex in Lithuania) have its own cash & carry outlets that are mostly situated at their warehouses.

E-commerce and e-stores can be considered as the fourth type of food trade. This market is expanding rapidly, though it is still small in the Baltics. For example the United Kingdom e-trade accounts for around 10% of the retail trade in food products. It only stands at 1% in Estonia and less than 1% of the total market in Latvia and Lithuania. Now, Barbora, part of Maxima Grupe, and Assorti operate e-stores in Lithuania selling food products. In 2019 Rimi Baltic was launching the first e-store in Latvia, the country where it is market leader. Rimi plans to open e-shops in Lithuania and Estonia in 2020. The Rimi e-shop will be a convenient and modern place for ordering food and household goods, and purchases can be picked up at the store or delivered to the buyer at home.

Petrol stations also have quite an important role in the retail trade as most of them are offering basic consumption products. The sale of alcoholic beverages in gas stations has been restricted. Their role exceeds that of kiosks and open-markets which are losing their importance in distribution chain.

The competition between food retail chains is very strong. Each chain has a rather dense network of point of sales offering the consumer freedom of choice.

The opening hours of the retail shops are very liberal. The majority of supermarkets/hypermarkets are open from 8:00 till 23:00. In Vilnius, two supermarkets are even open 24 hours a day. Smaller and medium–sized shops are open from 8:00 till 22:00. Petrol stations are open day and night.

The Baltic states are among the members of the European Union with the toughest regulations restricting consumption of tobacco, alcohol, unhealthy food and sweetened beverages, shows the Nanny State Index which is released by the Institute of Economic Affairs, a UK-based free market think tank. Based on the assessment of the country's tax policies and legislation restricting the advertising and sale of these goods, as well as other aspects, Latvia has been ranked seventh in the index with 32.7 points. Lithuania has been ranked second with 38.7 points and Estonia the 4th with 37.3 points.

Radical changes in the alcohol law of Lithuania came into force since the 1st January 2018. Advertising of alcohol was totally banned. The legal age to purchase and consume alcohol was increased from 18 to 20 years old and opening hours of alcohol retail trade was shortened to 10 a.m. - 8 p.m. and 10 a.m. - 3 p.m. on Sundays. Maximum alcohol content by volume in drinks sold in open air restaurants and on fairs and exhibitions was restricted to 13% max. Moreover, alcohol trade is forbidden on beaches and in sport events from 2020 and local municipalities received the right to forbid alcohol trade in the public events.

The major retail chains and other shops and stores are mostly supplied by wholesalers. In addition to that most big supermarkets such as Maxima LT, RIMI, NORFA and IKI have their own purchasing departments and are making direct purchases. In Lithuania there are more than 130 rather important wholesale companies (specialised and non-specialised). The biggest ones have a quite substantial negotiating power as they are working with/representing global brands and trademarks. In Lithuania for instance, Sanitex (www.sanitex.lt) distributes Procter & Gamble, Philip Morris, Santa Maria, Borjomi, Olitalia, SCA Tork, 3M and Unilever. Bidfood (www.bidfood.lt) distributes Neste and Unilever. Bennet Distributors (www.bennet.lt) and Mineraliniai vandenys (www.mv.lt) both sell world brands of alcoholic beverages, Eugesta (www.eugesta.lt) sells Hellmann Merrild, Kinder, etc.

Most wholesalers do not have own shops but some do have cash & carry shops. However, large retail chains are trying to take over the import of the most profitable products/brands.

Market entry

The Baltic retail markets are open to imported food products. As many of fast moving consumer goods or FMCG brands are already present on the markets, competition is fierce and price-driven. According to experts working in the wholesale/retail of food products, any introduction of a new product should be accompanied by important promotional efforts by the manufacturer or wholesaler. That explains why local wholesalers are looking for long-term co-operation with foreign manufacturers capable of providing product support and promotion.

Smaller local wholesalers are less demanding, however their purchasing capacity is very limited and long term projects have a high uncertainty level as they are running the risk of going bankrupt due to a very strong competition. It is advisable to work with the big retail chains (that are purchasing directly) or with big wholesalers which have know-how, negotiating power and experience of introducing new products to local retail chains.

Although the Baltic markets are relatively small and have a similar distribution, it is almost impossible to cover them at once through one importer/wholesaler. Each country has certain local peculiarities in terms of payment (for example delay of payment, advance payment, letters of credit, etc.) or other aspects and contract terms that do require a specific approach. The only exception is when you supply to Maxima LT or RIMI that are distributing the products to their shops in all the three countries. However, some of the bigger wholesalers such as Sanitex are providing services in the 3 Baltic states.

The terms of payment are mostly 'traditional' which implies: advance payment, bank transfer, payment on the spot or letters of credit. The Baltic States have a number of professional debt collection agencies and lawyers that are capable of facilitating and providing assistance in settling trade disputes between a foreign supplier and local buyer.

Expected future food retail market developments: very strong competition not only between the large chains but also among the small ones. With the arrival of Lidl to the Baltic states the competition has increased. In the capital cities, consumers possess a larger income and spend more money on food products. The local consumer there is becoming more and more aware of Flemish (Belgian) food products that are generally perceived as not cheap but qualitative. Also, the importance of eco-friendly and locally produced food products is increasing.

Key market players

Profiles of the largest food retail chains

The Baltic food retail market is dominated by two major retail chains: Swedish/Norwegian/Dutch/Lithuanian ICA Gruppen operating the RIMI chain and Vilniaus prekyba UAB operating the Lithuanian chain MAXIMA. Both groups have shops in the 3 Baltic States. However, per country there are other chains that have an important presence. These chains are not so active in all three Baltic States as RIMI and MAXIMA. The German discounter Lidl entered the Lithuanian market in 2016, later Lidl entered Latvia and Estonia. In 2019, Dutch retail chain Spar International has registered two brands, Eurospar and Interspar, in Lithuania. Spar International operates a chain of 13,100 Spar, Spar Express, Eurospar and Interspar stores in 48 countries. Spar used to operate in Lithuania but sold its stores in Lithuania to Iki and Norfa chain after its operator Baltic Food Holding went bankrupt in 2002. The Russian chain Svetofor is also considering to enter the Lithuanian market.

SIA Baltstor is the largest retailer co-op in Latvia, which has been operating since 2004 and unites 95 companies with over 400 retail outlets. SIA Baltsor imports products from Europe, Russian and the Commonwealth of Independent States, as well as constantly reviews cooperation opportunities with new suppliers. The largest SIA Baltsor partners are two of Latvia's most well-known retail chains Mego and Vesko.

AIBE is a cooperative network of small shops with centralized purchasing operations. In 2012 the Latvian trader cooperation AIBE and Lithuanian trading business alliance AIBE merged into a common Baltic traders union, which cooperate together for more than 1,000 stores. Elvi is another smaller Latvian food retail chain.

In Lithuania, in addition to Rimi and Maxima other retail chains are: IKI (Rewe group) and NORFA/RIVONA (Lithuanian budget chain).

In Estonia smaller retail chains are Selver (Estonian Chain owned by Tallinna Kaubamaja), Prisma (owned by the Finnish cooperative S Group). Reitan Group, a Norwegian wholesaler and retail franchiser, owns more than 200 small points of sales in the three Baltic States called Narvesen and R-Kiosk (Estonia).

Overview presence major food retail chains

Estonia: MAXIMA Eesti OÜ (Maxima X, Maxima XX, Maxima XXX, Maxima express, Barbora e-commerce, Euro Apotheca pharmacies), Rimi (Rimi Hyper, Rimi Super, Rimi Mini, Rimi Express), Selver, Prisma.

Latvia: Maxima Latvija SIA (Maxima X, Maxima XX, Maxima XXX, Maxima express, Barbora e-commerce, Euro Apotheca pharmacies), Rimi, (Rimi Hyper, Rimi Super, Rimi Mini, Rimi Express), IKI, Aibe, Mego, Sky, Elvi.

Lithuania: Maxima LT UAB (Maxima X, Maxima XX, Maxima XXX, Maxima XXXX, Barbora e-commerce, Euro Apotheca pharmacies), Rimi (Rimi Hyper, Rimi Super, Rimi Mini, Rimi Express), Lidl, IKI, Norfa, Aibe.

Belgian presence

25 years ago, the Belgian family Ortiz was the first to open a Western-style supermarket in the Baltics, called IKI. In 2018 the family sold its last stake in the company to German REWE-group.

In recent years an increased number of Belgian food products were introduced into the Baltic retail trade. Most of these products are sold in the chains of Maxima Grupė UAB, Rimi and IKI (for instance beers, biscuits, chocolates, water, juices, pâtés, apples, pears).

There are also a number of Belgian restaurants in the Baltic States:

Lithuania

Belgai – www.belgai.lt
Rene - www.restoranasrene.lt
Brussels Mussels - www.facebook.com/BrusselsMussels/

Latvia

Bon Vivant - www.bon-vivant.lv
Duvel's gastropub - www.gastropubduvels.lv/
Kwakinn Riga - http://kwakinn.ru/en/

The Kwakinn pub in Tallinn ceased to exist a few years ago.

Detailed overview major food retail chains

Lithuania

Vilniaus prekyba (Lithuanian: UAB Vilniaus prekyba, previously Vilniaus Prekyba Group, VP Market) is one of the largest Lithuanian groups of private companies - https://vilniausprekyba.lt/.

Organizational structure

Maxima Grupė has grown, over more than two decades, from a single store in Vilnius into the largest Lithuania-born grocery retailer owning more than a thousand stores in the Baltics, Poland and Bulgaria. During these years, we have become the first choice for many customers in the Baltic countries, where MAXIMA retail chain is the market leader. We were among the first in the Baltics to launch e-retail operations. The e-grocery business Barbora today serves customers in all Baltic countries. About 40 thousand people work in our company across all countries.

Maxima LT UAB
Naugarduko g. 84, 03160 Vilnius
Lithuania
Tel.: (+370 5) 268 6787
E-mail: info@maxima.lt
Website: www.maxima.lt

On January 1, 2019, the Maxima group had 246 stores in Lithuania ranging from hypermarkets through supermarkets and discount stores to neighbourhood stores. 550,000 customers visit the Maxima stores every day. In Lithuania, 14,509 people worked for the group in 2019. The different shop formats in Lithuania are the following:

Financial indicators

*data is provided in thousands of euros	2012	2013	2014	2015	2016	2017	2018
Turnover excluding VAT	1,418,337	1,500,318	1,535,938	1,566,252	1,551,203	1,546,879	1,638,384

UAB "Ermitažas" operates one of the largest and the fastest growing chain of construction and finishing materials as well as household goods in Lithuania. Currently UAB "Ermitažas" operates shopping centres in Vilnius, Kaunas, Klaipėda, Šiauliai, Jonava en Ukmerge. UAB "Ermitažas" is a part of Vilniaus prekyba - www.ermitazas.lt/.

RIMI Lithuania
Spaudos g. 6-1, Vilnius,
Lithuania
Tel.: (+370 5) 2461057
E-mail : info.lt@rimibaltic.com
Website: www.rimi.lt
Contacts through the head office in Riga. See Latvia.

61 RIMI supermarkets of different type can be found in Lithuania:

35	16	5	5
„Hyper Rimi“	„Super Rimi“	„Mini Rimi“	„Rimi Express“

IKI
Lentvario g.33,
LT-2241 Vilnius,
Lithuania
Tel.: (+370 5) 2601781
E-mail: info@iki.lt
Website: www.iki.lt

Commerce and marketing director, CCO
Tel.: +370 659 46158
E-mail: nijole.kvietkauskaite@iki.lt

The IKI chain currently owns 233 supermarkets in Lithuania. Originally owned by the Belgian brothers Ortiz, IKI was a true pioneer in the retail market: it was the first retail chain to introduce the cash register system and the first retailer to introduce a loyalty program for customers. IKI was in fact the very first supermarket chain in Lithuania. The chain has 7170 employees in Lithuania and works under the names IKI, IKI EXPRESS. The first supermarket in Lithuania after regaining independence.

In 2008 IKI was taken over by the Coopernic group, which includes the following supermarkets: E. Lerclerq (France), Colruyt (Belgium), Rewe group (Germany), Conad (Italy) and Coop (Switzerland).

NORFOS MAZMENA (= Rivona)
Savanorių pr. 176,
LT-03154 Vilnius
Lithuania
Tel.: (+370 5) 2700046

Website: www.norfa.lt and www.rivona.lt (=logistics partner)
E-mail: norfa@norfa.lt and bakaleja@rivona.lt

Norfa was founded in 1997 and is currently expanding, especially in the discounter segment. This expansion is a direct consequence of the crisis and the shortage of discounters, creating a niche in the market. The company employs 3300 people. All deliveries are made through the Rivona partner who is responsible for real estate and logistics. Rivona is 100% owned by Norfa.

Norfa supermarkets are categorised into 5 formats: S, L, XL, XXL and Hyper. The store format (the smallest supermarkets are in the S category and the largest are in the Hyper category) depends on the size of the sales floor and product range. In 2018, the product and service turnover of Norfos Mažmena reached 587,545 million euro with VAT. Before VAT turnover is 489,533 million euro.

CBA AIBE
L. Zamenhofo g. 5, LT-06332, Vilnius, Lithuania
Tel.: (+370 5) 2686686
E-mail: aibe@aibe.lt
Website: www.aibe.lt

The cooperative "Aljansas Aibė" has more than 815 stores in Lithuania and 400 stores in Latvia with the stores owned by the operators. This cooperative is therefore the retailer with the most outlets in Lithuania. Aibe imports almost nothing from abroad. The stores can be found via this link: www.aibe.lt/lt/parduotuves. The great strength of Aibe is that the group has stores down to the smallest hamlet of Lithuania and Latvia. As a result, the rural population (the size of which cannot be underestimated) buys mostly from Aibe.

Type	Number	Area of sales floor
H	3	Area of sales floor exceeds 5000 m^2.
XXL	21	Area of sales floor exceeds 2000 m^2.
XL	102	Area of sales floor from 500 to 1500 m^2.
L	11	From 200 to 500 m^2.
S	4	Up to 200 m^2.

UAB Lidl Lietuva
Viršuliškių skg. 34-1
LT-05132 Vilnius
Tel.: (+370 5) 800 10011
Website: www.lidl.lt/
E-mail: info@lidl.lt

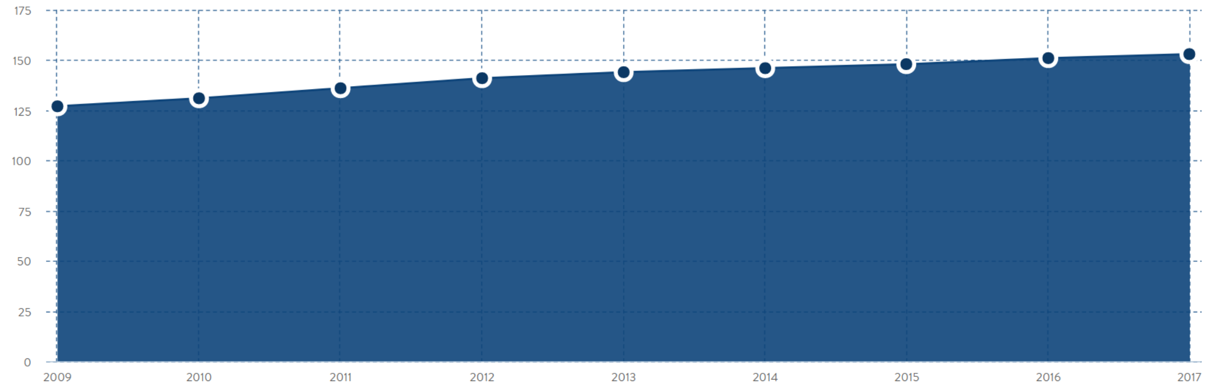
LIDL currently operates 45 shops in Lithuania. On April 16 2016, the Lidl logistics centre was opened in Kaunas Free Economic Zone (FEZ). The first Lidl stores in Lithuania opened in June 2016. The Lithuanian stores of Lidl are located in the following cities: Alytus, Jonava, Kaunas (7), Kėdainiai, Klaipėda (3), Kretinga, Marijampolė, Mažeikiai, Panevėžys, Plungė, Šiauliai (3), Tauragė, Telšiai, Ukmergė, Utena and Vilnius (12).

Latvia

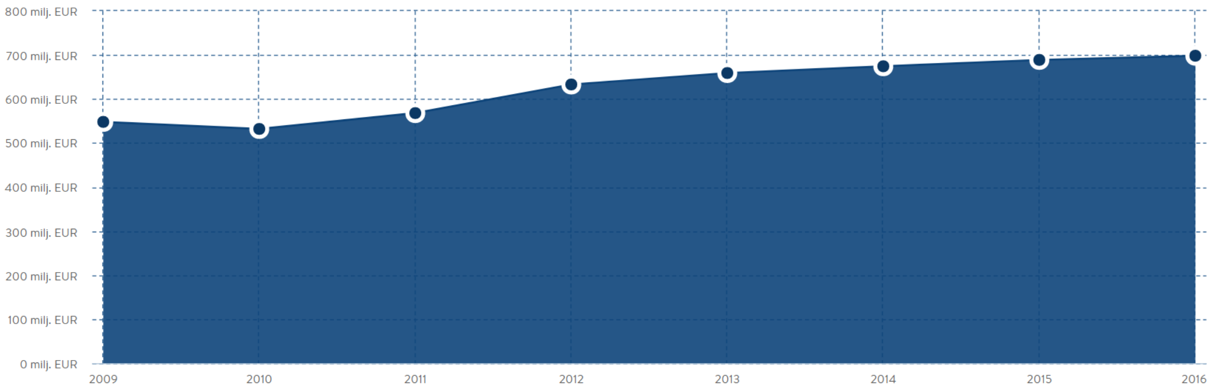
SIA MAXIMA Latvija
Abras, Kekavas pagasta
LV-2111, Rigas dist., Latvia
Tel.: +371 67892145
Website: www.maxima.lv
E-mail: info@maxima.lv

Maxima started operations in Latvia in 2001 and had more than 7,692 employees in that country in 2016.

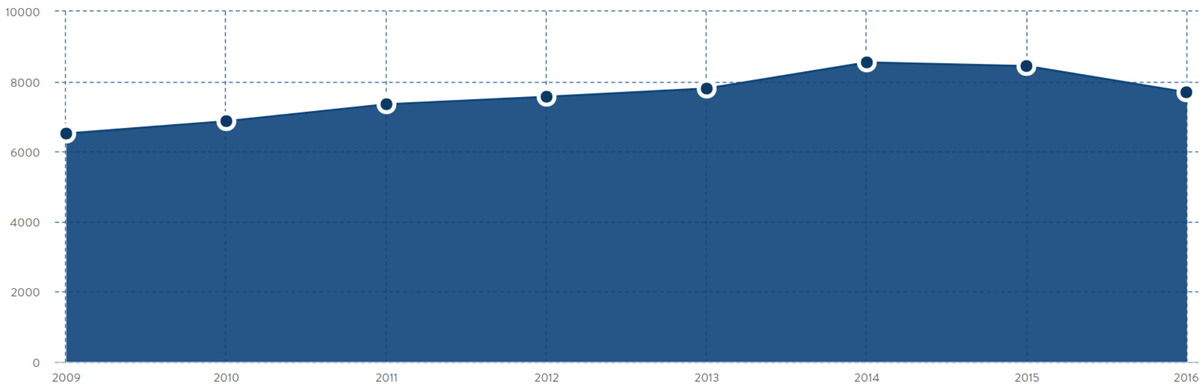
Number of shopping centres



Turnover (mil. EUR without VAT)



Number of employees



Rimi Baltic (headquarters in Latvia)
Deglava Street 161
LV-1021 Riga,
Latvia
Tel.: (+371) 80000180

E-mail: info.lv@rimibaltic.com
Website: www.rimibaltic.com

The Rimi network in the Baltic States:

Rimi Baltic	Rimi Baltic	Rimi Latvia	Rimi Lietuva	Rimi Eesti Food
Rimi hypermarkets	67	32	35	17
Rimi supermarkets	84	34	13	18
Rimi mini	95	59	5	46
Rimi express	5	9	5	5
Total number of stores	246	113	48	85

The company Rimi Baltic was established as a joint venture between ICA and Kesko Livs in January 2005. Starting from 2006 Rimi Baltic became a subsidiary company of ICA AB. Since March 27, 2013 ICA has been a wholly owned Subsidiary of Hakon Invest which changed its name to ICA Gruppen on May 20. For more detailed information about the ICA Gruppen, visit the website - www.icagruppen.se.

Rimi Baltic is represented by three companies In Baltic States – Rimi Eesti Food, Rimi Latvia and Rimi Lietuva. For more information, please visit the respective country websites: www.rimi.ee; www.rimi.lv; www.rimi.lt.

Rimi's revenue in the Baltic states totalled 1.47 billion euro in 2018, 2.1% more than in 2017. The retailer's revenue grew 0.9% to 374.3 million euro in Estonia, 3% to 775.2 million euro in Latvia and 3.6% to 324.5 million euro in Lithuania.

The company structure of Rimi Baltics looks as follows:

Largest shareholders as of 31 December 2018

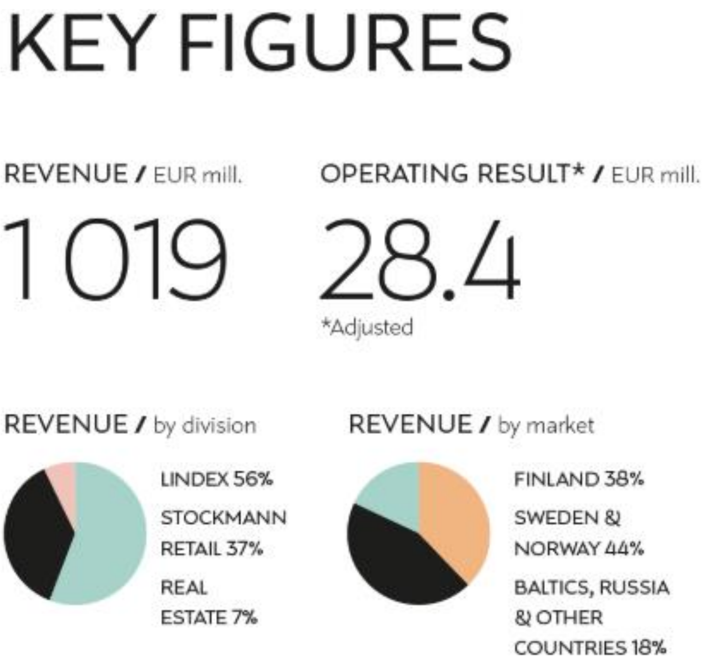
Shareholders	Number of shares	Share, %
ICA-handlarnas Förbund	108,643,330	54.0
Industrivärden	14,016,262	7.0
Blackrock	2,801,391	1.4
Vanguard	2,224,856	1.1
SEB Fonder	2,011,524	1.0
XACT Fonder	1,410,261	0.7
Swedbank Robur Fonder	1,321,979	0.7
L Jönsson	1,279,601	0.6
Spiltan Fonder	1,266,161	0.6
Avanza Pension	1,117,369	0.6
Ten largest shareholders, total	**136,092,734**	**67.7**
Other shareholders	65,054,061	32.3
Total	**201,146,795**	**100.0**
Of which foreign shareholders in total	*22,184,976*	*11.0*

Source: Euroclear Sweden AB and Modular Finance AB. The table may reflect aggregate shareholdings of each shareholder.

Stockmann Riga
13. Janvāra iela 8
LV-1050 Riga, Latvia
Tel: +371 6707 1222
Website: www.stockmann.lv

The shopping centre of Stockmann in Riga is open since October 2003 and has 4 flours with a surface of 11,000 m².

Stockmann, established in 1862, is a Finnish listed company engaged in the retail trade. It has almost 44,000 shareholders and about 7,000 employees. The Group's revenue in 2018 was 1,018.8 million euro. Stockmann Group's operating structure is divided in two divisions – **Stockmann** and **Lindex**.



aibe
"Dominante Park" 2. ēka, "Ciedri", Lielvārži, Ķekavas pag., Ķekavas nov., LV-2123
Tel.: +371 67517310
E-mail: aibe@aibe.lv
Website: www.aibe.lv

Aibe is the biggest cooperative chain in Latvia as well as in Lithuania.

MEGO
Krustpils 12, Riga, LV-1073
Tel.: +371 6 777 59 59
E-mail: mego@mego.lv
Website: www.mego.lv and www.baltstor.lv

Import department:

BALTSTOR Ltd.
12 Krustpils str., Riga
LV-1073, LATVIA
Tel.: +371 67775949
E-mail: iepirkums@baltstor.lv

SIA Baltstor is the largest retailer co-op in Latvia, which has been operating since 2004 and unites 95 companies with over 400 retail outlets. The profits of the companies in 2017 exceeded 250 million euro.

Mego started its activities in Latvia in September 1999.

Overview of the chain's brands:

88 stores	89 stores

SKY (high end supermarket)

K. Ulmaņa gatve 140, LV-1029, Riga, Latvia
Tel: +371 67860700
E-mail: sky@sky.lv
Website: www.sky.lv

The first supermarket was opened through a franchising agreement with a German company in Schleswig-Holstein. This small chain is different from other chains in Latvia because of the assortment that targets exclusively the richer part of the population. There is a lot of import from Germany and the Netherlands.

Elvi
Braslas iela 29A-4, Rīga, LV-1084
Tel: +371 67618236
E-mail: info@elvi.lv
www: www.elvi.lv

ELVI - franchising retail chain of convenient stores uniting 52 companies with 168 stores. The turnover of Elvi in 2016 was 145 million euro.

On October 19 2019, the German retailer Lidl laid the foundation for a new logistics centre in Riga. The company is investing over € 55 million euro with € 42.5 million in construction while a further € 15 million will be invested into equipment. Construction is planned to be finished in 2020. The building on Ulbrokas street in Rīga will be 47,000 square meters large, becoming one of the most modern and technologically advanced logistics centres in the Baltics.

Representatives of the company stated that Lidl plans to open about 40 stores in Latvia over time, which is a similar number as in neighbouring Lithuania. Initially, in order to justify the creation of a logistics centre, at least 10 stores will be opened in Latvia in 2020.

Estonia

Maxima Estonia
Peterburi tee 47
11415, Tallinn, Estonia
Tel: +372 6230641
E-mail: info@maxima.ee
Website: www.maxima.ee

Maxima has 81 supermarkets in Estonia.

Contacts though Lithuania:

MAXIMA GRUPĖ, UAB
Savanorių per. 247,
LT-02300 Vilnius, Lithuania
Tel. (+370 5) 219 6000
E-mail: info@maximagrupe.eu

The Maxima Retail chain has been operating in Estonia since 2004. The chain has 81 stores, of which 56 are Maxima X home stores, 21 are Maxima XX supermarkets, 3 are Maxima XXX hypermarkets and one is an Express convenience store. As the first retail chain in 2015, Maxima launched the e-Maxima grocery and convenience store, which was renamed Barbora in October 2018. The daily Maxima stores serve an average of 170,000 people. The retail chain also has eight culinary shops and a logistics centre. All Maxima Estonian companies employ approximately 3,700 people in Estonia. In 2017, the retail sales exceeded 470 million euro and investments reached 11 million euro. As a result, Maxima continues to be among the TOP10 largest companies, employers and taxpayers in Estonia.

RIMI Estonia
Põrguvälja tee 3, Pildiküla Rae vald
EE- 75301 Harjumaa
Tel: +372 6059400
Fax: +372 6059401
E-mail: info.ee@rimibaltic.com
Website: www.rimi.ee

Rimi Eesti is a leading retail chain in Estonia with a network of 84 stores. Rimi employs approximately 3,000 people in Estonia.

Rimi stores:

17	19	45	5
Rimi hyper	Rimi super	Rimi mini	Rimi express

H Rimi Hyper S Rimi Super M Rimi Mini E Rimi Express

Tallinna Kaubamaja AS
Gonsiori 2, 10143 Tallinn (= official address)
Tel: +372667 3100
E-mail: tallinn@kaubamaja.ee
Website: www.kaubamaja.ee, www.selver.ee

Kaubamaja AS carries on the traditional trading format and traditions once pursued by a state company, Tallinna Kaubamaja/Tallinn Department Store, which was established in 1960. The main business of the company is retail trade and the trading format – traditional full format department store that offers fashion items, food products, home, beauty and children's products. Estonia is the home market of Kaubamaja AS; sales facilities are located in the city centres of Tallinn and Tartu.

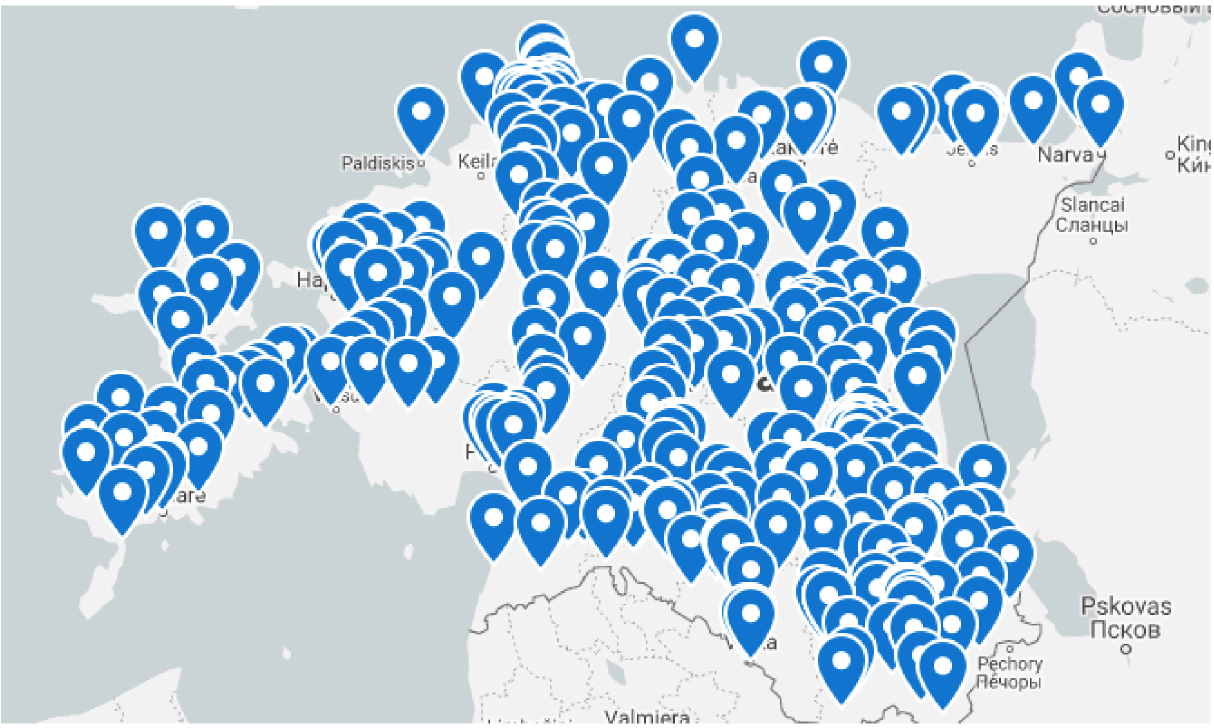
The SELVER supermarket chain belongs also to the Kaubamaja group. AS Selver was established in 1995. The main business of Selver involves retail and wholesale trade, provision of services and catering. Subsidiaries of AS Selver are Kulinaaria OÜ (Selveri Köök (Selver's Kitchen)) in Estonia and SIA Selver in Latvia, whose activity is currently stopped. The Selver chain in Estonia includes 47 stores, including 40 supermarkets and 7 hypermarkets.

The contacts for the Selver chain:

A-Selver AS
Pärnu mnt. 238, Tallinn 11624
E-mail: selver@selver.eu
Tel: +372 667 3800

Coop Eesti Keskuhistu
Suur-Sõjamäe 70, Soodevahe küla, Rae vald, Harjumaa, Estonia, 75322
Tel.: +372 6710 500
E-mail: info@coop.ee
Website: www.coop.ee

Coop Eesti (COOP Estonia), which is 100% owned by Estonian consumers, is the oldest and the largest retail group in Estonia. The brand operates 19 independent regional consumer cooperatives with about 330 stores, 5,500 employees and 75,000 customer owners. The first consumer cooperative was founded in 1902. Antsla, then Sindh, and similar cooperatives were established throughout Estonia. In 1917 the Estonian Central Cooperative Coop was set up in order to co-operate with regional consumer cooperatives better.



Prisma
Mustakivi tee 17, 13912 Tallinn
Estonia
Tel.: +372 680 9600
E-mail: info@prismamarket.ee
Website: www.prismamarket.ee

Prisma has been operating in Estonia since 2000. They have a total of nine stores in Tallinn, Tartu and Narva, which together with the support unit employ almost 800 people. Prisma is the chain with the widest selection and one of the most favourable shopping carts in Estonia.

Prisma Peremarket is a part of the S-Grupp trading group, which operates in the Finnish, Estonian and Russian markets and employs over 40,000 people. The Finnish-based S-Grupp also operates the Sokos hotels in Estonia: www.s-kanava.fi/web/s/en/s-ryhma-lyhyesti.

Lidl Eesti OÜ
Tel.: +372 666 7166
E-mail: info@lidl.ee
www: www.lidl.ee/

Lidl Eesti OÜ, the Estonian representative of German global discount supermarket chain, made € 21.5 million worth of investments in long-term assets in Estonia during the 2018 financial year, and is planning to open 9 stores in 2020.

R - Kiosk Eesti AS
Põikmäe 2, Tänassilma
76406 Saku vald, Eesti
Tel: +372 633 60 00
E-mail: klienditugi@rkiosk.ee
Website: https://rkiosk.ee/

AS R-Kiosk Estonia is part of the Norwegian family-owned Reitan Group, Europe's second-largest convenience store and convenience store retailer. In addition to its Estonian business, Reitan Convenience has convenience stores in Norway (Narvesen), Sweden (Pressbyran, 7Eleven), Denmark (7Eleven), Finland (R-Kiosk), Latvia (Narvesen) and Lithuania (Narvesen, Lietuvos Spauda).The company employs more than 18,000 people, including about 400 in Estonia.

STOCKMANN

Stockmann Department Stores
International Operations:
Stockmann plc
Aleksanterinkatu 52
00100 Helsinki, Finland
Tel.: +358 9 1211
E-mail: info@stockmann.com
Website: www.stockmanngroup.com

Stockmann department stores and Stockmann's online store:

- Revenue in 2018: 386.2 million euro
- Personnel: 2,254
- 8 department stores and the online store www.stockmann.com

Stockmann Tallinn:
Liivalaia 53
10145 Tallinn, Estonia
Tel.: +372 6 339 539

Website: www.stockmann.ee

CASH & CARRY

Lithuania

Sanitex - www.sanitex.ee/en/m-s-veiklos/promo-cash-carry.html: **PROMO Cash&Carry** is the biggest wholesale warehouse-type self-service chain store in the Baltic States, which offers a broad selection of food and convenience goods that meet the needs of corporate customers at low wholesale prices.

The first PROMO Cash&Carry was opened in 1997 in Kaunas and there are now 10 stores in Lithuania. In Latvia the first store was opened in 2011 and their number has grown to 4 by now. Total trade space amounts to ca 44;000 m² and the chain employs more than 500 people. In August 2015 the PROMO Cash&Carry in Tallinn was opened.

Latvia

Cash & Carry outlet of the distributor **Reaton** - www.reaton.lv/en/foodstuffs/store/

Baltic XL Ltd - http://balticxl.lv/en/welcome/about_us

Estonia

Kaupmees - www.kaupmees.ee has 7 Cash & Carry outlets that target hospitality industry, companies, shops and other distributors.

Sources of information

- Publications and information provided by the Department of Statistics of Lithuania
- Publications and information provided by the Central Statistical Bureau Latvia
- Publications and information provided by the Statistics Estonia
- Articles in the Lithuanian business daily Verslo Zinios
- Articles in the Baltic Course
- Information provided by the Baltic Business News
- Information provided by EUROSTAT
- Information provided by the local economic development agencies (export and investment)
- www.coface.com/Economic-Studies-and-Country-Risks/Lithuania
- www.coface.com/Economic-Studies-and-Country-Risks/Latvia
- www.coface.com/Economic-Studies-and-Country-Risks/Estonia

Disclaimer

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