KESKO

Kesko Corporation

Interim report

Q2

January–June 2011

KESKO CORPORATION
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Interim report for 1 January–30 June 2011

Financial performance in brief:

- *The Group's net sales for January-June increased by 8.0%.*
- *The operating profit excluding non-recurring items for January-June was €118.3 million, up €19.3 million on the previous year (€99.0 million).*
- *The Kesko Group's net sales are expected to grow during the next twelve months. During the next twelve months, the operating profit excluding non-recurring items is expected to increase despite significant costs involved in the expansion of the store site network and business operations in Russia.*

KEY PERFORMANCE INDICATORS

	1–6/2011	1–6/2010	4–6/2011	4–6/2010
Net sales, € million	4,575	4,237	2,472	2,279
Operating profit excl. non-recurring items, € million	118.3	99.0	83.3	78.1
Operating profit, € million	119.6	100.0	83.9	79.0
Profit before tax, € million	120.1	100.6	84.0	78.7
Capital expenditure, € million	194.6	87.7	130.5	45.7
Earnings/share, €, diluted	0.79	0.67	0.55	0.51
Earnings/share excl. non-recurring items, €, basic	0.79	0.66	0.55	0.51

	30.6.2011	30.6.2010
Equity ratio, %	52.1	51.4
Equity/share, €	21.21	20.30

FINANCIAL PERFORMANCE

Net sales and profit for January-June 2011

The Group's net sales in January-June 2011 were €4,575 million, which is 8.0% up on the corresponding period of the previous year (€4,237 million). In Finland, net sales increased by 7.2% and in other countries by 12.0%. International operations accounted for 16.7% (16.1%) of the net sales. Net sales increased in the food trade, the building and home improvement trade, and the car and machinery trade, with comparable growth standing at 21.6% in the car and machinery trade. The net sales of the home and speciality goods trade remained nearly unchanged.

1–6/2011	Net sales, M€	Change, %	Operating profit excl. non-recurring items, M€	Change, M€
Food trade	2,025	+7.2	87.2	+13.5
Home and speciality goods trade	687	-0.3	-5.0	-12.1
Building and home improvement trade	1,327	+10.0	9.8	+5.6
Car and machinery trade	621	+16.3	31.8	+11.3
Common operations and eliminations	-85	+4.6	-5.5	+1.0
Total	**4,575**	**+8.0**	**118.3**	**+19.3**

The operating profit excluding non-recurring items for January-June was €118.3 million (€99.0 million), representing 2.6% (2.3%) of the net sales. Profitability improved in the food trade, the building and home improvement trade and the car and machinery trade. At the beginning of the year, the principle for allocating surplus amounts related to the additional defined benefit obligation of the Kesko Pension Fund to divisions was changed to correspond to the breakdown of defined benefit obligations. For January-June 2011, the change contributed €-0.8 million to the operating profit excluding non-recurring items in the food trade, and €-2.0 million in the home and speciality goods trade.

Operating profit was €119.6 million (€100.0 million). The operating profit includes €1.4 million of non-recurring items. The Group's profit before tax for January-June was €120.1 million (€100.6 million).

The Group's earnings per share were €0.79 (€0.67). The Group's equity per share was €21.21 (€20.30).

In January-June, the K-Group's (i.e. Kesko's and the chain stores') retail and B2B sales (VAT 0%) were €5,606 million, up 7.1% compared to the previous year. During the same period, K-food stores' grocery sales grew by 6.0% (VAT 0%). In January-June, the K-Group chains' sales entitling to K-Plussa points were €2,719 million excluding tax, up 4.8% compared to the previous year. In January-June, the K-Plussa customer loyalty programme gained 40,168 new households. At the end of June, there was 2,118,858 K-Plussa households.

Net sales and profit for April-June 2011

The Group's net sales in April-June 2011 were €2,472 million, which is 8.5% up on the corresponding period of the previous year (€2,279 million). In Finland, net sales increased by 7.8% and in other countries by 11.5%. International operations accounted for 18.4% (17.9%) of the net sales. In the food trade, the increase in net sales is attributable to the good grocery sales performance of the K-food stores. In the car and machinery trade, the comparable growth in net sales was 18.2%.

4–6/2011	Net sales, M€	Change, %	Operating profit excl. non-recurring items, M€	Change, M€
Food trade	1,077	+10.3	45.8	+3.8
Home and speciality goods trade	339	+1.4	2.4	-4.6
Building and home improvement trade	757	+6.4	18.8	+0.9
Car and machinery trade	342	+14.9	19.6	+5.5
Common operations and eliminations	-43	+6.3	-3.3	-0.2
Total	**2,472**	**+8.5**	**83.3**	**+5.3**

The operating profit excluding non-recurring items for April-June was €83.3 million (€78.1 million), representing 3.4% (3.4%) of the net sales. In the food trade and the building and home improvement trade, the operating margin excluding non-recurring items remained unchanged and in the car and machinery trade, it increased.

Operating profit was €83.9 million (€79.0 million). The operating profit includes €0.6 million of non-recurring items. The Group's profit before tax for April-June was €84.0 million (€78.7 million).

The Group's earnings per share were €0.55 (€0.51). The Group's equity per share was €21.21 (€20.30).

In April-June, the K-Group's (i.e. Kesko's and the chain stores') retail and B2B sales (VAT 0%) were €3,088 million, up 7.0% compared to the previous year. During the same period, K-food stores' grocery sales grew by 7.1% (VAT 0%). In April-June, the K-Group chains' sales entitling to K-Plussa points were €1,448 million excluding tax, up 6.0% compared to the previous year.

Finance

In January-June, the cash flow from operating activities was €43.3 million (€135.4 million). The cash flow from operating activities was negatively impacted by higher receivables and inventories. The cash flow from investing activities was €-194.2 million (€-85.7 million). It included €3.8 million (€4.6 million) of proceeds from the sales of fixed assets.

Throughout January-June, the Group's liquidity and solvency remained at an excellent level. At the end of the period, liquid assets totalled €545 million (€713 million). Interest-bearing liabilities were €475 million (€490 million) and interest-bearing net debt €-70 million (€-223 million) at the end of June. Equity ratio was 52.1% (51.4%) at the end of the period.

In January-June, the Group's net finance costs were €0.3 million (net finance income €0.6 million).

In April-June, the cash flow from operating activities was €68.6 million (€127.3 million). The cash flow from investing activities was €-126.5 million (€-44.3 million). It included €2.1 million (€3.5 million) of proceeds from the sales of fixed assets.

In April-June, the Group's net finance income was €0.3 million (net finance costs €0.2 million).

Taxes

The Group's taxes in January-June were €37.2 million (€31.7 million). The effective tax rate was 31.0% (31.5%), affected by loss-making foreign operations.

The Group's taxes in April-June were €26.0 million (€24.8 million). The effective tax rate was 31.0% (31.5%).

Capital expenditure

In January-June, the Group's capital expenditure totalled €194.6 million (€87.7 million), or 4.3% (2.1%) of the net sales. Capital expenditure in store sites was €175.6 million (€63.5 million) and other capital expenditure €19.0 million (€24.2 million). Capital expenditure in foreign operations represented 36.8% (29.7%) of total capital expenditure.

In April-June, the Group's capital expenditure totalled €130.5 million (€45.7 million), or 5.3% (2.0%) of the net sales. Capital expenditure in store sites was €121.0 million (€31.0 million) and other capital expenditure €9.5 million (€14.7 million). Capital expenditure in foreign operations represented 45.3% (20.7%) of total capital expenditure.

Personnel

In January-June, the average number of employees in the Kesko Group was 18,644 (17,914) converted into full-time employees. In Finland, the average increase was 157 people, while outside Finland, it was 574.

At the end of June 2011, the total number of employees was 23,084 (22,467), of whom 13,191 (13,099) worked in Finland and 9,893 (9,368) outside Finland. Compared to the end of June 2010, there was an increase of 92 people in Finland and 525 people outside Finland.

In January-June, the Group's staff cost was €283.1 million and increased by 9.0% compared to the previous year. In April-June, the staff cost increased by 10.4% compared to the previous year and was €145.4 million.

SEGMENTS

Seasonal nature of operations

The Group's operating activities are affected by seasonal fluctuations. The net sales and operating profits of the reportable segments are not earned evenly throughout the year. Instead, they vary by quarter depending on the characteristics of each segment.

FOOD TRADE

	1–6/2011	1–6/2010	4–6/2011	4–6/2010
Net sales, € million	2,025	1,888	1,077	976
Operating profit excl. non-recurring items, € million	87.2	73.7	45.8	42.1
Operating profit as % of net sales excl. non-recurring items	4.3	3.9	4.3	4.3
Capital expenditure, € million	94.4	37.9	63.5	21.4

Net sales, € million	**1–6/2011**	**Change, %**	**4–6/2011**	**Change, %**
Sales to K-food stores	1,572	+8.1	838	+11.9
Kespro	358	+7.2	193	+9.3
Others	95	-5.4	45	-9.9
Total	**2,025**	**+7.2**	**1,077**	**+10.3**

January-June 2011

In Kesko's food trade, the net sales for January-June were €2,025 million (€1,888 million), up 7.2%. The sales of Pirkka products to K-food stores were excellent, with sales growth standing at 38.9% (VAT 0%). During the same period, the grocery sales of K-food stores increased by 6.0% (VAT 0%). Good sales performance was achieved especially by the K-citymarket and K-supermarket chains. In January-June, the growth rate of the total grocery trade market in Finland is estimated at some 5.5% (VAT 0%) compared to the previous year (Kesko's own estimate). The price change in the grocery market is estimated to have stood at some 4.5% compared to the previous year (VAT 0%, Kesko's own estimate).

In January-June, the operating profit excluding non-recurring items of the food trade was €87.2 million (€73.7 million), or €13.5 million up on the previous year. The profitability improvement is attributable to K-food stores' good performance and cost management. Operating profit was €88.0 million (€73.9 million).

In January-June, capital expenditure in the food trade was €94.4 million (€37.9 million), of which capital expenditure in store sites was €89.9 million (€28.2 million).

April-June 2011

In Kesko's food trade, the net sales for April-June were €1,077 million (€976 million), up 10.3%. During the same period, the grocery sales of K-food stores increased by 7.1% (VAT 0%).

In April-June, the operating profit excluding non-recurring items of the food trade was €45.8 million (€42.1 million), or €3.8 million up on the previous year. Operating profit was €45.9 million (€42.2 million).

In April-June, capital expenditure in the food trade was €63.5 million (€21.4 million), of which capital expenditure in store sites was €60.9 million (€16.7 million).

In April-June 2011, two new K-citymarkets, seven K-supermarkets and two K-markets were opened. In addition, one K-supermarket was extended into a K-citymarket. Renovations and extensions were made in 31 stores.

The most significant store sites being built are the new K-citymarkets in Hämeensaari, Hämeenlinna, in Karisto, Lahti, in Äänekoski, Hyvinkää, Kauhajoki, Kouvola and Valkeakoski. A K-supermarket in Mäntsälä is being extended into a K-citymarket and K-citymarket Kolmisoppi in Kuopio is being extended. New K-supermarkets are being built in Lappeenranta, Vihti, in Myllypuro, Helsinki, in Hattula, Tampere, Nurmijärvi and in Kaisaniemi, Helsinki. K-market Parila in Pälkäne is being extended into a K-supermarket.

HOME AND SPECIALITY GOODS TRADE

	1–6/2011	1–6/2010	4–6/2011	4–6/2010
Net sales, € million	687	689	339	334
Operating profit excl. non-recurring items, € million	-5.0	7.1	2.4	7.0
Operating profit as % of net sales excl. non-recurring items	-0.7	1.0	0.7	2.1
Capital expenditure, € million	18.1	12.8	10.0	9.3

Net sales, € million	**1–6/2011**	**Change, %**	**4–6/2011**	**Change, %**
K-citymarket home and speciality goods	282	+2.4	147	+6.2
Anttila	206	-4.2	97	-4.7
Intersport	75	-1.8	33	-0.4
Indoor	83	+16.1	42	+18.0
Musta Pörssi	32	-25.0	17	-26.8
Kenkäkesko	10	+3.5	5	+19.2
Total	**687**	**-0.3**	**339**	**+1.4**

January-June 2011

In the home and speciality goods trade, the net sales for January-June were €687 million (€689 million), down 0.3%. K-citymarket home and speciality goods, as well as Asko and Sotka increased their sales. At the beginning of February, the Anttila department store in Tikkurila was closed because its lease term expired. The Anttila department store in Hämeenlinna is being converted into a K-citymarket, which will open in October 2011. In April, a K-citymarket was opened in Tammisto, Vantaa and in Palokka, Jyväskylä. In May, a K-citymarket was opened in Päivölä, Seinäjoki. As a result of network restructuring, there were 16 less Musta Pörssi stores than in the comparative period.

The operating profit excluding non-recurring items of the home and speciality goods trade for January-June was €-5.0 million (€7.1 million), showing a €12.1 million year-on-year decrease. The operating profit performance is partly attributable to the launch of Anttila's new logistics centre, the decrease in Anttila's sales and the development of Anttila's and K-citymarket's selections. Operating profit was €-4.6 million (€7.1 million).

Capital expenditure in the home and speciality goods trade in January-June was €18.1 million (€12.8 million).

April-June 2011

In the home and speciality goods trade, the net sales for April-June were €339 million (€334 million), up 1.4%. K-citymarket home and speciality goods, Kodin Ykkönen, as well as Asko and Sotka increased their sales. The increase in the net sales of K-citymarket home and speciality goods is attributable to successful marketing, product selection and new stores.

The operating profit excluding non-recurring items of the home and speciality goods trade for April-June was €2.4 million (€7.0 million), showing a €4.6 million year-on-year decrease. The operating profit excluding non-recurring items was partly affected by the launch of Anttila's new logistics centre and the decrease in Anttila's sales. Operating profit was €2.8 million (€7.0 million).

Capital expenditure in the home and speciality goods trade in April-June was €10.0 million (€9.3 million).

In April, a K-citymarket was opened in Tammisto, Vantaa and in Palokka, Jyväskylä. In May, a K-citymarket was opened in Päivölä, Seinäjoki.

The launch of Anttila's new automated logistics centre has progressed according to plan. The logistics centre will make e-commerce and department store logistics significantly more efficient.

Kesko has signed agreements on the transfer of the Intersport licence in Russia to Kesko with Intersport International and the current licence holder Intersport CIS. Kesko will establish a new company for Intersport operations in Russia together with Melovest, the owner of the current licence holder Intersport CIS. Melovest will hold a 20% ownership interest in the new company, which is planned to begin operations in August 2011. The final closure of the transaction is subject to a final agreement on all the terms and conditions of the arrangement, the approval by the Russian competition authority and the fulfilment of the other terms and conditions of the transaction closure.

BUILDING AND HOME IMPROVEMENT TRADE

	1–6/2011	1–6/2010	4–6/2011	4–6/2010
Net sales, € million	1,327	1,207	757	712
Operating profit excl. non-recurring items, € million	9.8	4.2	18.8	17.9
Operating profit as % of net sales excl. non-recurring items	0.7	0.3	2.5	2.5
Capital expenditure, € million	66.1	28.4	47.4	10.4

Net sales, € million	1–6/2011	Change, %	4–6/2011	Change, %
Rautakesko Finland	625	+6.2	345	+2.1
K-rauta Sweden	108	+9.6	65	+3.4
Byggmakker Norway	286	+9.4	163	+6.5
Rautakesko Estonia	26	+11.8	17	+17.6
Rautakesko Latvia	23	+4.8	14	+5.9
Senukai Lithuania	108	+12.5	64	+8.6
Stroymaster Russia	107	+18.3	63	+14.8
OMA Belarus	47	+66.0	28	+58.9
Total	**1,327**	**+10.0**	**757**	**+6.4**

January-June 2011

In the building and home improvement trade, the net sales for January-June were €1,327 million (€1,207 million), up 10.0%. The sales of the building and home improvement trade increased in all operating countries. Sales performance and structure vary between countries and customer groups. Sales growth was negatively affected by a keen competitive situation in Sweden, and the VAT rate change effective from July 2010 in Finland.

In January-June, net sales in Finland were €625 million, an increase of 6.2%. The building and home improvement product lines contributed €457 million to the net sales in Finland, an increase of 6.4%. The agricultural supplies trade contributed €167 million to the net sales, up 5.7%.

In January-June, the net sales from foreign operations in the building and home improvement trade were €702 million (€618 million), an increase of 13.6%. The net sales from foreign operations increased by 12.8% in terms of local currencies. In Sweden, net sales stood at the previous year's level in terms of kronas. In Norway, net sales increased by 6.9% in terms of krones. In Russia, net sales increased by 19.0% in terms of rubles. In Belarus, net sales were up by 100.4% in terms of rubles. The growth is attributable to price increases resulting from the high inflation in Belarus. Foreign operations contributed 52.9% to the net sales of the building and home improvement trade.

In January-June, the operating profit excluding non-recurring items of the building and home improvement trade was €9.8 million (€4.2 million), up €5.6 million compared to the previous year. The profit performance was impacted by the fact that sales growth was mainly derived from basic building materials with low margins, that sales growth slackened during the second quarter, and by the costs related to the development of the international enterprise resource planning system. Operating profit was €9.8 million (€4.2 million).

In January-June, capital expenditure in the building and home improvement trade totalled €66.1 million (€28.4 million), of which 85.4% (91.5%) abroad and 92.4% in store sites.

The retail sales of the K-rauta and Rautia chains in Finland grew by 4.8% to €496 million (VAT 0%). The sales of Rautakesko B2B Service increased by 17.8%. As a whole, the growth rate of Rautakesko's building materials sales is estimated to have continued exceeding that of the market in Finland. The retail sales of the K-maatalous chain were €200 million (VAT 0%), up 8.5%.

April-June 2011

In the building and home improvement trade, the net sales for April-June were €757 million (€712 million), up 6.4%.

In April-June, net sales in Finland were €345 million, an increase of 2.1%. The building and home improvement product lines contributed €257 million to the net sales in Finland, an increase of 2.8%. The agricultural supplies trade contributed €88 million to the net sales, representing the level of the previous year.

In April-June, the net sales from foreign operations in the building and home improvement trade were €413 million (€374 million), an increase of 10.3%. The net sales from foreign operations increased by 11.5% in terms of local currencies. In Sweden, net sales decreased by 4.1% in terms of kronas. In Norway, net sales increased by 5.0% in terms of krones. In Russia, net sales increased by 18.4% in terms of rubles. In Belarus, net sales were up by 111.9% in terms of rubles as a result of high inflation. Foreign operations contributed 54.5% to the net sales of the building and home improvement trade.

In April-June, the operating profit excluding non-recurring items of the building and home improvement trade was €18.8 million (€17.9 million), up €0.9 million compared to the previous year. Operating profit was €18.8 million (€17.9 million).

In April-June, capital expenditure in the building and home improvement trade totalled €47.4 million (€10.4 million), of which 92.5% (90.5%) abroad. Capital expenditure in store sites represented 95.1% of the total capital expenditure.

The retail sales of the K-rauta and Rautia chains in Finland grew by 1.3% to €320 million (VAT 0%) in April-June. The sales of Rautakesko B2B Service increased by 21.8%. The retail sales of the K-maatalous chain were €121 million (VAT 0%), up 3.3%.

In April-June, a new K-rauta was opened in St. Petersburg, Russia. In Finland, new K-rauta stores are being built in Kuopio and Kouvola. In Sweden, a K-rauta was opened in Haparanda in July, and a K-rauta store is being built in Uppsala. Two K-rauta stores are being built in Moscow, Russia. A new Rautia-K-maatalous store is being built in Turku.

CAR AND MACHINERY TRADE

	1–6/2011	1–6/2010	4–6/2011	4–6/2010
Net sales, € million	621	534	342	298
Operating profit excl. non-recurring items, € million	31.8	20.5	19.6	14.1
Operating profit as % of net sales excl. non-recurring items	5.1	3.8	5.7	4.7
Capital expenditure, € million	13.9	8.1	7.9	4.0

Net sales, € million	**1–6/2011**	**Change, %**	**4–6/2011**	**Change, %**
VV-Auto	447	+21.9	229	+16.6
Konekesko	175	+4.1	113	+11.5
Total	**621**	**+16.3**	**342**	**+14.9**

January-June 2011

In January-June, the net sales of the car and machinery trade were €621 million (€534 million), up 16.3%. The comparable net sales of the car and machinery trade grew by 21.6%. The discontinued Baltic grain and agricultural inputs trade has been eliminated from the comparable net sales.

VV-Auto's net sales for January-June were €447 million (€367 million), an increase of 21.9%. In Finland, new registrations of passenger cars increased by 14.2% and those of vans by 31.9% compared to the previous year. In January-June, the combined market share of passenger cars and vans imported by VV-Auto was 20.3% (20.4%). In January-June, Volkswagen was the best selling passenger car and van brand in Finland.

Konekesko's net sales for January-June were €175 million (€168 million), up 4.1% compared to the previous year. Konekesko's comparable net sales grew by 20.7%, from which the discontinuation of the Baltic grain and agricultural inputs trade has been eliminated. The net sales in Finland were €124 million, up 8.7%. The net sales from Konekesko's foreign operations were €52 million, down 4.6%. Konekesko's comparable net sales growth is attributable to the good performance of the agricultural machinery trade in the Baltic countries.

In January-June, the operating profit excluding non-recurring items of the car and machinery trade was €31.8 million (€20.5 million), up €11.3 million on the previous year. The strong profit is the result of good sales performance and cost management. The operating profit for January-June was €32.0 million (€21.4 million).

Capital expenditure in the car and machinery trade was €13.9 million (€8.1 million) in January-June.

April-June 2011

In April-June, the net sales of the car and machinery trade were €342 million (€298 million), up 14.9%. The comparable net sales of the car and machinery trade grew by 18.2%.

VV-Auto's net sales for April-June were €229 million (€197 million), an increase of 16.6%.

Konekesko's net sales for April-June were €113 million (€102 million), up 11.5% compared to the previous year. Konekesko's comparable net sales grew by 21.3%.

In April-June, the operating profit excluding non-recurring items of the car and machinery trade was €19.6 million (€14.1 million), up €5.5 million compared to the previous year. The operating profit for April-June was €19.7 million (€15.0 million).

Capital expenditure in the car and machinery trade was €7.9 million (€4.0 million) in April-June.

Changes in the Group composition

There were no significant changes in the Group composition during the reporting period.

Shares, securities market and Board authorisations

At the end of June 2011, the total number of Kesko Corporation shares was €98,644,042, of which 31,737,007, or 32.2%, were A shares and 66,907,035, or 67.8%, were B shares. At 30 June 2011, Kesko Corporation held 700,000 own B shares. Each A share entitles to ten (10) votes and each B share to one (1) vote. The company cannot vote with own shares held by it. At the end of June 2011, Kesko Corporation's share capital was €197,282,584. During the reporting period, the number of B shares was increased once to correspond to share subscriptions with the option rights of the 2007 option scheme. The increase (2,750 B shares) was made on 31 May 2011 and announced in a stock exchange notification on the same day. The subscribed shares were listed for public trading on NASDAQ OMX Helsinki (the Helsinki stock exchange) with the old B shares on 1 June 2011. The €64,267.50 subscription price of the shares received by the company was recorded in the reserve of invested non-restricted equity.

The price of a Kesko A share quoted on NASDAQ OMX Helsinki was €34.70 at the end of 2010, and €31.65 at the end of June 2011, representing a decrease of 8.8%. Correspondingly, the price of a B share was €34.93 at the end of 2010, and €32.08 at the end of June 2011, representing a decrease of 8.2%. In January-June, the highest A share price was €36.00 and the lowest was €29.39. For B share, they were €35.97 and €29.86 respectively. In January-June, the Helsinki stock exchange (OMX Helsinki) All-Share index fell by 12.3%, the weighted OMX Helsinki CAP index by 9.9%, while the Consumer Staples Index was down 9.0%.

At the end of June 2011, the market capitalisation of A shares was €1,004 million, while that of B shares was €2,124 million, excluding the shares held by the parent company. The combined market capitalisation of A and B shares was €3,128 million, a decrease of €310 million from the end of 2010. In January-June 2011, a total of 1,111,378 A shares were traded on the Helsinki stock exchange at a total value of €37 million, while 32.1 million B shares were traded at a total value of €1,061 million.

The company operates the 2007 stock option scheme for management and other key personnel, under which the share subscription period of 2007A option rights runs from 1 April 2010 to 30 April 2012, that of 2007B option rights from 1 April 2011 to 30 April 2013, and that of 2007C option rights will begin on 1 April 2012 and end on 30 April 2014. The 2007A and 2007B option rights have also been included on the official list of the Helsinki stock exchange since the beginning of the share subscription periods. A total of 171,459 2007A option rights were traded during the reporting period at a total value of €173,983. A total of 86,320 2007B option rights were traded during the reporting period at a total value of €996,815.

The Board of Directors was authorised by the Annual General Meeting of 4 April 2011 to acquire a total maximum of 1,000,000 own B shares. The authorisation is valid until 30 September 2012. The Annual General Meeting also authorised the Board to decide on the issuance of a maximum of 1,000,000 own B shares held by the company itself. The authorisation is valid until 30 June 2014. The prior authorisation by the Annual General Meeting of 30 March 2009 to issue a maximum of 20,000,000 new B shares against payment or other consideration remains valid until 30 March 2012. By virtue of the share acquisition authorisation, a total of 700,000 own B shares were acquired from the Helsinki stock exchange during the reporting period. The beginning of acquisition was announced on a stock exchange release on 28 April 2011. Each subsequent acquisition was announced in a stock exchange notification on the same day. No company shares have been issued by virtue of the share issue authorisations. Further information on the Board's authorisations is available at www.kesko.fi.

At the end of June 2011, the number of shareholders was 39,005, which is 747 more than at the end of 2010. At the end of June 2011, foreign ownership of all shares was 24%, and foreign ownership of B shares was 36%.

Flagging notifications

Kesko Corporation did not receive flagging notifications during the reporting period.

Main events during the reporting period

Merja Haverinen, M.Soc.Sc., was appointed Kesko Corporation's Senior Vice President for Corporate Communications and Responsibility starting from 1 April 2011. Paavo Moilanen, Senior Vice President for Corporate Communications and Responsibility, retired on 1 April 2011, in accordance with his service contract. (Stock exchange release on 4 February 2011).

Kesko's Annual General Meeting was held on 4 April 2011. President and CEO Matti Halmesmäki announced in his review that Kesko Food will open four large-scale grocery stores in Russia in 2012–2013. Kesko Food's objective is to achieve €500 million in net sales and a positive operating result in Russia by 2015. The capital expenditure is estimated at €300 million in 2011–2015. At the same time with new construction, Kesko Food will continue to explore business acquisition opportunities in both St. Petersburg and Moscow. (Stock exchange release on 4 April 2011).

On 4 April 2011, Kesko's Board of Directors decided to introduce a new share-based compensation plan for some 150 Kesko management personnel and other named key personnel, in which a maximum of 600,000 own B shares held by the company can be granted to people in the target group within a period of three years. The purpose of the plan is to promote Kesko's business operations and to increase the company's value by combining the objectives of the shareholders and the management personnel. The plan encourages its participants to commit to the Kesko Group and provides them with the opportunity to receive company shares, if the targets set in the share-based compensation plan are achieved. The share-based compensation plan includes three vesting periods, namely the calendar years 2011, 2012 and 2013. A commitment period of three calendar years following each vesting period is attached to the shares issued in compensation, during which shares must not be transferred. (Stock exchange release on 4 April 2011).

Kesko Corporation's Board of Directors agreed to extend the term of Kesko Corporation's Managing Director and Kesko Group's President and CEO Matti Halmesmäki until the end of May 2015, when Mr. Halmesmäki will be 63. According to the previous agreement, Mr. Halmesmäki's term would have expired in May 2012. (Stock exchange release on 25 May 2011).

Kesko signed agreements on the transfer of the Intersport licence in Russia to Kesko with Intersport International and Intersport CIS. According to the letter of intent signed in the same connection, Kesko will establish a new company for Intersport operations in Russia together with Melovest, the owner of Intersport CIS. Melovest will hold a 20% ownership interest in the new company. The completion of the arrangement is subject to a final agreement on all of its terms and conditions, the approval by the Russian competition authority and the fulfilment of the other completion terms and conditions. (Stock exchange release on 3 June 2011).

Jari Lind, Rautakesko Ltd's President and a member of Kesko's Corporate Management Board, resigned on 9 June 2011. During the recruitment process of a new president, Antti Ollila, Vice President for Rautakesko Commerce, will be in charge ad interim of the duties of the Rautakesko President. In consequence of Lind's resignation, his membership of Kesko's Corporate Management Board ended. (Stock exchange release on 9 June 2011).

Resolutions of the 2011 Annual General Meeting and decisions of the Board's organisational meeting

Kesko Corporation's Annual General Meeting, held on 4 April 2011, adopted the financial statements for 2010 and discharged the Board members and the Managing Director from liability. The General Meeting also resolved to distribute €1.30 per share as dividends, or a total of €128,233,679.60, as proposed by the Board of Directors. The dividend pay date was 14 April 2011. The General Meeting also resolved to leave the number of Board members unchanged at seven, elected PricewaterhouseCoopers Oy as the company's auditor, with APA Johan Kronberg as the auditor with principal responsibility, and approved the Board's proposals to authorise the Board to acquire a total maximum of 1,000,000 own B shares, and to issue a total maximum of 1,000,000 own B shares held by the company itself. The General Meeting also approved the Board's proposal to decide in 2011 on the donation of a total maximum of €300,000 for charitable or corresponding purposes.

The organisational meeting of Kesko Corporation's Board of Directors, held after the Annual General Meeting, decided to maintain the compositions of the Board's Audit Committee and Remuneration Committee unchanged.

More detailed information on the resolutions of the 2011 Annual General Meeting and on the decisions of the Board's organisational meeting was given in stock exchange releases on 4 April 2011.

Responsibility

Kesko's Corporate Responsibility Report for 2010 was published on 2 May 2011. An independent assurance has been provided for the report. The report structure was revised and it describes Kesko's responsibility work with the help of five themes.

Kesko distributed a total of €30,000 in recognition awards to pioneers in sustainable development from the assets reserved for donations at the Board's discretion. In addition, €1,000 scholarships were granted to 42 talented young athletes and art students from those assets.

Kesko was the main partner of The Your Move Grand Event taking place in Helsinki on 27 May-1 June 2011. The event attracted more than 42,000 13–19-year olds from different parts of Finland.

Kesko takes part in the Responsible Summer Job 2011 campaign, which is intended to raise public discussion on the importance of summer employment for young people. The summer job campaign run by VV-Auto Group Oy's Volkswagen Commercial Vehicles has "Apupoika Antero" collecting small waste electrical and electronic equipment for recycling, whereas "Aputyttö Annukka" delivers meals to aged people.

Konekesko Marine takes part in a campaign aimed to reduce the number of drownings and to promote boating safety and recreational use of water areas.

Risk management and significant risks and uncertainties in the near future

The Kesko Group has an established and comprehensive risk management process. Risks and their management are regularly assessed within the Group and reported to the Group's management. Kesko's risk management and risks related to business operations are described in more detail in the corporate governance section of Kesko's website.

The most significant risks for Kesko's operating activities in the near future are involved in the general instability of the financial market, the economic development and consumer confidence in Kesko's operating area and their impacts on the Kesko Group's sales and profit performance. An intensive expansion of business operations in Russia improves Kesko's business opportunities, but at the same time, the importance of country risk management is emphasized. In other respects, no material changes are estimated to have taken place in the risks presented in the Report by the Board of Directors in Kesko's 2010 Annual Report and financial statements, and those presented on the Kesko's website during the first part of the year.

The uncertainties related to profit performance are described in the future outlook section of this release.

Future outlook

Estimates of the future outlook for the Kesko Group's net sales and operating profit excluding non-recurring items are given for the 12 months following the reporting period (7/2011–6/2012) in comparison with the 12 months preceding the reporting period (7/2010–6/2011).

For the present, the outlook for trends in consumer demand is steady, owing to high consumer confidence and continuously low interest rate levels. However, uncertainties relating to economic development have mounted with respect to the evolution of total production, tightening taxation, accelerating inflation and the ramifications of possible disturbances in the financial market. In addition, cuts in public finances may have a negative impact on the trend in consumer demand.

The steady development in the grocery trade is expected to continue. The home and speciality goods trade is expected to develop in line with the trend in private consumption. The building and home improvement market is expected to strengthen moderately. In the car and machinery trade, the sales of new cars are expected to grow, and the recovery of the market situation of the machinery trade is expected to continue.

The Kesko Group's net sales are expected to grow during the next twelve months. During the next twelve months, the operating profit excluding non-recurring items is expected to increase despite significant costs involved in the expansion of the store site network and business operations in Russia.

Helsinki, 25 July 2011

Kesko Corporation
Board of Directors

The information in this interim report is unaudited.

Further information is available from Arja Talma, Senior Vice President, CFO, telephone +358 10 53 22113, and Eva Kaukinen, Vice President, Corporate Controller, telephone +358 10 53 22338. A Finnish-language webcast from the media and analyst briefing on the interim report can be accessed at www.kesko.fi at 10.00. An English-language web conference on the interim report will be held today at 14.30 (Finnish time). The web conference login is available at www.kesko.fi.

Kesko Corporation's interim report for the period January-September will be released on 26 October 2011. In addition, the Kesko Group's sales figures are published each month. News releases and other company information are available on Kesko's website at: www.kesko.fi.

Kesko Corporation
Merja Haverinen
Senior Vice President,
Corporate Communications and Responsibility

ATTACHMENTS

Accounting policies
Consolidated statement of comprehensive income
Consolidated statement of financial position
Consolidated statement of changes in equity
Consolidated cash flow statement
Group performance indicators
Net sales by segment
Operating profit by segment
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Capital employed by segment
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DISTRIBUTION

NASDAQ OMX Helsinki
Main news media
www.kesko.fi

ATTACHMENTS:

Accounting policies

This interim report has been prepared in accordance with the IAS 34 standard. The interim report has been prepared in accordance with the same principles as the annual financial statements for 2010, with the exception of the following changes due to the adoption of new and revised IFRS standards and IFRIC interpretations.

- IAS 24 (revised), Related Party Disclosures
- IAS 32 (amendment), Financial Instruments: Presentation – Classification of Rights Issues
- IFRIC 14 (amendment), Prepayments of a Minimum Funding Requirement
- IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments
- Annual amendments to the IFRSs (Annual Improvements)

The above amendments to standards and interpretations do not have a material impact on the reported income statement, statement of financial position or notes.

The Group accounts for real estate company acquisitions as acquisitions of tangible assets. Previously, real estate company acquisitions were accounted for as business combinations in accordance with IFRS 3. Adjustments related to acquisitions have been recognised retrospectively.

CONSOLIDATED INCOME STATEMENT (€ MILLION), CONDENSED

	1–6/2011	1–6/2010	Change,%	4–6/2011	4–6/2010	Change,%	1–12/2010
Net sales	4,575	4,237	8.0	2,472	2,279	8.5	8,777
Cost of goods sold	-3,951	-3,661	7.9	-2,137	-1,967	8.6	-7,547
Gross profit	**624**	**576**	**8.4**	**335**	**312**	**7.3**	**1,230**
Other operating income	343	313	9.8	183	166	10.3	699
Staff cost	-283	-260	9.0	-145	-132	10.4	-521
Depreciation and impairment charges	-59	-57	4.6	-30	-29	3.8	-121
Other operating expenses	-506	-472	7.1	-259	-238	8.5	-981
Operating profit	**120**	**100**	**19.6**	**84**	**79**	**6.2**	**307**
Interest income and other finance income	10	10	3.9	5	4	26.1	23
Interest expense and other finance costs	-8	-8	3.9	-4	-4	4.5	-15
Exchange differences	-2	-1	69.3	-1	-1	55.2	-1
Income from associates	1	0	(..)	0	0	80.0	0
Profit before tax	**120**	**101**	**19.4**	**84**	**79**	**6.7**	**312**
Income tax	-37	-32	17.5	-26	-25	4.9	-97
Profit for the period	**83**	**69**	**20.3**	**58**	**54**	**7.6**	**216**
Attributable to							
Owners of the parent	79	66	20.0	54	51	7.4	205
Non-controlling interests	4	3	26.4	4	3	11.0	11

Earnings per share (€) for profit attributable to equity holders of the parent

	1–6/2011	1–6/2010	Change,%	4–6/2011	4–6/2010	Change,%	1–12/2010
Basic	0.80	0.67	19.6	0.55	0.52	7.0	2.08
Diluted	0.79	0.67	19.3	0.55	0.51	6.8	2.06

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (€ MILLION)

	1–6/2011	1–6/2010	Change,%	4–6/2011	4–6/2010	Change,%	1–12/2010
Net profit for the period	83	69	20.3	58	54	7.6	216
Other comprehensive income							
Exchange differences on translating foreign operations	-11	7	(..)	-9	4	(..)	5
Cash flow hedge revaluation	-10	7	(..)	-5	8	(..)	21
Revaluation of available-for-sale financial assets	-1	1	(..)	0	1	-67.6	1
Other items	0	-1	-83.5	0	-1	-83.5	-1
Tax relating to other comprehensive income	3	-2	(..)	1	-2	(..)	-6
Total other comprehensive income for the period, net of tax	-18	13	(..)	-13	10	(..)	20
Total comprehensive income for the period	**65**	**81**	**-20.5**	**45**	**64**	**-28.6**	**236**
Attributable to							
Owners of the parent	71	77	-7.6	49	59	-16.5	224
Non-controlling interests	-6	5	(..)	-4	5	(..)	12

(..) Change over 100%

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (€ MILLION), CONDENSED

	30.6.2011	30.6.2010	Change,%	31.12.2010
ASSETS				
Non-current assets				
Tangible assets	1,383	1,101	25.6	1,261
Intangible assets	179	176	1.6	180
Interests in associates and other financial assets	67	37	78.3	61
Loans and receivables	74	70	6.3	72
Pension assets	180	327	-45.1	186
Total	**1,883**	**1,711**	**10.0**	**1,759**
Current assets				
Inventories	780	677	15.2	757
Trade receivables	769	729	5.5	620
Other receivables	137	138	-0.9	183
Financial assets at fair value through profit or loss	148	267	-44.7	242
Available-for-sale financial assets	323	372	-13.2	549
Cash and cash equivalents	74	74	-0.2	56
Total	**2,230**	**2,256**	**-1.2**	**2,406**
Non-current assets held for sale	1	51	-98.2	1
Total assets	**4,114**	**4,019**	**2.4**	**4,167**
EQUITY AND LIABILITIES				
Equity	2,077	2,002	3.7	2,152
Non-controlling interests	49	52	-5.8	59
Total equity	**2,126**	**2,054**	**3.5**	**2,210**
Non-current liabilities				
Interest-bearing liabilities	219	241	-8.9	235
Non-interest-bearing liabilities	7	4	75.5	5
Deferred tax liabilities	83	123	-32.7	87
Pension obligations	2	2	-5.8	2
Provisions	10	14	-28.4	12
Total	**321**	**383**	**-16.4**	**340**
Current liabilities				
Interest-bearing liabilities	256	249	2.7	242
Trade payables	939	878	6.9	838
Other non-interest-bearing liabilities	446	431	3.6	507
Provisions	26	24	11.3	29
Total	**1,667**	**1,582**	**5.4**	**1,616**
Total equity and liabilities	**4,114**	**4,019**	**2.4**	**4,167**

(..) Change over 100%

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (€ MILLION)

	Share capital	Issue of share capital	Share premium	Other reserves	Currency translation differences	Revaluation surplus	Retained earnings	Non-controlling interests	Total
Balance at 1.1.2010	**197**	**0**	**194**	**243**	**-7**	**-3**	**1,381**	**64**	**2,070**
Shares subscribed with options	1		4						4
Option cost							3	0	3
Dividends							-89	-18	-106
Other changes							1	0	1
Net profit for the period							66	3	69
Other comprehensive income									
Exchange differences on translating foreign operations				0	5		0	2	7
Cash flow hedge revaluation						7			7
Revaluation of available-for-sale financial assets						1			1
Other items							-1		-1
Tax relating to other comprehensive income						-2			-2
Total other comprehensive income				0	5	6	-1	2	13
Balance at 30.6.2010	**197**	**0**	**198**	**243**	**-2**	**4**	**1,363**	**52**	**2,054**
Balance at 1.1.2011	**197**	**0**	**198**	**243**	**-3**	**14**	**1,503**	**59**	**2,210**
Shares subscribed with options		0		0					0
Option cost							2	0	2
Own shares							-23	0	-23
Dividends							-128	-4	-132
Other changes				0			4	0	4
Net profit for the period							79	4	83
Other comprehensive income									
Exchange differences on translating foreign operations				0	0			-10	-11
Cash flow hedge revaluation						-10			-10
Revaluation of available-for-sale financial assets						-1			-1
Other items							0		0
Tax relating to other comprehensive income						3			3
Total other comprehensive income				0	0	-7	0	-10	-18
Balance at 30.6.2011	**197**	**0**	**198**	**243**	**-3**	**6**	**1,436**	**49**	**2,126**

CONSOLIDATED CASH FLOW STATEMENT (€ MILLION), CONDENSED

	1–6/2011	1–6/2010	Change,%	4–6/2011	4–6/2010	Change,%	1–12/2010
Cash flow from operating activities							
Profit before tax	120	101	19.4	84	79	6.7	312
Planned depreciation	59	57	4.8	30	29	3.8	116
Finance income and costs	0	-1	(..)	0	0	(..)	-6
Other adjustments	14	-12	(..)	7	-5	(..)	97
Change in working capital							
Current non-interest-bearing trade and other receivables, increase (-)/ decrease (+)	-144	-117	23.2	-83	-55	52.0	-15
Inventories increase (-)/ decrease (+)	-34	-3	(..)	6	11	-43.7	-82
Current non-interest-bearing liabilities, increase (+)/ decrease (-)	90	174	-48.3	102	119	-13.7	153
Financial items and tax	-63	-64	-1.4	-78	-50	54.9	-136
Net cash generated from operating activities	**43**	**135**	**-68.0**	**69**	**127**	**-46.1**	**438**
Cash flow from investing activities							
Capital expenditure	-198	-92	(..)	-128	-48	(..)	-367
Sales of fixed assets	4	5	-17.7	2	4	-41.1	124
Increase of non-current receivables	0	-	(..)	0	-	(..)	-
Decrease of non-current receivables	-	1	(..)	-	0	(..)	4
Net cash used in investing activities	**-194**	**-86**	**(..)**	**-127**	**-44**	**(..)**	**-240**
Cash flow from financing activities							
Increase (+)/ decrease (-) in interest-bearing liabilities	5	45	-88.6	34	36	-6.1	39
Increase (-)/decrease (+) in current interest-bearing receivables	1	10	-85.3	2	12	-85.0	11
Dividends paid	-132	-105	25.7	-132	-105	25.7	-106
Equity increase	0	4	-97.9	0	3	-97.4	4
Acquisition of own shares	-23	-	(..)	-23	-	(..)	-
Increase (-)/ decrease (+) in short-term money market investments	126	-118	(..)	40	62	-35.5	-114
Other items	-2	-7	-76.2	-1	-4	-67.9	-15
Net cash used in financing activities	**-24**	**-172**	**-86.0**	**-81**	**4**	**(..)**	**-181**
Change in cash and cash equivalents	**-175**	**-122**	**43.5**	**-139**	**87**	**(..)**	**18**
Cash and cash equivalents and current portion of available-for-sale financial assets at 1 Jan.	509	491	3.7	473	283	67.3	491
Currency translation difference adjustment and revaluation	-1	1	(..)	-1	0	(..)	0
Cash and cash equivalents and current portion of available-for-sale financial assets at 30 Jun.	334	371	-9.9	334	371	-9.9	509

(..) Change over 100%

GROUP'S PERFORMANCE INDICATORS

	1–6/2011	1–6/2010	Change, pp	1–12/2010
Return on capital employed, %	11.7	10.3	1.4	16.0
Return on capital employed, %, moving 12 mo	16.6	13.3	3.3	16.0
Return on capital employed excl. non-recurring items, %	11.6	10.2	1.4	14.0
Return on capital employed excl. non-recurring items, %, moving 12 mo	14.6	10.7	3.9	14.0
Return on equity, %	7.6	6.7	1.0	10.1
Return on equity, %, moving 12 mo	11.0	8.4	2.6	10.1
Return on equity excl. non-recurring items, %	7.5	6.6	0.9	8.7
Return on equity excl. non-recurring items, %, moving 12 mo	9.6	6.6	3.0	8.7
Equity ratio, %	52.1	51.4	0.7	53.5
Gearing, %	-3.3	-10.9	7.6	-16.8

			Change, %	
Capital expenditure, € million	194.6	87.7	(..)	325.3
Capital expenditure, % of net sales	4.3	2.1	(..)	3.7
Earnings per share, basic, €	0.80	0.67	19.6	2.08
Earnings per share, diluted, €	0.79	0.67	19.3	2.06
Earnings per share excl. non-recurring items, basic, €	0.79	0.66	19.3	1.78
Cash flow from operating activities, € million	43	135	-68.0	438
Cash flow from investing activities, € million	-194	-86	(..)	-240
Equity/share, €	21.21	20.30	4.5	21.81
Personnel, average	18,644	17,914	4.1	18,215

(..) Change over 100%

GROUP'S PERFORMANCE INDICATORS BY QUARTER

	1–3/ 2010	4–6/ 2010	7–9/ 2010	10–12/ 2010	1–3/ 2011	4–6/ 2011
Net sales, € million	1,958	2,279	2,231	2,310	2,103	2,472
Change in net sales, %	-3.0	6.4	4.6	7.3	7.4	8.5
Operating profit, € million	20.9	79.0	123.9	82.8	35.7	83.9
Operating margin, %	1.1	3.5	5.6	3.6	1.7	3.4
Operating profit excl. non-recurring items, € million	20.9	78.1	88.7	80.5	34.9	83.3
Operating margin excl. non-recurring items, %	1.1	3.4	4.0	3.5	1.7	3.4
Finance income/costs, € million	0.8	-0.2	0.8	4.6	-0.6	0.3
Profit before tax, € million	21.9	78.7	124.5	87.3	36.1	84.0
Profit before tax, %	1.1	3.5	5.6	3.8	1.7	3.4
Return on capital employed, %	4.4	16.1	26.4	17.5	7.2	16.0
Return on capital employed excl. non-recurring items, %	4.4	15.9	18.9	17.0	7.0	15.9
Return on equity, %	2.9	10.6	16.1	11.5	4.5	10.6
Return on equity excl. non-recurring items, %	2.9	10.5	11.1	11.2	4.4	10.6
Equity ratio, %	51.3	51.4	53.4	53.5	54.4	52.1
Capital expenditure, € million	42.0	45.7	35.9	201.6	64.1	130.5
Earnings per share, diluted, €	0.15	0.51	0.81	0.59	0.25	0.55
Equity per share, €	19.69	20.30	21.11	21.81	22.04	21.21

SEGMENT INFORMATION

Net sales by segment, (€ million)	1–6/2011	1–6/2010	Change, %	4–6/2011	4–6/2010	Change, %	1–12/2010
Food trade, Finland	2,025	1,888	7.2	1,077	976	10.3	3,896
Food trade, other countries*	-	-	-	-	-	-	-
Food trade total	**2,025**	**1,888**	**7.2**	**1,077**	**976**	**10.3**	**3,896**
- of which intersegment trade	83	82	1.1	40	40	-1.0	162
Home and speciality goods trade, Finland	680	682	-0.3	336	331	1.3	1,553
Home and speciality goods trade, other countries*	7	8	-3.5	3	3	9.0	15
Home and speciality goods trade total	**687**	**689**	**-0.3**	**339**	**334**	**1.4**	**1,569**
- of which intersegment trade	9	11	-22.4	5	7	-18.9	23
Building and home improvement trade, Finland	625	588	6.2	345	338	2.1	1,163
Building and home improvement trade, other countries*	702	618	13.6	413	374	10.3	1,357
Building and home improvement trade total	**1,327**	**1,207**	**10.0**	**757**	**712**	**6.4**	**2,519**
- of which intersegment trade	6	0	(..)	4	0	(..)	0
Car and machinery trade, Finland	569	479	18.7	303	266	13.6	859
Car and machinery trade, other countries*	52	55	-4.1	39	31	26.0	96
Car and machinery trade total	**621**	**534**	**16.3**	**342**	**298**	**14.9**	**955**
- of which intersegment trade	1	0	(..)	0	0	(..)	0
Common operations and eliminations	-85	-81	4.6	-43	-41	6.3	-162
Finland total	**3,813**	**3,556**	**7.2**	**2,016**	**1,870**	**7.8**	**7,309**
Other countries total*	**762**	**680**	**12.0**	**456**	**409**	**11.5**	**1,468**
Group total	**4,575**	**4,237**	**8.0**	**2,472**	**2,279**	**8.5**	**8,777**

** Net sales in countries other than Finland.*
(..) Change over 100%

Operating profit by segment (€ million)	1–6/2011	1–6/2010	Change	4–6/2011	4–6/2010	Change	1–12/2010
Food trade	88.0	73.9	14.2	45.9	42.2	3.7	158.4
Home and speciality goods trade	-4.6	7.1	-11.7	2.8	7.0	-4.2	103.4
Building and home improvement trade	9.8	4.2	5.6	18.8	17.9	0.9	23.9
Car and machinery trade	32.0	21.4	10.6	19.7	15.0	4.7	33.9
Common operations and eliminations	-5.5	-6.6	1.0	-3.3	-3.2	-0.2	-12.8
Group total	**119.6**	**100.0**	**19.6**	**83.9**	**79.0**	**4.9**	**306.7**

Operating profit excl. non-recurring items by segment (€ million)	1–6/2011	1–6/2010	Change	4–6/2011	4–6/2010	Change	1–12/2010
Food trade	87.2	73.7	13.5	45.8	42.1	3.8	160.1
Home and speciality goods trade	-5.0	7.1	-12.1	2.4	7.0	-4.6	66.0
Building and home improvement trade	9.8	4.2	5.6	18.8	17.9	0.9	24.0
Car and machinery trade	31.8	20.5	11.3	19.6	14.1	5.5	33.1
Common operations and eliminations	-5.5	-6.5	1.0	-3.3	-3.1	-0.2	-15.0
Group total	**118.3**	**99.0**	**19.3**	**83.3**	**78.1**	**5.3**	**268.1**

Operating margins excl. non-recurring items by segment	1–6/2011	1–6/2010	Change pp	4–6/2011	4–6/2010	Change pp	1–12/2010	Moving 12 mo 6/2011
Food trade	4.3	3.9	0.4	4.3	4.3	-0.1	4.1	4.3
Home and speciality goods trade	-0.7	1.0	-1.8	0.7	2.1	-1.4	4.2	3.4
Building and home improvement trade	0.7	0.3	0.4	2.5	2.5	0.0	1.0	1.1
Car and machinery trade	5.1	3.8	1.3	5.7	4.7	1.0	3.5	4.3
Group total	**2.6**	**2.3**	**0.2**	**3.4**	**3.4**	**-0.1**	**3.1**	**3.2**

Capital employed by segment, cumulative average (€ million)	1–6/2011	1–6/2010	Change	4–6/2011	4–6/2010	Change	1–12/2010
Food trade	566	623	-57	572	633	-61	590
Home and speciality goods trade	420	439	-19	431	447	-16	431
Building and home improvement trade	685	641	45	712	652	59	627
Car and machinery trade	148	186	-39	149	176	-27	168
Common operations and eliminations	223	59	164	229	56	173	101
Group total	**2,042**	**1,948**	**94**	**2,092**	**1,965**	**127**	**1,918**

Return on capital employed excl. non-recurring items by segment, %	1–6/2011	1–6/2010	Change, pp	4–6/2011	4–6/2010	Change, pp	1–12/2010	Moving 12 mo 6/2011
Food trade	30.8	23.7	7.1	32.1	26.6	5.5	27.1	30.6
Home and speciality goods trade	-2.4	3.2	-5.6	2.3	6.3	-4.0	15.3	12.7
Building and home improvement trade	2.8	1.3	1.5	10.6	11.0	-0.4	3.8	4.5
Car and machinery trade	43.0	22.0	21.0	52.5	32.0	20.4	19.6	30.3
Group total	**11.6**	**10.2**	**1.4**	**15.9**	**15.9**	**0.0**	**14.0**	**14.6**

Capital expenditure by segment (€ million)	1–6/2011	1–6/2010	Change	4–6/2011	4–6/2010	Change	1–12/2010
Food trade	94	38	57	64	21	42	117
Home and speciality goods trade	18	13	5	10	9	1	45
Building and home improvement trade	66	28	38	47	10	37	78
Car and machinery trade	14	8	6	8	4	4	18
Common operations and eliminations	2	0	2	2	0	1	67
Group total	**195**	**88**	**107**	**131**	**46**	**85**	**325**

SEGMENT INFORMATION BY QUARTER

Net sales by segment (€ million)	1–3/ 2010	4–6/ 2010	7–9/ 2010	10–12/ 2010	1–3/ 2011	4–6/ 2011
Food trade	912	976	986	1,022	948	1,077
Home and speciality goods trade	355	334	378	501	348	339
Building and home improvement trade	495	712	687	625	570	757
Car and machinery trade	236	298	218	203	279	342
Common operations and eliminations	-40	-41	-39	-42	-42	-43
Group total	**1,958**	**2,279**	**2,231**	**2,310**	**2,103**	**2,472**

Operating profit by segment (€ million)	1–3/ 2010	4–6/ 2010	7–9/ 2010	10–12/ 2010	1–3/ 2011	4–6/ 2011
Food trade	31.7	42.2	47.3	37.2	42.1	45.9
Home and speciality goods trade	0.1	7.0	50.6	45.6	-7.4	2.8
Building and home improvement trade	-13.8	17.9	19.9	-0.2	-9.1	18.8
Car and machinery trade	6.4	15.0	8.6	3.9	12.2	19.7
Common operations and eliminations	-3.4	-3.2	-2.5	-3.7	-2.2	-3.3
Group total	**20.9**	**79.0**	**123.9**	**82.8**	**35.7**	**83.9**

Operating profit excl. non-recurring items by segment (€ million)	1–3/ 2010	4–6/ 2010	7–9/ 2010	10–12/ 2010	1–3/ 2011	4–6/ 2011
Food trade	31.7	42.1	49.5	36.8	41.4	45.8
Home and speciality goods trade	0.1	7.0	13.2	45.7	-7.4	2.4
Building and home improvement trade	-13.8	17.9	20.0	-0.2	-9.1	18.8
Car and machinery trade	6.4	14.1	8.7	3.9	12.2	19.6
Common operations and eliminations	-3.4	-3.1	-2.8	-5.7	-2.2	-3.3
Group total	**20.9**	**78.1**	**88.7**	**80.5**	**34.9**	**83.3**

Operating margin excl. non-recurring items by segment (€ million)	1–3/ 2010	4–6/ 2010	7–9/ 2010	10–12/ 2010	1–3/ 2011	4–6/ 2011
Food trade	3.5	4.3	5.0	3.6	4.4	4.3
Home and speciality goods trade	0.0	2.1	3.5	9.1	-2.1	0.7
Building and home improvement trade	-2.8	2.5	2.9	0.0	-1.6	2.5
Car and machinery trade	2.7	4.7	4.0	1.9	4.4	5.7
Group total	**1.1**	**3.4**	**4.0**	**3.5**	**1.7**	**3.4**

PERSONNEL AVERAGE AND AT 30 JUNE

Personnel average by segment	1–6/2011	1–6/2010	Change
Food trade	2,730	2,894	-164
Home and speciality goods trade	5,542	5,366	177
Building and home improvement trade	8,765	8,145	619
Car and machinery trade	1,192	1,117	75
Common operations	415	391	24
Group total	**18,644**	**17,914**	**731**

Personnel at 30 June* by segment	2011	2010	Change
Food trade	3,192	3,485	-293
Home and speciality goods trade	8,128	7,865	263
Building and home improvement trade	9,976	9,451	525
Car and machinery trade	1,308	1,208	100
Common operations	480	458	22
Group total	**23,084**	**22,467**	**617**

** total number incl. part-time employees*

GROUP'S CONTINGENT LIABILITIES (€ MILLION)

	30.6.2011	30.6.2010	Change, %
For own commitments	249	266	-6.3
For shareholders	0	0	0.0
For others	7	6	24.7
Lease liabilities for machinery and fixtures	23	21	10.9
Lease liabilities for real estate	2,278	2,294	-0.7

CONTINGENT LIABILITIES ARISING FROM DERIVATIVE FINANCIAL INSTRUMENTS

	30.6.2011	30.6.2010	Fair value 30.6.2011
Values of underlying instruments at 30 June			
Interest rate derivative contracts			
Forward and future contracts	1	2	0.99
Interest rate swap contracts	205	206	4.39
Currency derivative contracts			
Forward and future contracts	216	480	0.33
Currency swap contracts	100	100	-17.39
Commodity derivative contracts			
Electricity derivative contracts	48	48	2.67

CALCULATION OF PERFORMANCE INDICATORS

Return on capital employed*, %	=	$\frac{\text{Operating profit}}{\text{(Non-current assets + Inventories + Receivables + Other current assets − Non-interest-bearing liabilities) on average for the reporting period}} \times 100$
Return on capital employed, %, moving 12 months	=	$\frac{\text{Operating profit for prior 12 months}}{\text{(Non-current assets + Inventories + Receivables + Other current assets − Non-interest-bearing liabilities) on average for 12 months}} \times 100$
Return on capital employed excl. non-recurring items*, %	=	$\frac{\text{Operating profit excl. non-recurring items}}{\text{(Non-current assets + Inventories + Receivables + Other current assets − Non-interest-bearing liabilities) on average for the reporting period}} \times 100$
Return on capital employed, excl. non-recurring items, %, moving 12 mo	=	$\frac{\text{Operating profit excl. non-recurring items for prior 12 months}}{\text{(Non-current assets + Inventories + Receivables + Other current assets − Non-interest-bearing liabilities) on average for 12 months}} \times 100$
Return on equity*, %	=	$\frac{\text{(Profit/loss before tax − income tax)}}{\text{Shareholders' equity}} \times 100$
Return on equity, %, moving 12 months	=	$\frac{\text{(Profit/loss for prior 12 months before tax − income tax for prior 12 months)}}{\text{Shareholders' equity}} \times 100$
Return on equity excl. non-recurring items*, %	=	$\frac{\text{(Profit/loss adjusted for non-recurring items before tax − income tax adjusted for the tax effect of non-recurring items)}}{\text{Shareholders' equity}} \times 100$
Return on equity excl. non-recurring items, %, moving 12 months	=	$\frac{\text{(Profit/loss for prior 12 months adjusted for non-recurring items before tax − income tax for prior 12 months adjusted for the tax effect of non-recurring items)}}{\text{Shareholders' equity}} \times 100$
Equity ratio, %	=	$\frac{\text{Shareholders' equity}}{\text{(Balance sheet total − prepayments received)}} \times 100$
Earnings/share, diluted	=	$\frac{\text{(Profit/loss − non-controlling interests)}}{\text{Average number of shares adjusted for the dilutive effect of options}}$
Earnings/share, basic	=	$\frac{\text{(Profit/loss − non-controlling interests)}}{\text{Average number of shares}}$
Earnings/share excl. non-recurring items, basic	=	$\frac{\text{(Profit/loss adjusted for non-recurring items − non-controlling interests)}}{\text{Average number of shares}}$
Equity/share	=	$\frac{\text{Equity attributable to equity holders of the parent}}{\text{Basic number of shares at balance sheet date}}$
Gearing, %	=	$\frac{\text{Interest-bearing net liabilities}}{\text{Shareholders' equity}} \times 100$

** Indicators for return on capital have been annualised.*

K-GROUP'S RETAIL AND B2B SALES, VAT 0% (PRELIMINARY DATA):

	1.1.-30.6.2011		1.4.-30.6.2011	
K-Group retail and B2B sales	**€ million**	**Change, %**	**€ million**	**Change, %**
K-Group food trade				
K-food stores, Finland	2,216	5.6	1,167	6.6
Kespro	354	6.9	191	9.2
Food trade total	**2,569**	**5.8**	**1,359**	**6.9**
K-Group home and speciality goods trade				
Home and speciality goods stores, Finland	758	0.1	374	2.1
Home and speciality goods stores, Baltic countries	7	-2.9	3	8.8
Home and speciality goods trade total	**765**	**0.0**	**377**	**2.2**
K-Group building and home improvement trade				
K-rauta and Rautia	496	4.8	320	1.3
Rautakesko B2B Service	103	17.8	62	21.8
K-maatalous	200	8.5	121	3.3
Finland total	**799**	**7.2**	**502**	**3.9**
Building and home improvement stores, other Nordic countries	527	8.2	314	5.4
Building and home improvement stores, Baltic countries	157	11.6	95	10.1
Building and home improvement stores, other countries	153	29.6	91	26.1
Building and home improvement trade total	**1,636**	**9.7**	**1,002**	**6.7**
K-Group car and machinery trade				
VV-Autotalot	209	19.9	111	13.2
VV-Auto, import	249	22.5	123	17.1
Konekesko, Finland	123	7.3	74	4.4
Finland total	**581**	**18.0**	**308**	**12.4**
Konekesko, Baltic countries	54	-2.0	41	28.2
Car and machinery trade total	**635**	**16.0**	**349**	**14.1**
Finland total	**4,707**	**6.4**	**2,543**	**6.2**
Other countries total	**899**	**11.1**	**545**	**10.8**
Retail and B2B sales total	**5,606**	**7.1**	**3,088**	**7.0**