KESKO

Kesko Corporation

Interim report

Q4

January–December 2010

Kesko Corporation
Stock exchange release
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Financial statements for the period 1 Jan.–31 Dec. 2010

Financial performance in brief:

- *The Kesko Group's net sales for January–December increased by 3.9%. In October–December, the growth rate stood at 7.3%*
- *The operating profit excluding non-recurring items for January–December was €268.1 million, up €112.8 million on the previous year (€155.4 million). In October–December, the operating profit excluding non-recurring items was €80.5 million (€68.0 million). Profitability improved in all divisions*
- *The Board of Directors proposes a dividend of €1.30 per share*
- *The Kesko Group's net sales are expected to grow during the next twelve months. Throughout 2010, Kesko's profitability performance has been excellent, except for the building and home improvement trade. During the next twelve months, the store site network will be significantly expanded, regardless of which the operating profit excluding non-recurring items is expected to remain at the achieved level.*

Key performance indicators

	1–12/2010	1–12/2009	10–12/2010	10–12/2009
Net sales, € million	8,777	8,447	2,310	2,153
Operating profit excl. non-recurring items, € million	268.1	155.4	80.5	68.0
Operating profit, € million	306.7	232.3	82.8	118.1
Profit before tax, € million	312.4	216.6	87.3	116.3
Capital expenditure, € million	325.3	198.0	201.6	41.5
Earnings/share, €, diluted	2.06	1.27	0.59	0.73
Earnings/share excl. non-recurring items, €, basic	1.78	0.71	0.58	0.36

	31.12.2010	31.12.2009
Equity ratio, %	53.4	54.1
Equity/share, €	21.81	20.39

FINANCIAL PERFORMANCE

Net sales and profit for January–December 2010

The Group's net sales in January–December 2010 were €8,777 million, which is 3.9% up on the corresponding period of the previous year (€8,447 million). Net sales increased in all divisions. In Finland, net sales increased by 4.3% and in other countries by 2.2%. International operations accounted for 16.7% (17.0%) of the net sales. In the food trade, net sales continued to grow steadily, and K-food stores' grocery sales performance exceeded the market performance. The net sales growth recorded in the building and home improvement trade in the spring accelerated towards the year end.

1–12/2010	Net sales, M€	Change, %	Operating profit excl. non-recurring items, M€	Change, M€
Food trade	3,896	+2.6	160.1	+27.0
Home and speciality goods trade	1,569	+0.7	66.0	+36.5
Building and home improvement trade	2,519	+9.0	24.0	+12.1
Car and machinery trade	955	+0.8	33.1	+32.7
Common operations and eliminations	-162	-3.5	-15.0	+4.4
Total	**8,777**	**+3.9**	**268.1**	**+112.8**

The operating profit excluding non-recurring items for January-December was €268.1 million (€155.4 million), representing 3.1% (1.8%) of the net sales. Profitability continued to improve in the last quarter of the year. The operating profit excluding non-recurring items includes an €8 million amount recognised as revenue in connection with the transfer of the pension insurance portfolio. In the comparative period, the operating profit excluding non-recurring items was negatively impacted by the €9 million amount of impairments and expense provisions recognised on the Baltic agricultural supplies business. Improved management of inventory processes, coupled with cost reductions significantly contributed to the improvement of the Group's profitability. All divisions recorded higher year-on-year operating profits excluding non-recurring items.

Operating profit was €306.7 million (€232.3 million). The operating profit includes a net total of €38.6 million of non-recurring gains on disposals, and provisions related to the reorganisation of the service station grocery store business of Pikoil Oy, a Kesko Food subsidiary. The non-recurring items for the comparative period included a net total of €77.0 million of gains on the disposal of real estate, and impairments. The Group's profit before tax for January-December was €312.4 million (€216.6 million).

The Group's earnings per share were €2.06 (€1.27). The Group's equity per share was €21.81 (€20.39).

In January-December, the K-Group's (i.e. Kesko's and the chain stores') retail and B2B sales (VAT 0%) were €10,977 million, up 4.2% compared to the previous year. During the same period, K-food stores' grocery sales grew by 4.2% (VAT 0%). In January-December, the K-Group chains' sales entitling to K-Plussa points were €5,456 million excluding tax, up 4.6% compared to the previous year. In January-December, the K-Plussa customer loyalty programme gained 92,040 new households. At the end of December, there was 2,098,747 K-Plussa households.

Net sales and profit for October-December 2010

The Group's net sales in October-December 2010 were €2,310 million, which is 7.3% up on the corresponding period of the previous year (€2,153 million). Net sales increased by 7.8% in Finland. The growth strengthened especially in the building and home improvement trade and the car and machinery trade. The comparable net sales of the car and machinery trade grew by 19.2%. The discontinued Baltic grain and agricultural inputs trade has been eliminated from the comparable net sales. In the other countries, net sales increased by 4.4%. International operations accounted for 15.6% (16.1%) of the net sales.

10–12/2010	Net sales, M€	Change, %	Operating profit excl. non-recurring items, M€	Change, M€
Food trade	1,022	+5.3	36.8	+3.1
Home and speciality goods trade	501	+0.1	45.7	+6.0
Building and home improvement trade	625	+19.1	-0.2	+1.9
Car and machinery trade	203	-1.0	3.9	+1.1
Common operations and eliminations	-42	-11.5	-5.7	+0.3
Total	**2,310**	**+7.3**	**80.5**	**+12.5**

The operating profit excluding non-recurring items was €80.5 million (€68.0 million), representing 3.5% (3.2%) of the net sales. The operating profit excluding non-recurring items improved on the previous year in all divisions.

Operating profit was €82.8 million (€118.1 million), including a net total of €2.3 million of non-recurring gains on disposals. The non-recurring items for October-December of the previous year included a net total of €50.1 million of gains on the disposal of real estate and impairments. The Group's profit before tax for October-December was €87.3 million (€116.3 million).

The Group's earnings per share were €0.59 (€0.73). The Group's equity per share was €21.81 (€20.39).

In October-December, the K-Group's (i.e. Kesko's and the chain stores') retail and B2B sales (VAT 0%) were €2,914 million, up 7.0% compared to the previous year. In October-December, the K-Group chains' sales entitling to K-Plussa points were €1,497 million excluding tax, up 5.3% compared to the previous year.

Finance

In January-December, the cash flow from operating activities was €438.2 million (€378.8 million) and included a €151.6 million amount of pension assets returned by the Kesko Pension Fund. The cash flow from investing activities was €-239.6 million (€31.0 million). It included a €123.6 million (€252.0 million) amount of proceeds from the sale of fixed assets.

In January-December, the Group's liquidity and solvency remained at an excellent level. At the end of the period, liquid assets totalled €847 million (€715 million). Interest-bearing liabilities were €477 million (€456 million) and interest-bearing net debt €-370 million (€-259 million) at the end of December. Equity ratio was 53.4% (54.1%) at the end of the period.

In January-December, the Group's net finance income was €6.0 million (net finance costs €16.0 million). The costs for hedging currency exposures, which had increased the net finance costs in the previous year, normalised to €1.8 million (€17.9 million).

The cash flow from operating activities in October-December was €169.4 million (€123.1 million) and included a €125.1 million amount of returned pension assets. The net cash flow from investing activities was €-192.8 million (€96.4 million). It included a €8.1 million (€157.8 million) amount of proceeds from the sale of fixed assets.

In October-December, the Group's net finance income was €4.6 million (net finance costs €1.8 million). They included a €1.7 million amount of interest on the returned excess paid by the Kesko Pension Fund.

Taxes

The Group's taxes in January-December were €96.7 million (€82.4 million). The effective tax rate was 31.0% (38.0%), affected by loss-making foreign operations.

The Group's taxes in October-December were €24.7 million (€41.8 million). The effective tax rate was 28.3% (35.9%).

Capital expenditure

In January-December, the Group's capital expenditure totalled €325.3 million (€198.0 million), or 3.7% (2.3%) of the net sales. Capital expenditure in store sites was €212.2 million (€161.2 million) and other capital expenditure €113.1 million (€36.7 million). Capital expenditure in foreign operations represented 13.1% (35.5%) of total capital expenditure.

In October-December, the Group's capital expenditure totalled €201.6 million (€41.5 million), or 8.7% (1.9%) of the net sales. Capital expenditure in store sites was €118.5 million (€30.0 million) and other capital expenditure €83.2 million (€11.5 million). Capital expenditure in foreign operations represented 6.5% (40.1%) of total capital expenditure. The capital expenditure in October-December includes a €126 million amount of real estate acquisitions from the Kesko Pension Fund. The acquired real estate comprises store and office properties used by the Group itself.

Personnel

In January-December, the average number of employees in the Kesko Group was 18,215 (19,200) converted into full-time employees. In Finland, the average decrease was 370 people, while outside Finland, it was 616.

At the end of December 2010, the total number of employees was 22,124 (22,207), of whom 12,720 (12,959) worked in Finland and 9,404 (9,248) outside Finland. Compared to the end of December 2009, there was a decrease of

239 people in Finland. Outside Finland, the number of personnel increased by 156 people, compared to the end of December 2009.

In January–December, the Group's staff cost decreased by €14.6 million, or by 2.7%, compared to the previous year. In October–December, the staff cost increased by €8.2 million, or by 6.0%, compared to the previous year.

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

	1–12/2010	1–12/2009	10–12/2010	10–12/2009
Net sales, € million	3,896	3,798	1,022	970
Operating profit excl. non-recurring items, € million	160.1	133.1	36.8	33.7
Operating profit as % of net sales excl. non-recurring items	4.1	3.5	3.6	3.5
Capital expenditure, € million	117.2	69.4	57.4	9.9

Net sales, € million	**1–12/2010**	**Change, %**	**10–12/2010**	**Change, %**
Sales to K-food stores	2,996	+3.7	797	+7.0
Kespro	688	+1.7	172	+1.6
Others	212	–8.2	53	–5.1
Total	**3,896**	**+2.6**	**1,022**	**+5.3**

January–December 2010

In the food trade, the net sales for January–December were €3,896 million (€3,798 million), up 2.6%. During the same period, the grocery sales of K-food stores increased by 4.2% (VAT 0%). Good sales performance was achieved especially by K-citymarkets and K-supermarkets. The sales of Pirkka products increased by 11.2% (VAT 0%). In 2010, the growth rate of the total grocery trade market in Finland is estimated at some 2.5% (VAT 0%) compared to the previous year (Kesko's own estimate). In 2010, prices are estimated to have remained at the previous year's level, although they increased during the last part of the year. K-food stores strengthened their market share in 2010.

In January–December, the operating profit excluding non-recurring items of the food trade was €160.1 million (€133.1 million), or €27.0 million up on the previous year. In addition to good retail sales performance, profitability improved due to more efficient purchasing, logistics, store site and chain operations. Operating profit was €158.4 million (€170.6 million). Non-recurring items totalled €–1.7 million, the most significant items of which were gains on the disposal of real estate, and the provisions for the reorganisation of the service station grocery store business of Pikoil Oy, a Kesko Food subsidiary.

In January–December, capital expenditure in the food trade was €117.2 million (€69.4 million), of which capital expenditure in store sites was €102.4 million (€56.2 million).

October–December 2010

In the food trade, the net sales for October–December were €1,022 million (€970 million), up 5.3%. During the same period, the grocery sales of K-food stores increased by 5.8% (VAT 0%).

In October–December, the operating profit excluding non-recurring items of the food trade was €36.8 million (€33.7 million). Operating profit was €37.2 million (€58.7 million). In the comparative year, the operating profit was increased by a €33.1 million amount of non-recurring gains on real estate disposals.

In October–December, capital expenditure in the food trade was €57.4 million (€9.9 million), of which capital expenditure in store sites was €53.8 million (€6.4 million).

In October–December 2010, one new K-citymarket was opened in Iisalmi and two new K-supermarkets. In addition, K-supermarket Kankaanpää was extended into a K-citymarket, and other renovations and extensions were carried out in 28 stores.

The most significant store sites being built are the new K-citymarkets in Hyvinkää, in Palokka, Jyväskylä, in Kouvola, in Karisto, Lahti, in Päivölä, Seinäjoki and in Äänekoski. K-supermarket Jättijako in Vantaa is being extended into a K-citymarket. New K-supermarkets are being built in Kilo, Espoo, in Jalasjärvi, in Veikkola, Kirkkonummi, in Lappeenranta, Mäntyharju, Pietarsaari, Pori, Savonlinna and Vihti.

Home and speciality goods trade

	1–12/2010	1–12/2009	10–12/2010	10–12/2009
Net sales, € million	1,569	1,558	501	500
Operating profit excl. non-recurring items, € million	66.0	29.5	45.7	39.7
Operating profit as % of net sales excl. non-recurring items	4.2	1.9	9.1	7.9
Capital expenditure, € million	45.3	29.6	28.4	6.8

Net sales, € million	**1–12/2010**	**Change, %**	**10–12/2010**	**Change, %**
Anttila	505	-1.6	174	-3.0
K-citymarket home and speciality goods	620	+4.2	198	+0.4
Intersport	173	+5.1	55	+18.4
Indoor	155	-0.5	40	+4.4
Musta Pörssi	96	-10.6	29	-17.6
Kenkäkesko	23	-6.5	5	+36.6
Total	**1,569**	**+0.7**	**501**	**+0.1**

January–December 2010

In the home and speciality goods trade, the net sales for January–December were €1,569 million (€1,558 million), up 0.7%. K-citymarket's net sales performance was good especially in clothing and household goods. The net sales were also increased by the stores opened in the previous year. Intersport's and especially Budget Sport's sales were up on the previous year. Sunday opening had a clearly positive impact on the sales performance in January–April and in September–October.

The operating profit excluding non-recurring items of the home and speciality goods trade for January–December was €66.0 million, showing a €36.5 million year-on-year increase, which is attributable to improved productivity and more efficient purchasing operations. The operating profit for January–December was €103.4 million (€66.5 million). The non-recurring items include gains on real estate disposals, which totalled €37.4 million. The most significant disposal was the sale of Anttila's logistics centre in Hämeenkylä.

Capital expenditure in the home and speciality goods trade in January–December was €45.3 million (€29.6 million).

At the beginning of the year, Kodin Ykkönen in Kaisaniemi, Helsinki was closed down due to the termination of the lease. The K-citymarket in downtown Pori was converted into a K-supermarket early in the year. A new K-citymarket was opened in Kankaanpää in November 2010. The Anttila department store in Jyväskylä was relocated to a new site in March 2010. Indoor disposed of its operating activities in Latvia in March. A new Kodin Ykkönen was opened in Lappeenranta at the end of May.

October–December 2010

In the home and speciality goods trade, the net sales for October–December were €501 million (€500 million), up 0.1%.

Successful timing of marketing and product offer for the winter season boosted the sales of footwear, clothing and sports equipment. Especially Intersport and Budget Sport increased their sales from the previous year. Home decoration products showed a positive sales performance, Asko and Sotka increased their sales from the previous year. The sales of the home and speciality goods trade was weakened by the price erosion in entertainment electronics and their weaker than expected demand.

The operating profit excluding non-recurring items of the home and speciality goods trade for October–December was €45.7 million, a €6.0 million year-on-year increase. The operating profit excluding non-recurring items was impacted by improved productivity and healthy stocks. The operating profit for October–December was €45.6 million (€66.5 million).

Capital expenditure in the home and speciality goods trade in October–December was €28.4 million (€6.8 million).

The construction of Anttila's new automated logistics centre in Kerava was completed. The centre will start operating in stages during the first months of 2011. The logistics centre will make e-commerce and department store logistics significantly more efficient.

Building and home improvement trade

	1–12/2010	1–12/2009	10–12/2010	10–12/2009
Net sales, € million	2 519	2 312	625	525
Operating profit excl. non-recurring items, € million	24,0	11,9	−0,2	−2,1
Operating profit as % of net sales excl. non-recurring items	1,0	0,5	0,0	−0,4
Capital expenditure, € million	78,2	84,7	44,9	19,4

Net sales, € million	**1–12/2010**	**Change, %**	**10–12/2010**	**Change, %**
Rautakesko Finland	1 163	+10,2	281	+24,1
K-rauta Sweden	208	+11,1	49	+14,2
Byggmakker Norway	547	+14,7	134	+11,3
Rautakesko Estonia	52	−17,6	13	−3,0
Rautakesko Latvia	47	−1,1	11	+9,9
Senukai Lithuania	227	−12,8	62	+9,6
Rautakesko Russia	204	+20,5	53	+27,2
OMA Belarus	74	+38,5	22	+71,2
Total	**2 519**	**+9,0**	**625**	**+19,1**

January–December 2010

In the building and home improvement trade, the net sales for January–December were €2,519 million (€2,312 million), up 9.0%. The building and home improvement market in all of Rautakesko's operating countries was on the increase during the latter half of the year. In 2010, the market grew by some 8% in Finland, some 5% in Norway and some 6% in Sweden. During the first months of the year, the market decreased in the Baltic countries and Russia, but returned to growth during the year also in these countries. The market development in Belarus has been steady.

In January–December, the net sales in Finland were €1,163 million, an increase of 10.2%. The building and home improvement product lines contributed €842 million to the net sales in Finland, an increase of 13.1%. The agricultural supplies trade contributed €321 million to the net sales, up 3.2%.

The net sales from foreign operations in the building and home improvement trade were €1,357 million (€1,257 million), an increase of 8.0%. The net sales from foreign operations increased by 1.4% in terms of local currencies. In Sweden, net sales decreased by 0.2% in terms of kronas. In Norway, net sales increased by 5.2% in terms of krones. In Russia, net sales increased by 9.9% in terms of rubles, and in Belarus, by 40.6% in terms of rubles. Foreign operations contributed 53.9% to the net sales of the building and home improvement trade.

The operating profit excluding non-recurring items of the building and home improvement trade was €24.0 million (€11.9 million). Operating profit improved in Finland and Lithuania. In Russia, profitability decreased because of new store openings. The operating profit including non-recurring items was €23.9 million (€19.6 million).

Capital expenditure in the building and home improvement trade totalled €78.2 million (€84.7 million), of which 54.4% (82.8%) abroad. During the year, a new uniform enterprise resource planning system was adopted in Russia, Sweden, Estonia and Latvia.

In January–December, new K-rauta stores were opened in Palokka, Jyväskylä, in Stockholm, Sweden and in Kaluga and Tula, Russia. In June, the first full-service building and home improvement store was opened in Minsk, Belarus.

The retail sales of the K-rauta and Rautia chains in Finland grew by 6.2% to €1,009 million (VAT 0%). The sales of Rautakesko B2B Service increased by 23.0%, as the building industry rapidly recovered. As a whole, the growth rate of Rautakesko's building materials sales is estimated to have exceeded that of the market in Finland. The retail sales of the K-maatalous chain were €378 million (VAT 0%), up 0.7%.

October–December 2010

In the building and home improvement trade, the net sales in October–December were €625 million (€525 million), up 19.1%, as the market situation improved towards the end of the year.

The net sales in Finland were €281 million, an increase of 24.1%. The building and home improvement product lines contributed €190 million to the net sales in Finland, an increase of 17.3%. The net sales of the agricultural supplies trade were €92 million, up 41.1%.

The net sales from foreign operations in the building and home improvement trade were €344 million (€298 million), an increase of 15.3%. The net sales from foreign operations increased by 11.0% in terms of local currencies. In Sweden, net sales increased by 1.5% in terms of kronas. In Norway, net sales increased by 6.7% in terms of krones. In Russia, net sales increased by 21.7% in terms of rubles, and net sales in Belarus were up by 69.5% in terms of rubles. Foreign operations contributed 55.0% to the total net sales of the building and home improvement trade.

In October–December, the operating profit excluding non-recurring items of the building and home improvement trade was €-0.2 million, up €1.9 million. The operating profit including non-recurring items was €-0.2 million (€1.6 million).

Capital expenditure in the building and home improvement trade was €44.9 million (€19.4 million).

In October–December, new K-rauta stores were not opened. In Salo, Finland, a new Rautia-K-maatalous store was opened instead of previous separate stores. A new Rautia-K-maatalous store is being built in Turku, and new K-rauta stores are being built in Kuopio and Kouvola, Finland, in Uppsala and Haaparanta in Sweden, one in St. Petersburg and two in Moscow, Russia.

The retail sales of the K-rauta and Rautia chains in Finland increased by 8.7% to €238 million (VAT 0%). The sales of Rautakesko B2B Service increased by 35.0%. The retail sales of the K-maatalous chain were €111 million (VAT 0%), up 35.8%.

Car and machinery trade

	1–12/2010	1–12/2009	10–12/2010	10–12/2009
Net sales, € million	955	947	203	205
Operating profit excl. non-recurring items, € million	33,1	0,3	3,9	2,7
Operating profit as % of net sales excl. non-recurring items	3,5	0,0	1,9	1,3
Capital expenditure, € million	17,8	13,4	4,7	4,9

Net sales, € million	1–12/2010	Change, %	10–12/2010	Change, %
VV-Auto	668	+11,7	151	+20,5
Konekesko	287	-17,9	52	-34,7
Total	**955**	**+0,8**	**203**	**-1,0**

January–December 2010

In January–December, the net sales of the car and machinery trade were €955 million (€947 million), up 0.8%. The comparable net sales of the car and machinery trade grew by 15.1%. The impact of the car tax change (effective 1 April 2009) and the discontinued Baltic grain and agricultural inputs trade have been eliminated from the comparable net sales.

VV-Auto's net sales for January–December were €668 million (€598 million), an increase of 11.7%. In the first part of the year, the net sales performance was lowered by the car tax change effective 1 April 2009, causing the car tax to be excluded from net sales. VV-Auto's comparable net sales growth was 19.1%. In Finland, new registrations of passenger cars increased by 23.6% and those of vans by 27.3% compared to the previous year. In January–December, the combined market share of passenger cars imported by VV-Auto rose to 18.9% (18.5%) and that of vans to 22.3% (20.9%).

Konekesko's net sales for January–December were €287 million (€350 million), down 17.9% compared to the previous year, as a result of the planned discontinuation of the Baltic grain and agricultural inputs trade. Konekesko's comparable net sales grew by 6.2%. The net sales in Finland were €193 million, up 1.2%. The net sales from Konekesko's foreign operations were €96 million, down 41.0%. In line with its strategy, Konekesko concentrates on the machinery trade also in the Baltic countries.

In January–December, the operating profit excluding non-recurring items of the car and machinery trade was €33.1 million, which was €32.7 million higher than in the previous year. The profit performance was affected by VV-Auto's strong sales growth, cost savings achieved in the division, as well as the €9 million impairment charges and expense provisions recognised by Konekesko on the Baltic agricultural supplies business for the first quarter of 2009. The operating profit for January–December was €33.9 million (€-5.1 million).

Capital expenditure in the car and machinery trade was €17.8 million (€13.4 million) in January–December.

October–December 2010

In October–December, the net sales of the car and machinery trade were €203 million (€205 million), down 1.0%. The comparable net sales of the car and machinery trade grew by 19.2%. The discontinued Baltic grain and agricultural inputs trade has been eliminated from the comparable net sales.

VV-Auto's net sales in October–December were €151 million (€125 million), an increase of 20.5%. The net sales increased due to a good general trend in the market. At the end of December, order books were still higher than in the previous year.

Konekesko's net sales in October–December were €52 million (€80 million), down 34.7%. Konekesko's comparable net sales grew by 15.7% from the previous year.

In October–December, the operating profit excluding non-recurring items of the car and machinery trade was €3.9 million, which was €1.1 million higher than in the previous year. The operating profit for October–December was €3.9 million (€-2.7 million).

Capital expenditure in the car and machinery trade was €4.7 million (€4.9 million) in October–December.

Changes in the Group composition

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

Resolutions of the Annual General Meeting 2010 and decisions of the Board's organisational meeting

Kesko Corporation's Annual General Meeting held on 29 March 2010 adopted the financial statements for 2009 and discharged the Board of Directors' members and the Managing Director from liability. The Annual General Meeting also resolved to distribute a dividend of €0.90 per share, or a total amount of €88,547,166.90, as proposed by the Board. The dividend pay date was 12 April 2010. The Annual General Meeting also resolved to leave the number of members of the Board of Directors 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 proposal to amend the Article of Association providing for the convocation period so that the notice of a General Meeting shall be given not later than three weeks before the General Meeting, but in any case at least nine days before the record date of the General Meeting, referred to in Chapter 4, Article 2, Subsection 2 of the Companies Act. The resolutions of the Annual General Meeting were announced in more detail in a stock exchange release on 29 March 2010.

The organisational meeting of Kesko Corporation's Board of Directors, held after the Annual General Meeting, decided to leave the compositions of the Board's Audit Committee and Remuneration Committee unchanged. The decisions of the Board's organisational meeting were announced in a stock exchange release on 29 March 2010.

Shares, securities market and Board authorisations

At the end of December 2010, Kesko Corporation's share capital totalled €197,282,584. Of all shares 31,737,007, or 32.2%, were A shares and 66,904,285, or 67.8%, were B shares. The aggregate number of shares was 98,641,292. Each A share entitles to ten (10) votes and each B share to one (1) vote. In January-December, the share capital was increased three times as a result of the share subscriptions with the options of the 2003 stock option scheme. The increases were made on 11 February 2010 (€128,424), 3 May 2010 (€422,754) and 3 June 2010 (€88,348) and announced in stock exchange notifications on the same days. The subscribed shares were included on the main list of NASDAQ OMX Helsinki for public trading with the old B shares on 12 February 2010, 4 May 2010 and 4 June 2010.

The price of a Kesko A share quoted on NASDAQ OMX Helsinki (the Helsinki stock exchange) was €23.60 at the end of 2009, and €34.70 at the end of 2010, representing an increase of 47.0%. Correspondingly, the price of a B share was €23.08 at the end of 2009, and €34.93 at the end of 2010, representing an increase of 51.3%. In January-December, the highest A share price was €36.45 and the lowest was €23.16. For B shares, they were €37.49 and €22.40 respectively. In January-December, the Helsinki stock exchange (OMX Helsinki) All-Share index rose by 18.7%, the weighted OMX Helsinki CAP index by 24.8%, while the Consumer Staples Index was up 31.0% during the same period.

At the end of December 2010, the market capitalisation of A shares was €1,101 million, while that of B shares was €2,337 million. Their combined market capitalisation was €3,438 million, an increase of €1,152 million from the end of 2009. In January-December 2010, 4.4 million A shares were traded on the Helsinki stock exchange at a total value of €133 million, while 52.7 million B shares were traded at a total value of €1,575 million.

The number of 2003F stock options of the 2003 scheme traded in 2010 was 273,212 at a total value of about €3.4 million. The 2003 option scheme expired on 30 April 2010.

In addition, the company operates the 2007 stock option scheme for management and key personnel, which comprises 2007A options, whose exercise period began on 1 April 2010, and 2007B and 2007C options, whose exercise periods will begin at the beginning of April in 2011 and 2012 respectively. The 2007A options have also been included on the official list of the Helsinki stock exchange since 1 April 2010, and 15,150 options were traded during the reporting period at a total value of €24,490.

The Board of Directors was authorised 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. The authorisation also includes a rights issue. The authorisation has not been used. Further information on Board authorisations is available at www.kesko.fi.

At the end of December 2010, the number of shareholders was 38,258, which was 630 less than at the end of 2009. At the end of December 2010, foreign ownership of all shares was 26%, and foreign ownership of B shares was 38%.

Flagging notifications

On 27 July 2010, the Kesko Pension Fund sold such a number of Kesko A shares owned by it to Kruunuvuoren Satama Oy that its holding of Kesko shares, as a percentage of votes carried by all Kesko shares, fell below 5%, and respectively, the number of votes carried by shares held by Kruunuvuoren Satama Oy exceeded 5% of votes carried by all Kesko shares. The matter was announced in a stock exchange release on 27 July 2010.

On 29 October 2010, Kesko Corporation received a notice according to which the aggregate holding of Kesko shares by the K-Retailers' Association, its Branch Clubs and the Foundation for Vocational Training in the Retail Trade exceeded 5 percent on 28 October 2010. The matter was announced in a stock exchange release on 29 October 2010.

Main events during the reporting period

On 1 July 2010, Kesko sold ten properties to Ilmarinen Mutual Pension Insurance Company and Kruunuvuoren Satama Oy, a joint venture established by Ilmarinen, the Kesko Pension Fund and Kesko Corporation. The debt-free selling price of the properties totalled €107.5 million. The gain on the sale of the properties was €47.4 million. In the same connection, the Kesko Pension Fund sold seven retail store properties owned by it to Kruunuvuoren Satama Oy. The Kesko Group companies leased the properties for the Kesko Group companies' use, mainly on 15-year leases with extension options. In consequence, the Kesko Group's lease liabilities increased by about €120 million.

Kesko Corporation has made a capital contribution of approximately €33 million to the joint venture. Its ownership interest and voting rights in Kruunuvuoren Satama Oy are 49%. The company is included in the Kesko Group's financial reporting as an associate starting from 1 July 2010 (stock exchange releases on 1 July 2010).

On 1 September 2010, the management of the statutory pension liability and the related insurance portfolio of some 3,100 people employed by the Kesko Group were transferred from the Kesko Pension Fund to Ilmarinen Mutual Pension Insurance Company. The matter was announced in a stock exchange release on 1 September 2010. As a result of the transfer, Kesko recorded an €8 million actuarial gain in the income statement in September, not treated as a non-recurring item. The fair value of the Kesko Pension Fund plan assets exceeded the amount of its pension liabilities. The difference was recognised as pension assets in Kesko's statement of financial position. Pension assets were returned to the Kesko Group companies in December. In addition, the Kesko Pension Fund returned the contributions it had charged in the first part of the year, which produced a total cash inflow of €152 million.

Responsibility

In November 2010, the Pirkka recycled plastic bag received the Recovery Award of the Year, granted by the Association of Environmental Enterprises and Uusiouutiset, the Finnish Recycling News magazine.

In November, K-food stores made non-disposable fruit bags available in their fruit and vegetable departments in response to consumers' wishes. The sales of these bags help support the Emergency Youth Shelters maintained by the Finnish Red Cross.

In November, the results of the responsibility survey ordered by the Helsingin Sanomat newspaper showed that consumers perceive Pirkka as Finland's third most responsible brand after Valio and Fazer.

In November-December, K-food stores joined the international Pampers-UNICEF vaccine campaign for the third time. The campaign raises funds for UNICEF to work for the protection against tetanus.

In November, Kesko's 2009 Corporate Responsibility Report ranked second in the Corporate Responsibility 2010 competition. The focal points in the competition were energy and material efficiency, and the diversity and management of working life. As part of its energy efficiency work, Kesko joined the supporters of the CANEMU (Finnish abbreviation 'HINKU') project in November. The carbon neutral municipalities (CANEMU) aim to reduce at least 80% of their greenhouse gas emissions from the 2007 level by 2030.

In November, special events taking place in Kodin Ykkönen department stores marked the start of cooperation between Kodin Ykkönen and Plan. The profits from the sales of Plan products and the collected funds go in full to Plan's activities for the rights of the children of the world.

Kesko donated €35,000 and the Christmas card money to the Good Christmas Spirit collection, which raised over one million euros. The total funds donated to the collection were used for 15,000 vouchers distributed to Finnish low-income families with children, facing difficult situations in life.

Kesko's sustainable development awards for 2011 were opened for application in January. The theme for the awards, this year distributed for the seventh time, is material efficiency. Kesko will distribute rewards amounting to €30,000 to promoters of sustainable development in May.

Risk management

Kesko's risk management is proactive and an integral part of management and day-to-day activities. The objective of Kesko's risk management is to ensure the implementation of the Group strategy, the delivery of customer promises, the maintenance of shareholder value, and the continuity of business. The risk management policy approved by the Board of Directors guides risk management in the Kesko Group. The policy defines the objectives, principles, responsibilities and key practices of risk management. The management of financial risks is based on the Group's treasury policy, confirmed by Kesko's Board of Directors. The management of business operations and the Group units' managements are responsible for risk management in practice.

The Kesko Group applies a business-oriented and comprehensive approach to risk assessment and management. This means that key risks are systematically identified, assessed, managed, monitored and reported as part of business activities at the Group, division, company and unit levels in all of Kesko's operating countries.

Kesko has a uniform risk assessment and reporting system. Risks are identified and prioritised by assessing the impact and probability of their materialisation, and the level of management. Risk management responses, schedules and responsibilities are established. The risks classified as critical and their management responses are discussed quarterly by the management boards. The development of a risk situation is assessed on the basis of the progress made through the responses and the changes in external factors. In addition, risk assessments are made concerning significant projects related to capital expenditure or changes in operations.

The divisions make risk assessments and update them in accordance with the strategy process and the rolling planning framework. The division parent companies' managements and the Group management regularly discuss the division parent companies' risks and how to manage them. In their respective responsibility areas, the Group units have assessed the risks threatening the Group's objectives and the management of such risks. On the basis of these risk analyses, the Group's risk management function prepares quarterly summaries of significant risks and their management.

The Group's risk map, the most significant risks and uncertainties as well as changes in and responses to them, are reported to the Kesko Board's Audit Committee in connection with handling the interim reports and the financial statements. The Chair of the Audit Committee reports on risk management to the Board of Directors. Kesko's Board of Directors discusses the most significant risks and the responses required to control them, and assesses the efficiency of risk management. The following is a description of the risks and uncertainties assessed to be significant.

Significant risks and uncertainties

Kesko's objective is to expand operations abroad, especially in the food trade, and to further expand the international store network of its building and home improvement trade. Failures in international expansion projects may put growth and profitability at risk. In international operations, uniform operating practices and processes are a prerequisite for efficiency and synergy benefits. In Rautakesko, category management, purchasing and sourcing are managed in a centralised manner, and the adoption of a shared information system supporting these operations is progressing. There is a risk that unless the new selection management and purchasing model or information system work as planned, efficiency benefits will not be achieved.

For the purpose of increasing market share, good store sites are a key competitive factor. The acquisition of store sites can be slowed by scarcity of plots, zoning and permit procedures and trends in plot prices. Considerable amounts of capital or lease liabilities are tied up in store properties for years. As a result of changes in the market situation, there is a risk that a store site becomes unprofitable and that operations end while the long-term liabilities remain.

The attainment of objectives requires efficient store concepts which attract customers. If the concepts are not competitive, sales and market share performance fail to achieve the targets.

The intensive increase in the supply of electronic services, e-commerce growth, internationalisation and social media are significantly changing consumer behaviour and the operating systems of trade. Future success relies on the ability to combine the possibilities of online trading, electronic customer communications and the retailer business model into an efficient system.

Instability in the euro zone financial market continues, although the real economy has returned to growth. Increases in taxes and public charges resulting from public sector indebtedness, coupled with tightened financial markets impact consumers' purchasing power and can deteriorate consumer confidence and willingness to invest.

Regulations restricting efficient trading operations have increased and continue to increase also at the level of the European Union. Such a development can weaken the trading sector's possibilities to serve customers and operate efficiently.

The trading sector is characterised by increasingly complicated and long supply chains and a dependency on information systems, telecommunications and external service providers. Failures in the supply chain and payment systems can cause major losses in sales and profit.

Failure in the protection of personal information and card payments can cause losses, claims for damages and endanger reputation.

Expansion and operations in Russia and Belarus involve country risks. The unpredictability of officials and sudden changes in legislation and the interpretation and application of laws, as well as corruption can complicate operating activities or delay expansion.

Crime is becoming more professional and an increasing part of crimes are committed through data networks. There is a risk that controls against such crime are not sufficient.

In business divisions that are strongly dependent on individual principals and suppliers, such as the car and machinery trade, ownership arrangements, changes in a principal's or supplier's strategy concerning the product selection, pricing and distribution channel solutions can mean a reduction in competitiveness or sales, or loss of business.

The implementation of strategies and the achievement of goals require competent and motivated people. There is a risk that the trading sector will not attract the most competent people.

A failure in the quality assurance of the supply chain or in product control may result in financial losses, the loss of customer confidence or, in the worst case, a health hazard.

Different aspects of responsibility are increasingly important for customers, and possible responsibility failures would weaken Kesko's reputation. Kesko's challenges in responsibility work include communicating its responsibility policies to suppliers, retailers and customers, and ensuring the ethicality of production.

Non-compliance with legislation, agreements and Kesko's responsibility guidelines can result in fines, compensation for damages and other financial losses, and a loss of confidence or reputation.

The objective of Kesko's communications is to produce and publish reliable information at the right time. If some information published by Kesko proved to be incorrect or a release failed to meet regulations, it can result in investors and other stakeholders losing confidence, and possible sanctions.

Accidents and damages caused by, for example, natural phenomena cannot always be prevented. The financial consequences of damages are covered with insurance, in accordance with the policy defined by the Kesko Board of Directors.

Further information about the risks, uncertainties and their management responses relating to Kesko's operating activities, and about Kesko's risk management system and principles is available on the company's website at www.kesko.fi/en/Investors/Keskos-Corporate-Governance.

Other risks and uncertainties relating to profit performance are described in the Group's future outlook.

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 accounting period (1/2011-12/2011) in comparison with the 12 months preceding the accounting period (1/2010-12/2010).

The outlook for trends in consumer demand has remained steady, as a result of high consumer confidence and continuously low interest rate levels. Nevertheless, the trend in economic development continues to involve significant uncertainties relating to the evolution of total production, tightening taxation and possible ramifications of disturbances in the financial market.

The steady development of the grocery trade and the home and speciality goods trade is expected to continue. The building and home improvement market is expected to strengthen as a result of increasing housing construction. In the car and machinery trade, the sales of new cars are expected to grow, and the situation in the machinery market is expected to recover gradually.

The Kesko Group's net sales are expected to grow during the next twelve months.

Throughout 2010, Kesko's profitability performance has been excellent, except for the building and home improvement trade. During the next twelve months, the store site network will be significantly expanded, regardless of which, the operating profit excluding non-recurring items is expected to remain at the achieved level.

Proposal for profit distribution

The parent's distributable profits are €1,152,126,586.65, of which the profit for the financial year is €189,532,714.65.

The Board of Directors proposes to the Annual General Meeting to be held on 4 April 2011 that the distributable profits be used as follows:

€1.30 per share, or a total of €128,233,679.60, be distributed as dividends.

€1,023,892,907.05 are carried forward in equity.

Annual General Meeting

The Board of Directors decided to convene the Annual General Meeting at the Helsinki Fair Centre on 4 April 2011 at 13.00. Kesko Corporation will publish a notice of the Annual General Meeting at a later date.

Annual Report 2010 and corporate governance statement

Kesko will publish the 2010 Annual Report, which contains the report by Kesko's Board of Directors and the financial statements for 2010, and a separate Corporate Governance Statement on week 10 on its website at www.kesko.fi.

Helsinki, 2 February 2011
Kesko Corporation
Board of Directors

The information in the financial statements report is unaudited.

Further information is available from Arja Talma, Senior Vice President, CFO, telephone +358 1053 22113, and Eva Kaukinen, Vice President, Corporate Controller, telephone +358 1053 22338. A Finnish-language webcast from the media and analyst briefing on the financial statements can be accessed at www.kesko.fi at 11.00. An English-language web conference on the financial statements will be held today at 14.30 (Finnish time). The web conference login is available at www.kesko.fi.

KESKO CORPORATION
Paavo Moilanen
Senior Vice President, Corporate Communications and Responsibility

ATTACHMENTS

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Kesko Corporation's interim report for the period January-March will be released on 28 April 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.

DISTRIBUTION
NASDAQ OMX Helsinki
Main news media
www.kesko.fi

ATTACHMENTS:

Accounting policies

This financial statements 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 2009, with the exception of the following changes due to the adoption of new and revised IFRS standards and IFRIC interpretations.

- IFRS 3 (revised), Business combinations
- IAS 27 (revised), Consolidated and Separate Financial Statements
- IAS 39 (amendment), Financial Instruments: Recognition and Measurement – Eligible hedged items
- IFRS 5 (amendment), Non-current assets held for sale and discontinued operations
- IFRS 2 (amendment), Share-based Payment - Group cash-settled transactions
- IFRIC 9 and IAS 39, (amendments) Reassessment of Embedded Derivatives on Reclassification
- IFRIC 17, Distributions of Non-cash Assets to Owners
- 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.

In addition, the accounting policies have been changed as follows:

- The net sales from operations in Finland presented in the financial statements report are inclusive of the export sales of the Finnish companies. Previously exports were included in the net sales of other countries.
- Excise taxes have been reclassified from other operating costs to cost of goods sold.

The comparative figures have been restated accordingly.

Consolidated income statement (condensed) (€ million)

	1-12/2010	1-12/2009	Change-%	10-12/2010	10-12/2009	Change-%
Net sales	8,777	8,447	3.9	2,310	2,153	7.3
Cost of goods sold	-7,547	-7,323	3.1	-1,964	-1,838	6.9
Gross profit	1,230	1,124	9.5	346	315	9.6
Other operating income	699	710	-1.6	179	232	-22.8
Staff cost	-521	-535	-2.7	-145	-137	6.0
Depreciation and impairment charges	-121	-131	-7.9	-32	-43	-25.7
Other operating expenses	-981	-935	4.9	-265	-249	6.3
Operating profit	307	232	32.0	83	118	-29.9
Interest income	22	21	2.9	7	4	57.6
Interest expenses	-15	-20	-28.1	-3	-5	-29.9
Exchange differences and other financial items	-1	-17	-93.5	1	-2	(..)
Income from associates	0	0	(..)	0	0	(..)
Profit before tax	312	217	44.2	87	116	-25.0
Income tax	-97	-82	17.4	-25	-42	-40.9
Profit for the period	216	134	60.7	63	75	-16.0
Attributable to						
Owners of the parent	205	125	63.3	59	71	-17.7
Non-controlling interests	11	9	24.0	4	3	21.2
Earnings per share (€) for profit attributable to equity holders of the parent						
Basic	2.08	1.28	62.6	0.60	0.73	-18.1
Diluted	2.06	1.27	62.1	0.59	0.73	-18.3

Consolidated statement of comprehensive income (€ million)

	1-12/2010	1-12/2009	Change %	10-12/2010	10-12/2009	Change %
Net profit for the period	216	134	60.7	63	75	-16.0
Other comprehensive income						
Exchange differences on translating foreign operations	5	-3	(..)	2	0	(..)
Cash flow hedge revaluation	21	-4	(..)	13	6	(..)
Revaluation of available-for-sale financial assets	1	-2	(..)	0	-2	-81.2
Other items	-1	0	(..)	-	-	-
Tax relating to other comprehensive income	-6	2	(..)	-3	-1	(..)
Total other comprehensive income for the period, net of tax	20	-7	(..)	11	3	(..)
Total comprehensive income for the period	236	127	85.8	74	78	-5.6
Attributable to						
Owners of the parent	224	123	82.4	69	75	-8.3
Non-controlling interests	12	4	(..)	5	3	74.6

(..) Change over 100%

Consolidated statement of financial position (€ million), condensed

	31.12.2010	31.12.2009	Change %
ASSETS			
Non-current assets			
Intangible assets	189	185	2.5
Tangible assets	1,261	1,111	13.5
Interests in associates and other financial assets	61	36	69.5
Loans and receivables	72	71	1.2
Pension assets	186	315	-41.1
Total	1,769	1,717	3.0
Current assets			
Inventories	757	665	13.7
Trade receivables	620	594	4.4
Other receivables	183	150	22.0
Financial assets at fair value through profit or loss	242	213	13.6
Available-for-sale financial assets	549	428	28.4
Cash and cash equivalents	56	74	-24.1
Total	2,406	2,124	13.3
Non-current assets held for sale	1	1	42.5
Total assets	4,177	3,842	8.7
EQUITY AND LIABILITIES			
Equity	2,151	2,005	7.3
Non-controlling interests	59	64	-9.2
Total equity	2,210	2,069	6.8
Non-current liabilities			
Pension obligations	2	2	-4.9
Interest-bearing liabilities	235	262	-10.2
Non-interest-bearing liabilities	5	6	-19.0
Deferred tax liabilities	97	128	-24.1
Provisions	12	14	-19.6
Total	350	412	-14.9
Current liabilities			
Interest-bearing liabilities	242	194	24.4
Trade payables	838	704	19.2
Other non-interest-bearing liabilities	507	434	16.9
Provisions	29	29	0.1
Total	1,616	1,361	18.8
Total equity and liabilities	4,177	3,842	8.7

(..) Change over 100%

Consolidated statement of changes in equity (€ million)

	Share capital	Issue of share capital	Share premium	Other reserves	Currency translation differences	Revaluation sur plus	Retained earnings	Non controlling-interests	Total
Balance at 1.1.2009	**196**	**0**	**191**	**243**	**-10**	**2**	**1,344**	**61**	**2,026**
Shares subscribed for with options	1	0	4						5
Option cost							8	0	8
Dividends							-98	0	-98
Other changes				0			1	0	1
Net profit for the period							125	9	134
Other comprehensive income									
Exchange differences on translating foreign operations				0	2		0	-5	-3
Cash flow hedge revaluation						-4			-4
Revaluation of available-for-sale financial assets						-2			-2
Tax relating to other comprehensive income						2			2
Total other comprehensive income				0	2	-4	0	-5	-7
Balance at 31.12.2009	**197**	**0**	**194**	**243**	**-7**	**-3**	**1,381**	**64**	**2,069**
Balance at 1.1.2010	**197**	**0**	**194**	**243**	**-7**	**-3**	**1,381**	**64**	**2,069**
Shares subscribed for with options	1		4						4
Option cost							5	0	5
Dividends							-89	-18	-106
Other changes							1	0	1
Net profit for the period							205	11	216
Other comprehensive income									
Exchange differences on translating foreign operations				0	4		0	1	5
Cash flow hedge revaluation						21			21
Revaluation of available-for-sale financial assets						1			1
Other items							-1		-1
Tax relating to other comprehensive income						-6			-6
Total other comprehensive income				0	4	16	-1	1	20
Balance at 31.12.2010	**197**	**0**	**198**	**243**	**-3**	**14**	**1,503**	**59**	**2,210**

Consolidated cash flow statement (€ million), condensed

	1-12/2010	1-12/2009	Change %	10-12/2010	10-12/2009	Change %
Cash flow from operating activities						
Profit before tax	312	217	44.2	87	116	-25.0
Planned depreciation	116	117	-0.5	31	31	-1.4
Finance income and costs	-6	16	(..)	-5	2	(..)
Other adjustments	97	-74	(..)	116	-50	(..)
Working capital						
Current non-interest-bearing trade and other receivables, increase (-)/ decrease (+)	-15	39	(..)	17	43	-60.6
Inventories increase (-)/ decrease (+)	-82	207	(..)	-66	40	(..)
Current non-interest-bearing liabilities, increase (+)/ decrease (-)	153	-84	(..)	51	-47	(..)
Financial items and tax	-136	-59	(..)	-63	-12	(..)
Cash flow from operating activities	438	379	15.7	169	123	37.6
Cash flow from investing activities						
Capital expenditure	-367	-223	64.9	-203	-61	(..)
Sales of fixed assets	124	252	-51.0	8	158	-94.9
Increase of non-current receivables	0	0	(..)	0	0	(..)
Decrease of non-current receivables	4	2	(..)	2	0	(..)
Net cash used in investing activities	-240	31	(..)	-193	96	(..)
Cash flow from financing activities						
Increase (+)/ decrease (-) in interest-bearing liabilities	39	-33	(..)	24	-27	(..)
Increase (-)/decrease (+) in current interest-bearing receivables	11	-14	(..)	1	-13	(..)
Dividends paid	-106	-98	7.9	0	0	(..)
Equity increase	4	5	-8.1	0	2	(..)
Short-term money market investments	-114	-98	17.0	-16	-78	-79.7
Other items	-15	4	(..)	-3	-3	1.5
Net cash used in financing activities	-181	-234	-22.8	6	-119	(..)
Change in cash and cash equivalents	18	175	-90.0	-18	100	(..)
Cash and cash equivalents and current portion of available-for-sale financial assets at 1 Jan.	491	319	53.9	527	391	34.8
Translation difference and revaluation	0	-3	(..)	0	0	(..)
Cash and cash equivalents and current portion of available-for-sale financial assets at 31 Dec.	509	491	3.7	509	491	3.7

(..) Change over 100%

Group performance indicators

	1-12/2010	1-12/2009	Change, pp
Return on capital employed, %	**15.9**	11.0	**4.9**
Return on capital employed excl. non-recurring items, %	**13.9**	7.3	**6.6**
Return on equity, %	**10.1**	6.6	**3.5**
Return on equity excl. non-recurring items, %	**8.7**	3.8	**4.9**
Equity ratio, %	**53.4**	54.1	**-0.7**
Gearing, %	**-16.8**	-12.5	**-4.3**
			Change, %
Capital expenditure, € million	**325.3**	198.0	**64.3**
Capital expenditure, % of net sales	**3.7**	2.3	**58.1**
Earnings per share, basic, €	**2.08**	1.28	**62.6**
Earnings per share, diluted, €	**2.06**	1.27	**62.1**
Earnings per share excl. non-recurring items, basic, €	**1.78**	0.71	**(..)**
Cash flow from operating activities, € million	**438**	379	**15.7**
Cash flow from investing activities, € million	**-240**	31	**(..)**
Equity/share, €	**21.81**	20.39	**7.0**
Personnel, average	**18,215**	19,200	**-5.1**

(..) Change over 100%

Group performance indicators by quarter	1–3/ 2009	4–6/ 2009	7–9/ 2009	10–12/ 2009	1–3/ 2010	4–6/ 2010	7–9/ 2010	10–12/ 2010
Net sales, € million	2,018	2,143	2,133	2,153	1,958	2,279	2,231	**2,310**
Change in net sales, %	-11.4	-15.9	-12.4	-7.7	-3.0	6.4	4.6	**7.3**
Operating profit, € million	23.2	42.7	48.3	118.1	20.9	79.0	123.9	**82.8**
Operating margin, %	1.1	2.0	2.3	5.5	1.1	3.5	5.6	**3.6**
Operating profit excl. non-recurring items, € million	3.4	36.4	47.5	68.0	20.9	78.1	88.7	**80.5**
Operating margin excl. non-recurring items, %	0.2	1.7	2.2	3.2	1.1	3.4	4.0	**3.5**
Finance income/costs, € million	-5.1	-4.4	-4.7	-1.8	0.8	-0.2	0.8	**4.6**
Profit before tax, € million	18.2	38.2	43.8	116.3	21.9	78.7	124.5	**87.3**
Profit before tax, %	0.9	1.8	2.1	5.4	1.1	3.5	5.6	**3.8**
Return on capital employed, %	4.2	8.0	9.4	22.9	4.4	16.0	26.3	**17.4**
Return on capital employed excl. non-recurring items, %	0.6	6.8	9.2	13.2	4.3	15.8	18.8	**16.9**
Return on equity, %	2.4	4.6	5.2	14.7	2.9	10.6	16.1	**11.5**
Return on equity excl. non-recurring items, %	-0.6	3.7	5.0	7.7	2.9	10.5	11.1	**11.2**
Equity ratio, %	49.8	51.0	52.3	54.1	51.1	51.2	53.3	**53.4**
Capital expenditure, € million	51.5	55.8	49.2	41.5	42.0	45.7	35.9	**201.6**
Earnings per share, diluted, €	0.12	0.19	0.24	0.73	0.15	0.51	0.81	**0.59**
Equity per share, €	19.16	19.36	19.60	20.39	19.69	20.30	21.10	**21.81**

Segment information

Net sales by segment, (€ million)	1–12/2010	1–12/2009	Change %	10–12/2010	10–12/2009	Change %
Food trade, Finland	3,896	3,798	2.6	1,022	970	5.3
Food trade, other countries*	-	-	-	-	-	-
Food trade total	3,896	3,798	2.6	1,022	970	5.3
- of which intersegment trade	162	162	0.1	40	43	-7.7
Home and speciality goods trade, Finland	1,553	1,538	1.0	497	496	0.2
Home and speciality goods trade, other countries*	15	20	-22.8	4	4	-3.0
Home and speciality goods trade total	1,569	1,558	0.7	501	500	0.1
- of which intersegment trade	23	26	-10.2	7	10	-27.2
Building and home improvement trade, Finland	1,163	1,055	10.2	281	227	24.1
Building and home improvement trade, other countries*	1,357	1,257	8.0	344	298	15.3
Building and home improvement trade total	2,519	2,312	9.0	625	525	19.1
- of which intersegment trade	0	2	-69.7	0	0	-89.7
Car and machinery trade, Finland	859	787	9.1	190	162	17.6
Car and machinery trade, other countries*	96	160	-40.3	13	43	-70.1
Car and machinery trade total	955	947	0.8	203	205	-1.0
- of which intersegment trade	0	1	-41.6	0	0	57.0
Common operations and eliminations	-162	-168	-3.5	-42	-47	-11.5
Finland total	7,309	7,010	4.3	1,949	1,807	7.8
Other countries total*	1,468	1,437	2.2	361	346	4.4
Group total	8,777	8,447	3.9	2,310	2,153	7.3

** Net sales in countries other than Finland.*

Operating profit by segment (€ million)	1-12/2010	1-12/2009	Change	10-12/2010	10-12/2009	Change
Food trade	158.4	170.6	-12.2	37.2	58.7	-21.5
Home and speciality goods trade	103.4	66.5	36.8	45.6	66.5	-20.8
Building and home improvement trade	23.9	19.6	4.2	-0.2	1.6	-1.8
Car and machinery trade	33.9	-5.1	39.0	3.9	-2.7	6.5
Common operations and eliminations	-12.8	-19.3	6.5	-3.7	-5.9	2.2
Total	306.7	232.3	74.4	82.8	118.1	-35.3

Operating profit excl. non-recurring items by segment (€ million)	1-12/2010	1-12/2009	Change	10-12/2010	10-12/2009	Change
Food trade	160.1	133.1	27.0	36.8	33.7	3.1
Home and speciality goods trade	66.0	29.5	36.5	45.7	39.7	6.0
Building and home improvement trade	24.0	11.9	12.1	-0.2	-2.1	1.9
Car and machinery trade	33.1	0.3	32.7	3.9	2.7	1.1
Common operations and eliminations	-15.0	-19.4	4.4	-5.7	-6.0	0.3
Group total	268.1	155.4	112.8	80.5	68.0	12.5

Segments' operating margins excl. non-recurring items	1-12/2010, % of net sales	1-12/2009 % of net sales	Change pp	10-12/2010, % of net sales	10-12/2009, % of net sales	Change pp
Food trade	4.1	3.5	0.6	3.6	3.5	0.1
Home and speciality goods trade	4.2	1.9	2.3	9.1	7.9	1.2
Building and home improvement trade	1.0	0.5	0.4	0.0	-0.4	0.4
Car and machinery trade	3.5	0.0	3.4	1.9	1.3	0.6
Group total	3.1	1.8	1.2	3.5	3.2	0.3

Capital employed by segment, cumulative average (€ million)	1-12/2010	1-12/2009	Change	10-12/2010	10-12/2009	Change
Food trade	592	636	-43	545	642	-97
Home and speciality goods trade	431	510	-78	424	493	-69
Building and home improvement trade	634	645	-11	616	624	-8
Car and machinery trade	169	244	-76	154	225	-71
Common operations and eliminations	101	80	21	167	80	87
Group total	1,928	2,115	-187	1,907	2,064	-158

Return on capital employed excl. non-recurring items by segment, %	1-12/2010	1-12/2009	Change, pp	10-12/2010	10-12/2009	Change, pp
Food trade	27.0	20.9	6.1	27.0	21.0	6.0
Home and speciality goods trade	15.3	5.8	9.5	43.0	32.2	10.9
Building and home improvement trade	3.8	1.8	1.9	-0.1	-1.3	1.2
Car and machinery trade	19.6	0.1	19.5	10.0	4.8	5.2
Group total	13.9	7.3	6.6	16.9	13.2	3.7

Capital expenditure by segment (€ million)	1-12/2010	1-12/2009	Change	10-12/2010	10-12/2009	Change
Food trade	117	69	48	57	10	47
Home and speciality goods trade	45	30	16	28	7	22
Building and home improvement trade	78	85	-7	45	19	26
Car and machinery trade	18	13	4	5	5	0
Common operations and eliminations	67	1	66	66	0	66
Group total	325	198	127	202	42	160

Segment information by quarter

Net sales by segment (€ million)	1–3/ 2009	4–6/ 2009	7–9/ 2009	10–12/ 2009	1–3/ 2010	4–6/ 2010	7–9/ 2010	10–12/ 2010
Food trade	888	974	966	970	912	976	986	**1,022**
Home and speciality goods trade	346	331	381	500	355	334	378	**501**
Building and home improvement trade	529	643	614	525	495	712	687	**625**
Car and machinery trade	296	233	213	205	236	298	218	**203**
Common operations and eliminations	-41	-39	-41	-47	-40	-41	-39	**-42**
Group total	2,018	2,143	2,133	2,153	1,958	2,279	2,231	**2,310**

Operating profit by segment (€ million)	1–3/ 2009	4–6/ 2009	7–9/ 2009	10–12/ 2009	1–3/ 2010	4–6/ 2010	7–9/ 2010	10–12/ 2010
Food trade	42.3	33.8	35.8	58.7	31.7	42.2	47.3	**37.2**
Home and speciality goods trade	-3.3	-3.6	7.0	66.5	0.1	7.0	50.6	**45.6**
Building and home improvement trade	-5.2	14.8	8.5	1.6	-13.8	17.9	19.9	**-0.2**
Car and machinery trade	-6.0	1.9	1.7	-2.7	6.4	15.0	8.6	**3.9**
Common operations and eliminations	-4.6	-4.3	-4.5	-5.9	-3.4	-3.2	-2.5	**-3.7**
Group total	23.2	42.7	48.3	118.1	20.9	79.0	123.9	**82.8**

Operating profit excl. non-recurring items by segment (€ million)	1–3/ 2009	4–6/ 2009	7–9/ 2009	10–12/ 2009	1–3/ 2010	4–6/ 2010	7–9/ 2010	10–12/ 2010
Food trade	33.8	30.1	35.5	33.7	31.7	42.1	49.5	**36.8**
Home and speciality goods trade	-10.7	-6.0	6.5	39.7	0.1	7.0	13.2	**45.7**
Building and home improvement trade	-9.1	14.8	8.4	-2.1	-13.8	17.9	20.0	**-0.2**
Car and machinery trade	-6.0	1.9	1.7	2.7	6.4	14.1	8.7	**3.9**
Common operations and eliminations	-4.6	-4.4	-4.5	-6.0	-3.4	-3.1	-2.8	**-5.7**
Group total	3.4	36.4	47.5	68.0	20.9	78.1	88.7	**80.5**

Segments' operating margins excl. non-recurring items (€ million)	1–3/ 2009	4–6/ 2009	7–9/ 2009	10–12/ 2009	1–3/ 2010	4–6/ 2010	7–9/ 2010	10–12/ 2010
Food trade	3.8	3.1	3.7	3.5	3.5	4.3	5.0	**3.6**
Home and speciality goods trade	-3.1	-1.8	1.7	7.9	0.0	2.1	3.5	**9.1**
Building and home improvement trade	-1.7	2.3	1.4	-0.4	-2.8	2.5	2.9	**0.0**
Car and machinery trade	-2.0	0.8	0.8	1.3	2.7	4.7	4.0	**1.9**
Group total	0.2	1.7	2.2	3.2	1.1	3.4	4.0	**3.5**

Personnel average and at 31 Dec.

Personnel average by segment	1-12/2010	1-12/2009	Change
Food trade	2,881	3,035	-154
Home and speciality goods trade	5,418	5,666	-249
Building and home improvement trade	8,379	8,804	-426
Car and machinery trade	1,138	1,291	-153
Common operations	399	403	-4
Group total	18,215	19,200	-985

Personnel at 31 Dec.* by segment	2010	2009	Change
Food trade	3,106	3,288	-182
Home and speciality goods trade	7,887	8,073	-186
Building and home improvement trade	9,493	9,226	267
Car and machinery trade	1,205	1,196	9
Common operations	433	424	9
Group total	22,124	22,207	-83

** total number incl. part-time employees*

Group contingent liabilities (€ million)

Group contingent liabilities (€ million)	31.12.2010	31.12.2009	Change %
For own commitments	276	214	28.5
For shareholders	0	0	0.0
For others	6	7	-1.5
Lease liabilities for machinery and fixtures	22	22	0.9
Lease liabilities for real estate	2,322	2,337	-0.7

Contingent liabilities arising from derivative financial instruments

Values of underlying instruments at 31 Dec.	31.12.2010	31.12.2009	Fair value 31.12.2010
Interest rate derivatives			
Forward and future contracts	-	12	-
Interest rate swap contracts	205	207	3.66
Currency derivatives			
Forward and future contracts	224	441	-4.19
Foreign exchange contracts	100	100	-10.61
Commodity derivatives			
Electricity derivatives	63	40	13.16

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, 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 equity, % $$= \frac{\text{(Profit/loss before tax − income tax)}}{\text{Shareholders' equity}} \times 100$$

Return on equity excl. non-recurring items, % $$= \frac{\text{(Profit/loss adjusted for non-recurring items before tax − income tax adjusted for the tax effect of non-recurring items)}}{\text{Shareholders' equity}} \times 100$$

Equity ratio, % $$= \frac{\text{Shareholders' equity}}{\text{(Balance sheet total − prepayments received)}} \times 100$$

Earnings/share, diluted $$= \frac{\text{(Profit − non-controlling interests)}}{\text{Average number of shares adjusted for the dilutive effect of options}}$$

Earnings/share, basic $$= \frac{\text{(Profit − non-controlling interests)}}{\text{Average number of shares}}$$

Earnings/share excl. non-recurring items, basic $$= \frac{\text{(Profit adjusted for non-recurring items − non-controlling interests)}}{\text{Average number of shares}}$$

Equity/share $$= \frac{\text{Equity attributable to equity holders of the parent}}{\text{Basic number of shares at balance sheet date}}$$

Gearing, % $$= \frac{\text{Interest-bearing net liabilities}}{\text{Shareholders' equity}} \times 100$$

K-Group's retail and B2B sales, VAT 0% (preliminary data):

	1.1.–31.12.2010		1.10.–31.12.2010	
K-Group retail and B2B sales	**€ million**	**Change, %**	**€ million**	**Change, %**
K-Group food trade				
K-food stores, Finland	4,343	3.8	1,154	5.7
Kespro	682	1.4	170	1.1
Food trade total	**5,025**	**3.5**	**1,324**	**5.1**
K-Group home and speciality goods trade				
Home and speciality goods stores, Finland	1,696	1.9	536	1.5
Home and speciality goods stores, Baltic countries	15	-22.6	4	-2.6
Home and speciality goods trade total	**1,712**	**1.6**	**540**	**1.4**
K-Group building and home improvement trade				
K-rauta and Rautia	1,009	6.2	238	8.7
Rautakesko B2B Service	199	23.0	56	35.0
K-maatalous	378	0.7	111	35.8
Finland total	**1,585**	**6.6**	**405**	**18.4**
Building and home improvement stores, other Nordic countries	1,073	12.6	274	9.0
Building and home improvement stores, Baltic countries	328	-12.2	88	8.2
Building and home improvement stores, other countries	277	24.6	75	37.1
Building and home improvement trade total	**3,262**	**7.5**	**841**	**15.4**
K-Group car and machinery trade				
VV-Autotalot	334	8.8	82	20.1
VV-Auto, import	354	15.4	75	25.3
Konekesko, Finland	193	0.8	39	6.8
Finland total	**881**	**9.4**	**196**	**19.1**
Konekesko, Baltic countries	97	-37.0	13	-65.8
Car and machinery trade total	**978**	**2.0**	**209**	**3.0**
Finland total	**9,188**	**4.3**	**2,460**	**7.2**
Other countries total	**1,789**	**3.9**	**454**	**5.6**
Retail and B2B sales total	**10,977**	**4.2**	**2,914**	**7.0**