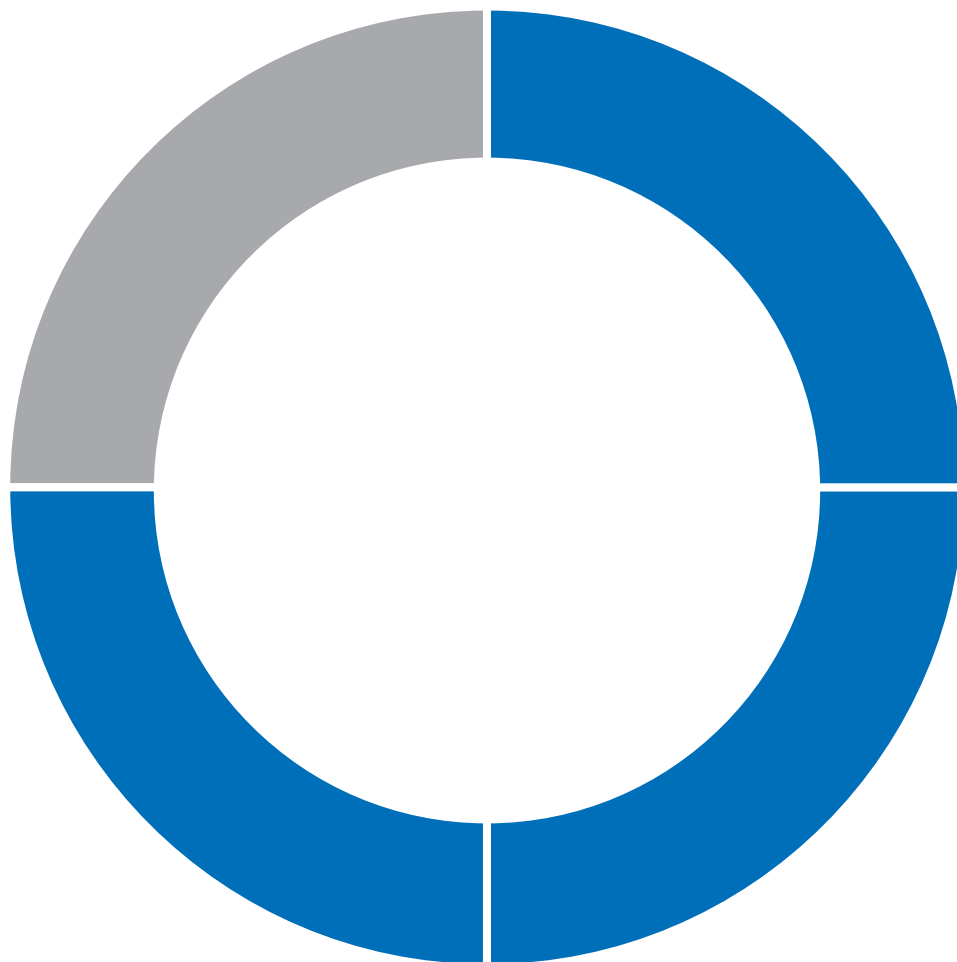


# KESKO



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2012

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Kesko Corporation

## **INTERIM REPORT**

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JANUARY–SEPTEMBER

KESKO CORPORATION  
Stock exchange release  
24.10.2012 at 09:00

# KESKO'S INTERIM REPORT FOR 1 JAN.–30 SEP. 2012

## FINANCIAL PERFORMANCE IN BRIEF:

- The Group's net sales for January-September increased by 3.6%.
- The K-Group's (i.e. Kesko's and the chain stores') retail and B2B sales (VAT 0%) increased by 3.8% in January-September.
- The operating profit excluding non-recurring items was €162.9 million (€207.4 million).
- The Kesko Group's net sales are expected to grow during the next twelve months. As a result of measures to be taken to enhance sales and purchasing operations and cost savings to be achieved, the operating profit excluding non-recurring items for the next twelve months is expected to exceed the operating profit excluding non-recurring items for the preceding twelve months. Capital expenditure is expected to be lower compared to the capital expenditure for the preceding twelve months. The Group has amended its future outlook with regard to profitability performance. Previously, we were prepared for the operating profit excluding non-recurring items for the next twelve months to be lower than the operating profit excluding non-recurring items for the preceding twelve months.

## KEY PERFORMANCE INDICATORS

	1–9/2012	1–9/2011	7–9/2012	7–9/2011
Net sales, € million	7,227	6,979	2,449	2,404
Operating profit excl. non-recurring items, € million	162.9	207.4	78.6	89.2
Operating profit, € million	164.0	207.8	78.6	88.2
Profit before tax, € million	162.1	208.1	77.3	88.0
Capital expenditure, € million	274.5	320.9	102.6	126.3
Earnings per share, diluted, €	1.06	1.33	0.51	0.53
Earnings per share excl. non-recurring items, basic, €	1.06	1.34	0.52	0.54

	30.9.2012	30.9.2011
Equity ratio, %	51.2	54.0
Equity per share, €	22.21	21.66

## FINANCIAL PERFORMANCE

### NET SALES AND PROFIT FOR JANUARY–SEPTEMBER 2012

The Group's net sales for January-September 2012 were €7,227 million, which is 3.6% up on the corresponding period of the previous year

(€6,979 million). In Finland, net sales increased by 2.3% and in other countries by 9.2%. International operations accounted for 18.6% (17.6%) of net sales. Net sales grew in the food trade, the home and speciality goods trade and the building and home improvement trade.

1-9/2012	Net sales, M€	Change, %	Operating profit excl. non-recurring items, M€	Change, M€
Food trade	3,179	+3.4	123.4	-10.2
Home and speciality goods trade	1,116	+4.9	-12.5	-16.2
Building and home improvement trade	2,170	+5.4	24.4	-6.7
Car and machinery trade	887	-2.7	37.4	-7.4
Common operations and eliminations	-124	-2.7	-9.8	-4.0
<b>Total</b>	<b>7,227</b>	<b>+3.6</b>	<b>162.9</b>	<b>-44.5</b>

The operating profit excluding non-recurring items in January-September was €162.9 million (€207.4 million), representing 2.3% of net sales (3.0%). The profit performance was affected by new store openings, higher level of costs and the expansion of Russian business operations.

Operating profit was €164.0 million (€207.8 million). The operating profit includes a net amount of €1.1 million (€0.4 million) of non-recurring gains on disposals of properties and write-downs. The Group's profit before tax for January-September was €162.1 million (€208.1 million).

The Group's earnings per share were €1.06 (€1.33). The Group's equity per share was €22.21 (€21.66).

In January-September, the K-Group's (i.e. Kesko's and the chain stores') retail and B2B sales (VAT 0%) were €9,006 million, up 3.8% compared to the previous year. In January-September, the K-Group

chains' sales entitling to K-Plussa points were €4,323 million excluding tax, up 4.0% compared to the previous year. The K-Plussa customer loyalty programme gained 67,837 new households in January-September. At the end of September, the number of K-Plussa households was 2,201,885 and the number of K-Plussa card holders was over 3.8 million.

#### NET SALES AND PROFIT FOR JULY-SEPTEMBER 2012

The Group's net sales for July-September 2012 were €2,449 million, which is 1.9% up on the corresponding period of the previous year (€2,404 million). In Finland, net sales increased by 0.5% and in other countries, it increased by 7.5%. International operations accounted for 20.5% (19.4%) of net sales. In the third quarter, net sales growth slowed due to the 15.4% decrease in the car trade net sales after the car tax change.

7-9/2012	Net sales, M€	Change, %	Operating profit excl. non-recurring items, M€	Change, M€
Food trade	1,078	+2.8	49.6	3.2
Home and speciality goods trade	395	+4.8	0.9	-7.7
Building and home improvement trade	759	+3.7	18.0	-3.3
Car and machinery trade	259	-10.5	11.5	-1.5
Common operations and eliminations	-41	-2.4	-1.4	-1.2
<b>Total</b>	<b>2,449</b>	<b>+1.9</b>	<b>78.6</b>	<b>-10.5</b>

The operating profit excluding non-recurring items for July-September was €78.6 million (€89.2 million), representing 3.2% of net sales (3.7%). The operating profit excluding non-recurring items was negatively impacted by the slowing of sales growth, an increase in costs, the expansion of the store site network and the expansion of Russian business operations.

Operating profit was €78.6 million (€88.2 million). The operating profit of the comparative period included €-1.0 million of non-recurring items. The Group's profit before tax for July-September was €77.3 million (€88.0 million).

The Group's earnings per share were €0.51 (€0.53).

In July-September, the K-Group's (i.e. Kesko's and the chain stores') retail and B2B sales (VAT 0%) were €3,122 million, up 1.8% compared to the previous year. In July-September, the K-Group chains' sales entitling to K-Plussa points were €1,479 million excluding tax, up 2.8% compared to the previous year.

#### FINANCE

In January-September, the cash flow from operating activities was €207.4 million (€169.1 million). The cash flow from investing activities

was €-274.9 million (€-330.9 million), including €22.5 million (€6.2 million) of proceeds from the sale of fixed assets.

The Group's solvency remained at an excellent level. In September, a €250 million unsecured bond was issued to finance the Group's capital expenditure and to extend the debt financing structure. At the end of the period, liquid assets totalled €356 million (€488 million). Interest-bearing liabilities were €640 million (€424 million) and interest-bearing net debt €284 million (€-64 million) at the end of September. Equity ratio was 51.2% (54.0%) at the end of the period.

In January-September, the Group's net finance costs were €1.8 million (€0.0 million).

In July-September, the cash flow from operating activities was €150.1 million (€125.7 million). The cash flow from investing activities was €-103.8 million (€-136.7 million), including €1.5 million (€2.4 million) of proceeds from the sale of fixed assets.

In July-September, the Group's net finance costs were €1.3 million (net finance income €0.3 million).

## TAXES

The Group's taxes for January-September were €48.6 million (€66.5 million). The effective tax rate was 30.0% (32.0%), affected by loss-making foreign operations.

The Group's taxes for July-September were €22.8 million (€29.3 million). The effective tax rate was 29.5% (33.2%).

## CAPITAL EXPENDITURE

In January-September, the Group's capital expenditure totalled €274.5 million (€320.9 million), or 3.8% (4.6%) of net sales. Capital expenditure in store sites was €238.8 million (€272.8 million) and other capital expenditure was €35.7 million (€27.0 million). Capital expenditure in foreign operations represented 19.6% (36.0%) of total capital expenditure.

In July-September, the Group's capital expenditure totalled €102.6 million (€126.3 million), or 4.2% (5.3%) of net sales. Capital expenditure in store sites was €90.7 million (€101.4 million) and other capital expenditure was €11.9 million (€3.8 million). Capital expenditure in foreign operations represented 29.2% (34.7%) of total capital expenditure.

## KESKO'S STRATEGIC FOCUS AREAS AND PROFITABILITY PROGRAMME

The key focus areas in Kesko's business operations are the strengthening of sales growth and return on capital in all divisions, exploiting business opportunities provided by e-commerce and Russia, as well as good solvency and dividend payment capacity.

As a result of the weakening general economic situation, tightened competition and an increase in the level of costs, Kesko is implementing the profitability programme announced previously which aims to ensure price competitiveness and a significant improvement in profitability. Measures to enhance sales and purchasing operations and to achieve cost adjustments are taken separately in each division. At the Group level, the objective is to achieve total cost savings of around €100 million. The key saving measures will affect marketing, personnel, store site and IT expenses and most of the cost savings are

expected to be achieved in 2013. Cost savings will be implemented in all operating countries, mostly on Finnish operations in view of the volume of operations. In respect of enhancement measures launched so far, the combined reduction need in workforce in all operating countries equals to some 900 full time employees, of which some 500 are in Finland. In addition to lay-offs, the planned reduction need comprises reductions of working hours, temporary lay-offs, as well as part-time and pension arrangements.

As announced earlier, capital expenditure will be aligned with funds generated from operations to some €200-300 million per year.

## PERSONNEL

In January-September, the average number of employees in the Kesko Group was 19,740 (18,855) converted into full-time employees. In Finland, the average increase was 228 people, while outside Finland, it was 658.

At the end of September 2012, the total number of employees was 23,666 (22,579), of whom 12,847 (12,321) worked in Finland and 10,819 (10,258) outside Finland. Compared to the end of September 2011, there was an increase of 526 people in Finland and 561 people outside Finland.

In January-September, the Group's staff cost was €447.9 million, an increase of 8.1% compared to the previous year. In July-September, the Group's staff cost increased by 6.8% compared to the previous year and was €140.0 million.

## SEGMENT INFORMATION

### 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

	1-9/2012	1-9/2011	7-9/2012	7-9/2011
Net sales, € million	3,179	3,074	1,078	1,049
Operating profit excl. non-recurring items, € million	123.4	133.6	49.6	46.4
Operating profit as % of net sales excl. non-recurring items	3.9	4.3	4.6	4.4
Capital expenditure, € million	156.7	159.2	60.8	64.8

Net sales, € million	1-9/2012	Change, %	7-9/2012	Change, %
Sales to K-food stores	2,451	+3.0	826	+2.3
Kespro	584	+5.7	204	+4.9
Others	144	+1.8	48	+2.5
<b>Total</b>	<b>3,179</b>	<b>+3.4</b>	<b>1,078</b>	<b>+2.8</b>

### January-September 2012

In the food trade, the net sales for January-September were €3,179 million (€3,074 million), up 3.4%. During the same period, the grocery sales of K-food stores increased by 4.3% (VAT 0%). The sales of Pirikka products grew by 14.0% (VAT 0%). In the grocery market, retail prices are estimated to have changed by some 4.5% compared to the previ-

ous year (VAT 0%; Kesko's own estimate based on the Consumer Price Index of Statistics Finland) and the total market (VAT 0%) is estimated to have grown by some 5% in January-September compared to the previous year (Kesko's own estimate).

In January-September, the operating profit excluding non-recurring items of the food trade was €123.4 million (€133.6 million), or

€10.2 million down on the previous year. The operating profit performance was impacted by the expansion of the store site network and costs related to launching business operations in Russia. Operating profit was €126.2 million (€133.7 million). Non-recurring income included €2.7 million of gains on disposals of properties.

The capital expenditure of the food trade was €156.7 million (€159.2 million).

### July-September 2012

In the food trade, the net sales for July-September were €1,078 million (€1,049 million), up 2.8%. The third quarter had one delivery day less than in the previous year. During the same period, the grocery sales of K-food stores increased by 3.2% (VAT 0%).

In July-September, the operating profit excluding non-recurring items of the food trade was €49.6 million (€46.4 million), or €3.2

million up on the previous year. Profitability was improved by enhanced operations and cost savings achieved. Operating profit was €49.6 million (€45.7 million).

The capital expenditure of the food trade in July-September was €60.8 million (€64.8 million).

In July-September 2012, one new K-citymarket and four new K-supermarkets were opened. Two K-supermarkets were extended into K-citymarkets and two K-markets were extended into K-supermarkets. A total of eight stores were renovated and extended.

The most significant store sites being built are the new K-citymarkets in Kokkola and Valkeakoski. New K-supermarkets are being built in Espoo, Joutsa, Jyväskylä, Kouvola, Lohja and Muurame. K-market Malminmäki in Espoo is being extended into a K-supermarket and K-supermarket Välvainio in Oulu is being extended. The first Kesko food store in Russia is being built in St. Petersburg.

## HOME AND SPECIALITY GOODS TRADE

	1-9/2012	1-9/2011	7-9/2012	7-9/2011
Net sales, € million	1,116	1,063	395	376
Operating profit excl. non-recurring items, € million	-12.5	3.7	0.9	8.7
Operating profit as % of net sales excl. non-recurring items	-1.1	0.3	0.2	2.3
Capital expenditure, € million	47.7	50.5	18.4	32.4

Net sales, € million	1-9/2012	Change, %	7-9/2012	Change, %
K-citymarket home and speciality goods	458	+5.2	161	+5.4
Anttila	316	+1.4	110	+4.0
Intersport Finland	126	+8.0	46	+8.9
Intersport Russia	20	-	6	-
Indoor	139	+5.2	50	+2.4
Musta Pörssi	41	-19.7	14	-27.2
Kenkäkesko	19	+5.0	8	+4.7
<b>Total</b>	<b>1,116</b>	<b>+4.9</b>	<b>395</b>	<b>+4.8</b>

### January-September 2012

In the home and speciality goods trade, the net sales for January-September were €1,116 million (€1,063 million), up 4.9%. The sales of K-citymarket home and speciality goods, Intersport, Budget Sport, as well as Asko and Sotka grew markedly from the previous year.

The operating profit excluding non-recurring items of the home and speciality goods trade for January-September was €-12.5 million (€3.7 million). Profit was negatively impacted by an increase in Anttila's and K-citymarket's costs and the restructuring costs of Intersport operations in Russia. Operating profit was €-12.5 million (€4.1 million).

The capital expenditure of the home and speciality goods trade for January-September was €47.7 million (€50.5 million).

In April 2012, Kesko acquired the minority holding of 20% of Intersport Russia from its previous owner Melovest Ltd. Due to the transaction, Kesko's ownership in Intersport Russia went up to 100%. In June, the plan was announced to integrate the Konebox online store and physical stores in the Musta Pörssi chain and to reorganise the network.

### July-September 2012

In the home and speciality goods trade, the net sales for July-September were €395 million (€376 million), up 4.8%. K-citymarket home and speciality goods, Anttila, Intersport and Budget Sport increased their sales.

The operating profit excluding non-recurring items of the home and speciality goods trade for July-September was €0.9 million (€8.7 million), or €7.7 million down on the previous year. Profit was negatively impacted by an increase in Anttila's and K-citymarket's costs and the poor profitability of Intersport operations in Russia. Operating profit was €0.9 million (€8.7 million).

The capital expenditure of the home and speciality goods trade was €18.4 million (€32.4 million).

In July-September, a new K-citymarket was opened in Mäntsälä and Loimaa and a new replacement K-citymarket in Kouvola. Anttila opened a new Kodin1 department store in Kaisaniemi, Helsinki and an Anttila department store in Kouvola in July-September. In September, Intersport opened a new Budget Sport store in Kouvola. In Russia, Intersport closed down four stores in July-September. As a result of network reorganisation, there were 26 (32) Musta Pörssi stores at the end of September. A new citymarket.fi online store will be opened on 24 October.

## BUILDING AND HOME IMPROVEMENT TRADE

	1-9/2012	1-9/2011	7-9/2012	7-9/2011
Net sales, € million	2,170	2,059	759	731
Operating profit excl. non-recurring items, € million	24.4	31.1	18.0	21.3
Operating profit as % of net sales excl. non-recurring items	1.1	1.5	2.4	2.9
Capital expenditure, € million	42.4	89.3	16.6	23.2

Net sales, € million	1-9/2012	Change, %	7-9/2012	Change, %
Rautakesko Finland	956	+2.1	309	-0.9
K-rauta Sweden	168	+1.0	61	+4.4
Byggmakker Norway	491	+9.4	169	+4.0
Rautakesko Estonia	48	+8.4	19	+6.4
Rautakesko Latvia	38	-3.0	15	-8.0
Senukai Lithuania	193	+6.4	76	+3.2
Stroymaster Russia	214	+21.7	86	+23.6
OMA Belarus	63	-8.1	25	+12.1
<b>Total</b>	<b>2,170</b>	<b>+5.4</b>	<b>759</b>	<b>+3.7</b>

### January-September 2012

In the building and home improvement trade, the net sales for January-September were €2,170 million (€2,059 million), up 5.4%. The sales of the building and home improvement trade increased especially in Russia, which was attributable to market growth, as well as new store openings in Moscow during the last year. Market growth in the building and home improvement trade in the other operating countries slowed toward the end of the reporting period.

In Finland, the net sales for January-September were €956 million (€936 million), an increase of 2.1%. The building and home improvement product lines contributed €678 million to the net sales in Finland, a decrease of 1.5%. The agricultural supplies trade contributed €278 million to the net sales, up 12.4%.

The retail sales of the K-rauta and Rautia chains in Finland grew by 1.3% to €827 million (VAT 0%). The sales of Rautakesko B2B Service, mainly deriving from basic building materials, decreased by 1.4%. As a whole, Rautakesko chains' retail and B2B sales are estimated to have exceeded the growth rate of the Finnish market. The retail sales of the K-maatalous chain were €330 million (VAT 0%), up 9.6%.

In January-September, the net sales from foreign operations of the building and home improvement trade were €1,213 million (€1,122 million), an increase of 8.1%. In Sweden, net sales were down by 2.1% in terms of kronas. In Norway, net sales increased by 5.3% in terms of kronas. In Russia, net sales increased by 19.6% in terms of roubles. Foreign operations contributed 55.9% (54.5%) 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 for January-September was €24.4 million (€31.1 million). The profit performance was impacted by an overall increase in cost level, new store openings in Russia and Sweden and the introduction and development costs of the international enterprise resource planning system. In addition, profitability was negatively impacted by obsolete inventories written off and credit losses in a total of €9 million. Operating profit was €22.7 million (€30.8 million).

In January-September, the capital expenditure of the building and home improvement trade totalled €42.4 million (€89.3 million), of which 52.0% (85.8%) abroad.

In September, a replacement K-rauta store was opened in the new shopping centre Veturi in Kouvola and an extension of a Rautia store in Riihimäki. Earlier in the year, a K-rauta was opened in Ylivieska, and an extension of a K-rauta in Mikkeli was completed. A new Rautia K-maatalous store was opened in Turku and a replacement Rautia was opened in Muhos and Sastamala. A replacement K-rauta is being built in Turku. In Sweden, a K-rauta was opened in Uppsala and a replacement K-rauta in Linköping. In Russia, a new K-rauta was opened in Moscow.

### July-September 2012

In the building and home improvement trade, the net sales for July-September were €759 million (€731 million), up 3.7%. During the third quarter, the growth of building and home improvement market slowed especially in Finland, Sweden and Latvia. In Russia, the strong sales growth continued.

In Finland, net sales were €309 million (€311 million), a decrease of 0.9%. The building and home improvement product lines contributed €218 million to the net sales in Finland, a decrease of 5.7%. The agricultural supplies trade contributed €90 million to the net sales, up 13.0%.

The retail sales of the K-rauta and Rautia chains in Finland in July-September decreased by 1.7% to €317 million (VAT 0%). The sales of Rautakesko B2B Service decreased by 7.5%. The retail sales of the K-maatalous chain were €109 million (VAT 0%), up 8.0%.

The net sales from foreign operations in the building and home improvement trade were €450 million (€420 million), an increase of 7.2%. The net sales from foreign operations grew by 5.2% in terms of local currencies. In Sweden, net sales were down by 3.4% in terms of kronas. In Norway, net sales decreased by 1.0% in terms of kronas. In Russia, net sales increased by 20.3% in terms of roubles and in Belarus, net sales increased by 43.4% in terms of roubles compared to 2011 due to high inflation. Foreign operations contributed 59.3% (57.4%) 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 for July-September was €18.0 million (€21.3 million). The profit performance was impacted by a slow-down in sales performance in addition to new store site openings in Russia and Sweden and the introduction and development costs of the inter-

national enterprise resource planning system. Operating profit was €18.0 million (€21.0 million).

The capital expenditure of the building and home improvement trade totalled €16.6 million (€23.2 million), of which 47.9% (86.9%) abroad.

## CAR AND MACHINERY TRADE

	1-9/2012	1-9/2011	7-9/2012	7-9/2011
Net sales, € million	887	911	259	290
Operating profit excl. non-recurring items, € million	37.4	44.8	11.5	13.0
Operating profit as % of net sales excl. non-recurring items	4.2	4.9	4.4	4.5
Capital expenditure, € million	23.4	20.5	4.7	6.6

Net sales, € million	1-9/2012	Change, %	7-9/2012	Change, %
VV-Auto	622	-3.7	168	-15.4
Konekesko	265	-0.1	92	+0.4
<b>Total</b>	<b>887</b>	<b>-2.7</b>	<b>259</b>	<b>-10.5</b>

### January-September 2012

In January-September, the net sales of the car and machinery trade were €887 million (€911 million), down 2.7%.

VV-Auto's net sales for January-September were €622 million (€646 million), a decrease of 3.7%. In Finland, new registrations of passenger cars decreased by 11.2% and those of vans by 10.9% compared to the previous year. In January-September, the combined market share of passenger cars and vans imported by VV-Auto was 20.4% (20.5%).

Konekesko's net sales for January-September were €265 million (€266 million), down 0.1% compared to the previous year. Net sales in Finland were €171 million, down 1.6%. The net sales from Konekesko's foreign operations were €96 million, up 2.4%.

In January-September, the operating profit excluding non-recurring items of the car and machinery trade was €37.4 million (€44.8 million), down €7.4 million compared to the previous year. Regardless of the sales decrease, profitability remained at a good level. The operating profit for January-September was €37.4 million (€44.9 million).

The capital expenditure of the car and machinery trade was €23.4 million (€20.5 million) for January-September.

### July-September 2012

In July-September, the net sales of the car and machinery trade were €259 million (€290 million), down 10.5%.

VV-Auto's net sales for July-September were €168 million (€199 million), a decrease of 15.4%. The decrease in the car trade sales was attributable to the more difficult conditions of the total market for passenger cars and vans. In July-September, the combined market share of passenger cars and vans imported by VV-Auto was 20.2% (21.2%).

Konekesko's net sales for July-September were €92 million (€91 million), up 0.4% compared to the previous year.

In July-September, the operating profit excluding non-recurring items of the car and machinery trade was €11.5 million (€13.0 million), down €1.5 million compared to the previous year. Profitability was weakened by a decrease in car trade sales. The operating profit for July-September was €11.5 million (€13.0 million).

The capital expenditure of the car and machinery trade was €4.7 million (€6.6 million) for July-September.

## CHANGES IN THE GROUP COMPOSITION

No significant changes took place in the Group composition during the reporting period.

## SHARES, SECURITIES MARKET AND BOARD AUTHORISATIONS

At the end of September 2012, the total number of Kesko Corporation shares was 98,650,142, of which 31,737,007, or 32.2%, were A shares and 66,913,135, or 67.8%, were B shares. On 30 September 2012, Kesko Corporation held 607,725 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 and no dividend is paid on them. At the end of September 2012, Kesko Corporation's share capital was €197,282,584. During the reporting period, the number of B shares was increased twice to account for the shares subscribed for with the options based on the 2007 stock option scheme. The increases were made on 5 June 2012 (4,500 B shares) and on 31 July 2012 (600 B shares), and announced in a stock exchange notification on the same days. The shares subscribed for were listed for public trading on NASDAQ OMX Helsinki (Helsinki Stock Exchange) with the old B shares on 6 June 2012 and 1 August 2012. The combined subscription price of €68,544.00 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 €24.82 at the end of 2011, and €23.00 at the end of September 2012, representing a decrease of 7.3%. Correspondingly, the price of a B share was €25.96 at the end of 2011, and €22.05 at the end of September 2012, representing a decrease of 15.1%. In January-September, the highest A share price was €27.65 and the lowest was €19.99. For B share, they were €27.81 and €18.08 respectively. In January-September, the Helsinki stock exchange (OMX Helsinki) All-Share index was up by 2.1% and the weighted OMX Helsinki CAP index by 3.1%. The Retail Index was down by 5.1%.

At the end of September 2012, the market capitalisation of A shares was €730 million, while that of B shares was €1,462 million, excluding the shares held by the parent company. The combined market capitalisation of A and B shares was €2,192 million, a decrease of €314 million from the end of 2011. In January-September 2012, a total of 1.3 (1.6) million A shares were traded on the Helsinki stock exchange, down 21.5%. The total turnover of A shares was €30 million. The total number of B shares traded on the Helsinki stock exchange was 56.8

(51.4) million, up 10.4%. The exchange value of B shares was €1,281 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 has ended, that of 2007B option rights runs from 1 April 2011 to 30 April 2013, and that of 2007C option rights runs from 1 April 2012 to 30 April 2014. The 2007B and 2007C option rights are included on the official list of the Helsinki stock exchange. A total of 144,539 2007B option rights were traded during the reporting period at a total value of €312,975, and correspondingly, a total of 111,622 2007C option rights were traded at a total value of €905,531.

The Board has the authority, granted by the Annual General Meeting of 16 April 2012 and valid until 30 June 2015, to issue a total maximum of 20,000,000 new B shares. In addition, the Board has the authority, granted by the Annual General Meeting of 4 April 2011 and valid until 30 June 2014, to decide on the issuance of a total maximum of 1,000,000 own B shares held by the company itself. The authority granted by the Annual General Meeting of 4 April 2011 to acquire a total maximum of 1,000,000 own B shares expired on 30 September 2012. Based on the authority to issue own shares and the fulfilment of the vesting criteria of the 2011 vesting period of Kesko's three-year share-based compensation plan, the Board granted a total of 92,751 company shares held by the company itself to the people included in the target group. The matter was announced in a stock exchange release on 12 April 2012. After the vesting period, a total of 476 shares already transferred have been returned to the company in accordance with the terms of the share-based compensation plan. The return was announced in a stock exchange notification on 20 July 2012. Further information on the Board's authorities is available at [www.kesko.fi](http://www.kesko.fi).

At the end of September 2012, the number of shareholders was 45,411, which is 4,196 more than at the end of 2011. At the end of September, foreign ownership of all shares was 16%. At the end of September, foreign ownership of B shares was 24%.

## FLAGGING NOTIFICATIONS

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

## MAIN EVENTS DURING THE REPORTING PERIOD

The second phase of the transfer of the Kesko Group companies' statutory pension insurance liability portfolio, agreed between the Kesko Pension Fund and Ilmarinen Mutual Pension Insurance Company, was carried out with effect from 1 January 2012. (Stock exchange release on 15 February 2012)

Kesko transferred a total of 90,889 own B shares held by the company itself to the about 150 Kesko management employees and other named key persons included in the target group of the 2011 vesting period of Kesko's three-year share-based compensation plan. In addition, on the same basis, Kesko transferred a total of 1,862 own B shares held by the company itself in May. After the transfers, the company itself held 607,249 own B shares. (Stock exchange release on 12 April 2012)

The number of own shares increased by 476 B shares which were returned in accordance with the terms of the share-based compensation plan. On 20 July 2012, Kesko held 607,725 own B shares. (Stock exchange notification on 20 July 2012)

On 11 September 2012, Kesko Corporation issued a €250 million unsecured bond. The six-year bond will mature on 11 September 2018 and it carries a fixed annual interest at the rate of 2.75 percent. NASDAQ OMX Helsinki admitted the bond to public trading as from 12 September 2012. (Stock exchange release on 4 and 11 September 2012)

Matti Mettälä, 49, LL.M., was appointed Senior Vice President and member of Kesko's Corporate Management Board responsible for

human resources and stakeholder relations starting from 1 October 2012. Starting from 1 October 2012, Kesko's Corporate Management Board is composed of Matti Halmesmäki, Chair; Terho Kalliokoski, responsible for the food trade; Minna Kurunsaari, responsible for the home and speciality goods trade and Kesko's electronic marketing and services projects; Arja Talma, responsible for the building and home improvement trade; Pekka Lahti, responsible for the car and machinery trade; Jukka Erlund, responsible for finance, treasury and IT management; and Matti Mettälä, responsible for human resources and stakeholder relations. (Stock exchange release on 21 September 2012)

Kesko's profitability programme is progressing. The objective is to achieve cost savings of €100 million. Most of the savings are expected to be achieved in 2013. The profitability programme covers all of Kesko's divisions. The aim is to reduce especially marketing, personnel, rent and information system expenses. (Stock exchange release on 24 September 2012)

## RESOLUTIONS OF THE 2012 ANNUAL GENERAL MEETING AND DECISIONS OF THE BOARD'S ORGANISATIONAL MEETING

Kesko Corporation's Annual General Meeting, held on 16 April 2012, adopted the financial statements for 2011 and discharged the Board members and the Managing Director from liability. The General Meeting also resolved to distribute €1.20 per share as dividends on 98,035,931 shares held outside the company at the date of dividend distribution, or a total amount of €117,643,117.20. The dividend pay date was 26 April 2012. The General Meeting resolved to leave the number of Board members unchanged at seven and elected Esa Kiiskinen, Ilpo Kokkila, Tomi Korpisaari, Maarit Näkyvä, Seppo Paatelainen, Toni Pokela and Virpi Tuunainen as Board members for a three-year term of office as stated in the Articles of Association. The General Meeting elected PricewaterhouseCoopers Oy as the company's auditor, with Johan Kronberg, APA, as the company's auditor with principal responsibility. The General Meeting also approved the Board's proposal to issue a total maximum of 20,000,000 new B shares until 30 June 2015, and the Board's proposal that it be authorised until the 2013 Annual General Meeting to decide 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, elected Esa Kiiskinen as its Chair and Seppo Paatelainen as its Deputy Chair. The Board elected Maarit Näkyvä as the Chair, Seppo Paatelainen as the Deputy Chair and Virpi Tuunainen as a member of the Audit Committee, and Esa Kiiskinen as the Chair, Seppo Paatelainen as the Deputy Chair and Ilpo Kokkila as a member of the Remuneration Committee. The Board elects the Board Chair and Deputy Chair for the whole three-year term of a Board member, and the Committee Chairs, Deputy Chairs and members for one year at a time.

The resolutions of the Annual General Meeting and the decisions of the Board's organisational meeting were announced in more detail in stock exchange releases on 16 April 2012.

## RESPONSIBILITY

Kesko has been included in the Dow Jones sustainability indexes DJSI World and DJSI Europe for the 10th time. Kesko's total score increased from the previous year and Kesko was given the sector's highest scores in four areas.

Kesko was again included in the FTSE4Good index. In the 2012 assessment, Kesko's overall rating was 96 out of 100, up four points on the previous year. The score given to Kesko's work for curbing climate change was 5 on the scale of 0-5.



Kesko was included in the STOXX Global ESG Leaders indices for the second time. Kesko is also one of the 100 companies in the new listing of the 100 world's most responsible companies by SPP Fonder.

Starting from autumn 2012, Keslog will provide a training programme in economical driving for its contract transporters and their drivers. The aim is to reduce emissions from stores' distribution transportation. Nearly all of Keslog's over 500 contract drivers will be trained in economical driving.

The environmental perspective has been taken into account in the Veturi shopping centre opened in Kouvola in September; the shopping centre uses ground heat in heating and the parking space is provided with three charging points for electric cars.

## RISK MANAGEMENT

The Kesko Group has an established and comprehensive risk management process. Risks and their management responses are regularly assessed within the Group and reported to the Group management. Kesko's risk management and risks associated with business operations are described in more detail on Kesko's website in the Corporate Governance section.

The most significant near-future risks in Kesko's business operations are associated with the general economic development, the euro zone financial market situation and the fall in consumer confidence in Kesko's operating area, as well as their impact on the Kesko Group's sales and profit performance. It is estimated that in other respects, no material changes have taken place in the risks described in the report by the Board of Directors and financial statements for 2011 and the risks described on Kesko's website.

Risks and uncertainties associated with economic development 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 (10/2012–9/2013) in comparison with the 12 months preceding the reporting period (10/2011–9/2012).

Resulting from the problems of European national economies, the outlook for the general economic situation is characterised by significant uncertainty. In addition, tightening taxation and cuts in public finances are estimated to weaken the growth in the trading sector.

The market of the grocery trade is expected to remain stable. Market development in the home and speciality goods trade, the building and home improvement trade and the car and machinery trade is expected to weaken.

The Kesko Group's net sales are expected to grow during the next twelve months. As a result of measures taken to enhance sales and purchasing operations as well as cost savings to be implemented, the operating profit excluding non-recurring items for the next twelve months is expected to exceed the operating profit excluding non-recurring items for the preceding twelve months. Capital expenditure is expected to be lower compared to the capital expenditure for the preceding twelve months.

Helsinki, 23 October 2012

**Kesko Corporation**

Board of Directors

The information in the interim report release is unaudited.

**Further information** is available from Jukka Erlund, Senior Vice President, CFO, telephone +358 1053 22113, and Eva Kaukinen, Vice President, Corporate Controller, telephone +358 1053 22338. A Finnish-language webcast on the interim report can be viewed at [www.kesko.fi](http://www.kesko.fi) at 11:00. 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](http://www.kesko.fi).

Kesko Corporation's financial statements release will be published on 5 February 2013. 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](http://www.kesko.fi).

## KESKO CORPORATION

Merja Haverinen

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's performance indicators

Net sales by segment

Operating profit by segment

Operating profit excl. non-recurring items by segment

Operating margin excl. non-recurring items by segment

Capital employed by segment

Return on capital employed excl. non-recurring items by segment

Capital expenditure by segment

Segment information by quarter

Personnel average and at the end of the reporting period

Group's contingent liabilities

Calculation of performance indicators

K-Group's retail and B2B sales

## DISTRIBUTION

NASDAQ OMX Helsinki

Main news media

[www.kesko.fi](http://www.kesko.fi)

## TABLES

### ACCOUNTING POLICIES

This interim report has been prepared in accordance with the IAS 34 standard, applying the same accounting policies as to the annual financial statements for 2011, with the exception of the following changes due to the adoption of new and revised IFRS standards and IFRIC interpretations:

- IFRS 7 Financial instruments: Disclosures – Derecognition (Amendment)
- IAS 12 Income taxes – Deferred tax (Amendment)
- Annual amendments to the IFRS (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.

**CONSOLIDATED INCOME STATEMENT (€ MILLION), CONDENSED**

	1-9/2012	1-9/2011	Change %	7-9/2012	7-9/2011	Change %	1-12/2011
Net sales	7,227	6,979	3.6	2,449	2,404	1.9	9,460
Cost of goods sold	-6,259	-6,037	3.7	-2,121	-2,086	1.6	-8,163
<b>Gross profit</b>	<b>968</b>	<b>942</b>	<b>2.8</b>	<b>328</b>	<b>318</b>	<b>3.4</b>	<b>1,297</b>
Other operating income	551	517	6.5	183	173	5.5	705
Staff cost	-448	-414	8.1	-140	-131	6.8	-571
Depreciation and impairment charges	-113	-90	25.9	-37	-31	20.8	-125
Other operating expenses	-794	-746	6.3	-255	-241	6.0	-1,026
<b>Operating profit</b>	<b>164</b>	<b>208</b>	<b>-21.1</b>	<b>79</b>	<b>88</b>	<b>-10.8</b>	<b>281</b>
Interest income and other finance income	13	15	-15.2	3	5	-43.7	22
Interest expense and other finance costs	-12	-13	-8.2	-3	-4	-26.7	-18
Exchange differences	-3	-3	16.8	-1	0	(..)	-3
Income from associates	0	0	(..)	0	0	(..)	1
<b>Profit before tax</b>	<b>162</b>	<b>208</b>	<b>-22.1</b>	<b>77</b>	<b>88</b>	<b>-12.1</b>	<b>282</b>
Income tax	-49	-66	-26.8	-23	-29	-22.2	-85
<b>Net profit for the period</b>	<b>113</b>	<b>142</b>	<b>-19.9</b>	<b>55</b>	<b>59</b>	<b>-7.1</b>	<b>197</b>
Attributable to							
Owners of the parent	104	131	-20.6	51	52	-3.5	182
Non-controlling interests	9	10	-10.5	4	6	-37.0	15

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

	1-9/2012	1-9/2011	Change %	7-9/2012	7-9/2011	Change %	1-12/2011
Basic	1.06	1.34	-20.3	0.52	0.53	-3.2	1.85
Diluted	1.06	1.33	-20.1	0.51	0.53	-2.9	1.84

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (€ MILLION)**

	1-9/2012	1-9/2011	Change %	7-9/2012	7-9/2011	Change %	1-12/2011
Net profit for the period	113	142	-19.9	55	59	-7.1	197
Other comprehensive income							
Exchange differences on translating foreign operations	2	-19	(..)	-1	-9	(..)	-17
Adjustment for hyperinflation	3	-	(..)	2	-	37.9	6
Cash flow hedge revaluation	-1	-12	-89.9	0	-2	-80.3	-15
Revaluation of available-for-sale financial assets	12	0	(..)	13	0	(..)	0
Other items	0	0	54.2	0	0	(..)	0
Tax relating to other comprehensive income	-3	3	(..)	-3	0	(..)	4
Total other comprehensive income for the period, net of tax	13	-28	(..)	10	-10	(..)	-22
<b>Total comprehensive income for the period</b>	<b>127</b>	<b>114</b>	<b>11.5</b>	<b>65</b>	<b>49</b>	<b>32.6</b>	<b>175</b>
Attributable to							
Owners of the parent	115	119	-2.7	60	48	26.7	170
Non-controlling interests	11	-5	(..)	4	1	(..)	4

(..) Change over 100%

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (€ MILLION), CONDENSED**

	30.9.2012	30.9.2011	Change %	31.12.2011
<b>ASSETS</b>				
<b>Non-current assets</b>				
Tangible assets	1,647	1,459	12.9	1,490
Intangible assets	193	184	4.5	189
Investments in associates and other financial assets	86	67	27.9	69
Loans and receivables	85	73	15.2	80
Pension assets	149	177	-15.8	200
<b>Total</b>	<b>2,158</b>	<b>1,960</b>	<b>10.1</b>	<b>2,029</b>
<b>Current assets</b>				
Inventories	838	793	5.6	868
Trade receivables	763	677	12.7	700
Other receivables	309	138	(..)	218
Financial assets at fair value through profit or loss	98	122	-19.6	98
Available-for-sale financial assets	176	299	-41.3	186
Cash and cash equivalents	82	67	22.8	84
<b>Total</b>	<b>2,266</b>	<b>2,096</b>	<b>8.1</b>	<b>2,153</b>
Non-current assets held for sale	1	1	18.2	8
<b>Total assets</b>	<b>4,425</b>	<b>4,058</b>	<b>9.1</b>	<b>4,190</b>
<b>EQUITY AND LIABILITIES</b>				
Equity	2,177	2,122	2.6	2,175
Non-controlling interests	65	50	30.6	58
<b>Total equity</b>	<b>2,243</b>	<b>2,172</b>	<b>3.3</b>	<b>2,233</b>
<b>Non-current liabilities</b>				
Interest-bearing liabilities	457	213	(..)	210
Non-interest-bearing liabilities	10	14	-29.7	18
Deferred tax liabilities	91	85	7.6	91
Pension obligations	2	2	5.3	2
Provisions	10	10	3.3	10
<b>Total</b>	<b>570</b>	<b>324</b>	<b>75.9</b>	<b>332</b>
<b>Current liabilities</b>				
Interest-bearing liabilities	183	211	-13.3	190
Trade payables	956	893	7.0	886
Other non-interest-bearing liabilities	448	434	3.2	526
Provisions	26	24	7.8	24
<b>Total</b>	<b>1,612</b>	<b>1,562</b>	<b>3.2</b>	<b>1,625</b>
<b>Total equity and liabilities</b>	<b>4,425</b>	<b>4,058</b>	<b>9.1</b>	<b>4,190</b>

(..) 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
<b>Balance at 1.1.2011</b>	<b>197</b>	<b>0</b>	<b>198</b>	<b>243</b>	<b>-3</b>	<b>14</b>	<b>1,503</b>	<b>59</b>	<b>2,210</b>
Shares subscribed with options				0					0
Option cost							2	0	2
Own shares							-23	0	-23
Dividends							-128	-4	-132
Other changes				0			1	0	1
Net profit for the period							131	10	142
Other comprehensive income									
Exchange differences on translating foreign operations				0	-4			-15	-19
Cash flow hedge revaluation						-12			-12
Revaluation of available-for-sale financial assets						0			0
Other items							0		0
Tax relating to other comprehensive income						3			3
Total other comprehensive income				0	-4	-9	0	-15	-28
<b>Balance at 30.9.2011</b>	<b>197</b>	<b>0</b>	<b>198</b>	<b>243</b>	<b>-7</b>	<b>5</b>	<b>1,486</b>	<b>50</b>	<b>2,172</b>
<b>Balance at 1.1.2012</b>	<b>197</b>	<b>0</b>	<b>198</b>	<b>243</b>	<b>-3</b>	<b>3</b>	<b>1,537</b>	<b>58</b>	<b>2,233</b>
Shares subscribed with options				0					0
Share-based payment							2		2
Option cost							0		0
Own shares							0		0
Dividends							-118	-4	-122
Other changes							2		2
Net profit for the period							104	9	113
Other comprehensive income									
Exchange differences on translating foreign operations				0	3		0	0	2
Adjustment for hyperinflation							0	3	3
Cash flow hedge revaluation						-1			-1
Change in revaluation reserve						12			12
Tax relating to other comprehensive income						-3			-3
Total other comprehensive income				0	3	9	1	2	15
<b>Balance at 30.9.2012</b>	<b>197</b>	<b>0</b>	<b>198</b>	<b>243</b>	<b>-1</b>	<b>11</b>	<b>1,529</b>	<b>65</b>	<b>2,243</b>

## CONSOLIDATED CASH FLOW STATEMENT (€ MILLION), CONDENSED

	1-9/2012	1-9/2011	Change %	7-9/2012	7-9/2011	Change %	1-12/2011
<b>Cash flow from operating activities</b>							
Profit before tax	162	208	-22.1	77	88	-12.1	282
Planned depreciation	112	90	23.9	37	31	20.8	125
Finance income and costs	3	0	(..)	1	0	(..)	-1
Other adjustments	8	22	-63.4	1	7	-80.2	-6
Change in working capital							
Current non-interest-bearing trade and other receivables, increase (-)/decrease (+)	-57	-47	19.3	67	97	-30.5	-89
Inventories, increase (-)/decrease (+)	35	-47	(..)	35	-13	(..)	-119
Current non-interest-bearing liabilities, increase (-)/decrease (+)	5	18	-71.8	-50	-72	-31.2	127
Financial items and tax	-61	-74	-17.4	-20	-11	77.6	-103
<b>Net cash generated from operating activities</b>	<b>207</b>	<b>169</b>	<b>22.7</b>	<b>150</b>	<b>126</b>	<b>19.4</b>	<b>216</b>
<b>Cash flow from investing activities</b>							
Capital expenditure	-294	-337	-12.8	103	-139	-25.9	-449
Sales of fixed assets	23	6	(..)	1	2	-38.0	8
Increase of non-current receivables	-4	-1	(..)	-2	0	(..)	0
<b>Net cash used in investing activities</b>	<b>-275</b>	<b>-331</b>	<b>-16.9</b>	<b>104</b>	<b>-137</b>	<b>-24.1</b>	<b>-441</b>
<b>Cash flow from financing activities</b>							
Interest-bearing liabilities, increase (+)/decrease (-)	238	-39	(..)	76	-44	(..)	-58
Current interest-bearing receivables, increase (-)/decrease (+)	-49	1	(..)	-14	0	(..)	-37
Dividends paid	-122	-132	-7.6	-4	0	(..)	-133
Equity increase	0	0	-21.8	-	-	-100.0	0
Acquisition of own shares	-	-24	(..)	-	-1	(..)	-23
Increase (-)/ decrease (+) in short-term money market investments	38	163	-76.8	-47	37	(..)	199
Other items	-11	0	(..)	-3	2	(..)	1
<b>Net cash used in financing activities</b>	<b>94</b>	<b>-29</b>	<b>(..)</b>	<b>9</b>	<b>-5</b>	<b>(..)</b>	<b>-51</b>
<b>Change in cash and cash equivalents</b>	<b>27</b>	<b>-191</b>	<b>(..)</b>	<b>55</b>	<b>-16</b>	<b>(..)</b>	<b>-277</b>
Cash and cash equivalents and current portion of available-for-sale financial assets at 1 Jan.	231	509	-54.7	202	334	-39.4	509
Currency translation difference adjustment and revaluation	0	-3	(..)	0	-2	(..)	-2
Cash and cash equivalents and current portion of available-for-sale financial assets at 30 Sept.	258	315	-18.3	258	315	-18.3	231

(..) Change over 100%

## GROUP'S PERFORMANCE INDICATORS

	1-9/2012	1-9/2011	Change pp	1-12/2011
Return on capital employed, %	8.7	13.4	-4.7	13.2
Return on capital employed, %, moving 12 mo	9.6	14.3	-4.7	13.2
Return on capital employed excl. non-recurring items, %	8.6	13.3	-4.7	13.1
Return on capital employed excl. non-recurring items, %, moving 12 mo	9.5	14.2	-4.7	13.1
Return on equity, %	6.8	8.6	-1.9	8.9
Return on equity, %, moving 12 mo	7.6	9.5	-1.8	8.9
Return on equity excl. non-recurring items, %	6.7	8.6	-1.9	8.8
Return on equity excl. non-recurring items, %, moving 12 mo	7.6	9.4	-1.8	8.8
Equity ratio, %	51.2	54.0	-2.8	53.9
Gearing, %	12.7	-2.9	15.6	1.5

			Change,%	
Capital expenditure, € million	274.5	321.0	-14.5	425.4
Capital expenditure, % of net sales	3.8	4.6	-17.4	4.5
Earnings per share, basic, €	1.06	1.34	-20.3	1.85
Earnings per share, diluted, €	1.06	1.33	-20.1	1.84
Earnings per share excl. non-recurring items, basic, €	1.06	1.34	-21.0	1.84
Cash flow from operating activities, € million	207	169	22.7	216
Cash flow from investing activities, € million	-275	-331	-16.9	-441
Equity per share, €	22.21	21.66	2.5	22.20
Interest-bearing net debt	284	-64	(..)	33
Diluted number of shares, average for reporting period, 1,000 pcs	98,449	99,043	-0.6	98,919
Personnel, average	19,740	18,855	4.7	18,960

(..) Change over 100%

**GROUP'S PERFORMANCE INDICATORS BY QUARTER**

	<b>1-3/ 2011</b>	<b>4-6/ 2011</b>	<b>7-9/ 2011</b>	<b>10-12/ 2011</b>	<b>1-3/ 2012</b>	<b>4-6/ 2012</b>	<b>7-9/ 2012</b>
Net sales, € million	2,103	2,472	2,404	2,481	2,318	2,460	2,449
Change in net sales, %	7.4	8.5	7.8	7.4	10.2	-0.5	1.9
Operating profit, € million	35.7	83.9	88.2	72.8	26.3	59.0	78.6
Operating margin, %	1.7	3.4	3.7	2.9	1.1	2.4	3.2
Operating profit excl. non-recurring items, € million	34.9	83.3	89.2	71.5	23.6	60.7	78.6
Operating margin excl. non-recurring items, %	1.7	3.4	3.7	2.9	1.0	2.5	3.2
Finance income/costs, € million	-0.6	0.3	0.3	0.8	-0.1	-0.3	-1.3
Profit before tax, € million	36.1	84.0	88.0	74.0	26.3	58.5	77.3
Profit before tax, %	1.7	3.4	3.7	3.0	1.1	2.4	3.2
Return on capital employed, %	7.2	16.0	16.4	12.8	4.3	9.2	12.2
Return on capital employed excl. non-recurring items, %	7.0	15.9	16.6	12.5	3.9	9.5	12.2
Return on equity, %	4.5	10.6	10.9	10.0	3.3	7.3	9.9
Return on equity excl. non-recurring items, %	4.4	10.6	11.1	9.8	3.0	7.5	9.9
Equity ratio, %	54.4	52.1	54.0	53.9	52.7	51.1	51.2
Capital expenditure, € million	64.1	130.5	126.3	104.5	104.1	67.8	102.6
Earnings per share, diluted, €	0.25	0.55	0.53	0.51	0.17	0.38	0.51
Equity per share, €	22.04	21.21	21.66	22.20	22.42	21.59	22.21

## SEGMENT INFORMATION

Net sales by segment (€ million)	1–9/2012	1–9/2011	Change %	7–9/2012	7–9/2011	Change %	1–12/2011
Food trade, Finland	3,179	3,074	3.4	1,078	1,049	2.8	4,182
Food trade, other countries*	-	-	-	-	-	-	-
<b>Food trade total</b>	<b>3,179</b>	<b>3,074</b>	<b>3.4</b>	<b>1,078</b>	<b>1,049</b>	<b>2.8</b>	<b>4,182</b>
- of which intersegment trade	129	124	3.8	43	41	4.0	168
Home and speciality goods trade, Finland	1,083	1,051	3.1	384	371	3.4	1,541
Home and speciality goods trade, other countries*	33	12	(..)	11	5	(..)	23
<b>Home and speciality goods trade total</b>	<b>1,116</b>	<b>1,063</b>	<b>4.9</b>	<b>395</b>	<b>376</b>	<b>4.8</b>	<b>1,564</b>
- of which intersegment trade	12	13	-7.8	4	4	-15.6	20
Building and home improvement trade, Finland	956	936	2.1	309	311	-0.9	1,233
Building and home improvement trade, other countries*	1,213	1,122	8.1	450	420	7.2	1,483
<b>Building and home improvement trade total</b>	<b>2,170</b>	<b>2,059</b>	<b>5.4</b>	<b>759</b>	<b>731</b>	<b>3.7</b>	<b>2,716</b>
- of which intersegment trade	1	9	-93.4	0	3	-93.8	12
Car and machinery trade, Finland	791	817	-3.2	219	248	-11.9	1,064
Car and machinery trade, other countries*	96	94	2.2	41	42	-1.9	110
<b>Car and machinery trade total</b>	<b>887</b>	<b>911</b>	<b>-2.7</b>	<b>259</b>	<b>290</b>	<b>-10.5</b>	<b>1,174</b>
- of which intersegment trade	1	1	-10.7	0	0	-29.6	1
Common operations and eliminations	-124	-128	-2.7	-41	-42	-2.4	-176
<b>Finland total</b>	<b>5,885</b>	<b>5,751</b>	<b>2.3</b>	<b>1,948</b>	<b>1,937</b>	<b>0.5</b>	<b>7,844</b>
<b>Other countries total*</b>	<b>1,342</b>	<b>1,229</b>	<b>9.2</b>	<b>502</b>	<b>467</b>	<b>7.5</b>	<b>1,616</b>
<b>Group total</b>	<b>7,227</b>	<b>6,979</b>	<b>3.6</b>	<b>2,449</b>	<b>2,404</b>	<b>1.9</b>	<b>9,460</b>

\* Net sales in countries other than Finland.

(..) Change over 100%



Operating profit by segment (€ million)	1-9/2012	1-9/2011	Change	7-9/2012	7-9/2011	Change	1-12/2011
Food trade	126.2	133.7	-7.6	49.6	45.7	3.9	173.7
Home and speciality goods trade	-12.5	4.1	-16.6	0.9	8.7	-7.7	37.0
Building and home improvement trade	22.7	30.8	-8.1	18.0	21.0	-3.0	26.3
Car and machinery trade	37.4	44.9	-7.6	11.5	13.0	-1.5	51.9
Common operations and eliminations	-9.7	-5.7	-4.0	-1.4	-0.2	-1.2	-8.3
<b>Group total</b>	<b>164.0</b>	<b>207.8</b>	<b>-43.8</b>	<b>78.6</b>	<b>88.2</b>	<b>-9.6</b>	<b>280.6</b>

Operating profit excl. non-recurring items by segment (€ million)	1-9/2012	1-9/2011	Change	7-9/2012	7-9/2011	Change	1-12/2011
Food trade	123.4	133.6	-10.2	49.6	46.4	3.2	172.2
Home and speciality goods trade	-12.5	3.7	-16.2	0.9	8.7	-7.7	36.6
Building and home improvement trade	24.4	31.1	-6.7	18.0	21.3	-3.3	26.6
Car and machinery trade	37.4	44.8	-7.4	11.5	13.0	-1.5	51.8
Common operations and eliminations	-9.8	-5.7	-4.0	-1.4	-0.2	-1.2	-8.3
<b>Group total</b>	<b>162.9</b>	<b>207.4</b>	<b>-44.5</b>	<b>78.6</b>	<b>89.2</b>	<b>-10.5</b>	<b>278.9</b>

Operating margin excl. non-recurring items by segment	1-9/2012	1-9/2011	Change pp	7-9/2012	7-9/2011	Change pp	1-12/2011	Moving 12 mo 9/2012
Food trade	3.9	4.3	-0.5	4.6	4.4	0.2	4.1	3.8
Home and speciality goods trade	-1.1	0.3	-1.5	0.2	2.3	-2.1	2.3	1.3
Building and home improvement trade	1.1	1.5	-0.4	2.4	2.9	-0.5	1.0	0.7
Car and machinery trade	4.2	4.9	-0.7	4.4	4.5	-0.1	4.4	3.9
<b>Group total</b>	<b>2.3</b>	<b>3.0</b>	<b>-0.7</b>	<b>3.2</b>	<b>3.7</b>	<b>-0.5</b>	<b>2.9</b>	<b>2.4</b>

**Capital employed by segment, cumulative average  
(€ million)**

	<b>1-9/2012</b>	<b>1-9/2011</b>	<b>Change</b>	<b>7-9/2012</b>	<b>7-9/2011</b>	<b>Change</b>	<b>1-12/2011</b>
Food trade	740	581	159	770	610	160	601
Home and speciality goods trade	509	425	83	527	438	89	437
Building and home improvement trade	762	692	70	757	711	46	696
Car and machinery trade	189	148	41	176	146	30	158
Common operations and eliminations	324	228	96	344	240	106	236
<b>Group total</b>	<b>2,524</b>	<b>2,074</b>	<b>451</b>	<b>2,576</b>	<b>2,144</b>	<b>432</b>	<b>2,129</b>

<b>Return on capital employed excl. non-recurring items by segment, %</b>	<b>1-9/2012</b>	<b>1-9/2011</b>	<b>Change pp</b>	<b>7-9/2012</b>	<b>7-9/2011</b>	<b>Change pp</b>	<b>1-12/2011</b>	<b>Moving 12 mo 9/2012</b>
Food trade	22.2	30.7	-8.4	25.8	30.4	-4.6	28.6	22.4
Home and speciality goods trade	-3.3	1.2	-4.4	0.7	7.9	-7.2	8.4	4.1
Building and home improvement trade	4.3	6.0	-1.7	9.5	12.0	-2.5	3.8	2.7
Car and machinery trade	26.4	40.5	-14.1	26.1	35.6	-9.5	32.8	23.9
<b>Group total</b>	<b>8.6</b>	<b>13.3</b>	<b>-4.7</b>	<b>12.2</b>	<b>16.6</b>	<b>-4.4</b>	<b>13.1</b>	<b>9.5</b>

<b>Capital expenditure by segment (€ million)</b>	<b>1-9/2012</b>	<b>1-9/2011</b>	<b>Change</b>	<b>7-9/2012</b>	<b>7-9/2011</b>	<b>Change</b>	<b>1-12/2011</b>
Food trade	157	159	-2.5	61	65	-3.9	221
Home and speciality goods trade	48	50	-2.8	18	32	-14.0	62
Building and home improvement trade	42	89	-46.9	17	23	-6.6	110
Car and machinery trade	23	21	2.9	5	7	-1.9	30
Common operations and eliminations	4	1	2.8	2	-1	2.8	2
<b>Group total</b>	<b>274</b>	<b>321</b>	<b>-46.4</b>	<b>103</b>	<b>126</b>	<b>-23.7</b>	<b>425</b>

## SEGMENT INFORMATION BY QUARTER

Net sales by segment (€ million)	1-3/ 2011	4-6/ 2011	7-9/ 2011	10-12/ 2011	1-3/ 2012	4-6/ 2012	7-9/ 2012
Food trade	948	1,077	1,049	1,108	1,010	1,091	1,078
Home and speciality goods trade	348	339	376	501	369	352	395
Building and home improvement trade	570	757	731	657	629	782	759
Car and machinery trade	279	342	290	263	353	274	259
Common operations and eliminations	-42	-43	-42	-48	-42	-41	-41
<b>Group total</b>	<b>2,103</b>	<b>2,472</b>	<b>2,404</b>	<b>2,481</b>	<b>2,318</b>	<b>2,460</b>	<b>2,449</b>

Operating profit by segment (€ million)	1-3/ 2011	4-6/ 2011	7-9/ 2011	10-12/ 2011	1-3/ 2012	4-6/ 2012	7-9/ 2012
Food trade	42.1	45.9	45.7	40.0	37.6	38.9	49.6
Home and speciality goods trade	-7.4	2.8	8.7	32.9	-12.9	-0.6	0.9
Building and home improvement trade	-9.1	18.8	21.0	-4.5	-9.0	13.6	18.0
Car and machinery trade	12.2	19.7	13.0	7.0	15.6	10.3	11.5
Common operations and eliminations	-2.2	-3.3	-0.2	-2.6	-5.1	-3.2	-1.4
<b>Group total</b>	<b>35.7</b>	<b>83.9</b>	<b>88.2</b>	<b>72.8</b>	<b>26.3</b>	<b>59.0</b>	<b>78.6</b>

Operating profit excl. non-recurring items by segment (€ million)	1-3/ 2011	4-6/ 2011	7-9/ 2011	10-12/ 2011	1-3/ 2012	4-6/ 2012	7-9/ 2012
Food trade	41.4	45.8	46.4	38.6	34.9	38.9	49.6
Home and speciality goods trade	-7.4	2.4	8.7	32.9	-12.9	-0.6	0.9
Building and home improvement trade	-9.1	18.8	21.3	-4.4	-9.0	15.3	18.0
Car and machinery trade	12.2	19.6	13.0	7.0	15.6	10.3	11.5
Common operations and eliminations	-2.2	-3.3	-0.2	-2.6	-5.1	-3.2	-1.4
<b>Group total</b>	<b>34.9</b>	<b>83.3</b>	<b>89.2</b>	<b>71.5</b>	<b>23.6</b>	<b>60.7</b>	<b>78.6</b>

Operating margin excl. non-recurring items by segment	1-3/ 2011	4-6/ 2011	7-9/ 2011	10-12/ 2011	1-3/ 2012	4-6/ 2012	7-9/ 2012
Food trade	4.4	4.3	4.4	3.5	3.5	3.6	4.6
Home and speciality goods trade	-2.1	0.7	2.3	6.6	-3.5	-0.2	0.2
Building and home improvement trade	-1.6	2.5	2.9	-0.7	-1.4	2.0	2.4
Car and machinery trade	4.4	5.7	4.5	2.6	4.4	3.8	4.4
<b>Group total</b>	<b>1.7</b>	<b>3.4</b>	<b>3.7</b>	<b>2.9</b>	<b>1.0</b>	<b>2.5</b>	<b>3.2</b>

**PERSONNEL, AVERAGE AND AT 30 SEPTEMBER**

<b>Personnel average by segment</b>	<b>1-9/2012</b>	<b>1-9/2011</b>	<b>Change</b>
Food trade	2,804	2,733	71
Home and speciality goods trade	6,145	5,638	507
Building and home improvement trade	9,081	8,857	224
Car and machinery trade	1,260	1,206	54
Common operations	451	421	30
<b>Group total</b>	<b>19,740</b>	<b>18,855</b>	<b>885</b>

<b>Personnel at 30.9.* by segment</b>	<b>2012</b>	<b>2011</b>	<b>Change</b>
Food trade	3,016	2,930	86
Home and speciality goods trade	8,443	7,967	476
Building and home improvement trade	10,402	9,944	458
Car and machinery trade	1,293	1,263	30
Common operations	512	475	37
<b>Group total</b>	<b>23,666</b>	<b>22,579</b>	<b>1,087</b>

\*total number incl. part-time employees

<b>GROUP'S COMMITMENTS (€ MILLION)</b>	<b>30.9.2012</b>	<b>30.9.2011</b>	<b>Change %</b>
Own commitments	180	169	6.4
For others	8	9	-11.8
Lease liabilities for machinery and equipment	26	24	10.1
Lease liabilities for real estate	2,317	2,252	2.9

<b>LIABILITIES ARISING FROM DERIVATIVE INSTRUMENTS</b>	<b>30.9.2012</b>	<b>30.9.2011</b>	<b>Fair value 30.9.2012</b>
<b>Values of underlying instruments at 30.9.</b>			
Interest rate derivatives			
Interest rate swaps	205	205	1.88
Currency derivatives			
Forward and future contracts	406	262	-6.53
Option agreements	33	-	-0.08
Currency swaps	100	100	-7.61
Commodity derivatives			
Electricity derivatives	31	41	-3.82

## CALCULATION OF PERFORMANCE INDICATORS

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

\* Indicators for return on capital have been annualised.

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

K-Group's retail and B2B sales	1.1.–30.9.2012		1.7.–30.9.2012	
	€ million	Change, %	€ million	Change, %
<b>K-Group's food trade</b>	3,508	4.0	1,191	2.8
K-food stores, Finland				
Kespro	578	5.8	203	5.0
<b>Food trade total</b>	<b>4,087</b>	<b>4.2</b>	<b>1,394</b>	<b>3.1</b>
<b>K-Group's home and speciality goods trade</b>				
Home and speciality goods stores, Finland	1,193	3.0	413	3.0
Home and speciality goods stores, other countries	33	(..)	11	(..)
<b>Home and speciality goods trade total</b>	<b>1,226</b>	<b>4.7</b>	<b>424</b>	<b>4.4</b>
<b>K-Group's building and home improvement trade</b>				
K-rauta and Rautia	827	1.3	317	-1.7
Rautakesko B2B Service	161	-1.4	56	-7.5
K-maatalous	330	9.6	109	8.0
<b>Finland total</b>	<b>1,318</b>	<b>2.9</b>	<b>481</b>	<b>-0.4</b>
Building and home improvement stores, other Nordic countries	910	5.9	335	2.0
Building and home improvement stores, Baltic countries	281	5.5	111	2.0
Building and home improvement stores, other countries	277	13.4	111	20.9
<b>Building and home improvement trade total</b>	<b>2,786</b>	<b>5.1</b>	<b>1,039</b>	<b>2.6</b>
<b>K-Group's car and machinery trade</b>				
VV-Autotalot	320	1.9	95	-9.1
VV-Auto, import	316	-8.6	76	-21.5
Konekesko, Finland	170	-1.4	51	2.9
<b>Finland total</b>	<b>807</b>	<b>-3.1</b>	<b>223</b>	<b>-11.5</b>
Konekesko, other countries	101	3.8	43	-1.2
<b>Car and machinery trade total</b>	<b>908</b>	<b>-2.4</b>	<b>265</b>	<b>-10.0</b>
<b>Finland total</b>	<b>7,405</b>	<b>2.9</b>	<b>2,511</b>	<b>1.0</b>
<b>Other countries total</b>	<b>1,601</b>	<b>8.2</b>	<b>610</b>	<b>5.7</b>
<b>Retail and B2B sales total</b>	<b>9,006</b>	<b>3.8</b>	<b>3,122</b>	<b>1.8</b>

(..) Change over 100%