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Kesko Corporation

Interim Report

January-June 2015

KESKO

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Kesko's interim report for the period 1 January to 30 June 2015: Operating profit increased and financial position continued to strengthen

Financial performance in brief:
* The Group's net sales for January-June €4,310 million. Net sales performance in local currencies excluding Anttila was -0.8%.
* Operating profit excluding non-recurring items increased to €102.9 million (€86.7 million).
* Earnings per share excluding non-recurring items grew to €0.71 (€0.64).
* Equity ratio 52.2% (52.3%).
* Kesko Group's net sales for the next 12 months are expected to be lower than the level of the preceding 12 months and the operating profit excluding non-recurring items for the next 12 months is expected to exceed the level of the preceding 12 months.

Key performance indicators

	1-6/2015	1-6/2014	4-6/2015	4-6/2014
Net sales, € million	4,310	4,499	2,227	2,371
Operating profit excl. non-recurring items, € million	102.9	86.7	76.4	67.6
Operating profit, € million	72.2	56.3	175.8	69.4
Profit before tax, € million	68.5	57.0	172.1	71.4
Capital expenditure, € million	110.1	99.1	58.6	55.7
Earnings per share, €, diluted	0.38	0.39	1.48	0.51
Earnings per share excl. non-recurring items, €, basic	0.71	0.64	0.52	0.49

	30.6.2015	30.6.2014
Equity ratio, %	52.2	52.3
Equity per share, €	21.21	21.86

President and CEO Mikko Helander:
”Kesko improved its profit in the second quarter of the year despite the ongoing challenging operating environment. In the grocery trade, K-food stores' market share is estimated to have increased during the second quarter. This indicates that the changes and renewals implemented during the first months of the year have been well received by customers. We will continue our responsible approach based on both affordable price and quality in all respects. The profitability of the grocery trade remained at a good level as well.

The profitability of the home improvement and speciality goods trade continued to improve and market share strengthened in the key market areas. In the car trade, Volkswagen continues as the clear market leader and Audi as number one in its class. The reduction in car tax contained in the Government's programme slowed the sales of new cars in May-June.

Kesko's financial position continued to strengthen in the second quarter. This is partly attributable to the joint real estate arrangement completed in June between Kesko, Ilmarinen and AMF, in which the sale of real estate property generated a cash inflow of over €400 million. At the end of the reporting period, liquid assets were approximately €840 million.

The general economic situation and the expected trend in consumer demand vary in Kesko's different operating countries. In Finland, the trading sector's performance is expected to remain weak and the tough competitive situation is expected to continue. In Sweden, Norway and the Baltic countries, the growth in demand in the trading sector is expected to continue. In Russia, the economic situation and consumers' purchasing power are estimated to remain weak.

Kesko's strategy was published at the end of May. The core of the strategy is profitable growth in the grocery trade, the building and home improvement trade and the car trade. Strategy implementation has got off to a good start and practical measures are well under way, which can be seen in, for instance, the renewal of the Neste service station concept and the first K-rauta Express store to open in August. We have defined our strategy for the coming years and now we will concentrate on its systematic implementation."

FINANCIAL PERFORMANCE

Net sales and profit for January-June 2015

The Group's net sales for January-June 2015 were €4,310 million, which is 4.2% down on the corresponding period of the previous year (€4,499 million). Anttila excluded, net sales performance was -0.8% in local currencies. The decline in consumers' purchasing power weakened consumer demand in the reporting period in Finland and Russia. In the grocery trade, net sales performance was -2.2%. In the home improvement and speciality goods trade, net sales decreased by 8.0%, but Anttila excluded, they increased by 1.0% in local currencies. In the car and machinery trade, net sales were down 3.2%. The Group's net sales in Finland decreased by 4.4% and in the other countries by 3.3%; in local currencies, net sales abroad increased by 5.8%. The weakening of the Russian rouble impacted net sales performance in euros especially in the home improvement and speciality goods trade. International operations accounted for 18.2% (18.0%) of net sales.

1-6/2015	**Net sales, € million**	**Change, %**	**Operating profit excl. non-recurring items, € million**	**Change, € million**
Grocery trade	2,252	-2.2	78.2	-22.5
Home improvement and speciality goods trade	1,519	-8.0	18.7	+44.4
Car and machinery trade	538	-3.2	17.9	-1.2
Common operations and eliminations	0	(..)	-12.0	-4.6
Total	**4,310**	**-4.2**	**102.9**	**+16.1**

(..) Change over 100%

The operating profit excluding non-recurring items for January-June was €102.9 million (€86.7 million). Profitability was at a good level in the grocery trade, although the operating profit excluding non-recurring items decreased from the previous year due to a further intensification of price competition. The operating profit for the first months of the year includes a €12.7 million operating loss from Anttila, divested in March; the operating loss for the previous year was €42.7 million. Profitability strengthened especially in the building and home improvement trade in Finland and the other Nordic countries. In the car and machinery trade, profitability remained steady.

Operating profit was €72.2 million (€56.3 million). The operating profit includes €-30.7 million (€-30.4 million) of non-recurring items. The most significant non-recurring items are the €75.7 million capital gain recorded on a real estate transaction completed in the second quarter of the year and the €130 million loss on the divestment of Anttila. In addition, the non-recurring items include other gains on the sale of properties in the amount of €24.3 million. The non-recurring expenses of the comparative period included a €30.0 million restructuring provision recognised on measures taken to improve Anttila's profitability.

The Group's profit before tax for January-June was €68.5 million (€57.0 million). The Group's earnings per share were €0.38 (€0.39). The Group's equity per share was €21.21 (€21.86).

In January-June, the K-Group's (i.e. Kesko's and the chain stores') retail and B2B sales excluding Anttila (VAT 0%) were €5,282 million, down 2.2% compared to the previous year. The K-Plussa customer loyalty programme gained 27,919 new households in January-June 2015. At the end of June, there were 2.3 million K-Plussa households and 3.6 million K-Plussa cardholders.

Net sales and profit for April-June 2015

The Group's net sales for April-June 2015 were €2,227 million, which is 6.0% down on the corresponding period of the previous year (€2,371 million). Anttila excluded, net sales performance was -2.2% in local currencies. The decline in consumers' purchasing power weakened consumer demand in the reporting period in Finland and Russia. In the grocery trade, net sales performance was -4.4%, partly weakened by the timing of Easter sales in the first quarter of the year. In the home improvement and speciality goods trade, net sales decreased by 10.4%, but Anttila excluded, they were at the level of the previous year in local currencies. In the car and machinery trade, net sales were down 2.2%. The Group's net sales in Finland decreased by 7.1% and Anttila excluded, by 4.2%. In the other countries, net sales were down 1.6%, but in local currencies, up 5.6%. International operations accounted for 20.5% (19.6%) of net sales.

4-6/2015	**Net sales, € million**	**Change, %**	**Operating profit excl. non-recurring items, € million**	**Change, € million**
Grocery trade	1,149	-4.4	43.3	-12.0
Home improvement and speciality goods trade	797	-10.4	30.1	+24.3
Car and machinery trade	277	-2.2	11.0	+0.1
Common operations and eliminations	4	(..)	-8.0	-3.7
Total	**2,227**	**-6.0**	**76.4**	**+8.7**

The operating profit excluding non-recurring items for April-June was €76.4 million (€67.6

million). Profitability improved clearly in the home improvement and speciality goods trade, whose profit performance strengthened especially in the building and home improvement trade in Finland and Sweden. The operating profit of the home improvement and speciality goods trade for the comparative period includes a €20.5 million operating loss from Anttila.

Operating profit was €175.8 million (€69.4 million). The operating profit includes €99.4 million (€1.8 million) of non-recurring items. The most significant non-recurring item was the €75.7 million capital gain recorded on a real estate arrangement completed in June. In addition, the non-recurring items include other gains on the sale of properties in the amount of €24.0 million.

The Group's profit before tax for April-June was €172.1 million (€71.4 million). The Group’s earnings per share were €1.48 (€0.51).

In April-June, the K-Group's (i.e. Kesko's and the chain stores') retail and B2B sales (VAT 0%) were €2,859 million, and Anttila excluded, they were down 2.0% compared to the previous year.

Finance

In January-June, the cash flow from operating activities was €67.5 million (€33.9 million). The cash flow from investing activities was €334.3 million (€-92.5 million) and it included proceeds from the sale of fixed assets in the amount of €444.2 million (€6.3 million), of which the cash inflow from the real estate arrangement completed in June was €402.9 million.

The Group's liquidity remained at an excellent level in January-June. At the end of the period, liquid assets totalled €843 million (€461 million). Interest-bearing liabilities were €483 million (€539 million) and interest-bearing net liabilities were €-359 million (€78 million) at the end of June. The equity ratio was 52.2 % (52.3%) at the end of the period.

In January-June, the Group's net finance costs were €4.5 million (net finance income €0.6 million). The finance income for the previous year included interest income on cooperative
capital from Suomen Luotto-osuuskunta in the amount of €4.9 million.

In April-June, the cash flow from operating activities was €142.3 million (€128.7 million). The cash flow from investing activities was €398.7 million (€-48.8 million) and it included proceeds from the sale of fixed assets in the amount of €460.3 million (€4.4 million).

The Group's net finance costs were €4.2 million (net finance income €2.2 million) in April-June. The finance income for the previous year included interest income on cooperative capital from Suomen Luotto-osuuskunta in the amount of €4.9 million.

Taxes

In January-June, the Group's taxes were €26.4 million (€15.1 million). The effective tax rate was 38.5% (26.4%).

In April-June, the Group's taxes were €19.4 million (€17.6 million). The effective tax rate was 11.2% (24.6%).

Capital expenditure

In January-June, the Group's capital expenditure totalled €110.1 million (€99.1 million), or 2.6% (2.2%) of net sales. Capital expenditure in store sites was €78.5 million (€74.4 million), in IT €8.6 million (€15.6 million) and other capital expenditure was €23.0 million (€9.1 million). Capital expenditure in foreign operations represented 43.4% (42.6%) of total capital expenditure.

In April-June, the Group's capital expenditure totalled €58.6 million (€55.7 million), or 2.6% (2.3%) of net sales. Capital expenditure in store sites was €38.3 million (€46.6 million), in IT €3.9 million (€4.8 million) and other capital expenditure was €16.4 million (€4.3 million). Capital expenditure in foreign operations represented 34.7% (46.8%) of total capital expenditure.

Kesko's strategy was updated

Kesko's Board of Directors decided on a strategy aimed at achieving profitable growth in three strategic areas: the grocery trade, the building and home improvement trade and the car trade. Kesko operates the retailer business model or Kesko's own stores when it provides competitive advantage. Kesko differentiates from the competitors with quality and customer orientation, and by bringing the best digital services in the trading sector to the market.

In the grocery trade, Kesko's strategic objective is to turn the K-Group's market share around in Finland in 2016. Capital expenditure in the K-supermarket and K-market chains will be increased significantly. The target is approximately 30 new K-supermarkets. In the K-market chain, the current network will be revised and the objective is to establish over 100 new neighbourhood stores and to test a completely new store concept. In addition, the whole K-citymarket concept will be renewed. In the online food trade, the target is a 40% market share. In Russia, increasing business operations and improving profitability in the St. Petersburg area will continue. Moreover, new growth opportunities in the Moscow area and possibly other metropolitan cities in Russia will be explored. Increasing the business operations of the grocery wholesale company Kespro is also at the centre of the grocery trade strategy.

In the building and home improvement trade, Kesko's objective is to further strengthen its position in Europe. Kesko is already now the market leader in Finland and the fifth largest operator in the sector in Europe. The objective is to increase market share and achieve profitable growth in the existing markets alone, through acquisitions, or in cooperation with partners. At the same time, possibilities to expand also elsewhere in Europe will be examined. The K-rauta Express concept of fast and easy shopping will be launched for locations with large flows of customers at, for example, shopping centres and city centres.

In the passenger car and van trade as well, Kesko is currently the clear market leader in Finland. In the future, the Group aims to increase its market share in Finland and the Baltic countries.

In the core and support processes of the Group's different business operations, the objective is to achieve significant synergies and enhancement benefits. For this purpose, common functions that support business operations will be created and the competitiveness of business operations will be strengthened through an even closer cooperation in the core processes of business operations. Kesko Group will also immediately start planning to simplify the legal structure.

In order to ensure competitiveness and improve profitability, Kesko's objective is to achieve cost savings of at least €50 million in fixed costs by the end of 2016.

New segment structure
The composition of Kesko's divisional structure and segment reporting has been changed as of 1 July 2015 to correspond to the new strategy. An agricultural and machinery trade unit has been established as part of the home improvement and speciality goods trade division. As of 1 July 2015, Kesko Group's reportable segments are the grocery trade, the home improvement and speciality goods trade and the car trade.

Real estate arrangement completed
The joint real estate investment company established by Kesko, AMF Pensionsförsäkring and Ilmarinen started operating in June. The joint venture owns, manages and develops store sites primarily used by Kesko Group. Kesko Group continues operating on the store sites under long-term leases signed in connection with their sale.

Kesko sold some of its store sites in both Finland and Sweden to the established joint venture. The fair value of the store sites sold totalled €485 million and Kesko recorded a €75.7 million non-recurring gain on the store sites sold for the second quarter of 2015. The cash inflow generated by the arrangement was €403 million. Kesko's equity investment in the joint venture was €67 million.

Sale of Anttila's shares was implemented
On 16 March 2015, Kesko sold the department store chain Anttila Oy to the German investment fund 4K INVEST at a price of €1 million. The transaction included all assets and liabilities in Anttila Oy. Anttila Oy's approximately 1,500 employees continue in the employment of the company. The date of the transaction was 16 March 2015. Kesko recorded a €-130 million non-recurring item on the transaction for the first quarter of 2015 relating to the financing, working capital and fixed assets of Anttila. The transaction will improve Kesko's profitability and make Kesko's operations more focused.

Personnel
In January-June, the average number of personnel in Kesko Group was 19,065 (19,935) converted into full-time employees. In Finland, the average decrease was 1,204 people, while outside Finland, there was an increase of 334 people.

At the end of June 2015, the number of personnel was 22,894 (24,493), of whom 10,774 (12,889) worked in Finland and 12,120 (11,604) outside Finland. Compared to the end of June 2014, there was a decrease of 2,115 people in Finland and an increase of 516 people outside Finland.

In January-June, the Group's employee benefit expenses were €281.9 million, down 10.4% compared to the previous year. In April-June, employee benefit expenses decreased by 12.9% compared to the previous year and were €138 million. The movement is attributable to the divestment of Anttila on 16 March 2015.

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.

Grocery trade

	1-6/2015	1-6/2014	4-6/2015	4-6/2014
Net sales, € million	2,252	2,304	1,149	1,202
Operating profit excl. non-recurring items, € million	78.2	100.7	43.3	55.3
Operating margin excl. non-recurring items, %	3.5	4.4	3.8	4.6
Capital expenditure, € million	70.9	50.3	33.2	30.6

Net sales, € million	**1-6/2015**	**Change, %**	**4-6/2015**	**Change, %**
Sales to K-food stores	1,542	-2.7	785	-5.9
K-citymarket, non-food	267	-0.3	135	+0.6
Kespro	381	+0.3	197	-1.1
K-ruoka, Russia	50	-2.3	29	+10.4
Others	12	-39.6	4	-58.1
Total	**2,252**	**-2.2**	**1,149**	**-4.4**

January-June 2015
The net sales of the grocery trade for January-June were €2,252 million (€2,304 million), representing a change of -2.2%. In January-June, the grocery sales of K-food stores in Finland decreased by 1.3% (VAT 0%). In the grocery market in Finland, retail prices are estimated to have changed by approximately -1% compared to the previous 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 decreased by 1% in January-June (Kesko's own estimate). The decline in the value of the rouble reduced the sales of the food stores in Russia in euros. In terms of roubles, the sales increased by 30.6%.

In January-June, the operating profit excluding non-recurring items of the grocery trade was €78.2 million (€100.7 million). Profitability remained at a good level despite the measures taken to improve competitiveness. Kespro's market share increased and profitability remained at a good level. Operating profit was €151.0 million (€98.8 million). Non-recurring items, in the amount of €72.8 million (€-2.0 million), include €72 million in gains on the sales of properties as the most significant items.

The capital expenditure of the grocery trade in January-June was €70.9 million (€50.3 million), of which €64.3 million (€44.5 million) in store sites.

April-June 2015
The net sales of the grocery trade for April-June were €1,149 million (€1,202 million), representing a change of -4.4%. The timing of Easter sales in the first quarter of the year impacted the net sales performance in the reporting period. The net sales of the food stores in Russia increased by 10.4% in euros and by 36.4% in roubles.

In April-June, the operating profit excluding non-recurring items of the grocery trade was €43.3 million (€55.3 million). Profitability remained at a good level despite the measures taken to improve competitiveness. Kespro's market share increased and profitability remained at a good level. Operating profit was €115.8 million (€54.4 million). Non-recurring items were €72.4 million (€-0.9 million).

The capital expenditure of the grocery trade in April-June was €33.2 million (€30.6 million), of which €30.1 million (€27.7 million) in store sites.

In April-June 2015, two K-food stores in St. Petersburg and three new K-supermarkets, as well as three K-markets in Finland were opened. Renewals and space modifications were made in a total of 15 stores.

The most significant store sites being built are the K-citymarket shopping centre in Itäkeskus, Helsinki, the new K-supermarkets in Oulu, in Niittykumpu, Espoo, in Keuruu, Lappeenranta and in Lauttasaari, Töölö and Kalasatama, Helsinki. One new food store is being built in Russia.

Numbers of stores as at 30 June	**2015**	**2014**
K-citymarket	81	80
K-supermarket	220	220
K-market (incl. service station stores)	441	441
K-ruoka, Russia	8	4
Others*	160	171

* Incl. online stores
In addition, several K-food stores offer e-commerce services to their customers.

Home improvement and speciality goods trade

	1-6/2015	**1-6/2014**	**4-6/2015**	**4-6/2014**
Net sales, € million	1,519	1,651	797	890
Operating profit excl. non-recurring items, € million	18.7	-25.6	30.1	5.8
Operating margin excl. non-recurring items, %	1.2	-1.6	3.8	0.6
Capital expenditure, € million	18.1	31.2	8.6	17.0

Net sales, € million	**1-6/2015**	**Change, %**	**4-6/2015**	**Change, %**
Rautakesko, Finland	602	-4.1	322	-4.7
K-rauta, Sweden	104	+3.8	64	+3.7
Byggmakker, Norway	216	-2.0	119	-1.0
K-rauta, Estonia	41	+13.2	24	+9.7
K-rauta, Latvia	26	+3.9	15	-0.1
Senukai, Lithuania	144	+4.8	84	+5.5
K-rauta, Russia	94	-20.4	55	-20.0
OMA, Belarus	53	-6.4	31	-6.3
Intersport, Finland	83	+6.4	33	+3.2
Intersport, Russia	6	-22.3	3	-4.0
Indoor	87	+1.6	43	-1.3
Musta Pörssi	6	-39.8	3	-43.1
Kenkäkesko	9	-5.2	3	-6.6
Anttila	53	-63.2	-	-
Total	**1,519**	**-8.0**	**797**	**-10.4**

<u>January-June 2015</u>
The net sales of the home improvement and speciality goods trade for January-June were €1,519 million (€1,651 million), down 8.0%. Net sales excluding Anttila increased by 1.0% in local currencies.

The net sales of the home improvement and speciality goods trade for January-June in Finland were €832 million (€945 million), a decrease of 11.9%. Anttila excluded, net sales decreased in Finland by 3.0%.

The K-Group's sales of building and home improvement products in Finland decreased by a total of 2.8% and the total market (VAT 0%) is estimated to have fallen by approximately 4.4% (Kesko's own estimate). The K-Group's market share is estimated to have grown during the first months of the year. The retail sales of the K-maatalous chain were down by 5.1%.

In January-June, the net sales from the foreign operations of the home improvement and speciality goods trade were €687 million (€707 million), a decrease of 2.8%. In local currencies, the net sales from foreign operations increased by 5.2%. In Sweden, net sales in kronas grew by 8.2% and in Norway in krones by 2.3%. In the building and home improvement trade in Russia, net sales in roubles grew by 6.3%. Market position is estimated to have strengthened in the building and home improvement trade in Sweden, the Baltic countries and Russia. Foreign operations contributed 45.2% (42.8%) to the net sales of the home improvement and speciality goods trade.

In January-June, the operating profit excluding non-recurring items of the home improvement and speciality goods trade was €18.7 million (€-25.6 million), up €44.4 million compared to the previous year. The €12.7 million (€42.7 million) operating loss of Anttila, divested in March, is included in the profit of the home improvement and speciality goods trade. The operating profit of the home improvement and speciality goods trade, excluding non-recurring items and Anttila, was €31.4 million, up €14.4 million on the previous year. The clearly improved profitability is attributable to a sales increase in foreign currency terms, coupled with implemented cost savings. Profit improved especially in the building and home improvement trade in Finland and the other Nordic countries. In the building and home improvement trade in Russia, the operational result excluding foreign exchange impacts remained at the level of the previous year. The operating profit of the home improvement and speciality goods trade was €-84.7 million (€-54.1 million). Non-recurring items include a €130 million loss on the divestment of Anttila and €27 million in gains recorded on the sales of properties.

In January-June, the capital expenditure of the home improvement and speciality goods trade totalled €18.1 million (€31.2 million), of which 29.0% (70.4%) was abroad. Capital expenditure in store sites represented 63.7% of total capital expenditure.

April-June 2015

The net sales of the home improvement and speciality goods trade for April-June were €797 million (€890 million), down 10.4%. Net sales excluding Anttila in local currencies were at the level of the previous year (+0.1%).

The net sales of the home improvement and speciality goods trade for April-June in Finland were €400 million (€484 million), a decrease of 17.2%. Anttila excluded, net sales decreased in Finland by 4.2%.

The K-Group's sales of building and home improvement products in Finland decreased by a total of 2.1% and the total market (VAT 0%) is estimated to have fallen by approximately 3.8% (Kesko's own estimate). The K-Group's market share is estimated to have grown during the first months of the year. The retail sales of the K-maatalous chain were down by 6.9%.

In April-June, the net sales from the foreign operations of the home improvement and speciality goods trade were €397 million (€407 million), a decrease of 2.4%. In local currencies, the net sales from foreign operations increased by 4.5%. In Sweden, net sales in kronas grew by 7.2% and in Norway in krones by 3.2%. In the building and home improvement trade in Russia, net sales decreased by 1.1% in roubles. Market position is estimated to have strengthened in the building and home improvement trade in Sweden, the Baltic countries and Russia. Foreign operations contributed 49.8% (45.7%) to the net sales of the home improvement and speciality goods trade.

In April-June, the operating profit excluding non-recurring items of the home improvement and speciality goods trade was €30.1 million (€5.8 million), up €24.3 million compared to the previous year. The comparative period includes a €20.5 million operating loss from Anttila. In addition, the profitability improvement is attributable to a sales increase in foreign currency terms, coupled with implemented cost savings. Profit improved especially in the building and home improvement trade in Sweden, Lithuania and Belarus. The operating profit of the home improvement and speciality goods trade was €57.1 million (€8.4 million). Non-recurring items include €27 million in gains recorded on the sales of properties. In the comparative period, non-recurring items were €2.7 million.

In April-June, the capital expenditure of the home improvement and speciality goods trade totalled €8.6 million (€17.0 million), of which 21.1% (74.8%) was abroad. Capital expenditure in store sites represented 74.8% of total capital expenditure.

In April-June, one K-rauta store was opened in Lahdesjärvi, Tampere, one building and home improvement store was closed in Norway and one Intersport store in St. Petersburg. The most significant store sites being built are the K-rauta stores in Kokkola, Lahti and Imatra.

Numbers of stores as at 30 June	**2015**	**2014**
K-rauta	43	42
Rautia*	93	97
K-maatalous*	81	82
K-rauta, Sweden	20	20
Byggmakker, Norway	83	86
K-rauta, Estonia	8	8
K-rauta, Latvia	8	8
Senukai, Lithuania	19	19
K-rauta, Russia	13	13
OMA, Belarus	11	10
Intersport, Finland**	62	62
Budget Sport**	11	11
Asko and Sotka**	87	87
Musta Pörssi**	1	6
Kookenkä**	42	46
Intersport, Russia	16	18
Asko and Sotka, the Baltics**	10	10

* In 2015, 45 (46) Rautia stores also operated as K-maatalous stores
** Incl. online stores
In addition, the building and home improvement stores offer e-commerce services to

their customers.

Car and machinery trade

	1-6/2015	1-6/2014	4-6/2015	4-6/2014
Net sales, € million	538	556	277	283
Operating profit excl. non-recurring items, € million	17.9	19.1	11.0	10.9
Operating margin excl. non-recurring items, %	3.3	3.4	4.0	3.8
Capital expenditure, € million	6.9	9.4	4.0	6.5

Net sales, € million	1-6/2015	Change, %	4-6/2015	Change, %
VV-Auto	393	-4.2	187	-4.7
Konekesko	145	-0.5	90	+3.4
Total	**538**	**-3.2**	**277**	**-2.2**

January-June 2015
The net sales of the car and machinery trade for January-June were €538 million (€556 million), down 3.2%.

VV-Auto’s net sales for January-June were €393 million (€410 million), a decrease of 4.2%. In January-June, the combined market performance of first time registered passenger cars and vans was -2.8%.

In January-June, the combined market share of passenger cars and vans imported by VV-Auto was 20.0% (21.0%). Volkswagen was the market leader in passenger cars and vans.

Konekesko's net sales for January-June were €145 million (€146 million), down 0.5% compared to the previous year. Net sales in Finland were €98 million, up 5.5%. The net sales from Konekesko’s foreign operations were €48 million, down 11.0%. The decline in net sales was especially driven by the weak market performance of the agricultural machinery trade.

In January-June, the operating profit excluding non-recurring items of the car and machinery trade was €17.9 million (€19.1 million), down €1.2 million compared to the previous year. The profitability of the car trade remained at a good level despite the weakened market situation.

The operating profit for January-June was €17.9 million (€19.1 million).

The capital expenditure of the car and machinery trade in January-June was €6.9 million (€9.4 million).

April-June 2015
The net sales of the car and machinery trade for April-June were €277 million (€283 million), down 2.2%.

VV-Auto’s net sales for April-June were €187 million (€196 million), a decrease of 4.7%.

In April-June, the combined market share of passenger cars and vans imported by VV-Auto was 21.2% (21.2%).

Konekesko's net sales for April-June were €90 million (€87 million), up 3.4% compared to the previous year. Net sales in Finland were €60 million, up 6.0%. Net sales growth was driven by the good sales performance of Yamarin boats. The net sales from Konekesko's foreign operations were €31 million, down 1.5%.

In April-June, the operating profit excluding non-recurring items of the car and machinery trade was €11.0 million (€10.9 million), up €0.1 million compared to the previous year. The profitability of the car trade remained at a good level despite the weakened market situation. Konekesko improved its profitability.

The operating profit for April-June was €11.0 million (€10.9 million).

The capital expenditure of the car and machinery trade in April-June was €4.0 million (€6.5 million).

Numbers of stores as at 30 June	**2015**	**2014**
VV-Auto, retail trade	9	10
Konekesko	1	1

Changes in the Group composition
During the reporting period, Kesko Corporation sold its subsidiary Anttila Oy. (Stock exchange release on 16 March 2015). As part of the real estate arrangement completed in June, 11 real estate companies were sold.

Shares, securities market and Board authorisations
At the end of June 2015, the total number of Kesko Corporation shares was 100,019,752, of which 31,737,007, or 31.7%, were A shares and 68,282,745, or 68.3%, were B shares. At 30 June 2015, Kesko Corporation held 876,054 own B shares as treasury shares. These treasury shares accounted for 1.28% of the number of B shares, 0.88% of the total number of shares, and 0.23% of votes attached to all shares of the company. The total number of votes attached to all shares was 385,652,815. Each A share carries ten (10) votes and each B share one (1) vote. The company cannot vote with own shares held by it as treasury shares and no dividend is paid on them. At the end of June 2015, Kesko Corporation's share capital was €197,282,584.

The price of a Kesko A share quoted on Nasdaq Helsinki was €28.56 at the end of 2014, and €29.50 at the end of June 2015, representing an increase of 3.3%. Correspondingly, the price of a B share was €30.18 at the end of 2014, and €31.21 at the end of June 2015, representing an increase of 3.4%. In January-June, the highest A share price was €38.13 and the lowest was €28.52. The highest B share price was €41.04 and the lowest was €29.95. In January-June, the Nasdaq Helsinki All-Share index (OMX Helsinki) was up 6.8% and the weighted OMX Helsinki Cap index 7.9%. The Retail Sector Index was up 2.5%.

At the end of June 2015, the market capitalisation of A shares was €936 million, while that of B shares was €2,104 million, excluding the shares held by the parent company. The combined market capitalisation of A and B shares was €3,040 million, an increase of €103 million from the end of 2014. In January-June 2015, a total of 1.5 million (1.0 million) A shares were traded on Nasdaq Helsinki, an increase of 42.1%. The exchange value of A shares was €49 million. The number of B shares traded was 32.2 million (25.3

million), an increase of 27.3%. The exchange value of B shares was €1,132 million. Nasdaq Helsinki accounted for 56% of Kesko A and B share trading in January-June 2015. Kesko shares were also traded on multilateral trading facilities, the most significant of which were BATS Chi-X with 38% and Turquoise with 6% of the trading (source: Fidessa).

The Board had the authority, granted by the Annual General Meeting of 16 April 2012, to issue a total maximum of 20,000,000 new B shares, which was intended to expire on 30 June 2015. The shares could be issued against payment for subscription by shareholders in a directed issue in proportion to their existing holdings of the company shares regardless of whether they consisted of A or B shares, or, deviating from the shareholder's pre-emptive right, in a directed issue, if there had been a weighty financial reason for the company, such as using the shares to develop the company's capital structure and financing possible acquisitions, capital expenditure or other arrangements within the scope of the company's business operations. The amount paid for the shares would have been recognised in the reserve of invested non-restricted equity. The authorisation also included the Board's authority to decide on the share subscription price, the right to issue shares against non-cash consideration and the right to make decisions on other matters concerning share issues.

On 13 April 2015, the Annual General Meeting approved a share issue authorisation which cancels the above authority granted by the General Meeting of 16 April 2012. In consequence, the Board has the authority, granted by the Annual General Meeting of 13 April 2015 and valid until 30 June 2018, to issue a total maximum of 20,000,000 new B shares. The shares can be issued against payment to be subscribed by shareholders in a directed issue in proportion to their existing holdings of the company shares regardless of whether they hold A or B shares, or, deviating from the shareholder's pre-emptive right, in a directed issue, if there is a weighty financial reason for the company, such as using the shares to develop the company's capital structure and financing possible acquisitions, capital expenditure or other arrangements within the scope of the company's business operations. The amount paid for the shares is recognised in the reserve of invested non-restricted equity. The authorisation also includes the Board's authority to decide on the share subscription price, the right to issue shares for non-cash consideration and the right to make decisions on other matters concerning share issues.

In addition, the Board has the authority, valid until 30 June 2017, to decide on the transfer of a maximum of 1,000,000 own B shares held by the company as treasury shares. On 9 February 2015, the Board decided to grant own B shares held by the company as treasury shares to persons included in the target group of the 2014 vesting period, based on the valid authority to issue treasury shares granted by the Annual General Meeting held on 8 April 2013 and the fulfilment of the vesting criteria of the 2014 vesting period of Kesko's three-year share-based compensation plan. This transfer of a total of 120,022 own B shares was announced in a stock exchange release on 1 April 2015 and 7 April 2015. Based on the 2014-2016 share-based compensation plan decided by the Board, a total maximum of 600,000 own B shares held by the company as treasury shares can be granted within a period of three years based on the fulfilment of the vesting criteria. The Board will separately decide on the vesting criteria and target group for each vesting period. The share-based compensation plan was announced in a stock exchange release on 4 February 2014.

In January-June, a total of 761 shares granted based on the earlier share-based compensation plan (the 2011-2013 share-based compensation plan) was returned to the company in accordance with the terms and conditions of the share-based compensation plan. The return during the reporting period was notified in a stock exchange notification on 23 March 2015.

At the end of June 2015, the number of shareholders was 39,291, which is 578 less than at the end of 2014. At the end of June, foreign ownership of all shares was 28%. At the end of June, foreign ownership of B shares was 40%.

Flagging notifications

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

Key events during the reporting period

Kesko's Board of Directors decided on the new strategy which is aimed at achieving profitable growth in three strategic areas: the grocery trade, the building and home improvement trade and the car trade. At the same time, financial targets in accordance with Kesko's new strategy were announced. The composition of Kesko's divisional structure and segment reporting has been changed as of 1 July 2015. An agricultural and machinery trade unit has been established as part of the home improvement and speciality goods trade division. (Stock exchange release on 27 May 2015)

Kesko Corporation, the Swedish life insurance company AMF Pensionsförsäkring AB and Ilmarinen Mutual Pension Insurance Company set up a joint venture named Ankkurikadun Kiinteistöt Oy. The joint venture owns, manages and develops store sites acquired for it, primarily in use by Kesko Group. (Stock exchange release on 8 May 2015 and 11 June 2015)

On 20 March 2015, at http://kesko2014.kesko.fi/en, Kesko published its first annual report that makes use of the <IR> integrated reporting framework. The annual report includes a business review, GRI indicators, the financial statements for 2014, the Corporate Governance Statement and the Remuneration Statement.

Kesko sold the department store chain Anttila Oy to the German investment fund 4K INVEST for €1 million. The transaction includes all assets and liabilities in Anttila Oy. Anttila Oy's approximately 1,500 employees continue in the employment of the company. The date of the transaction was 16 March 2015. (Stock exchange release on 16 March 2015)

M.Sc. (Econ.) Anni Ronkainen, 48, was appointed Kesko's Chief Digital Officer responsible for business development, digital business environment and marketing, and a member of the Group Management Board. (Stock exchange release on 26 January 2015)

Resolutions of the 2015 Annual General Meeting and decisions of the Board's organisational meeting

Kesko Corporation's Annual General Meeting, held on 13 April 2015, adopted the financial statements and the consolidated financial statements for 2014 and discharged the Board members and the Managing Director from liability. The General Meeting also resolved to distribute a dividend of €1.50 per share as proposed by the Board, or a total amount of €148,715,547.00. The dividend pay date was 22 April 2015. The General Meeting resolved to leave the number of Board members unchanged at seven. The General Meeting resolved to elect retailer, Business College Graduate Esa Kiiskinen, Master of Science in Economics, retailer Tomi Korpisaari, retailer, Secondary School Graduate Toni Pokela, eMBA Mikael Aro (new member), Master of Science in Economics Matti Kyytsönen (new member), Master of Science in Economics Anu

Nissinen (new member) and Master of Laws Kaarina Ståhlberg (new member) as Board members for a three-year term expiring at the close of the 2018 Annual General Meeting in accordance with the Articles of Association. In addition, the General Meeting resolved to leave the Board members' fees and the basis for reimbursement of expenses unchanged.

The General Meeting elected the firm of auditors PricewaterhouseCoopers Oy, Authorised Public Accountants, as the company's auditor, with APA Mikko Nieminen as the auditor with principal responsibility. The General Meeting also approved the Board's proposals for the Board’s authorisation to issue of a total maximum of 20,000,000 new B shares until 30 June 2018, and its authorisation to decide on donations in a total maximum of €300,000 for charitable or corresponding purposes until the Annual General Meeting to be held in 2016.

After the Annual General Meeting, Kesko Corporation's Board of Directors held an organisational meeting in which it elected retailer, Business College Graduate Esa Kiiskinen as its Chair and eMBA Mikael Aro as its Deputy Chair. Master of Laws Kaarina Ståhlberg (Ch.), eMBA Mikael Aro (Dep. Ch.) and Master of Science in Economics Matti Kyytsönen were elected to the Board's Audit Committee. Esa Kiiskinen (Ch.), Mikael Aro (Dep. Ch.) and Master of Science in Economics Anu Nissinen were elected to the Board's Remuneration Committee.

The resolutions of Annual General Meeting and the decisions of the Board’s organisational meeting were announced in more detail in stock exchange releases on 13 April 2015.

Responsibility

In spring 2015, the K-Group and the association Ruokatieto organised Local Food Date events (Lähiruokatreffit) in six localities in Finland. The events were aimed to provide retailers and local producers an opportunity to network and enhance the offer of local products in K-food stores. K-retailers’ direct purchases from Finnish regions totalled €566.7 million in 2014.

Plan, an international development organisation promoting children’s rights, and Kesko presented their research cooperation at the Ratkaisun Paikka 2015 corporate responsibility event in Helsinki in May. A survey carried out in spring focused on working conditions in the production chain of the fish and shellfish industry in north-eastern Thailand and the situation of migrant workers’ children in local communities. Cooperation with Plan and their knowledge of local conditions provided Kesko with an opportunity to progress beyond the first step in the production chain.

At the beginning of June, Finnwatch published a follow-up report which showed that the tuna factories of Kesko’s suppliers TUM and Unicord have clearly improved their working conditions over the last few years.

In May, Kesko published a list of the factories in high-risk countries manufacturing Kesko’s own brand clothes and shoes and those imported by the company itself on its website. Direct purchases from high-risk countries account for around 20 per cent of the total purchases of clothing.

At the beginning of May, the K-job 2015 competition was launched to seek the Young K-store Employee of the Year and the Employer of the Young of the Year. K-stores and

Kesko with its subsidiaries annually employ around 5,000 summer employees and around 10,000 employees under 30 years of age in Finland.

The Veturi shopping centre, opened in Kouvola in 2012, became the first property in Finland to achieve an Excellent rating in the Building Management part of the BREEAM environmental assessment. In the assessment, Veturi was praised for its own energy production, for the continuous monitoring of energy use and for paying attention to user comfort for example in indoor air conditions and lighting.

Risk management
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 development of the economic situation and consumer confidence especially in Finland and Russia, as well as their impact on Kesko's sales and profit. Resulting from the crisis in Greece, risks relating in particular to the euro area economy have increased. In other respects, no material change is estimated to have taken place during the first months of the year in the risks described in the Report by the Board of Directors and the financial statements for 2014 and the risks described on Kesko's website. The risks and uncertainties related to economic development are described in the section future outlook of this release.

Future outlook
Estimates of the future outlook for Kesko Group's net sales and operating profit excluding non-recurring items are given for the 12 months following the reporting period (7/2015-6/2016) in comparison with the 12 months preceding the reporting period (7/2014-6/2015).

The general economic situation and the expected trend in consumer demand vary in Kesko’s different operating countries. In Finland, the trading sector’s performance is expected to remain weak and the tough competitive situation is expected to continue. In Sweden, Norway and the Baltic countries, the growth in demand in the trading sector is expected to continue. In Russia, the economic situation and consumers’ purchasing power are estimated to remain weak.

Kesko Group's net sales for the next 12 months are expected to be lower than the level of the preceding 12 months and the operating profit excluding non-recurring items for the next 12 months is expected to exceed the level of the preceding 12 months.

Helsinki, 21 July 2015
Kesko Corporation
Board of Directors

The information in the interim report is unaudited.

Further information is available from Jukka Erlund, Senior Vice President, Chief Financial Officer, telephone +358 105 322 113, and Eva Kaukinen, Vice President, Group Controller, telephone +358 105 322 338. A Finnish-language webcast of the media and analyst briefing on the interim report can be accessed at www.kesko.fi, at

11.00. An English-language audio conference on the interim report will be held today at 14.30 (Finnish time). The audio conference login is available on Kesko's website at www.kesko.fi.

Kesko Corporation's interim report for January-September will be published on 22 October 2015. In addition, Kesko Group's sales figures are published each month. News releases and other company information are available on Kesko's website at www.kesko.fi.

KESKO CORPORATION

Merja Haverinen
Vice President, Group Communications

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Main news media
www.kesko.fi

TABLES SECTION

Accounting policies

This interim report has been prepared in accordance with the IAS 34 standard. The interim report has been prepared in accordance with the same principles as the annual financial statements for 2014.

Consolidated income statement (€ million), condensed

	1-6/ 2015	1-6/ 2014	Change, %	4-6/ 2015	4-6/ 2014	Change, %	1-12/ 2014
Net sales	4,310	4,499	-4.2	2,227	2,371	-6.0	9,071
Cost of goods sold	-3,748	-3,895	-3.8	-1,935	-2,046	-5.4	-7,832
Gross profit	**562**	**604**	**-7.0**	**292**	**325**	**-10.1**	**1,238**
Other operating income	449	351	27.8	280	186	50.2	729
Employee benefit expense	-282	-314	-10.4	-138	-158	-12.9	-614
Depreciation and impairment charges	-67	-77	-12.5	-33	-38	-14.5	-195
Other operating expenses	-589	-507	16.1	-225	-245	-8.1	-1,007
Operating profit	**72**	**56**	**28.2**	**176**	**69**	**(..)**	**151**
Interest income and other finance income	4	9	-51.3	2	7	-70.1	14
Interest expense and other finance costs	-7	-8	-9.1	-4	-4	4.2	-16
Exchange differences	-1	0	(..)	-2	-1	(..)	-4
Share of results of equity accounted investments	1	0	(..)	1	0	(..)	0
Profit before tax	**68**	**57**	**20.1**	**172**	**71**	**(..)**	**145**
Income tax	-26	-15	75.1	-19	-18	10.2	-37
Net profit for the period	**42**	**42**	**0.4**	**153**	**54**	**(..)**	**108**
Attributable to							
Owners of the parent	37	39	-4.8	147	50	(..)	96
Non-controlling interests	5	3	73.3	6	4	68.6	12
Earnings per share (€) for profit attributable to equity holders of the parent							
Basic	0.38	0.39	-4.7	1.48	0.51	(..)	0.97
Diluted	0.38	0.39	-4.5	1.48	0.51	(..)	0.97

Consolidated statement of comprehensive income (€ million)

	1-6/ 2015	1-6/ 2014	Change, %	4-6/ 2015	4-6/ 2014	Change, %	1-12/ 2014
Net profit for the period	42	42	0.4	153	54	(..)	108
Items that will not be reclassified subsequently to profit or loss							

Actuarial gains/losses	14	-2	(..)	-13	-10	30.0	-20
Items that may be reclassified subsequently to profit or loss							
Exchange differences on translating foreign operations	3	-6	(..)	-3	0	(..)	-28
Adjustment for hyperinflation	-	3	-	1	2	-20.0	4
Cash flow hedge revaluation	0	0	(..)	-1	2	(..)	1
Revaluation of available-for-sale financial assets	1	-3	(..)	0	-3	(..)	-3
Other items	0	0	33.3	0	0	33.3	0
Total other comprehensive income for the period, net of tax	18	-8	(..)	-15	-10	48.0	-45
Total comprehensive income for the period	**60**	**34**	**73.7**	**138**	**44**	**(..)**	**63**
Attributable to							
Owners of the parent	59	31	93.4	134	39	(..)	49
Non-controlling interests	1	4	-85.0	3	4	-22.1	14

(..) Change over 100%

Consolidated statement of financial position (€ million), condensed

	30.6.2015	**30.6.2014**	**Change, %**	**31.12.2014**
ASSETS				
Non-current assets				
Tangible assets	1,265	1,658	-23.7	1,624
Intangible assets	171	195	-12.4	178
Equity accounted investments and other financial assets	115	106	8.3	105
Loans and receivables	73	14	(..)	11
Pension assets	165	170	-2.6	147
Total	1,788	2,143	-16.6	2,066
Current assets				
Inventories	740	828	-10.7	776
Trade receivables	676	733	-7.9	584
Other receivables	160	160	-0.2	173
Financial assets at fair value through profit or loss	430	154	(..)	219
Available-for-sale financial assets	328	202	62.4	272
Cash and cash equivalents	84	105	-19.4	107
Total	2,418	2,182	10.8	2,131
Non-current assets held for sale	0	1	-16.7	1
Total assets	**4,206**	**4,326**	**-2.8**	**4,198**

	30.6.2015	30.6.2014	Change, %	31.12.2014
EQUITY AND LIABILITIES				
Equity	2,103	2,164	-2.8	2,184
Non-controlling interests	76	77	-0.8	82
Total equity	2,179	2,241	-2.8	2,265
Non-current liabilities				
Interest-bearing liabilities	266	348	-23.5	319
Non-interest-bearing liabilities	35	8	(..)	11
Deferred tax liabilities	63	63	-0.7	67
Pension obligations	1	2	-29.3	2
Provisions	16	28	-44.7	27
Total	381	450	-15.2	426
Current liabilities				
Interest-bearing liabilities	217	190	13.9	180
Trade payables	918	934	-1.7	795
Other non-interest-bearing liabilities	475	465	2.1	490
Provisions	36	45	-20.7	42
Total	1,646	1,635	0.7	1,506
Total equity and liabilities	**4,206**	**4,326**	**-2.8**	**4,198**

(..) Change over 100%

Consolidated statement of changes in equity (€ million)

	Share capital	Reserves	Currency translation differences	Revaluation reserve	Treasury shares	Retained earnings	Non-controlling interests	Total
Balance at 1.1.2014	**197**	**461**	**-13**	**1**	**-18**	**1,651**	**73**	**2,352**
Shares subscribed with options		2						2
Treasury shares					-16			-16
Share-based payments					2			2
Dividends						-138		-138
Other changes		0	0			5	0	5
Net profit for the period						39	3	42
Other comprehensive income								
Items that will not be reclassified subsequently to profit or loss								
Actuarial gains/losses						-2		-2
Items that may be								

reclassified subsequently to profit or loss								
Exchange differences on translating foreign operations		0	-4				-2	-6
Adjustment for hyperinflation						0	3	3
Cash flow hedge revaluation				0				0
Revaluation of available-for-sale financial assets				-3				-3
Others						0		0
Tax related to comprehensive income				0				0
Total other comprehensive income		0	-4	-2		-2	1	-8
Balance at 30.6.2014	**197**	**463**	**-18**	**-1**	**-32**	**1,555**	**77**	**2,241**
Balance at 1.1.2015	**197**	**463**	**-38**	**-1**	**-31**	**1,594**	**82**	**2,265**
Shares subscribed with options								
Treasury shares								
Share-based payments					4		0	4
Dividends						-149	-6	-155
Other changes		0	0			5	0	5
Net profit for the period						37	5	42
Other comprehen-sive income								
Items that will not be reclassified subsequently to profit or loss								
Actuarial gains/losses						18		18
Items that may be reclassified subsequently to profit or loss								
Exchange differences on translating foreign operations		0	7				-4	3

Adjustment for hyperinflation								
Cash flow hedge revaluation				0				0
Revaluation of available-for-sale financial assets				1				1
Others						0		0
Tax related to comprehensive income				0		-4		-4
Total other comprehensive income		0	7	1		14	-4	18
Balance at 30.6.2015	**197**	**463**	**-31**	**0**	**-28**	**1,502**	**76**	**2,179**

Consolidated statement of cash flows (€ million), condensed

	1-6/ 2015	1-6/ 2014	Change, %	4-6/ 2015	4-6/ 2014	Change, %	1-12/ 2014
Cash flows from operating activities							
Profit before tax	68	57	20.1	172	71	(..)	145
Planned depreciation	67	76	-11.5	33	37	-12.4	151
Finance income and costs	4	-1	(..)	4	-2	(..)	6
Other adjustments	23	19	22.1	-103	-1	(..)	63
Change in working capital							
Current non-interest-bearing operating receivables, increase (-)/decrease (+)	-119	-139	-14.3	69	19	(..)	32
Inventories, increase (-)/decrease (+)	-31	-35	-9.9	23	13	72.5	-7
Current non-interest-bearing liabilities, increase (+)/ decrease(-)	69	85	-18.1	-54	5	(..)	-21
Financial items and tax	-15	-29	-48.1	-1	-14	-89.6	-65
Net cash from operating activities	**68**	**34**	**99.4**	**142**	**129**	**10.6**	**304**
Cash flows from investing activities							
Investing activities	-109	-98	11.3	-60	-53	14.0	-194
Sales of fixed assets	444	6	(..)	460	4	(..)	11
Increase in non-current receivables	-1	-1	22.8	-2	0	(..)	0
Net cash used in investing activities	**334**	**-92**	**(..)**	**399**	**-49**	**(..)**	**-182**
Cash flows from financing							

activities							
Interest-bearing liabilities, increase (+)/decrease (-)	-18	-12	45.1	-57	-17	(..)	-46
Current interest-bearing receivables, increase (-)/ decrease (+)	-1	-1	-47.4	-1	2	(..)	-1
Dividends paid	-149	-138	7.4	-149	-138	7.4	-143
Equity increase	-	2	(..)	-	1	(..)	2
Acquisition of own shares	-	-16	(..)	-	-1	(..)	-16
Short-term money market investments, increase (-)/ decrease (+)	-295	14	(..)	-279	29	(..)	-57
Other items	9	5	97.1	2	2	26.2	7
Net cash used in financing activities	**-454**	**-148**	(..)	**-484**	**-122**	**(..)**	**-254**
Change in cash and cash equivalents	**-52**	**-206**	**-74.8**	**57**	**-43**	**(..)**	**-131**
Cash and cash equivalents and current portion of available-for-sale financial assets at 1 Jan.	313	453	-30.8	204	288	-29.1	453
Currency translation difference adjustment and revaluation	1	-1	(..)	1	0	(..)	-8
Cash and cash equivalents and current portion of available-for-sale financial assets at 30 Jun.	262	246	6.8	262	246	6.8	313

(..) Change over 100%

Group's performance indicators

	1-6/2015	1-6/2014	Change, pp	1-12/2014
Return on capital employed, %	6.4	4.7	1.7	6.4
Return on capital employed, %, rolling 12 mo	7.3	8.7	-1.4	6.4
Return on capital employed excl. non-recurring items, %	9.2	7.3	1.9	9.9
Return on capital employed excl. non-recurring items, %, rolling 12 mo	10.9	9.9	0.9	9.9
Return on equity, %	3.8	3.7	0.1	4.7
Return on equity, %, rolling 12 mo	4.9	7.3	-2.3	4.7
Return on equity excl. non-recurring items, %	6.8	5.7	1.0	7.6
Return on equity excl. non-recurring items, %, rolling 12 mo	8.4	8.3	0.1	7.6
Equity ratio, %	52.2	52.3	-0.1	54.5
Gearing, %	-16.5	3.5	-20.0	-4.4
			Change, %	
Capital expenditure, € million	110.1	99.1	11.1	194.0

Capital expenditure, % of net sales	2.6	2.2	16.0	2.1
Earnings per share, basic, €	0.38	0.39	-4.7	0.97
Earnings per share, diluted, €	0.38	0.39	-4.5	0.97
Earnings per share excl. non-recurring items, basic, €	0.71	0.64	11.5	1.65
Cash flows from operating activities, € million	68	34	99.4	304
Cash flows from investing activities, € million	334	-92	(..)	-182
Equity per share, €	21.21	21.86	-2.9	22.05
Interest-bearing net debt, € million	-359	78	(..)	-99
Diluted number of shares, average for the reporting period, 1,000 pcs	99,084	99,365	-0.3	99,161
Personnel, average	19,065	19,935	-4.4	19,976

(..) Change over 100%

Group's performance indicators by quarter	**1-3/ 2014**	**4-6/ 2014**	**7-9/ 2014**	**10-12/ 2014**	**1-3/ 2015**	**4-6/ 2015**
Net sales, € million	2,129	2,371	2,304	2,267	2,082	2,227
Change in net sales, %	-1.4	-2.1	-2.9	-4.0	-2.2	-6.0
Operating profit, € million	-13.0	69.4	63.4	31.7	-103.6	175.8
Operating margin, %	-0.6	2.9	2.7	1.4	-5.0	7.9
Operating profit excl. non-recurring items, € million	19.1	67.6	84.0	61.9	26.5	76.4
Operating margin excl. non-recurring items, %	0.9	2.9	3.6	2.7	1.3	3.4
Finance income/costs, € million	-1.6	2.2	-1.8	-5.0	-0.3	-4.2
Profit before tax, € million	-14.4	71.4	61.7	26.4	-103.7	172.1
Profit before tax, %	-0.7	3.0	2.7	1.2	-5.0	7.7
Return on capital employed, %	-2.2	11.5	10.9	5.5	-18.1	31.9
Return on capital employed, excl. non-recurring items, %	3.2	11.2	14.4	10.7	4.6	13.9
Return on equity, %	-2.0	9.4	8.1	3.7	-19.9	28.0
Return on equity, excl. non-recurring items, %	2.3	9.1	11.3	8.0	3.1	10.6
Equity ratio, %	53.2	52.3	54.2	54.5	51.5	52.2
Capital expenditure, € million	43.4	55.7	51.7	43.2	51.5	58.6
Earnings per share, diluted, €	-0.11	0.51	0.41	0.17	-1.11	1.48
Equity per share, €	22.83	21.86	22.25	22.05	21.30	21.21

Segmental information

Net sales by segment (€ million)	**1-6/ 2015**	**1-6/ 2014**	**Change, %**	**4-6/ 2015**	**4-6/ 2014**	**Change, %**	**1-12/ 2014**
Grocery trade, Finland	2,203	2,253	-2.2	1,120	1,176	-4.7	4,650
Grocery trade, other countries*	50	51	-2.3	29	26	10.4	103

Grocery trade, total	**2,252**	**2,304**	**-2.2**	**1,149**	**1,202**	**-4.4**	**4,754**
- of which intersegment trade	10	18	-47.8	3	8	-68.1	34
Home improvement and speciality goods trade, Finland	832	945	-11.9	400	484	-17.2	1,854
Home improvement and speciality goods trade, other countries*	687	707	-2.8	397	407	-2.4	1,470
Home improvement and speciality goods trade total	**1,519**	**1,651**	**-8.0**	**797**	**890**	**-10.4**	**3,324**
- of which intersegment trade	1	0	(..)	0	0	(..)	0
Car and machinery trade, Finland	490	502	-2.4	246	252	-2.3	916
Car and machinery trade, other countries*	48	54	-10.6	31	31	-0.9	96
Car and machinery trade total	**538**	**556**	**-3.2**	**277**	**283**	**-2.2**	**1,011**
- of which intersegment trade	1	1	43.8	0	0	-58.6	1
Common operations and eliminations	0	-11	(..)	4	-5	(..)	-19
Finland total	**3,525**	**3,688**	**-4.4**	**1,770**	**1,906**	**-7.1**	**7,401**
Other countries total*	**784**	**812**	**-3.3**	**457**	**464**	**-1.6**	**1,669**
Group total	**4,310**	**4,499**	**-4.2**	**2,227**	**2,371**	**-6.0**	**9,071**

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

Operating profit by segment (€ million)	**1-6/ 2015**	**1-6/ 2014**	**Change**	**4-6/ 2015**	**4-6/ 2014**	**Change**	**1-12/ 2014**
Grocery trade	151.0	98.8	52.2	115.8	54.4	61.3	216.2
Home improvement and speciality goods trade	-84.7	-54.1	-30.6	57.1	8.4	48.7	-52.6
Car and machinery trade	17.9	19.1	-1.2	11.0	10.9	0.1	29.4
Common operations and eliminations	-12.0	-7.5	-4.5	-8.0	-4.4	-3.7	-41.6
Group total	**72.2**	**56.3**	**15.9**	**175.8**	**69.4**	**106.4**	**151.4**

Operating profit excl. non-recurring items by segment (€ million)	**1-6/ 2015**	**1-6/ 2014**	**Change**	**4-6/ 2015**	**4-6/ 2014**	**Change**	**1-12/ 2014**
Grocery trade	78.2	100.7	-22.5	43.3	55.3	-12.0	223.2
Home improvement and speciality goods trade	18.7	-25.6	44.4	30.1	5.8	24.3	-0.3
Car and machinery trade	17.9	19.1	-1.2	11.0	10.9	0.1	29.6
Common operations and eliminations	-12.0	-7.5	-4.6	-8.0	-4.4	-3.7	-19.9
Group total	**102.9**	**86.7**	**16.1**	**76.4**	**67.6**	**8.7**	**232.6**

Operating margin excl. non-recurring items by segment, %	**1-6/ 2015**	**1-6/ 2014**	**Change, pp**	**4-6/ 2015**	**4-6/ 2014**	**Change, pp**	**1-12/ 2014**	**Rolling 12 mo 6/2015**
Grocery trade	3.5	4.4	-0.9	3.8	4.6	-0.8	4.7	4.3
Home improvement and speciality goods trade	1.2	-1.6	2.8	3.8	0.6	3.1	0.0	1.4
Car and machinery trade	3.3	3.4	-0.1	4.0	3.8	0.1	2.9	2.9
Group total	**2.4**	**1.9**	**0.5**	**3.4**	**2.9**	**0.6**	**2.6**	**2.8**

Capital employed by segment, cumulative average (€ million)	**1-6/ 2015**	**1-6/ 2014**	**Change**	**4-6/ 2015**	**4-6/ 2014**	**Change**	**1-12/ 2014**	**Rolling 12 mo 6/2015**
Grocery trade	988	1,022	-35	975	1,034	-59	1,007	993
Home improvement and speciality goods trade	824	882	-58	804	888	-84	876	850
Car and machinery trade	160	166	-7	153	165	-12	162	156
Common operations and eliminations	272	316	-44	273	320	-48	310	290
Group total	**2,243**	**2,387**	**-143**	**2,204**	**2,407**	**-203**	**2,354**	**2,289**

Return on capital employed excl. non-recurring items by segment, %	**1-6/ 2015**	**1-6/ 2014**	**Change pp**	**4-6/ 2015**	**4-6/ 2014**	**Change pp**	**1-12/ 2014**	**Rolling 12 mo 6/2015**
Grocery trade	15.8	19.7	-3.9	17.8	21.4	-3.6	22.2	20.2
Home improvement and speciality goods trade	4.5	-5.8	10.4	15.0	2.6	12.4	0.0	5.2
Car and machinery trade	22.5	23.0	-0.5	28.7	26.4	2.3	18.3	18.2
Group total	**9.2**	**7.3**	**1.9**	**13.9**	**11.2**	**2.6**	**9.9**	**10.9**

Capital expenditure by segment (€ million)	**1-6/ 2015**	**1-6/ 2014**	**Change**	**4-6/ 2015**	**4-6/ 2014**	**Change**	**1-12/ 2014**
Grocery trade	71	50	21	33	31	3	98
Home improvement and speciality goods trade	18	31	-13	9	17	-8	71
Car and machinery trade	7	9	-2	4	7	-3	14
Common operations and	14	8	6				11

eliminations				13	1	11	
Group total	**110**	**99**	**11**	**59**	**56**	**3**	**194**

Segmental information by quarter

Net sales by segment (€ million)	1-3/ 2014	4-6/ 2014	7-9/ 2014	10-12/ 2014	1-3/ 2015	4-6/ 2015
Grocery trade	1,102	1,202	1,190	1,260	1,103	1,149
Home improvement and speciality goods trade	761	890	877	796	722	797
Car and machinery trade	272	283	240	216	261	277
Common operations and eliminations	-6	-5	-3	-5	-3	4
Group total	**2,129**	**2,371**	**2,304**	**2,267**	**2,082**	**2,227**

Operating profit by segment (€ million)	1-3/ 2014	4-6/ 2014	7-9/ 2014	10-12/ 2014	1-3/ 2015	4-6/ 2015
Grocery trade	44.3	54.4	58.3	59.1	35.2	115.8
Home improvement and speciality goods trade	-62.5	8.4	-0.5	2.0	-141.8	57.1
Car and machinery trade	8.2	10.9	8.7	1.6	7.0	11.0
Common operations and eliminations	-3.1	-4.4	-3.1	-31.0	-4.0	-8.0
Group total	**-13.0**	**69.4**	**63.4**	**31.7**	**-103.6**	**175.8**

Operating profit excl. non-recurring items by segment (€ million)	1-3/ 2014	4-6/ 2014	7-9/ 2014	10-12/ 2014	1-3/ 2015	4-6/ 2015
Grocery trade	45.4	55.3	60.3	62.2	34.9	43.3
Home improvement and speciality goods trade	-31.4	5.8	18.2	7.1	-11.4	30.1
Car and machinery trade	8.2	10.9	8.7	1.8	7.0	11.0
Common operations and eliminations	-3.1	-4.4	-3.1	-9.3	-4.0	-8.0
Group total	**19.1**	**67.6**	**84.0**	**61.9**	**26.5**	**76.4**

Operating margin excl. non-recurring items by segment, %	1-3/ 2014	4-6/ 2014	7-9/ 2014	10-12/ 2014	1-3/ 2015	4-6/ 2015
Grocery trade	4.1	4.6	5.1	4.9	3.2	3.8
Home improvement and speciality goods trade	-4.1	0.6	2.1	0.9	-1.6	3.8
Car and machinery trade	3.0	3.8	3.6	0.8	2.7	4.0
Group total	**0.9**	**2.9**	**3.6**	**2.7**	**1.3**	**3.4**

Change in tangible and intangible assets (€ million)

	30.6.2015	30.6.2014
Opening net carrying amount	**1,802**	**1,840**
Depreciation, amortisation and impairment	-67	-77
Investments in tangible and intangible assets	98	106
Disposals	-402	-10

Currency translation differences	4	-6
Closing net carrying amount	**1,435**	**1,853**

Related party transactions (€ million)

The Group's related parties include its key management (the Board of Directors, the Managing Director and the Group Management Board) and companies controlled by them, the Group's subsidiaries, associates and joint ventures as well as Kesko Pension Fund.

The following transactions were carried out with related parties:

	1-6/2015	**1-6/2014**
Sales of goods and services	35	40
Purchases of goods and services	9	12
Other operating income	6	6
Other operating expenses	15	15

	30.6.2015	**30.6.2014**
Receivables	62	8
Liabilities	24	21

Fair value hierarchy of financial assets and liabilities (€ million)

	Level 1	**Level 2**	**Level 3**	**30.6.2015**
Financial assets at fair value through profit or loss	**216.4**	**214.0**		**430.4**
Derivative financial instruments at fair value through profit or loss				
Derivative financial assets		9.6		9.6
Derivative financial liabilities		8.4		8.4
Available-for-sale financial assets	**150.1**	**178.0**	**15.1**	**343.2**

Fair value hierarchy of financial assets and liabilities (€ million)

	Level 1	**Level 2**	**Level 3**	**30.6.2014**
Financial assets at fair value through profit or loss	**14.3**	**139.5**		**153.8**
Derivative financial instruments at fair value through profit or loss				
Derivative financial assets		2.5		2.5
Derivative financial liabilities		17.0		17.0

Available-for-sale financial assets	**61.1**	**141.0**	**13.3**	**215.3**

Level 1 instruments are traded in active markets and their fair values are directly based on quoted market prices. The fair values of level 2 instruments are derived from market data. The fair values of level 3 instruments are not based on observable market data.

Personnel, average and as at 30.6.

Personnel average by segment	**1-6/2015**	**1-6/2014**	**Change**
Grocery trade	6,374	6,151	223
Home improvement and speciality goods trade	11,007	12,103	-1,095
Car and machinery trade	1,197	1,250	-54
Common operations	488	432	56
Group total	**19,065**	**19,935**	**-870**

Personnel as at 30.6.* by segment	**2015**	**2014**	**Change**
Grocery trade	9,003	8,107	896
Home improvement and speciality goods trade	12,065	14,559	-2,494
Car and machinery trade	1,260	1,323	-63
Common operations	566	504	62
Group total	**22,894**	**24,493**	**-1,599**

* Total number incl. part-time employees

Group’s commitments (€ million)

	30.6.2015	**30.6.2014**	**Change, %**
Own commitments	167	206	-18.9
For associates and joint ventures	-	65	-100.0
For others	11	10	15.5
Lease liabilities for machinery and equipment	26	25	5.3
Lease liabilities for real estate	2,666	2,251	18.5

Liabilities arising from derivative instruments (€ million)

Values of underlying instruments at 30.6.	**30.6.2015**	**30.6.2014**	**Fair value 30.6.2015**
Interest rate derivatives			
Interest rate swaps	101	101	0.16
Currency derivatives			
Forward and future contracts	579	303	3.86
Currency swaps	50	50	3.42

Commodity derivatives			
Electricity derivatives	15	27	-6.24

Calculation of performance indicators

Return on capital employed*, %	Operating profit x 100 / (Non-current assets + Inventories + Receivables + Other current assets - Non-interest-bearing liabilities) on average for the reporting period
Return on capital employed, %, rolling 12 months	Operating profit for prior 12 months x 100 / (Non-current assets + Inventories + Receivables + Other current assets - Non-interest-bearing liabilities) on average for 12 months
Return on capital employed excl. non-recurring items*, %	Operating profit excl. non-recurring items x 100 / (Non-current assets + Inventories + Receivables + Other current assets - Non-interest-bearing liabilities) on average for the reporting period
Return on capital employed excl. non-recurring items, %, rolling 12 months	Operating profit excl. non-recurring items for prior 12 months x 100 / (Non-current assets + Inventories + Receivables + Other current assets - Non-interest-bearing liabilities) on average for 12 months
Return on equity*, %	(Profit/loss before tax - Income tax) x 100 / Shareholders' equity
Return on equity, %, rolling 12 months	(Profit/loss for prior 12 months before tax - Income tax for prior 12 months) x 100 / Shareholders' equity
Return on equity excl. non-recurring items*, %	(Profit/loss adjusted for non-recurring items before tax - Income tax adjusted for the tax effect of non-recurring items) x 100 / Shareholders' equity
Return on equity excl. non-recurring items, %, rolling 12 months	(Profit/loss for prior 12 months adjusted for non-recurring items before tax - Income tax for prior 12 months adjusted for the tax effect of non-recurring items) x 100 / Shareholders' equity
Equity ratio, %	Shareholders’ equity x 100 / (Total assets - Prepayments received)
Earnings/share, diluted	(Profit/loss - Non-controlling interests) / Average diluted number of shares
Earnings/share, basic	(Profit/loss - Non-controlling interests) / Average number of shares

Earnings/share excl. non-recurring items, basic	(Profit/loss adjusted for non-recurring items - Non-controlling interests) / Average number of shares
Equity/share	Equity attributable to equity holders of the parent / Basic number of shares at the balance sheet date
Gearing, %	Interest-bearing net liabilities x 100 / Shareholders' equity
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):

	1.1.-30.6.2015		1.4.-30.6.2015	
K-Group's retail and B2B sales	**€ million**	**Change, %**	**€ million**	**Change, %**
K-Group's grocery trade				
K-food stores, Finland	2,218	-1.7	1,146	-1.8
K-citymarket, non-food	262	0.1	131	0.5
Kespro	379	0.4	196	-0.9
K-ruoka, Russia	50	-2.3	29	10.3
Grocery trade, total	**2,908**	**-1.3**	**1,502**	**-1.3**
K-Group's home improvement and speciality goods trade				
K-rauta and Rautia	474	-3.2	302	-2.6
Rautakesko B2B Service	91	-0.4	51	0.6
K-maatalous	225	-5.1	136	-6.9
Speciality goods trade, Finland	248	-1.5	117	-3.7
Finland, total	**1,038**	**-3.0**	**607**	**-3.5**
Home improvement and speciality goods trade, other Nordic countries	415	-2.0	249	-0.3
Home improvement and speciality goods trade, the Baltics	217	6.2	126	5.5
Home improvement and speciality goods trade, other countries	153	-16.1	89	-15.1
Home improvement and speciality goods	**1,824**	**-3.1**	**1,071**	**-2.9**

trade, total				
K-Group's car and machinery trade				
VV-Autotalot	194	-2.7	99	-0.4
VV-Auto, import	210	-5.7	96	-7.5
Konekesko, Finland	97	5.3	60	6.0
Finland total	**501**	**-2.5**	**254**	**-1.8**
Konekesko, other countries	48	-14.2	31	-5.0
Car and machinery trade, total	**550**	**-3.7**	**286**	**-2.2**
Finland total	**4,398**	**-1.8**	**2,334**	**-2.1**
Other countries, total	**883**	**-3.8**	**525**	**-1.7**
Retail and B2B sales, total	**5,282**	**-2.2**	**2,859**	**-2.0**

*** Excl. Anttila**