





Kesko Food is a strong operator in the Finnish grocery trade. K-retailers are responsible for customer satisfaction at the more than 1,000 K-food stores. Kesko Food manages K-citymarket's food trade and the K-supermarket, K-market and K-extra chains. Kesko Food's main functions include the centralised purchasing of products, selection management, logistics, and the development of chain concepts and the store site network. Chain operations ensure the efficiency and competitiveness of business. Kesko Food's subsidiary Kespro Ltd is the leading wholesaler in the Finnish HoReCa business. It offers the best sourcing solutions in the sector for its customers.

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Food trade

Kesko's brands in the food trade



Food segment's net sales

€3,798 million

Food segment's operating profit
excluding non-recurring items

€133.1 million

K-food stores focus on food and service



Customer information as part of high-quality operations

Customer information and understanding provide the basis for Kesko Food's business development. Leveraging of customer information relies on information produced by K-Plus Oy that is collected locally both at the customer and product group levels. Store- and chain-specific programmes as well as those available across the entire network are developed on the basis of the information to ensure that selections are as suitable and the service experience as good as possible for the customers. Customer information serves as a basis for the development of selections, concepts, network planning and marketing, for example.

A K-food store is a quality store, which provides customers with the best food ideas and meal solutions at favourable prices. K-food stores operate efficiently and offer the widest and most exciting selections, and have the best fresh produce departments. Every K-food store stocks a wide range of Pirkka products, which are valued by customers, of high quality and sold at permanently low prices. The K-Plus customer loyalty programme rewards customers for centralising their purchases and the K-Plus card also provides versatile benefits. Customer programmes help cater for loyal K-Plus customers on an individual basis. The main purpose of the customer programmes is to locally offer the exact selections and services needed by particular customers.

Market

The Finnish grocery market totalled some €14.7 billion in 2009, representing a growth of 3–4% from 2008 (own estimate). The increase was biggest in the hypermarkets in the largest size category (over 2,500 m²).

In addition to K-food stores, primary operators in the market include Prisma, S-market and Alepa/Sale (S Group), Valintatalo, Siwa and Euromarket (Suomen Lähikauppa Oy), and Lidl. The estimated market share of the K-food stores is 34% (own estimate).

In 2009, the HoReCa market's (hotels, restaurants and catering) purchases in Finland totalled about €2.4 billion (own estimate). Kesko Food's subsidiary Kespro Ltd is the leading wholesaler in the Finnish HoReCa business. Kespro's main competitors are Meiranova Oy, Metro Chain and Heinon Tukku Oy. Kespro strengthened its position in 2009 and achieved its best-ever customer satisfaction rate.

The aim is a satisfied customer

K-food stores are visited by nearly 900,000 customers every day. Successful customer encounters every time are a prerequisite of overall success and are ensured with:

- The widest and most exciting selections, and an extensive selection of new arrivals.

- The best fruit and vegetable, meat and fish, and bread departments.
- High-quality and safe, permanently low-priced Pirkka products. The range now comprises more than 1,800 items.
- The best food expertise, including a diversified supply of recipes and cooking advice.
- The K-Plus customer loyalty programme, which rewards centralisation of purchases. The K-Plus card entitles holders to benefit from diverse special offers.
- The help of customer loyalty programmes, which offer K-Plus customers exactly the selections and services they need locally.
- Responsible operations, including active development of the Pirkka Fairtrade product range.

Favourable prices are a prerequisite for growth and customer satisfaction. The basis for favourable prices is built with the help of the selection that is available throughout the chain, permanently low-priced Pirkka products, the chain's campaigns and store-specific activities. Permanently low prices are reinforced by efficient practices all the way from customer to supplier, chain operations and long-term cooperation models with selected partners.

Considerable benefits are obtained both in Finland and internationally by combining purchasing volumes. Kesko Food is a member of the international sourcing alliance, Associated Marketing Services (AMS), that has rapidly expanded. Other major members of AMS include Ahold, Dansk SG, ICA, Migros and Système U.

K-retailers are responsible for customer satisfaction

Local K-retailers are responsible for the customer service, competence of personnel, quality, and profitability of business. Making use of customer data, the retailer builds a selection and service that meets customer needs, offering, for example, food from local producers to complement joint selections of the chain.

In order to ensure high quality, K-food stores have their own quality system. Its

objective is to ensure continuous development of the operations of the store and the whole chain to best serve the customers. The system includes measuring customer satisfaction and the store's condition, and assessing price control and management. The best retailing competence is maintained with the help of constant training in cooperation with the K-instituutti, the K-Group's training centre.

Efficient cooperation between Kesko Food and the K-food retailer is based on the chain operations defined in the chain agreement. Chain operations ensure customer-orientation, operational efficiency, competitiveness and the attainment of competitive advantages.

High-quality Pirkka products are K-food stores' strength

Pirkka products combine quality and low prices. The total number of Pirkka products reached 1,826 by the end of the year. According to consumer studies, customers feel that Pirkka products are an easy and safe choice because of their high quality and low price.

The Pirkka range also includes Pirkka Organic and Pirkka Fairtrade products. There are now more than 40 Pirkka Organic and nearly 30 Pirkka Fairtrade products.

The quality of Pirkka products is assured by Kesko Food's own Pirkka Product Research Unit, which carefully analyses all new Pirkka products. The research unit's laboratory has the ISO 17025 accreditation, an international recognition of competence. It is the only ISO 17025 accredited laboratory in Finland responsible for the quality assurance of own-brand products in the trading sector.

All Kesko Food's own recipes have been developed and tested by the Pirkka test kitchen, which is part of the Pirkka Product Research. Diverse recipes are published in the Pirkka magazine, which is mailed to K-Group loyalty customers, in the online cookery book on Pirkka.fi, in the K-RuokaPirkka leaflet that is published monthly and available at all K-food stores, on the TV programme "What are we having today?", and on Pirkka product packaging.

Quality guaranteed by the letter K and the chain concepts

Strong chain concepts guarantee the high quality of K-food stores. Kesko Food's chain operations provide K-retailers with a strong basis for purchasing, building selections, marketing and price competition.

K-citymarkets offer their customers the most diversified selections of groceries and home and speciality goods. Their special strengths include fresh bread, fruit and vegetables, a diversified supply of foods, and exiting departments with their displays. K-citymarkets provide their customers with a low-priced shopping basket and the best offers – every day.

There are 69 K-citymarkets in Finland in 51 towns. Five new K-citymarkets were opened in 2009.

The **K-supermarkets'** strength is excellent service. In addition to the retailer and other staff, customers are also served by over 160 employees with a specialist food manager qualification. These meat and fish experts provide customers with cooking tips and advice. K-supermarkets are better than the average food stores and offer wide selections of food items at competitive prices.

The chain consists of 170 stores. In 2009, four new K-supermarkets were opened.

K-markets are reliable, service-oriented and local neighbourhood stores located near to customers. In addition to good basic selections, K-markets offer customers fresh bread straight from the store's oven, fresh, high-quality fruit and vegetables, and the best local services.

The chain comprises 487 stores. 15 new K-markets were opened in 2009.

K-extras are neighbourhood stores which focus on personal service and provide customers with daily essentials. Additionally, as the name implies, many K-extras located in the countryside offer extra services, such as the sale of agricultural and builders' supplies, fuel distribution, lottery and postal services.

The chain comprises 189 stores.



Everyone has a favourite in the diversified Pirkka range

The "My favourite" campaign encouraged Finns to vote for their Pirkka favourites in August 2009. The campaign site was visited more than 500,000 times and over 190,000 votes were cast. The fun campaign focused on the diversity of the Pirkka range in everyday food solutions. The range now comprises over 1,800 products. The number one favourite among Finns was the Pirkka AB rye nut yoghurt.



High-quality Pirkka products are tested and safe

All new Pirkka products are carefully analysed by Kesko Food's own Pirkka Product Research. The unit was awarded the ISO 17025 accreditation, an important international recognition for competence, in March 2009 as the only laboratory in Finland responsible for quality assurance for the trading sector's own brands. The Pirkka Product Research includes the Pirkka test kitchen, which creates and tests recipes for everyday and special purposes alike.

Development of the store network continues

At the end of 2009, there were 1,030 K-food stores, catering for various consumer needs ranging from daily local services to the wide range of clothing and other home and speciality goods stocked by hypermarkets. The K-food store network is the most comprehensive in Finland. 51% of Finns live less than a kilometre away from a K-food store. The K-Group's neighbourhood store network is the most comprehensive in Finland. The total number of K-markets and K-extras is 676.

Kesko Food develops the K-food store network by investing in stores of all sizes. The constant development of the network is required to meet the needs of ageing stores, expanding selections, new services and migration.

Year 2009

The food segment's net sales totalled €3,798 million in 2009, an increase of 2.4%. The operating profit excluding non-recurring items amounted to €133.1 million, which is €10.5 million up on the previous year.

The value added tax on retail sales of food was reduced at the beginning of October. Kesko Food and K-food retailers undertook to implement the reduction in full on food prices. The price monitoring survey published by the National Consumer Research Centre in November verified that at K-food stores food prices decreased even more than the VAT cut. Due to the reduction, K-food stores changed more than 6 million prices. A family who spent about €5,000 on food per year before the VAT decrease will now save €215 a year.

The Act to extend retail store opening hours came into force at the beginning of December. The amendment meant that

another 400 K-food stores would be able to benefit from extended Sunday opening hours. The total number of K-food stores is 1,030. For customers, this means much better accessibility to retail services. The fact that the stores no longer have to stay closed one day a week also improves efficiency and reduces waste, because total demand is easier to predict.

During the year, five new K-citymarkets, four K-supermarkets, and 15 K-markets were opened. A total of 25 new food stores were opened, one of which replaced an existing store. Several K-food stores were also extended and renovated in 2009.

Objectives and strategic emphases

Kesko Food's key objective is to increase market share. The implementation of Kesko Food's strategy aims at growth faster than the market, increased customer satisfaction and competitiveness. Kesko Food's opportunities for internationalisation are also being actively investigated, particularly in Russia.

Kesko Food's key strategic focuses include increasing the efficiency of operations and enhancing electronic customer communications. Automated processes play a central role in increasing the efficiency of operations. In addition to more targeted information on the products and services available at K-food stores, electronic customer communications also provide customers with new methods of handling their customer relationship matters online. Opportunities for food retailing online are also being explored. The premise is that the retailing sector and electronic transactions should support customer needs and make shopping easier.

Competitors

Finland, market share 34%

(own estimate)

Competitors: Prisma, S-market and Alepa/Sale (S Group), Valintatalo, Siwa and Euro-market (Suomen Lähikauppa Oy) and Lidl

HoReCa, Finland, Kespro

Competitors: Meiranova Oy, Metro Chain, Heimon Tukku Oy

K-Group's food trade, retail and B2B sales

	Number		Sales (incl. VAT) € million	
	2009	2008	2009	2008
K-citymarket, groceries	69	64	1,412	1,249
K-supermarket	170	163	1,633	1,580
K-market (incl. service station stores)	487	490	1,502	1,494
Others	304	338	344	362
K-food stores, retail sales			4,891	4,685
Kespro			811	837
Food trade, total	1,030	1,055	5,703	5,521

Food segment's key figures, continuing operations

		2009	2008
Net sales	€ million	3,798	3,707
Operating profit	€ million	170.6	185.5
Operating profit excl. non-recurring items	€ million	133.1	122.5
Operating profit as % of net sales excl. non-recurring items	%	3.5	3.3
Investments	€ million	69.4	139.7
Return on capital employed* excl. non-recurring items	%	20.9	19.3
Personnel average		3,035	3,440

* cumulative average

Food segment's net sales, continuing operations

	€ million	change, %
K-citymarket	854	12.1
K-supermarket	1,001	3.7
K-market and K-extra	1,067	-2.5
Kespro	677	-2.6
Others	199	4.1
Net sales, total	3,798	2.4

Food segment's capital employed at 31 December, € million

	2009	2008
Non-current assets	632	704
Inventories	90	91
Short-term receivables	371	380
./. Non-interest-bearing debt	-489	-510
./. Provisions	-8	-8
Capital employed**	596	657

** capital employed at the end of month



09

Home and speciality goods trade

Kesko's home and speciality goods trade operates in the clothing, home, leisure, home technology, entertainment and furniture product lines. The home and speciality goods trade comprises Anttila Oy, K-citymarket Oy, Intersport Finland Ltd, Indoor Group Ltd, Musta Pörssi Ltd and Kenkäkesko Ltd. The total number of home and speciality goods stores is 450, of which 199 are owned by Kesko.

Kesko's brands in the home and speciality goods trade

ANTTILA

K CITYMARKET

NETANTTILA.COM

KODINYKKÖNEN 1

INTERSPORT

kesport

**budget
sport**

ASKO

SOTKA

**MUSTA
PÖRSSI**

KONEBOX

ANDAMO

K-KENKÄ



Home and speciality goods
segment's net sales

€1,558 million

Home and speciality goods
segment's operating profit
excluding non-recurring items

€29.5 million

Diversified selections and well-known brands



Market and the operating environment

Kesko's home and speciality goods trade comprises well-known store concepts with a strong position in the hypermarket, department store, speciality store and online sales. The Finnish total market of home and speciality goods is estimated to be approximately €10 billion.

The economic recession has highlighted the importance of price. Customers are looking for opportunities to save and campaigns have become more and more important. In 2009, there were differences in the market development of various product lines in the home and speciality goods trade. Consumer demand for sports goods increased, while demand for home electronics and interior decoration items in particular declined.

The estimated market of home interior decoration and furniture is €1,800 million, representing a decrease of 5–10% from the previous year.

The market for home electronics and entertainment is estimated to total some €2,000 million, representing a change of about –13%.

The estimated sports trade market totals €900 million and increased by some 5% from the previous year.

The value of the shoe trade market declined by some 3–4% from the previous year.

Year 2009

Since the beginning of 2009, Anttila Oy, K-citymarket Oy, Intersport Finland Ltd, Indoor Group Ltd, Musta Pörssi Ltd and Kenkäkesko Ltd have been reported in the

home and speciality goods segment. During the year, Anttila, K-citymarket's home and speciality goods and other Group's home and speciality goods companies intensified their cooperation. The objective of the cooperation is to improve competitiveness by defining the companies' joint strategy, developing retailing expertise on a centralised basis and ensuring that customers find the concepts interesting. Synergy benefits are sought, above all, in purchasing, in the development of the store network and through uniform, efficient business processes.

Kesko's net sales of home and speciality goods totalled €1,558 million in 2009, a decrease of 3.0%, which can be attributed to the deteriorated financial situation and the increase in unemployment. The combined retail sales of home and speciality goods stores were €2,050 million, a decrease of 3.1%.

The operating profit of the home and speciality goods trade excluding non-recurring items was €29.5 million, representing a decrease of €1.7 million from the previous year.

Objectives and strategic emphases

Changes in the financial situation and consumption habits are strongly reflected in the home and speciality goods trade. Internationalisation and formation of chains will strengthen competition, and successful chains are based on efficient business models. Seasons and collections change faster than ever, while product series become smaller and their life cycles shorter.

The cooperation of the Kesko Group's home and speciality goods companies started in 2009 will be further intensified.

The K-Group's home and speciality goods trade aims to be a market leader in selected product lines. This will be achieved by enhancing store concepts and selections, by increasing the cost-efficiency of operations chains and the staff's sales and service competence.

Hypermarket trade – K-citymarket

K-citymarket is a diversified and favourably-priced hypermarket chain, which offers its customers wide selections of groceries and home and speciality goods. K-citymarket Oy is responsible for the home and speciality goods business in these stores, while K-retailer entrepreneurs are responsible for the food business. There are 69 K-citymarkets in Finland.

K-citymarkets offer their customers up-to-date, frequently changing selections of everyday goods, quickly and at low prices. Key success factors include chain management and marketing combined with efficient, centralised purchasing and logistics. K-citymarket Oy's operations are based on long-term strategy and systematic leveraging of customer information in operations management.

The K-citymarket chain has approximately 60 million customer visits per year and a staff of some 5,700 employees in customer service.



YEAR 2009

In 2009, the net sales of K-citymarket's home and speciality goods totalled €595 million, which represented an increase of 5.1%. K-citymarket Oy's retail sales amounted to €699 million.

In 2009, five new K-citymarket hypermarkets were opened: in Ylöjärvi, in the Skanssi shopping centre, Turku, in Kirkkonummi, in Linnainmaa, Tampere, and in Koivukylä, Vantaa.

Department store trade – Anttila

Anttila retails entertainment, fashion and home goods. The multi-channel Anttila has 29 Anttila department stores and two smaller speciality stores in Finland. The nine Kodin Ykkönen department stores for interior decoration and home goods are complemented with the Kodin1.com online store. NetAnttila is engaged in distance sales in Finland, Estonia and Latvia.

Anttila department stores provide diversified selections of leisure items, clothing and home goods combined with a low price level and friendly service. The TopTen departments are the largest retailer of music, movies and multimedia in Finland, and a major seller of information technology and electronics.

Kodin Ykkönen provides a superior selection and services for home decorators.

For several years, NetAnttila has been the best-known and most popular online department store in Finland. It offers a pioneering position, ease and reliability of shopping as well as low prices and wide selections.

YEAR 2009

Anttila's net sales were €513 million in 2009, a decrease of 8.0%. Retail sales of Anttila department stores totalled €368 million in 2009, a decrease of 6.1%. Retail sales of Kodin Ykkönen department stores for interior decoration and home goods totalled €161.2 million, down by 10.7%. Sales of NetAnttila amounted to €97.3 million, a decrease of 14.3%, which can be attributed particularly to the drop in the Latvian market.

In 2009, a new Anttila department store was opened in the Skanssi shopping centre, Turku and a new Kodin Ykkönen department store in Lielähti, Tampere.

Sports trade – Intersport Finland

Intersport Finland's retail store chains are Intersport, Budget Sport and Kesport. Intersport Finland is responsible for the marketing, sourcing and logistics services, store network and retailer resources of the chains. There are 57 Intersport stores, five Budget Sport stores and 37 Kesport stores in Finland, of which 91 are owned by retailer entrepreneurs and eight by Intersport Finland.

Intersport is part of the international sports chain. The Intersport chain is the market leader in Finnish sports retailing. Intersport's strengths include the chain's high reliability and recognition among customers, wide and diversified selections, and its expert and service-minded staff.

Budget Sport is a sports store format, which is based on low prices and the cost-effective business concept. It offers

the sector's largest selections in outdoor activity-related product groups.

The Kesport stores are located in smaller rural centres and are the leading sports stores in their areas.

Kesko is a partner of Intersport International Corporation.

YEAR 2009

The net sales of Intersport Finland were €165 million in 2009, representing an increase of 4.3%. The combined retail sales of Intersport, Budget Sport and Kesport stores were €305.8 million, up by 5.7%.

In 2009, new Intersport stores were opened in Ylöjärvi and in the Skanssi shopping centre, Turku. A new Budget Sport outlet was opened in Oulu, and the Budget Sport online store was launched to complement the network.

Furniture trade – Indoor

Indoor is a furniture and interior decoration retailer, which runs Askö and Sotkä chains in Finland and the Baltic countries. There are a total of 83 stores in Finland, two in Latvia and seven in Estonia. In Finland, 56 of the stores are owned by Indoor, while 26 operate as a franchise.

Askö provides quality- and brand-conscious home decorators with an up-to-date and competitive product range combined with the best service in the sector, ease of purchasing and delivery accuracy.

Sotkä offers consumers who value low prices with a competitive range combined with high delivery accuracy and quick and easy shopping.



International recognition for Kenkäkesko and Andiamo

Kenkäkesko and Andiamo received international recognition and attention for The K.E.N.K.Ä 09 shoe design contest targeted for the young. They ranked fourth in the Retail/Direct Sales/Consumer category of the ECHO Awards, the direct marketing competition organised by DMA, and received the ECHO LEADER AWARD 2009.

YEAR 2009

Indoor's net sales totalled €155 million in 2009, down 12.4%. The combined retail sales of the Asko and Sotka chains in Finland were €190 million, a decrease of 5.9%.

In Finland, new Asko stores were opened in Lielahiti, Tampere and in Savonlinna. The Sotka stores in Mäntsälä and Valkeakoski were closed. In Riga, Latvia, the Asko and Sotka stores located in the Alfa shopping centre were closed.

Both of the chains implemented comprehensive training programmes developing sales and customer service skills of the whole staff. The chains' cost-efficiency was enhanced and the efficiency of logistics was improved by concentrating all warehousing and terminal operations to an external operator.

Home technology trade – Musta Pörssi

The Musta Pörssi and Konebox chains provide home technology products and services.

The Musta Pörssi chain of speciality stores offers its customers home technology products that make housework easier, enhance communications and provide entertainment. In addition, Musta Pörssi offers a comprehensive range of product-related services and customers can choose to have the home technology installed so that it's ready to use. The Musta Pörssi chain celebrated its 30th anniversary in 2009.

The chain consists of 53 stores specialising in home technology, of which 50 are owned by retailer entrepreneurs and three by Musta Pörssi Ltd.

On the home technology market, the Konebox.fi online store competes with quality products, their good availability and low prices, and round-the-clock opening. The prices are based on efficient logistics and warehousing combined with the online store's self-service.

YEAR 2009

The net sales of Musta Pörssi Ltd were €107 million, representing a decrease of 12.5%. The combined retail sales of the Musta Pörssi and Konebox stores were €154 million and, a decrease of 15% from the previous year.

Besides the decline in consumer demand, the decreasing sales can be attributed to the decrease in the average prices of consumer electronics and transferring company-owned stores under retailer ownership. In 2009, new Musta Pörssi stores were opened in Lielahiti, Tampere and in the Levi Centre, Kittilä. In addition, a new Konebox store was opened in Porttipuisto, Vantaa.

Shoe trade – Kenkäkesko

Kenkäkesko's retail store chains are K-kenkä and Andiamo.

K-kenkä is a shoe store for the whole family, offering its customers a wide selection of branded footwear and expert service.

Andiamo's main target group is trendy and fashion-conscious shoppers, for whom the store offers a fashionable selection of shoes that is constantly being updated.

The K-Group's speciality shoe outlets also include the Kenkäexpertti stores which operate in smaller towns.

There are 55 chain stores in all: 35 K-kenkä, 16 Andiamo and four combined Andiamo/K-kenkä stores. There are also 34 Kenkäexpertti stores, which operate outside the chains.

YEAR 2009

The net sales of Kenkäkesko were €24 million in 2009, a decrease of 7.9%. The sales of the Andiamo and K-kenkä stores declined by 3.0%, and the combined sales of all of the K-Group's speciality shoe stores amounted to €58.3 million.

In 2009, two new K-kenkä stores were opened, one in the Elo shopping centre, Ylöjärvi and one in the Skanssi shopping centre, Turku.

Market shares and competitors

Hypermarket and department store trade

K-citymarket, Anttila, Kodin Ykkönen and NetAnttila

Market share cannot be reliably calculated

Competitors: department stores, hypermarkets, speciality store chains and online stores

Sports trade

Intersport, Budget Sport and Kesport

Market share 34% (own estimate)

Competitors: Sportia, Top Sport, Stadium, department stores and hypermarkets, and other speciality sports stores

Furniture trade

Asko and Sotka

Market share in Finland about 17% (own estimate)

Competitors: furniture and interior decoration stores

Home technology trade

Musta Pörssi and Konebox

Market share 9% (own estimate)

Competitors: stores specialised in home technology, hypermarkets and online stores

Shoe trade

K-kenkä, Andiamo, Kenkäexpertti

Market share 10.5% (Association of Textile and Footwear Importers and Wholesalers and own estimate)

Competitors: other speciality stores, department stores, hypermarkets, sports stores and online stores

K-Group's home and speciality goods trade, retail and B2B sales

	Number		Sales (incl. VAT), € million	
	2009	2008	2009	2008
Anttila department stores	31	30	370	393
Kodin Ykkönen department stores for interior decoration and home goods*	10	9	161	181
Distance sales (mail order and NetAnttila)	1	1	86	93
K-citymarket, home and speciality goods	69	64	699	666
Asko	33	32	91	94
Sotka	50	52	99	109
Intersport	57	57	243	233
Budget Sport*	6	5	32	26
Kesport	37	38	31	31
Musta Pörssi	53	54	145	180
Konebox*	3	2	10	3
Shoe stores	89	94	58	62
Home and speciality goods stores, Finland	439	438	2,026	2,070
Anttila, Baltic countries	2	2	11	17
Indoor, Baltic countries	9	13	13	26
Home and speciality goods stores, Baltic countries	11	15	24	43
Home and speciality goods trade, total	450	453	2,050	2,113

* incl. online sales

Home and speciality goods segment's key figures, continuing operations

		2009	2008
Net sales	€ million	1,558	1,606
Operating profit	€ million	66.5	63.6
Operating profit excl. non-recurring items	€ million	29.5	31.2
Operating profit as % of net sales excl. non-recurring items	%	1.9	1.9
Investments	€ million	29.6	60.5
Return on capital employed* excl. non-recurring items	%	5.8	6.2
Personnel average		5,666	5,801

* cumulative average

Home and speciality goods segment's net sales, continuing operations

	€ million	change, %
K-citymarket, home and speciality goods	595	5.1
Anttila	513	-8.0
Intersport	165	4.3
Indoor	155	-12.4
Musta Pörssi	107	-12.5
Kenkäkesko	24	-7.9
Total	1,558	-3.0

Home and speciality goods segment's capital employed at 31 December, € million

	2009	2008
Non-current assets	304	345
Inventories	223	257
Short-term receivables	174	156
./. Non-interest-bearing debt	-260	-246
./. Provisions	-8	-7
Capital employed**	434	504

** capital employed at the end of month

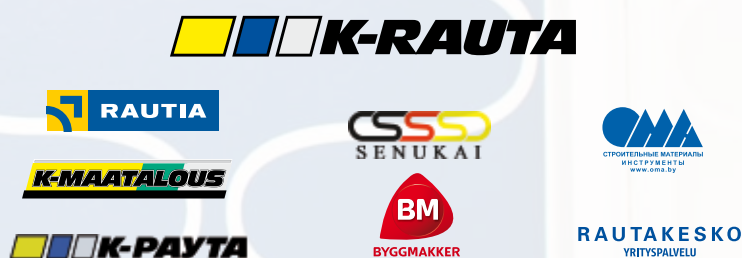


09

Building and home improvement trade

Rautakesko operates in the building and home improvement supplies trade in Finland, Sweden, Norway, the Baltic countries, Russia, and Belarus and the agricultural supplies trade in Finland. Rautakesko manages and develops its K-rauta, Rautia, K-maatalous, Byggnakker, Senukai and OMA retail chains and B2B sales in its operating area. Rautakesko is responsible for the chains' concepts, marketing, sourcing and logistics services, store network, and retailer resources. There are 330 building and home improvement stores in eight countries and 90 agricultural stores in Finland.

Kesko's brands in the building and home improvement trade



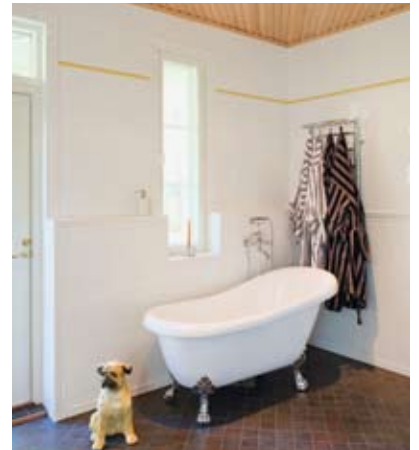
Building and home improvement segment's net sales

€2,312 million

Building and home improvement segment's operating profit excluding non-recurring items

€11.9 million

Products and services for building, interior decoration and agriculture



The building and home improvement market

Rautakesko aims to be the leading service provider in the building and home improvement trade. Rautakesko's building and home improvement store chains K-rauta, Rautia, Bygghälsan, Senukai and OMA serve both consumer and professional customers. Consumer customers mainly comprise home, leisure home and yard builders, renovators and interior decorators. Important professional customers include construction companies, the manufacturing industry and public institutions.

In terms of its chains' retail sales, Rautakesko is one of the five largest companies in the European building and home improvement market. The principal European competitors operating in Rautakesko's market area are Castorama (Kingfisher Group), Leroy Merlin (Groupe Adeo), DT Group, Bauhaus, Hornbach and OBI. Rautakesko is a partner in tooMax-x, a purchasing alliance. Rautakesko's partnership in tooMax-x made it the third largest European sourcing channel for home building and interior decoration items.

The total retail market of this sector in Rautakesko's operating area amounts to some €28 billion. It is estimated that the overall market change in the 2009 building and home improvement trade in the Baltic countries was -30%, in Norway -10%, in Sweden -5%, in Finland -15%, and in Russia -25%. The main reason for the decrease in demand has been the

strong decline in the construction market, resulting from the recession.

Retail sales of Rautakesko's chains totalled €3,778 million (incl. VAT) in 2009, a decrease of 18.0% from the previous year.

In Finland, the retail market in the building and home improvement sector totals some €3.4 billion and declined by 14.8% in 2009 (Finnish Hardware Association, DIY). The K-Group's market share in this sector was some 38% (Finnish Hardware Association, DIY, own estimate).

In Finland, Rautakesko operates the K-rauta and Rautia retail chains and Rautakesko B2B Sales which serves construction companies, the manufacturing industry and other professional customers. Rautakesko also provides services at 33 customer contract stores operating outside the chains.

The K-rauta chain consists of 42 stores, with some 70% of sales going to consumers. The Rautia chain consists of 107 stores, 50 of which also operate as K-maatalous stores, engaged in the agricultural trade. The emphasis in the sales structure of Rautia is more on basic building products. All Finnish chain stores are run by retailer entrepreneurs.

The combined sales of the K-rauta and Rautia chains, Rautakesko B2B Sales and K-customer contract stores in Finland were €1,423 million (incl. VAT), a decrease of 9.7%. The principal competitors in Finland are Starkki, Terra, S-rauta and Agrimarket, and Bauhaus.



In Sweden, the building and home improvement market totals some €3.8 billion (SCB). In 2009, the market declined by about 5% (SCB).

At the end of 2009, Rautakesko had 19 K-rauta stores of its own and one retailer-owned store in Sweden. Retail sales of K-rauta stores in Sweden totalled €235 million (incl. VAT), a growth of 0.7%. Rautakesko's market share is about 6% (own estimate).

Private customers account for around 85% of K-rauta clientele. Principal competitors are Bauhaus, Bygghuset, DT Group, and local speciality stores.

In Norway, the building and home improvement market totals some €4.7 billion (TBF), down by about 10% in 2009 (TBF).

Bygghuset Norge AS, which is owned by Rautakesko, manages the Bygghuset chain of 113 building and home improvement stores, 15 of which are owned by Bygghuset. Other stores in the chain are owned by retailer entrepreneurs who have chain contracts with Bygghuset. Retail sales of the chain's stores totalled €963 million (incl. VAT) in 2009, a decrease of 13.8% from the previous year. Rautakesko's market share in Norway is about 17% (TBF). More than half of all sales are to professional customers. Rautakesko's competitors are Monter/Optimera (Saint Gobain), Maxbo and Coop.

In Estonia, the building and home improvement market totals some €0.4 billion (own estimate) and in 2009 the market decreased by 20% (own estimate).

Rautakesko has nine building and home improvement stores in Estonia. Their retail sales totalled €76 million (incl. VAT) in 2009, a decrease of 21.4%. Professional customers account for some 59% of all customers. Rautakesko's market share in Estonia is about 20% (own estimate). Rautakesko's competitors are Ehitus ABC (Saint Gobain), Bauhof and Espak.

In Latvia, the building and home improvement market totals approximately €0.4 billion (CSB), a decrease of 30–40% in 2009 (CSB). Rautakesko has nine K-rauta stores of its own in Latvia. Retail sales of K-rauta stores totalled €61 million (incl. VAT) in 2009, a decrease of 30.3%. It is estimated that Rautakesko's market share in Latvia is 16% (own estimate). Rautakesko's competitors are Depo DIY and Kursi.

In Lithuania, the building and home improvement market totals some €0.4 billion (own estimate) and it decreased by 40–50% in 2009 (own estimate). In Lithuania, Rautakesko has the majority shareholding in UAB Senukai prekybos centras, which is the market leader in the Lithuanian building and home improvement sector with a share of about 25%. The Senukai chain, which sells to both consumers and business customers, comprises 16 stores of its own, a logistics centre and 60 partner stores. Senukai's retail sales totalled €311 million (incl. VAT) in 2009, a decrease of 41.6%. Its competitors include local building supplies outlets and speciality stores.



Own brands continue to grow

The strong development of Rautakesko's own international brands continued. Cello, Prof, Fiorin and FXA offer a reliable and affordable solution for the building and renovation needs of both consumer and professional customers. Major launches in 2009 included Cello exterior paints and Cello storage systems.

In 2010 own brands will focus on improving the efficiency of selections and increasing international coverage. The web service of the Cello brand will be enhanced to make a channel which serves customers better.



Through its cooperation with tooMax-x, Rautakesko also participates in the charity work carried out by Eurogroup. In 2009, a school for over one thousand pupils, built as a cooperation project, was opened in Southern China. The Eurogroup organisation also provides training and consultation to various operators and carries out audits on factories in the Far East.

Rautakesko adopted a policy on ensuring origin and traceability of timber and wood products in October 2009. Rautakesko accepts the FSC and PEFC certification systems and is committed to the principles of responsible sourcing. Rautakesko's aim is to always ensure origin and traceability of the timber and wood products purchased and sold by the company.

In Russia, the building and home improvement market totals some €14 billion (own estimate), a decrease of about 25% in 2009 (Ros Business Consulting and own estimate). There are 10 K-rauta stores in Russia and their retail sales totalled €200 million (incl. VAT) in 2009, a decrease of 16%. Rautakesko's market share in Russia is about 2.0% (own estimate). Rautakesko's competitors are Leroy Merlin, OBI, Castorama, Maxidom and Metrica.

In Belarus, the building and home improvement market totals some €1.0 billion (own estimate). OMA, the company acquired by Senukai in Belarus in July 2007, has four stores. Their retail sales amounted to €62 million (incl. VAT) in 2009, representing a decrease of 26.6%. The market share of OMA is about 5% of the total market (own estimate).

Agricultural trade market

Kesko Agro Ltd's business operations were reorganised at the beginning of 2009. The K-maatalous chain and the agricultural trade (agricultural implements, inputs and supplies, and the seed and grain trade) were transferred to Rautakesko, while the tractor and combine harvester business and Kesko Agro subsidiaries in the Baltic countries were transferred to the car and machinery trade.

In Finland, 90 K-maatalous agricultural stores form the K-maatalous chain. 52 of the stores in the chain are combined Rautia K-maatalous or K-rauta K-maatalous stores. Major customer groups are agricultural entrepreneurs and contractors. K-maatalous provides agricultural entrepreneurs with solutions that help them efficiently produce the safe and pure foodstuffs that are valued by consumers.

In 2009, the net sales in the agricultural trade, which was transferred to Rautakesko, dropped by 32.6% in Finland. The reasons for this decline were the economic recession and a decrease in prices.

Strong chain concepts

Rautakesko's operations are based on strong chain concepts, efficient sourcing, and the best practices, which are dupli-

cated internationally. Rautakesko operates in the background of the chains, combining their category management, purchasing, logistics, information system control and network improvements. The synergy benefits and economies of scale achieved enable the company to offer products and services to customers at competitive prices.

K-rauta is Rautakesko's international concept. K-rauta operates in Finland, Sweden, Estonia, Latvia and Russia. The K-rauta concept focuses on wide selections, total solutions that make customers' lives easier and a good price-quality ratio. The concept combines the service, selections and business models for consumers, builders and professional customers. Overall, the K-rauta chain's competitive advantages include stores and attached builders' yards that are larger than those of its competitors.

Rautia is the largest building and home improvement store chain in Finland. Its selections are targeted at builders, renovators and building professionals in particular. Key competitive advantages include comprehensive customer service, knowledge of the local market and the cooperation network. Many Rautia stores also complement their range with agricultural items.

The **K-maatalous** chain's strengths in Finland include the K-maatalous retailers, who know the local customers and circumstances, and the wide product range combined with the comprehensive services and network. Active contacts and sales and the utilisation of data and information technology provide the basis for close cooperation between agricultural entrepreneurs and K-maatalous.

Byggmakker is the largest building and home improvement store chain in Norway. The chain's business model is retailer entrepreneurship. Special strengths include sales of building supplies and knowledge of professional customers. The Norwegian concept has undergone a reform with the introduction of large Byggmakker outlets of a new type providing full service.

The **Senukai** chain is the market leader in Lithuania. The chain incorporates the

Mega Store concept, which offers customers just about every product related to building and living at its stores of over 20,000 m².

Rautakesko B2B Sales operates in Finland. Its customers include nationwide construction companies, the manufacturing industry and other professional customers. Rautakesko B2B Sales' strengths include close cooperation with the network of Finnish K-rauta and Rautia stores through which a significant part of the deliveries are made.

Year 2009

Rautakesko's net sales totalled €2,312 million, representing a decrease of 22.4%. Net sales in Finland amounted to €1,041 million, down by 21.1%. The building and home improvement trade contributed €744 million, and the agricultural supplies trade €297 million to the net sales in Finland. The net sales of subsidiaries in other countries totalled €1,271 million; the decrease was 23.4%. Foreign subsidiaries accounted for 55.0% of Rautakesko's net sales.

Rautakesko's operating profit excluding non-recurring items was €11.9 million, down by €44.4 million. Rautakesko's investments totalled €84.7 million, with investments outside Finland accounting for 82.8%.

In 2009, two new K-rauta stores were opened in Sweden and one in Russia, Estonia and Latvia. In addition, the store site network was strengthened by other new and replacement stores. During the year, one K-rauta was closed down in Sweden and seven Bygghälsan stores, five of which run by retailers, were closed down in Norway.

In 2009, Rautakesko continued to seek synergy and efficiency benefits in order to develop its international operations. Rautakesko made a cooperation agreement with tooMax-x Handels GmbH. The purchasing cooperation ensures an increasingly comprehensive and competitively-priced selection of products for customers.

Major focal areas of the year included centralised category management and supply chain management. The product lines are responsible for the centralised

formation of joint selections in all countries.

The construction of the international logistics network continued. A service agreement for central warehousing operations in Norway and Sweden was signed with Itella, Rautakesko's logistics partner.

The structure of the K-rauta concept's displays was revised. Customer visits and shopping are made easier by presenting different styles and price options clearly and together. The K-rauta chain is piloting the new design and service area business model at K-rauta Vantaanportti.

The service structure of the Rautia concept was clarified by increasing product and usage information to help customers.

The competence of Rautakesko staff was enhanced in 2009 with the help of a retail management training programme. The aim is to create a coherent strategic retail way of thinking and to ensure that best practices are shared.

Master Training for retail store staff in the SMS project (Store Management System) was started in Estonia, Latvia, Norway and Sweden.

Objectives and strategic focuses

Rautakesko's aims include exceeding the market growth in 2010.

The recession will continue to be clearly felt in the building and home improvement trade. Demand in the building repair and interior decoration business is expected to remain at a good level, and sales of yard and gardening items will clearly increase. Demand for various services, such as design, transportation and installation is anticipated to further increase as customers are pressed for time and want tailored solutions.

Customer purchasing behaviour and consumption habits are becoming more and more varied. The importance of energy efficiency, environmental values and responsibility in consumers' decision-making will increase. Besides traditional shopping in physical stores, the use of the internet as a channel providing information and shopping sites will be emphasised. New international service providers will enter the market and new business models will arise.



Safe and clean foodstuffs efficiently

The K-maatalous Experimental Farm in Hauho does pioneering research and development work for agriculture by testing plant varieties, fertilisation and protection. The cultivation programme of K-maatalous includes guidelines on the choice of seed, on fertilisation, on plant protection and liming.



Responsibility is part of the selected strategy

Rautakesko's chains aim to promote energy-efficient and healthy living. In the future, energy-efficiency, environmental values and responsibility will have a higher impact on both private and public decision-making.

The K-environmental store system was incorporated into the business concept in all Finnish chain stores. The focus of K-environmental stores, among other things, is on environmentally-friendly product selections and product labelling, on recycling and preventing the generation of waste at the stores, on store energy-use management and cleaning practices.

The Rautia chain's heat renovation truck presented economical heating systems and energy-efficient solutions for renovation and building, while also encouraging customers to reduce their household-related burden on the environment.

The K-rauta stores' nationwide campaign on energy-saving bulbs helped customers choose more energy-efficient and responsible lighting solutions.

Rautakesko participates in a project financed by Sitra, the Finnish Innovation Fund, and lead by Demos Helsinki, which supports people in their everyday energy choices.

The new K-rauta store concept focuses on interior decoration and gardening. Product groups and categories are presented in a centralised display area close to desks providing service and design assistance. More comprehensive product information and signage facilitate self-service.

In the Rautia chain, special emphases will include the 'home yard' concept and sales of houses.

In the agricultural trade, the aim is to develop the K-maatalous concept and improve market position to meet customer expectations. Objectives include the most active sales and the best total selection of products and services in the agricultural trade, including the K-maatalous cultivation programme.

The store network will be strengthened. In 2010, one new K-rauta will be opened in Finland, two new stores in

Russia and one in Belarus. A new K-rauta will also be opened in Sweden.

The Best Practise Retail Solution, Rautakesko's most important project that aims to achieve uniform business models, will continue. The project will harmonise the business models and retail information systems in the countries where Rautakesko operates.

Enhancement of electronic customer information will continue in 2010. The aim is to launch the chains' new websites, first in Finland and later in other countries.

International cooperation concerning product lines will intensify. Rautakesko's international logistics network with Itella Logistics will expand.

The target is that by the end of 2010 all purchases from the Far East will be made via tooMax-x sourcing cooperation.

Market shares and competitors

Building and home improvement trade

Finland, market share 38%

(Finnish Hardware Association, DIY, own estimate)

Competitors: Starkki, Terra, S-rauta, Agrimarket, Bauhaus

Sweden, market share 6%

(HUI, own estimate)

Competitors: Bauhaus, Bygghmax, DT Group and local speciality stores

Norway, market share 17% (TBF)

Competitors: Monter/Optimera (Saint Gobain), Maxbo and Coop

Estonia, market share 20%

(own estimate)

Competitors: Ehitus ABC (Saint Gobain), Bauhof and Espak

Latvia, market share 16% (own estimate)

Competitors: Depo DIY, Tapeks/Aile and Kursi

Lithuania, market share 25%

(own estimate)

Competitors: local building supplies and speciality stores

Russia, market share 2.0%

(ROS Business Consulting, own estimate)

Competitors: Leroy Merlin, OBI, Castorama, Maxidom, Metrica

Belarus, market share 5% (own estimate)

Agricultural trade

Finland, K-maatalous chain

Main competitor: Agrimarket chain

K-Group's building and home improvement trade, retail and B2B sales

	Number		Sales (incl. VAT) € million	
	2009	2008	2009	2008
K-rauta*	42	42	617	669
Rautia*	107	102	541	556
Rautakesko B2B Sales			197	279
K-maatalous*	90	91	448	629
K-customer contract stores	33	34	68	72
Finland, total	272	269	1,871	2,206
K-rauta, Sweden	20	19	235	233
Bygghmakker, Norway	113	118	963	1,118
Building and home improvement stores, other Nordic countries total	133	137	1,198	1,351
K-rautakesko, Estonia	9	8	76	96
K-rauta, Latvia	9	8	61	87
Senukai, Lithuania	16	16	311	532
Building and home improvement stores, Baltic countries total	34	32	447	715
K-rauta, Russia	10	9	200	240
OMA, Belarus	4	3	62	84
Building and home improvement stores, other countries total	14	12	262	324
Building and home improvement trade, outside Finland total	181	181	1,907	2,391
Building and home improvement trade, total	453	450	3,778	4,597

* In 2009, 2 K-rauta stores and 50 Rautia stores also operated as K-maatalous stores

* In 2008, 2 K-rauta stores and 47 Rautia stores also operated as K-maatalous stores

Building and home improvement segment's key figures, continuing operations

	2009	2008
Net sales	€ million 2,312	2,978
Operating profit	€ million 19.6	19.4
Operating profit excl. non-recurring items	€ million 11.9	56.4
Operating profit as % of net sales excl. non-recurring items	% 0.5	1.9
Investments	€ million 84.7	122.7
Return on capital employed* excl. non-recurring items	% 1.8	9.0
Personnel average	8,789	10,400

* cumulative average

Building and home improvement segment's net sales, continuing operations

	€ million	change, %
Building and home improvement trade, Finland	1,041	-21.1
K-rauta AB, Sweden	187	0.6
Bygghmakker, Norway	477	-16.4
Rautakesko, Estonia	63	-22.1
Rautakesko, Latvia	48	-32.9
Senukai (excl. OMA)	260	-42.1
OMA	53	-25.5
Stroymaster Group, Russia	169	-16.8
Total	2,312	-22.4

(..) change over 100%

Building and home improvement segment's capital employed at 31 December, € million

	2009	2008
Non-current assets	494	459
Inventories	196	273
Short-term receivables	222	220
./ Non-interest-bearing debt	-284	-299
./ Provisions	-4	-5
Capital employed**	624	649

** capital employed at the end of month





09

Car and machinery trade

VV-Auto and Konekesko make up the car and machinery trade division.

VV-Auto imports and markets Volkswagen, Audi and Seat passenger cars, and Volkswagen commercial vehicles in Finland, and it also imports and markets Seat passenger cars in Estonia and Latvia. VV-Auto is also engaged in car retailing and provides after-sales services at its own outlets in the Greater Helsinki area and Turku.

Konekesko is a service company specialising in the import and sales of construction, environmental and agricultural machinery, trucks and buses, and recreational machinery. Konekesko operates in Finland, the Baltic countries and Russia. Konekesko arranges the manufacture of and sells Yamarin boats in Finland and exports them to several European countries and Russia.

Kesko's most important brands in the car and machinery trade



Hyötyautot



Audi



SEAT

KONEKESKO

YAMAHA

YAMARIN



MUULI

CASE
CONSTRUCTION

Kubota

CLAAS

NEW HOLLAND
CONSTRUCTION

MANITOU



Car and machinery segment's
net sales

€947 million

Car and machinery segment's
operating profit excluding non-
recurring items

€0.3 million

Leading brands and comprehensive services



VV-Auto's market

In 2009, 90,574 passenger cars, 8,677 vans and 3,173 trucks were registered in Finland. The passenger car market decreased by 35.2% from the previous year. Registrations of new vans fell short of the previous year by 44.1% and those of trucks by 39.1%.

The market position of the brands imported by VV-Auto strengthened. Volkswagen increased its market share and was in second place in the registration statistics of both passenger cars and vans. Audi maintained its position as the number one premium brand. Seat's market share decreased slightly over the previous year. The car taxation that is based on carbon dioxide emissions increased the share of passenger cars with lower emissions and the popularity of TSI, TFSI and TDI motors which place less of a burden on the environment.

The Volkswagen range continued to expand. Launches included the revised Golf Plus, the new Polo and Golf Variant. The range of EcoFuel natural gas vehicles was complemented with the Passat Variant, Touran and Caddy Maxi. The revised Transporter range was introduced in late 2009. The Audi range was complemented with the new Audi A5 Sportback and Cabriolet. Seat arrivals of the year were the Seat Exeo and Exeo ST and the revised Altea, Altea XL, Leon and Ibiza SC.

In 2009, the market share of Volkswagen passenger cars in Finland was 12.6% and the Volkswagen Golf was the best-selling passenger car in the country. The

market share of Volkswagen vans was 20.9%. Audi had a market share of 4.7% and Seat's share was 1.0%. Seat's market share in Estonia was 1.0% and in Latvia 0.5%.

Konekesko's market in Finland, the Baltic countries and Russia

Konekesko's sales of recreational machinery are based on close and long-term cooperation with Yamaha Motor Co. Quality-minded customers are served by the comprehensive Yamaha dealer network. The Finnish market for recreational machinery totalled some €300 million in 2009.

In addition to farmers, Konekesko's most important customer groups in heavy machinery include construction, materials handling, transportation and service sector companies, and towns and municipalities.

Construction and environmental machinery is marketed in Finland, the Baltic countries and St. Petersburg through Konekesko's own dealer network. The construction market declined considerably in 2009, amounting to about €200 million in Finland, about €50 million in the Baltic countries and about €50 million in St. Petersburg, Russia.

Konekesko sells tractors, combines and their spare parts to farmers in Finland and the Baltic countries. In the latter, Konekesko also sells agricultural implements. The best-known product brands represented by Konekesko include Massey Ferguson tractors and Claas combines. The



market for agricultural machinery in Finland is some €400 million and in the Baltic countries some €200 million.

In Finland, Konekesko sells MAN trucks, and MAN and Neoplan buses through its own dealer network. The market for trucks (weight class of over 6 tons) is approximately €300 million. 146 MAN trucks and 14 buses were registered in 2009.

Strengths

At the beginning of 2009, VV-Auto and Konekesko were combined and reorganised to form the car and machinery trade division. The new division structure aims at synergy benefits and the development of sales and maintenance services.

VV-Auto and Konekesko represent the leading brands in their market area and are responsible for the marketing and sales of these brands. They also offer diversified after-sales services to their customers either through their own or a contract service network.

Strengths also include the wide product selection, high-quality products and services, a comprehensive network in several countries, efficient operating methods, skilled and service-oriented staff, and its own chain of retail outlets in the car trade.

Year 2009

In 2009, the net sales of the segment were €947 million, a decrease of 36.0%. The operating loss excluding non-recurring items was €0.3 million, €30.1 million less than in the previous year.

VV-Auto's net sales were €598 million, a decrease of 32.3% from the previous year. The net sales performance was affected by a decline in the car market, coupled with the car tax reform effective since April, as a result of which the car tax levied on cars after 1 April 2009 is excluded from the net sales. Taking the impact of the tax change into account, comparable net sales fell by 24.3%.

In terms of vehicle numbers, VV-Auto's own outlets in the Greater Helsinki area and Turku accounted for about one third of all new Volkswagen, Audi and Seat retail sales.

VV-Auto's retail sales network consists of 40 dealer shops selling Volkswagens and 59 service workshops, and 41 dealer shops and 58 service workshops for Volkswagen commercial vehicles. The corresponding figures for Audis are 17 and 39. Seats are sold by 23 dealers and maintained and repaired by 40 workshops in Finland and three in the Baltic countries.

A centralised customer relationship management system was adopted at all VV-Auto's own outlets. The construction of VV-Auto's new office building started in Veromies, Vantaa. The building will also include a new Audi outlet with a service workshop, maintenance and warehousing premises. The Volkswagen outlet and workshop located on the adjacent site will also be renovated and expanded during the process.

Konekesko's net sales were €350 million, down by 41.3% from the previous



BlueMotion

The Volkswagen cars with the best fuel economy in their size category can be identified by their BlueMotion badge. The Polo BlueMotion is the most economical five-seater in the world: combined consumption 3.3 l per 100 km and CO₂ emissions 87 g per km.



Yamaha in Finland

In 2009, Yamaha also became the market leader in motorcycles in Finland. Yamaha has been the leader in the Finnish outboard motor market since 1977.

year. This can be attributed to the decline in the machinery market and a decrease in the Baltic grain and agricultural inputs trade.

As the general economic situation deteriorated, the average sales of recreational machinery in Finland declined by about 30%. Sales of boats also dropped considerably from the previous year in the most important export markets (Norway, Sweden). Konekesko started importing and selling Linder boats in December 2009.

The Finnish and the Baltic market for construction and environmental machinery declined to less than half of the previous year, but Konekesko's market position strengthened. Konekesko returned to the warehousing technology business with Still forklifts and BITO storage systems and started the imports and sales of Dynapac compaction and paving machines in the Baltic countries.

The market for agricultural machinery dropped by about 30% in Finland and by some 50% in the Baltic countries.

Konekesko's market share of combines increased to 26.3%, but in the tractor trade the market share dropped to 14.0%.

In Finland, sales of MAN trucks declined more than the market, and the market share was 5.7%.

Objectives and strategic emphases

The segment's objectives for 2010 include increasing the market share of the brands it represents, further developing the dealer network and improving profitability. The focuses will be expanding the selection of products and services and improving electronic customer communications. The car trade will continue to focus on the development of its own chain of retail outlets and expanding the adoption of the centralised customer management system. In line with its strategy, Konekesko will also concentrate on the machinery trade and dispose of its grain and agricultural inputs trade in the Baltic countries.

Market shares

VW-Auto

Finland:

Volkswagen passenger cars 12.6%

Audi passenger cars 4.7%

Seat passenger cars 1.0%

Volkswagen vans 20.9%

(Transport Safety Agency TraFi, Vehicular and Driver Data Register)

Estonia:

Seat passenger cars 1.0%

Latvia:

Seat passenger cars 0.5%

(Estonian and Latvian car dealers associations)

Konekesko

Finland: market share 6–41%, depending on product group (own estimate)

Estonia: market share 20% (own estimate)

Lithuania: market share 20% (own estimate)

Latvia: market share 30% (own estimate)

K-Group's car and machinery trade, retail and B2B sales

	Number		Sales (incl. VAT) € million	
	2009	2008	2009	2008
VW-Auto, retail outlets	6	6	374	489
VW-Auto, imports	1	1	372	605
Konekesko, Finland	2	1	230	351
Finland, total	9	8	977	1,445
Konekesko, Estonia			38	69
Konekesko, Latvia			102	152
Konekesko, Lithuania			35	55
Konekesko, Baltic countries			175	276
Car and machinery trade, total	9	8	1,152	1,721

Car and machinery segment's key figures, continuing operations

		2009	2008
Net sales	€ million	947	1,480
Operating profit	€ million	-5.1	30.5
Operating profit excl. non-recurring items	€ million	0.3	30.4
Operating profit as % of net sales excl. non-recurring items	%	0.0	2.1
Investments	€ million	13.4	15.6
Return on capital employed* excl. non-recurring items	%	0.1	10.8
Personnel average		1,291	1,451

* cumulative average

Car and machinery segment's net sales, continuing operations

	€ million	change, %
VW-Auto Group	598	-32.3
Konekesko, Finland	185	-31.9
Konekesko, Baltic countries	165	-49.3
Total	947	-36.0

Car and machinery segment's capital employed at 31 December, € million

	2009	2008
Non-current assets	96	99
Inventories	157	255
Short-term receivables	67	89
./. Non-interest-bearing debt	-83	-127
./. Provisions	-15	-15
Capital employed**	222	302

** capital employed at the end of month