

Kesko is the leading provider of trading sector services and a highly valued listed company. It operates in the food, home and speciality goods, building and home improvement, and car and machinery trades. Kesko has about 2,000 stores engaged in chain operations in Finland, Sweden, Norway, Estonia, Latvia, Lithuania, Russia, and Belarus.

KESKO IN BRIEF

OUR CORE COMPETENCE AREAS

- Development and management of store concepts and brands
- Development, ownership and management of the store network
- Efficient purchasing and logistics
- International retail expertise
- Combining retailer entrepreneurship and chain operations efficiently
- Leveraging centralised resources and economies of scale

KESKO'S DIVISIONS Food trade | page 18

Kesko Food is the leading operator in the Finnish grocery trade. K-retailers, with whom Kesko Food applies the chain business model, are responsible for customer satisfaction at the more than 1,000 K-food stores. Kesko Food manages the K-food store chains, which are K-citymarket, K-supermarket, K-market and K-extra.

Kesko Food's main functions include the centralised purchasing of products, selection management, logistics, and the development of chain concepts and the store network. Chain operations ensure the efficiency and competitiveness of business.

Kesko Food's subsidiary Kespro is the leading wholesaler in the Finnish HoReCa business. It offers the best sourcing solutions in the sector for its customers.

Home and speciality goods trade | page 24

The home and speciality goods trade comprises Anttila and Kodin Ykkönen, K-citymarket's home and speciality goods, Intersport Finland, Indoor's Askö and Sotka, Musta Pörssi and Kenkäkesko. The total number of home and speciality goods stores is 427, which operate in 13 chains. 190 of the stores are owned by Kesko.

Building and home improvement trade | page 32

Rautakesko is an international service provider which retails building, renovation and home improvement supplies in Finland, Sweden, Norway, Estonia, Latvia, Lithuania, Russia and Belarus. Rautakesko manages and develops the K-rauta, Rautia, K-maatalous, Byggmakker, Senukai and OMA retail chains and B2B sales in its operating area. Rautakesko's main functions include the centralised development of chain selections, centralised purchasing and logistics, and the development of chain concepts and the store network.

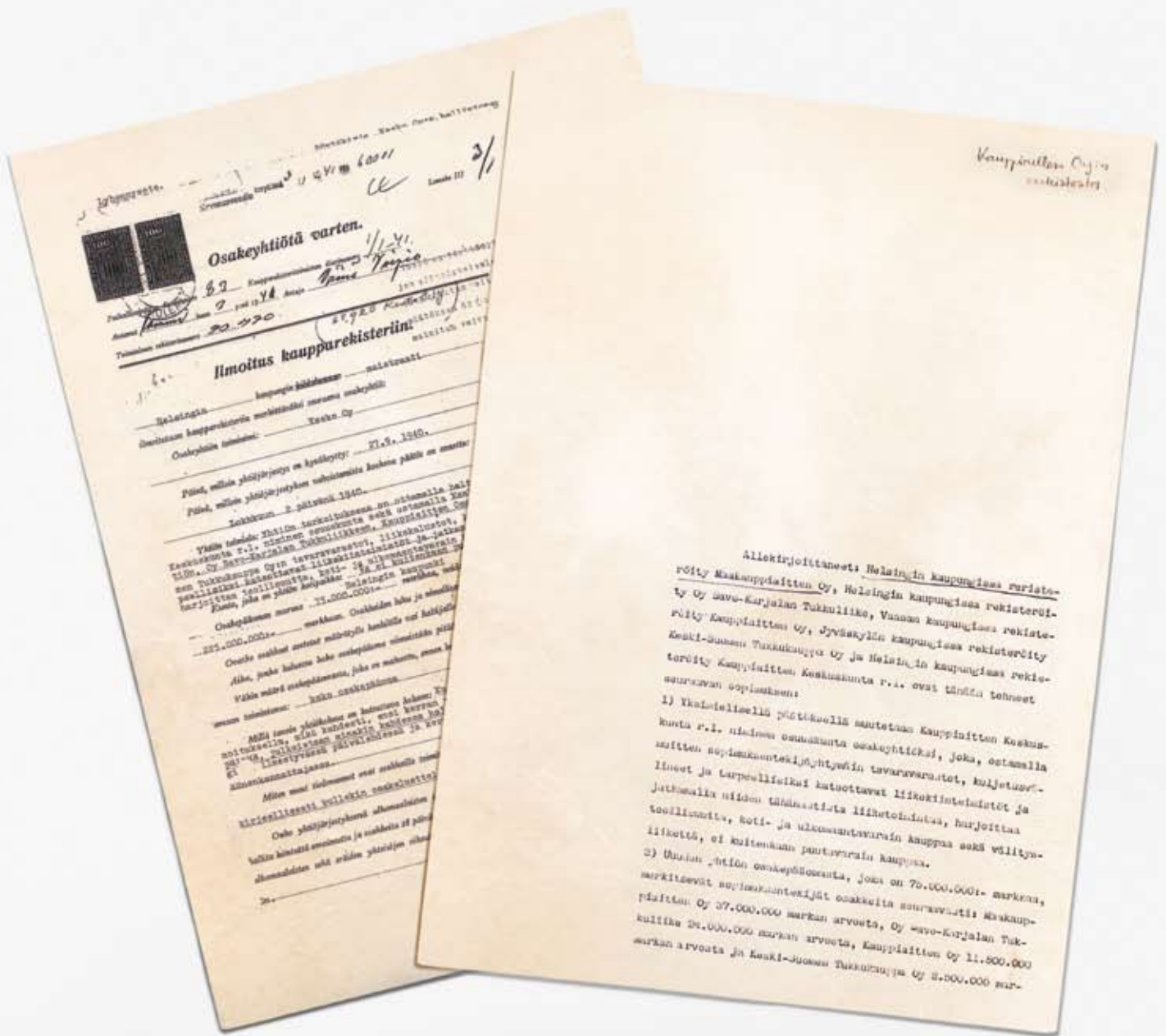
There are 331 building and home improvement stores in eight countries and 88 agricultural stores in Finland. All stores in Finland are owned by retailer entrepreneurs. There are also 96 retailer-owned stores in Norway.

Car and machinery trade | page 40

The car and machinery trade segment consists of VV-Auto and Konekesko with their subsidiaries.

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, marketing and after-sales services of recreational machinery, construction and materials handling machinery, agricultural machinery, and buses and trucks. Konekesko operates in Finland, Estonia, Latvia, Lithuania and Russia. Konekesko arranges the manufacture of and sells Yamarin boats in Finland and exports them to several European countries and Russia.



KESKO 70 YEARS

Kesko was established on 14 October 1940 by four regional wholesale companies – Oy Savo-Karjalainen Tukkuliike, Keski-Suomen Tukkukauppa Oy, Kauppiaitten Osakeyhtiö and Maakauppiaitten Osakeyhtiö – which had been founded by retailers. Kesko was entered in the Trade Register on 3 January 1941, which marked the start of business operations.

Kesko sourced and delivered goods to K-retailers on competitive terms. This function has remained and the operations have expanded to cover the management and development of store chains, retailing and store site operations.

Kesko was listed on the stock exchange in 1960. At the end of 2010, there were 38,258 shareholders, of which 26% were foreign. In 2010, Kesko's net sales totalled some €8.8 billion and the whole K-Group's sales amounted to some €11 billion. Kesko operates in eight countries and has about 22,000 employees, while the whole K-Group staff is 45,000. More than one million customers shop at K-stores every day.

VISION

Kesko is the leading provider of trading sector services and a highly valued listed company.

VALUES

THE VALUES GUIDE OUR OPERATIONS:

WE EXCEED OUR CUSTOMERS' EXPECTATIONS

We recognise our customers' needs and expectations. We strive to offer them positive experiences through the continual reform of our operations and emphasis on entrepreneurial activity.

WE ARE THE BEST OPERATOR IN THE TRADING SECTOR

We offer our customers the best products and services in the market to ensure our competitiveness and success.

WE CREATE A GOOD WORKING COMMUNITY

We operate in an open, interactive working community where people are respected and every individual can contribute to the full and use his or her initiative.

WE BEAR OUR CORPORATE RESPONSIBILITY

Our operations are responsible and we follow ethically acceptable principles in all actions within our working community and in relations with our partners.



REVIEW BY THE PRESIDENT AND CEO

KESKO'S PROFITABILITY IMPROVEMENT WAS EXCELLENT

Growth in business operations gained speed towards the end of 2010 and the development in profitability was excellent throughout the year. The food trade and the home and speciality goods trade achieved record performance. Kesko's solvency and liquidity continued to strengthen.

In the food trade, efficiency and performance have continued to improve and sales growth has been better than the market. The home and speciality goods sales took a moderate turn upward after the recession. K-citymarket's, Anttila's, Intersport's, Asko's and Sotka's profit improvements are significant. The turn in the building and home improvement trade boosted sales and also improved profit. Profit in the car and machinery trade increased as expected. The market share of Volkswagen and Audi increased.

WE AIM AT PROFITABLE GROWTH IN FINLAND AND NEARBY AREAS

In addition to the Finnish market, Kesko aims at profitable growth in nearby areas. The direction for growth is, above all, the large and fast growing market in Russia, where Kesko is continuing to further strengthen the network of building and home improvement stores. We are also investigating opportunities for expanding the food trade, the car and machinery trade, and the sports trade into Russia.

The core of K-food stores' competitive advantages lies in superior selections of fruit, vegetables, bakery products, meat, fish and ready-to-eat meals, as well as Pirkka products. They have a crucial impact on where customers most often choose to shop and on customer loyalty. Competitiveness will be improved by continuing the strong development of the store network.

In the home and speciality goods trade, competitiveness will be improved by enhancing the current online stores and electronic services and opening new ones. Anttila's new logistics centre will ensure efficient warehousing and distribution in e-commerce too.

The network of building and home improvement stores will be expanded in Finland and our other operating countries, particularly in Russia, over the next few years. Competitiveness will be enhanced by investing in centrally directed sourcing and selections development, as well as in the joint enterprise resource planning system and logistics network.

OUR AIM IS TO INCREASE THE COMMITMENT OF K-PLUSSA CUSTOMERS

K-Plusa is the K-Group's joint customer loyalty system, which helps K-Group retailers, stores and chains improve customer satisfaction and attention. K-Plusa is the most extensive and diverse customer loyalty programme in Finland. More than 3.6 million Finns already have the K-Plusa customer loyalty card. Customer information is used when planning selections and pricing, in marketing and when planning the store network.

CHIP&PIN TERMINALS CAME TO K-STORES

Following the European practice, Finland adopted international chip&pin payment cards at the end of 2010. Updating payment systems to the new era is a major project in the Kesko Group and the K-Group, starting from selecting a joint payment terminal for some 1,400 K-Group stores in Finland, approximately 7,000 terminals in all. Security of payments, ease of use and reliability were highlighted when selecting the terminal. All stores will have new chip&pin terminals by the summer of 2011.

PERSONNEL

Kesko and its chain stores employ some 45,000 professionals and experts. Job satisfaction among our personnel and availability of competent employees are of primary importance. The key objective of the work and productivity programme launched in 2008 is to increase labour productivity in Kesko and the chains' stores. The most important tools for improving productivity include increasing personnel competence and management, as well as the efficiency of operating practices.

Kesko has also launched a new, extensive project to improve wellbeing at work.



Next to the 'Expectation' sculpture, from left, Esa Kiiskinen, member of Kesko's Board of Directors; President and CEO Matti Halmesmäki; Board Chair Heikki Takamäki; Board members Ilpo Kokkila, Maarit Näkyvä and Rauno Törrönen; Board Deputy Chair Seppo Paatelainen; and Board member Mikko Kosonen.

RESPONSIBILITY

Kesko has been working for sustainability on a long-term basis and has an established position in comparisons measuring sustainability.

Kesko was included in the Dow Jones sustainability indexes, DJSI World and DJSI Europe, for the eighth time. In the 2010 international comparison, Kesko gained the sector's best score in operational eco-efficiency, environmental reporting, risk management, and anti-corruption and anti-bribery practices.

Kesko's Corporate Responsibility Report was selected as the second best in the 'Corporate Responsibility Reporting 2010' competition in Finland.

Kesko's responsibility programme covers the period 2008–2012 and the updating will start during 2011. The Corporate Responsibility Report provides information on the objectives and performance of the programme with various indicators and case examples.

KESKO 70 YEARS

In January 2011 we celebrated Kesko's 70th anniversary by working towards continued success. Kesko was established on 14 October 1940 by four regional wholesale companies – Oy Savo-Karjalan Tukkuoliike, Keski-Suomen Tukkukauppa Oy, Kauppiaitten Osakeyhtiö and Maakauppiaitten Osakeyhtiö – which had been founded by retailers. Kesko was entered in the Trade Register on 3 January 1941, which marked the start of business operations.

On Mother's Day, Kesko and K-retailers donated sculptor Pekka Jylhä's 'Expectation', depicting an expectant mother, to the City of Helsinki. The bronze sculpture is located in Kaivopuisto Park in Helsinki. The sculpture project is part of Kesko's corporate responsibility.

THANKS TO EMPLOYEES, SHAREHOLDERS, K-RETAILERS AND ALL BUSINESS PARTNERS

I wish to extend my warmest thanks to all Kesko employees for their diligence and for a job well done. I would also like to thank all shareholders, K-retailers and their staff, and all our business partners for good cooperation during 2010.

Matti Halmesmäki
President and CEO

YEAR 2010 IN BRIEF

- The Kesko Group's net sales in January-December 2010 totalled €8,777 million (€8,447 million)
- Operating profit excluding non-recurring items was €268.1 million (€155.4 million)
- Profitability improved in all divisions
- Earnings per share excluding non-recurring items were €1.78 (€0.71)
- The Board of Directors proposes to the Annual General Meeting that €1.30 per share (€0.90) be distributed as a dividend for 2010

NET SALES AND SALES INCREASED

In 2010, Kesko's net sales were back on growth path, representing an increase of 3.9% from the previous year. Net sales increased in all divisions. In Finland, net sales increased by 4.3% and in other countries by 2.2%.

The K-Group's (Kesko's and chain stores') retail and B2B sales (VAT 0%) totalled €10,977 million and increased by 4.2% from the previous year.

In the food trade, net sales were €3,896 million, up 2.6% from the previous year. The grocery sales of K-food stores increased by 4.2% (VAT 0%). Good sales performance was achieved especially by K-citymarkets and K-supermarkets. The sales of Pirikka products increased by 11.2%. K-food stores' market share increased in 2010. The operating profit excluding non-recurring items of the food trade was €160.1 million, an increase of €27.0 million.

In the home and speciality goods trade, net sales were €1,569 million, up 0.7% from the previous year. K-citymarket's home and speciality goods, Intersport's and Budget Sport's sales developed best. The operating profit excluding non-recurring items of the home and speciality goods trade was €66.0 million, an increase of €36.5 million.

In the building and home improvement trade, net sales were €2,519 million, up 9.0%. The building and home improvement market in all operating countries turned up during the latter half of the year. The operating profit excluding non-recurring items of the building and home improvement trade was €24.0 million, an increase of €12.1 million.

In the car and machinery trade, net sales were €955 million, up 0.8%. The comparable net sales grew by 15.1%. The impact of the car tax change (effective 1 April 2009) and the discontinued Baltic grain and agricultural inputs trade have been eliminated from the comparable net sales. VV-Auto's sales increased and the year-end volume of orders was higher than in the previous year. The combined market share of Audi, Volkswagen and Seat rose to 19%. Konekesko's comparable net sales increased by 6.2%. The operating profit excluding non-recurring items of the car and machinery trade was €33.1 million, an increase of €32.7 million.

PROFITABILITY IMPROVED IN ALL DIVISIONS

Kesko's operating profit excluding non-recurring items was €268.1 million, up €112.8 million from the previous year. Operating profit excluding non-recurring items exceeded the level of the previous year in all divisions. Solvency and liquidity remained at an excellent level.

STORE NETWORK IS STRENGTHENED

In 2010, the Group's capital expenditure totalled €325.3 million (€198.0 million). Capital expenditure in store sites was €212.2 million.

The food trade segment invests strongly in the expansion and renovation of the store network. A new K-citymarket in Iisalmi and seven K-supermarkets and eight K-markets were opened in 2010. In addition, one K-supermarket was extended and turned into a K-citymarket, while renovations and extensions were made in several stores.

In the home and speciality goods trade, a new Kodin Ykkönen department store was opened in Lappeenranta.

The network of building and home improvement stores will be expanded in Finland and other operating countries, particularly in Russia, in the next few years. In 2010, one new K-rauta store was opened in Jyväskylä, Finland, one in Stockholm, Sweden, and two stores in nearby areas of Moscow, Russia.

STATUTORY PENSION LIABILITY IS TRANSFERRED TO ILMARINEN

On 1 September 2010, the management of the statutory pension liability and the related insurance portfolio of some 3,100 people employed by the Kesko Group were transferred from the Kesko Pension Fund to Ilmarinen Mutual Pension Insurance Company. The insurance portfolio is transferred in two phases; the second phase will not be implemented until the beginning of 2012 at the earliest.

NUMBER OF FOREIGN SHAREHOLDERS INCREASED

The number of shareholders totalled 38,258 at the end of 2010, a decrease of 630 from the previous year. Foreign shareholders owned 38% of the B shares at the end of the year, compared with 30% the previous year.

Performance indicators for 2010

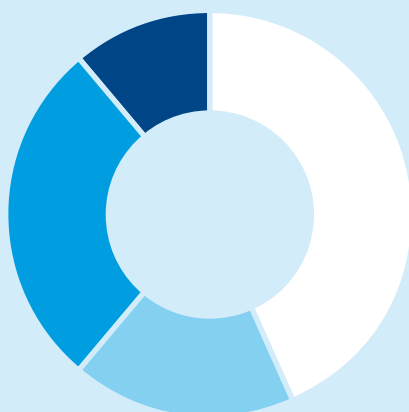
KEY FIGURES

		2010	2009	Change
Net sales	€ million	8,777	8,447	3.9%
Operating profit	€ million	306.7	232.3	€74.4 million
Operating profit excl. non-recurring items	€ million	268.1	155.4	€112.8 million
Profit before tax	€ million	312.4	216.6	€95.8 million
Return on capital employed	%	15.9	11.0	4.9 pp
Return on equity	%	10.1	6.6	3.5 pp
Cash flow from operating activities	€ million	438	379	15.7%
Capital expenditure	€ million	325	198	64.3%
Equity ratio	%	53.4	54.1	-0.7 pp
Gearing	%	-16.8	-12.5	-4.3 pp
Dividend per share	€	1.30*	0.90	44.4%
Earnings per share, diluted	€	2.06	1.27	62.1%
Equity per share, adjusted	€	21.81	20.39	7.0%
Personnel, average		18,215	19,200	-5.1%

*proposal to the AGM

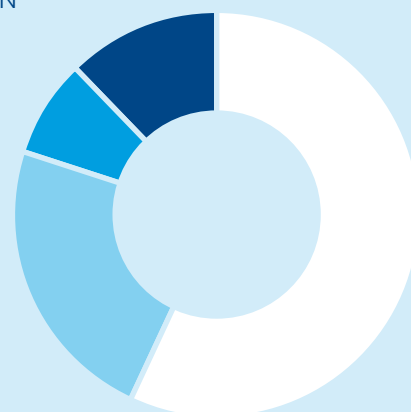
NET SALES IN 2010, BREAKDOWN

- Food trade 44%
- Home and speciality goods trade 18%
- Building and home improvement trade 28%
- Car and machinery trade 11%



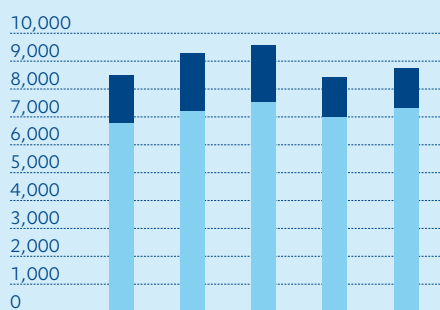
OPERATING PROFIT EXCL. NON-RECURRING ITEMS IN 2010, BREAKDOWN

- Food trade 57%
- Home and speciality goods trade 23%
- Building and home improvement trade 8%
- Car and machinery trade 12%



GROUP'S NET SALES*

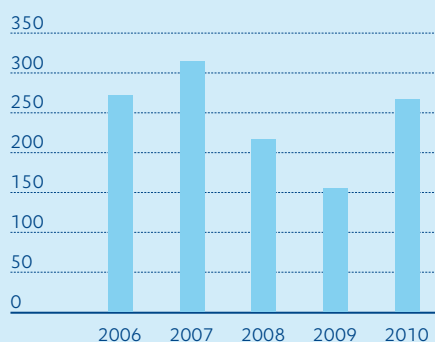
€ million



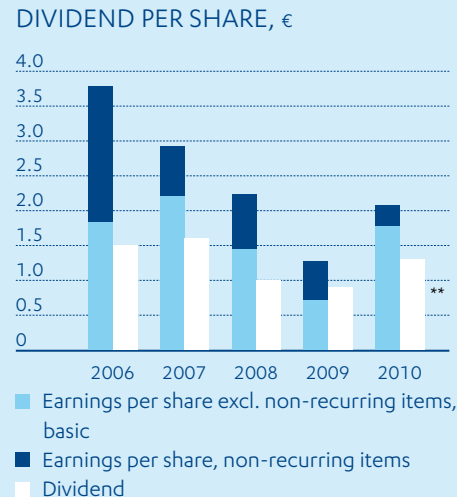
- Finland
- Other countries

GROUP'S OPERATING PROFIT*

excl. non-recurring items, € million



EARNINGS PER SHARE AND DIVIDEND PER SHARE, €



*continuing operations

**proposal to the AGM



Illustrative picture of the Veturi shopping centre in Tervaskangas.

Kesko is a highly valued listed trading sector company. It manages retail store chains that are valued by customers, and efficiently produces services for retail store chains' purchasing, logistics, network development and data management. Kesko's operations include the food, home and speciality goods, building and home improvement, and car and machinery trades. Its division parent companies and chains act in close cooperation with retailer entrepreneurs and other partners. Kesko operates in Finland, Sweden, Norway, Estonia, Latvia, Lithuania, Russia, and Belarus.



STRATEGIC OBJECTIVES

PROFITABLE GROWTH

- Our objective is to grow faster than market
- We seek growth in nearby areas, particularly in Russia
- We invest in our store network
- We develop e-commerce solutions
- We increase our shareholder value

SALES AND SERVICES FOR CONSUMER-CUSTOMERS

- We increase the value of our brands
- Our customer satisfaction exceeds that of our competitors
- Our competitive asset is the K-retailers who know the local customers and their needs
- We use loyal customer information efficiently and commit our customers

RESPONSIBLE AND EFFICIENT OPERATING PRACTICES

- Our operating practices are responsible
- We efficiently combine retailer entrepreneurship and chain operations
- We leverage our economies of scale and competence for the benefit of customers
- We automate our routines and processes

THE OBJECTIVE IS PROFITABLE GROWTH

PROFITABLE GROWTH

Our objective is to have better sales growth than market and to increase our shareholder value

Kesko's key strategic objective is healthy, profitable growth. In the home market, the objective is to grow faster than market. Growth is also sought in nearby areas, particularly in the fast developing Russian market.

The target return on equity is 12%, while the target return on capital employed is 14%. Our objective is to maintain good solvency in all market conditions.

Capital expenditure in the store network and in strengthening competitive advantages

Kesko seeks growth by strengthening its store network, by implementing projects that give competitive advantage and synergy benefits, and by developing electronic customer communications, including e-commerce.

Capital expenditure in the food trade is directed at expanding and refurbishing the store network in Finland. In addition, the target is to expand business to Russia. The most important project giving competitive advantage in the food trade involves strengthening the selections, service and displays of fruit, vegetable and bakery departments and service counters offering meat, fish and ready-to-eat meals.

In the home and speciality goods trade, synergy benefits are sought by combining purchasing and logistics operations, and chain management. The most important project giving competitive advantage is that designed to increase e-commerce.

In the building and home improvement trade, the store network will be expanded over the next few years in Finland and other operating countries, mainly in Russia. Synergy benefits are achieved by investing in centrally directed sourcing and selections development, and in a joint enterprise resource planning system and logistics network.

In the car and machinery trade, the market shares of the brands represented, such as Volkswagen and Audi, will be increased by developing the retail sales network.





SALES AND SERVICES FOR CONSUMER-CUSTOMERS

Kesko is a house of brands

Kesko has dozens of successful chain and product brands. Strategic objectives and a target image have been defined for each brand. The brands are built and managed according to customer needs, taking the K-Group's structure and business models into account. The objective is to increase the value of the brands and to improve the efficiency of marketing. This is systematically measured by customer satisfaction and employer profile surveys, as well as by financial indicators.

The main target group of the chain and product brands owned by Kesko is consumers, whose shopping experiences at the K-stores determine our success in the market.

K-Plussa is the joint customer loyalty system of the K-Group. It is the most extensive and diverse customer loyalty system in Finland, providing K-Plussa customers with benefits at over 3,000 outlets and from more than 40 business partners. Chains and stores utilise customer information in their selection planning, pricing, marketing and store network planning, for example. A key objective is to increase the commitment of K-Plussa customers.

Kesko is primarily the group brand of a listed company. The target groups of the Kesko brand are investors, shareholders, suppliers of goods and services, employees, society in general and all who are in our operating environment. The objective is to increase shareholder value.

BREAKDOWN OF KESKO'S NET SALES BY BUSINESS MODEL, %



- Kesko's sales to retailer entrepreneurs 52%
- Kesko's own retailing 27%
- Kesko's B2B sales 21%

Customer-driven business models

The business models applied in Kesko's sales to consumer-customers are retailing through retailer entrepreneurs and Kesko's own retailing. Kesko is also engaged in B2B sales.

1) Retailer entrepreneurs' retailing

The principal business model in the Finnish market is the chain business model, in which independent K-retailers run retail stores in chains managed by Kesko. In Finland, for example, all food and building and home improvement stores in the K-Group are run by retailer entrepreneurs. Through its chain operations, Kesko provides a first-class setting for its retailer entrepreneurs to provide the best possible service to their customers. The K-retailer entrepreneur implements the chain concept and is responsible for store management, customer satisfaction, the personnel and business profitability. The K-Group's competitive edge derives from its best selections, excellent service and knowledge of customer needs.

At the end of 2010, Kesko had 1,270 K-retailer entrepreneurs as well as about 170 other retailer entrepreneurs in the Asko, Sotka, Byggmakker and Senukai chains as partners. Kesko's sales to the retailer entrepreneurs accounted for 52% of Kesko's net sales in 2010.

2) Kesko's own retailing

Kesko acts as a retailer in business operations where the competitive advantage derives from having a centrally managed chain concept and large units. Kesko's own retail stores in Finland include the Anttila and Kodin Ykkönen

department stores. In addition, Kesko is also responsible for retailing home and speciality goods in the K-citymarket chain. Kesko's own retailing is the model mainly used in expanding business operations outside Finland. In 2010, Kesko's own retailing accounted for 27% of net sales.

3) B2B sales

Kesko is also engaged in B2B sales. Typical B2B customers include construction companies, agricultural entrepreneurs, the manufacturing industry, institutional kitchens and the public sector. In 2010, Kesko's B2B sales accounted for 21% of net sales.

Online communications and e-commerce

New online services, wireless solutions and different terminal devices have increased the diversity of customers' needs and purchasing habits. Electronic marketing and interactive customer business models will be a key competitive factor in the near future.

The development of online communications and e-commerce are strategic focal points in all divisions. The objective is that customers will be able, if they wish, to use the K-Group's online services from planning their purchases to using the product.

Kesko is developing its current online stores and services and opening new ones. The objective is to improve customer satisfaction and increase sales. Kesko has gained a strong position in online sales of home and speciality goods through the NetAnttila, Kodini.com, Konebox.fi, CM-store and Budget Sport online stores.

CUSTOMER-DRIVEN BUSINESS MODELS



RESPONSIBLE AND EFFICIENT OPERATING PRACTICES

Sustainable development and responsible operating practices

The principles of sustainable development and responsible operating practices are a central part of Kesko's and its chains' daily activities. The trading sector is required to take responsibility for product safety and healthiness, and for the environmental and social impact of business operations. The results of responsible operations are reported annually in Kesko's Corporate Responsibility Report.

Efficient combination of retailer entrepreneurship and chain operations, and benefitting from economies of scale

A strategic objective is to efficiently combine K-retailer entrepreneurship and chain operations. The K-retailer entrepreneur implements the chain concept and is responsible for store management, customer satisfaction, the personnel and business profitability.

Kesko's efficient chain operations and joint processes provide support to retailers. Chain operations offer the retailer a joint business concept which includes chain control related to chain selection, pricing and marketing, and business management support. Joint chain operations carried out by retailers and Kesko are further enhanced by developing increasingly better tools and business models for the stores. The most important of these are regional and store-specific selections and pricing guidance as well as tools for customer relationship and store personnel management.

The function of Kesko's purchasing and logistics is to source and deliver products efficiently and at competitive prices. Purchasing is always target-oriented and based on plans. The aim is selections which serve customers best and at affordable prices, while responsible practices are applied. Logistics operations manage the whole supply chain efficiently and provide customers with an optimum on-shelf availability at the lowest possible costs.

Kesko participates in international purchasing cooperation in various product lines, which increases purchasing volumes and efficiency. The most important partnership organisations in which Kesko participates include AMS Sourcing B.V. in the grocery trade, tooMax-x in the building and home improvement trade, Intersport International Corporation in the sports trade, and Electronic Partner International in the home technology trade.

Work and productivity programme

Cost-efficient operations build price competitiveness and customer satisfaction in the retailing sector. Cost-efficiency is also a basic requirement for increasing Kesko's profitability and shareholder value.

The key objective of the work and productivity programme launched is to increase labour productivity in Kesko and the chain stores. The most important tools for improving productivity include enhancing personnel competence and management, and increasing the efficiency of operating practices.

Promoting the wellbeing of employees has become an increasingly important factor. A management model will be built and results measured to improve wellbeing at work. Several projects on work health promotion are underway, aimed at improving the working capacity and motivation of employees, reducing sickness and increasing the retirement age.

Electronic and automated processes

A project to automate processes and routines with the goal of improving cost-efficiency is underway in Kesko. Key areas in process automation include logistics automation projects, the forecasting systems and automated orders that improve the availability of products in stores, the adoption of electronic purchase and sales invoices, and the automation of financial management routines in the shared services centre of the Kesko Group.

More detailed information on each division's strategic emphases and projects is provided in the division-specific presentations starting on page 18.

FINANCIAL OBJECTIVES AND THEIR REALISATION

Objectives announced on 5 Feb. 2009	Target level	Realised in 2010	Realised in 2009
Net sales growth	Growth faster than market	Realised*: Food trade, K-citymarket's home and speciality goods trade, car and machinery trade	Realised*: Food trade, sports trade, building and home improvement trade (Finland), car and machinery trade
Return on equity	12%	10.1%, excl. non-recurring items 8.7%	6.6%, excl. non-recurring items 3.8%
Return on capital employed	14%	15.9%, excl. non-recurring items 13.9%	11.0%, excl. non-recurring items 7.3%
Interest-bearing net debt/EBITDA	< 3	-0.9	-0.7
Equity ratio	40–50%	53%	54%
Economic value added	Growing positive EVA as internal indicator	Realised in all divisions, except for building and home improvement trade	Not realised

*Kesko's own estimate

K-PLUSA IS THE MOST EXTENSIVE CUSTOMER LOYALTY PRO- GRAMME IN FINLAND

The most extensive and diverse customer loyalty programme in Finland provides K-Plussa customers with benefits from more than 3,000 outlets and over 40 business partners. Local K-retailers and the K-Group chains also offer special benefits and services to their K-Plussa customers.



All K-Group stores will have similar, easy-to-use and secure chip & pin terminals.

In 2010, the K-Plussa customer loyalty programme gained over 170,000 new customers. Approximately 2.1 million households are in the sphere of customer loyalty benefits.

By concentrating their purchases, K-Plussa customers get benefits and services that are based on their needs and shopping behaviour. The K-Plussa customer loyalty system operates on three levels: benefits granted to customers are either store-specific, chain-specific or provided across the entire K-Plussa network. Targeted marketing communications and special offers in electronic channels in particular were further increased in 2010.

RETAILERS CATER FOR CUSTOMERS

Customer information obtained via the K-Plussa card is used in planning store-specific selections and services and in targeting the store's marketing messages. Targeted marketing carried out by the retailers both in electronic and traditional media is cost-efficient and attracts much attention. Results obtained from special benefits and events targeted to customers are extremely good.

K-GROUP CHAINS' OPERATIONS ARE BASED ON CUSTOMER INFORMATION

At the chain level, customer information obtained via K-Plussa is leveraged in store network planning, concept development, and in building the chains' selections and services. Many chains have loyalty schemes targeted for their important customer groups, such as Kodin Ykkönen's Ykkösasiakas programme.



BENEFITS FOR ALL K-PLUSA CUSTOMERS

K-Plussa offers significant benefits available for all customers: each month hundreds of topical K-Plussa offers, which always give customers a benefit of at least 10%, provided at the checkout. By centralising their purchases in the K-Plussa network, customers also receive a benefit of up to 5% in the form of K-Plussa points.

The importance of targeted electronic communications continues to grow. Customers can choose which chains or areas of interest they want to have electronic communications from. K-Group chains and stores also approach their customers with personal e-mail offers. Customers can deposit their K-Plussa points in their bank account with any bank. Since spring 2010, K-Plussa customers have also been able to order their K-Plussa points notice direct to their electronic mail service instead of receiving a paper copy.

The K-Group's customer magazine Pirkka, the most widely read magazine in Finland, is distributed to every home. The magazine contains articles on cooking, fashion and interior decoration, for example, as well as benefits and special offers to K-Plussa customers.

NEW PARTNERS TO THE K-PLUSA NETWORK

K-Plussa benefits are available from more than 3,000 outlets and over 40 business partners. In May 2010, the Restel hotel and restaurant network became a new K-Plussa partner. The network consists of some 200 restaurants and nearly 50 hotels and spas throughout Finland.

MORE THAN 170,000 NEW K-PLUSA CUSTOMERS

In 2010, the K-Plussa customer loyalty programme gained more than 170,000 new customers. There are over 3.6 million K-Plussa customers.

Customers can attach the K-Plussa feature to their OP-Pohjola debit cards, credit cards and Visa Electron cards, as well as to Nordea and Sampo Bank Visa Electron cards. There are nearly 900,000 co-branding cards.

Customer information and programmes play a key role in business planning. In the K-Group, customer information is collected and analysed by K-Plus Oy.

Customers' privacy protection is ensured when customer information is collected and made use of. K-Plus Oy processes customers' purchasing data on the sum total or product group level. Anonymous receipt line level purchasing data may also be used.

Napero Club is also on Facebook

The Napero Club is meant for all K-Plussa customers of the K-Group who have children aged under seven. The club has over 140,000 members from over 130,000 households. In 2010, the club was extended to Facebook. On the Facebook pages of the Napero Club, families with children can discuss subjects they find interesting and at the same time have access to information about new products, special offers, contests and entertainment.