

KESKO IN BRIEF

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 has about 2,000 stores engaged in chain operations in Finland, Sweden, Norway, Estonia, Latvia, Lithuania, Russia and Belarus.

Kesko and K-retailers form the K-Group, whose retail sales totalled €12 billion (VAT 0%) in 2011. The K-Group employs around 45,000 people.

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 GROUP'S NET SALES

€9,460m +7.8%

KESKO GROUP'S OPERATING PROFIT EXCL. NON-RECURRING ITEMS

€279m +€10.8m

KESKO OPERATES IN EIGHT COUNTRIES

- **Finland:** all divisions
Number of stores: 1,643
- **Sweden and Norway:** building and home improvement trade
Number of stores: 131
- **Baltic countries:** building and home improvement trade, machinery trade, furniture trade and distance sales
Number of stores: 43
- **Russia, St Petersburg and Moscow areas:** building and home improvement trade, sports trade, machinery trade
Number of stores: 50
- **Belarus:** building and home improvement trade
Number of stores: 6



THE YEAR IN FIGURES

- The Kesko Group's net sales totalled €9,460 million, up 7.8% in January-December.
- Operating profit excluding non-recurring items was €278.9 million (€268.1 million), 2.9% of net sales (3.1%).
- Earnings per share excluding non-recurring items were €1.84 (€1.78).
- The Board of Directors proposes a dividend of €1.20 per share, which is 65% of the earnings per share excluding non-recurring items.

NET SALES AND OPERATING PROFIT EXCLUDING NON-RECURRING ITEMS INCREASED

In 2011, net sales continued to grow in the food trade, the building and home improvement trade and the car and machinery trade. In Finland, net sales increased by 7.3% and in other countries by 10.1%. International operations accounted for 17.1% (16.7%) of the net sales.

Profitability improved in the car and machinery trade, the food trade and the building and home improvement trade.

In the food trade, net sales were €4,182 million, up 7.3% in 2011. The sales growth of Pirkka products to K-food stores was excellent: 32%. Good sales performance was achieved especially by K-citymarkets and K-supermarkets. Operating profit excluding non-recurring items of the food trade was €172.2 million (€160.1 million).

In the home and speciality goods trade, net sales were €1,564 million, at the level of the previous year. K-citymarket's home and speciality goods as well as Asko and Sotka increased their sales. The sales of Anttila decreased. The operating profit excluding non-recurring items was €36.6 million (€66.0 million). In addition to the decrease in Anttila's sales, profitability of the home and speciality goods trade was adversely affected by the launch of Anttila's new logistics centre, the reform of K-citymarket's and Anttila's purchasing operations, and the expansion of the store network.

In the building and home improvement trade, net sales were €2,716 million, up 7.8%. Sales performance and structure varied between countries and customer groups. Foreign operations contributed 54.6% to the net sales of the building and home improve-

ment trade. Operating profit excluding non-recurring items of the building and home improvement trade was €26.6 million (€24.0 million). Profit performance was affected by the sales growth mainly deriving from basic building materials with low margins, the expansion of the store network and by the costs related to the introduction and development of the international enterprise resource planning system.

Net sales of the car and machinery trade were €1,174 million, up 23.0%. Operating profit excluding non-recurring items of the car and machinery trade was €51.8 million (€33.1 million). The strong profit was attributable to excellent sales performance.

The K-Group's (Kesko's and K-retailers') retail and B2B sales (VAT 0%) totalled €11,767 million and increased by 7.2% from the previous year.

CAPITAL EXPENDITURE IN STORE SITES

In 2011, the Kesko Group's capital expenditure totalled €425.4 million (€325.3 million), or 4.5% (3.7%) of net sales. Capital expenditure in store sites was €361.8 million (€209.2 million). Capital expenditure in foreign operations represented 31.7% (13.1%) of the total capital expenditure.

Store openings in 2011 included six new K-citymarkets, 17 K-supermarkets, one Kodin Ykkönen department store and four new K-rauta stores.



READ MORE

Kesko's financial performance is presented in the financial statements, starting on page 62.

Kesko had a year of profitable growth

- In the food trade, market share and profit improved.
- In the home and speciality goods trade, Asko's and Sotka's sales and profits were excellent.
- In the building and home improvement trade, sales increased markedly, profit performance remained slow.
- Volkswagen and Audi achieved record level profits and market shares.

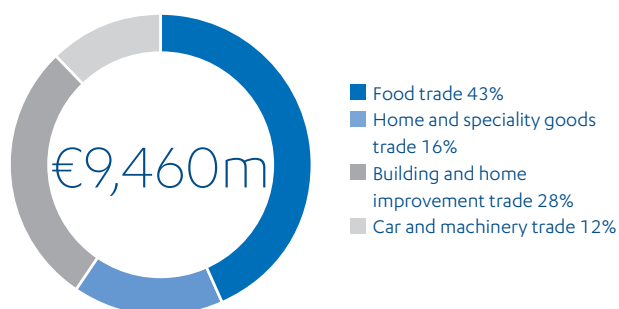


PERFORMANCE INDICATORS FOR 2011

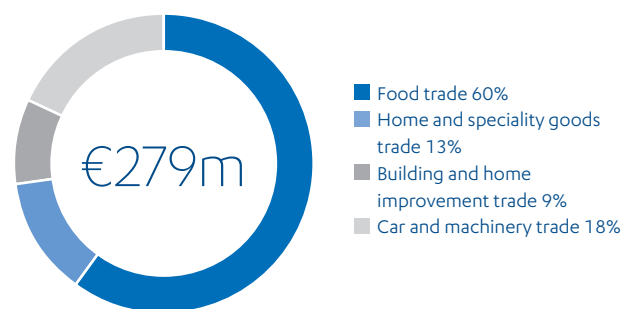
KEY FIGURES		2011	2010	Change
Net sales	€ million	9,460	8,777	7.8%
Operating profit	€ million	280.6	306.7	-€26.1million
Operating profit excl. non-recurring items	€ million	278.9	268.1	€10.8million
Profit before tax	€ million	282.1	312.4	-€30.3million
Return on capital employed	%	13.2	16.0	-2.8 pp
Return on equity	%	8.9	10.1	-1.2 pp
Cash flow from operating activities	€ million	216	438	-50.8%
Capital expenditure	€ million	425.4	325.3	30.8%
Equity ratio	%	53.9	53.5	0.4 pp
Gearing	%	1.5	-16.8	18.2 pp
Dividend per share	€	1.20*	1.30	-7.7%
Earnings per share, diluted	€	1.84	2.06	-11.1%
Equity per share	€	22.20	21.81	1.8%
Personnel, average		18,960	18,215	4.1%

*proposal to the AGM

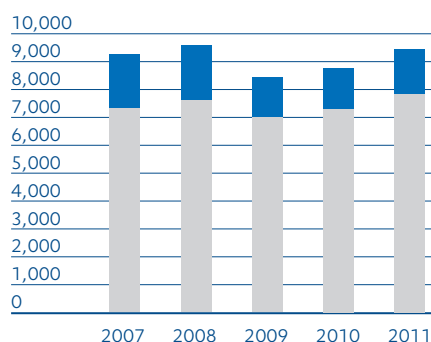
NET SALES IN 2011, BREAKDOWN



OPERATING PROFIT EXCL. NON-RECURRING ITEMS IN 2011, BREAKDOWN

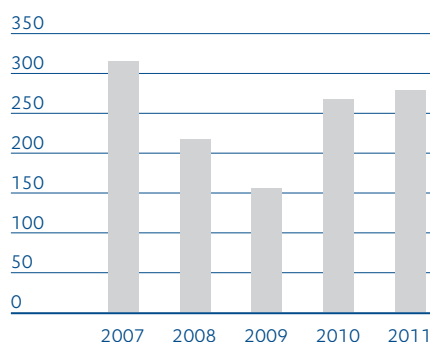


GROUP'S NET SALES* € million



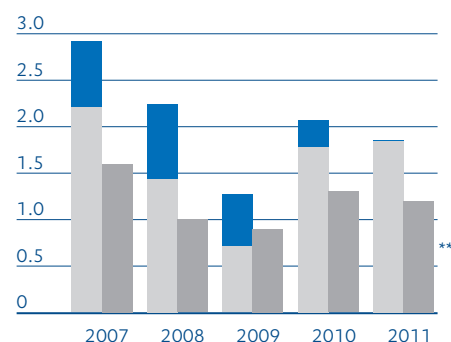
■ Finland
■ Other countries

GROUP'S OPERATING PROFIT* excl. non-recurring items, € million



*continuing operations
**proposal to the AGM

EARNINGS PER SHARE AND DIVIDEND PER SHARE, €



■ Earnings per share excl. non-recurring items, basic
■ Earnings per share, non-recurring items
■ Dividend

EVENTS IN 2011

JANUARY-JUNE

1 February

Kesko was included for the seventh time on

THE GLOBAL 100 MOST SUSTAINABLE CORPORATIONS

list.

In the SAM (Sustainable Asset Management) assessment, Kesko's responsibility work qualified in the silver class in the food & drug retailers sector.

In September, Kesko was included in the Dow Jones sustainability indexes DJSI World and DJSI Europe for the ninth time. Kesko was given the highest scores in the sector for Customer Relationship Management and for Codes of Conduct/Compliance/Corruption&Bribery, for example.

31 March

K-food stores'

CUSTOMER SATISFACTION IMPROVED.

Market share data for 2010 was released and K-food stores' market share growth was greater than in the previous year.



4 April

Kesko's Annual General Meeting was held. In his review, President and CEO Matti Halmesmäki said that Kesko will vigorously expand its

OPERATIONS IN RUSSIA.



8 May

Kesko celebrated Mother's Day at the 'Expectation' sculpture in Kaivopuisto Park in Helsinki. At the event, mothers and grandmothers were given

10,000 PIRKKA FAIRTRADE ROSES.

16 May

Kesko's Board of Directors granted

SCHOLARSHIPS TO TALENTED YOUNG

athletes and art students. Scholarships were awarded to 24 promising young athletes and 16 art students across Finland. The total amount of scholarships was €40,000.

25 May

THE TERM OF PRESIDENT AND CEO WAS EXTENDED.

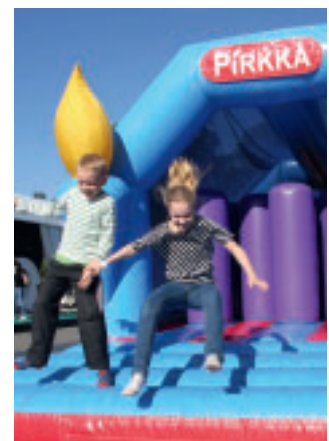
The term of Matti Halmesmäki was extended until the end of May 2015, when he will be 63. According to the previous agreement, Halmesmäki's term would have expired in May 2012.

27 May to 6 June

Kesko was the main partner in the 2011

THE 'YOUR MOVE' SPORTS EVENT.

The extensive six-day event, organised by the Young Finland Association and targeted at 13–19-year olds, attracted more than 42,000 participants.



JULY-DECEMBER

24 August

Kesko's acquisition of

INTERSPORT OPERATIONS IN RUSSIA

was concluded. At the end of 2011, there were 36 Intersport stores in Russia. The aim is to double the store network by the end of 2015.

31 August

ANTTILA'S NEW LOGISTICS CENTRE

in Kerava was inaugurated. The logistics centre improves the efficiency of operations significantly while taking the environment into account. The new logistics centre handles deliveries to all Anttila and Kodin Ykkönen department stores and to NetAnttila customers.

**1 September**

THE PIRKKA PRODUCT RANGE

celebrated its 25th anniversary. The year culminated in the campaign titled 'Let's eat together', in which Pirkka invited all Finns to set the world record in eating together in Heureka, the Finnish Science Centre, in Vantaa. The sales of Pirkka products increased by 32% in 2011.

14 October

K-CITY-MARKET 40 YEARS

The 40th anniversary of K-citymarket was celebrated visibly in stores and on K-citymarket's Facebook site, which soon attracted tens of thousands of fans after having been published.

26 October

Kesko's

CORPORATE MANAGEMENT BOARD WAS RESTRUCTURED.

Arja Talma was appointed President of Rautakesko Ltd and Kesko's Corporate Management Board member responsible for the building and home improvement trade. Minna Kurunsaari was appointed Corporate Management Board member and Senior Vice President responsible for the home and speciality goods trade and electronic marketing and services projects. Jukka Erlund was appointed Kesko Corporation's Chief Financial Officer (CFO) and Corporate Management Board member. Merja Haverinen was appointed Kesko's Senior Vice President, Corporate Communications and Responsibility, and Corporate Management Board member with effect from 1 April 2011.

**3 November**

The largest shopping centre in the Lahti region,

KARISMA, WAS OPENED.

There are nearly 80 stores in the shopping centre, of which K-citymarket, Intersport and Kookenkä represent the K-Group chains. The shopping centre is one of Kesko's largest retail projects of all time. In 2011, Kesko's capital expenditure totalled €425 million, of which store sites accounted for €362 million.

10 November

Kesko's 2010 Corporate Responsibility Report was chosen as

FINLAND'S BEST CORPORATE RESPONSIBILITY REPORT.

According to the jury, Kesko's reporting is comprehensive, impartial and reader-friendly. Kesko has ranked among the best on 12 occasions in the responsibility reporting competition, which has been organised since 1996.

23 November

The topping out ceremony of the

VETURI SHOPPING CENTRE

took place in Tervaskangas, Kouvola. The shopping centre will be opened in autumn 2012.

9 December

In Russia, Rautakesko opened its 14th and, at the same time, Russia's largest

K-RAUTA IN MOSCOW.

It is the first K-rauta in the city. The second department store for building and home improvement will be opened in Moscow in spring 2012.

31 December

VOLKSWAGEN WAS NUMBER ONE

in the registration statistics of passenger cars and vans in Finland in 2011. VV-Auto's market share exceeded 20% for the first time.

REVIEW BY THE PRESIDENT AND CEO



A YEAR OF PROFITABLE GROWTH FOR KESKO

The growth of Kesko's business operations strengthened in 2011. Among the four divisions, sales in the food trade and the building and home improvement trade developed well, and growth was particularly strong in the car and machinery trade. Profitability improved in the food trade and in the car and machinery trade. Kesko's solvency and liquidity remained, as in previous years, at an excellent level.

In the food trade, the growth rate of sales exceeded market growth and the efficiency of operations was further improved. Good sales growth of Pirkka products and Kespro strengthened the profitability of the food trade. Major reforms were carried out in the home and speciality goods trade, which

adversely affected the profit for 2011. Anttila launched the new logistics centre and the purchasing operations of K-citymarket's home and speciality goods and Anttila were combined. These changes create the basis for profitable growth in the years to come. Asko's and Sotka's development was excellent and the sales level of Intersport Russia's business operations, acquired in August, increased considerably thanks to the reforms and the expansion of selections. In the building and home improvement trade, sales growth was good but profit performance remained weak. Growth was particularly strong in Russia. In the car and machinery trade, the market share of Audi, Volkswagen and Seat reached an all-time high and the profit was excellent.

STRONG PROGRAMME OF CAPITAL EXPENDITURE CONTINUED

Kesko's capital expenditure in growth totalled €425 million in 2011. Store openings included six new K-citymarkets and 17 new K-supermarkets in the food trade, four new K-rauta stores in the building and home improvement trade, and a Kodin Ykkönen department store in the home and speciality goods trade. The Karisma shopping centre, one of Kesko's biggest store site projects, was opened in Lahti in November. The Veturi shopping centre, to be opened in Kouvola in autumn 2012, reached the topping out stage in late 2011.

In 2011, Kesko also made a decision to expand business operations in the Russian building and home improvement trade, food trade and sports trade, which offer significant growth potential in the future. Both in the building and home improvement trade and in the food trade, the aim is to open around 10 new stores in Russia by the end of 2015. The total capital expenditure of the building and home improvement trade and the food trade in Russia will amount to approximately €600 million in 2011–2015. Kesko acquired Interport Russia's business operations in August 2011 and at year-end there were 36 Intersport stores in Russia. The aim is to double the network of Intersport stores by 2015.

Kesko's solvency is excellent, which contributes to the implementation of the significant capital expenditure programme. Consumers value easy shopping and inspiring shopping experiences and a competitive store network plays a key role here. At the same time, it is important that the uncertainties related to the development in consumer demand are taken into account when decisions on capital expenditure and their timing are made.

ONLINE SERVICES AND E-COMMERCE

In accordance with Kesko's strategy, the divisions focus strongly on the develop-

ment of online transactions and e-commerce services. The increase in electronic information, faster data transfer rates and new terminal devices have changed customer behaviour decisively – customers are increasingly often making purchasing decisions independent of time and place, on the basis of electronic transactions. The trading sector has to respond to these needs by offering interesting and competitive electronic services. At the same time, the trading sector market is changing and competition is becoming tougher as new service providers emerge at home and abroad. Kesko's competitive asset is providing its customers with genuinely multi-channel and reliable services that combine the services of the chains' store network with electronic customer communications and online store services.

Kesko already delivers more than one million online customer orders per year. Orders by NetAnttila online customers and deliveries to Anttila and Kodin Ykkönen department stores are supplied from the new logistics centre in Kerava, launched in 2011. This centre, the most modern in Europe and fitted with the latest warehousing technology, significantly improves Kesko's multi-channel service offering. During the next year, Kesko's capital expenditure in information systems will be considerable, which will enable us to provide the most customer-driven electronic services possible.

SUCCESSFUL WORK FOR RESPONSIBILITY

In Kesko and K-stores, responsibility is part of our daily activities. Customers can rely on the fact that their responsible choices start when they enter a K-Group store. Responsible activities are concrete actions that, for example, improve energy efficiency, reduce the amount of waste, offer a safe product range and improve wellbeing at work and working conditions. Kesko's and K-stores' duties include helping customers make

choices that are good for their wellbeing and for the environment.

Kesko's work for responsibility has also been recognised in many ways internationally. Kesko has been on 'The Global 100 Most Sustainable Corporations in the World' list, published by World Economic Forum, since it was established. Kesko is also included in several sustainability indexes, such as the Dow Jones sustainability indexes DJSI World and DJSI Europe. Competition for sustainability is becoming tougher year by year and being ranked among the most sustainable companies in the world requires that practices are constantly improved. Kesko's Corporate Responsibility Report was chosen as the best in Finland and the favourite among students in the 'Responsibility Reporting 2011' contest.

THE TRADING SECTOR IS AN IMPORTANT PART OF FINLAND'S WELLBEING

In spite of the uncertainties related to economic development, consumer demand and customers' purchasing power developed relatively well in 2011. The low interest rate and the high rate of employment contributed to demand.

This year, development in the trading sector will also depend on the trends in employment and consumers' disposable income. The sector's ability to employ and produce services directly or indirectly is significant for the Finnish national economy and the welfare society. If implemented, equal taxes and a rise in the tax rate will cut households' consumption, resulting in a decline in sales in the trading sector, and lowering employment in Finland. An increase in the number of regulations that erode the competitive basis of the trading sector in Finland and the European Union also limits the opportunities to serve customers and operate efficiently.

CORPORATE MANAGEMENT BOARD RESTRUCTURED

Merja Haverinen was appointed Senior Vice President, Corporate Communications and Responsibility, starting from the beginning of April. At the beginning of November, Arja Talma transferred from the post of Senior Vice President, CFO to that of Rautakesko's President, and Jukka Erlund was appointed Senior Vice President, CFO. At the beginning of December, Minna Kurunsaari started as Senior Vice President responsible for the home and speciality goods trade and Kesko's electronic marketing and services projects.

FOCUS ON WELLBEING AT WORK

Kesko and K-retailers employ around 45,000 trading sector professionals and experts. From the perspective of the availability of labour, there is a major structural change underway in Finland as the post-war generation retires.

This necessitates higher labour productivity and longer careers, which call for high working capacity and wellbeing at work. At the same time, competition for competent and committed employees is becoming increasingly tough. Kesko promotes wellbeing at work in many ways, which means the performance of immediate supervisors and a good working environment play major roles. On the other hand, all of us are responsible for contributing to the good working atmosphere and working capacity.

THANKS TO ALL EMPLOYEES, SHARE-HOLDERS, K-RETAILERS AND PARTNERS

I wish to extend my warmest thanks to all of Kesko's employees for their diligence and for a job well done. I would also like to thank all our shareholders, K-retailers and their staff, and all our business partners for good cooperation in 2011.

Matti Halmesmäki
President and CEO

VISION

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

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.



STRATEGIC OBJECTIVES

1. PROFITABLE GROWTH

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

Kesko's key strategic objective is healthy, profitable growth. Growth is sought by actively developing store selections and services to meet customer needs, by implementing capital expenditure in a competitive store network and by developing online services and e-commerce.

Capital expenditure in Kesko's business operations in Russia offer significant growth potential for a long time to come.

Kesko's 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 and to increase our shareholder value.

GROWTH IN RUSSIA

In Finland, growth is sought by increasing market shares and by more customer-driven services than those provided by our competitors. In addition, growth is also sought in the Russian market, in particular, which is growing faster than the Nordic or Baltic markets.

The objective is to make capital expenditures of over €600 million in the food trade,

building and home improvement trade, and Intersport operations in Russia by 2015. In all divisions, the focus is on the Moscow and St. Petersburg regions. In the food trade, the longer-term objective is to open clusters of 10 stores both in St. Petersburg and Moscow. In the building and home improvement trade, the objective is to open 11 new K-rauta stores by 2015. At the end of 2011, there were 14 K-rauta stores in Russia. Intersport has 36 stores and the aim is to double the network by 2015.

CAPITAL EXPENDITURE IN THE STORE SITE NETWORK AND IN STRENGTHENING COMPETITIVE ADVANTAGES

In the food trade, major capital expenditure is directed at enhancing the store network in Finland and starting business in Russia. The most important project providing competitive advantage in the food trade involves strengthening the selections, the service and the 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, the strategic emphasis is on increasing retail sales, strengthening the competitive advantages of K-citymarket's and Anttila's concepts and continuing the integration of purchasing and logistics operations. An important project providing competitive advantage is increasing online services and e-commerce.

In the building and home improvement trade, the store network will be considerably expanded over the next few years, particularly in Russia, where the focus is on the Moscow region. 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 – Volkswagen and Audi, for example – will be increased by developing the retail sales and service network with the focus on a customer-driven approach.

ONLINE SERVICES AND E-COMMERCE

New online services, wireless solutions and different terminal devices have increased the diversity of customers' needs and purchasing habits. Online shopping and interactive channels will be a key competitive factor in the near future.

The development of online transactions and e-commerce are strategic focal points in all divisions. The projects are coordinated by the electronic marketing and services unit. The objective is to be well present throughout customers' purchase transactions, so that customers will be able, if they wish, to use web services from planning their purchases to using the products.

The development of online services and stores requires significant capital expenditure in various projects related to electronic business models. Kesko has gained a strong position in online sales of home and speciality goods through the netanttila.com, kodin1.com, konebox.fi, cmstore.fi and budgetsport.fi online stores. Electronic services and e-commerce are also actively developed in the building and home improvement trade and the food trade.

FINANCIAL OBJECTIVES AND THEIR REALISATION

Objectives announced on 5 Feb. 2009

Objectives announced on 5 Feb. 2009	Target level	Realised in 2011	Realised in 2010
Net sales growth	Growth faster than market	Realised*: Food trade, building and home improvement trade in Finland, furniture trade, car and machinery trade	Realised*: Food trade, K-citymarket's home and speciality goods trade, car and machinery trade
Return on equity	12%	8.9%, excl. non-recurring items 8.8%	10.1%, excl. non-recurring items 8.7%
Return on capital employed	14%	13.2%, excl. non-recurring items 13.1%	16.0%, excl. non-recurring items 14.0%
Interest-bearing net debt/EBITDA	< 3	0.1	-0.9
Equity ratio	40–50%	53.9%	53.5%
Economic value added	Growing positive EVA as internal indicator	Realised in food trade and car and machinery trade	Realised in all divisions except for building and home improvement trade

*Kesko's own estimate

2. 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 local customers and their needs
- We use loyal customer information efficiently to serve our customers

KESKO HAS STRONG BRANDS

Kesko has dozens of successful chain and product brands. Strategic objectives and target images that are based on customer needs have been defined for each brand. The objective is to strengthen the value of these brands and to improve the efficiency of marketing. This is measured by customer satisfaction and employer profile surveys, as well as by financial indicators.

Consumers' shopping experiences at 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, for example, their selection planning, pricing, marketing and store network planning. 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 other actors in our operating environment.

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 Kesko's chains. In Finland, all food and building and home improvement stores in the K-Group are run by K-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,

personnel and business profitability. The K-Group's competitive edge is based on its best selections, excellent service and knowledge of customer needs.

At the end of 2011, Kesko had 1,102 independent K-retailer entrepreneurs and about 130 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 total sales in 2011.

2) Kesko's own retailing

Kesko acts as a retailer in business operations where its competitive advantage is based on having a centrally managed chain concept and large units. Kesko's own retail stores in Finland include the Anttila and Kodin Ykkönen department stores. 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 business operations outside Finland. In 2011, Kesko's own retailing accounted for 26% of total sales.

3) B2B sales

Kesko is also engaged in B2B sales. Typical B2B customers include construction companies, agricultural entrepreneurs, the manufacturing industry, retail dealers, institutional kitchens and the public sector. In 2011, Kesko's B2B sales accounted for 22% of total sales.

CUSTOMER-DRIVEN BUSINESS MODELS



3. 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 processes

SUSTAINABLE DEVELOPMENT AND RESPONSIBLE OPERATING PRACTICES

The principles of sustainable development and responsible operating practices are a central part of the daily activities in Kesko and its chains. The trading sector is required to take responsibility for the safety and healthiness of products, 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

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, 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 at 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 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, Eurobuy 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

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 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. There are projects on promoting wellbeing at work underway, with the aim of improving the working capacity, motivation and health of employees and increasing the retirement age.

AUTOMATION OF PROCESSES

In order to improve cost-efficiency, projects related to the automation of processes are underway at 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.



READ MORE

More detailed information on each division's strategic emphases and projects is provided in the division-specific presentations starting on page 14.