Kesko Corporation

Interim report

Q3

January–September 2011

KESKO CORPORATION
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Kesko's interim report for 1 January–30 September 2011

Financial performance in brief:

- *The Group's net sales for January-September increased by 7.9%.*
- *The operating profit excluding non-recurring items for January-September was €207.4 million, up €19.8 million on the previous year (€187.6 million).*
- *The Kesko Group's net sales are expected to grow during the next twelve months. During the next twelve months, the operating profit excluding non-recurring items is expected to remain at the achieved good level despite significant costs involved in the expansion of the store site network and business operations in Russia. The Group has changed its future outlook for profitability. Previously, the operating profit excluding non-recurring items was expected to increase during the next twelve months.*

KEY PERFORMANCE INDICATORS

	1–9/2011	1–9/2010	7–9/2011	7–9/2010
Net sales, € million	6,979	6,467	2,404	2,231
Operating profit excl. non-recurring items, € million	207.4	187.6	89.2	88.7
Operating profit, € million	207.8	223.9	88.2	123.9
Profit before tax, € million	208.1	225.1	88.0	124.5
Capital expenditure, € million	320.9	123.6	126.3	35.9
Earnings/share, €, diluted	1.33	1.48	0.53	0.81
Earnings/share excl. non-recurring items, €, basic	1.34	1.21	0.54	0.55

	30.9.2011	30.9.2010
Equity ratio, %	54.0	53.4
Equity/share, €	21.66	21.11

FINANCIAL PERFORMANCE

Net sales and profit for January-September 2011

The Group's net sales in January-September 2011 were €6,979 million, which is 7.9% up on the corresponding period of the previous year (€6,467 million). In Finland, net sales increased by 7.3% and in other countries by 11.0%. International operations accounted for 17.6% (17.1%) of the net sales. The steady net sales growth continued in the food trade and in the car and machinery trade.

1–9/2011	Net sales, M€	Change, %	Operating profit excl. non-recurring items, M€	Change, M€
Food trade	3,074	+6.9	133.6	+10.3
Home and speciality goods trade	1,063	-0.4	3.7	-16.6
Building and home improvement trade	2,059	+8.7	31.1	+6.9
Car and machinery trade	911	+21.2	44.8	+15.6
Common operations and eliminations	-128	+5.9	-5.7	+3.6
Total	**6,979**	**+7.9**	**207.4**	**+19.8**

The operating profit excluding non-recurring items for January-September was €207.4 million (€187.6 million), representing 3.0% (2.9%) of the net sales. Profitability improved in the car and machinery trade, in the food trade and in the building and home improvement trade. The operating profit excluding non-recurring items for January-September 2010 was improved by the €8 million amount recognised as revenue in connection with the transfer of the pension insurance portfolio. At the beginning of the year, the principle for allocating surplus amounts related to the additional defined benefit obligation of the Kesko Pension Fund to divisions was changed to correspond to the breakdown of defined benefit obligations. For January-September 2011, the change contributed €-1.3 million to the operating profit excluding non-recurring items in the food trade, and €-3.0 million in the home and speciality goods trade.

Operating profit was €207.8 million (€223.9 million). The operating profit includes €0.4 million of non-recurring items. The comparative period includes a net total of €36.3 million of non-recurring gains on the disposal of real estate, and provisions related to the reorganisation of the service station grocery store business of Pikoil Oy, a Kesko Food subsidiary. The Group's profit before tax for January-September was €208.1 million (€225.1 million).

The Group's earnings per share were €1.33 (€1.48). The Group's equity per share was €21.66 (€21.11).

In January-September, the K-Group's (i.e. Kesko's and the chain stores') retail and B2B sales (VAT 0%) were €8,675 million, up 7.6% compared to the previous year. During the same period, K-food stores' grocery sales grew by 6.2% (VAT 0%). In January-September, the K-Group chains' sales entitling to K-Plussa points were €4,162 million excluding tax, up 5.2% compared to the previous year. In January-September, the K-Plussa customer loyalty programme gained 64,318 new households. At the end of September, there was 2,139,257 K-Plussa households and 3,705,284 K-Plussa cardholders.

Net sales and profit for July-September 2011

The Group's net sales in July-September 2011 were €2,404 million, which is 7.8% up on the corresponding period of the previous year (€2,231 million). In Finland, net sales increased by 7.4% and in other countries by 9.3%. International operations accounted for 19.4% (19.1%) of the net sales. In the food trade, the increase in net sales is attributable to the good grocery sales performance of the K-food stores. Growth in the car and machinery trade was boosted by the growth of the market and the market share.

7–9/2011	Net sales, M€	Change, %	Operating profit excl. non-recurring items, M€	Change, M€
Food trade	1,049	+6.4	46.4	-3.1
Home and speciality goods trade	376	-0.5	8.7	-4.5
Building and home improvement trade	731	+6.4	21.3	+1.3
Car and machinery trade	290	+33.0	13.0	+4.3
Common operations and eliminations	-42	+8.5	-0.2	+2.6
Total	**2,404**	**+7.8**	**89.2**	**+0.5**

The operating profit excluding non-recurring items for July-September was €89.2 million (€88.7 million), representing 3.7% (4.0%) of the net sales. Profitability improved in the car and machinery trade and in the building and home improvement trade. The operating profit excluding non-recurring items for July-September 2010 was improved by an €8 million amount recognised as revenue in connection with the transfer of the pension insurance portfolio.

Operating profit was €88.2 million (€123.9 million). The operating profit includes €-1.0 million of non-recurring items. In July-September of the previous year, the non-recurring items included a net total of €35.3 million of gains on the disposal of real estate, and provisions related to the reorganisation of the service station grocery store business of Pikoil Oy, a Kesko Food subsidiary. The Group's profit before tax for July-September was €88.0 million (€124.5 million).

The Group's earnings per share were €0.53 (€0.81). The Group's equity per share was €21.66 (€21.11).

In July-September, the K-Group's (i.e. Kesko's and the chain stores') retail and B2B sales (VAT 0%) were €3,065 million, up 8.4% compared to the previous year. During the same period, K-food stores' grocery sales grew by 6.6% (VAT 0%). In July-September, the K-Group chains' sales entitling to K-Plussa points were €1,440 million excluding tax, up 5.7% compared to the previous year.

Finance

In January-September, the cash flow from operating activities was €169.1 million (€268.8 million). The cash flow from operating activities was positively impacted by the increase in non-interest-bearing liabilities in the comparative period. The cash flow from investing activities was €-330.9 million (€-46.8 million). It included €6.2 million (€115.5 million) of proceeds from the sales of fixed assets.

Throughout January-September, the Group's liquidity and solvency remained at an excellent level. At the end of the period, liquid assets totalled €488 million (€850 million). Interest-bearing liabilities were €424 million (€456 million) and interest-bearing net debt €-64 million (€-394 million) at the end of September. Equity ratio was 54.0% (53.4%) at the end of the period.

In January-September, the Group's net finance costs were €0.0 million (net finance income €1.4 million).

In July-September, the cash flow from operating activities was €125.7 million (€133.4 million). The cash flow from investing activities was €-136.7 million (€38.9 million). It included €2.4 million (€110.9 million) of proceeds from the sales of fixed assets.

In July-September, the Group's net finance income was €0.3 million (€0.8 million).

Taxes

The Group's taxes in January-September were €66.5 million (€72.0 million). The effective tax rate was 32.0% (32.0%), affected by loss-making foreign operations.

The Group's taxes in July-September were €29.3 million (€40.4 million). The effective tax rate was 33.2% (32.4%).

Capital expenditure

In January-September, the Group's capital expenditure totalled €320.9 million (€123.6 million), or 4.6% (1.9%) of the net sales. Capital expenditure in store sites was €276.7 million (€93.7 million), in acquisitions €21.1 million and other capital expenditure was €23.0 million (€29.9 million). Capital expenditure in foreign operations represented 36.0% (24.0%) of total capital expenditure.

In July-September, the Group's capital expenditure totalled €126.3 million (€35.9 million), or 5.3% (1.6%) of the net sales. Capital expenditure in store sites was €101.1 million (€30.3 million), in acquisitions €21.1 million and other capital expenditure was €4.0 million (€5.6 million). Capital expenditure in foreign operations represented 34.8% (9.9%) of total capital expenditure.

Personnel

In January-September, the average number of employees in the Kesko Group was 18,855 (18,173) converted into full-time employees. In Finland, the average increase was 133 people, while outside Finland, it was 549.

At the end of September 2011, the total number of employees was 22,579 (21,700), of whom 12,321 (12,222) worked in Finland and 10,258 (9,478) outside Finland. Compared to the end of September 2010, there was an increase of 99 people in Finland and 780 people outside Finland.

In January-September, the Group's staff cost was €414.2 million and increased by 10.3% compared to the previous year. In July-September, the staff cost increased by 13.2% compared to the previous year and was €131.1 million. The staff cost for the comparative period was decreased by the €8 million amount recognised as revenue in connection with the transfer of pension insurance portfolio.

SEGMENTS

Seasonal nature of operations

The Group's operating activities are affected by seasonal fluctuations. The net sales and operating profits of the reportable segments are not earned evenly throughout the year. Instead, they vary by quarter depending on the characteristics of each segment.

FOOD TRADE

	1–9/2011	1–9/2010	7–9/2011	7–9/2010
Net sales, € million	3,074	2,874	1,049	986
Operating profit excl. non-recurring items, € million	133.6	123.3	46.4	49.5
Operating profit as % of net sales excl. non-recurring items	4.3	4.3	4.4	5.0
Capital expenditure, € million	159.2	59.8	64.8	21.9

Net sales, € million	**1–9/2011**	**Change, %**	**7–9/2011**	**Change, %**
Sales to K-food stores	2,380	+8.1	808	+8.1
Kespro	552	+6.9	195	+6.4
Others	142	-9.5	47	-16.8
Total	**3,074**	**+6.9**	**1,049**	**+6.4**

January-September 2011

In the food trade, the net sales for January-September were €3,074 million (€2,874 million), up 6.9%. The sales of Pirkka products to K-food stores were excellent, with sales growth standing at 37.7% (VAT 0%). During the same period, the grocery sales of K-food stores increased by 6.2% (VAT 0%). Good sales performance was achieved especially by the K-citymarket and K-supermarket chains. In January-September, the growth rate of the total grocery trade market in Finland is estimated at 5.5–6.0% (VAT 0%) compared to the previous year (Kesko's own estimate). The price change in the grocery market is estimated to have stood at some 4.5% compared to the previous year (VAT 0%, Kesko's own estimate).

In January-September, the operating profit excluding non-recurring items of the food trade was €133.6 million (€123.3 million), or €10.3 million up on the previous year. The profitability improvement is attributable to K-food stores' good sales performance and cost management. Operating profit was €133.7 million (€121.2 million).

In January-September, capital expenditure in the food trade was €159.2 million (€59.8 million), of which capital expenditure in store sites was €153.8 million (€48.5 million).

July-September 2011

In the food trade, the net sales for July-September were €1,049 million (€986 million), up 6.4%. During the same period, the grocery sales of K-food stores increased by 6.6% (VAT 0%).

In July-September, the operating profit excluding non-recurring items of the food trade was €46.4 million (€49.5 million), or €3.1 million down on the previous year. The operating profit excluding non-recurring items for July-September 2010 was improved by a €6 million amount recognised as revenue in connection with the transfer of pension insurance portfolio. Operating profit was €45.7 million (€47.3 million).

In July-September, capital expenditure in the food trade was €64.8 million (€21.9 million), of which capital expenditure in store sites was €63.9 million (€20.3 million).

In July-September 2011, one new K-citymarket and one new K-supermarket were opened. Renovations and extensions were made in a total of 15 stores.

The most significant store sites being built are the new K-citymarkets in Karisto, Lahti, in Äänekoski, Hyvinkää, Kauhajoki, Kouvola and Valkeakoski. K-supermarkets in Mäntsälä, Lieksa and Loimaa are being extended into K-citymarkets and K-citymarket Kolmisoppi in Kuopio is being extended. New K-supermarkets are being built in Vihti, in Myllypuro, Helsinki, in Hattula, Tampere, Vaasa, Järvenpää, in Louhela, Vantaa, in Lahti, Kiiminki, Pori, Pihtipudas, Nurmijärvi, in Kaisaniemi, Helsinki and in Hämeenkylä, Vantaa.

HOME AND SPECIALITY GOODS TRADE

	1–9/2011	1–9/2010	7–9/2011	7–9/2010
Net sales, € million	1,063	1,068	376	378
Operating profit excl. non-recurring items, € million	3.7	20.3	8.7	13.2
Operating profit as % of net sales excl. non-recurring items	0.3	1.9	2.3	3.5
Capital expenditure, € million	50.5	16.9	32.4	4.2

Net sales, € million	**1–9/2011**	**Change, %**	**7–9/2011**	**Change, %**
K-citymarket home and speciality goods	435	+3.1	153	+4.5
Anttila	311	-5.8	106	-8.8
Intersport	118	-0.4	43	+2.0
Indoor	132	+15.4	49	+14.3
Musta Pörssi	51	-23.9	19	-21.9
Kenkäkesko	18	+5.8	8	+9.0
Total	**1,063**	**-0.4**	**376**	**-0.5**

January-September 2011

In the home and speciality goods trade, the net sales for January-September were €1,063 million (€1,068 million), down 0.4%. K-citymarket home and speciality goods, as well as Asko and Sotka increased their sales. At the beginning of February, the Anttila department store in Tikkurila was closed because its lease term expired. The Anttila department store in Hämeenlinna was converted into a K-citymarket, which was opened in September 2011. In April, a K-citymarket was opened in Tammisto, Vantaa and in Palokka, Jyväskylä. In May, a K-citymarket was opened in Päivölä, Seinäjoki. As a result of network restructuring, the number of Musta Pörssi stores decreased from the previous year's 49 to 32.

The operating profit excluding non-recurring items of the home and speciality goods trade for January-September was €3.7 million (€20.3 million), showing a €16.6 million year-on-year decrease. In addition to a decrease in Anttila's sales, profitability performance was impacted by the launch of Anttila's new logistics centre and the revision of K-citymarket's and Anttila's selections. Operating profit was €4.1 million (€57.7 million). The operating profit for the comparative period included €37.4 million of gains on the disposal of real estate.

Capital expenditure in the home and speciality goods trade in January-September was €50.5 million (€16.9 million).

July-September 2011

In the home and speciality goods trade, the net sales for July-September were €376 million (€378 million), down 0.5%. K-citymarket home and speciality goods, Intersport and Budget Sport, as well as Asko and Sotka increased their sales. The increase in the net sales of K-citymarket home and speciality goods is attributable to successful marketing, product selection and new stores.

The operating profit excluding non-recurring items of the home and speciality goods trade for July-September was €8.7 million (€13.2 million), showing a €4.5 million year-on-year decrease. Profitability performance was impacted by Anttila's sales decrease, the revision of K-citymarket's and Anttila's selections and the launch of Intersport operations in Russia. Operating profit was €8.7 million (€50.6 million). The operating profit for the comparative period included €37.4 million of gains on the disposal of real estate.

Capital expenditure in the home and speciality goods trade in July-September was €32.4 million (€4.2 million).

In September, K-citymarket Hämeensaari was opened in Hämeenlinna.

The acquisition of Intersport operations in Russia was concluded on 24 August 2011. Kesko established a subsidiary for Intersport operations in Russia, in which Kesko Corporation's ownership interest is 80% and Melovest Ltd's 20%. By 30 September 2011, 34 stores had transferred to the Kesko subsidiary and the aim is to increase the number of sports stores to 36 by the end of this year. In the future, the objective is to at least double the Intersport store site network in Russia by the end of 2015.

Anttila's new automated logistics centre was inaugurated on 31 August 2011. The logistics centre will significantly improve the space and energy efficiency of logistics, and as the changeover progresses, it will also enable the upgrading of deliveries. The old distribution centre in Hämeenkylä will be disposed of by the end of 2011.

The Kookenkä chain, born from the present K-kenkä and Andiamo store types, opened its first store in Tampere on 1 September 2011. The reform of the other chain stores will begin towards the end of this year and the whole chain will be launched in spring 2012. The plan is to open a total of some 50 stores.

BUILDING AND HOME IMPROVEMENT TRADE

	1–9/2011	1–9/2010	7–9/2011	7–9/2010
Net sales, € million	2,059	1,894	731	687
Operating profit excl. non-recurring items, € million	31.1	24.2	21.3	20.0
Operating profit as % of net sales excl. non-recurring items	1.5	1.3	2.9	2.9
Capital expenditure, € million	89.3	33.3	23.2	4.8

Net sales, € million	1–9/2011	Change, %	7–9/2011	Change, %
Rautakesko Finland	936	+6.3	311	+6.4
K-rauta Sweden	166	+4.3	58	-4.3
Byggmakker Norway	449	+8.6	163	+7.3
Rautakesko Estonia	44	+13.2	18	+15.3
Rautakesko Latvia	39	+9.3	17	+16.0
Senukai Lithuania	181	+10.2	73	+6.8
Stroymaster Russia	176	+16.9	69	+14.8
OMA Belarus	69	+32.8	22	-6.4
Total	**2,059**	**+8.7**	**731**	**+6.4**

January-September 2011

In the building and home improvement trade, the net sales for January-September were €2,059 million (€1,894 million), up 8.7%. Sales performance and structure vary between countries and customer groups. Sales performance in Sweden turned down and the growth in Lithuania decelerated in the summer. The weakening of the Russian rouble lowers sales performance in terms of euros, whereas in terms of roubles, sales performance has been good.

In January-September, net sales in Finland were €936 million, an increase of 6.3%. The building and home improvement product lines contributed €689 million to the net sales in Finland, an increase of 5.7%. The agricultural supplies trade contributed €247 million to the net sales, up 8.0%.

In January-September, the net sales from foreign operations in the building and home improvement trade were €1,122 million (€1,013 million), an increase of 10.8%. The net sales from foreign operations increased by 12.5% in terms of local currencies. In Sweden, net sales were down by 2.6% in terms of kronas. In Norway, net sales increased by 6.1% in terms of krones. In Russia, net sales increased by 19.0% in terms of roubles. In Belarus, net sales were up by 99.9% in terms of roubles. The growth is attributable to price increases resulting from the high inflation in Belarus. Foreign operations contributed 54.5% to the net sales of the building and home improvement trade.

In January-September, the operating profit excluding non-recurring items of the building and home improvement trade was €31.1 million (€24.2 million), up €6.9 million compared to the previous year. The profit performance was impacted by the fact that sales growth was mainly derived from basic building materials with low margins, that sales growth slackened during the summer in some operating countries, and by the costs related to the development of the international enterprise resource planning system. Operating profit was €30.8 million (€24.0 million).

In January-September, capital expenditure in the building and home improvement trade totalled €89.3 million (€33.3 million), of which 85.8% (88.9%) abroad and 92.7% in store sites.

The retail sales of the K-rauta and Rautia chains in Finland grew by 6.6% to €818 million (VAT 0%). The sales of Rautakesko B2B Service increased by 14.2%. As a whole, the growth rate of Rautakesko's building materials sales is estimated to have continued exceeding that of the market in Finland. The retail sales of the K-maatalous chain were €301 million (VAT 0%), up 12.8%.

July-September 2011

In the building and home improvement trade, the net sales for July-September were €731 million (€687 million), up 6.4%.

In July-September, net sales in Finland were €311 million, an increase of 6.4%. The building and home improvement product lines contributed €231 million to the net sales in Finland, an increase of 4.3%. The agricultural supplies trade contributed €80 million to the net sales, up 13.1%.

In July-September, the net sales from foreign operations in the building and home improvement trade were €420 million (€395 million), an increase of 6.4%. The net sales from foreign operations increased by 12.0% in terms of local currencies. In Sweden, net sales decreased by 7.1% in terms of kronas. In Norway, net sales increased by 4.7% in terms of krones. In Russia, net sales increased by 19.0% in terms of roubles, and in Belarus, by 99.3% in terms of roubles as a result of high inflation. Foreign operations contributed 57.4% to the net sales of the building and home improvement trade.

In July-September, the operating profit excluding non-recurring items of the building and home improvement trade was €21.3 million (€20.0 million), up €1.3 million. Operating profit was €21.0 million (€19.9 million).

In July-September, capital expenditure in the building and home improvement trade totalled €23.2 million (€4.8 million), of which 86.9% (73.5%) abroad. Capital expenditure in store sites represented 93.3% of the total capital expenditure.

The retail sales of the K-rauta and Rautia chains in Finland grew by 9.6% to €322 million (VAT 0%) in July-September. The sales of Rautakesko B2B Service increased by 8.7%. The retail sales of the K-maatalous chain were €101 million (VAT 0%), up 22.6%.

In Finland, new K-rauta stores are being built in Kuopio and Kouvola. In Sweden, a K-rauta store was opened in Haparanda in July, and another is being built in Uppsala. Two K-rauta stores are being built in Moscow, Russia. A new Rautia-K-maatalous store is being built in Turku.

CAR AND MACHINERY TRADE

	1–9/2011	1–9/2010	7–9/2011	7–9/2010
Net sales, € million	911	752	290	218
Operating profit excl. non-recurring items, € million	44.8	29.2	13.0	8.7
Operating profit as % of net sales excl. non-recurring items	4.9	3.9	4.5	4.0
Capital expenditure, € million	20.5	13.1	6.6	5.0

Net sales, € million	**1–9/2011**	**Change, %**	**7–9/2011**	**Change, %**
VV-Auto	646	+24.9	199	+32.3
Konekesko	266	+12.9	91	+34.6
Total	**911**	**+21.2**	**290**	**+33.0**

January-September 2011

In January-September, the net sales of the car and machinery trade were €911 million (€752 million), up 21.2%. The comparable net sales of the car and machinery trade grew by 25.0%. The discontinued Baltic grain and agricultural inputs trade has been eliminated from the comparable net sales.

VV-Auto's net sales for January-September were €646 million (€517 million), an increase of 24.9%. In Finland, new registrations of passenger cars increased by 13.7% and those of vans by 29.4% compared to the previous year. In January-September, the combined market share of passenger cars and vans imported by VV-Auto was 20.5% (19.6%). In January-September, Volkswagen was the best selling passenger car and van brand in Finland.

Konekesko's net sales for January-September were €266 million (€235 million), up 12.9% compared to the previous year. Konekesko's comparable net sales grew by 25.2%, from which the discontinuation of the Baltic grain and agricultural inputs trade has been eliminated. Net sales in Finland were €174 million, up 12.9%. The net sales from Konekesko's foreign operations were €94 million, up 13.2%. Konekesko's comparable net sales growth is attributable to the good performance of the agricultural machinery trade in the Baltic countries.

In January-September, the operating profit excluding non-recurring items of the car and machinery trade was €44.8 million (€29.2 million), up €15.6 million compared to the previous year. The strong profit is the result of good sales performance and cost management. The operating profit for January-September was €44.9 million (€30.0 million).

Capital expenditure in the car and machinery trade was €20.5 million (€13.1 million) in January-September.

July-September 2011

In July-September, the net sales of the car and machinery trade were €290 million (€218 million), up 33.0%.

VV-Auto's net sales for July-September were €199 million (€150 million), an increase of 32.3%. The net sales growth is attributable to market growth and an increase in the combined market share of passenger cars and vans imported by VV-Auto. In July-September, VV-Auto's market share was 21.2% (17.9%).

Konekesko's net sales for July-September were €91 million (€68 million), up 34.6% compared to the previous year.

In July-September, the operating profit excluding non-recurring items of the car and machinery trade was €13.0 million (€8.7 million), up €4.3 million compared to the previous year. The strong profit is attributable to excellent sales performance and cost management. The operating profit for July-September was €13.0 million (€8.6 million).

Capital expenditure in the car and machinery trade was €6.6 million (€5.0 million) in July-September.

Changes in the Group composition

Kesko established a new company in Russia for Intersport operations in Russia, in which Kesko Corporation's and Melovest Ltd's ownership interests are 80% and 20% respectively. On 24 August, 2011, the acquisition of Intersport operations in Russia was concluded. By 30 September 2011, 34 stores had been transferred to the Kesko subsidiary.

Shares, securities market and Board authorisations

At the end of September 2011, the total number of Kesko Corporation shares was €98,645,042, of which 31,737,007, or

32.2%, were A shares and 66,908,035, or 67.8%, were B shares. At 30 September 2011, Kesko Corporation held 700,000 own B shares. Each A share entitles to ten (10) votes and each B share to one (1) vote. The company cannot vote with own shares held by it. At the end of September 2011, Kesko Corporation's share capital was €197,282,584. During the reporting period, the number of B shares was increased twice to correspond to share subscriptions with the option rights of the 2007 option scheme. The increases were made on 31 May 2011 (2,750 B shares) and on 1 August 2011 (1,000 B shares) and announced in a stock exchange notification on the same days. The subscribed shares were listed for public trading on NASDAQ OMX Helsinki (the Helsinki stock exchange) with the old B shares on 1 June 2011 and 2 August 2011. The combined share subscription price of €87,637.50 received by the company was recorded in the reserve of invested non-restricted equity.

The price of a Kesko A share quoted on NASDAQ OMX Helsinki was €34.70 at the end of 2010, and €23.48 at the end of September 2011, representing a decrease of 32.3%. Correspondingly, the price of a B share was €34.93 at the end of 2010, and €23.14 at the end of September 2011, representing a decrease of 33.8%. In January-September, the highest A share price was €36.00 and the lowest was €22.35. For B share, they were €35.97 and €22.21 respectively. In January-September, the Helsinki stock exchange (OMX Helsinki) All-Share index fell by 31.2%, the weighted OMX Helsinki CAP index by 29.9%, while the Consumer Staples Index was down by 30.0%.

At the end of September 2011, the market capitalisation of A shares was €745 million, while that of B shares was €1,532 million, excluding the shares held by the parent company. The combined market capitalisation of A and B shares was €2,277 million, a decrease of €1,161 million from the end of 2010. In January-September 2011, a total of 1.6 million A shares were traded on the Helsinki stock exchange at a total value of €50 million, while 51.4 million B shares were traded at a total value of €1,561 million.

The company operates the 2007 stock option scheme for management and other key personnel, under which the share subscription period of 2007A option rights runs from 1 April 2010 to 30 April 2012, that of 2007B option rights from 1 April 2011 to 30 April 2013, and that of 2007C option rights will begin on 1 April 2012 and end on 30 April 2014. The 2007A and 2007B option rights have also been included on the official list of the Helsinki stock exchange since the beginning of the share subscription periods. A total of 221,662 2007A option rights were traded during the reporting period at a total value of €184,113. A total of 101,250 2007B option rights were traded during the reporting period at a total value of €1,074,816.

The Board of Directors was authorised by the Annual General Meeting of 4 April 2011 to acquire a total maximum of 1,000,000 own B shares. The authorisation is valid until 30 September 2012. The Annual General Meeting also authorised the Board to decide on the issuance of a maximum of 1,000,000 own B shares held by the company itself. The authorisation is valid until 30 June 2014. The prior authorisation by the Annual General Meeting of 30 March 2009 to issue a maximum of 20,000,000 new B shares against payment or other consideration until 30 March 2012 remains in force. By virtue of the share acquisition authorisation, a total of 700,000 own B shares were acquired from the Helsinki stock exchange during the reporting period. The beginning of acquisition was announced on a stock exchange release on 28 April 2011. Each subsequent acquisition was announced in a stock exchange notification on the same day. No company shares have been issued by virtue of the share issue authorisations. Further information on the Board's authorisations is available at www.kesko.fi.

At the end of September 2011, the number of shareholders was 40,215, which is 1,957 more than at the end of 2010. At the end of September 2011, foreign ownership of all shares was 20%, and foreign ownership of B shares was 30%.

Flagging notifications

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

Main events during the reporting period

Merja Haverinen, M.Soc.Sc., was appointed Kesko Corporation's Senior Vice President for Corporate Communications and Responsibility starting from 1 April 2011. Paavo Moilanen, Senior Vice President for Corporate Communications and Responsibility, retired on 1 April 2011 in accordance with his service contract. (Stock exchange release on 4 February 2011).

Kesko's Annual General Meeting was held on 4 April 2011. President and CEO Matti Halmesmäki announced in his review that Kesko Food will open four large-scale grocery stores in Russia in 2012–2013. Kesko Food's objective is to achieve €500 million in net sales and a positive operating result in Russia by 2015. The capital expenditure is estimated at €300 million in 2011–2015. At the same time with new construction, Kesko Food will continue to explore business acquisition opportunities in both St. Petersburg and Moscow. (Stock exchange release on 4 April 2011).

On 4 April 2011, Kesko's Board of Directors decided to introduce a new share-based compensation plan for some 150 Kesko management personnel and other named key personnel, in which a maximum of 600,000 own B shares held by the company can be granted to people in the target group within a period of three years. The purpose of the plan is to promote Kesko's business operations and to increase the company's value by combining the objectives of the shareholders and the management personnel. The plan encourages its participants to commit to the Kesko Group and provides them with the opportunity to receive company shares, if the targets set in the share-based compensation plan are achieved. The share-based compensation plan includes three vesting periods, namely the calendar years 2011, 2012 and 2013. A commitment period of three calendar years following each vesting period is attached to the shares issued in compensation, during which shares must not be transferred. (Stock exchange release on 4 April 2011).

Kesko Corporation's Board of Directors agreed to extend the term of Kesko Corporation's Managing Director and Kesko Group's President and CEO Matti Halmesmäki until the end of May 2015, when Mr. Halmesmäki will be 63. According to the previous agreement, Mr. Halmesmäki's term would have expired in May 2012. (Stock exchange release on 25 May 2011).

Kesko signed agreements on the transfer of the Intersport licence in Russia to Kesko with Intersport International and Intersport CIS. According to the letter of intent signed on the same occasion, Kesko established a new company for Intersport operations in Russia together with Melovest, the owner of Intersport CIS. Melovest holds a 20% ownership interest in the new company. The completion of the arrangement was subject to a final agreement on all of its terms and conditions, the approval by the Russian competition authority and the fulfilment of the other completion terms and conditions. (Stock exchange release on 3 June 2011).

Jari Lind, Rautakesko Ltd's President and a member of Kesko's Corporate Management Board, resigned on 9 June 2011. During the recruitment process of a new president, Antti Ollila, Vice President for Rautakesko Commerce, will be in charge ad interim of the duties of the Rautakesko President. In consequence of Lind's resignation, his membership of Kesko's Corporate Management Board ended. (Stock exchange release on 9 June 2011).

The acquisition of Intersport operations in Russia was concluded and the subsidiary established for the purpose started its operations. The company operates in the St. Petersburg and Moscow regions and intends to increase the number of sports stores to 36 by the end of this year. (Stock exchange release on 24 August 2011).

Resolutions of the 2011 Annual General Meeting and decisions of the Board's organisational meeting

Kesko Corporation's Annual General Meeting, held on 4 April 2011, adopted the financial statements for 2010 and discharged the Board members and the Managing Director from liability. The General Meeting also resolved to distribute €1.30 per share as dividends, or a total of €128,233,679.60, as proposed by the Board of Directors. The dividend pay date was 14 April 2011. The General Meeting also resolved to leave the number of Board members unchanged at seven, elected PricewaterhouseCoopers Oy as the company's auditor, with APA Johan Kronberg as the auditor with principal responsibility, and approved the Board's proposals to authorise the Board to acquire a total maximum of 1,000,000 own B shares, and to issue a total maximum of 1,000,000 own B shares held by the company itself. The General Meeting also approved the Board's proposal to decide in 2011 on the donation of a total maximum of €300,000 for charitable or corresponding purposes.

The organisational meeting of Kesko Corporation's Board of Directors, held after the Annual General Meeting, decided to maintain the compositions of the Board's Audit Committee and Remuneration Committee unchanged.

More detailed information on the resolutions of the 2011 Annual General Meeting and on the decisions of the Board's organisational meeting was given in stock exchange releases on 4 April 2011.

Responsibility

Representatives of agricultural producers, food industry and the trading sector discussed about Finnish food at a seminar organised by Kesko, Atria and Valio in Lapua on 5 August 2011.

Anttila's and Kodin Ykkönen's logistics centre in Kerava was inaugurated on 31 August 2011. The consumption of heating energy of the new logistics centre is only about one third compared to the old warehouse in Hämeenkylä, Vantaa.

In celebration of Pirkka products' 25th anniversary, a campaign dubbed 'Let's Eat Together' was organised. The main event day gathered more than 36,000 people on 10 September 2011.

In September, K-food stores' transportation started testing a new kind of double-decker lorry trailer which will help reduce the carbon dioxide emissions from transportation by one third.

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.

In September, Kesko was, for the third time, included as a member in the highly valued FTSE4Good index focusing on responsible investment. Kesko's work for curbing climate change was given 5 points on a scale 0–5.

Risk management and significant risks and uncertainties in the near future

The Kesko Group has an established and comprehensive risk management process. Risks and their management are regularly assessed within the Group and reported to the Group's management. Kesko's risk management and risks related to business operations are described in more detail in the corporate governance section of Kesko's website.

The most significant risks for Kesko's operating activities in the near future are involved in the financial market falling into crisis, the general economic development and consumer confidence in Kesko's operating area. An intensive expansion of business operations in Russia improves Kesko's business opportunities, but at the same time, the importance of country risk management is emphasized. In other respects, no material changes are estimated to have taken place in the risks presented in the Report by the Board of Directors in Kesko's 2010 Annual Report and financial statements, and those presented on the Kesko's website during the first part of the year.

Uncertainties regarding the economic development are described in more detail in the future outlook section of this release.

Future outlook

Estimates of the future outlook for the Kesko Group's net sales and operating profit excluding non-recurring items are given for the 12 months following the reporting period (10/2011–9/2012) in comparison with the 12 months preceding the reporting period (10/2010–9/2011).

The outlook for trends in consumer demand has weakened as a result of lowered consumer confidence regardless of continuously low interest rate levels. Significant uncertainties are associated with economic development, especially with respect to the evolution of total production and the ramifications of disturbances in the financial market. In addition, cuts in public finances and tightening taxation may have a negative impact on the trend in consumer demand.

The steady development in the grocery trade is expected to continue. The home and speciality goods trade is expected to develop in line with the trend in private consumption. The growth of the building and home improvement market is expected to even out. In the car and machinery trade, the market is expected to turn down slightly.

The Kesko Group's net sales are expected to grow during the next twelve months. During the next twelve months, the operating profit excluding non-recurring items is expected to remain at the achieved good level despite significant costs involved in the expansion of the store site network and business operations in Russia.

Helsinki, 25 October 2011

Kesko Corporation
Board of Directors

The information in this interim report is unaudited.

Further information is available from Arja Talma, Senior Vice President, CFO, telephone +358 10 53 22113, and Eva Kaukinen, Vice President, Corporate Controller, telephone +358 10 53 22338. A Finnish-language webcast from the media and analyst briefing on the interim report can be accessed at www.kesko.fi at 11.00. An English-language web conference on the interim report will be held today at 14.30 (Finnish time). The web conference login is available at www.kesko.fi.

Kesko Corporation's financial statements release will be released on 2 February 2012. In addition, the Kesko Group's sales figures are published each month. News releases and other company information are available on Kesko's website at: www.kesko.fi.

Kesko Corporation
Merja Haverinen
Senior Vice President, Corporate Communications and Responsibility

ATTACHMENTS

Accounting policies
Consolidated statement of comprehensive income
Consolidated statement of financial position
Consolidated statement of changes in equity
Consolidated cash flow statement
Group performance indicators
Net sales by segment
Operating profit by segment
Operating profit excl. non-recurring items by segment
Operating margins excl. non-recurring items by segment
Capital employed by segment
Return on capital employed excl. non-recurring items by segment
Capital expenditure by segment
Segment information by quarter
Personnel average and at 30 September
Group's contingent liabilities
Calculation of performance indicators
K-Group's retail and B2B sales

DISTRIBUTION

NASDAQ OMX Helsinki
Main news media
www.kesko.fi

ATTACHMENTS:

Accounting policies

This interim report has been prepared in accordance with the IAS 34 standard. The interim report has been prepared in accordance with the same principles as the annual financial statements for 2010, with the exception of the following changes due to the adoption of new and revised IFRS standards and IFRIC interpretations.

- IAS 24 (revised), Related Party Disclosures
- IAS 32 (amendment), Financial Instruments: Presentation – Classification of Rights Issues
- IFRIC 14 (amendment), Prepayments of a Minimum Funding Requirement
- IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments
- Annual amendments to the IFRSs (Annual Improvements)

The above amendments to standards and interpretations do not have a material impact on the reported income statement, statement of financial position or notes.

Excise taxes have been reclassified from other operating costs to cost of goods sold. The comparative figures have been restated accordingly.

The Group accounts for real estate company acquisitions as acquisitions of tangible assets. Previously, real estate company acquisitions were accounted for as business combinations in accordance with IFRS 3. Adjustments related to acquisitions have been recognised retrospectively.

CONSOLIDATED INCOME STATEMENT (€ MILLION), CONDENSED

	1–9/2011	1–9/2010	Change,%	7–9/2011	7–9/2010	Change,%	1–12/2010
Net sales	6,979	6,467	7.9	2,404	2,231	7.8	8,777
Cost of goods sold	-6,037	-5,583	8.1	-2,086	-1,922	8.6	-7,547
Gross profit	**942**	**885**	**6.5**	**318**	**309**	**2.8**	**1,230**
Other operating income	517	519	-0.5	173	207	-16.2	699
Staff cost	-414	-376	10.3	-131	-116	13.2	-521
Depreciation and impairment charges	-90	-89	1.7	-31	-32	-3.7	-121
Other operating expenses	-746	-716	4.3	-241	-244	-1.3	-981
Operating profit	**208**	**224**	**-7.2**	**88**	**124**	**-28.8**	**307**
Interest income and other finance income	15	15	-0.4	5	5	-8.6	23
Interest expense and other finance costs	-13	-12	5.4	-4	-4	8.4	-15
Exchange differences	-3	-2	36.0	0	-1	-60.9	-1
Income from associates	0	0	(..)	0	0	(..)	0
Profit before tax	**208**	**225**	**-7.5**	**88**	**125**	**-29.3**	**312**
Income tax	-66	-72	-7.7	-29	-40	-27.5	-97
Profit for the period	**142**	**153**	**-7.5**	**59**	**84**	**-30.2**	**216**
Attributable to							
Owners of the parent	131	146	-9.9	52	80	-34.5	205
Non-controlling interests	10	7	41.3	6	4	52.3	11
Earnings per share (€) for profit attributable to equity holders of the parent							
Basic	1.34	1.48	-10.0	0.53	0.81	-34.6	2.08
Diluted	1.33	1.48	-10.3	0.53	0.81	-34.8	2.06

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (€ MILLION)

	1–9/2011	1–9/2010	Change,%	7–9/2011	7–9/2010	Change,%	1–12/2010
Net profit for the period	142	153	-7.5	59	84	-30.2	216
Other comprehensive income							
Exchange differences on translating foreign operations	-19	3	(..)	-9	-4	(..)	5
Cash flow hedge revaluation	-12	8	(..)	-2	1	(..)	21
Revaluation of available-for-sale financial assets	0	1	(..)	0	0	(..)	1
Other items	0	-1	-83.5	-	-	-	-1
Tax relating to other comprehensive income	3	-3	(..)	0	0	(..)	-6
Total other comprehensive income for the period, net of tax	-28	9	(..)	-10	-3	(..)	20
Total comprehensive income for the period	**114**	**163**	**-30.1**	**49**	**81**	**-39.7**	**236**
Attributable to							
Owners of the parent	119	155	-23.6	48	79	-39.3	224
Non-controlling interests	-5	7	(..)	1	2	-54.3	12

(..) Change over 100%

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (€ MILLION), CONDENSED

	30.9.2011	30.9.2010	Change, %	31.12.2010
ASSETS				
Non-current assets				
Tangible assets	1,459	1,097	33.1	1,261
Intangible assets	184	177	4.1	180
Interests in associates and other financial assets	67	57	18.1	61
Loans and receivables	73	68	7.7	72
Pension assets	177	308	-42.7	186
Total	**1,960**	**1,707**	**14.9**	**1,759**
Current assets				
Inventories	793	688	15.2	757
Trade receivables	677	642	5.5	620
Other receivables	138	140	-1.3	183
Financial assets at fair value through profit or loss	122	225	-46.0	242
Available-for-sale financial assets	299	553	-45.9	549
Cash and cash equivalents	67	72	-6.7	56
Total	**2,096**	**2,320**	**-9.6**	**2,406**
Non-current assets held for sale	1	3	-67.5	1
Total assets	**4,058**	**4,029**	**0.7**	**4,167**
EQUITY AND LIABILITIES				
Equity	2,122	2,082	1.9	2,152
Non-controlling interests	50	54	-7.5	59
Total equity	**2,172**	**2,136**	**1.7**	**2,210**
Non-current liabilities				
Interest-bearing liabilities	213	227	-6.1	235
Non-interest-bearing liabilities	14	4	(..)	5
Deferred tax liabilities	85	114	-25.5	87
Pension obligations	2	2	-6.0	2
Provisions	10	13	-22.9	12
Total	**324**	**360**	**-10.0**	**340**
Current liabilities				
Interest-bearing liabilities	211	229	-7.9	242
Trade payables	893	822	8.6	838
Other non-interest-bearing liabilities	434	450	-3.6	507
Provisions	24	32	-24.7	29
Total	**1,562**	**1,533**	**1.9**	**1,616**
Total equity and liabilities	**4,058**	**4,029**	**0.7**	**4,167**

(..) Change over 100%

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (€ MILLION)

	Share capital	Issue of share capital	Share premium	Other reserves	Currency translation differences	Revaluation surplus	Retained earnings	Non-controlling interests	Total
Balance at 1.1.2010	**197**	**0**	**194**	**243**	**-7**	**-3**	**1,381**	**64**	**2,070**
Shares subscribed with options	1		4						4
Option cost							4	0	4
Dividends							-89	-18	-106
Other changes							1	0	1
Net profit for the period							146	7	153
Other comprehensive income									
Exchange differences on translating foreign operations				0	3		0	0	3
Cash flow hedge revaluation						8			8
Revaluation of available-for-sale financial assets						1			1
Other items							-1		-1
Tax relating to other comprehensive income						-3			-3
Total other comprehensive income				0	3	7	-1	0	9
Balance at 30.9.2010	**197**	**0**	**198**	**243**	**-4**	**5**	**1,444**	**54**	**2,136**
Balance at 1.1.2011	**197**	**0**	**198**	**243**	**-3**	**14**	**1,503**	**59**	**2,210**
Shares subscribed with options				0					0
Option cost							2	0	2
Own shares							-23	0	-23
Dividends							-128	-4	-132
Other changes				0			1	0	1
Net profit for the period							131	10	142
Other comprehensive income									
Exchange differences on translating foreign operations				0	-4			-15	-19
Cash flow hedge revaluation						-12			-12
Revaluation of available-for-sale financial assets						0			0
Other items							0		0
Tax relating to other comprehensive income						3			3
Total other comprehensive income				0	-4	-9	0	-15	-28
Balance at 30.9.2011	**197**	**0**	**198**	**243**	**-7**	**5**	**1,486**	**50**	**2,172**

CONSOLIDATED CASH FLOW STATEMENT (€ MILLION), CONDENSED

	1–9/2011	1–9/2010	Change,%	7–9/2011	7–9/2010	Change,%	1–12/2010
Cash flow from operating activities							
Profit before tax	208	225	-7.5	88	125	-29.3	312
Planned depreciation	90	86	5.2	31	29	5.9	116
Finance income and costs	0	-1	(..)	0	-1	-62.8	-6
Other adjustments	22	-19	(..)	7	-7	(..)	97
Change in working capital							
Current non-interest-bearing trade and other receivables, increase (-)/ decrease (+)	-47	-33	45.9	94	85	11.0	-15
Inventories increase (-)/decrease (+)	-47	-16	(..)	-13	-14	-3.3	-82
Current non-interest-bearing liabilities, increase (+)/ decrease (-)	18	101	-82.4	-69	-73	-4.8	153
Financial items and tax	-74	-74	0.2	-11	-10	10.0	-136
Net cash generated from operating activities	**169**	**269**	**-37.1**	**126**	**133**	**-5.8**	**438**
Cash flow from investing activities							
Capital expenditure	-337	-164	(..)	-139	-72	92.6	-367
Sales of fixed assets	6	115	-94.6	2	111	-97.8	124
Increase of non-current receivables	-1	-	(..)	0	-	(..)	-
Decrease of non-current receivables	-	2	(..)	-	0	(..)	4
Net cash used in investing activities	**-331**	**-47**	**(..)**	**-137**	**39**	**(..)**	**-240**
Cash flow from financing activities							
Increase (+)/ decrease (-) in interest-bearing liabilities	-39	15	(..)	-44	-29	49.8	39
Increase (-)/decrease (+) in current interest-bearing receivables	1	10	-86.1	0	0	(..)	11
Dividends paid	-132	-106	24.3	0	-1	-97.1	-106
Equity increase	0	4	-97.9	-	-	-	4
Acquisition of own shares	-24	-	(..)	-1	-	(..)	-
Increase (-)/ decrease (+) in short-term money market investments	163	-98	(..)	37	20	86.5	-114
Other items	0	-12	(..)	2	-5	(..)	-15
Net cash used in financing activities	**-29**	**-187**	**-84.4**	**-5**	**-15**	**-65.6**	**-181**
Change in cash and cash equivalents	**-191**	**35**	**(..)**	**-16**	**157**	**(..)**	**18**
Cash and cash equivalents and current portion of available-for-sale financial assets at 1 Jan.	509	491	3.7	334	371	-9.9	491
Currency translation difference adjustment and revaluation	-3	0	(..)	-2	-1	(..)	0
Cash and cash equivalents and current portion of available-for-sale financial assets at 30 Sep.	315	527	-40.2	315	527	-40.2	509

(..) Change over 100%

GROUP'S PERFORMANCE INDICATORS

	1–9/2011	1–9/2010	Change, pp	1–12/2010
Return on capital employed, %	13.4	15.6	-2.2	16.0
Return on capital employed, %, moving 12 mo	14.3	17.4	-3.1	16.0
Return on capital employed excl. non-recurring items, %	13.3	13.0	0.3	14.0
Return on capital employed excl. non-recurring items, %, moving 12 mo	14.2	13.0	1.1	14.0
Return on equity, %	8.6	9.7	-1.1	10.1
Return on equity, %, moving 12 mo	9.5	11.0	-1.6	10.1
Return on equity excl. non-recurring items, %	8.6	8.0	0.6	8.7
Return on equity excl. non-recurring items, %, moving 12 mo	9.4	8.0	1.4	8.7
Equity ratio, %	54.0	53.4	0.6	53.5
Gearing, %	-2.9	-18.4	15.5	-16.8

			Change, %	
Capital expenditure, € million	320.9	123.6	(..)	325.3
Capital expenditure, % of net sales	4.6	1.9	(..)	3.7
Earnings per share, basic, €	1.34	1.48	-10.0	2.08
Earnings per share, diluted, €	1.33	1.48	-10.3	2.06
Earnings per share excl. non-recurring items, basic, €	1.34	1.21	10.6	1.78
Cash flow from operating activities, € million	169	269	-37.1	438
Cash flow from investing activities, € million	-331	-47	(..)	-240
Equity/share, €	21.66	21.11	2.6	21.81
Personnel, average	18,855	18,173	3.8	18,215

(..) Change over 100%

GROUP'S PERFORMANCE INDICATORS BY QUARTER

	1–3/ 2010	4–6/ 2010	7–9/ 2010	10–12/ 2010	1–3/ 2011	4–6/ 2011	7–9/ 2011
Net sales, € million	1,958	2,279	2,231	2,310	2,103	2,472	2,404
Change in net sales, %	-3.0	6.4	4.6	7.3	7.4	8.5	7.8
Operating profit, € million	20.9	79.0	123.9	82.8	35.7	83.9	88.2
Operating margin, %	1.1	3.5	5.6	3.6	1.7	3.4	3.7
Operating profit excl. non-recurring items, € million	20.9	78.1	88.7	80.5	34.9	83.3	89.2
Operating margin excl. non-recurring items, %	1.1	3.4	4.0	3.5	1.7	3.4	3.7
Finance income/costs, € million	0.8	-0.2	0.8	4.6	-0.6	0.3	0.3
Profit before tax, € million	21.9	78.7	124.5	87.3	36.1	84.0	88.0
Profit before tax, %	1.1	3.5	5.6	3.8	1.7	3.4	3.7
Return on capital employed, %	4.4	16.1	26.4	17.5	7.2	16.0	16.4
Return on capital employed excl. non-recurring items, %	4.4	15.9	18.9	17.0	7.0	15.9	16.6
Return on equity, %	2.9	10.6	16.1	11.5	4.5	10.6	10.9
Return on equity excl. non-recurring items, %	2.9	10.5	11.1	11.2	4.4	10.6	11.1
Equity ratio, %	51.3	51.4	53.4	53.5	54.4	52.1	54.0
Capital expenditure, € million	42.0	45.7	35.9	201.6	64.1	130.5	126.3
Earnings per share, diluted, €	0.15	0.51	0.81	0.59	0.25	0.55	0.53
Equity per share, €	19.69	20.30	21.11	21.81	22.04	21.21	21.66

SEGMENT INFORMATION

Net sales by segment (€ million)	1–9/2011	1–9/2010	Change, %	7–9/2011	7–9/2010	Change, %	1–12/2010
Food trade, Finland	3,074	2,874	6.9	1,049	986	6.4	3,896
Food trade, other countries*	-	-	-	-	-	-	-
Food trade total	**3,074**	**2,874**	**6.9**	**1,049**	**986**	**6.4**	**3,896**
- of which intersegment trade	124	122	2.1	41	40	4.2	162
Home and speciality goods trade, Finland	1,051	1,056	-0.5	371	374	-0.8	1,553
Home and speciality goods trade, other countries*	12	11	7.1	5	4	27.2	15
Home and speciality goods trade total	**1,063**	**1,068**	**-0.4**	**376**	**378**	**-0.5**	**1,569**
- of which intersegment trade	13	16	-19.8	4	5	-14.0	23
Building and home improvement trade, Finland	936	881	6.3	311	293	6.4	1,163
Building and home improvement trade, other countries*	1,122	1,013	10.8	420	395	6.4	1,357
Building and home improvement trade total	**2,059**	**1,894**	**8.7**	**731**	**687**	**6.4**	**2,519**
- of which intersegment trade	9	0	(..)	3	0	(..)	0
Car and machinery trade, Finland	817	669	22.1	248	190	30.8	859
Car and machinery trade, other countries*	94	83	13.6	42	28	48.0	96
Car and machinery trade total	**911**	**752**	**21.2**	**290**	**218**	**33.0**	**955**
- of which intersegment trade	1	0	(..)	0	0	48.2	0
Common operations and eliminations	-128	-120	5.9	-42	-39	8.5	-162
Finland total	**5,751**	**5,360**	**7.3**	**1,937**	**1,804**	**7.4**	**7,309**
Other countries total*	**1,229**	**1,107**	**11.0**	**467**	**427**	**9.3**	**1,468**
Group total	**6,979**	**6,467**	**7.9**	**2,404**	**2,231**	**7.8**	**8,777**

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

Operating profit by segment (€ million)	1–9/2011	1–9/2010	Change	7–9/2011	7–9/2010	Change	1–12/2010
Food trade	133.7	121.2	12.6	45.7	47.3	-1.6	158.4
Home and speciality goods trade	4.1	57.7	-53.7	8.7	50.6	-41.9	103.4
Building and home improvement trade	30.8	24.0	6.7	21.0	19.9	1.1	23.9
Car and machinery trade	44.9	30.0	14.9	13.0	8.6	4.3	33.9
Common operations and eliminations	-5.7	-9.1	3.4	-0.2	-2.5	2.3	-12.8
Group total	**207.8**	**223.9**	**-16.1**	**88.2**	**123.9**	**-35.7**	**306.7**

Operating profit excl. non-recurring items by segment (€ million)	1–9/2011	1–9/2010	Change	7–9/2011	7–9/2010	Change	1–12/2010
Food trade	133.6	123.3	10.3	46.4	49.5	-3.1	160.1
Home and speciality goods trade	3.7	20.3	-16.6	8.7	13.2	-4.5	66.0
Building and home improvement trade	31.1	24.2	6.9	21.3	20.0	1.3	24.0
Car and machinery trade	44.8	29.2	15.6	13.0	8.7	4.3	33.1
Common operations and eliminations	-5.7	-9.4	3.6	-0.2	-2.8	2.6	-15.0
Group total	**207.4**	**187.6**	**19.8**	**89.2**	**88.7**	**0.5**	**268.1**

Operating margins excl. non-recurring items by segment	1–9/2011	1–9/2010	Change pp	7–9/2011	7–9/2010	Change pp	1–12/2010	Moving 12 mo 9/2011
Food trade	4.3	4.3	0.1	4.4	5.0	-0.6	4.1	4.2
Home and speciality goods trade	0.3	1.9	-1.6	2.3	3.5	-1.2	4.2	3.2
Building and home improvement trade	1.5	1.3	0.2	2.9	2.9	0.0	1.0	1.2
Car and machinery trade	4.9	3.9	1.0	4.5	4.0	0.5	3.5	4.4
Group total	**3.0**	**2.9**	**0.1**	**3.7**	**4.0**	**-0.3**	**3.1**	**3.1**

Capital employed by segment, cumulative average (€ million)	1–9/2011	1–9/2010	Change	7–9/2011	7–9/2010	Change	1–12/2010
Food trade	581	604	-23	610	579	31	590
Home and speciality goods trade	425	432	-7	438	421	17	431
Building and home improvement trade	692	632	60	711	619	92	627
Car and machinery trade	148	172	-24	146	141	5	168
Common operations and eliminations	228	80	148	240	118	122	101
Group total	**2,074**	**1,920**	**154**	**2,144**	**1,878**	**266**	**1,918**

Return on capital employed excl. non-recurring items by segment, %	1–9/2011	1–9/2010	Change pp	7–9/2011	7–9/2010	Change pp	1–12/2010	Moving 12 mo 9/2011
Food trade	30.7	27.2	3.5	30.4	34.2	-3.8	27.1	29.8
Home and speciality goods trade	1.2	6.3	-5.1	7.9	12.6	-4.6	15.3	11.6
Building and home improvement trade	6.0	5.1	0.9	12.0	12.9	-0.9	3.8	4.6
Car and machinery trade	40.5	22.6	17.8	35.6	24.7	10.9	19.6	32.8
Group total	**13.3**	**13.0**	**0.3**	**16.6**	**18.9**	**-2.2**	**14.0**	**14.2**

Capital expenditure by segment (€ million)	1–9/2011	1–9/2010	Change	7–9/2011	7–9/2010	Change	1–12/2010
Food trade	159	60	99	65	22	43	117
Home and speciality goods trade	51	17	34	32	4	28	45
Building and home improvement trade	89	33	56	23	5	18	78
Car and machinery trade	21	13	7	7	5	2	18
Common operations and eliminations	1	0	1	-1	0	-1	67
Group total	**321**	**124**	**197**	**126**	**36**	**90**	**325**

SEGMENT INFORMATION BY QUARTER

Net sales by segment (€ million)	1–3/ 2010	4–6/ 2010	7–9/ 2010	10–12/ 2010	1–3/ 2011	4–6/ 2011	7–9/ 2011
Food trade	912	976	986	1,022	948	1,077	1,049
Home and speciality goods trade	355	334	378	501	348	339	376
Building and home improvement trade	495	712	687	625	570	757	731
Car and machinery trade	236	298	218	203	279	342	290
Common operations and eliminations	-40	-41	-39	-42	-42	-43	-42
Group total	**1,958**	**2,279**	**2,231**	**2,310**	**2,103**	**2,472**	**2,404**

Operating profit by segment (€ million)	1–3/ 2010	4–6/ 2010	7–9/ 2010	10–12/ 2010	1–3/ 2011	4–6/ 2011	7–9/ 2011
Food trade	31.7	42.2	47.3	37.2	42.1	45.9	45.7
Home and speciality goods trade	0.1	7.0	50.6	45.6	-7.4	2.8	8.7
Building and home improvement trade	-13.8	17.9	19.9	-0.2	-9.1	18.8	21.0
Car and machinery trade	6.4	15.0	8.6	3.9	12.2	19.7	13.0
Common operations and eliminations	-3.4	-3.2	-2.5	-3.7	-2.2	-3.3	-0.2
Group total	**20.9**	**79.0**	**123.9**	**82.8**	**35.7**	**83.9**	**88.2**

Operating profit excl. non-recurring items by segment (€ million)	1–3/ 2010	4–6/ 2010	7–9/ 2010	10–12/ 2010	1–3/ 2011	4–6/ 2011	7–9/ 2011
Food trade	31.7	42.1	49.5	36.8	41.4	45.8	46.4
Home and speciality goods trade	0.1	7.0	13.2	45.7	-7.4	2.4	8.7
Building and home improvement trade	-13.8	17.9	20.0	-0.2	-9.1	18.8	21.3
Car and machinery trade	6.4	14.1	8.7	3.9	12.2	19.6	13.0
Common operations and eliminations	-3.4	-3.1	-2.8	-5.7	-2.2	-3.3	-0.2
Group total	**20.9**	**78.1**	**88.7**	**80.5**	**34.9**	**83.3**	**89.2**

Operating margin excl. non-recurring items by segment	1–3/ 2010	4–6/ 2010	7–9/ 2010	10–12/ 2010	1–3/ 2011	4–6/ 2011	7–9/ 2011
Food trade	3.5	4.3	5.0	3.6	4.4	4.3	4.4
Home and speciality goods trade	0.0	2.1	3.5	9.1	-2.1	0.7	2.3
Building and home improvement trade	-2.8	2.5	2.9	0.0	-1.6	2.5	2.9
Car and machinery trade	2.7	4.7	4.0	1.9	4.4	5.7	4.5
Group total	**1.1**	**3.4**	**4.0**	**3.5**	**1.7**	**3.4**	**3.7**

PERSONNEL AVERAGE AND AT 30 SEPTEMBER

Personnel average by segment	1–9/2011	1–9/2010	Change
Food trade	2 733	2 923	-190
Home and speciality goods trade	5 638	5 401	237
Building and home improvement trade	8 857	8 317	540
Car and machinery trade	1 206	1 133	73
Common operations	421	399	22
Group total	**18 855**	**18 173**	**682**

Personnel at 30 September* by segment	2011	2010	Change
Food trade	2 930	3 165	-235
Home and speciality goods trade	7 967	7 349	618
Building and home improvement trade	9 944	9 558	386
Car and machinery trade	1 263	1 199	64
Common operations	475	429	46
Group total	**22 579**	**21 700**	**879**

** total number incl. part-time employees*

Acquisitions

On 3 June 2011, Kesko Corporation signed an agreement on the transfer of the Intersport licence in Russia to Kesko with Intersport International Corporation and OOO Intersport CIS. Kesko established a new company in Russia for Intersport operations in Russia, in which Kesko Corporation's and Melovest Ltd's ownership interests are 80% and 20% respectively. On 24 August, 2011, the acquisition of Intersport operations in Russia was concluded and by 30 September 2011, 34 sports stores had been transferred to OOO Johaston. The aggregate cost of acquisition was €21.1 million.

The result of Intersport operations in Russia included in the Kesko Group's consolidated income statement for the period 1 July-30 September 2011 is insignificant. The management assesses that the contribution of Intersport operations in Russia to the Kesko Group's net sales or profit recognised in the income statement for the period 1 January-30 September 2011 would have been insignificant, if the acquisition had occurred on 1 January 2011.

The acquisition has been accounted for in accordance with the revised IFRS 3 standard effective 1 July 2009. The acquisition has been recognised provisionally as permitted by the revised IFRS 3 standard. The final cost will be determined when all of the sports stores included in the acquisition have been transferred to the company's ownership.

€ million	
Cash consideration	21.1
Fair value of net assets acquired	21.1

ANALYSIS OF NET ASSETS ACQUIRED

€ million	Fair value	Vendor's carrying amount
Intangible rights	7.2	-
Property, plant and equipment	10.9	-
Inventories	4.3	3.8
Deferred tax	-1.3	-
Net assets acquired	21.1	
Cash consideration	21.1	
Remaining consideration	4.1	
Cash outflow from acquisition	17.0	

GROUP'S COMMITMENTS	30.9.2011	30.9.2010	Change, %
Own commitments	169	196	-13.7
For shareholders	0	0	0.0
For others	9	6	47.2
Lease liabilities for machinery and equipment	24	21	12.7
Lease liabilities for real estate	2,252	2,304	-2.3

Own commitments do not include lease liabilities. The comparative year's figures have been adjusted accordingly.

LIABILITIES ARISING FROM DERIVATIVE INSTRUMENTS	30.9.2011	30.9.2010	Fair value 30.9.2011
Values of underlying instruments at 30 September			
Interest rate derivatives			
Forward and future contracts	297	3	-0.26
Interest rate swaps	205	206	4.45
Currency derivatives			
Forward and future contracts	262	308	3.83
Currency swaps	100	100	-11.55
Commodity derivatives			
Electricity derivatives	41	44	-0.09

CALCULATION OF PERFORMANCE INDICATORS

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

** Indicators for return on capital have been annualised.*

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

	1.1.–30.9.2011		1.7.–30.9.2011	
K-Group's retail and B2B sales	**€ million**	**Change, %**	**€ million**	**Change, %**
K-Group food trade				
K-food stores, Finland	3,374	5.8	1,158	6.1
Kespro	547	6.8	193	6.4
Food trade total	**3,921**	**5.9**	**1,351**	**6.2**
K-Group home and speciality goods trade				
Home and speciality goods stores, Finland	1,159	-0.1	402	-0.4
Home and speciality goods stores, Baltic countries	12	1.3	4	9.3
Home and speciality goods trade total	**1,171**	**-0.1**	**406**	**-0.3**
K-Group building and home improvement trade				
K-rauta and Rautia	818	6.6	322	9.6
Rautakesko B2B Service	163	14.2	60	8.7
K-maatalous	301	12.8	101	22.6
Finland total	**1,283**	**9.0**	**483**	**12.0**
Building and home improvement stores, other Nordic countries	860	7.7	329	5.7
Building and home improvement stores, Baltic countries	266	10.9	109	9.8
Building and home improvement stores, other countries	244	21.1	92	9.2
Building and home improvement trade total	**2,653**	**9.7**	**1,013**	**9.4**
K-Group car and machinery trade				
VV-Autotalot	314	23.0	105	29.7
VV-Auto, import	346	25.9	97	35.3
Konekesko, Finland	173	11.8	49	24.9
Finland total	**833**	**21.6**	**252**	**30.8**
Konekesko, Baltic countries	97	15.9	43	50.7
Car and machinery trade total	**930**	**21.0**	**295**	**33.4**
Finland total	**7,195**	**7.0**	**2,488**	**8.2**
Other countries total	**1,479**	**10.8**	**577**	**9.5**
Retail and B2B sales total	**8,675**	**7.6**	**3,065**	**8.4**