KESKO

Interim report

January-June 2012

25 July 2012

CFO Jukka Erlund

Kesko's January-June 2012

- K-Group's sales €5.9 billion, up 4.9% (VAT 0%)
- Kesko's net sales €4.8 billion, up 4.4%
  - Sales grew in all divisions in January-June
  - During the second quarter, the growth of sales was significantly slowed down by the decrease in car sales (-28%) attributable to the car tax change
- Operating profit excl. non-recurring items €84.3 million (€118.3 million)
  - The profit performance was influenced by the opening of new stores, higher rental expenses and the expansion of Russian business operations
- Capital expenditure in the first half of the year €171.9 million (€194.6 million)
  - Capital expenditure in the second quarter €67.8 million (€130.5 million)
- Kesko's solvency excellent, equity ratio 51.1%

Main focus areas in Kesko’s operations

- Strengthening the growth of sales
  - K-food stores’ competitive advantage projects
    - fruits and vegetables, bread, service counters
  - Multi-channelled service models of K-Group’s chains
    - store site network and online services

- Improving the profitability of the building and home improvement trade

- Utilising Russia’s business opportunities in the St. Petersburg and Moscow areas

- Good profitability, strong financial position and good dividend payment capacity

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Ensuring Kesko's earnings and return on capital

- Divisions take significant measures to enhance sales and purchasing operations and to adjust costs, working capital and capital expenditure in order to ensure earnings and return on capital
  - Significant cost savings will be done in all functions
    - Development projects that are central to our strategy will be executed as planned
  - Capital expenditure will be aligned with funds generated from operations to €200-300 million per year also due to the uncertainty of the general economic outlook

- Due to the availability of store sites in Russia and the adjustment of capital expenditure, it is expected that it will take more time to meet the growth targets of Kesko's Russian business operations
  - Net sales target for the building and home improvement trade €800 million in 2017 (previously 2015)
  - Net sales target for the food trade €500 million in 2017 (previously 2015)
    - Russian business operations in the food trade will start in St. Petersburg; the objective is to open a total of three food stores during the years 2012 and 2013

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Net sales by division 1.1.-30.6. (M€)

	2012	2011	Change
Food trade	2,101	2,025	+ 4%
Home and speciality goods trade	721	687	+ 5%
Building and home improvement trade	1,411	1,327	+ 6%
Car and machinery trade	627	621	+ 1%
Group total	**4,778**	**4,575**	**+ 4%**

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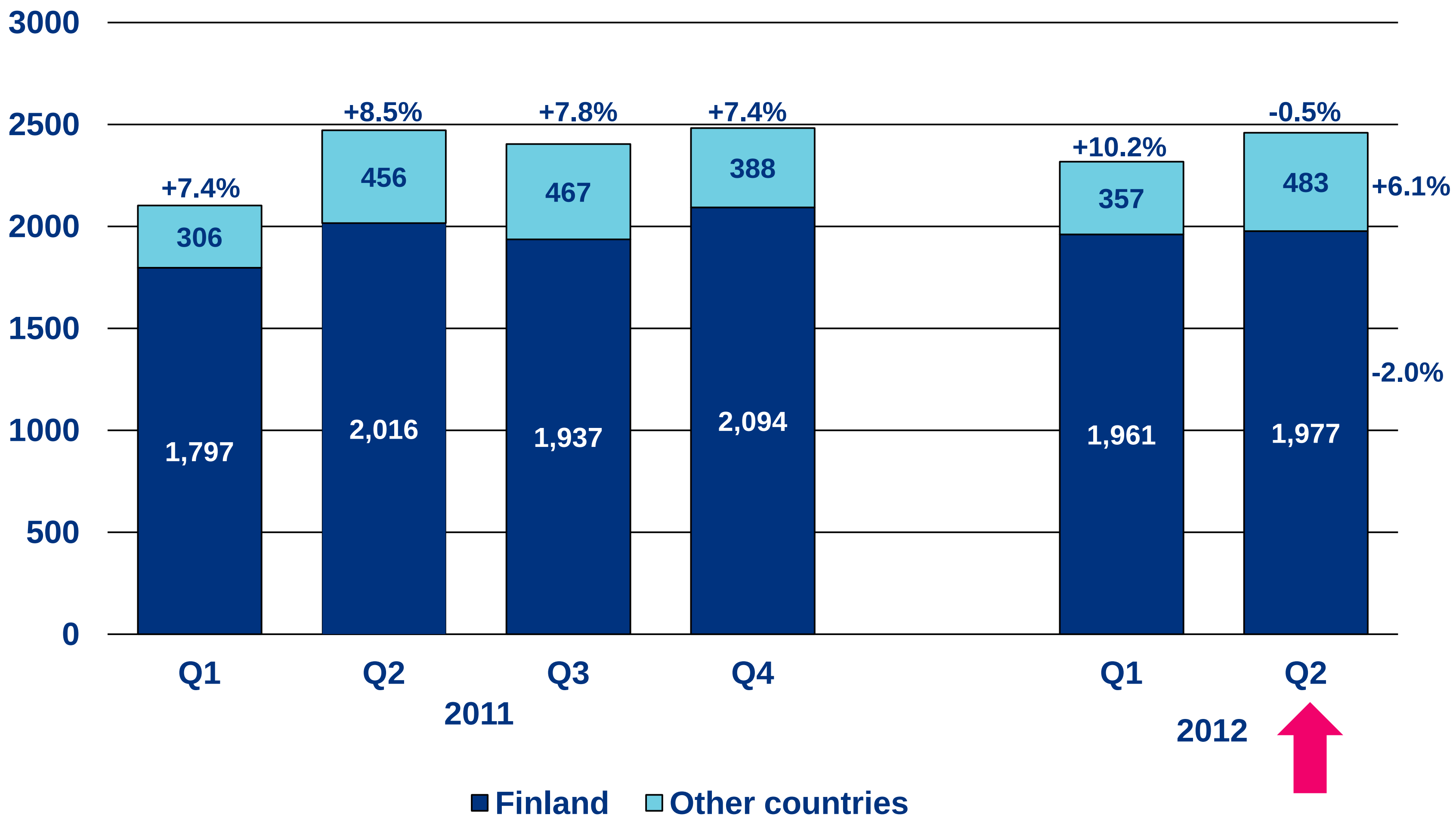
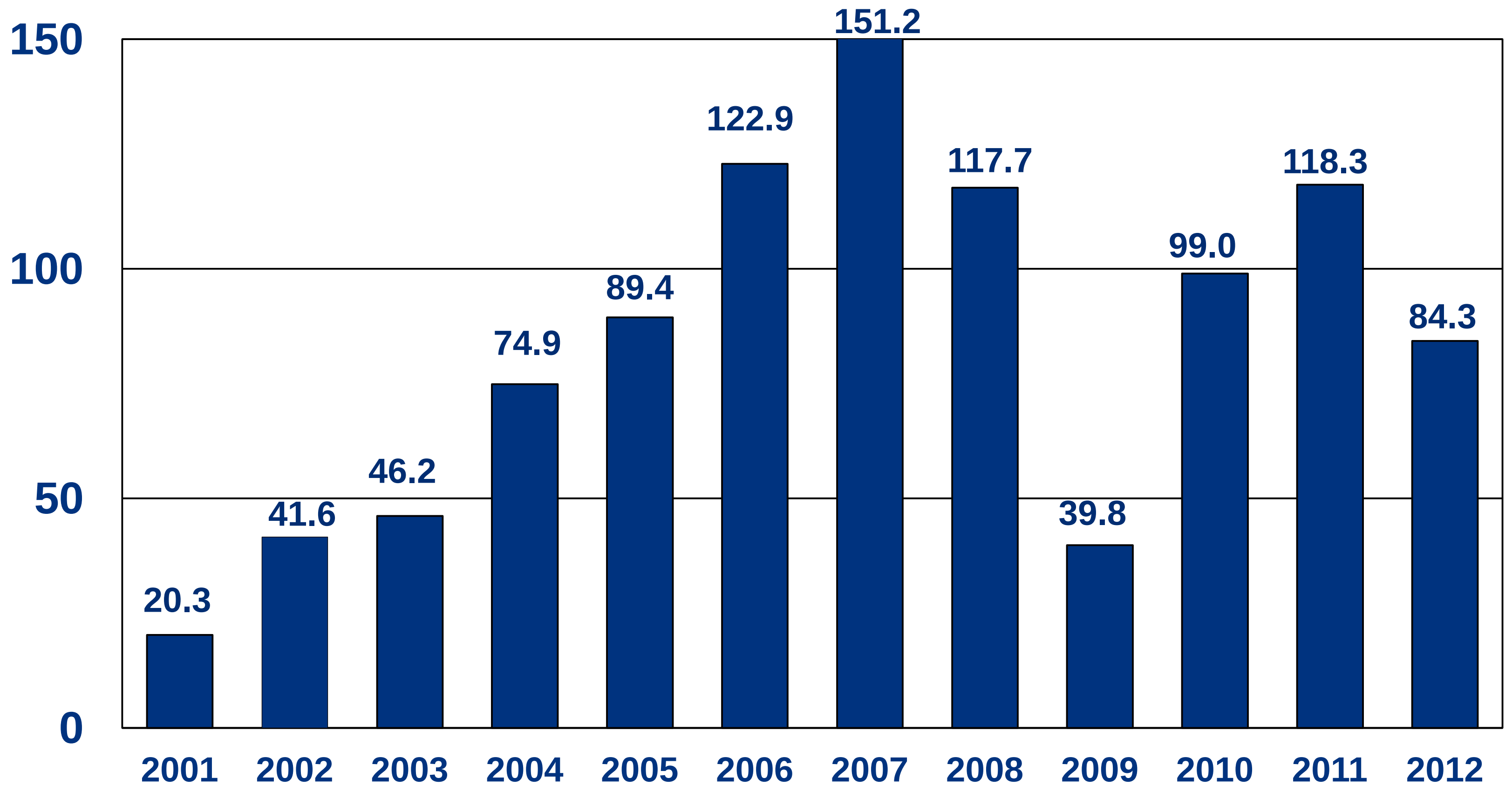
Group's net sales by quarter (M€)



Operating profit excl. non-recurring items by division 1.1.-30.6. (M€)

	2012	2011	Change M€
Food trade	74	87	-13
Home and speciality goods trade	-13	-5	-8
Building and home improvement trade	6	10	-3
Car and machinery trade	26	32	-6
Group total	**84**	**118**	**-34**

Operating profit excl. non-recurring items Jan-Jun (2001–2012)



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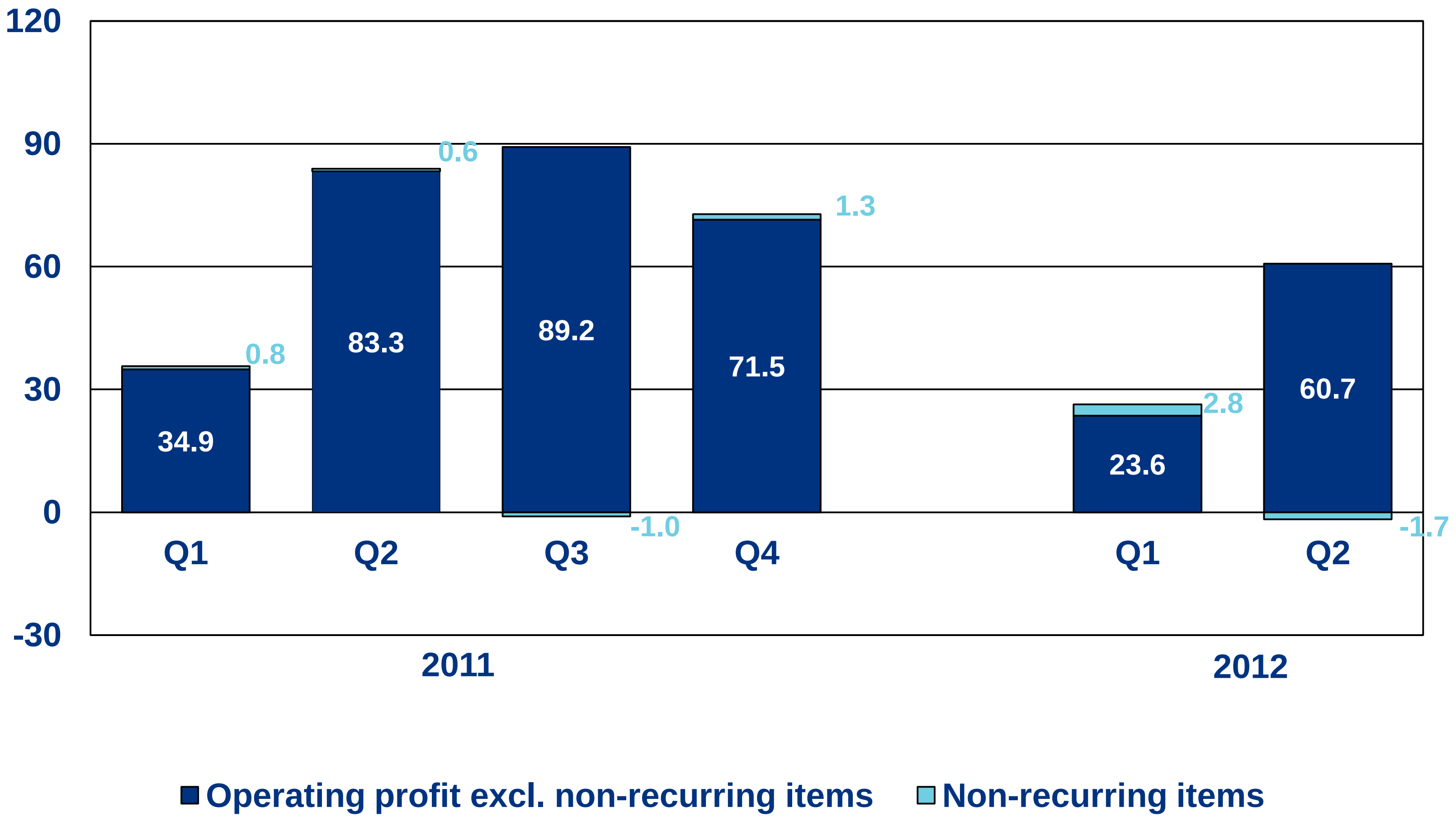
Operating profit by quarter (M€)



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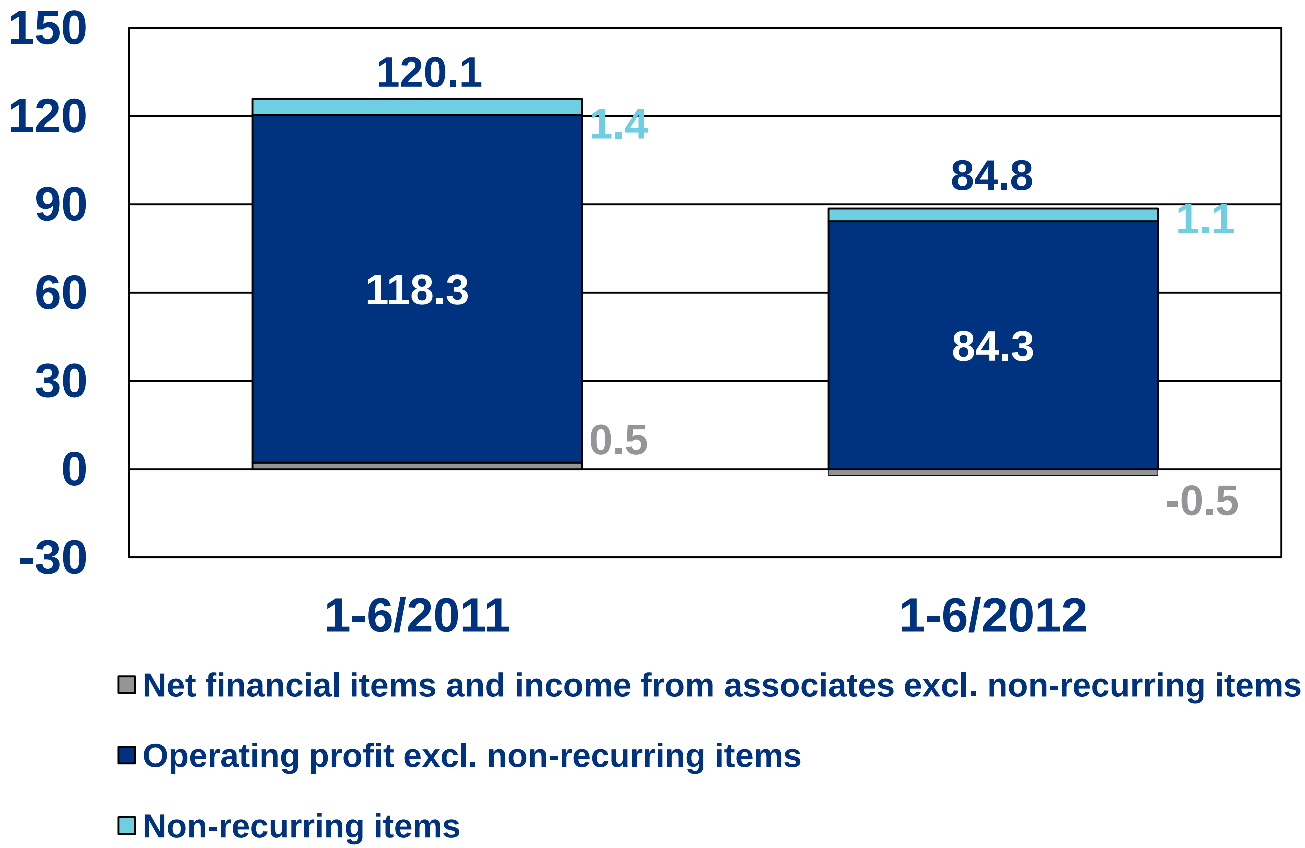
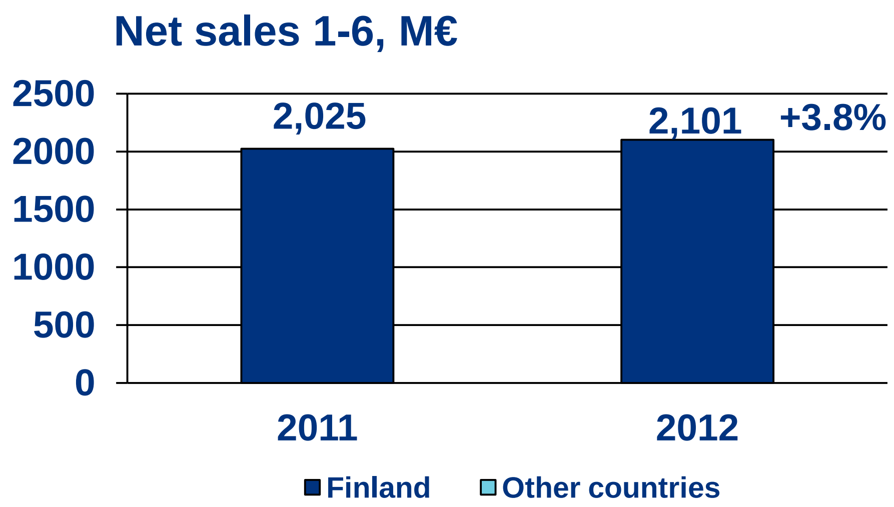
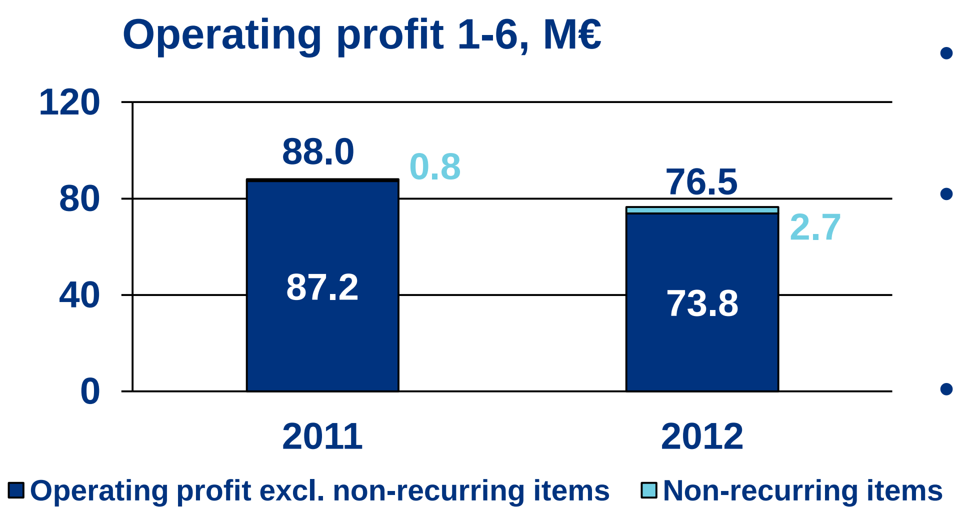
Group’s profit before tax 1-6/2012 (M€)



Food trade 1-6/2012





- Grocery sales of K-food stores increased by 4.9%
- Kesko Food's net sales grew by 3.8%
  - Sales of Pirkka products grew by 15%
- Operating profit performance was impacted by the expansion of the store site network and costs related to launching business operations in Russia
- Capital expenditure on store sites was €87.9 million (€89.9 million)
- During the first half of the year, three new K-citymarkets and five K-supermarkets were opened
- Three new K-citymarkets and 10 K-supermarkets are being built

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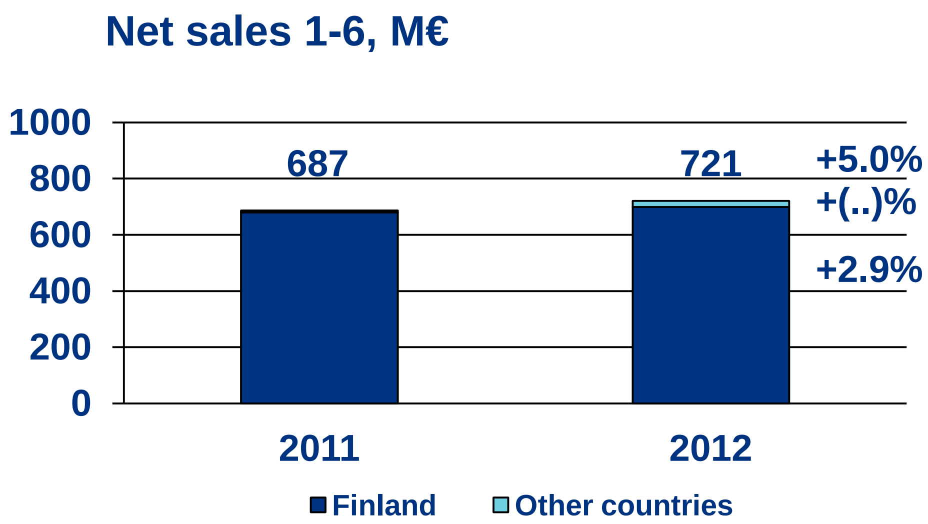
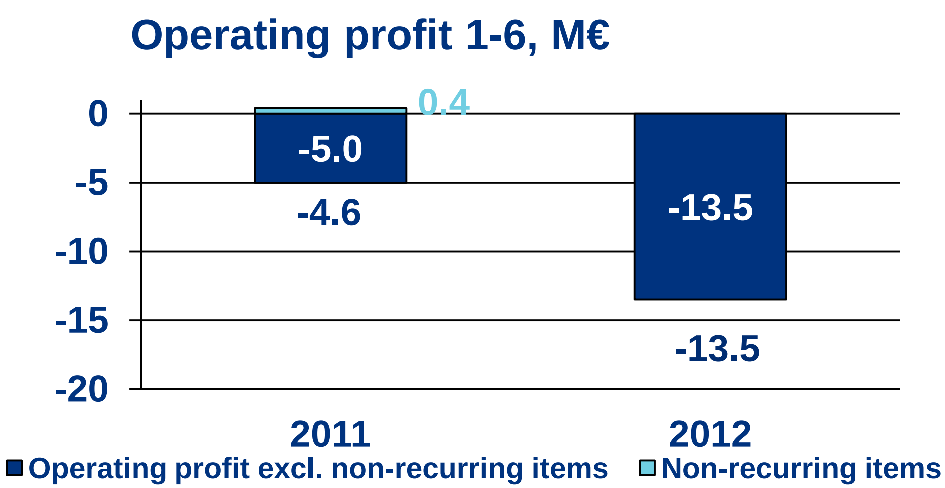
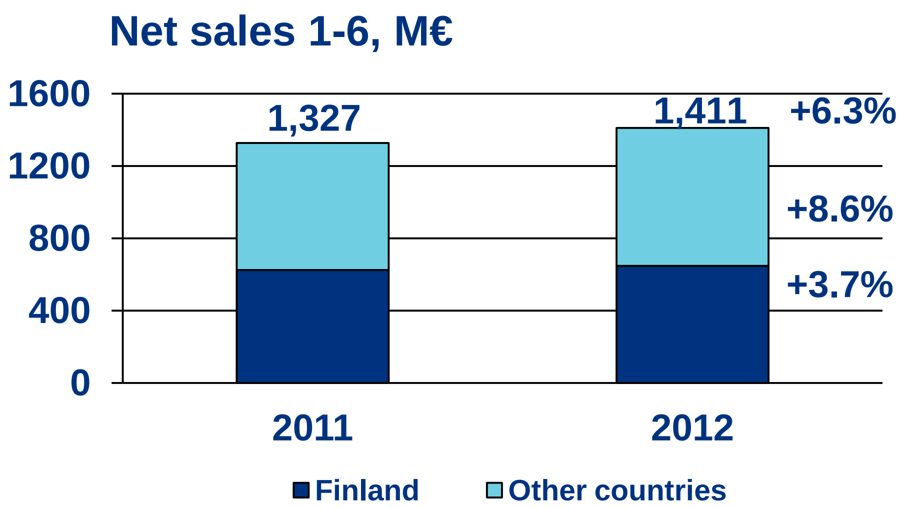
Home and speciality goods trade 1-6/2012

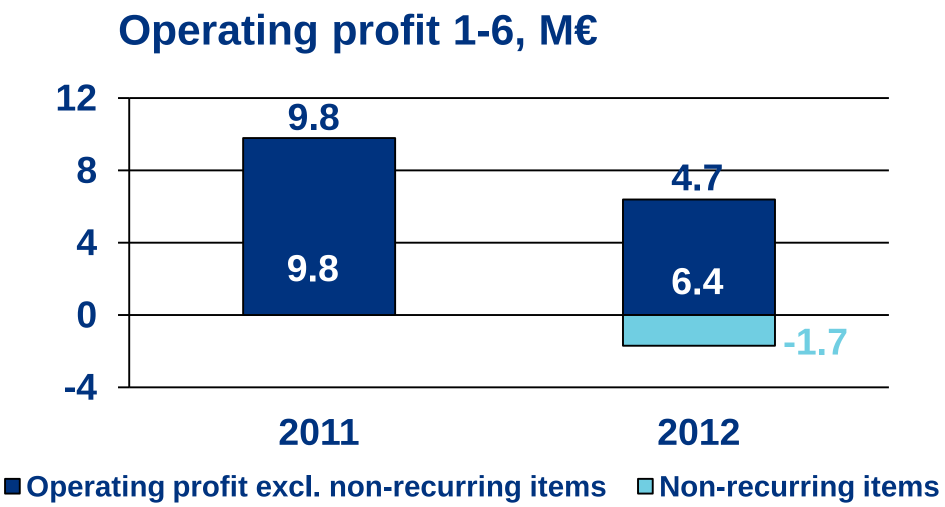




- Net sales increased by 5.0%
  - Intersport, Asko and Sotka achieved good sales performances
- Profitability was weakened by the integration and development measures of K-citymarket and Anttila, the expansion of the store site network and the loss from Russian Intersport operations
- Three K-citymarkets and one Anttila department store were opened
- Musta Pörssi concept and business model will be renovated and Konebox will be integrated in Musta Pörssi
- Kesko raised its ownership in Russian Intersport to 100%

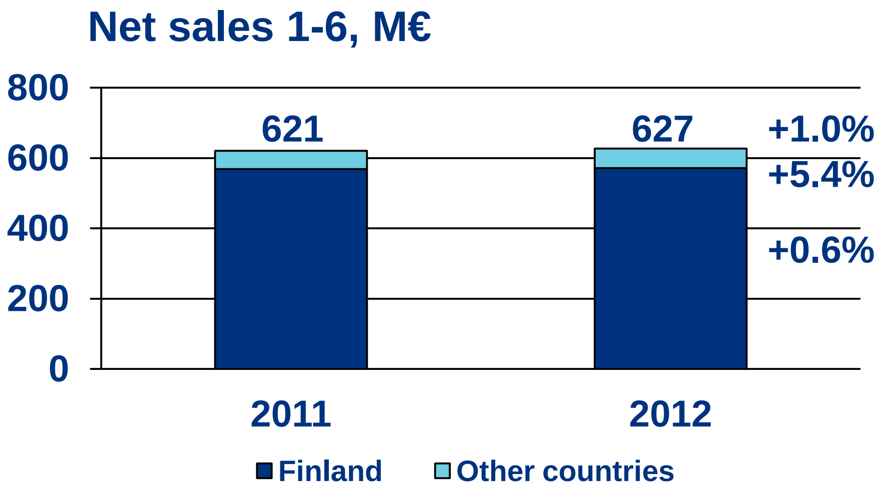
Building and home improvement trade 1-6/2012

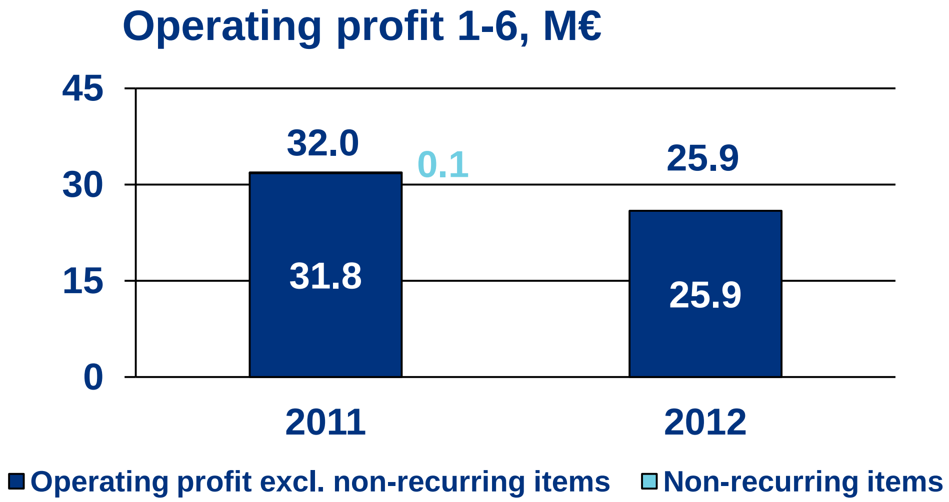




- Net sales grew by 6.3%
  - Sales growth remained strong in Russia and Norway
  - Towards the end of the period, the development of sales weakened in Finland, Sweden and the Baltic countries
  - In Finland, sales development was better than the market
- Building and home improvement trade profitability was negatively impacted by:
  - Opening new store sites
  - Costs from the international ERP system
  - Obsolete inventories and trade receivables written off at €8 million
- Capital expenditure was €26.0 million (€66.1 million)
- K-rautas opened in Ylivieska, Moscow and Uppsala and a replacement in Linköping

Car and machinery trade 1-6/2012





- Net sales increased by 1.0%
  - Due to the car tax change, net sales development during the second quarter -20%
- Market share of Audi, Volkswagen and Seat passenger cars and vans increased to 20.4% during January-June
- Market share of Konekesko's Yamarin boats increased from the preceding year
- Capital expenditure was €18.7 million (€13.9 million)
  - Volkswagen Centers opened in Espoo and Turku

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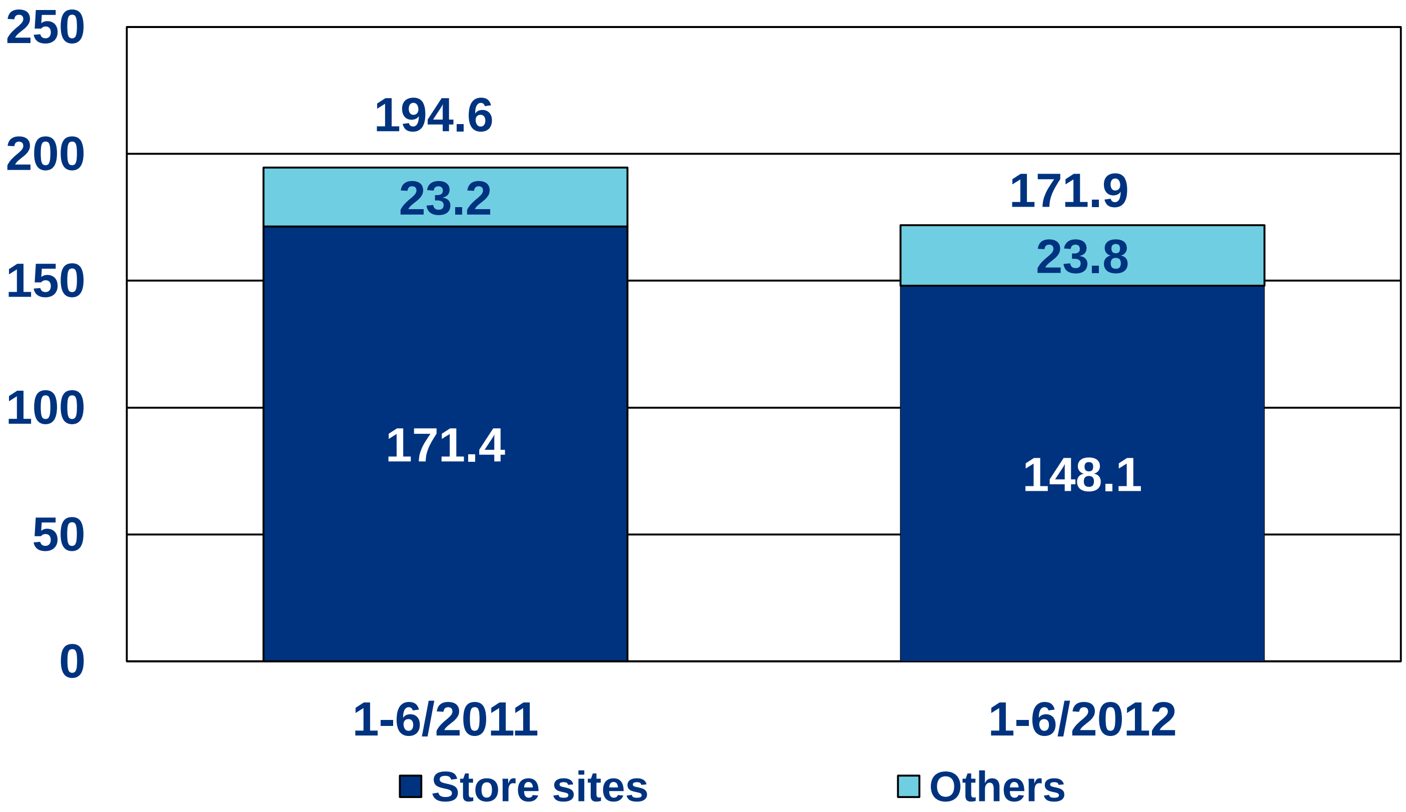
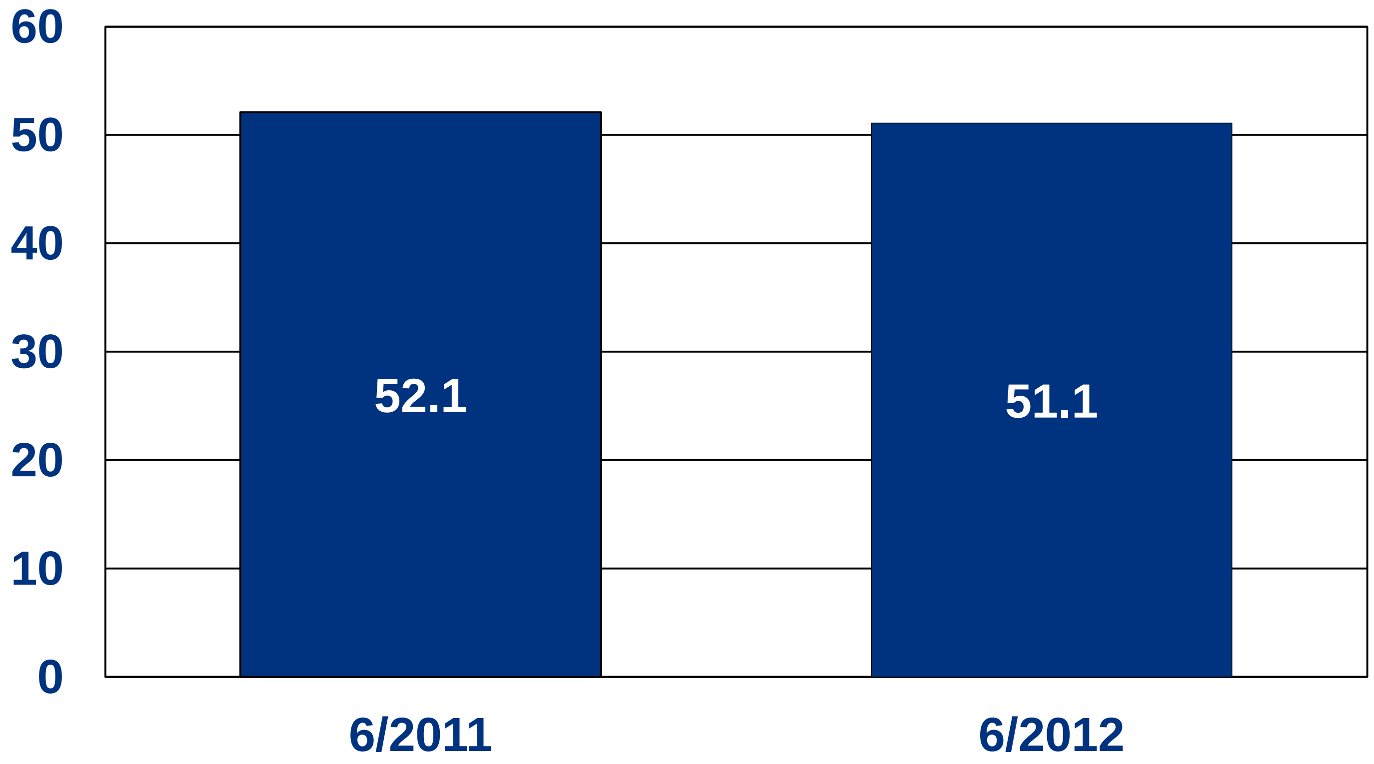
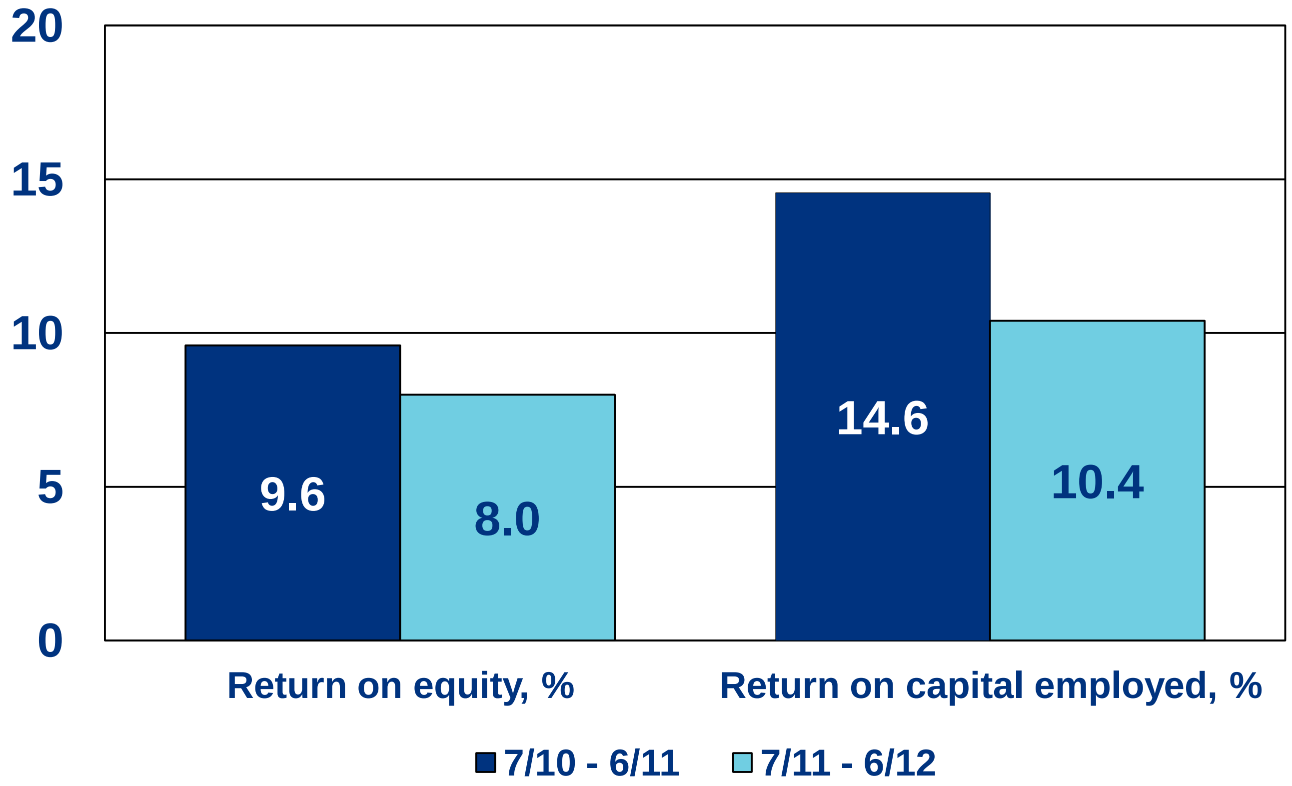
Group's capital expenditure (M€)



Equity ratio, %



Return on capital excl. non-recurring items, moving 12 mo (%)



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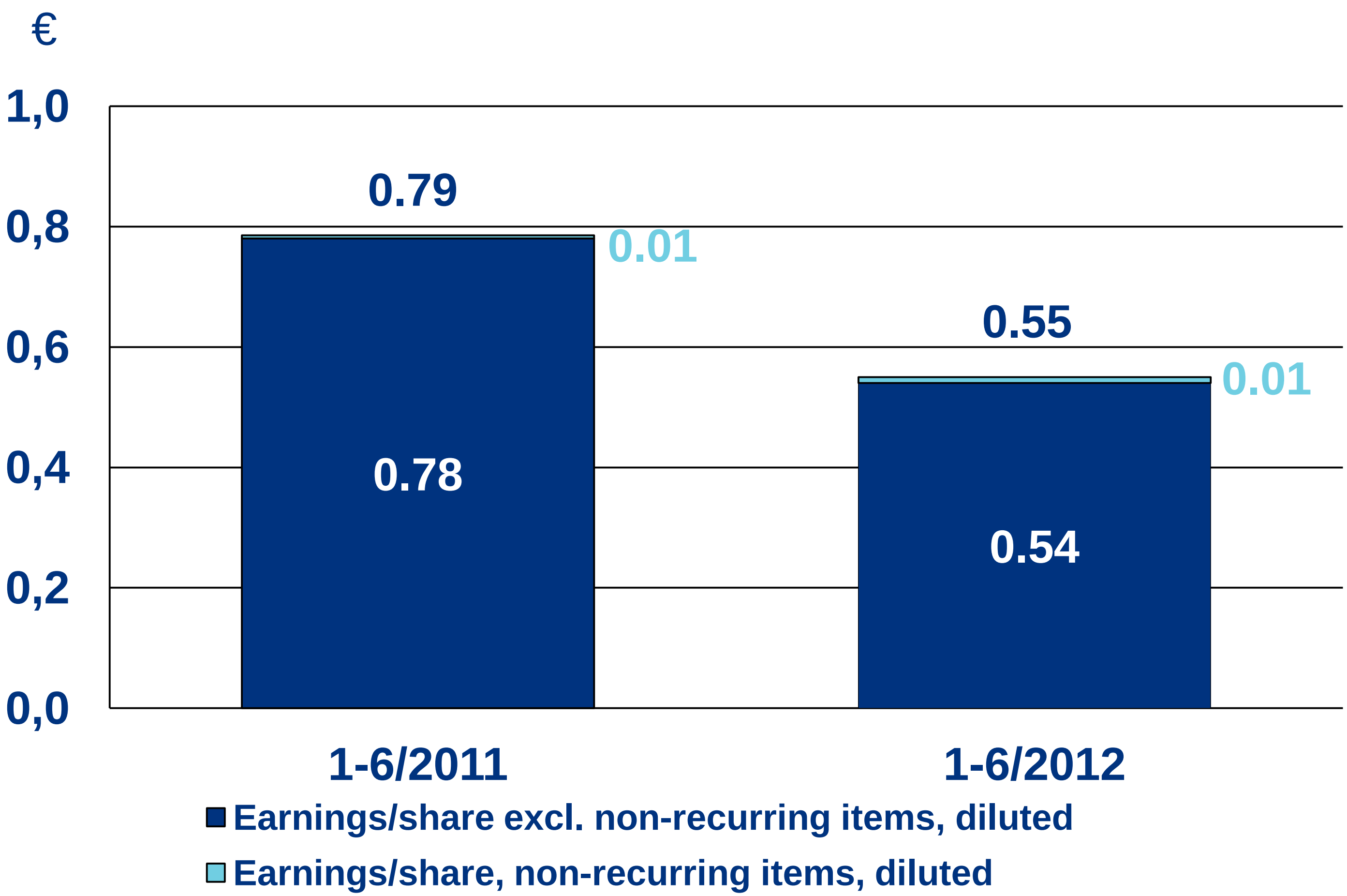
Earnings/share
(diluted)



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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 (7/2012-6/2013) in comparison with the 12 months preceding the reporting period (7/2011-6/2012).

Resulting from the problems of European national economies, the outlook for the general economic situation is characterised by significant uncertainty. In addition, cuts in public finances and tightening taxation increase the uncertainty about the development of consumer demand.

The market is expected to remain stable in the grocery trade and home and speciality goods trade. Growth in the building and home improvement trade is expected to slow down as the growth of building construction slows down especially in Finland and Sweden. In the car and machinery trade, the market is expected to decrease.

The Kesko Group's net sales are expected to grow during the next twelve months. Owing to the costs involved in the expansion of the store site network and Russian business operations, as well as a sales decrease in the car trade, we are prepared for the operating profit excluding non-recurring items for the next twelve months to be lower than the operating profit excluding non-recurring items for the preceding twelve months. Capital expenditure is expected to be lower than the capital expenditure for the preceding twelve months.

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