
Q2/2014

Kesko Corporation

Interim Report

January-June 2014

KESKO

KESKO'S INTERIM REPORT FOR THE PERIOD 1 JAN. TO 30 JUN. 2014

Financial performance in brief:

- The Group's net sales for January-June €4,499 million, change -1.8%.
- Operating profit excluding non-recurring items €86.7 million (€88.4 million).
- Earnings per share excluding non-recurring items €0.64 (€0.56).
- Equity ratio 52.3% (50.5%).
- Kesko Group's net sales and operating profit excluding non-recurring items for the next 12 months are expected to remain at the level of the preceding 12 months, unless the overall consumer demand weakens significantly.

KEY PERFORMANCE INDICATORS

	1-6/2014	1-6/2013	4-6/2014	4-6/2013
Net sales, € million	4,499	4,580	2,371	2,420
Operating profit excl. non- recurring items, € million	86.7	88.4	67.6	69.8
Operating profit, € million	56.3	96.3	69.4	77.0
Profit before tax, € million	57.0	93.0	71.4	77.2
Capital expenditure, € million	99.1	89.5	55.7	48.1
Earnings per share, diluted, €	0.39	0.62	0.51	0.50
Earnings per share excl. non-recurring items, basic, €	0.64	0.56	0.49	0.45

	30.6.2014	30.6.2013
Equity ratio, %	52.3	50.5
Equity per share, €	21.86	21.79

FINANCIAL PERFORMANCE

Net sales and profit for January-June 2014

The Group's net sales for January-June 2014 were €4,499 million, which is 1.8% down on the corresponding period of the previous year (€4,580 million). The weakening of the general economic situation and consumer demand in Finland and exchange rate changes contributed to the performance. In terms of local currencies, net sales were at the previous year's level. Net sales increased in the building and home improvement trade and in the car trade and declined in the food trade and in the home and speciality goods trade. In Finland, net sales decreased by 2.8% and in the other countries, net sales increased by 3.4%. In the other countries, net sales performance in euros was impacted by the weakening of the exchange rates of the Russian rouble, the Norwegian krone and the Swedish krona. Foreign currency net sales increased in foreign operations by 12.4%. International operations accounted for 18.0% (17.1%) of net sales.

1-6/2014	Net sales, € million	Change, %	Operating profit excl. non-recurring items, € million	Change, € million
Food trade	2,112	-1.5	99.4	+0.4
Home and speciality goods trade	600	-10.0	-41.0	-13.2
Building and home improvement trade	1,317	+1.2	16.2	+13.3
Car and machinery trade	556	+0.9	19.1	-1.7
Common operations and eliminations	-85	+2.9	-7.0	-0.6
Total	4,499	-1.8	86.7	-1.7

The operating profit excluding non-recurring items for January-June was €86.7 million (€88.4 million). Profitability was weakened by the decreased sales of the home and speciality goods trade and especially by Anttila's loss-making operations. Profit performance was positively impacted by the increase of sales in the building and home improvement trade and the

enhancement measures implemented in all operations. Operating expenses excluding non-recurring items decreased by 1.1% despite the expansion of the store site network and cost inflation.

Operating profit was €56.3 million (€96.3 million). The operating profit includes €-30.4 million (€7.9 million) of non-recurring items. The non-recurring items include a restructuring provision of €30.0 million for measures taken to improve Anttila's profitability.

The Group's profit before tax for January-June was €57.0 million (€93.0 million).

The Group's earnings per share were €0.39 (€0.62). The Group's equity per share was €21.86 (€21.79).

In January-June, the K-Group's (i.e. Kesko's and the chain stores') retail and B2B sales (VAT 0%) were €5,539 million, down 1.4% compared to the previous year. The K-Plussa customer loyalty programme gained 28,419 new households in January-June. At the end of June, there was 2,260,655 K-Plussa households and 3.6 million K-Plussa cardholders.

Net sales and profit for April-June 2014

The Group's net sales for April-June 2014 were €2,371 million, which is 2.1% down on the corresponding period of the previous year (€2,420 million). The decrease in net sales is mainly attributable to the decline in the sales of the home and speciality goods trade and the machinery trade. In Finland, net sales were down 2.4% and 0.7% in the other countries. The net sales performance of the building and home improvement trade in euros (-0.6%) was impacted by the weakening of the exchange rates of the Russian rouble, the Norwegian krone and the Swedish krona. In terms of local currencies, the net sales of the building and home improvement trade increased by 3.7%. International operations accounted for 19.6% (19.3%) of the Group's net sales.

4-6/2014	Net sales, € million	Change, %	Operating profit excl. non-recurring items, € million	Change, € million
Food trade	1,106	+0.6	52.9	+2.2
Home and speciality goods trade	288	-10.5	-18.3	-8.2
Building and home improvement trade	736	-0.6	26.6	+7.1
Car and machinery trade	283	-6.0	10.9	-2.1
Common operations and eliminations	-42	+1.2	-4.5	-1.1
Total	2,371	-2.1	67.6	-2.1

The operating profit excluding non-recurring items for April-June was €67.6 million (€69.8 million), representing 2.9% (2.9%) of net sales. Profitability was weakened by the decreased sales of the home and speciality goods trade and especially by Anttila's loss-making operations. Due to enhancement measures, operating expenses excluding non-recurring items decreased by 1.0%

Operating profit was €69.4 million (€77.0 million). The operating profit includes €1.8 million (€7.3 million) of non-recurring items. The Group's profit before tax for April-June was €71.4 million (€77.2 million).

The Group's earnings per share were €0.51 (€0.50).

In April-June, the K-Group's (i.e. Kesko's and the chain stores') retail and B2B sales (VAT 0%) were €2,984 million, down 2.0% compared to the previous year.

Finance

In January-June, the cash flow from operating activities was €33.9 million (€185.7 million). The cash flow from investing activities was €-92.5 million (€-80.0 million) including a €6.3 million (€14.0 million) amount of proceeds from the sale of fixed assets.

The Group's liquidity remained at an excellent level in January-June. At the end of the period, liquid assets totalled €461 million (€474 million). Interest-bearing liabilities were €539 million (€587 million) and interest-bearing net debt €78 million (€113 million) at the end of June. Equity ratio was 52.3% (50.5%) at the end of the period.

In January-June, the Group's net finance income was €0.6 million (net finance costs €2.9 million).

In April-June, the cash flow from operating activities was €128.7 million (€244.3 million). The cash flow from investing activities was €-48.8 million (€-38.1 million) including a €4.4 million (€11.5 million) amount of proceeds from the sale of fixed assets.

In April-June, the Group's net finance income was €2.2 million (€0.4 million). It includes a €4.9 million (€4.0 million) amount of interest on cooperative capital from Suomen Luotto-osuuskunta.

Taxes

In January–June, the Group's taxes were €15.1 million (€28.4 million). The effective tax rate was 26.4% (30.5%), impacted by loss-making foreign operations.

In April–June, the Group's taxes were €17.6 million (€23.6 million). The effective tax rate was 24.6% (30.5%).

Capital expenditure

In January–June, the Group's capital expenditure totalled €99.1 million (€89.5 million), or 2.2% (2.0%) of net sales. Capital expenditure in store sites was €74.4 million (€66.8 million), in IT €15.6 million (€12.1 million) and other capital expenditure was €9.1 million (€10.6 million). Capital expenditure in foreign operations represented 42.6% (42.2%) of total capital expenditure.

In April–June, the Group's capital expenditure totalled €55.7 million (€48.1 million), or 2.3% (2.0%) of net sales. Capital expenditure in store sites was €46.6 million (€35.2 million), in IT €4.8 million (€6.5 million) and other capital expenditure was €4.3 million (€6.4 million). Capital expenditure in foreign operations represented 46.8% (47.0%) of total capital expenditure.

Kesko's strategic focus areas

The key focus areas in Kesko's business operations are to strengthen sales growth and the return on capital in all divisions, to exploit business opportunities in e-commerce and in Russia, and to maintain good solvency and dividend payment capacity.

Profitability programme

Because of the further weakened economic situation and consumer demand, Kesko continues to implement the profitability programme with the key objective of improving the Group's cost-effectiveness. Cost savings will be implemented in all divisions and across all types of expense. The most significant measures will be targeted at operations with low profitability.

Improving Anttila's profitability

In order to improve Anttila's profitability, a decision was made during the reporting period to close eight Anttila department stores operating in leased premises. During the reporting period, it was also decided to close four Kodin1 department stores and to implement enhancement measures in the central units of Anttila Oy and K-citymarket Oy.

The personnel reductions at the Kodin1 department stores to be closed, the other Kodin1 department stores, the central unit and logistics operations total approximately 200 full-time equivalents. The co-operation negotiations conducted for improving profitability concerned a total of approximately 1,350 people and at the beginning of the negotiations, the need for reduction was estimated at no more than 220 full-time equivalents. In addition to the profitability driven renewal of Anttila's operations, the option of selling Anttila Oy is also being investigated.

Personnel reductions at the Anttila department stores, the Kodin1 department stores, the central unit and logistics operations will total approximately 400 full-time equivalents.

Net sales targets in Russia

In consequence of the weakening of the Russian business environment and the rouble, coupled with the availability of Russian store sites suitable for Kesko's operations, the growth targets for Russian operations have been updated. The total net sales from the Russian operations are expected to exceed €1 billion in 2017 and the operating profit is expected to be positive. The capital expenditure in Russia is anticipated at approximately €100–150 million annually. The net sales target of the building and home improvement trade for 2017 is set at €500 million (previously €800 million). The objectives set for the food trade have not been changed; for 2017, the net sales target is €500 million and a positive business result.

Kesko looks into setting up a real estate fund

Kesko is looking into selling some of its store sites to a fund to be set up with Kesko as one of its major investors. Kesko Group would continue its operations in the store sites under long-term leases signed in connection with their sales to the fund.

Kesko's objective is to set up a fund of mainly Kesko-owned store sites and shopping centres in Finland, Sweden and Russia with a maximum fair value of approximately €750 - 950 million.

Launching the real estate investment fund depends, in addition to investor interest, on whether it is possible for Kesko to achieve such terms and conditions in the arrangement that are commercially viable for it, taking the Group's strong financial position into account. Moreover, starting a real estate investment fund is subject to the authorisation of the Financial Supervisory Authority.

The possible fund is expected to be launched in the course of 2014.

Personnel

In January–June, the average number of employees in Kesko Group was 19,935 (19,373) converted into full-time employees. In Finland, the average decrease was 186 people, while outside Finland, there was an increase of 748 people.

At the end of June 2014, the number of employees was 24,493 (24,026), of whom 12,889 (13,252) worked in Finland and 11,604 (10,774) outside Finland. Compared to the end of June 2013, there was a decrease of 363 people in Finland and an increase of 830 people outside Finland.

In January-June, the Group's staff cost was €314 million, showing a 1.3% increase compared to the previous year. In April-June, staff cost increased by 0.9% compared to the previous year and was €158 million.

SEGMENT INFORMATION

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

	1-6/2014	1-6/2013	4-6/2014	4-6/2013
Net sales, € million	2,112	2,144	1,106	1,099
Operating profit excl. non-recurring items, € million	99.4	99.0	52.9	50.8
Operating margin excl. non-recurring items, %	4.7	4.6	4.8	4.6
Capital expenditure, € million	46.8	43.9	28.7	27.4

Net sales, € million	1-6/2014	Change, %	4-6/2014	Change, %
Sales to K-food stores	1,585	-3.4	834	-0.3
Kespro	380	-2.8	199	-2.4
K-ruoka, Russia	51	(..)	26	+90.9
Others	96	+7.5	46	+4.5
Total	2,112	-1.5	1,106	+0.6

(..) Change over 100%

January-June 2014

In the food trade, the net sales for January-June were €2,112 million (€2,144 million), down 1.5%. During the same period, the grocery sales of K-food stores in Finland decreased by 2.3% (VAT 0%). In the grocery market, retail prices are estimated to have changed by some +1% compared to the previous year (VAT 0%, Kesko's own estimate based on the Consumer Price Index of Statistics Finland), and the total market (VAT 0%) is estimated to have grown in January-June by some 0-1% compared to the previous year. (Kesko's own estimate). The rise of consumer prices in the grocery trade has slowed towards the end of the reporting period. The sales and profitability of the food stores in Russia were realised better than expected for the reporting period despite the weakening of the Russian rouble.

In January-June, the operating profit excluding non-recurring items of the food trade was €99.4 million (€99.0 million), or €0.4 million up on the previous year. Profitability was improved by savings achieved from enhanced operations. Operating profit was €97.4 million (€103.3 million). Non-recurring expenses were €2.0 million (non-recurring income €4.3 million).

The capital expenditure of the food trade in January-June was €46.8 million (€43.9 million), of which €43.8 million (€38.9 million) in stores sites.

April-June 2014

In the food trade, the net sales for April-June were €1,106 million (€1,099 million), up 0.6%.

In April-June, the operating profit excluding non-recurring items of the food trade was €52.9 million (€50.8 million), or €2.2 million up on the previous year. The result from the fair value measurement of derivatives used for hedging electricity purchases was €-0.2 million (€-2.0 million). Operating profit was €52.0 million (€55.1 million). Non-recurring expenses were €0.9 million (non-recurring income €4.3 million).

The capital expenditure of the food trade in April-June was €28.7 million (€27.4 million).

In April-June, one new K-supermarket and one new K-market were opened. Renewals and space modifications were made in a total of 14 stores.

The most significant store sites being built are a K-citymarket in the Puuvilla shopping centre in Pori and K-supermarkets in Jakomäki and Lauttasaari, Helsinki, and in Hanko, Hollola and Lappeenranta. K-market Kreivintori in Raahe is being expanded into a K-supermarket. The objective of Kesko Food is to open three new food stores in the St Petersburg area in 2014.

Number of stores at 30 June	2014	2013
K-citymarket	80	80
K-supermarket	220	215
K-market (incl. service station stores)	441	445
K-ruoka, Russia	4	2
Others*	171	178

*incl. online food store

HOME AND SPECIALITY GOODS TRADE

	1-6/2014	1-6/2013	4-6/2014	4-6/2013
Net sales, € million	600	667	288	322
Operating profit excl. non-recurring items, € million	-41.0	-27.8	-18.3	-10.0
Operating margin excl. non-recurring items, %	-6.8	-4.2	-6.3	-3.1
Capital expenditure, € million	7.4	13.8	3.7	5.8

Net sales, € million	1-6/2014	Change, %	4-6/2014	Change, %
K-citymarket, home and speciality goods	267	-6.1	134	-7.3
Anttila	143	-16.1	67	-18.3
Intersport, Finland	78	-10.5	32	-11.2
Intersport, Russia	8	-21.9	3	-13.8
Indoor	85	-3.0	44	-1.2
Musta Pörssi	10	-37.2	5	-31.7
Kenkäkesko	10	-7.5	4	-11.7
Total	600	-10.0	288	-10.5

January-June 2014

In the home and speciality goods trade, the net sales for January-June were €600 million (€667 million), down 10.0%. Consumer demand in the home and speciality goods trade has continued to weaken, and the change in customer behaviour has strengthened during the reporting period. Sales declined especially in the Anttila and Kodin1 department stores. Net sales performance was also impacted by the network changes in Musta Pörssi and Intersport Russia. The sales of online stores were up from the previous year.

In January-June, the operating profit excluding non-recurring items of the home and speciality goods trade was €-41.0 million (€-27.8 million), down €13.2 million compared to the previous year. The performance was especially impacted by the loss increased by the decline in Anttila's sales. The profit of Intersport Finland remained at a good level despite sales decline. Operating profit was €-72.0 million (€-23.3 million). The most significant non-recurring item was the restructuring provision of €30.0 million for measures to be taken to improve the profitability of Anttila.

The capital expenditure of the home and speciality goods trade in January-June was €7.4 million (€13.8 million).

April-June 2014

In the home and speciality goods trade, the net sales for April-June were €288 million (€322 million), down 10.5%. Sales declined especially in the Anttila and Kodin1 department stores. The net sales performances of Musta Pörssi and Intersport Russia were impacted by network changes. The sales of online stores increased.

In April-June, the operating profit excluding non-recurring items of the home and speciality goods trade was €-18.3 million (€-10.0 million), down €8.2 million compared to the previous year. The performance was especially impacted by the loss increased by the decline in Anttila's sales. Operating profit was €-17.6 million (€-5.6 million).

The capital expenditure of the home and speciality goods trade was €3.7 million (€5.8 million).

In April-June, a new Asko store, replacing the one closed at the same time, was opened in Tampere. In addition, the Anttila Koti store in Hämeenlinna and two Intersport stores in Russia were closed.

Number of stores at 30 June	2014	2013
K-citymarket, home and speciality goods*	81	81
Anttila department stores*	30	31
Kodin1 department stores for home goods and interior decoration*	13	13
Intersport, Finland	63	62
Budget Sport*	11	11
Asko and Sotka	87	84
Musta Pörssi*	6	6
Kookenkä*	46	48
Anttila, Baltics*	3	3
Intersport, Russia	18	20
Asko and Sotka, Baltics*	10	10

* incl. online stores

BUILDING AND HOME IMPROVEMENT TRADE

	1-6/2014	1-6/2013	4-6/2014	4-6/2013
Net sales, € million	1,317	1,302	736	740
Operating profit excl. non-recurring items, € million	16.2	2.9	26.6	19.5
Operating margin excl. non-recurring items, %	1.2	0.2	3.6	2.6
Capital expenditure, € million	27.3	21.6	15.3	9.1

Net sales, € million	1-6/2014	Change, %	4-6/2014	Change, %
Rautakesko, Finland	625	+1.6	336	+0.5
K-rauta, Sweden	100	-3.0	62	-5.1
Bygghem, Norway	220	-7.5	120	-12.0
K-rauta, Estonia	36	+17.1	22	+17.5
K-rauta, Latvia	25	+6.3	15	+7.5
Senukai, Lithuania	137	+20.5	80	+20.0
K-rauta, Russia	118	-8.1	68	-10.9
OMA, Belarus	57	+14.4	34	+14.7
Total	1,317	+1.2	736	-0.6

January-June 2014

In the building and home improvement trade, the net sales for January-June were €1,317 million (€1,302 million), up 1.2%. In terms of local currencies, the net sales growth in the building and home improvement trade was 5.8%. Net sales increased in all operating countries in terms of local currencies.

In Finland, the net sales for January-June were €625 million (€615 million), an increase of 1.6%. The building and home improvement products contributed €427 million to the net sales in Finland, an increase of 2.5%. The agricultural supplies trade contributed €198 million to the net sales, down 0.4%.

The retail sales of the K-rauta and Rautia chains in Finland grew by 1.7% to €489 million (VAT 0%). The sales of Rautakesko B2B Service increased by 3.1%. The K-Group's sales of building and home improvement products in Finland increased by a total of 1.9% and the total market (VAT 0%) is estimated to have fallen by 1-2% (Kesko's own estimate). The retail sales of the K-maatalous chain were €238 million (VAT 0%), up 0.6%.

In January-June, the net sales from foreign operations of the building and home improvement trade were €692 million (€686 million), an increase of 0.8%. In terms of local currencies, the net sales from foreign operations increased by 9.5%. In Sweden, net sales in kronas were up by 1.8% and in Norway net sales in kronas were up by 1.8%. In Russia, net sales in roubles increased by 8.2%. Foreign operations contributed 52.5% (52.7%) to the net sales of the building and home improvement trade.

In January-June, the operating profit excluding non-recurring items of the building and home improvement trade was €16.2 million (€2.9 million), up €13.3 million compared to the previous year. Due to sales increase and enhancement measures,

profit performance was clearly positive. The financial performance improved especially in foreign operations. Operating profit was €18.8 million (€2.0 million).

In January-June, the capital expenditure of the building and home improvement trade totalled €27.3 million (€21.6 million), of which 80.0% (47.3%) abroad. Capital expenditure in store sites represented 82.6% of total capital expenditure.

April-June 2014

In the building and home improvement trade, the net sales for April-June were €736 million (€740 million), down 0.6%. In terms of local currencies, the net sales growth in the building and home improvement trade was 3.7%.

In Finland, net sales were €336 million (€334 million), an increase of 0.5%. The building and home improvement products contributed €230 million to the net sales in Finland, an increase of 1.5%. The agricultural supplies trade contributed €106 million to the net sales, down 1.6%. In April-June, the retail sales of the K-rauta and Rautia chains in Finland were down by 0.2% to €310 million (VAT 0%). The sales of Rautakesko B2B Service remained at the previous year's level. The retail sales of the K-maatalous chain were €146 million (VAT 0%), up 1.9%.

The net sales from foreign operations of the building and home improvement trade were €400 million (€406 million), a decrease of 1.5%. In terms of local currencies, the net sales from foreign operations increased by 6.2%. In Sweden, net sales in kronas remained at the previous year's level. In Norway, net sales in kroner were down by 4.7%. In Russia, net sales in roubles increased by 3.8%. Foreign operations contributed 54.3% (54.8%) to the net sales of the building and home improvement trade.

In April-June, the operating profit excluding non-recurring items of the building and home improvement trade was €26.6 million (€19.5 million), up €7.1 million compared to the previous year due to sales increase and enhancement measures. Operating profit was €28.6 million (€18.0 million).

The capital expenditure of the building and home improvement trade was €15.3 million (€9.1 million), of which 82.9% (44.7%) abroad.

In April, Lithuania's 19th building and home improvement store was opened in Siauliai.

Number of stores at 30 June	2014	2013
K-rauta*	42	42
Rautia*	97	99
K-maatalous*	82	83
K-rauta, Sweden	20	21
Byggmakker, Norway	86	90
K-rauta, Estonia	8	8
K-rauta, Latvia	8	8
Senukai, Lithuania	19	17
K-rauta, Russia	13	15
OMA, Belarus	10	9

* in 2014, 46 Rautia stores also operated as K-maatalous stores. In 2013, 1 K-rauta store and 47 Rautia stores also operated as K-maatalous stores

CAR AND MACHINERY TRADE

	1-6/2014	1-6/2013	4-6/2014	4-6/2013
Net sales, € million	556	551	283	301
Operating profit excl. non-recurring items, € million	19.1	20.8	10.9	13.0
Operating margin excl. non-recurring items, %	3.4	3.8	3.8	4.3
Capital expenditure, € million	9.4	8.7	6.5	4.8

Net sales, € million	1-6/2014	Change, %	4-6/2014	Change, %
VV-Auto	410	+3.4	196	-4.0
Konekesko	146	-5.7	87	-10.3
Total	556	+0.9	283	-6.0

January-June 2014

In January-June, the net sales of the car and machinery trade were €556 million (€551 million), up 0.9%.

VV-Auto's net sales for January-June were €410 million (€397 million), an increase of 3.4%. In January-June, the combined market performance of first time registered passenger cars and vans was +4.6%.

In January-June, the combined market share of passenger cars and vans imported by VV-Auto was 21.0% (21.1%). Volkswagen was the market leader in passenger cars and vans.

Konekesko's net sales for January-June were €146 million (€154 million), down 5.7% compared to the previous year. Net sales in Finland were €92 million, down 3.6%. The net sales from Konekesko's foreign operations were €54 million, down 8.8%. The net sales decline was especially impacted by the weak market performance of the agricultural machinery trade in Finland and the Baltic countries.

In January-June, the operating profit excluding non-recurring items of the car and machinery trade was €19.1 million (€20.8 million), down €1.7 million compared to the previous year. Profitability in the car trade remained at a good level despite the weakened market situation.

The operating profit for January-June was €19.1 million (€20.8 million).

The capital expenditure of the car and machinery trade in January-June was €9.4 million (€8.7 million).

April-June 2014

In April-June, the net sales of the car and machinery trade were €283 million (€301 million), down 6.0%.

VV-Auto's net sales for April-June were €196 million (€204 million), a decrease of 4.0%. In April-June, the combined market share of passenger cars and vans imported by VV-Auto was 21.2% (22.1%).

Konekesko's net sales for April-June were €87 million (€97 million), down 10.3% compared to the previous year.

In April-June, the operating profit excluding non-recurring items of the car and machinery trade was €10.9 million (€13.0 million), down €2.1 million compared to the previous year. Profitability was negatively impacted by the decrease in sales. The operating profit for April-June was €10.9 million (€13.0 million).

The capital expenditure of the car and machinery trade in April-June was €6.5 million (€4.8 million).

Number of stores at 30 June	2014	2013
VV-Auto, retail trade	10	10
Konekesko	1	1

Changes in the Group composition

No significant changes took place in the Group composition during the reporting period.

Shares, securities market and Board authorisations

At the end of June 2014, the total number of Kesko Corporation shares was 100,019,752, of which 31,737,007, or 31.7%, were A shares and 68,282,745, or 68.3%, were B shares. At 30 June 2014, Kesko Corporation held 1,002,735 own B shares as treasury shares. These treasury shares accounted for 1.47% of the number of B shares and 1.00% of the total number of shares, and 0.26% of votes carried by all shares of the company. The total number of votes carried by all shares was 385,652,815. Each A share carries ten (10) votes and each B share one (1) vote. The company cannot vote with own shares held as treasury shares and no dividend is paid on them. At the end of June 2014, Kesko Corporation's share capital was €197,282,584. During the reporting period, the number of B shares was increased three times to account for the shares subscribed for with the options based on the 2007 option scheme. The increases were made on 10 February 2014 (85,067 B shares), 30 April 2014 (62,778 B shares) and 4 June 2014 (39,214 B shares) and announced in stock exchange notification on the same days. The shares subscribed for were listed for public trading on NASDAQ OMX Helsinki (Helsinki Stock Exchange) with the old B shares on 11 February 2014, 2 May 2014 and 5 June 2014. The subscription price of €2,148,641.76 received by the company was recorded in the company's reserve of invested non-restricted equity.

The price of a Kesko A share quoted on NASDAQ OMX Helsinki was €26.80 at the end of 2013, and €27.73 at the end of June 2014, representing an increase of 3.5%. Correspondingly, the price of a B share was €26.80 at the end of 2013, and €28.87 at the end of June 2014, representing an increase of 7.7%. In January-June, the highest A share price was €32.31 and the lowest was €26.39. For B share, they were €33.33 and €26.15 respectively. In January-June, the Helsinki stock exchange (OMX Helsinki) All-Share index was up 3.3% and the weighted OMX Helsinki CAP index 3.8%. Correspondingly, the Retail Index was up 4.9%.

At the end of June 2014, the market capitalisation of A shares was €880 million, while that of B shares was €1,942 million, excluding the shares held by the parent company. The combined market capitalisation of A and B shares was €2,822 million,

an increase of €162 million from the end of 2013. In January-June 2014, a total of 1.0 (0.5) million A shares were traded on the Helsinki stock exchange, up 94.8%. The exchange value of A shares was €32 million. The total number of B shares traded was 25.3 (22.2) million, up 14.3%. The exchange value of B shares was €770 million. In terms of volumes, the Helsinki stock exchange accounted for 66% of Kesko A and B share trading in January-June 2014. Kesko shares were also traded on multilateral trading facilities, the most significant of which were BATS Chi-X with 26% and Turquoise with 8% of the trades (source: Fidessa).

The company operated the 2007 option scheme for management and other key personnel, under which the share subscription period of 2007C share options ran from 1 April 2012 to 30 April 2014 (subscription period has expired). The share options were included on the official list of the Helsinki stock exchange from the beginning of the share subscription periods. A total of 94,859 2007C share options were traded during the reporting period at a total value of €1,688,524. The option scheme has expired and the share subscription periods of the 2007A, 2007B and 2007C share options under the option scheme and their trading on the official list have ended.

The Board has the authority, granted by the Annual General Meeting of 16 April 2012 and valid until 30 June 2015, to issue a total maximum of 20,000,000 new B shares. The shares can be issued against payment for subscription by shareholders in a directed issue in proportion to their existing shareholdings regardless of whether they consist of A or B shares, or, deviating from the shareholder's pre-emptive right, in a directed issue, if there is a weighty financial reason for the company, such as using the shares to develop the company's capital structure, and financing possible acquisitions, investments or other arrangements within the scope of the company's business operations. The amount paid for the shares is recognised in the reserve of invested non-restricted equity. The authorisation also includes the Board's authority to decide on the share subscription price, the right to issue shares against non-cash consideration and the right to make decisions on other matters concerning share issuances.

In addition, the Board had the authority, granted by the Annual General Meeting of 8 April 2013 and valid until 30 September 2014, to decide on the acquisition of a maximum of 500,000 own B shares. Kesko's Board of Directors made the decision in February 2014 to start acquiring own B shares. The decision to start acquisition was announced in a stock exchange release on 4 February 2014 and acquisition was started on 18 February 2014. The maximum amount of own B shares the Board was authorised to acquire, 500,000, was purchased by 31 March 2014, and the authorisation is thus fully used. Each purchase of own shares was announced in a stock exchange release at the end of the day on which the purchase was made. At 30 June 2014, Kesko Corporation held 1,002,735 own B shares as treasury shares. In addition, the Board has the authority, valid until 30 June 2017, to decide on the issuance of the maximum of 1,000,000 own B shares held as treasury shares by the company.

On 4 February 2014, the Board decided to grant own B shares held by the company as treasury shares to persons included in the target group of the 2013 vesting period, based on the authority to issue own shares granted by the Annual General Meeting held on 8 April 2013, and the fulfilment of the vesting criteria of the 2013 vesting period of Kesko's three-year share-based compensation plan. The issuance of a total of 50,520 own B shares, referred to above, was announced in a stock exchange release on 24 March 2014 and on 25 March 2014. In January-June, a total of 4,271 shares granted based on the fulfilment of the vesting criteria of the 2011-2013 vesting periods were returned to the company in accordance with the terms and conditions of the share-based compensation plan. The shares returned during the reporting period were announced in a stock exchange notification on 7 February 2014 and 23 May 2014. Further information on the Board's authorisations is available at www.kesko.fi.

Based on the share-based compensation plan 2014-2016 decided by the Board, a total of 600,000 own B shares held by the company as treasury shares can be granted within a period of 3 years based on the fulfilment of the vesting criteria. The Board will separately decide on the vesting criteria and target group for each vesting period. The share-based compensation plan was announced in a stock exchange release on 4 February 2014.

At the end of June 2014, the number of shareholders was 40,402, which is 2,407 less than at the end of 2013. At the end of June, foreign ownership of all shares was 29%. At the end of June, foreign ownership of B shares was 42%.

Flagging notifications

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

Key events during the reporting period

Kesko Corporation's Board of Directors has appointed Mikko Helander, Master of Science (Technology), as Kesko Corporation's Managing Director and Kesko Group's President and Chief Executive Officer as from 1 January 2015. Mikko Helander (b. 1960) will join Kesko as Kesko Corporation's Deputy Managing Director and Member of the Group Management Board on 1 December 2014 at the latest and as Kesko Group's President and CEO starting from 1 January 2015. Starting from 1 January 2015, President and CEO Matti Halmesmäki will continue as a special advisor and in special assignments to be agreed with Kesko's Board of Directors until 31 May 2015 when he will retire. (Stock exchange release on 28 May 2014)

As a result of the employee cooperation negotiations to improve Anttila's profitability, the decision was made to close eight Anttila department stores operating in leased premises. The department stores to be closed have a total of some 210 employees. In addition, 25 full-time equivalents will be reduced in other Anttila department stores. Employee co-operation negotiations were also started in the Kodin1 chain and after their completion, the decision was made to close four Kodin1

department stores in the Kodin1 department store chain. Employee cooperation negotiations were also started in the central units of Anttila Oy and K-citymarket Oy. (Stock exchange release on 31 March 2014)

Kestra Kiinteistöpalvelut Oy, a subsidiary of Kesko Corporation, announced that it would not participate in further financing of Fennovoima Ltd's Hanhikivi 1 nuclear power project due to the related financial, contractual and schedule uncertainties. (Stock exchange release on 27 March 2014)

Resolutions of the 2014 Annual General Meeting and decisions of the Board's organisational meeting

Kesko Corporation's Annual General Meeting, held on 7 April 2014, adopted the financial statements for 2013 and discharged the Board members and the Managing Director from liability. The General Meeting also resolved, as proposed by the Board, to distribute €1.40 per share as dividends, or a total of €138,484,759.00. The dividend pay date was 17 April 2014. The General Meeting resolved that the number of Board members be unchanged at seven. In addition, the General Meeting resolved to leave the Board members' fees and the basis for reimbursement of expenses unchanged. The term of office of each of the seven (7) Board members elected by the Annual General Meeting on 16 April 2012, namely Esa Kiiskinen (Ch.), Seppo Paatelainen (Deputy Ch.), Ilpo Kokkila, Tomi Korpisaari, Maarit Näkyvä, Toni Pokela and Virpi Tuunainen, will expire at the close of the 2015 Annual General Meeting in accordance with Kesko's Articles of Association.

The General Meeting elected PricewaterhouseCoopers Oy as the company's auditor, with APA Johan Kronberg as the auditor with principal responsibility. The General Meeting also approved the Board's proposal that it be authorised to decide on donations in a total maximum of €300,000 for charitable or corresponding purposes until the Annual General Meeting to be held in 2015.

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

The resolutions of the Annual General Meeting and the decisions of the Board's organisational meeting were announced in more detail in stock exchange releases on 7 April 2014.

Responsibility

Kesko's revised, electronic Corporate Responsibility Report for 2013 was published at the end of April at yhteiskuntavastuu2013.kesko.fi and in English at corporateresponsibility2013.kesko.fi.

Kesko gave out more than 16,000 Pirkka Fairtrade roses to mothers at the Mother's Day celebration in Helsinki and in maternity wards across Finland.

K-food stores and K-citymarkets will join the Red Nose Day campaign in 2014. During the autumn to come, the chains' stores across Finland will sell Red Nose Day products that support the fundraising.

For the 27th time, Kesko's Board awarded scholarships to talented young athletes and art students. The total amount of the scholarships awarded in May was 42,000 euros.

Kesko granted Fair Play scholarships to 3,000 young people ending their primary education as rewards for exemplary promotion of peace and tolerance at school.

Risk management

Kesko Group has an established and comprehensive risk management process. Risks and their management responses are regularly assessed within the Group and reported to the Group management. Kesko's risk management and risks associated with business operations are described in more detail on Kesko's website in the Corporate Governance section.

The most significant near-future risks in Kesko's business operations are associated with the general development of the economic situation and consumer confidence, as well as their impact on Kesko's sales and profit. Because of the continuing crisis in Ukraine, the country risks of Russia remain at a higher level than before. In other respects, no material change is estimated to have taken place in 2014 in the risks described in the report by the Board of Directors and financial statements for 2013 and the risks described on Kesko's website.

The risks and uncertainties related to economic development are described in the section future outlook of this release.

Future outlook

Estimates of the future outlook for Kesko Group's net sales and operating profit excluding non-recurring items are given for the 12 months following the reporting period (7/2014-6/2015) in comparison with the 12 months preceding the reporting period (7/2013-6/2014).

Future prospects for the general economic situation and consumer demand continue to be characterised by significant uncertainty in Kesko's operating area. Due to the weakened economic situation and the decline in consumers' purchasing power, demand in the trading sector is expected to remain weak.

Kesko Group's net sales and operating profit excluding non-recurring items for the next 12 months are expected to remain at the level of the preceding 12 months, unless the overall consumer demand weakens significantly.

Helsinki, 21 July 2014
Kesko Corporation
Board of Directors

The information in the interim report release is unaudited.

Further information is available from Jukka Erlund, Senior Vice President, Chief Financial Officer, telephone +358 105 322 113 and Eva Kaukinen, Vice President, Group Controller, telephone +358 105 322 338. A Finnish-language webcast from the media and analyst briefing on the interim report can be accessed at www.kesko.fi at 10:00. 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 interim report for January-September will be released on 22 October 2014. In addition, 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
Vice President, Group Communications

ATTACHMENTS: TABLES SECTION

Accounting policies
Consolidated statement of comprehensive income
Consolidated statement of financial position
Consolidated statement of changes in equity
Consolidated statement of cash flows
Group's performance indicators
Net sales by segment
Operating profit by segment
Operating profit excl. non-recurring items by segment
Operating margin 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
Change in tangible and intangible assets
Related party transactions
Fair value hierarchy of financial assets and liabilities
Personnel average and at the end of the reporting period
Group's commitments
Calculation of performance indicators
K-Group's retail and B2B sales

DISTRIBUTION

NASDAQ OMX Helsinki
Main news media
www.kesko.fi

TABLES SECTION:

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 accounting principles as the annual financial statements for 2013, with the exception of the following changes due to the adoption of new and revised IFRS standards and IFRIC interpretations:

- IFRS 10 Consolidated financial statements
- IFRS 11 Joint arrangements
- IFRS 12 Disclosure of interests in other entities

The above amendments to standards and interpretations do not have a material impact on the reported income statement and statement of financial position. The amendment will have an impact on the notes to the financial statements.

**Consolidated income statement
(€ million), condensed**

	1-6/2014	1-6/2013	Change%	4-6/2014	4-6/2013	Change%	1-12/2013
Net sales	4,499	4,580	-1.8	2,371	2,420	-2.1	9,315
Cost of goods sold	-3,895	-3,965	-1.8	-2,046	-2,090	-2.1	-8,034
Gross profit	604	615	-1.7	325	331	-1.7	1,281
Other operating income	351	367	-4.2	186	194	-3.8	734
Staff cost	-314	-310	1.3	-158	-157	0.9	-611
Depreciation and impairment charges	-77	-76	0.7	-38	-40	-3.7	-153
Other operating expenses	-507	-498	1.8	-245	-251	-2.1	-1,003
Operating profit	56	96	-41.5	69	77	-9.9	248
Interest income and other finance income	9	11	-15.4	7	7	-4.7	20
Interest expense and other finance costs	-8	-10	-21.9	-4	-5	-25.3	-20
Exchange differences	0	-3	-91.2	-1	-2	-47.4	-6
Investments accounted for using the equity method	0	0	(..)	0	0	-30.3	0
Profit before tax	57	93	-38.7	71	77	-7.5	242
Income tax	-15	-28	-46.9	-18	-24	-25.5	-58
Net profit for the period	42	65	-35.1	54	54	0.4	185
Attributable to							
Owners of the parent	39	61	-35.9	50	50	0.8	173
Non-controlling interests	3	4	-20.8	4	4	-5.2	12

**Earnings per share (€)
for profit attributable to
equity holders of the parent**

Basic	0.39	0.62	-36.4	0.51	0.51	0.1	1.75
Diluted	0.39	0.62	-36.3	0.51	0.50	0.3	1.75

**Consolidated statement
of comprehensive income (€ million)**

	1-6/2014	1-6/2013	Change%	4-6/2014	4-6/2013	Change%	1-12/2013
Net profit for the period	42	65	-35.1	54	54	0.4	185
Items that will not be reclassified subsequently to profit or loss							
Actuarial gains/losses	-2	-	-	-10	-	-	12
Items that may be reclassified subsequently to profit or loss							
Exchange differences on translating foreign operations	-6	-7	-6.8	0	-10	-96.0	-14
Adjustment for hyperinflation	3	2	84.8	2	0	(..)	3
Cash flow hedge revaluation	0	-2	(..)	2	-2	(..)	-4
Revaluation of available-for-sale financial assets	-3	-4	-31.4	-3	-4	-20.3	-5
Other items	0	0	-3.2	0	0	-3.2	0
Total other comprehensive income for the period, net of tax	-8	-12	-35.7	-10	-16	-37.4	-8
Total comprehensive income for the period	34	53	-35.0	44	37	16.8	177

Attributable to							
Owners of the parent	31	48	-36.6	39	34	15.0	166
Non-controlling interests	4	5	-17.6	4	3	36.0	11
(..) Change over 100%							

**Consolidated statement of financial position
(€ million), condensed**

	30.6.2014	30.6.2013	Change %	31.12.2013
ASSETS				
Non-current assets				
Tangible assets	1,658	1,665	-0.4	1,651
Intangible assets	195	189	3.2	189
Investments accounted for using the equity method and other financial assets	106	105	0.8	104
Loans and receivables	14	87	-84.2	15
Pension assets	170	155	9.3	170
Total	2,143	2,202	-2.7	2,131
Current assets				
Inventories	828	807	2.6	797
Trade receivables	733	790	-7.1	617
Other receivables	160	183	-12.3	136
Financial assets at fair value through profit or loss	154	115	33.4	171
Available-for-sale financial assets	202	271	-25.4	398
Cash and cash equivalents	105	88	19.5	112
Total	2,182	2,253	-3.1	2,231
Non-current assets held for sale	1	1	-1.7	1
Total assets	4,326	4,455	-2.9	4,362
	30.6.2014	30.6.2013	Change %	31.12.2013
EQUITY AND LIABILITIES				
Equity	2,164	2,156	0.4	2,279
Non-controlling interests	77	67	15.3	73
Total equity	2,241	2,223	0.8	2,352
Non-current liabilities				
Interest-bearing liabilities	348	370	-6.0	355
Non-interest-bearing liabilities	8	12	-30.5	10
Deferred tax liabilities	63	81	-21.4	68
Pension obligations	2	2	10.6	2
Provisions	28	20	41.7	17
Total	450	484	-7.1	452
Current liabilities				
Interest-bearing liabilities	190	217	-12.1	199
Trade payables	934	1,015	-7.9	825
Other non-interest-bearing liabilities	465	482	-3.5	494
Provisions	45	35	28.7	38
Total	1,635	1,748	-6.5	1,557
Total equity and liabilities	4,326	4,455	-2.9	4,362

Consolidated statement of changes in equity (€ million)

	Share capital	Reserves	Currency translation differences	Revaluation reserve	Treasury shares	Retained earnings	Non-controlling interests	Total
Balance at 1.1.2013	197	442	-2	10	-19	1,578	67	2,272
Shares subscribed with options		16						16
Treasury shares								
Share-based payments					1		0	1
Dividends						-118	-5	-122
Other changes		0				3		3
Net profit for the period						61	4	65
Other comprehensive income								
Items that will not be reclassified subsequently to profit or loss								
Actuarial gains/losses								
Items that may be reclassified subsequently to profit or loss								
Exchange differences on translating foreign operations		0	-6				-1	-7
Adjustment for hyperinflation						0	2	2
Cash flow hedge revaluation				-3				-3
Revaluation of available-for-sale financial assets				-4				-4
Others						0		0
Tax relating to other comprehensive income				1				1
Total other comprehensive income		0	-6	-6		0	1	-12
Balance at 30.6.2013	197	457	-8	3	-18	1,525	67	2,223
Balance at 1.1.2014	197	461	-13	1	-18	1,651	73	2,352
Shares subscribed with options		2						2
Treasury shares					-16			-16
Share-based payments					2			2
Dividends						-138		-138
Other changes		0	0			5	0	5
Net profit for the period						39	3	42

Other comprehensive income

Items that will not be reclassified subsequently to profit or loss								
Actuarial gains/losses						-2		-2
Items that may be reclassified subsequently to profit or loss								
Exchange differences on translating foreign operations	0	-4					-2	-6
Adjustment for hyperinflation						0	3	3
Cash flow hedge revaluation			0					0
Revaluation of available-for-sale financial assets			-3					-3
Others						0		0
Tax relating to other comprehensive income			0					0
Total other comprehensive income	0	-4	-2			-2	1	-8
Balance at 30.6.2014	197	463	-18	-1	-32	1,555	77	2,241

Consolidated statement of cash flows (€ million), condensed

	1-6/2014	1-6/2013	Change%	4-6/2014	4-6/2013	Change%	1-12/2013
Cash flows from operating activities							
Profit before tax	57	93	-38.7	71	77	-7.5	242
Planned depreciation	76	75	1.4	37	38	-2.4	152
Finance income and costs	-1	3	(..)	-2	0	(..)	6
Other adjustments	19	-5	(..)	-1	-4	-76.0	8
Change in working capital							
Current non-interest-bearing operating receivables, increase (-)/decrease (+)	-139	-117	18.7	19	28	-29.6	89
Inventories, increase (-)/decrease (+)	-35	0	(..)	13	43	-69.6	3
Current non-interest-bearing liabilities, increase (+)/decrease(-)	85	170	-50.1	5	83	-94.5	-1
Financial items and tax	-29	-33	-13.9	-14	-20	-31.6	-85
Net cash from operating activities	34	186	-81.8	129	244	-47.3	414
Cash flows from investing activities							
Investing activities	-98	-94	4.4	-53	-49	6.7	-174
Sales of fixed assets	6	14	-55.1	4	12	-62.0	22
Increase in non-current receivables	-1	0	(..)	0	0	66.3	0
Net cash used in investing activities	-92	-80	15.6	-49	-38	27.9	-152

Cash flows from financing activities

Interest-bearing liabilities, increase (+) /decrease (-)	-12	-19	-35.3	-17	-41	-58.6	-47
Current interest-bearing receivables, increase (-)/ decrease (+)	-1	2	(..)	2	1	9.3	78
Dividends paid	-138	-118	17.5	-138	-118	17.5	-122
Equity increase	2	16	-86.3	1	15	-92.5	20
Acquisition of own shares	-16	-	-	-1	-	-	-
Short-term money market investments, increase (-)/ decrease (+)	14	0	(..)	29	-21	(..)	-91
Other items	5	-1	(..)	2	1	88.1	5
Net cash used in financing activities	-148	-120	23.0	-122	-163	-24.7	-159

Change in cash and cash equivalents

Change in cash and cash equivalents	-206	-14	(..)	-43	43	(..)	103
Cash and cash equivalents and current portion of available-for-sale financial assets at 1 Jan.	453	352	28.7	288	294	-2.1	352
Currency translation difference adjustment and revaluation	-1	-1	10.9	0	-1	(..)	-2
Cash and cash equivalents and current portion of available-for-sale financial assets at 30 Jun.	246	337	-27.0	246	337	-27.0	453

Group's performance indicators

	1-6/2014	1-6/2013	Change, pp	1-12/2013
Return on capital employed, %	4.7	7.7	-3.0	10.2
Return on capital employed, %, moving 12 mo	8.7	8.8	-0.1	10.2
Return on capital employed, excl. non-recurring items, %	7.3	7.1	0.2	9.8
Return on capital employed excl. non-recurring items, %, moving 12 mo	9.9	9.3	0.7	9.8
Return on equity, %	3.7	5.7	-2.1	8.0
Return on equity, %, moving 12 mo	7.3	6.5	0.8	8.0
Return on equity, excl. non-recurring items, %	5.7	5.2	0.5	7.7
Return on equity excl. non-recurring items, %, moving 12 mo	8.3	7.1	1.1	7.7
Equity ratio, %	52.3	50.5	1.8	54.5
Gearing, %	3.5	5.1	-1.6	-5.4

			Change %	
Capital expenditure, € million	99.1	89.5	10.7	171.5
Capital expenditure, % of net sales	2.2	2.0	12.6	1.8
Earnings per share, basic, €	0.39	0.62	-36.4	1.75
Earnings per share, diluted, €	0.39	0.62	-36.3	1.75
Earnings per share excl. non-recurring items, basic, €	0.64	0.56	13.2	1.68
Cash flow from operating activities, € million	34	186	-81.8	414
Cash flow from investing activities, € million	-92	-80	15.6	-152
Equity per share, €	21.86	21.79	0.3	22.96
Interest-bearing net debt	78	113	-31.2	-126
Diluted number of shares, average for the reporting period	99,365	98,880	0.5	99,136
Personnel, average	19,935	19,373	2.9	19,489

**Group's performance indicators
by quarter**

	1-3/2013	4-6/2013	7-9/2013	10-12/2013	1-3/2014	4-6/2014
Net sales, € million	2,159	2,420	2,374	2,362	2,129	2,371
Change in net sales, %	-6.9	-1.6	-3.1	-3.9	-1.4	-2.1
Operating profit, € million	19.2	77.0	84.1	68.0	-13.0	69.4
Operating margin, %	0.9	3.2	3.5	2.9	-0.6	2.9
Operating profit excl. non-recurring items, € million	18.6	69.8	83.6	66.8	19.1	67.6
Operating margin excl. non-recurring items, %	0.9	2.9	3.5	2.8	0.9	2.9
Finance income/costs, € million	-3.3	0.4	-2.6	-0.4	-1.6	2.2
Profit before tax, € million	15.8	77.2	81.5	67.9	-14.4	71.4
Profit before tax, %	0.7	3.2	3.4	2.9	-0.7	3.0
Return on capital employed, %	3.1	12.3	14.2	11.5	-2.2	11.5
Return on capital employed, excl. non-recurring items, %	3.0	11.1	14.1	11.3	3.2	11.2
Return on equity, %	1.9	9.5	10.2	10.8	-2.0	9.4
Return on equity, excl. non-recurring items, %	1.8	8.6	10.1	10.6	2.3	9.1
Equity ratio, %	51.7	50.5	52.9	54.5	53.2	52.3
Capital expenditure, € million	41.5	48.1	35.4	46.6	43.4	55.7
Earnings per share, diluted, €	0.11	0.50	0.53	0.60	-0.11	0.51
Equity per share, €	22.62	21.79	22.39	22.96	22.83	21.86

Segment information

Net sales by segment (€ million)	1-6/2014	1-6/2013	Change %	4-6/2014	4-6/2013	Change %	1-12/2013
Food trade, Finland	2,061	2,121	-2.8	1,079	1,085	-0.5	4,316
Food trade, other countries*	51	22	(..)	26	14	90.9	71
Food trade total	2,112	2,144	-1.5	1,106	1,099	0.6	4,387
- of which intersegment trade	86	83	3.0	41	41	0.9	172
Home and speciality goods trade, Finland	585	649	-9.9	281	314	-10.7	1,424
Home and speciality goods trade, other countries*	15	17	-13.1	7	7	-3.6	33
Home and speciality goods trade total	600	667	-10.0	288	322	-10.5	1,457
- of which intersegment trade	7	8	-16.5	4	4	-13.2	17
Building and home improvement trade, Finland	625	615	1.6	336	334	0.5	1,173
Building and home improvement trade, other countries*	692	686	0.8	400	406	-1.5	1,435
Building and home improvement trade total	1,317	1,302	1.2	736	740	-0.6	2,607
- of which intersegment trade	0	0	-75.1	0	0	(..)	-1
Car and machinery trade, Finland	502	492	2.1	252	261	-3.4	921
Car and machinery trade, other countries*	54	59	-9.4	31	41	-23.1	116
Car and machinery trade total	556	551	0.9	283	301	-6.0	1,037
- of which intersegment trade	1	1	1.3	0	0	-0.4	1
Common operations and eliminations	-85	-83	2.9	-42	-41	1.2	-173
Finland total	3,688	3,795	-2.8	1,906	1,953	-2.4	7,661
Other countries total*	812	785	3.4	464	467	-0.7	1,654
Group total	4,499	4,580	-1.8	2,371	2,420	-2.1	9,315

* Net sales in countries other than Finland

(..) Change over 100%

Operating profit by segment (€ million)	1-6/2014	1-6/2013	Change	4-6/2014	4-6/2013	Change	1-12/2013
Food trade	97.4	103.3	-5.8	52.0	55.1	-3.1	208.0
Home and speciality goods trade	-72.0	-23.3	-48.7	-17.6	-5.6	-12.0	-2.1
Building and home improvement trade	18.8	2.0	16.9	28.6	18.0	10.6	24.8
Car and machinery trade	19.1	20.8	-1.7	10.9	13.0	-2.1	33.9
Common operations and eliminations	-7.0	-6.4	-0.6	-4.5	-3.4	-1.1	-16.3
Group total	56.3	96.3	-39.9	69.4	77.0	-7.7	248.4

Operating profit excl. non-recurring items by segment (€ million)	1-6/2014	1-6/2013	Change	4-6/2014	4-6/2013	Change	1-12/2013
Food trade	99.4	99.0	0.4	52.9	50.8	2.2	203.3
Home and speciality goods trade	-41.0	-27.8	-13.2	-18.3	-10.0	-8.2	-8.3
Building and home improvement trade	16.2	2.9	13.3	26.6	19.5	7.1	25.7
Car and machinery trade	19.1	20.8	-1.7	10.9	13.0	-2.1	33.9
Common operations and eliminations	-7.0	-6.4	-0.6	-4.5	-3.4	-1.1	-15.8
Group total	86.7	88.4	-1.7	67.6	69.8	-2.1	238.8

Operating margin excl. non-recurring items by segment, %	1-6/2014	1-6/2013	Change pp	4-6/2014	4-6/2013	Change pp	1-12/2013	Moving 12 mo 6/2014
Food trade	4.7	4.6	0.1	4.8	4.6	0.2	4.6	4.7
Home and speciality goods trade	-6.8	-4.2	-2.7	-6.3	-3.1	-3.2	-0.6	-1.5
Building and home improvement trade	1.2	0.2	1.0	3.6	2.6	1.0	1.0	1.5
Car and machinery trade	3.4	3.8	-0.3	3.8	4.3	-0.5	3.3	3.1
Group total	1.9	1.9	0.0	2.9	2.9	0.0	2.6	2.6

Capital employed by segment, cumulative average (€ million)	1-6/2014	1-6/2013	Change	4-6/2014	4-6/2013	Change	1-12/2013	Moving 12 mo 6/2014
Food trade	780	842	-62	785	842	-57	821	792
Home and speciality goods trade	403	478	-76	402	481	-79	445	412
Building and home improvement trade	723	763	-40	736	769	-33	732	713
Car and machinery trade	166	164	3	165	160	5	161	160
Common operations and eliminations	315	258	57	319	259	60	278	306
Group total	2,387	2,504	-118	2,407	2,511	-104	2,438	2,384

Return on capital employed excl. non-recurring items by segment, %	1-6/2014	1-6/2013	Change pp	4-6/2014	4-6/2013	Change pp	1-12/2013	Moving 12 mo 6/2014
Food trade	25.5	23.5	2.0	27.0	24.1	2.8	24.8	25.7
Home and speciality goods trade	-20.4	-11.6	-8.7	-18.2	-8.3	-9.8	-1.9	-5.2
Building and home improvement trade	4.5	0.8	3.7	14.5	10.1	4.3	3.5	5.5
Car and machinery trade	23.0	25.4	-2.4	26.4	32.5	-6.1	21.1	20.1
Group total	7.3	7.1	0.2	11.2	11.1	0.1	9.8	9.9

Capital expenditure by segment (€ million)	1-6/2014	1-6/2013	Change	4-6/2014	4-6/2013	Change	1-12/2013
Food trade	47	44	3	29	27	1	92
Home and speciality goods trade	7	14	-6	4	6	-2	23
Building and home improvement trade	27	22	6	15	9	6	38
Car and machinery trade	9	9	1	7	5	2	15
Common operations and eliminations	8	2	7	1	1	0	4
Group total	99	90	10	56	48	8	171

Segment information by quarter

**Net sales by segment
(€ million)**

	1-3/2013	4-6/2013	7-9/2013	10-12/2013	1-3/2014	4-6/2014
Food trade	1,045	1,099	1,095	1,148	1,007	1,106
Home and speciality goods trade	345	322	351	439	312	288
Building and home improvement trade	562	740	710	596	581	736
Car and machinery trade	249	301	260	226	272	283
Common operations and eliminations	-42	-41	-43	-46	-44	-42
Group total	2,159	2,420	2,374	2,362	2,129	2,371

**Operating profit by
segment (€ million)**

	1-3/2013	4-6/2013	7-9/2013	10-12/2013	1-3/2014	4-6/2014
Food trade	48.2	55.1	56.5	48.3	45.4	52.0
Home and speciality goods trade	-17.7	-5.6	-2.1	23.3	-54.5	-17.6
Building and home improvement trade	-16.1	18.0	23.9	-1.0	-9.7	28.6
Car and machinery trade	7.8	13.0	9.8	3.3	8.2	10.9
Common operations and eliminations	-3.0	-3.4	-4.0	-5.9	-2.5	-4.5
Group total	19.2	77.0	84.1	68.0	-13.0	69.4

**Operating profit excl.
non-recurring items
by segment (€ million)**

	1-3/2013	4-6/2013	7-9/2013	10-12/2013	1-3/2014	4-6/2014
Food trade	48.2	50.8	56.0	48.3	46.5	52.9
Home and speciality goods trade	-17.8	-10.0	-2.2	21.6	-22.7	-18.3
Building and home improvement trade	-16.6	19.5	23.9	-1.1	-10.4	26.6
Car and machinery trade	7.8	13.0	9.8	3.3	8.2	10.9
Common operations and eliminations	-3.0	-3.4	-4.0	-5.4	-2.5	-4.5
Group total	18.6	69.8	83.6	66.8	19.1	67.6

**Operating margin excl.
non-recurring items
by segment, %**

	1-3/2013	4-6/2013	7-9/2013	10-12/2013	1-3/2014	4-6/2014
Food trade	4.6	4.6	5.1	4.2	4.6	4.8
Home and speciality goods trade	-5.2	-3.1	-0.6	4.9	-7.3	-6.3
Building and home improvement trade	-3.0	2.6	3.4	-0.2	-1.8	3.6
Car and machinery trade	3.1	4.3	3.8	1.5	3.0	3.8
Group total	0.9	2.9	3.5	2.8	0.9	2.9

Change in tangible and intangible assets (€ million)

	30.6.2014	30.6.2013
Opening net carrying amount	1,840	1,870
Depreciation, amortisation and impairment	-77	-76
Investments in tangible and intangible assets	106	90
Disposals	-10	-20
Currency translation differences	-6	-10
Closing net carrying amount	1,853	1,854

Related party transactions (€ million)

The Group's related parties include its key management (the Board of Directors, the Managing Director and the Group Management Board) and companies controlled by them, the Group's subsidiaries, associates as well as Kesko Pension Fund. The following transactions were carried out with related parties:

	1-6/2014	1-6/2013
Sales of goods and services	45	42
Purchases of goods and services	12	11
Other operating income	0	0
Other operating expenses	15	13
Finance costs	-	0
	30.6.2014	30.6.2013
Receivables	8	8
Liabilities	21	20

Fair value hierarchy of financial assets and liabilities (€ million)

	Level 1	Level 2	Level 3	30.6.2014
Financial assets at fair value through profit or loss	14.3	139.5		153.8
Derivative financial instruments at fair value through profit or loss				
Derivative financial assets		2.5		2.5
Derivative financial liabilities		17.0		17.0
Available-for-sale financial assets	61.1	141.0	13.3	215.3
Fair value hierarchy of financial assets and liabilities (€ million)				
	Level 1	Level 2	Level 3	30.6.2013
Financial assets at fair value through profit or loss	10.0	105.3		115.4
Derivative financial instruments at fair value through profit or loss				
Derivative financial assets		5.7		5.7
Derivative financial liabilities		15.9		15.9
Available-for-sale financial assets	21.8	249.0	6.8	277.6

Level 1 instruments are traded in active markets and their fair values are directly based on quoted market prices. The fair values of level 2 instruments are derived from market data. The fair values of level 3 instruments are not based on observable market data.

Personnel, average and as at 30 June**Personnel average by segment**

	1-6/2014	1-6/2013	Change
Food trade	3,412	3,030	381
Home and speciality goods trade	5,585	5,805	-220
Building and home improvement trade	9,257	8,852	404
Car and machinery trade	1,250	1,245	5
Common operations	432	440	-9
Group total	19,935	19,373	562

Personnel at 30 June*

by segment	2014	2013	Change
Food trade	4,035	3,706	329
Home and speciality goods trade	8,111	8,462	-351
Building and home improvement trade	10,520	10,016	504
Car and machinery trade	1,323	1,329	-6
Common operations	504	513	-9
Group total	24,493	24,026	467

*total number incl. part-time employees

Group's commitments (€ million)	30.6.2014	30.6.2013	Change %
Own commitments	206	191	7.8
For associates	65	65	0.0
For others	10	10	4.2
Lease liabilities for machinery and equipment	25	25	-2.4
Lease liabilities for real estate	2,251	2,413	-6.7

Liabilities arising from derivative instruments (€ million)

Values of underlying instruments at 30 June	Fair value		
	30.6.2014	30.6.2013	30.6.2014
Interest rate derivatives			
Interest rate swaps	101	203	-0.83
Currency derivatives			
Forward and future contracts	303	232	-1.05
Option agreements	-	4	-
Currency swaps	50	100	-6.28
Commodity derivatives			
Electricity derivatives	27	38	-6.31

Calculation of performance indicators

Return on capital employed*, %	Operating profit x 100 / (Non-current assets + Inventories + Receivables + Other current assets – Non-interest-bearing liabilities) on average for the reporting period
Return on capital employed, %, moving 12 mo	Operating profit for prior 12 months x 100 / (Non-current assets + Inventories + Receivables + Other current assets - Non-interest-bearing liabilities) on average for 12 months
Return on capital employed excl. non-recurring items*, %	Operating profit excl. non-recurring items x 100 / (Non-current assets + Inventories + Receivables + Other current assets - Non-interest-bearing liabilities) on average for the reporting period
Return on capital employed excl. non-recurring items, %, moving 12 months	Operating profit excl. non-recurring items for prior 12 months x 100 / (Non-current assets + Inventories + Receivables + Other current assets - Non-interest-bearing liabilities) on average for 12 months
Return on equity*, %	(Profit/loss before tax - Income tax) x 100 / Shareholders' equity
Return on equity, %, moving 12 months	(Profit/loss for prior 12 months before tax - Income tax for prior 12 months) x100 / Shareholders' equity
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) x 100 / Shareholders' equity
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) x 100 / Shareholders' equity
Equity ratio, %	Shareholders' equity x 100 / (Balance sheet total - Prepayments received)
Earnings/share, diluted	(Profit/loss - Non-controlling interests) / Average diluted number of shares
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 the balance sheet date

Gearing, %

Interest-bearing net liabilities x 100 / Shareholders' equity

Interest-bearing net debt

Interest-bearing liabilities – Money market investments – Cash and cash equivalents

* Indicators for return on capital have been annualised.

K-Group's retail and B2B sales, VAT 0% (preliminary data):

K-Group's retail and B2B sales	1.1.-30.6.2014		1.4.-30.6.2014		Change,%
	€ million	Change,%	€ million	Change,%	
K-Group's food trade					
K-food stores, Finland	2,256	-2.6	1,167	-1.4	
Kespro	377	-2.8	198	-2.1	
K-ruoka, Russia	51	(..)	26	90.8	
Food trade total	2,684	-1.5	1,391	-0.6	
K-Group's home and speciality goods trade					
Home and speciality goods stores, Finland	652	-9.2	317	-9.8	
Home and speciality goods stores, other countries	14	-11.4	7	2.5	
Home and speciality goods trade total	666	-9.2	324	-9.5	
K-Group's building and home improvement trade					
K-rauta and Rautia	489	1.7	310	-0.2	
Rautakesko B2B Service	91	3.1	51	0.0	
K-maatalous	238	0.6	146	1.9	
Finland total	818	1.5	507	0.4	
Building and home improvement stores, other Nordic countries	424	-4.4	250	-7.2	
Building and home improvement stores, Baltic countries	201	18.5	118	18.5	
Building and home improvement stores, other countries	175	-1.8	102	-3.8	
Building and home improvement trade total	1,618	1.3	977	-0.3	
K-Group's car and machinery trade					
VV-Autotalot	200	2.1	99	-6.1	
VV-Auto, import	223	5.6	103	-0.5	
Konekesko, Finland	92	-3.6	56	-1.2	
Finland total	515	2.5	259	-2.9	
Konekesko, other countries	56	-7.7	33	-20.9	
Car and machinery trade total	571	1.4	292	-5.3	
Finland total	4,618	-2.3	2,448	-2.4	
Other countries total	920	3.5	536	-0.2	
Retail and B2B sales total	5,539	-1.4	2,984	-2.0	
(..) Change over 100%					