Kesko Corporation

Interim Report

January–March 2009

Kesko Corporation
Stock exchange release
28.4.2009 at 09.00 AM

Interim financial report for the period 1 Jan.–31 Mar. 2009

In January–March 2009, the Group's net sales from continuing operations were €2,018 million, which is 11.4% down on the corresponding period of the previous year (€2,277 million). In January–March 2009, the operating profit excluding non-recurring items was €3.4 million (€36.6 million). The profit before tax was €18.2 million (€148.6 million). The whole Group's profit for the reporting period was €11.5 million (€120.0 million). The whole Group's earnings per share were €0.12 (€1.22).

Continuing operations	**1–3/2009**	**1–3/2008**
Net sales, € million	2,018	2,277
Operating profit, € million	23.2	150.1
Operating profit excluding non-recurring items, € million	3.4	36.6
Profit before tax, € million	18.2	148.6
Earnings/share, €, diluted	0.12	1.11
Investments, € million	51.5	60.3

Whole Group		
Earnings/share, diluted, €	0.12	1.22
Earnings/share excl. non-recurring items, basic, €	−0.03	0.25
Equity ratio, %	49.8	46.3
Return on equity, %	2.4	25.1
Return on capital employed, %	4.2	30.1
Cash flow from operating activities, € million	6.8	−35.5
Cash flow from investing activities, € million	−4.4	52.6
Equity/share, €	19.16	19.13

JANUARY–MARCH 2009

CONTINUING OPERATIONS

Net sales and profit

The Group's net sales in January–March 2009 were €2,018 million, which is 11.4% down on the corresponding period of the previous year (€2,277 million). Net sales decreased by 6.4% in Finland and by 31.3% abroad. Exports and foreign operations accounted for 15.6% (20.1%) of the net sales. The Group's net sales performance was affected by a decline in the construction markets, especially in the Nordic and the Baltic countries, and by a decrease in the sales of the car and machinery trade. A steady growth continued in the grocery trade.

In January–March, the K-Group's (i.e. Kesko's and the chain stores') retail and B-to-B sales (incl. VAT) totalled €2,866 million, a decrease of 8.7% on the corresponding period of the previous year.

The Group's profit before tax for January-March was €18.2 million (€148.6 million). The operating profit was €23.2 million (€150.1 million). The operating profit excluding non-recurring items was €3.4 million (€36.6 million), representing 0.2% (1.6%) of the net sales. The non-recurring income includes a €19.7 million gain on a property transaction between Kesko and the Kesko Pension Fund. The most significant non-recurring income items of the comparative period include a €103.2 million gain on property lease and sale arrangements between Kesko and Nordisk Renting Oy, and a €10.3 million gain on the disposal of K-Rahoitus Oy.

The smaller year-on-year operating profit excluding non-recurring items is due to a substantial decrease in the demand in the building and home improvement trade and the car and machinery trade. As a result of the weakening of the Baltic agricultural market, and the downsizing of the agricultural business, write-downs and expense provisions in a total amount of €9 million were recognised on Konekesko's Baltic operations.

The Group's earnings per share from continuing operations were €0.12 (€1.11). The Group's equity per share was €19.16 (€19.13).

Investments
In January-March, the Group's investments totalled €51.5 million (€60.3 million), which is 2.6% (2.6%) of the net sales. Investments in store sites were €42.3 million (€50.0 million) and other investments €9.1 million (€10.3 million). Investments in foreign operations represented 28.9% of total investments.

Finance
In January-March, the cash flow from operating activities was €6.8 million (€-35.5 million) and the cash flow from investing activities was €-4.4 million (€52.6 million). The cash flow from investing activities included €63.2 million (€117.2 million) of proceeds from the disposal of fixed assets.

At the end of the period, liquid assets totalled €458 million (€568 million). The amount was increased by €47 million in proceeds on loans based on the Employees' Pensions Act (TyEL), and a property and lease arrangement between Kesko and the Kesko Pension Fund contributing €50 million to the cash flow. At the end of the reporting period, the interest-bearing net debt was €43 million (€-35 million). The equity ratio was 49.8% (46.3%) and gearing 2.2% (-1.8%) at the end of the period.

In January-March, the Group's net financial expenses were €5.1 million (€1.4 million). They were increased by the €6.4 million cost for hedging Russian and Baltic foreign currency positions as a result of an increasing interest rate spread between the currencies.

Taxes
In January-March, the Group's taxes were €6.6 million (€37.5 million). The effective tax rate was 36.0% (24.7%), affected by the loss-making performances of foreign companies. Income tax has been calculated on the profit for the reporting period as a proportion of the estimated tax for the whole financial year.

Personnel
In January-March, the average number of personnel in the Kesko Group was 19,628 (21,150) converted into full-time employees. In Finland, the average decrease was 426 people, while outside Finland it was 1,096.

At the end of March 2009, the total number of personnel was 23,326 (24,836), of whom 12,889 (13,254) worked in Finland and 10,437 (11,582) outside Finland. Compared with the end of March 2008, there was a decrease of 365 employees in Finland and 1,145 employees outside Finland.

Due to the decline in consumer demand, measures aimed at staff cost adjustment were continued in various operating activities of the Group. During the reporting period, the Group's staff cost decreased by €9 million (6.3%) compared with the first quarter of the comparative year.

Market review
According to Statistics Finland, in January-February, the value of the Finnish retail trade sales decreased by 2.2% compared with the previous year, and in February by 5.8% compared with February 2008. The consumer price inflation, calculated by Statistics Finland, stood at an average of 1.6% in January-March.

According to Statistics Finland's consumer survey of March 2009, consumers' confidence in the economy has recovered slightly but still remains weak. Own economic situation and saving possibilities were considered good, but the threat of becoming unemployed was felt more widely than before. Expectations of the Finnish economy remained gloomy.

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.

Segment performance in January–March

The Kesko Group's reportable segments are the same as its business divisions which, effective 1 January 2009, are the food trade, the home and speciality goods trade, the building and home improvement trade, and the car and machinery trade (stock exchange release on 12 December 2008). Comparative information on the new basis of segmentation was announced in a stock exchange release on 26 March 2009.

Food trade segment

The food trade segment in Finland comprises the food business based on the K-retailer business model and Kespro Ltd's grocery wholesaling.

In the food trade, the net sales in January–March were €888 million (€853 million), up 4.0%. The retail sales of K-food stores in January–March totalled €1,142 million (incl. VAT), representing a growth of 4.9%. The K-food stores' grocery sales increased by 5.3%. The sales performance of K-food stores' own Pirkka products was particularly good. At the end of March, there was a total of 1,026 K-food stores (not all mobile stores are included).

In January–March, the operating profit excluding non-recurring items from the food trade was €33.8 million (3.8% of the net sales), which is €8.9 million, or 0.9 percentage points, higher than in the previous year. The operating profit from the food trade was €42.3 million (€81.3 million). The non-recurring gains on real estate sales were €8.5 million in January–March. The comparative year's operating profit was increased by a €56.4 million non-recurring gain on a property and lease arrangement.

In January–March, investments in the food trade were €20.7 million (€24.0 million), of which investments in store sites were €17.4 million (€21.5 million).

Kesko Food continued to develop the K-food store network. In January–March, one new K-market was opened and one K-supermarket was expanded. In addition, several renovations were implemented in K-supermarkets and K-markets. In April, a K-citymarket was opened in Turku and Ylöjärvi and a K-supermarket in Kempele.

The most important store sites being built are the K-citymarkets in Kirkkonummi, in Linnainmaa, Tampere, in Koivukylä, Vantaa, the expansion of K-citymarket Mikkeli, and the new K-supermarkets being built in Porvoo, Järvenpää and Eurajoki.

Home and speciality goods trade segment

The home and speciality goods trade segment comprises Anttila, K-citymarket's home and speciality goods trade, Intersport Finland, Indoor Group, Musta Pörssi and Kenkäkesko.

In the home and speciality goods trade, the net sales in January–March were €346 million (€364 million), down 5.0%. Owing to a general deterioration of the economic situation, consumer demand declined especially in the home electronics and interior decoration trade. Sales increased in the sports and clothing trade.

The operating loss of the home and speciality goods trade excluding non recurring items in January–March was €10.7 million (-3.1% of the net sales), a €3.9 million year-on-year increase due to the fall in sales. In January–March, the operating loss was €3.3 million (operating profit €40.1 million). Non-recurring gains on property sales were €7.4 million in January–March and €46.8 million in the comparative period.

Investments in the home and speciality goods trade in January–March were €9.8 million (€10.6 million).

Anttila's net sales in January–March were €114 million (€127 million), down 10.1%. Especially the sales of interior decoration and home electronics decreased.

The net sales of K-citymarket's home and speciality goods trade in January-March were €123 million (€116 million), up 6.1%. The net sales performance was affected by store site network expansions and intensified marketing actions.

Intersport Finland's net sales in January-March were €41 million (€37 million), an increase of 12.0%, mainly attributable to the sales growth of winter sports equipment.

Indoor's net sales in January-March were €37 million (€45 million), down 16.9%. In Finland, the net sales decreased by 9.0% and in foreign operations by 56%, partly attributable to the discontinuation of Indoor's operating activities in Sweden during the first quarter of 2008.

Musta Pörssi Ltd's net sales in January-March were €22 million (€32 million), down 31.2%.

Kenkäkesko Ltd's net sales in January-March were €8 million (€8 million), up 5.0%.

Building and home improvement trade segment

The building and home improvement trade segment comprises Rautakesko and the agricultural trade in Finland.

In the building and home improvement trade, the net sales in January-March were €529 million (€695 million), down 23.9%.

In January-March, net sales in Finland were €262 million, a decrease of 20.4%. The building and home improvement trade contributed €175 million to the net sales in Finland, a decrease of 24.5%. The agricultural trade contributed €88 million to the net sales in Finland, down 10.5%. The net sales from foreign operations in the building and home improvement trade were €267 million (€366 million), a decrease of 27.1%. In addition to a decline in demand, the sales performance of foreign operations was affected by the weakening of the Swedish krona, the Norwegian krone and the Russian ruble. The net sales from foreign operations dropped by 19.4% in terms of the local currencies. Foreign operations contributed 50.4% to the net sales of the building and home improvement trade.

In Sweden, the net sales of K-rauta AB decreased by 3.4% to €37 million in January-March. In terms of the local currency, K-rauta AB's net sales grew by 12.4%. In Norway, Byggmakker's net sales decreased by 26.7% and were €95 million. In terms of the local currency, Byggmakker's net sales dropped by 17.6%. In Estonia, Rautakesko's net sales were down by 28.9% to €12 million. In Latvia, Rautakesko's net sales decreased by 43.6% to €10 million. In Lithuania, Senukai's net sales decreased by 38.9% to €60 million. In Russia, Stroymaster's net sales decreased by 6.4% to €38 million. In terms of the local currency, Stroymaster's net sales increased by 14.5%. The net sales of the Belarusian OMA were down by 11.9% to €11 million. In terms of the local currency, OMA's net sales decreased by 1.1%.

In January-March, the operating loss excluding non-recurring items from the building and home improvement trade was €9.1 million (-1.7% of the net sales), which is €16.5 million lower than in the corresponding period of the previous year (operating profit excluding non-recurring items €7.3 million). The profit performance was affected by a substantial decline in the Nordic and Baltic construction markets. In the Nordic countries, the building and home improvement trade markets declined in January-March by some 20%, and in the Baltic countries by 30-40%. The operating loss of the building and home improvement trade was €5.2 million (operating profit €7.3 million) in January-March. The operating loss includes a €3.9 million non-recurring gain on a property sale.

In January-March, investments in the building and home improvement trade were €19.5 million (€22.7 million), of which 74.3% (73.2%) was abroad.

The retail sales of the K-rauta and Rautia chains in January-March decreased by 11.8% to €192 million (incl. VAT) in Finland. The sales of the Rautakesko B-to-B Service decreased by 35.3%. The retail sales of the K-maatalous chain were €105 million (incl. VAT), down 9.1%.

In January-March, six new stores were opened. In Finland, a K-rauta store was opened in Seinäjoki, a Rautia-K-Maatalous store in Kauhava and a K-maatalous store in Lohtaja. In Sweden, a K-rauta store was opened in Halmstad and in Eskilstuna. In Russia, a new K-rauta store was opened in Jaroslavl at the end of March.

Car and machinery trade segment

The car and machinery trade segment comprises VV-Auto and Konekesko. Konekesko includes, in addition to the machinery trade, the tractor and combine harvester trade in Finland and the agricultural and machinery trade companies in the Baltic countries.

In January–March, the net sales of the car and machinery trade were €296 million (€402 million), down 26.3%.

VV-Auto's net sales in January–March were €210 million (€261 million), a decrease of 19.3%. The net sales performance was affected by a decline in the consumer demand in the car trade. The combined market share of passenger cars and vans imported by VV-Auto was 19.0% (16.4%) during the first quarter of the year.

Konekesko's net sales in January–March were €86 million (€141 million), down 39.3% on the previous year as a result of the weakened machinery market. The net sales in Finland were €50 million, a decrease of 32.2%. The net sales from Konekesko's foreign operations were €36 million, down 47.1%.

In January–March, the operating loss excluding non-recurring items in the car and machinery trade was €6.0 million (-2.0% of the net sales), which is €21.8 million, or 6.0 percentage points, lower than in the corresponding period of the previous year (operating profit excluding non-recurring items €15.8 million). In addition to the substantial sales decrease in the car and machinery trade, the profit performance was affected by the weakening of the Baltic agricultural market and the downsizing of the agricultural business, which resulted in write-downs and expense provisions in a total amount of €9 million recognised on Konekesko's Baltic operating activities.

Investments in the car and machinery trade were €1.8 million (€3.0 million) in January–March.

Changes in the Group composition

Effective 1 January 2009, the Kesko Group's segments are the food trade, the home and speciality goods trade, the building and home improvement trade, and the car and machinery trade (stock exchange release on 12 December 2008).

Resolutions of the Annual General Meeting 2009 and decisions of the Board's organisational meeting

Kesko Corporation's Annual General Meeting held on 30 March 2009 adopted the financial statements for 2008 and discharged the Board of Directors' members and the Managing Director from liability. The Annual General Meeting also resolved to distribute a dividend of €1.00 per share, or a total amount of €97,851,050, as proposed by the Board. The dividend pay date was 9 April 2009. The Annual General Meeting elected PricewaterhouseCoopers Oy as the company's auditor, with APA Johan Kronberg as the auditor with principal responsibility, and approved the Board's proposal to amend the article of the Articles of Association providing for the convocation period so that the notice of the General Meeting shall be given at the latest 21 days before the General Meeting, and the Board's proposal to authorise the Board to decide on the issuance of a maximum of 20,000,000 new B shares.

The Annual General Meeting resolved to leave the number of members of the Board of Directors unchanged at seven, and elected Heikki Takamäki, Seppo Paatelainen, Maarit Näkyvä, Ilpo Kokkila, Esa Kiiskinen (new member), Mikko Kosonen (new member) and Rauno Törrönen (new member) as members of the company's Board of Directors for a three-year term defined in the Articles of Association, which will expire at the close of the 2012 Annual General Meeting.

The resolutions of the Annual General Meeting were announced in more detail in a stock exchange release on 30 March 2009.

The organisational meeting of Kesko Corporation's Board of Directors, held after the Annual General Meeting on 30 March 2009, elected Heikki Takamäki as its Chair and Seppo Paatelainen as its Deputy Chair. Maarit Näkyvä (Ch.), Seppo Paatelainen and Mikko Kosonen were appointed to the Board of Directors' Audit Committee. Heikki Takamäki (Ch.), Seppo Paatelainen and Ilpo Kokkila were appointed to the Board of Directors' Remuneration Committee. The terms of the Committees expire at the close of the Annual General Meeting. The decisions of the Board's organisational meeting were announced in a stock exchange release on 30 March 2009.

Shares, securities market and Board authorisations

At the end of the reporting period, Kesko Corporation's share capital totalled €195,702,100. Of all shares 31,737,007, or 32.4% were A shares and 66,114,043, or 67.6% were B shares. The aggregate number of shares was 97,851,050. Each A share entitles to ten (10) votes and each B share to one (1) vote. During the reporting period, the share capital was increased once by share subscriptions with the stock options of the year 2003 option scheme. The increase was made on 11 February 2009 (€52,392) and announced in a stock exchange notification on the same day.

The subscribed shares were included on the main list of the Helsinki stock exchange for public trading with the old B shares on 12 February 2009.

The price of a Kesko A share was €22.00 at the end of 2008, and €21.60 at the end of the reporting period, representing a decrease of 1.8%. The price of a B share was €17.80 at the end of 2008, and €15.63 at the end of the reporting period, representing a decrease of 12.2%. During the reporting period, the highest A share quotation was €24.90 and the lowest was €18.75. For B shares, they were €19.47 and €14.99 respectively. During the reporting period, the Helsinki stock exchange All Share index (OMX Helsinki) fell by 14.9%, the weighted OMX Helsinki CAP index by 16.1%, while the Consumer Staples Index dropped by 11.0% during the same period.

At the end of the reporting period, the market capitalisation of A shares was €686 million, while that of B shares was €1,033 million. Their combined market capitalisation was €1,719 million, a decrease of €156 million compared with the end of 2008. During the first quarter of 2009, 406,797 A shares were traded on the Helsinki stock exchange at a total value of €9.1 million, while 28.1 million B shares were traded at a total value of €481.2 million.

The 2003E and 2003F stock options of the year 2003 option scheme were available for trading and a total of some 99,000 options were traded at a total value of €770,000 during the reporting period.

As reported above, the Board of Directors was authorised by the Annual General Meeting of 30 March 2009 to issue a maximum of 20,000,000 new B shares. The authorisation has not been used. In addition to the stock option scheme referred to above, the company operates the 2007 stock option scheme with the stock options 2007A, 2007B and 2007C. Their exercise period has not started and for the present they have not been listed. Further information on the Board's authorisations is available at www.kesko.fi.

At the end of the reporting period, the number of shareholders was 39,414. In 2008 it increased by 9,155 shareholders and during the reporting period by 1,334 shareholders. At the end of March 2009, the foreign ownership interest was 20%.

Flagging notifications

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

Main events during the reporting period

Kesko Corporation's Board of Directors approved the Group's revised financial objectives. The objective for return on investment has been replaced by the objective for return on capital employed. The new objective for return on equity has been set at 12% (previously 14%) and the objective for return on capital employed has been set at 14%. The objective range of the equity ratio has been broadened to 40–50% (previously 40–45%). The Board of Directors also revised Kesko's dividend policy, published on 6 April 2005. In accordance with the new dividend policy, Kesko Corporation distributes at least 50% of its earnings per share excluding non-recurring items as dividends, taking however the company's financial position and operating strategy into account (stock exchange release on 5 February 2009).

On 31 March 2009, Kesko sold four store properties to the Kesko Pension Fund. The debt-free selling price was about €50 million. The Kesko Group's gain on the sale was €19.7 million, which was treated as a non-recurring item in the operating profit for the first quarter (stock exchange release on 31 March 2009).

The Annual General Meeting was held on 30 March 2009 (stock exchange releases on 30 March 2009).

Risk management

The Kesko Group has established a risk management process in which the divisions regularly assess the risks and their management and report on them to the Group's management. Kesko's risk management and risks relating to the operating activities have been described in more detail in Kesko's 2008 Annual Report and financial statements.

The main risks for Kesko's operating activities are related to the general economic development in Kesko's operating area. During the past quarter, the consumer demand continued to weaken in the building materials, cars and machinery, and the home and speciality goods trade. Because of the possibility that the recession continues and deepens, the uncertainties affecting the Group's sales and profit performance have grown. The increased possibility of financial difficulties for customers, principals and suppliers will also increase credit loss risks and risks relating to the availability of merchandise. The prevailing market situation emphasizes cost adaptation, efficient management of inventories, customer receivables and investment assets, as well as risk management responses to the prevention of malpractice.

Risks and uncertainties relating to profit performance are described in the Group's future outlook.

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 (4/2009-3/2010) in comparison with the 12 months preceding the reporting period (4/2008-3/2009).

The development of the Group's operating activities is affected by the economic outlook in its different market areas and especially by the growth rate of private consumption. As a result of the problems in the financial market and the contraction of the real economy, the outlook for the near future remains dim. During the next twelve months, the overall consumer demand is expected to remain clearly below the normal level owing to increasing unemployment and problems relating to the availability of business and consumer finance.

The steady development of the grocery trade is expected to continue. The market situation is expected to remain difficult in the building sector, in the car and machinery trade, and in the home and speciality goods trade.

Uncertainty about the economic outlook continues to make any statement about the Group's future outlook significantly more difficult. In consequence of the weakening economic development, the Kesko Group's net sales and operating profit excluding non-recurring items from continuing operations in the next twelve months are expected to remain at a lower level compared with the net sales and operating profit excluding non-recurring items of the comparative period. The Group's liquidity and solvency are expected to remain good.

Helsinki, 27 April 2009
Kesko Corporation
Board of Directors

The figures of this interim financial report are unaudited.

Further information is available from Arja Talma, Senior Vice President, CFO, telephone +358 1053 22113, and Jukka Erlund, Vice President, Corporate Controller, telephone +358 1053 22338. A Finnish-language webcast from the media and analyst briefing on the interim financial report can be accessed at www.kesko.fi at 11.00. An English-language web conference on the interim financial report will be held today at 14.30 (Finnish time). The web conference login is available at www.kesko.fi.

Kesko Corporation

Paavo Moilanen
Senior Vice President, Corporate Communications and Responsibility

ATTACHMENTS

Accounting policies
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K-Group's retail and B-to-B sales

Kesko Corporation's interim financial report for the period January-June will be published on 24 July 2009. In addition, the Kesko Group sales figures will be published each month. News releases and other company information are available on Kesko's website at www.kesko.fi.

DISTRIBUTION
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Accounting policies

This interim financial report has been prepared in accordance with the IAS 34 standard. The same accounting policies have been applied to the preparation of the interim financial report as to the preparation of the 2008 financial statements, with the exception of the following changes due to the adoption of new and amended IFRS standards and IFRIC interpretations.

IFRS 8 Operating segments

The Kesko Group's reportable segments are the same as its business divisions, which, effective 1 January 2009, are the food trade, the home and speciality goods trade, the building and home improvement trade, and the car and machinery trade (stock exchange release on 12 December 2008). The segment information for the 2008 financial period has been restated accordingly (stock exchange release on 26 March 2009). The adoption of the IFRS 8 has not changed the Group's reportable segments, because the Group's prior segment information was already based on the management's internal reporting, with the measurement principles of assets and liabilities complying with the IFRS regulations.

The food trade in Finland comprises the food business based on the K-retailer business model and Kespro Ltd's grocery wholesaling. The home and speciality goods trade comprises Anttila's department store business, K-citymarket's home and speciality goods business, Intersport Finland's sports business, Indoor Group's furniture and interior decoration business, Musta Pörssi's home technology business, and Kenkäkesko's shoe business. The building and home improvement trade includes, in addition to the previously reported Rautakesko, the K-maatalous chain and the agricultural business in Finland. The car and machinery trade comprises the previously reported VV-Auto and Konekesko. Konekesko includes, in addition to the previously reported machinery business, the tractor and combine harvester business in Finland and the agricultural and machinery business entities in the Baltic countries.

Segment assets and liabilities comprise items used by a segment in its business activities or items that can be allocated to segments. Unallocated items consist of the Group's common items.

IAS 1 Presentation of financial statements
At the beginning of 2009, the Kesko Group adopted the amended IAS 1 standard. Consequently, the interim financial report presents a statement of comprehensive income specifying non-owner changes in equity. At the same time, the statement of changes in equity has been modified to comply with the requirements of the amended standard.

IFRIC 13 Customer Loyalty Programmes
At the beginning of 2009, the Kesko Group adopted a new IFRIC interpretation, IFRIC 13 Customer Loyalty Programmes. According to the interpretation, the loyalty award credits relating to the K-Plussa customer loyalty programme are recognised in sales adjustment items. In consequence, the net sales figures for 2008 of certain retail companies of the Group have been restated to comply with the new interpretation. The adoption of the interpretation does not impact the Group's operating profit.

IAS 23, Borrowing Costs, capitalisation of borrowing costs attributable to a qualifying asset
The amended standard removes the option of immediately expensing borrowing costs attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. These borrowing costs are eligible for capitalisation as part of the cost of the asset. The Group previously expensed borrowing costs in the accounting period in which they incurred. The amendment has not impacted the profit for the reporting period.

In addition, the Group has adopted the following revised or amended IFRS standards and new IFRIC interpretations endorsed by the EU as from 1 January 2009:

- IAS 32 Financial Instruments: presentation, and IAS 1 Presentation of Financial Statements - Puttable financial instruments and obligations arising on liquidation (amendment)
- IFRS 1 First-time adoption of IFRS, and IAS 27 Consolidated and Separate Financial Statements - Cost of an investment in a Subsidiary, Jointly controlled Entity or Associate (amendment)
- IFRS 2 Share-based Payments - Vesting conditions and cancellations (amendment)
- Annual amendments to the IFRSs (Annual Improvements 2007)

The following standards became effective on 1 January 2009, but have not yet been endorsed by the EU:

- IFRS 7 Financial Instruments: Disclosures (amendment)
- IFRIC 9 Reassessment of Embedded Derivatives (amendment) and IAS 39 Financial Instruments: Recognition and Measurement (amendment)
- IFRIC 15 Agreements for the Construction of Real Estate
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation

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

Other changes
The credit entry corresponding to granted share options in compliance with IFRS 2 is presented in retained earnings instead of share premium. The change has been made retrospectively and does not impact the Group's equity.

Consolidated income statement (€ million)

	1-3/2009	1-3/2008	Change-%	1-12/2008
Net sales	**2,018**	2,277	**-11.4**	9,591
Cost of sales	**-1,754**	-1,973	**-11.1**	-8,293
Gross profit	**263**	305	**-13.5**	1,299
Other operating income	**161**	248	**-35.1**	730
Staff cost	**-136**	-145	**-6.3**	-578
Depreciation and impairment charges	**-28**	-29	**-4.2**	-178
Other operating expenses	**-237**	-228	**4.1**	-987
Operating profit	**23**	150	**-84.6**	286
Interest income	**8**	8	**-9.0**	35
Interest expenses	**-6**	-8	**-31.1**	-30
Exchange differences and other financial items*	**-7**	-2	**(..)**	-4
Income from associates*	**0**	0	**(..)**	2
Profit before tax	**18**	149	**-87.7**	289
Income tax	**-7**	-37	**-82.1**	-89
Profit for the period from continuing operations	**12**	112	**-89.6**	199
Profit for the period from discontinued operations*	**-**	10	**(..)**	42
Net profit for the period	**12**	122	**-90.5**	241
Attributable to				
Owners of the parent	**11**	120	**-90.4**	220
Non-controlling interests	**0**	2	**-92.6**	21
Earnings per share (€) for profit attributable to equity holders of the parent				
Continuing operations				
Basic	**0.12**	1.12	**-89.5**	1.82
Diluted	**0.12**	1.11	**-89.5**	1.81
Whole Group				
Basic	**0.12**	1.23	**-90.4**	2.25
Diluted	**0.12**	1.22	**-90.4**	2.24

Consolidated statement of comprehensive income (€ million)

	1-3/2009	1-3/2008	Change-%	1-12/2008
Net profit for the period	**12**	122	**-90.5**	241
Other comprehensive income				
Exchange differences on translating foreign operations	**-2**	-2	**-11.3**	-6
Cash flow hedge revaluation*	**-9**	-3	**(..)**	-13
Revaluation of available-for-sale financial assets*	**-1**	0	**(..)**	2
Tax relating to other comprehensive income*	**2**	1	**(..)**	3
Total other comprehensive income for the period, net of tax	**-9**	-5	**99.3**	-14
Total comprehensive income for the period	**2**	118	**-97.9**	226
Attributable to				
Owners of the parent	**5**	116	**-95.3**	205
Non-controlling interests*	**-3**	1	**(..)**	21

** (..) Change over 100%*

Consolidated statement of financial position (€ million), condensed

	31.3.2009	31.3.2008	Change-%	31.12.2008
ASSETS				
Non-current assets				
Intangible assets	173	227	-23.7	170
Tangible assets	1,180	1,097	7.5	1,210
Non-current financial assets	34	31	12.2	34
Loans and receivables	68	59	13.7	76
Pension assets	305	265	15.2	300
Total	1,760	1,680	4.8	1,789
Current assets				
Inventories	829	907	-8.6	871
Trade receivables	722	794	-9.1	633
Other receivables	131	150	-12.4	152
Financial assets at fair value through profit or loss	41	197	-79.2	94
Available-for-sale financial assets	374	320	16.9	291
Cash and cash equivalents	43	51	-14.9	58
Total	2,141	2,419	-11.5	2,100
Non-current assets held for sale	1	98	-98.9	3
Total assets	3,902	4,196	-7.0	3,892
EQUITY AND LIABILITIES				
Equity	1,875	1,870	0.3	1,966
Non-controlling interests	58	57	2.2	61
Total equity	1,933	1,927	0.3	2,026
Non-current liabilities				
Pension obligations	2	4	-53.9	2
Interest-bearing liabilities	244	223	9.3	197
Non-interest-bearing liabilities*	13	5	(..)	12
Deferred tax	126	130	-3.2	132
Provisions	19	18	4.8	20
Total	404	380	6.1	363
Current liabilities				
Interest-bearing liabilities	258	310	-16.8	294
Trade payables	819	915	-10.5	756
Other non-interest-bearing liabilities	467	610	-23.6	430
Provisions	22	12	82.6	24
Total	1,565	1,847	-15.3	1,503
Liabilities relating to available-for-sale assets*	-	42	(..)	-
Total equity and liabilities	3,902	4,196	-7.0	3,892

** (..) 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 1.1.2008	**196**	**0**	**190**	**247**	**−3**	**10**	**1,270**	**55**	**1,964**
Shares subscribed for with options	0	0	0						0
Option cost							1		1
Subsidiary disposals				−4			4		0
Dividends							−156		−156
Total comprehensive income for the period					−1	−2	120	1	118
Balance at 31.3.2008	**196**	**0**	**190**	**243**	**−5**	**7**	**1,239**	**57**	**1927**
Balance at 1.1.2009	**196**	**0**	**191**	**243**	**−15**	**2**	**1,350**	**61**	**2,026**
Shares subscribed for with options	0	0	0						0
Option cost							2		2
Dividends							−98		−98
Total comprehensive income for the period					7	−7	5	−3	2
Balance at 31.3.2009	**196**	**0**	**191**	**243**	**−8**	**−5**	**1,258**	**58**	**1,933**

Consolidated cash flow statement (€ million), condensed

	1-3/2009	1-3/2008	Change-%	1-12/2008
Cash flow from operating activities				
Profit before tax	18	160	-88.6	331
Planned depreciation	28	30	-6.9	118
Financial income and expenses*	5	1	(..)	-1
Other adjustments	-21	-134	-84.0	-130
Working capital				
Current non-interest-bearing trade and other receivables, increase (–) / decrease (+)	-76	-144	-47.2	-10
Inventories, increase (–) / decrease (+)*	39	-14	(..)	2
Current non-interest-bearing liabilities, increase (+) /decrease (–)	20	80	-74.7	-78
Financial items and tax	-6	-15	-60.2	-97
Net cash from operating activities*	7	-35	(..)	134
Cash flow from investing activities				
Investments	-69	-60	14.5	-320
Disposals of fixed assets	63	117	-46.0	281
Increase of long-term receivables*	0	-4	(..)	-7
Decrease of long-term receivables*	2	0	(..)	0
Net cash used in investing activities*	-4	53	(..)	-46
Cash flow from financing activities				
Debt increase*	48	3	(..)	0
Debt decrease*	-37	-16	(..)	-53
Increase (–) /decrease (+) in short-term interest-bearing receivables*	-1	216	(..)	216
Dividends paid*	0	0	(..)	-172
Equity increase*	0	0	(..)	0
Short-term money market investments*	55	-91	(..)	-17
Other items*	3	0	(..)	9
Net cash used in financing activities	68	111	-38.6	-17
Change in cash and cash equivalents	71	128	-44.8	71
Cash and cash equivalents and current portion of available-for-sale financial assets at 1 Jan.	319	245	30.1	245
Exchange difference and revaluation*	-3	0	(..)	1
Cash and cash equivalents relating to available-for-sale assets*	0	3	(..)	-2
Cash and cash equivalents and current portion of available-for-sale financial assets at 31 Mar.	387	371	4.4	319

** (..) Change over 100%*

Group financial indicators

	1-3/2009	1-3/2008	Change, pp
Return on capital employed, %	**4.2**	30.1	**-25.8**
Return on capital employed, %, rolling 12 months	**8.8**	19.6	**-10.7**
Return on capital employed excl. non-recurring items, %	**0.6**	7.3	**-6.7**
Return on capital employed excl. non-recurring items, %, rolling 12 months	**8.6**	13.8	**-5.3**
Return on equity, %	**2.4**	25.1	**-22.8**
Return on equity, %, rolling 12 months	**6.7**	17.6	**-10.8**
Return on equity excl. non-recurring items, %	**-0.6**	5.6	**-6.2**
Return on equity excl. non-recurring items, %, rolling 12 months	**6.8**	10.2	**-3.4**
Equity ratio, %	**49.8**	46.3	**3.5**
Gearing, %	**2.2**	-1.8	**4.1**
			Change, %
Investments, € million*	**51.5**	60.3	**-14.6**
Investments, % of net sales*	**2.6**	2.6	**-3.6**
Earnings per share, basic, €*	**0.12**	1.12	**-89.5**
Earnings per share, diluted, €*	**0.12**	1.11	**-89.5**
Earnings per share, basic, €**	**0.12**	1.23	**-90.4**
Earnings per share, diluted, €**	**0.12**	1.22	**-90.4**
Earnings per share excl. non-recurring items, basic, €**	**-0.03**	0.25	**(..)**
Cash flow from operating activities, € million**	**6.8**	-35.5	**(..)**
Cash flow from investing activities, € million**	**-4.4**	52.6	**(..)**
Equity per share, €	**19.16**	19.13	**0.2**
Personnel, average*	**19,628**	21,150	**-7.2**

** Continuing operations ** Whole Group*

Group financial indicators by quarter	1–3 2008	4–6 2008	7–9 2008	10–12 2008	1–3 2009
Net sales, € million	2,277	2,547	2,435	2,333	**2,018**
Change in net sales, %	6.8	6.1	3.0	-2.4	**-11.4**
Operating profit, € million	150.1	84.8	43.8	6.9	**23.2**
Operating margin, %	6.6	3.3	1.8	0.3	**1.1**
Operating profit excl. non-recurring items, € million	36.6	81.1	72.0	27.3	**3.4**
Operating profit excl. non-recurring items, %	1.6	3.2	3.0	1.2	**0.2**
Financial income/expenses, € million	-1.4	-0.2	1.8	0.8	**-5.1**
Profit before tax, € million	148.6	84.3	48.0	7.7	**18.2**
Profit before tax, %	6.5	3.3	2.0	0.3	**0.9**
Return on capital employed, %	30.1	22.2	8.2	1.4	**4.2**
Return on capital employed excl. non-recurring items, %	7.3	15.6	13.6	4.9	**0.6**
Return on equity, %	25.1	19.1	4.2	0.6	**2.4**
Return on equity excl. non-recurring items, %	5.6	12.3	10.4	4.3	**-0.6**
Equity ratio, %	46.3	49.0	50.2	52.4	**49.8**
Investments, € million*	60.3	83.0	89.9	105.2	**51.5**
Earnings per share, diluted, €*	1.11	0.58	0.17	-0.05	**0.12**
Equity per share, €	19.13	20.17	20.29	20.09	**19.16**

** Continuing operations*

Segment information

Net sales by segment, continuing operations (€ million)	1–3/2009	1–3/2008	Change, %
Food trade, Finland	886	850	4.2
Food trade, other countries*	2	4	-45.6
Food trade total	888	853	4.0
- of which intersegment trade	41	48	-14.1
Home and speciality goods trade, Finland	338	349	-3.2
Home and speciality goods trade, other countries*	8	15	-46.8
Home and speciality goods trade total	346	364	-5.0
- of which intersegment trade	2	3	-38.6
Building and home improvement trade, Finland	262	329	-20.4
Building and home improvement trade, other countries*	267	366	-27.1
Building and home improvement trade total	529	695	-23.9
- of which intersegment trade	0	1	-30.1
Car and machinery trade, Finland	258	329	-21.3
Car and machinery trade, other countries*	38	73	-48.6
Car and machinery trade total	296	402	-26.3
- of which intersegment trade	0	0	-84.9
Common operations and eliminations	-41	-37	9.7
Finland total	1,703	1,819	-6.4
Other countries total*	315	458	-31.3
Group total	2,018	2,277	-11.4

** Exports and net sales in countries other than Finland*

Operating profit by segment, continuing operations (€ million)	1–3/2009	1–3/2008	Change
Food trade	42.3	81.3	-39.1
Home and speciality goods trade	-3.3	40.1	-43.4
Building and home improvement trade	-5.2	7.3	-12.5
Car and machinery trade	-6.0	15.8	-21.8
Common operations and eliminations	-4.6	5.6	-10.2
Group's operating profit	23.2	150.1	-126.9

Segments' operating profits, excl. non-recurring items, continuing operations (€ million)	1–3/2009	1–3/2008	Change
Food trade	33.8	25.0	8.9
Home and speciality goods trade	-10.7	-6.8	-3.9
Building and home improvement trade	-9.1	7.3	-16.5
Car and machinery trade	-6.0	15.8	-21.8
Common operations and eliminations	-4.6	-4.8	0.2
Total	3.4	36.6	-33.2

Segments' operating margins excl. non-recurring items, continuing operations	1–3/2009 % of net sales	1–3/2008 % of net sales	Change, pp
Food trade	3.8	2.9	0.9
Home and speciality goods trade	-3.1	-1.9	-1.2
Building and home improvement trade	-1.7	1.1	-2.8
Car and machinery trade	-2.0	3.9	-6.0
Total	0.2	1.6	-1.4

Capital employed by segment, cumulative average (€ million)	31.3.2009	31.3.2008	Change
Food trade	646	623	22
Home and speciality goods trade	519	485	34
Building and home improvement trade	651	611	40
Car and machinery trade	285	278	7
Common operations and eliminations	81	147	-65
Group total	2,182	2,144	38

Return on capital employed by segment excl. non-recurring items, %	1–3/2009	1–3/2008	Change, pp	Rolling 12 mo 3/2009
Food trade	20.9	16.0	4.9	20.6
Home and speciality goods trade	-8.3	-5.6	-2.7	5.3
Building and home improvement trade	-5.6	4.8	-10.4	6.3
Car and machinery trade	-8.4	22.7	-31.1	3.1
Group total	0.6	7.3	-6.7	8.6

Investments by segment, continuing operations (€ million)	1–3/2009	1–3/2008	Change
Food trade	21	24	-3
Home and speciality goods trade	10	11	-1
Building and home improvement trade	20	23	-3
Car and machinery trade	2	3	-1
Group total	51	60	-9

Segment information by quarter

Net sales by segment, continuing operations (€ million)	1–3 2008	4–6 2008	7–9 2008	10–12 2008	1–3 2009
Food trade	853	939	933	982	888
Home and speciality goods trade	364	355	396	490	346
Building and home improvement trade	695	870	795	617	529
Car and machinery trade	402	426	357	295	296
Common operations and eliminations	-37	-44	-46	-51	-41
Group total	2,277	2,547	2,435	2,333	2,018

Segments' operating profits, continuing operations (€ million)	1–3 2008	4–6 2008	7–9 2008	10–12 2008	1–3 2009
Food trade	81.3	31.5	45.3	27.4	42.3
Home and speciality goods trade	40.1	3.7	9.2	10.6	-3.3
Building and home improvement trade	7.3	34.6	-16.1	-6.5	-5.2
Car and machinery trade	15.8	21.3	10.4	-17.0	-6.0
Common operations and eliminations	5.6	-6.3	-4.9	-7.6	-4.6
Group total	150.1	84.8	43.8	6.9	23.2

Segments' operating profits excl. non-recurring items, continuing operations (€ million)	1–3 2008	4–6 2008	7–9 2008	10–12 2008	1–3 2009
Food trade	25.0	31.5	34.4	31.6	33.8
Home and speciality goods trade	-6.8	3.5	6.8	27.7	-10.7
Building and home improvement trade	7.3	31.0	25.5	-7.5	-9.1
Car and machinery trade	15.8	21.3	10.4	-17.1	-6.0
Common operations	-4.8	-6.2	-5.1	-7.5	-4.6
Group total	36.6	81.1	72.0	27.3	3.4

Personnel, average by segment, continuing operations	1–3/2009	1–3/2008	Change
Food trade	3,033	3,450	-417
Home and speciality goods trade	5,574	5,675	-101
Building and home improvement trade	9,209	10,330	-1,121
Car and machinery trade	1,407	1,453	-46
Common operations	405	242	163
Group total	19,628	21,150	-1,522

Personnel at 31.3.* by segment, continuing operations	2009	2008	Change
Food trade	3,498	4,034	-536
Home and speciality goods trade	7,645	7,616	29
Building and home improvement trade	10,298	11,430	-1,132
Car and machinery trade	1,441	1,508	-67
Common operations	444	248	196
Group total	23,326	24,836	-1,510

** Total number incl. part-time employees*

Group contingent liabilities (€ million)

	31.3.2009	31.32008	Change,%
For own commitments	206	231	-11.1
For associates	-	-	-
For shareholders	0	0	0.0
For others	8	7	18.3
Lease liabilities	24	15	63.4
Liabilities arising from derivative financial instruments			
Values of underlying instruments at 31.3.	**31.3.2009**	**31.32008**	**Fair value 31.3.2009**
Interest rate derivatives			
Forward and future contracts	19	-	0.1
Interest rate swap contracts	205	203	6.2
Currency derivatives			
Forward and future contracts	439	329	-2.3
Option contracts	1		0
Currency swap contracts	100	100	-10.2
Commodity derivatives			
Electricity derivatives	39	42	-15.3
Grain derivatives	-	1	-

Calculation of financial indicators

Return on capital employed, %	=	$\dfrac{\text{Operating profit}}{\text{(Non-current assets + Inventories + Receivables + Other current assets − Non-interest-bearing liabilities) on average for the reporting period}} \times 100$
Return on capital employed, %, rolling 12 months	=	$\dfrac{\text{Operating profit for the prior 12 months}}{\text{(Non-current assets + Inventories + Receivables + Other current assets − Non-interest-bearing liabilities) on average for 12 months}} \times 100$
Return on capital employed, excluding non-recurring items, %	=	$\dfrac{\text{Operating profit excl. non-recurring items}}{\text{(Non-current assets + Inventories + Receivables + Other current assets − Non-interest-bearing liabilities) on average for the reporting period}} \times 100$
Return on capital employed, excluding non-recurring items, %, rolling 12 months	=	$\dfrac{\text{Operating profit excl. non-recurring items for the prior 12 months}}{\text{(Non-current assets + Inventories + Receivables + Other current assets − Non-interest-bearing liabilities) on average for 12 months}} \times 100$
Return on equity, %	=	$\dfrac{\text{Profit/loss before tax − income tax}}{\text{Shareholders' equity}} \times 100$
Return on equity, %, rolling 12 months		$\dfrac{\text{Profit/loss for the prior 12 months before tax − income tax for the prior 12 months}}{\text{Shareholders' equity}} \times 100$
Return on equity excluding non-recurring items, %		$\dfrac{\text{Profit/loss adjusted for non-recurring items before tax − income tax adjusted for the tax effect of non-recurring items}}{\text{Shareholders' equity}} \times 100$
Return on equity excluding non-recurring items, %, rolling 12 months	=	$\dfrac{\text{Profit/loss for the prior 12 months adjusted for non-recurring items before tax − income tax for the prior 12 months adjusted for the tax effect of non-recurring items}}{\text{Shareholders' equity}} \times 100$
Equity ratio, %	=	$\dfrac{\text{Shareholders' equity}}{\text{Statement of financial position total − advances received}} \times 100$
Earnings/share, diluted	=	$\dfrac{\text{Profit − non-controlling interests}}{\text{Average number of shares adjusted for the dilutive effect of options}}$
Earnings/share, basic	=	$\dfrac{\text{Profit − non-controlling interests}}{\text{Average number of shares}}$
Earnings/share excl. non-recurring items, basic	=	$\dfrac{\text{Profit adjusted for non-recurring items − non-controlling interests}}{\text{Average number of shares}}$
Equity/share	=	$\dfrac{\text{Equity attributable to equity holders of the parent}}{\text{Basic number of shares at reporting date}}$
Gearing, %	=	$\dfrac{\text{Interest-bearing net liabilities}}{\text{Shareholders' equity}} \times 100$

K-Group's retail and B-to-B sales in euros (incl. VAT) (preliminary data):

	1.1.–31.3.2009	
	€ million	Change, %
K-Group's food stores and B-to-B sales		
K-citymarket, grocery trade	325.7	14.0
K-supermarket	380.9	3.3
K-market	358.7	2.0
Other K-food stores and mobile stores	77.0	-7.2
K-food stores total	**1,142.4**	**4.9**
Kespro	186.5	-2.7
Food trade total	**1,328.9**	**3.7**
K-Group's home and speciality goods stores		
Anttila department stores	82.1	-2.1
Kodin Ykkönen department stores for home goods and interior decoration	34.3	-19.7
NetAnttila and Anttila Mail Order	20.4	-13.0
K-citymarket, home and speciality goods trade	146.1	4.8
Intersport and Budget Sport	73.9	11.4
Kesport	8.3	11.7
Asko	21.0	-3.6
Sotka	22.9	-14.5
Musta Pörssi and Konebox	34.5	-34.9
Andiamo and K-kenkä	9.0	-2.2
Kenkäexpertti	1.9	-22.4
Finland total	**454.5**	**-4.6**
Anttila Mail Order, other countries	3.1	-48.6
Furniture trade, other countries	4.0	-56.5
Other countries total	7.1	-53.3
Home and speciality goods trade total	**461.6**	**-6.1**

	1.1.–31.3.2009	
	€ million	Change, %
K-Group's building and home improvement stores and B-to-B sales		
K-rauta	104.5	-13.9
Rautia	87.1	-9.1
Rautakesko B-to-B Service	42.0	-35.3
K-maatalous	104.7	-9.1
Finland total	**338.3**	**-14.8**
K-rauta, Sweden	46.7	-3.5
Byggmakker, Norway	170.8	-25.0
K-rauta, Estonia	14.7	-28.9
K-rauta, Latvia	12.8	-39.8
Senukai, Lithuania	71.3	-38.8
OMA, Belarus	13.3	-12.1
Stroymaster, Russia	44.7	-5.9
Other countries total	**374.3**	**-24.7**
Building and home improvement trade total	**712.6**	**-20.3**
K-Group's car and machinery stores and B-to-B sales		
Helsingin VV-Auto and Turun VV-Auto	115.3	-8.4
Car trade, import	145.1	-25.2
Konekesko, Finland	59.2	-30.8
Finland total	**319.5**	**-21.2**
Car and machinery trade, export sales	4.4	-76.2
Konekesko, Estonia	8.0	-57.5
Konekesko, Latvia	27.5	14.6
Konekesko, Lithuania	3.8	46.6
Other countries total	**43.7**	**-36.1**
Car and machinery trade total	**363.2**	**-23.3**
Finland total	**2,441.1**	**-4.6**
Other countries total	**425.1**	**-26.8**
Retail sales and B-to-B sales total	**2,866.3**	**-8.7**