

K **ESKO FOOD** is the leading operator in the Finnish grocery trade. K-retailers, with whom Kesko Food applies the chain business model, are responsible for customer satisfaction at the more than 1,000 K-food stores. Kesko Food manages the K-food store chains, which are K-citymarket, K-supermarket, K-market and K-extra. Kesko Food's main functions include the centralised purchasing of products, selection management, logistics, and the development of chain concepts and the store network. Chain operations ensure the efficiency and competitiveness of business. Kesko Food's subsidiary Kespro is the leading wholesaler in the Finnish HoReCa business. It offers the best sourcing solutions in the sector for its customers.

€3,896m

Food trade segment's net sales

€160.1m

Food trade segment's operating profit excluding non-recurring items

2.6%

Development in 2010

€27.0m

Growth in 2010





K-food stores focus on food and service

MARKET

The Finnish grocery market totalled some €14.6 billion (incl. VAT) in 2010, representing a growth of 0.3% from 2009. Excluding the impact of VAT, the total Finnish grocery market is estimated to have grown by some 2.5% in 2010 compared with the previous year (statistics by the Finnish Grocery Trade Association and own estimate).

SATISFIED CUSTOMERS ARE A PREREQUISITE OF SUCCESS

K-food stores are visited by 900,000 customers every day. Meeting different customer needs and successful encounters with every customer are a prerequisite of K-food stores' success. Customers' requirements have become increasingly individual. Quality and gourmandise, favourable prices, ease of cooking, responsibility, special diets and healthy eating are emphasised in customers' needs and wishes.

The aim of K-food stores is to take customers' different needs and expectations increasingly into account and consequently strengthen customer relationships.

K-food stores' customer-driven competitive advantages include:

- **By far the best** fruit and vegetable department, bakery department and service counters offering fresh meat, fish and ready-to-eat meals in the area.
- **The widest selections** which, in addition to a comprehensive basic selection, include products from local producers, valued by customers of the particular store.
- **Nearly 2,000 Pirkka products** which combine high quality and permanently low prices. The Pirkka range is undergoing a continuous development. Based on increased customer demand, new Pirkka Organic and Pirkka Fairtrade products are also constantly sought for the range.
- **Exiting stores** with displays and changing new products, combined with good service. The best food expertise, a versatile supply of recipes, and cooking advice.
- **E-commerce and online communications** are being actively developed to serve customer needs and make shopping easier.

K-RETAILERS SERVE CUSTOMERS TAKING LOCAL NEEDS INTO ACCOUNT

Local K-retailers are responsible for the customer service, competence of personnel, quality, and profitability of business. Making use of customer data, the retailer builds a selection and service that meet customer needs, offering, for example, food from local producers to complement joint selections of the chain.

In order to ensure high quality, K-food stores have a quality enhancement and measuring system. Its objective is to ensure continuous development of the operations of the store and the whole chain to best serve the customers. The system includes measuring customer satisfaction and the store's condition, and assessing price control and management. The best retailing competence is maintained with the help of constant training in cooperation with K-instituutti, the K-Group's training centre.

Efficient cooperation between Kesko Food and the K-food retailer is based on the chain operations defined in the chain agreement. Chain operations ensure customer-orientation, operational efficiency, and the attainment of competitive advantages.

STRONG CHAIN CONCEPTS

Chain concepts are K-food stores' strength and chain operations are systematically promoted. Kesko Food's chain operations provide K-retailers with a strong basis for sourcing, building selections, marketing and price competition. The aim is to improve the efficiency of the whole supply chain.

K-citymarkets offer their customers the widest selections of groceries and home and speciality goods, a low-priced shopping basket and the best special offers – every day. Their special strengths include fresh bread, meat and fish, fruit and vegetables, diversified food expertise, and eye-catching displays.

There are 69 K-citymarkets in Finland in 51 towns.

K-supermarkets are better than the average food stores, the strength of which is excellent service and wide selections of food items. In addition to the retailer and other staff, customers are also served by over 160 employees with a specialist food manager qualification. These meat and fish experts provide customers with cooking tips and advice. The chain consists of 181 stores.

K-markets are reliable, service-oriented and local neighbourhood stores located near customers. In addition to good basic selections, K-markets offer customers fresh bread straight from the store oven, fresh, high-quality fruit and vegetables, and the best local services. The chain comprises 489 stores.

K-extras are neighbourhood stores which focus on personal service and provide customers with daily essentials. Many K-extra stores also offer additional services, such as the sale of agricultural and builders' supplies, fuel distribution, lottery and postal services. The chain comprises 163 stores.



There are 1,007 K-food stores in Finland. The K-food store network is the most comprehensive in Finland and 51% of Finns live less than a kilometre away from a K-food store. The neighbourhood store network of K-market and K-extra stores is the most comprehensive in Finland.

K-FOOD STORE CHAINS HAVE A STRONG COMMON CORE

K-food stores' joint basis lies on the common operating systems concerning selections management, chain marketing and displays, the selections of essential products common to all chains, and Pirkka products.

Competitive prices are also a prerequisite for good customer satisfaction. Affordable prices are based on the maximum pricing of joint selections and low-priced Pirkka products as well as the chains' campaigns and store-specific special offers. K-Plussa offers are always at least 10% less than the original price. In addition, the benefit received in the form of K-Plussa points is up to 5%.

In the chain management of K-food stores, customer information is, above all, leveraged in the building of selections, pricing management, chain marketing and planning a store network that meets customer needs.

Competitiveness is reinforced by efficient practices, chain operations and long-term cooperation models with selected partners. Considerable benefits are obtained both in Finland and internationally by combining purchasing volumes. Kesko Food is a member of the international sourcing alliance, Associated Marketing Services (AMS), whose other major members include Ahold, Dansk SG, ICA, Micros and Système U.

PIRKK – HIGH QUALITY, PERMANENTLY LOW PRICES AND RESPONSIBILITY

The Pirkka range of nearly 2,000 products plays an important role in the K-food stores' total selection. Pirkka products combine high quality and low prices. Finnish consumers find the Pirkka brand positive and Pirkka is a highly-rated brand among young people, too. In a nationwide youth survey, respondents considered Pirkka as the friendliest brand of all. Responsibility has also been highlighted in image surveys. According to the sustainability survey commissioned by Helsingin Sanomat, Finnish consumers consider Pirkka as the third most responsible brand. The success of the brand in many consumer surveys is a result of long-term work.

At the end of 2010, there were 1,966 Pirkka products. The range also includes Pirkka Organic and Pirkka Fairtrade products. There are now about 50 Pirkka Organic and nearly 40 Pirkka Fairtrade products.



Pirkka recycled plastic bag receives a recovery award

The Pirkka recycled plastic bag is a pioneer in recycling: the protective plastic wrappings used in Kesko Food's goods transport are recycled into plastic bags. The recovery award is an acknowledgement for this outstanding innovative solution related to the reuse of waste and secondary raw materials. A new way to reuse plastic instead of incineration, the large volumes and domestic production were seen as the assets of the Pirkka recycled plastic bag.

K-supermarket Torpparinmäki has LED lighting

K-supermarket Torpparinmäki that was opened in Helsinki is the first store in the world in which the general lighting is implemented with the LED lighting system designed for stores. The LED lighting of a retail store consumes over 35 percent less energy than traditional energy-efficient fluorescent tubes. K-food stores are working continuously to achieve energy savings. The K-Group has signed the trading sector energy agreement and made a commitment to save over 65 million kilowatt hours (kWh) by the end of 2016.

The quality of Pirkka products is assured by Kesko Food's own Pirkka Product Research Unit, which carefully analyses all new Pirkka products. The research unit's laboratory has the ISO 17025 accreditation, an international recognition of competence. It is the only ISO 17025 accredited laboratory in Finland responsible for the quality assurance of own-brand products in the trading sector.

All Kesko Food's own recipes have been developed and tested by the Pirkka test kitchen, which is part of the research unit. Diverse recipes are published in the Pirkka magazine, on the Pirkka.fi web site, on the K-RuokaPirkka leaflet that is available at all K-food stores, on the TV programme "What are we having today?", and on Pirkka product packaging.

KESPRO

Kesko Food's subsidiary Kespro is the leading wholesaler in the Finnish hotel, restaurant and catering (HoReCa) business and acts as a partner for its customer companies and municipalities in Finland. Kespro provides delivery and cash&carry services for its customers in Finland. In 2010, the total HoReCa market in Finland was some €2.5 billion (own estimate).

High customer satisfaction requires continuous development of operations. Kespro helps its customers succeed in their business by offering them the best sourcing solutions in the HoReCa sector.

Kespro's aim is to be the most wanted business partner in the HoReCa sector. The wide, customer-driven product selection comprises food items, alcohol, cookware, tableware and cutlery. Kespro's own Menu range is versatile, high-quality and favourably-priced.

Kespro operates throughout Finland in six sales areas, with six delivery sales units, 16 cash&carry outlets and 520 employees.

YEAR 2010

The food trade segment's net sales totalled €3,896 million in 2010, up 2.6%. The K-food stores' grocery sales increased by 4.2% (VAT 0%). K-food stores increased their market share in 2010. Sales of Pirkka products grew by 11.2% (VAT 0%).

The operating profit excluding non-recurring items amounted to €160.1 million, an increase of €27.0 million. The improvement in profitability can be attributed to the good development of retail sales and the improved efficiency of sourcing, logistics, and store site and chain operations.

During the year, a new K-citymarket in Iisalmi, seven K-supermarkets, and eight K-markets were opened. The K-supermarket in Kankaanpää was extended and turned into a K-citymarket. Other refurbishments and extensions were also completed.

OBJECTIVES AND STRATEGIC EMPHASES

Kesko Food's key objective is to increase market share in Finland. Essential issues in the strategy are increasing customer satisfaction and profitable growth.

K-food stores cater for customers' various needs and expectations. The aim is to strengthen customer relationships and that way increase the average purchase. Our objectives also include increasing the number of customer relationships. K-food stores' largest customer target group is families with children.

K-food stores offer their customers the best fruit and vegetable department, bakery department and service counters with fresh meat, fish and meals in the area. Kesko Food has started competitive advantage projects in order to strengthen the selections, service and displays of these departments. Key competitive advantages of K-food stores also include the widest selections, Pirkka products, eye-catching displays, and good service.

Affordable selections and the profitability of business are based on the continuous improvement of operational efficiency, efficient chain management, and the active development of the store network.

In the next few years, Kesko Food's key strategic focuses include the strong building and enhancement of the store network. The maintenance of the stores' quality level, the expansion of selections, new service needs and migration require constant development of the network. In the future, considerable capital expenditure will be made in new K-supermarket and K-citymarket stores in particular. Kesko Food aims to open six new K-citymarkets and 35 K-supermarkets in 2011.

Kesko Food will also vigorously enhance its electronic services and explore opportunities for food retailing online. The premise is that the retailing sector and electronic communications should serve customer needs and make shopping easier.

Opportunities for internationalisation are also being actively investigated, with the aim of expanding business to Russia.

COMPETITORS

- Kesko Food trade, Finland, market share 35% (own estimate)
- Competitors: Prisma, S-market and Alepa/Sale (S Group), Valintatalo, Siwa and Euromarket (Suomen Lähikauppa Oy) and Lidl
- HoReCa, Finland, Kespro
- Competitors: Meiranova Oy, Metro-tukku, Heinin Tukku Oy

K-Group's food trade, store numbers, and retail and B2B sales	Number		Sales, (VAT 0%) € million	
	2010	2009	2010	2009
K-citymarket, food	69	69	1,295	1,215
K-supermarket	181	170	1,488	1,398
K-market (incl. service station stores)	489	487	1,293	1,279
Others	268	304	268	292
K-food stores, retail sales			4,343	4,185
Kespro			682	673
Food trade, total	1,007	1,030	5,025	4,857

Food trade segment's key figures		2010	2009
Net sales	€ million	3,896	3,798
Operating profit	€ million	158.4	170.6
Operating profit excl. non-recurring items	€ million	160.1	133.1
Operating profit as % of net sales excl. non-recurring items	%	4.1	3.5
Capital expenditure	€ million	117.2	69.4
Return on capital employed* excl. non-recurring items	%	27.0	20.9
Personnel average		2,881	3,035

* cumulative average

Food trade segment's net sales in 2010	€ million	Change, %
K-citymarket, food	907	5.5
K-supermarket	1,061	5.7
K-market and K-extra	1,028	0.2
Kespro	688	1.7
Others	212	-8.2
Net sales, total	3,896	2.6

Food trade segment's capital employed at 31 December, € million	2010	2009
Non-current assets	603	632
Inventories	108	90
Short-term receivables	400	371
./. Non-interest-bearing debt	-557	-489
./. Provisions	-13	-8
Capital employed**	541	596

** capital employed at the end of month

Home and speciality goods trade

THE HOME AND SPECIALITY GOODS TRADE comprises Anttila and Kodin Ykkönen, K-citymarket's home and speciality goods, Intersport Finland, Indoor's Asko and Sotka, Musta Pörssi and Kenkäkesko. The total number of home and speciality goods stores is 427, which operate in 13 chains. 190 of the stores are owned by Kesko.

€1,569m

Home and speciality goods trade segment's net sales

€66.0m

Home and speciality goods trade segment's operating profit excluding non-recurring items

0.7%

Development in 2010

€36.5m

Growth in 2010

ANTTILA

K CITYMARKET

KODINYKKÖNEN 1

NETANTTILA.COM

INTERSPORT

budget sport

kesport

ASKO

SOTKA

MUSTA PÖRSSI

KONEBOX

KKENKA

ANDIAMO



Well-known and reliable store chains in many product lines

MARKET

Kesko's home and speciality goods trade operates in the clothing, home, sports, leisure, home technology, entertainment and furniture product lines. The Finnish total market of home and speciality goods is estimated to be approximately €9.2 billion (VAT 0%).

Consumer confidence in the economy has improved after the recession, but the market growth has remained very moderate. Market development in the home and speciality goods sector varies depending on the product line. In 2010, market development was positive and gradual in all product lines, which can be attributed to growing consumer confidence and Sunday openings.

In Finland, the estimated market of interior decoration items and furniture is €1.5 billion (VAT 0%), representing an increase of 3.5% from the previous year.

The Finnish market for home electronics and entertainment is estimated to total some €1.6 (VAT 0%) billion, representing an increase of about 5%.

In Finland, the estimated sports trade market totalled €760 million (VAT 0%) and increased by 5%.

The shoe trade market increased by some 4.5% from the previous year in Finland.

SIX DEVELOPING ONLINE STORES

Kesko has several online stores selling home and speciality goods and their sales are increasing. Anttila's online store NetAnttila operates in Finland, Estonia and Latvia. For many years, NetAnttila has been the best-known and most popular online department store in Finland. Anttila also has the Kodini.com online store, which specialises in interior decoration goods.

In sports trade, the Budget Sport online store operates as part of Intersport Finland.

The Konebox online store sells home technology. Konebox combines the best parts of online shopping and a traditional store.

A refurbished CM-store.fi was opened in 2010. Customers can download music to their computers and mobiles on this online store, which also sells talking books.

YEAR 2010

During 2010, cooperation intensified in Kesko's home and speciality goods trade, particularly in Anttila and K-citymarket. Since late 2010, Anttila and K-citymarket have had the same management to ensure the implementation of synergy benefits in purchasing and other operations.

The aim has been to improve the companies' competitiveness with a joint strategy and centralised retail expertise and by ensuring the availability of interesting store concepts for shoppers. Synergy benefits are sought, above all, in purchasing, in the development of the store network and through uniform and efficient business processes.

Kesko's net sales of home and speciality goods totalled €1,569 million in 2010, an increase of 0.7% from the previous year. The combined retail sales of home and speciality goods stores were €1,712 million (VAT 0%), an increase of 1.6%.

The operating profit of the home and speciality goods trade excluding non-recurring items was €66.0 million, representing an increase of €36.5 million from the previous year. The improved operating profit can, above all, be attributed to the improved profitability and purchasing efficiency.

OBJECTIVES AND STRATEGIC EMPHASES

Competition in the home and speciality goods trade is becoming more international and successful chains are based on efficient business models. The proportion of online business out of the total sales in the sector continues to increase. Kesko's online stores operate under well-known and reliable chain brands. Online business relies on a multi-channel approach, which allows customers to benefit from both the web and the traditional store. Online stores are being planned for all product lines in the home and speciality goods trade.

Cooperation between Kesko's home and speciality goods companies will be intensified further.

The home and speciality goods trade aims to be a market leader in selected product lines. This will be achieved by enhancing store concepts and selections, by increasing the cost-efficiency of operations chains and the staff's sales and service competence.



A new logistics centre

Anttila's new logistics centre was completed in Kerava in late 2010. The centre will handle deliveries to all Anttila and Kodin Ykkönen department stores and to NetAnttila customers. Annually, the logistics centre will deliver over one million orders to Anttila's online customers. Photo on page 29.

K-CITYMARKET

K-citymarket is a diversified and favourably-priced hypermarket chain, which provides wide selections of groceries and home and speciality goods. K-citymarket Oy is responsible for the home and speciality goods business in the stores, while K-retailer entrepreneurs are responsible for the food business. The figures presented here refer to the K-citymarket's home and speciality goods trade. There are 69 K-citymarkets in Finland.

K-citymarkets offer their customers up-to-date, frequently changing selections of everyday goods, easily and at low prices.

Year 2010

In 2010, the net sales of K-citymarket's home and speciality goods totalled €620 million, which represented an increase of 4.2%. K-citymarket's retail sales of home and speciality goods amounted to €603 million.

In 2010, a new K-citymarket was opened in Iisalmi and the K-supermarket in Kankaanpää was refurbished and turned into a K-citymarket. The K-citymarket in the city centre of Pori was turned into a K-supermarket.

ANTTILA

Anttila retails entertainment, fashion and home goods.

Anttila department stores offer their customers wide selections of home goods, casual clothing and entertainment at low prices. Anttila has 30 department stores and one smaller speciality store in Finland.

Kodin Ykkönen provides smart, up-to-date products and services for home decoration. There are nine Kodin Ykkönen department stores for interior decoration and home goods, complemented with the Kodinr.com online store.

For several years, NetAnttila has been the best-known and most popular online department store in Finland. It offers low-priced and wide selections, easily and reliably. NetAnttila operates in Finland, Estonia and Latvia.

Year 2010

Anttila's net sales were €505 million in 2010, a decrease of 1.6%. Retail sales of Anttila department stores totalled €295 million, a decrease of 2.9%. Retail sales of Kodin Ykkönen department stores for interior decoration and home goods totalled €132 million, down 0.5%. Retail

sales of NetAnttila amounted to €80 million, an increase of 0.9%.

In 2010, a new Kodin Ykkönen department store was opened in Lappeenranta, while the Kodin Ykkönen department store in Kaisaniemi, Helsinki, was closed due to the termination of lease.

In late 2010, Anttila's new logistics centre applying the latest, modern technology was completed in Kerava. It will be implemented gradually during the first months of 2011. The logistics centre will take care of deliveries to all Anttila and Kodin Ykkönen department stores and NetAnttila customers. The new logistics centre's floor area is 19,000 m² and cubic volume 350,000 m³. The total capital expenditure of the project is €50 million, divided approximately half and half between the building and the warehousing technology.

INTERSPORT FINLAND

Intersport Finland's retail store chains are Intersport, Budget Sport and Kesport. Intersport Finland is responsible for the marketing, sourcing and logistics services, store network and retailer resources of the chains. There are 56 Intersport stores, five Budget Sport stores and 35 Kesport stores in Finland, of which 89 are owned by retailer entrepreneurs and seven by Intersport Finland. They are complemented by the Budget Sport online store.

Intersport is part of the international sports chain. The Intersport chain is the market leader in Finnish sports retailing. Intersport provides clothing and equipment for keen enthusiasts and less active athletes, for sports and leisure purposes. Intersport's strengths include the chain's high reliability and recognition among customers, wide and diversified selections, and its expert and service-minded staff.

Budget Sport is a sports store format which is based on low prices and the cost-effective business concept. It offers products for leisure and versatile physical exercise, for sports and outdoor activities.

Kesport stores, located in smaller rural centres, are the leading sports stores in their areas and provide their customers with expert service and help.

Kesko is a partner of Intersport International Corporation.





E-commerce is expanding

In the home and speciality goods trade, the emphasis will be on the development of e-commerce and marketing. Music and talking books can be downloaded at CM-store and DigiAnttila sites, which were both refurbished in 2010. DigiAnttila also offers e-books.

Kesko's online stores in the home and speciality goods trade are:

- netanttila.com
- digianttila.com
- kodin1.com
- cmstore.fi
- konebox.fi
- budgetsport.fi

Year 2010

The net sales of Intersport Finland were €173 million in 2010, representing an increase of 5.1%. The combined retail sales of Intersport, Budget Sport and Kesport stores were €262 million, up by 4.1%.

In 2010, a new Intersport store was opened in Rauma. Two Intersport stores and two Kesport stores were closed.

INDOOR

Indoor's Asko and Sotka, well-known retail store chains selling furniture and interior decoration items, consist of 79 stores in Finland and seven stores in Estonia. In Finland, 55 of the stores are owned by Indoor, while 24 operate as a franchise.

Asko provides quality-conscious home decorators with a competitive product range combined with the most active and reliable service in the sector.

Sotka's main target group consists of customers who value low prices and easy shopping.

Year 2010

Indoor's net sales totalled €155 million in 2010, down 0.5%. The combined retail sales of the Asko and Sotka chains in Finland were €166 million, an increase of 6.3%.

In spring 2010, consumers selected Asko as the most reliable furniture store in Finland for the fourth time in succession in the 'Most Reliable Brand' survey made for the Finnish Readers' Digest.

Cooperation with the Allergy and Asthma Federation was intensified. The right to use the allergy label was granted to the Puro sofa by Asko.

In 2010, a new Asko store and a new Sotka store were opened in Raisio. They replaced the ones closed in Masku. In addition, five stores in Finland and all Asko and Sotka stores in Latvia were closed.

MUSTA PÖRSSI AND KONEBOX

The Musta Pörssi chain of speciality stores offers its customers home technology products that make housework easier, enhance communications and provide entertainment. In addition, Musta Pörssi offers a range of product-related services and customers can choose to have the home technology installed ready to use. There are 46 Musta Pörssi stores, two Konebox stores and the Konebox online store in Finland. 44 of the stores are owned by retailer entrepreneurs and four by Musta Pörssi Ltd.

On the home technology market, the Konebox online store competes with quality products, good availability and low prices. Competitive prices are based on an efficient chain of logistics and warehousing combined with the online store's self-service.

Year 2010

The net sales of Musta Pörssi were €96 million in 2010, representing a decrease of 10.6%. The combined retail sales of the Musta Pörssi and Konebox stores were €119 million and, a decrease of 6.4% from the previous year.

In 2010, a new Konebox store was opened in Vantaa, while six Musta Pörssi stores in all were closed.

KENKÄKESKO

Kenkäkesko's retail store chains are K-kenkä and Andiamo.

K-kenkä stores are shoe stores for the whole family, offering their customers a wide selection of branded footwear and expert service.

Andiamo stores cater for trendy and fashion-conscious consumers, for whom the store offers a fashionable selection of shoes that is constantly being updated.

The K-Group's shoe outlets also include the Kenkäexpertti stores which serve customers in smaller towns.

There are 82 K-Group shoe stores, of which 80 are owned by retailers and two by Kenkäkesko.

Year 2010

The net sales of Kenkäkesko were €23 million in 2010, a decrease of 6.5%. The combined retail sales of the K-Group's shoe stores amounted to €48 million, an increase of 0.3%.

Seven shoe stores were closed during the year.

MARKET SHARES AND COMPETITORS

Hypermarket and department store trade

- K-citymarket, Anttila, Kodin Ykkönen and NetAnttila
- Market share cannot be reliably calculated
- Competitors: department stores, hypermarkets, speciality store chains and online stores

Sports trade

- Intersport, Budget Sport and Kesport
- Market share 34% (own estimate)
- Competitors: Sportia, Top Sport, Stadium, department stores and hypermarkets, and other speciality sports stores

Furniture trade

- Asko and Sotka
- Market share in Finland about 19% (own estimate)
- Competitors: furniture and interior decoration stores

Home technology trade

- Musta Pörssi and Konebox
- Market share 8% (own estimate)
- Competitors: stores specialised in home technology, hypermarkets and online stores

Shoe trade

- K-kenkä, Andiamo, Kenkäexpertti
- Market share 10.2% (Association of Textile and Footwear Importers and Wholesalers, own estimate)
- Competitors: other speciality stores, department stores, hypermarkets, sports stores and online stores

K-Group's home and speciality goods trade, number of stores, and retail and B2B sales	Number		Sales, (VAT 0%) € million	
	2010	2009	2010	2009
Anttila department stores	31	31	295	303
Kodin Ykkönen department stores for interior decoration and home goods*	10	10	132	132
Distance sales (mail order and NetAnttila)	1	1	72	71
K-citymarket, home and speciality goods	69	69	603	575
Asko	31	33	80	74
Sotka	48	50	86	82
Intersport	56	57	207	200
Budget Sport*	6	6	31	26
Kesport	35	37	25	25
Musta Pörssi	46	53	105	119
Konebox*	3	3	14	8
Shoe stores	82	89	48	48
Home and speciality goods stores, Finland	418	439	1,696	1,664
Anttila, Baltic countries (NetAnttila)	2	2	8	9
Indoor, Baltic countries	7	9	7	11
Home and speciality goods stores, Baltic countries	9	11	15	20
Home and speciality goods trade, total	427	450	1,712	1,684

* incl. online sales

Home and speciality goods trade segment's key figures		2010	2009
Net sales	€ million	1,569	1,558
Operating profit	€ million	103.4	66.5
Operating profit excl. non-recurring items	€ million	66.0	29.5
Operating profit as % of net sales excl. non-recurring items	%	4.2	1.9
Capital expenditure	€ million	45.3	29.6
Return on capital employed* excl. non-recurring items	%	15.3	5.8
Personnel average		5,418	5,666

* cumulative average

Home and speciality goods trade segment's net sales in 2010	€ million	Change, %
K-citymarket, home and speciality goods	620	4.2
Anttila	505	-1.6
Intersport	173	5.1
Indoor	155	-0.5
Musta Pörssi	96	-10.6
Kenkäkesko	23	-6.5
Total	1,569	0.7

Home and speciality goods trade segment's capital employed at 31 December, € million	2010	2009
Non-current assets	315	304
Inventories	231	223
Short-term receivables	162	174
./. Non-interest-bearing debt	-291	-260
./. Provisions	-9	-8
Capital employed**	408	434

** capital employed at the end of month

Building and home improvement trade

RAUTAKESKO is an international service provider which retails building, renovation and home improvement supplies in Finland, Sweden, Norway, Estonia, Latvia, Lithuania, Russia and Belarus. Rautakesko manages and develops the K-rauta, Rautia, K-maatalous, Byggnakker, Senukai and OMA retail chains and B2B sales in its operating area. Rautakesko's main functions include the centralised development of chain selections, centralised purchasing and logistics, and the development of chain concepts and the store network. There are 331 building and home improvement stores in eight countries and 88 agricultural stores in Finland. All stores in Finland are owned by retailer entrepreneurs. There are also 96 retailer-owned stores in Norway.

€2,519m

Building and home improvement trade segment's net sales

€24.0m

Building and home improvement trade segment's operating profit excluding non-recurring items

9.0%

Development in 2010

€12.1m

Growth in 2010



RAUTAKESKO
YRITYSPALVELU



The best total solutions for building, renovation and home improvement

BUILDING AND HOME IMPROVEMENT TRADE MARKET

Working in cooperation with its customers, Rautakesko enhances living. Rautakesko aims to be a leading international retail company in the building and home improvement trade, and the market leader in its operating area. Rautakesko's building and home improvement store chains K-rauta, Rautia, Byggmakker, Senukai and OMA serve both consumer and professional customers. Consumer-customers mainly comprise home, leisure home and yard builders, renovators and interior decorators. Important professional customers include construction companies, the manufacturing industry and public institutions.

In terms of its chains' retail sales, Rautakesko is one of the six largest companies in the European building and home improvement market. The sector's largest operators in Rautakesko's market area are DT Group, Bauhaus, OBI, Leroy Merlin and Castorama. Rautakesko is a partner in tooMax-x GmbH, which is, in terms of the purchasing power, the third largest European sourcing channel for home building and interior decoration items.

The total retail market of this sector in Rautakesko's operating area amounts to some €25 billion (VAT 0%). During 2010, the market took an upward turn in Finland, Sweden and Norway, while the downward trend stopped in the Baltic countries and Russia.

Retail sales of Rautakesko's chains totalled €3,314 million (VAT 0%) in 2010, an increase of 7.2% from the previous year. Rautakesko's market share of the building and hardware trade in the whole operating area is approximately 15% (own estimate).

In Finland, the retail market in the building and home improvement sector totals some €3.4 billion (VAT 0%, Finnish Hardware Association, DIY) and increased by 11% in 2010 (Finnish Hardware Association, DIY).

The K-Group's market share in this sector is some 37% (Finnish Hardware Association, DIY, own estimate).

In Finland, Rautakesko operates the K-rauta and Rautia retail chains and Rautakesko B2B Sales which serves construction companies, the manufacturing industry and other professional customers. In addition, Rautakesko has 32 customer contract stores.

The K-rauta chain consists of 41 stores, with some 70% of sales going to consumers. The Rautia chain consists of 106 stores, 50 of which also operate as K-maatalous stores, engaged in the agricultural trade. The emphasis in the sales structure of Rautia is more on basic building products. All Finnish chain stores are run by retailer entrepreneurs.

The combined retail sales of the K-rauta and Rautia chains, Rautakesko B2B Sales and K-customer contract stores in Finland were €1,259 million (VAT 0%), an increase of 7.8% from the previous year. The principal competitors in Finland are Starkki (DT Group), Kodin Terra, S-rauta, Agrimarket and Bauhaus.

In Sweden, the building and home improvement market totals some €3.1 billion (VAT 0%, own estimate). In 2010, the market grew by about 2% (own estimate).

At the end of 2010, Rautakesko had 20 K-rauta stores of its own in Sweden. Retail sales of K-rauta stores in Sweden totalled €209 million (VAT 0%), a growth of 11.2% from the previous year. Rautakesko's market share is about 7% (own estimate).

Private customers account for around 85% of K-rauta clientele. The principal competitors are Bauhaus, Byggmax, Beijer Bygg (DT Group) and local speciality stores.

In Norway, the building and home improvement market totals some €4.9 billion (VAT 0%, own estimate), up 4.5% in 2010 (own estimate).

Byggmakker Norge AS, which is owned by Rautakesko, manages the Byggmakker chain of building and home improvement stores.





Energy efficiency project

The energy efficiency project is a continuation to the Peloton project, lead by Demos Helsinki and financed by Sitra, the Finnish Innovation Fund, which sought ways to support people in their everyday energy choices. The aim of Rautakesko's energy efficiency project is to create a concept of the services available at K-rauta and Rautia stores for improving energy efficiency in housing so that each customer can easily find the solutions suitable just for them.

The chain consists of 112 stores, 16 of which are owned by Byggmakker. Other stores in the chain are owned by retailer entrepreneurs who have chain contracts with Byggmakker. Retail sales of the chain's stores totalled €864 million (VAT 0%) in 2010, an increase of 13.0%. Rautakesko's market share in Norway is about 18% (own estimate). More than half of all sales are to professional customers. Rautakesko's principal competitors are Monter/Optimera (Saint Gobain), Maxbo, Coop and Bauhaus.

In Estonia, the building and home improvement market totals some €0.3 billion (VAT 0%, own estimate) and in 2010 the market decreased by 12% (own estimate). Rautakesko has nine building and home improvement stores in Estonia. Their retail sales totalled €52 million (VAT 0%) in 2010, a decrease of 17.5% from the previous year. Professional customers account for some 60% of all sales. Rautakesko's market share in Estonia is about 18% (own estimate). Rautakesko's main competitors are Ehitus ABC (Saint Gobain), Bauhof and Espak, and Bauhaus in Tallinn.

In Latvia, the building and home improvement market totals approximately €0.3 billion (VAT 0%, own estimate), a decrease of 5% in 2010 (own estimate). Rautakesko has nine K-rauta stores of its own in Latvia. Retail sales of K-rauta stores totalled €47 million (VAT 0%) in 2010, a decrease of 3.9%. It is estimated that Rautakesko's market share in Latvia is 16% (own estimate). Rautakesko's principal competitors are Depo DIY and Kursi.

In Lithuania, the building and home improvement market totals some €0.3 billion (VAT 0%, own estimate) and it decreased by 15% in 2010 (own estimate). In Lithuania, Rautakesko has the majority shareholding in UAB Senuku Prekybos centras, which is the market leader in the Lithuanian building and home improvement sector with a share of about 25%. The Senukai chain, which sells

to both consumers and business customers, comprises 17 stores of its own, a logistics centre and 58 partner stores. Senukai's retail sales totalled €228 million (VAT 0%) in 2010, a decrease of 12.4% from the previous year. Its competitors include local building supplies outlets and speciality stores.

In Russia, the total market for building, home improvement, interior decoration and home goods trade is some €12 billion (VAT 0%, own estimate). In 2010, the market was at the same level as in the previous year (own estimate). There are 12 K-rauta stores in Russia and their retail sales totalled €204 million (VAT 0%) in 2010, an increase of 20.5% from the previous year. Rautakesko's market share in its operating area in northwestern and central Russia is about 5% (own estimate). Rautakesko's principal competitors are Leroy Merlin, OBI, Castorama, Maxidom and Metrika.

In Belarus, the building and home improvement market totals some €1.0 billion (VAT 0%, own estimate). In Belarus, Senukai controls OOO OMA, which has five stores and distribution outlets for professional customers. Their retail sales amounted to €72 million (VAT 0%) in 2010, representing an increase of 37.9%. OMA's market share is some 7% of the total market (own estimate).

AGRICULTURAL TRADE MARKET

The K-maatalous chain in Finland consists of 88 K-maatalous agricultural stores, 51 which are combined Rautia-K-maatalous or K-rauta-K-maatalous stores. Major customer groups are agricultural entrepreneurs and contractors.

As part of the reorganisation of Kesko's division, the agricultural trade was transferred to Rautakesko in 2009. In 2010, the net sales of the agricultural supplies trade increased by 3.2%.



STRONG CHAIN CONCEPTS

Rautakesko's operations are based on customer-oriented chain concepts, efficient sourcing, and the best practices, which are duplicated internationally. Rautakesko's international business model combines the category management, purchasing, logistics, information system control and network improvements of the company's chains which operate in different countries. The total synergy benefits achieved enable the company to offer products and services to customers at competitive prices.

K-rauta is Rautakesko's international concept. K-rauta operates in Finland, Sweden, Estonia, Latvia and Russia. The K-rauta concept focuses on wide selections, total solutions that make customers' lives easier and a reliable price-quality ratio. The concept combines the total services and solutions, selections and business models for consumers, builders and professional customers.

The Rautia chain has the widest building and home improvement store network in Finland. Its selections are targeted at builders, renovators and building professionals in particular. Key competitive advantages include comprehensive customer service, knowledge of the local market and the cooperation network. Many Rautia stores also complement their range with agricultural supplies.

The K-maatalous chain's strengths include the K-maatalous retailers, who know the local customers and circumstances, and the wide product range combined with the comprehensive services and network. Active contacts and sales and the utilisation of data and information technology provide the basis for close cooperation between agricultural entrepreneurs and K-maatalous.

Byggmakker is the largest building and home improvement store chain in Norway. Special strengths include sales of building supplies and knowledge of professional customers. The Norwegian concept has undergone a reform with the introduction of Byggmakker stores providing full service.

The Senukai chain is the market leader in Lithuania. The Mega Store concept offers customers just about every product related to building and living at the stores of over 20,000 m². In June 2010, Senukai's subsidiary OMA opened its full-service store in Minsk, the first of its kind in Belarus.

Rautakesko B2B Sales operates in Finland. Its customers include nationwide construction companies, the manufacturing industry and other professional customers. Rautakesko B2B Sales' strengths include close cooperation with the network of Finnish K-rauta and Rautia stores through which a significant part of the deliveries are made.

YEAR 2010

In 2010, the building and home improvement market took an upward turn in Finland, Sweden and Norway. In the Baltic countries and Russia, the decline in the market stopped.

Rautakesko's net sales totalled €2,519 million, representing an increase of 9.0%. Net sales in Finland amounted to €1,163 million, up 10.2%. The building and home improvement trade amounted for €842 million, while the agricultural supplies trade was €321 million. The net sales of subsidiaries in other countries totalled €1,357 million, up 8.0%. The subsidiaries outside Finland accounted for 53.9% of Rautakesko's net sales.

In the building and home improvement trade, operating profit excluding non-recurring items was €24.0 million, up €12.1 million. Rautakesko's capital expenditure totalled €78.2 million, with capital expenditure outside Finland accounting for 54.4%.

In 2010, one K-rauta store was opened in Jyväskylä, Finland; one in Stockholm, Sweden; and two stores in nearby areas of Moscow, Russia. In Belarus, OMA opened its first full-service building and home improvement store in Minsk. The network was also strengthened by opening a Rautia-K-maatalous store in Salo and by expanding K-rauta stores in Lappeenranta, Pori and Haabersti, Estonia.

In 2010, Rautakesko continued to increasingly leverage synergies across all its operating countries, particularly in product sourcing.

Major focal areas in centralised product line management included category management, sourcing and logistics, and stock management. Rautakesko's organisation was revised to support international business models and processes, with the emphasis on retail management. Product line departments are responsible for the centralised formation of joint selections in all countries. The construction of the logistics network covering the whole operating area continued with Itella, a Finnish logistics company. Rautakesko and Itella signed a new transport agreement on warehouse distribution in Finland.

The K-rauta chain's new design and service area business model was expanded. The centralised display area makes shopping easier for customers. In the Rautia chain, special emphasis was placed on the new 'home yard' concept and the sales of houses. In Finland, the online services of K-rauta and Rautia were revised.

'Master Training' in the SMS project (Sales Management System) was organised for retail store employees in Estonia, Latvia, Norway, Sweden and Russia.

Rautakesko participated in the 'Peloton' project organised by Demos Helsinki and Sitra, the Finnish Innovation Fund, the aim of which is to make it easy for Finns to save energy.



Chains' new web pages

The web services of K-rauta and Rautia were revised in 2010. The strong development of online customer services will continue in 2011. The chains' new web services will also be launched outside Finland. Their development is based on changing customer group needs.



Cultivation programmes provide solutions for plant cultivation

Cultivation programmes serve as practical tools for farmers: the basic idea is to offer suitable cultivation instructions for each plant species. The programme includes information on seed selection, fertilisation, plant protection and liming. Decisions are made based on the harvest potential of the particular field and the aim is to increase profitability of cultivation.

OBJECTIVES AND STRATEGIC FOCUSES

Rautakesko's aims for 2011 include sales growth exceeding the market rate and achieving the best customer satisfaction in the sector. As housing construction increases, the building and home improvement market is expected to strengthen in the Nordic countries as well as to experience an upward turn in other operating countries. Demand in the building repair and interior decoration business is expected to remain at a good level, and sales of yard and gardening items will continue to increase. Customers' lack of time, their changing age structure and individual needs are anticipated to further increase the demand for services, such as design, transportation and installation.

Energy efficiency, environmental values and responsibility will gain more importance in customers' purchasing behaviour and consumption habits. More emphasis is placed on real estate's energy consumption and energy-efficient construction. Stores' duties include offering responsible options for their customers. Rautakesko aims to be the best expert and seller of energy efficiency services. K-rauta and Rautia stores provide a wide variety of services that improve the energy efficiency of housing.

The use of the internet to seek information will continue to increase. In the future, social media will have an increasing impact on customers' choices. The use of digital tools, the multi-channel approach and a better understanding of customer needs will be highlighted in business operations, complementing category management and traditional retailing. In 2011, strong development of electronic customer service will continue and the chains' new web services will also be launched in other countries.

Easy and fast shopping and active sales will be emphasised in stores. Related products will be presented in a centralised display area close to desks providing service and design assistance. More comprehensive product information and signage facilitate self-service.

In the agricultural trade, the aim is to develop a customer-driven K-maatalous concept and improve market position. This can be achieved by active sales and offering the best total selection of products and services.

Rautakesko's RAKSA, the new SAP-based enterprise resource planning system, will harmonise the business models which support the chain stores' and Rautakesko's business operations and the retail stores' information systems in all the countries. In 2011, RAKSA will proceed from other operating countries to Finland.

International category management and sourcing will be intensified with the help of more efficient retail management.

The store network will be strengthened. The following new stores are under construction: a Rautia-K-maatalous store in Turku; K-rauta stores in Kuopio and Kouvola, Finland; K-rauta stores in Uppsala and Haparanda, Sweden; a K-rauta in St. Petersburg and two K-rauta stores in Moscow, Russia.

MARKET SHARES AND PRINCIPAL COMPETITORS

Building and home improvement trade

- Finland, market share 37% (Finnish Hardware Association, DIY, own estimate)
- Competitors: Starkki, Kodin Terra, S-rauta, Agrimarket, Bauhaus
- Sweden, market share 7% (HUI, own estimate)
- Competitors: Bauhaus, Byggmax, DT Group and local speciality stores
- Norway, market share 18% (TBF)
- Competitors: Monter/Optimera (Saint Gobain), Maxbo and Coop
- Estonia, market share 18% (own estimate)
- Competitors: Ehitus ABC (Saint Gobain), Bauhof and Espak
- Latvia, market share 16% (own estimate)
- Competitors: Depo DIY and Kursi
- Lithuania, market share 25% (own estimate)
- Competitors: local building supplies and speciality stores
- Northwestern and central Russia, market share 5% (own estimate)
- Competitors: Leroy Merlin, OBI, Castorama, Maxidom and Metrika
- Belarus, market share 7% (own estimate)

Agricultural supplies trade

- Finland, K-maatalous chain
- Principal competitor: Agrimarket chain

K-Group's building and home improvement trade, number of stores, and retail and B2B sales	Number		Sales, (VAT 0%) € million	
	2010	2009	2010	2009
K-rauta*	41	42	546	506
Rautia*	106	107	463	443
Rautakesko B2B Sales			199	162
K-maatalous*	88	90	378	375
K-customer contract stores	32	33	52	56
Finland, total	267	272	1,637	1,543
K-rauta, Sweden	20	20	209	188
Byggmakker, Norway	112	113	864	764
Other Nordic countries, total	132	133	1,073	953
K-rauta, Estonia	9	9	52	63
K-rauta, Latvia	9	9	47	49
Senukai, Lithuania	17	17	228	260
Baltic countries, total	35	35	328	373
K-rauta, Russia	12	10	204	170
OMA, Belarus	5	4	72	52
Russia and Belarus, total	17	14	277	222
Building and home improvement trade, outside Finland total	184	182	1,677	1,547
Building and home improvement trade, total	451	454	3,314	3,090

* In 2010, one K-rauta store and 50 Rautia stores also operated as K-maatalous stores

* In 2009, two K-rauta stores and 50 Rautia stores also operated as K-maatalous stores

Building and home improvement trade segment's key figures	2010	2009	
Net sales	€ million	2,519	2,312
Operating profit	€ million	23.9	19.6
Operating profit excl. non-recurring items	€ million	24.0	11.9
Operating profit as % of net sales excl. non-recurring items	%	1.0	0.5
Capital expenditure	€ million	78.2	84.7
Return on capital employed* excl. non-recurring items	%	3.8	1.8
Personnel average		8,379	8,804

* cumulative average

Building and home improvement trade segment's net sales in 2010

	€ million	Change, %
Building and home improvement trade, Finland	1,163	10.2
K-rauta, Sweden	208	11.1
Byggmakker, Norway	547	14.7
Rautakesko, Estonia	52	-17.6
Rautakesko, Latvia	47	-1.1
Senukai, Lithuania	227	-12.8
Rautakesko, Russia	204	20.5
OMA, Belarus	74	38.5
Total	2,519	9.0

Building and home improvement trade segment's capital employed at 31 December, € million

	2010	2009
Non-current assets	512	494
Inventories	254	196
Short-term receivables	246	222
./. Non-interest-bearing debt	-365	-284
./. Provisions	-2	-4
Capital employed**	645	624

** capital employed at the end of month

Car and machinery trade

THE CAR AND MACHINERY TRADE segment consists of VV-Auto and Konekesko with their subsidiaries. VV-Auto imports and markets Volkswagen, Audi and Seat passenger cars, and Volkswagen commercial vehicles in Finland, and it also imports and markets Seat passenger cars in Estonia and Latvia. VV-Auto is also engaged in car retailing and provides after-sales services at its own outlets in the Greater Helsinki area and Turku. Konekesko is a service company specialising in the import, marketing and after-sales services of recreational machinery, construction and materials handling machinery, agricultural machinery, and buses and trucks. Konekesko operates in Finland, Estonia, Latvia, Lithuania and Russia. Konekesko arranges the manufacture of and sells Yamarin boats in Finland and exports them to several European countries and Russia.

€955m

Car and machinery trade segment's net sales

€33.1m

Car and machinery trade segment's operating profit excluding non-recurring items

0.8%

Development in 2010

€32.7m

Growth in 2010





Leading brands and comprehensive services



Volkswagen Golf was again the best-selling car range in Finland in 2010.

CAR TRADE MARKET

In 2010, 111,968 passenger cars and 11,045 vans were registered in Finland.

The passenger car market grew by 23.6% from the previous year, while the van market increased by 27.3%. Volkswagen ranked second in the registration statistics of both passenger cars and vans. Audi continued as the number one premium brand. Seat's market share increased clearly over the previous year.

MACHINERY TRADE MARKET

The market for recreational machinery totalled some €300 million in Finland. In spite of the improvement in the general economic situation, the export market for boats declined.

The market for construction machinery remained at a low level, totalling some €300 million in Finland, the Baltic countries and St. Petersburg.

The combined market for agricultural machinery in Finland and the Baltic countries was some €500 million and the outlook improved towards the end of the year as the price of grain increased.

The market for trucks (weight class of over 6 tons) was approximately €500 million.

Konekesko disposed of its grain and agricultural inputs trade in the Baltics in 2010 and concentrates on the machinery trade, in line with its strategy.

YEAR 2010

In 2010, the net sales of the trade segment were €955 million (€947 million), an increase of 0.8%. Comparable net sales increased by 15.1%. The impact of the car tax change (starting from 1 April 2009) and the disposal of the grain and agricultural inputs trade in the Baltic countries have been eliminated from comparable net sales. The operating profit excluding non-recurring items was €33.1 million, €32.7 million more than in the previous year.

VV-Auto's net sales were €668 million (€598 million), an increase of 11.7% from the previous year. During the first part of the year, the net sales performance was negatively affected by the car tax change, effective since 1 April 2009, as a result of which the car tax is no longer included in the net sales. VV-Auto's comparable net sales increased by 19.1%.

In terms of vehicle numbers, VV-Auto's own outlets in the Greater Helsinki area and Turku accounted for more than one third of the total sales of new Volkswagen, Audi and Seat vehicles.

Audi Center Airport, the first Audi building in Finland complying with the new concept, was opened in Aviapolis, Vantaa. In addition to the Audi outlet, the building also houses the Audi service workshop and maintenance premises, a used car outlet and new premises for Volkswagen, Audi and Seat imports. The renovated Volkswagen Center Airport was opened earlier in the spring. The planning of the expansion and renovation of the new Volkswagen Center in Espoo and Volkswagen Center in Turku started in 2010.

Owners of Volkswagen passenger cars are served by a network of 40 dealer shops and 60 service workshops, while there are 41 dealer shops and 59 service workshops for Volkswagen commercial vehicles. The corresponding figures for Audis are 21 and 25. Seats are sold by 22 dealers and maintained and repaired by 40 workshops in Finland and four in the Baltic countries.

The Volkswagen range continued to expand. Launches included the revised Touareg, Touaran and Phaeton, and a completely new Sharan MPV. New Passat and Passat Variant were introduced in late 2010. Volkswagen Commercial Vehicles launched a revised Caddy range. The Audi range was complemented with new Audi A1 and A7 Sportback models. The most important new Seat arrival for the year was Ibiza ST.

Konekesko's net sales were €287 million, down by 17.9% from the previous year. The decrease can be attributed to the disposal of the grain and agricultural inputs trade in the Baltics. Konekesko's comparable net sales increased by 6.2%.





New motorcycles to Zambia by Yamaha's 'Ride for Life' event

In May 2010, Yamaha organised a Ride for Life event in cooperation with Riders for Health. The route started from Paris and culminated in Marrakech, where five new Yamaha Super Ténéré bikes were delivered to the 'Riders for Health' charity enterprise in Zambia. The Yamaha Super Ténérés will be used for transporting blood samples and for other longer trips to health clinics.

In Finland, Konekesko's range of Yamaha products includes motorcycles, mopeds, ATVs, snowmobiles, outboards and PWCs, which are sold to consumers by the network of 130 Yamaha dealers. Konekesko's own boat brands are Finnish Yamarin and Suvi, in addition to which Konekesko launched the new aluminium-frame Yamarin Cross range in October 2010. Yamaha outboard motors have been the market leader since 1977 and they accounted for 44.7% of all outboards registered in 2010. Konekesko (Yamarin, Suvi, Linder, Zodiac) accounted for 17.2% of all registrations of new boats in 2010. In 2009, Yamaha also became the market leader in two wheelers; in 2010 the brand's market share in motorcycles was 17.5% and in mopeds 8.5%.

Construction, materials handling and environmental machinery is marketed in Finland, the Baltic countries and Russia (St. Petersburg), through Konekesko's own dealer network. Konekesko expanded the Still forklift business to the Baltics and Russia, and started the representation of German Sennebogen materials handling machinery in Finland and the Baltics. Other best-known product brands represented by Konekesko are New Holland, Case, Kubota, Manitou and Grove.

Konekesko sells tractors, combines and their spare parts in Finland and the Baltic countries. Konekesko also sells agricultural implements in the Baltics. The best-known brands represented by Konekesko include Massey Ferguson and Claas.

In Finland, Konekesko sells MAN trucks, and MAN and Neoplan buses through its own dealer network. The market share of MAN trucks remained at the level of the previous in Finland.

OBJECTIVES AND STRATEGIC EMPHASES

VV-Auto and Konekesko represent the leading brands in their market area and are responsible for the sales and after-sales services of these brands either through their own or dealer network. The dealer network is complemented by a network of contract service centres.

Strengths in the car and machinery trade include well-known brands and a wide product range, high-quality products and services, strong regional dealers, efficient logistics, expert staff and an own chain of retail outlets in the car trade.

In 2011, the passenger car market is expected to increase by about 10%, mainly due to the need to replace existing vehicles, while the van market is expected to grow by some 25%. The machinery trade market is expected to grow slightly in the whole operating area of Konekesko.

The trade segment's objectives for 2011 include increasing the market share of the brands it represents, further developing the dealer and maintenance network, and improving customer satisfaction and profitability. The focuses will be strengthening the selection of products and services and increasing electronic customer communications.



CAR TRADE MARKET SHARES IN FINLAND

VV-Auto

- Volkswagen passenger cars 13%
- Audi passenger cars 4.6%
- Seat passenger cars 1.3%
- Volkswagen vans 22.3%
(Transport Safety Agency TraFi,
Vehicular and Driver Data Register)

K-Group's car and machinery trade, number of stores, and retail and B2B sales

	Number		Sales, (VAT 0%) € million	
	2010	2009	2010	2009
VV-Auto, retail outlets	9	9	334	307
VV-Auto, imports	1	1	354	307
Konekesko, Finland	2	2	193	191
Finland, total	12	12	881	805
Konekesko, Estonia			29	33
Konekesko, Latvia			40	92
Konekesko, Lithuania			28	29
Konekesko, Baltic countries, total			97	154
Car and machinery trade, total	12	12	978	959

Car and machinery trade segment's key figures

		2010	2009
Net sales	€ million	955	947
Operating profit	€ million	33.9	-5.1
Operating profit excl. non-recurring items	€ million	33.1	0.3
Operating profit as % of net sales excl. non-recurring items	%	3.5	0.0
Capital expenditure	€ million	17.8	13.4
Return on capital employed* excl. non-recurring items	%	19.6	0.1
Personnel average		1,138	1,291

* cumulative average

Car and machinery trade segment's net sales in 2010

	€ million	Change, %
VV-Auto Group	668	11.7
Konekesko, Finland	193	1.2
Konekesko, Baltic countries	96	-41.0
Total	955	0.8

Car and machinery trade segment's capital employed at 31 December, € million

	2010	2009
Non-current assets	85	96
Inventories	165	157
Short-term receivables	58	67
./. Non-interest-bearing debt	-130	-83
./. Provisions	-14	-15
Capital employed**	164	222

** capital employed at the end of month