Q4/2014

Kesko Corporation

Financial Statements Release

January-December 2014

KESKO

KESKO'S FINANCIAL STATEMENTS RELEASE FOR THE PERIOD 1 JAN. 2014 TO 31 DEC. 2014

Profitability and balance sheet remained strong, profit was adversely affected by non-recurring items

Financial performance in brief:

- *The Group's net sales for January-December €9,071 million, change -2.6%.*
- *Operating profit excluding non-recurring items €232.6 million (€238.8 million).*
- *Earnings per share excluding non-recurring items €1.65 (€1.68).*
- *Equity ratio 54.5% (54.5%).*
- *The Board's proposal for dividend is €1.50 per share.*
- *Kesko Group's net sales for 2015 are expected to equal the level of 2014. Operating profit excluding non-recurring items for 2015 is expected to equal or fall slightly short of the level of 2014.*

KEY PERFORMANCE INDICATORS

	1-12/2014	1-12/2013	10-12/2014	10-12/2013
Net sales, € million	9,071	9,315	2,267	2,362
Operating profit excl. non- recurring items, € million	232.6	238.8	61.9	66.8
Operating profit, € million	151.4	248.4	31.7	68.0
Profit before tax, € million	145.0	242.3	26.4	67.9
Capital expenditure, € million	194.0	171.5	43.2	46.6
Earnings per share, diluted, €	0.97	1.75	0.17	0.60
Earnings per share excl. non-recurring items, basic, €	1.65	1.68	0.42	0.59

	31.10.2014	31.10.2013
Equity ratio, %	54.5	54.5
Equity per share, €	22.05	22.96

PRESIDENT AND CEO MIKKO HELANDER:

"As a whole, Kesko's financial performance in 2014 was good despite the difficult market situation. In the food trade and the car trade, profit remained at a good level and the building and home improvement trade more than doubled its operating profit. In the home and speciality goods trade, profitability was negatively impacted by Anttila's significant losses.

Kesko's financial position remained very strong. Liquid assets totalled around €600 million at the end of the year and the balance sheet was net debt-free, which provides an excellent basis for Kesko's development. The Board's dividend proposal to the General Meeting is €1.50 per share.

Consumer demand is expected to remain weak in Finland also in the current year. The declined purchasing power is reflected in consumers' choices and price competition is tough in all product lines. In the Baltic countries and the other Nordic countries, demand is expected to develop positively. In Russia, the economic situation and purchasing power will weaken. Kesko Group's net sales for 2015 are expected to equal the level of 2014. Operating profit excluding non-recurring items for 2015 is expected to equal or fall slightly short of the level of 2014.

We will respond to the increasing competition in the grocery trade by taking new measures which will improve our competitiveness. New actions with which to put an end to Anttila's prolonged loss-making are planned. Preparatory work for the real estate arrangement continues and the arrangement is expected to be implemented during the first part of 2015, provided that the terms and conditions are acceptable to Kesko.

Kesko's strategy work is underway and Kesko will be a more focused and unified operator in the future. The weak trend in purchasing power in Finland requires Kesko to be more cost effective. Digital trade and services are a significant opportunity for Kesko to improve the existing business functions and create new services. The appointment of Anni Ronkainen as a member of Kesko's Group Management Board and Chief Digital Officer contribute to this development."

FINANCIAL PERFORMANCE

NET SALES AND PROFIT FOR JANUARY-DECEMBER 2014

The Group's net sales for January-December 2014 were €9,071 million, which is 2.6% down on the corresponding period of the previous year (€9,315 million). The general economic situation and consumer demand remained weak during the reporting period especially in Finland. In the food trade, net sales decreased by 1.6%, in the home and speciality goods trade by 9.6% and in the machinery trade by 12.6%. In the building and home improvement trade, net sales in euros were at the previous year's level, net sales in local currencies increased by 3.6%. In the car trade, net sales increased by 1.5%. The Group's net sales in Finland decreased by 3.4% and in the other countries, net sales increased by 0.9% and by 8.2% in local currencies. The weakening of the Russian rouble impacted net sales performance in euros especially in the building and home improvement trade. International operations accounted for 18.4% (17.8%) of net sales.

1-12/2014	Net sales, € million	Change, %	Operating profit excl. non-recurring items, € million	Change, € million
Food trade	4,316	-1.6	202.4	-0.8
Home and speciality goods trade	1,316	-9.6	-37.4	-29.0
Building and home improvement trade	2,598	-0.4	57.7	+32.0
Car and machinery trade	1,011	-2.5	29.6	-4.3
Common operations and eliminations	-171	-0.8	-19.7	-4.0
Total	**9,071**	**-2.6**	**232.6**	**-6.2**

The operating profit excluding non-recurring items for January-December was €232.6 million (€238.8 million). Despite the decline in net sales, profitability remained at a good level due to significant cost savings. The profitability of the building and home improvement trade improved markedly and remained at a good level in the food trade and in the car and machinery trade. Profit was negatively impacted by the sales decrease of the home and speciality goods trade and especially by Anttila's loss-making business. Operating expenses excluding non-recurring items decreased by €25.5 million (1.4%).

Operating profit was €151.4 million (€248.4 million). The operating profit includes €-81.3 million (€9.6 million) of non-recurring items. The non-recurring items include a restructuring provision recognised for the reduction of the Anttila department store network and an impairment charge on fixed assets related to the integration of K-citymarket non-food with Anttila, a total of €46.8 million. In addition, the non-recurring items include a restructuring provision of €5.2 million related to changes in the retail business of Byggmakker in Norway, €4.2 million of personnel reduction costs related to the change in Kesko's divisional structure and a €21.0 million impairment charge on property, related to the renovation of Kesko's main office building. The non-recurring items for the comparative period included €9.4 million of gains on the disposal of properties.

The Group's profit before tax for January-December was €145.0 million (€242.3 million).

The Group's earnings per share were €0.97 (€1.75). The Group's equity per share was €22.05 (€22.96).

In January-December, the K-Group's (i.e. Kesko's and the chain stores') retail and B2B sales (VAT 0%) were €11,305 million, down 2.4% compared to the previous year. The K-Plussa customer loyalty programme gained 68,568 new households in 2014. At the end of December, there was 2.3 million K-Plussa households and 3.6 million K-Plussa cardholders.

NET SALES AND PROFIT FOR OCTOBER-DECEMBER 2014

The Group's net sales for October-December 2014 were €2,267 million, which is 4.0% down on the corresponding period of the previous year (€2,362 million). The decrease in net sales is mainly attributable to the decline in the net sales of the home and speciality goods trade and the machinery trade. In Finland, net sales were down 4.7% and 0.3% in the other countries. The net sales of the food trade decreased by 2.5%. The net sales performance of the building and home improvement trade in euros (-1.9%) was impacted by the weakening of the exchange rate of the Russian rouble. In local currencies, the net sales of the building and home improvement trade were up 3.3%. International operations accounted for 17.1% (16.5%) of the Group's net sales.

10-12/2014	Net sales, € million	Change, %	Operating profit excl. non-recurring items, € million	Change, € million
Food trade	1,119	-2.5	46.7	-1.6
Home and speciality goods trade	393	-10.4	11.0	-10.6
Building and home improvement trade	585	-1.9	11.9	+12.9
Car and machinery trade	216	-4.7	1.8	-1.5
Common operations and eliminations	-45	-2.1	-9.5	-4.2
Total	**2,267**	**-4.0**	**61.9**	**-4.9**

The operating profit excluding non-recurring items for October-December was €61.9 million (€66.8 million) representing 2.7% (2.8%) of net sales. Profitability was improved by the good profit performance of the foreign operations of the building and home improvement trade. As a result of the decline in sales, profitability weakened in the home and speciality goods trade, especially in Anttila. Due to enhancement measures, operating expenses excluding non-recurring items decreased by 1.9%

Operating profit was €31.7 million (€68.0 million). The operating profit includes €-30.2 million (€1.2 million) of non-recurring items. The item includes €4.2 million of personnel reduction costs related to the change in Kesko's divisional structure and a €21.0 million impairment charge on property, related to the renovation of Kesko's main office building. The Group's profit before tax for October-December was €26.4 million (€67.9 million).

The Group's earnings per share were €0.17 (€0.60).

In October-December, the K-Group's (i.e. Kesko's and the chain stores') retail and B2B sales (VAT 0%) were €2,832 million, down 3.8% compared to the previous year.

FINANCE

In January-December, the cash flow from operating activities was €304.4 million (€413.8 million). The cash flow from investing activities was €-182.1 million (€-152.0 million) including €11.2 million (€21.8 million) of proceeds from the sale of fixed assets.

The Group's liquidity remained at an excellent level in January-December. At the end of the period, liquid assets totalled €598 million (€681 million). Interest-bearing liabilities were €499 million (€554 million) and interest-bearing net liabilities were €-99 million (€-126 million) at the end of December. Equity ratio was 54.5% (54.5%) at the end of the period.

In January-December, the Group's net finance costs were €6.1 million (€5.8 million). They include interest income on cooperative capital from Suomen Luotto-osuuskunta in the amount of €4.9 million (€5.7 million).

In October-December, the cash flow from operating activities was €137.0 million (€114.5 million). The cash flow from investing activities was €-38.5 million (€-38.7 million) including €3.3 million (€5.1 million) of proceeds from the sale of fixed assets.

In October-December, the Group's net finance costs were €5.0 million (€0.4 million).

TAXES

In January-December, the Group's taxes were €36.6 million (€57.7 million). The effective tax rate was 25.2% (23.8%). The tax rate of the comparative period was affected by the reduction of the corporate tax rate to 20%, effective from 1 January 2014 in Finland, which is why deferred taxes of €14 million were recognised as income in the consolidated income statement. The impact of the tax rate change on the tax rate of January-December 2013 was 5.6 percentage points.

In October-December, the Group's taxes were €5.4 million (€5.3 million). The effective tax rate was 20.3% (7.9%).

CAPITAL EXPENDITURE

In January-December, the Group's capital expenditure totalled €194.0 million (€171.5 million), or 2.1% (1.8%) of net sales. Capital expenditure in store sites was €142.7 million (€125.5 million), in IT €34.4 million (€22.9 million) and other capital expenditure was €17.0 million (€23.2 million). Capital expenditure in foreign operations represented 40.5% (41.3%) of total capital expenditure.

In October-December, the Group's capital expenditure totalled €43.2 million (€46.6 million), or 1.9% (2.0%) of net sales. Capital expenditure in store sites was €29.2 million (€33.0 million), in IT €10.2 million (€6.8 million) and other capital expenditure was €3.9 million (€6.8 million). Capital expenditure in foreign operations represented 34.0% (37.8%) of total capital expenditure.

KESKO'S STRATEGY WORK PROGRESSES

Kesko's strategy work has been started and the strategy will be ready during spring 2015. In the future, Kesko will be a more focused and unified operator. Special focus areas in the strategy work are to strengthen sales and competitiveness, reduce the cost level through revised functions and develop digital trade and services.

KESKO CHANGED ITS DIVISIONAL STRUCTURE AND SEEKS MORE COMPETITIVE MULTI-CHANNEL HOME AND SPECIALITY GOODS TRADE

Kesko revised the Group's divisional structure by integrating K-citymarket Oy, the non-food part of the K-citymarket chain in the home and speciality goods division, into Kesko Food Ltd. Kesko's food trade division was changed to the grocery trade division. The separate divisions of the building and home improvement trade and the home and speciality goods trade were combined into the home improvement and speciality goods trade division.

As from 1 January 2015, Kesko Group's reportable segments are the grocery trade, the home improvement and speciality goods trade, and the car and machinery trade. Kesko publishes comparatives according to the new reporting structure on a separate release on 10 February 2015.

The change in the divisional structure is aimed to provide a uniform customer experience and improve customer satisfaction in all of the divisions' chain stores. The objective is to enable customers to have an easier multi-channel shopping experience at physical and online stores, as well as to increase competitiveness and improve profitability.

Cooperation negotiations about changes planned in Kesko's home and speciality goods trade, building and home improvement trade and food trade were started on 7 October 2014 in Kesko's home and speciality goods trade companies and building and home improvement trade companies in Finland and in Kesko Food Ltd, Kesko Corporation and K-Plus Oy. The negotiations were completed on 24 November 2014. A total of approximately 2,800 people were included in the negotiations and the combined reduction need in the companies was estimated at a maximum of 230 full-time equivalents. As a result of the negotiations, the total need for reductions in personnel was confirmed at 193 full-time equivalents. The reductions also include possible pension plans and terminations of fixed-term employments.

IMPROVING ANTTILA'S PROFITABILITY

In order to improve Anttila's profitability, a decision was made in March to close eight Anttila department stores operating in leased premises and four Kodin1 department stores and to implement enhancement measures in the central units of Anttila Oy and K-citymarket Oy. By the end of the reporting period, six Anttila department stores had been closed. In addition to the renewal of Anttila's operating activities aimed at improving profitability, the option of selling Anttila Oy is also investigated.

KESKO CONTINUES PREPARATIONS FOR REAL ESTATE ARRANGEMENT

The intention is to sell some of the store sites Kesko owns to a joint venture to be set up. The arrangement is expected to be implemented during the first part of 2015.

Kesko's objective is to set up a limited liability company (a joint venture) to own and manage mainly Kesko-owned store sites and shopping centres with Kesko as one of its significant investors. If the joint venture is set up, Kesko Group would continue operating on the store sites under long-term leases. The fair value of store sites planned to be sold to the joint venture in Finland and Sweden has been specified at a maximum of around €670 million.

Launching the joint venture depends, in addition to investor interest, on whether it is possible for Kesko to achieve such terms and conditions in the arrangement that are economically justifiable for it, taking the Group's strong financial position into account.

If implemented, the sale of store sites is estimated to generate a significant non-recurring profit, the amount of which will be specified as the examination progresses.

PERSONNEL

In January-December, the average number of employees in Kesko Group was 19,976 (19,489) converted into full-time employees. In Finland, the average decrease was 225 people, while outside Finland, there was an increase of 713 people.

At the end of December 2014, the number of employees was 23,794 (23,863), of whom 12,180 (12,776) worked in Finland and 11,614 (11,087) outside Finland. Compared to the end of December 2013, there was a decrease of 596 people in Finland and an increase of 527 people outside Finland.

In January-December, the Group's staff cost was €614 million, showing a 0.5% increase compared to the previous year. In October-December, staff cost decreased by 0.1% compared to the previous year and was €162 million.

SEGMENT INFORMATION

SEASONAL NATURE OF OPERATIONS

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

FOOD TRADE

	1-12/2014	1-12/2013	10-12/2014	10-12/2013
Net sales, € million	4,316	4,387	1,119	1,148
Operating profit excl. non-recurring items, € million	202.4	203.3	46.7	48.3
Operating margin excl. non-recurring items, %	4.7	4.6	4.2	4.2
Capital expenditure, € million	91.4	91.6	19.4	23.7

Net sales, € million	1-12/2014	Change, %	10-12/2014	Change, %
Sales to K-food stores	3,233	-2.9	842	-3.0
Kespro	789	-1.7	200	-1.4
K-ruoka, Russia	103	+46.7	27	-5.6
Others	191	+3.6	50	+4.5
Total	**4,316**	**-1.6**	**1,119**	**-2.5**

January-December 2014

In the food trade, the net sales for January-December were €4,316 million (€4,387 million), down 1.6%. During the same period, the grocery sales of K-food stores in Finland decreased by 1.9% (VAT 0%). In the grocery market, retail prices are estimated to have changed by some +1% compared to the previous year (VAT 0%; Kesko's own estimate based on the Consumer Price Index of Statistics Finland) and the total market (VAT 0%) is estimated to have grown in January-December by some 0.5-1% compared to the previous year (Kesko's own estimate). The rise of consumer prices in the grocery trade stopped during the reporting period. Kespro's market position and profitability remained at a good level. The performance of sales in roubles and profitability of the food stores in Russia were as planned despite the slowdown of the Russian economy and the weakening of the rouble.

In January-December, the operating profit excluding non-recurring items of the food trade was €202.4 million (€203.3 million), or €0.8 million down on the previous year. Profitability remained at an excellent level due to savings achieved from enhanced operations. Operating profit was €196.0 million (€208.0 million). Non-recurring items were €-6.5 million (€+4.8 million).

The capital expenditure of the food trade in January-December was €91.4 million (€91.6 million), of which €81.5 million (€80.5 million) in store sites.

October-December 2014
In the food trade, the net sales for October-December were €1,119 million (€1,148 million), down 2.5%.

In October-December, the operating profit excluding non-recurring items of the food trade was €46.7 million (€48.3 million), or €1.6 million down on the previous year. Operating profit was €44.2 million (€48.3 million). Non-recurring items were €-2.6 million.

The capital expenditure of the food trade in October-December was €19.4 million (€23.7 million).

In October-December 2014, one new K-citymarket, one new K-supermarket and two new K-markets were opened. Renewals and space modifications were made in a total of 15 stores.

The most significant store sites being built are K-supermarkets in Hollola, Lappeenranta, Savonlinna and Uusikaarlepyy. Three new food stores are under construction in Russia.

Numbers of stores as at 31 December	2014	2013
K-citymarket	81	80
K-supermarket	218	218
K-market (incl. service station stores)	444	442
K-ruoka, Russia	5	4
Others*	164	176

* incl. online stores

HOME AND SPECIALITY GOODS TRADE

	1-12/2014	1-12/2013	10-12/2014	10-12/2013
Net sales, € million	1,316	1,457	393	439
Operating profit excl. non-recurring items, € million	-37.4	-8.3	11.0	21.6
Operating margin excl. non-recurring items, %	-2.8	-0.6	2.8	4.9
Capital expenditure, € million	17.4	23.1	5.4	6.3

Net sales, € million	1-12/2014	Change, %	10-12/2014	Change, %
K-citymarket, non-food	593	-5.5	183	-5.9
Anttila	324	-17.0	109	-16.6
Intersport, Finland	171	-10.0	46	-14.7
Intersport, Russia	15	-17.6	3	-16.2
Indoor	176	-3.3	46	-1.3
Musta Pörssi	20	-33.1	4	-45.7
Kenkäkesko	20	-5.6	4	+0.1
Total	**1,316**	**-9.6**	**393**	**-10.4**

January-December 2014
In the home and speciality goods trade, the net sales for January-December were €1,316 million (€1,457 million), down 9.6%. Consumer demand in the home and speciality goods trade continued to weaken during the reporting period. Sales declined especially in the Anttila and Kodin1 department stores. Six Anttila department stores were closed during the reporting period. Musta Pörssi concentrates on e-commerce in accordance with its strategy and its sales performance was impacted by the discontinuation of the store site network. The decline in Intersport Russia's sales in euro terms was impacted by the weakening of the Russian rouble. Investments in e-commerce were continued in all chains.

In January-December, the operating profit excluding non-recurring items of the home and speciality goods trade was €-37.4 million (€-8.3 million), down €29.0 million compared to the previous year. The performance was especially impacted by the loss increased by the decline in Anttila's sales. The profits of K-citymarket non-food, Intersport Finland and Indoor remained at a good level despite sales decline.

The operating profit of the home and speciality goods trade was €-85.0 million (€-2.1 million). The most significant non-recurring expenses included in the total of €47.6 million were the restructuring provision recognised for the reduction of the Anttila department store network and an impairment charge on fixed assets related to the integration of K-citymarket non-food with Anttila.

The capital expenditure of the home and speciality goods trade in January-December was €17.4 million (€23.1 million).

October-December 2014

In the home and speciality goods trade, the net sales for October-December were €393 million (€439 million), down 10.4%. The decrease in Anttila's sales was partly attributable to the closure of six Anttila department stores. The decline in Musta Pörssi's net sales was impacted by the implemented network changes. The decline in Intersport Russia's sales in euro terms was impacted by the weakening of the Russian rouble.

In October-December, the operating profit excluding non-recurring items of the home and speciality goods trade was €11.0 million (€21.6 million), down €10.6 million compared to the previous year. The performance was partly attributable to Anttila's weak profitability. The operating profit of the home and speciality goods trade was €7.1 million (€23.3 million). The non-recurring items include €3.4 million of expenses related to the reduction of the Anttila department store network.

The capital expenditure of the home and speciality goods trade was €5.4 million (€6.3 million).

In October-December, a K-citymarket, a Budget Sport and a Kookenkä were opened in the new Puuvilla shopping centre in Pori and an Anttila department store and a Kookenkä in the new Goodman shopping centre in Hämeenlinna. In addition, Intersport Itäkeskus was opened in Helsinki (replacing the store closed in August 2014) and a Sotka in Kuusamo. In October-December, an Asko and a Sotka were closed in Porvoo, a Kookenkä in downtown Hämeenlinna and in Lappeenranta and an Intersport in Vaasa (to be opened after refurbishment in spring 2015).

Numbers of stores as at 31 December	2014	2013
K-citymarket, non-food*	82	81
Anttila department stores*	26	31
Kodin1 department stores for interior decoration and home goods*	13	13
Intersport, Finland*	62	63
Budget Sport*	12	11
Asko and Sotka	86	85
Musta Pörssi*	1	6
Kookenkä*	44	46
Anttila, Baltics*	3	3
Intersport, Russia	19	21
Asko and Sotka, Baltics*	10	10

* incl. online stores

BUILDING AND HOME IMPROVEMENT TRADE

	1-12/2014	1-12/2013	10-12/2014	10-12/2013
Net sales, € million	2,598	2,607	585	596
Operating profit excl. non-recurring items, € million	57.7	25.7	11.9	-1.1
Operating margin excl. non-recurring items, %	2.2	1.0	2.0	-0.2
Capital expenditure, € million	60.0	37.8	16.2	11.4

Net sales, € million	1-12/2014	Change, %	10-12/2014	Change, %
Rautakesko, Finland	1,157	-1.3	244	-5.0
K-rauta, Sweden	194	-5.3	42	-5.3
Byggmakker, Norway	431	-8.4	93	-7.6
K-rauta, Estonia	78	+14.0	20	+12.3
K-rauta, Latvia	53	+2.7	13	+1.8
Senukai, Lithuania	312	+18.6	86	+19.5
K-rauta, Russia	250	-8.2	60	-9.4
OMA, Belarus	125	+17.8	28	+4.9
Total	**2,598**	**-0.4**	**585**	**-1.9**

January-December 2014

In the building and home improvement trade, the net sales for January-December were €2,598 million (€2,607 million), down 0.4%. In terms of local currencies, the net sales growth in the building and home improvement trade was 3.6%.

In Finland, the net sales for January-December were €1,157 million (€1,173 million), a decrease of 1.3%. The building and home improvement products contributed €785 million to the net sales in Finland, a decrease of 1.4%. The agricultural supplies trade contributed €372 million to the net sales, down 1.3%.

The retail sales of the K-rauta and Rautia chains in Finland were down by 2.1% to €1,003 million (VAT 0%). The sales of Rautakesko B2B Service were at the previous year's level. The K-Group's sales of building and home improvement products in Finland decreased by a total of 1.8% and the total market (VAT 0%) is estimated to have fallen by some 4.2% (Kesko's own estimate). The retail sales of the K-maatalous chain were €463 million (VAT 0%), up 0.6%.

In January-December, the net sales from the foreign operations of the building and home improvement trade were €1,441 million (€1,435 million), an increase of 0.4%. In terms of local currencies, the net sales from foreign operations increased by 7.7%. In Sweden and Norway, net sales in local currencies were at the previous year's level. In Russia, net sales in roubles increased by 10.5%. Foreign operations contributed 55.5% (55.0%) to the net sales of the building and home improvement trade.

In January-December, the operating profit excluding non-recurring items of the building and home improvement trade was €57.7 million (€25.7 million), up €32.0 million compared to the previous year. Due to a sales increase in foreign currency terms, coupled with growth of sales margin and cost savings, the profit performance was clearly positive. Profit from foreign operations improved. The operating profit of the building and home improvement trade was €52.4 million (€24.8 million). Non-recurring items include a restructuring provision of €5.2 million related to changes in the retail business of Byggmakker in Norway.

In January-December, the capital expenditure of the building and home improvement trade totalled €60.0 million (€37.8 million), of which 67.0% (44.1%) was abroad. Capital expenditure in store sites represented 83.4% of total capital expenditure.

October-December 2014

In the building and home improvement trade, the net sales for October-December were €585 million (€596 million), down 1.9%. In terms of local currencies, the net sales growth of the building and home improvement trade was 3.3%.

In Finland, net sales were €244 million (€257 million), a decrease of 5.0%. The building and home improvement products contributed €159 million to the net sales in Finland, a decrease of 7.1%. The agricultural supplies trade contributed €85 million to the net sales, down 0.9%. In October-December, the retail sales of the K-rauta and Rautia chains in Finland were down by 7.3% to €218 million (VAT 0%). According to Kesko's estimate, the market share of the building and home improvement trade increased in October-December. The sales of Rautakesko B2B Service decreased by 2.6%. The retail sales of the K-maatalous chain were €108 million (VAT 0%), down 0.8%.

The net sales from the foreign operations of the building and home improvement trade were €341 million (€339 million), an increase of 0.5%. In terms of local currencies, the net sales from foreign operations increased by 9.5%. In Sweden, net sales in kronas were down by 1.0%. In Norway, net sales in krones were down by 4.2%. In Russia, net sales in roubles increased by 23.1%. Foreign operations contributed 58.3% (56.9%) to the net sales of the building and home improvement trade.

In October-December, the operating profit excluding non-recurring items of the building and home improvement trade was €11.9 million (€-1.1 million), up €12.9 million compared to the previous year due to a sales increase in foreign currency terms, coupled with growth of sales margin, gains on currency hedges and cost savings. Profit from the foreign operations of the building and home improvement trade improved. Operating profit was €10.1 million (€-1.0 million).

The capital expenditure of the building and home improvement trade was €16.2 million (€11.4 million), of which 49.7% (41.4%) was abroad.

In October, four building and home improvement stores were closed in Norway.

Numbers of stores as at 31 December	2014	2013
K-rauta	42	42
Rautia*	96	99
K-maatalous*	81	83
K-rauta, Sweden	20	20
Byggmakker, Norway	82	91
K-rauta, Estonia	8	8
K-rauta, Latvia	8	8
Senukai, Lithuania	19	18
K-rauta, Russia	13	13
OMA, Belarus	11	10

In addition, the stores offer e-commerce services to their customers.

* in 2014, 46 Rautia stores also operated as K-maatalous stores
in 2013, 47 Rautia stores also operated as K-maatalous stores

CAR AND MACHINERY TRADE

	1-12/2014	1-12/2013	10-12/2014	10-12/2013
Net sales, € million	1,011	1,037	216	226
Operating profit excl. non-recurring items, € million	29.6	33.9	1.8	3.3
Operating margin excl. non-recurring items, %	2.9	3.3	0.8	1.5
Capital expenditure, € million	14.3	15.1	2.7	3.3

Net sales, € million	1-12/2014	Change, %	10-12/2014	Change, %
VV-Auto	756	+1.5	173	-1.9
Konekesko	256	-12.6	43	-14.3
Total	**1,011**	**-2.5**	**216**	**-4.7**

January-December 2014
In the car and machinery trade, the net sales for January-December were €1,011 million (€1,037 million), down 2.5%.

VV-Auto’s net sales for January-December were €756 million (€745 million), an increase of 1.5%. In January-December, the combined market performance of first time registered passenger cars and vans was +3.1%.

In January-December, the combined market share of passenger cars and vans imported by VV-Auto was 20.7% (20.6%). Volkswagen was the market leader in passenger cars and vans.

Konekesko's net sales for January-December were €256 million (€293 million), down 12.6% compared to the previous year. Net sales in Finland were €161 million, down 9.4%. The net sales from Konekesko’s foreign operations were €96 million, down 17.1%. The net sales decline was especially impacted by the weak market performance of the agricultural machinery trade in Finland and the Baltic countries.

In January-December, the operating profit excluding non-recurring items of the car and machinery trade was €29.6 million (€33.9 million), down €4.3 million compared to the previous year. The adjustment of costs and inventories has been implemented as planned. Profitability in the car trade remained at a good level despite the weakened market situation.

The operating profit for January-December was €29.4 million (€33.9 million).

The capital expenditure of the car and machinery trade in January-December was €14.3 million (€15.1 million).

October-December 2014
In October-December, the net sales of the car and machinery trade were €216 million (€226 million), down 4.7%.

VV-Auto’s net sales for October-December were €173 million (€176 million), a decrease of 1.9%. In October-December, the combined market share of passenger cars and vans imported by VV-Auto was 20.7% (21.1%).

Konekesko's net sales for October-December were €43 million (€50 million), down 14.3% compared to the previous year.

In October-December, the operating profit excluding non-recurring items of the car and machinery trade was €1.8 million (€3.3 million), down €1.5 million compared to the previous year. Profitability was weakened by the decrease in sales. The operating profit for October-December was €1.6 million (€3.3 million).

The capital expenditure of the car and machinery trade in October-December was €2.7 million (€3.3 million).

Numbers of stores as at 31 December	2014	2013
VV-Auto, retail trade	10	10
Konekesko	1	1

CHANGES IN THE GROUP COMPOSITION
No significant changes took place in the Group composition during the reporting period.

SHARES, SECURITIES MARKET AND BOARD AUTHORISATIONS
At the end of December 2014, the total number of Kesko Corporation shares was 100,019,752, of which 31,737,007, or 31.7%, were A shares and 68,282,745, or 68.3%, were B shares. At 31 December 2014, Kesko Corporation held 995,315 own B shares as treasury shares. These treasury shares accounted for 1.46% of the number of B shares, 1.00% of the total number of shares, and 0.26% of votes carried by all shares of the company. The total number of votes carried by all shares was 385,652,815. Each A share carries ten (10) votes and each B share one (1) vote. The company cannot vote with own

shares held by the company as treasury shares and no dividend is paid on them. At the end of December 2014, Kesko Corporation's share capital was €197,282,584. During the reporting period, the number of B shares was increased three times to account for the shares subscribed for with the options based on the 2007 option scheme. The increases were made on 10 February 2014 (85,067 B shares), 30 April 2014 (62,778 B shares) and 4 June 2014 (39,214 B shares) and announced in stock exchange notification on the same days. The shares subscribed for were listed for public trading on NASDAQ OMX Helsinki (Helsinki Stock Exchange) with the old B shares on 11 February 2014, 2 May 2014 and 5 June 2014. The subscription price of 2,148,641.76 received by the company was recorded in the company's reserve of invested non-restricted equity.

The price of a Kesko A share quoted on Nasdaq Helsinki was €26.80 at the end of 2013, and €28.56 at the end of 2014, representing an increase of 6.6%. Correspondingly, the price of a B share was €26.80 at the end of 2013, and €30.18 at the end of 2014, representing an increase of 12.6%. In January-December, the highest A share price was €32.31 and the lowest was €24.60. The highest B share price was €33.33 and the lowest was €25.10. In January-December, the Nasdaq Helsinki All-Share index (OMX Helsinki) was up 5.7% and the weighted OMX Helsinki Cap index 5.7%. The Retail Sector Index was down 1.4%.

At the end of December 2014, the market capitalisation of A shares was €906 million, while that of B shares was €2,031 million, excluding the shares held by the parent company. The combined market capitalisation of A and B shares was €2,937 million, an increase of €276 million from the end of 2013. In January-December 2014, a total of 2.0 (1.1) million A shares were traded on Nasdaq Helsinki, an increase of 75.3%. The exchange value of A shares was €58 million. The number of B shares traded was 47.3 million (51.3 million), a decrease of 7.8%. The exchange value of B shares was €1,412 million. Nasdaq Helsinki accounted for 66% of Kesko A and B share trading in January-December 2014. Kesko shares were also traded on multilateral trading facilities, the most significant of which were BATS Chi-X with 27% and Turquoise with 7% of the trading (source: Fidessa).

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

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

In addition, the Board had the authority, granted by the Annual General Meeting of 8 April 2013 and valid until 30 September 2014, to decide on the acquisition of a maximum of 500,000 own B shares. Kesko's Board of Directors made the decision in February 2014 to start acquiring own B shares. The decision to start the acquisition was announced in a stock exchange release on 4 February 2014 and acquisition was started on 18 February 2014. The maximum of 500,000 own B shares the Board was authorised to acquire was purchased by 31 March 2014, and the authorisation is thus fully used. Each purchase of own shares was announced in a stock exchange release at the end of the day on which the purchase was made. As at 31 December 2014, Kesko held a total of 995,315 own B shares as treasury shares. In addition, the Board has the authority, valid until 30 June 2017, to decide on the issuance of a maximum of 1,000,000 own B shares held as treasury shares by the company.

On 4 February 2014, the Board decided to grant own B shares held by the company as treasury shares to persons included in the target group of the 2013 vesting period, based on the authority to issue own shares granted by the Annual General Meeting held on 8 April 2013, and the fulfilment of the vesting criteria of the 2013 vesting period of Kesko's three-year share-based compensation plan. The issuance of a total of 50,520 own B shares, referred to above, was announced in a stock exchange release on 24 March 2014 and on 25 March 2014. In January-December, a total of 5,642 shares granted based on the fulfilment of the vesting criteria of the 2011-2013 vesting periods were returned to the company in accordance with the terms and conditions of the share-based compensation plan. The shares returned during the reporting period were announced in a stock exchange notification on 7 February 2014, 23 May 2014 and 25 July 2014. On 16 December 2014, Kesko Corporation's Board of Directors decided to transfer 8,791 own B shares held by the company as treasury shares to Mikko Helander, the company's President and CEO as from 1 January 2015. The share transfer is based on the managing director's service contract signed with Mikko Helander. The transfer was announced in a stock exchange release on 16 December 2014 and on 17 December 2014. Further information on the Board's authorisations is available at www.kesko.fi.

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

At the end of December 2014, the number of shareholders was 39,869, which is 2,940 less than at the end of 2013. At the end of December, foreign ownership of all shares was 27%. At the end of December, foreign ownership of B shares was 39%.

FLAGGING NOTIFICATIONS

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

KEY EVENTS DURING THE REPORTING PERIOD

Two new members were appointed to Kesko's Group Management Board. CCJ Lauri Peltola, 51, was appointed Senior Vice President for corporate responsibility, communications and stakeholder relations and a Group Management Board member. He will take office on 2 March 2015 at the latest. Kesko's General Counsel, Senior Vice President Anne Leppälä-Nilsson, 61, LL.M., B.Sc. (Econ.), was appointed a Group Management Board member. As from 1 January 2015, Kesko's Group Management Board members are: Mikko Helander, Chair; Jorma Rauhala, the grocery trade; Terho Kalliokoski, the home improvement and speciality goods trade; Pekka Lahti, the car and machinery trade; Jukka Erlund, accounting and finance, CFO; Matti Mettälä, human resources; and Anne Leppälä-Nilsson, legal affairs. (Stock exchange release on 16 December 2014)

Kesko continues the preparation of a real estate arrangement. The intention is to sell some of the store sites it owns to a joint venture to be set up. The arrangement is expected to be implemented during the first part of 2015. The fair value of store sites planned to be sold to the joint venture in Finland and Sweden has been specified at a maximum of around €670 million. (Stock exchange release on 29 November 2013 and 28 November 2014)

Kesko revised the Group's divisional structure by integrating K-citymarket Oy, the non-food part of the K-citymarket chain in the home and speciality goods division, into Kesko Food Ltd. Kesko's food trade division was changed to the grocery trade division. The separate divisions of the building and home improvement trade and the home and speciality goods trade were combined into the home improvement and speciality goods trade division. As from 1 January 2015, Kesko Group's reportable segments are the grocery trade, the home improvement and speciality goods trade, and the car and machinery trade. (Stock exchange release on 24 September 2014, 7 October 2014 and 27 November 2014)

Cooperation negotiations about changes planned in Kesko's home and speciality goods trade, building and home improvement trade and food trade were started on 7 October 2014 in Kesko's home and speciality goods trade companies and building and home improvement trade companies in Finland and in Kesko Food Ltd, Kesko Corporation and K-Plus Oy. The negotiations were completed on 24 November 2014. A total of approximately 2,800 people were included in the negotiations and the combined reduction need in the companies was estimated at a maximum of 230 full-time equivalents. As a result of the negotiations, the total need for reductions in personnel was confirmed at 193 full-time equivalents. The reductions also include possible pension plans and terminations of fixed-term employments. (Stock exchange release on 24 September 2014, 7 October 2014 and 27 November 2014)

Kesko Corporation's Board of Directors appointed Mikko Helander, M.Sc. (Tech.), as Kesko Corporation's Managing Director and Kesko Group's President and Chief Executive Officer as from 1 January 2015. Mikko Helander, b. 1960, joined Kesko as the Executive Vice President and Member of the Group Management Board on 1 October 2014 and took office as the President and CEO on 1 January 2015. As from 1 January 2015, President and CEO Matti Halmesmäki will continue in advisory and special assignments to be agreed with the Board of Directors until 31 May 2015 when he will retire. (Stock exchange release on 28 May 2014 and 19 September 2014)

As a result of the cooperation negotiations conducted in order to improve Anttila's profitability, a decision was made to close eight Anttila department stores operating in leased premises. These department stores have a total of around 210 employees. In addition, the workforce in other Anttila department stores is reduced by 25 full-time equivalents. Cooperation negotiations were also started in the Kodin1 chain and after their completion, a decision was made to close four Kodin1 department stores in the Kodin1 department store chain. Cooperation negotiations were also started in the central units of Anttila Oy and K-citymarket Oy. (Stock exchange release on 31 March 2014)

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

EVENTS AFTER THE REPORTING PERIOD

Anni Ronkainen, 48, M.Sc. (Econ.), has been appointed Kesko's Chief Digital Officer, responsible for business development, digital business environment and marketing, and a member of the Group Management Board. She will join Kesko Corporation on 20 April 2015 at the latest. (Stock exchange release on 26 January 2015)

RESOLUTIONS OF THE 2014 ANNUAL GENERAL MEETING AND DECISIONS OF THE BOARD'S ORGANISATIONAL MEETING

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

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

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

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

RESPONSIBILITY

In October, Kesko was included in the Nordic Climate Disclosure Leadership Index in a fourth consecutive year. Kesko improved its score to 99/100 points. In the FTSE4Good Index, Kesko's overall score assessment was 99/100.

Kesko's Corporate Responsibility Report 2013 was chosen as Finland's best in the 2014 Sustainability Reporting Award Finland Competition. Kesko's report was ranked the best also by non-governmental organisations.

K-stores were the main partners in the Finnish Red Nose Day campaign organised by the Nose Day Foundation and raised over €353,000 during the campaign. The funds raised will be used to support long-term development cooperation projects aimed to promote children's rights in developing countries in several ways.

Kesko and K-stores were the national partner of the Salvation Army's Christmas Kettle collection and they also participated in the Christmas Spirit collection.

RISK MANAGEMENT

Risk management in Kesko Group is guided by the risk management policy confirmed by Kesko's Board of Directors. The policy defines the goals and principles, organisation, responsibilities and practices of risk management in Kesko Group. The management of financial risks is based on the Group's finance policy, which is confirmed by Kesko's Board of Directors. The business division and Group managements are responsible for the execution of risk management. Kesko Group applies a business-oriented and comprehensive approach to risk assessment and management. This means that key risks are systematically identified, assessed, managed, monitored and reported at the Group, division, company and unit levels in all operating countries.

Kesko Group's risk map is considered by the Kesko Board's Audit Committee in connection with the quarterly interim reports and the financial statements. The Audit Committee Chair reports on risk management to the Board as part of the Audit Committee report. The Kesko Board considers Kesko Group's most significant risks and uncertainties and their management responses, and assesses the efficiency and performance of risk management at least once a year. The most significant risks and uncertainties are reported to the market by the Board in the Report by the Board of Directors and any material changes in them in the interim reports.

The following describes the risks and uncertainties assessed as significant.

SIGNIFICANT RISKS AND UNCERTAINTIES

The geopolitical situation, the weak outlook for the Finnish economy, increases in taxes and public payments resulting from the indebtedness of the public sector, coupled with increasing unemployment, weaken purchasing power and consumer confidence and may cause a long-term decline in the level of demand. This would have negative repercussions especially on the home improvement and speciality goods trade and the car and machinery trade in Finland. In the food trade, price is increasingly important.

The level of uncertainty around economic development in Russia is high and political and country risks in Russia have risen significantly. The fall of crude oil prices cuts the revenues of the Russian state. The decline in the rouble's exchange rate weakens purchasing power, demand and profitability, and increases hedging costs. The economic sanctions imposed by the EU and the USA make it difficult to get financing in Russia. Russia's counter-sanctions have impacts especially on food stores' operations and raise the price level in Russia even on a wider scale. Corruption, unpredictability of officials and rapid changes in laws and their application, as well as unexpected changes in the operating environment make business operations more difficult and, if continued, will delay or, at worst, prevent expansion.

E-commerce and online services are becoming increasingly popular in the retail trade, especially in the home technology, sports and other speciality goods trade. International e-commerce increases price transparency and consumers' alternatives at the same time when buying and marketing of products and services become more personalised and increasingly take place online. Buying decisions are often made based on information available on the web. The risk is that the progress of e-commerce and e-service development projects is outpaced by competitors, or that competing online stores and e-services are found more attractive by customers. For the food trade, the challenges in the development of e-commerce include cost effectiveness of logistic models and the suitability of the existing store sites for e-commerce.

In the retail trade, it is essential to succeed in the development of concepts so that they meet the needs and preferences of local customers. The change in the trading sector and customers' purchasing behaviour requires continuous renewal. The growth of e-commerce has cut the sales of the department store trade and there has been a failure to renew Anttila's concept and selections fast enough. The sales and profitability of the building and home improvement stores in Sweden and Intersport stores in Russia have failed to reach the targets. In the Finnish food trade, it is increasingly challenging to meet the market share targets as price competition increases.

Kesko's chain operations are, contrary to most competitors, based on a retailer business model to a significant extent. The competitive advantages of the retailer business model include the retailer's local expertise and ability to rapidly respond to changes in customer needs or competitive situations. Decision-making concerning the development of the chains' operations and the implementation of changes in business operations can, however, be outpaced by competitors. A prolonged decline in the level of demand and sales can weaken the profitability and performance of retailer operations.

The Finnish competition legislation has been amended to the effect that, unlike in the rest of the EU area, the prohibition of abuse of dominant market position can be applied on companies whose national market share in the groceries retail markets exceeds 30 percent. According to the law, Kesko Food is in a dominant market position. Special obligations have been imposed on a company in a dominant market position which can weaken the trading sector's competitive opportunities to serve customers and operate efficiently. The implications of dominant market position are partly open to interpretation. An erroneous interpretation may result in monetary penalties, liability for damages and weakened reputation.

The trading sector is characterised by increasingly complicated and long supply chains and a higher dependency on information systems, data communications and external service providers. Failures in information systems and the transfer of payments, or in other parts of the supply chain can cause significant losses in sales and weaken customer satisfaction.

With the view of increasing the market share, good store sites are a key competitive factor. The acquisition of store sites can be delayed by zoning and permit procedures and the availability and pricing of sites. Considerable amounts of capital or lease liabilities are tied up in store properties for years. When the share of e-commerce grows, the market situation changes, or a chain concept proves inefficient there is a risk that a store site becomes unprofitable and operations are discontinued while long-term liabilities remain.

A failure in product safety control or in the quality assurance of the supply chain can result in financial losses, the loss of customer confidence or, in the worst case, a health hazard to customers.

The implementation of strategies and the achievement of objectives require competent and motivated personnel. There is a risk that the trading sector does not attract the most competent people. A growing need for special competencies increases the dependency on individual expertise and the key person risk.

In divisions strongly dependent on individual principals and suppliers, such as the car and machinery trade, ownership arrangements and changes in a principal's or supplier's strategy concerning product selections, pricing and distribution channel solutions can mean weakened competitiveness, or a loss of sales or business.

Crimes are increasingly committed through data networks and crime has become more international and professional. A failure especially in the protection of payment transactions and personal information can cause losses, claims for damages and endanger reputation. There is a risk that controls against such crime are not sufficient.

Different aspects of responsibility, such as ethicality of production and the supply chain, fair and equal treatment of employees and environmental protection are increasingly important to customers. Possible failures of responsibility would result in negative publicity for Kesko. Kesko's challenges in responsibility work include communicating its responsibility principles to customers, suppliers and retailers, and ensuring responsibility in the supply chain.

Compliance with laws and agreements is an important part of Kesko's responsibility. Non-compliance can result in fines, compensations for damages and other financial losses, and a loss of confidence and reputation.

Kesko's objective is to produce and publish reliable and timely information. If some information published by Kesko proved to be incorrect, or communications failed to meet regulations in other respects, it could result in losing investor and other stakeholder confidence and in possible sanctions.

Accidents, natural phenomena and epidemics can cause damages or business interruptions which cannot be prevented. There is also the risk that insurances do not cover all unexpected accidents and damages. Other risks and uncertainties related to profit performance are described in the Group's future outlook.

FUTURE OUTLOOK

Estimates of the future outlook for Kesko Group's net sales and operating profit excluding non-recurring items are given for the 12 months following the reporting period (1/2015-12/2015) in comparison with the 12 months preceding the reporting period (1/2014-12/2014).

The general economic situation and the expected trend in consumer demand vary in Kesko's different operating countries. In Finland, demand in the trading sector is expected to be weak also in the current year and the competitive situation is expected to tighten further, especially in the grocery trade and the home and speciality goods trade. In Sweden and Norway and in the Baltic countries, the growth in demand in the trading sector is expected to continue. In Russia, the economic situation and consumers' purchasing power will weaken.

Kesko Group's net sales for 2015 are expected to equal the level of 2014. Operating profit excluding non-recurring items for 2015 is expected to equal or fall slightly short of the level of 2014.

PROPOSAL FOR PROFIT DISTRIBUTION

The parent's distributable profits are €1,084,158,672.62, of which the profit for the financial year is €16,269,287.26.

The Board of Directors proposes to the Annual General Meeting to be held on 13 April 2015 that a dividend of €1.50 per share be paid on shares held outside the company at the date of dividend distribution. No dividend is paid on own shares held by the company as treasury shares at the record date of dividend distribution.

At the date of the proposal for distributions of profits, 9 February 2015, a total of 99,024,437 shares were held outside the Company, amounting to a total dividend of €148,536,655.50.

ANNUAL GENERAL MEETING

The Board of Directors decided to convene the Annual General Meeting at Messukeskus Helsinki, on 13 April 2015 at 13.00.

Kesko Corporation will publish a notice of the General Meeting at a later date.

ANNUAL REPORT 2014

Kesko will publish an Integrated Annual Report for 2014 on week 12 on its website at www.kesko.fi. The report contains a business review, Kesko's Annual Report and the financial statements for 2014, the responsibility reporting indicators (GRI), Kesko's Corporate Governance Statement and Remuneration Statement.

Helsinki, 9 February 2015
Kesko Corporation
Board of Directors

The information in the financial statements release is unaudited.

Further information is available from Jukka Erlund, Senior Vice President, Chief Financial Officer, telephone +358 105 322 113, and Eva Kaukinen, Vice President, Group Controller, telephone +358 105 322 338. A Finnish-language webcast of the media and analyst briefing on the financial statements can be accessed at www.kesko.fi, at 11.00. An English-language audio conference on the financial statements will be held today at 14.30 (Finnish time). The audio conference login is available on Kesko's website at www.kesko.fi.

Kesko Corporation's interim report for January-March will be published on 28 April 2015. In addition, Kesko Group's sales figures are published each month. News releases and other company information are available on Kesko's website at www.kesko.fi.

KESKO CORPORATION

Merja Haverinen
Vice President, Group Communications

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

DISTRIBUTION
NASDAQ OMX Helsinki Ltd
Main news media
www.kesko.fi

TABLES SECTION:

Accounting policies

This financial statements release has been prepared in accordance with the IAS 34 standard. The financial statements release has been prepared in accordance with the same principles as the annual financial statements for 2013, with the exception of the following changes due to the adoption of new and revised IFRS standards and IFRIC interpretations.

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

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

Consolidated income statement (€ million), condensed

	1-12/ 2014	1-12/ 2013	Change, %	10-12/ 2014	10-12/ 2013	Change, %
Net sales	9,071	9,315	-2.6	2,267	2,362	-4.0
Cost of goods sold	-7,832	-8,034	-2.5	-1,948	-2,014	-3.3
Gross profit	**1,238**	**1,281**	**-3.4**	**319**	**348**	**-8.4**
Other operating income	729	734	-0.7	199	185	7.1
Staff cost	-614	-611	0.5	-162	-162	-0.1
Depreciation and impairment charges	-195	-153	27.5	-62	-39	57.9
Other operating expenses	-1,007	-1,003	0.4	-262	-265	-0.9
Operating profit	**151**	**248**	**-39.1**	**32**	**68**	**-53.5**
Interest income and other finance income	14	20	-32.0	2	6	-59.3
Interest expense and other finance costs	-16	-20	-23.7	-4	-5	-29.1
Exchange differences	-4	-6	-22.9	-4	-1	(..)
Share of results of equity accounted investments	0	0	-48.6	0	0	(..)
Profit before tax	**145**	**242**	**-40.1**	**26**	**68**	**-61.2**
Income tax	-37	-58	-36.6	-5	-5	0.4
Net profit for the period	**108**	**185**	**-41.2**	**21**	**63**	**-66.4**
Attributable to						
Owners of the parent	96	173	-44.5	17	59	-72.0
Non-controlling interests	12	12	7.8	4	3	43.4
Earnings per share (€) for profit attributable to equity holders of the parent						
Basic	0.97	1.75	-44.7	0.17	0.60	-72.1
Diluted	0.97	1.75	-44.5	0.17	0.60	-72.1

Consolidated statement of comprehensive income (€ million)

	1-12/ 2014	1-12/ 2013	Change, %	10-12/ 2014	10-12/ 2013	Change, %
Net profit for the period	108	185	-41.2	21	63	-66.4
Items that will not be reclassified subsequently to profit or loss						
Actuarial gains/losses	-20	12	(..)	-18	7	(..)
Items that may be reclassified subsequently to profit or loss						
Exchange differences on translating foreign operations	-28	-14	(..)	-20	-5	(..)
Adjustment for hyperinflation	4	3	56.9	0	2	-89.2
Cash flow hedge revaluation	1	-4	(..)	0	-3	-85.3
Revaluation of available-for-sale financial assets	-3	-5	-37.3	0	-1	-89.1
Other items	0	0	-3.2	-	-	-
Total other comprehensive income for the period, net of tax	-45	-8	(..)	-38	-1	(..)
Total comprehensive income for the period	**63**	**177**	**-64.3**	**-17**	**61**	**(..)**
Attributable to						
Owners of the parent	49	166	-70.2	-20	58	(..)
Non-controlling interests	14	11	23.7	3	3	17.0

(..) change over 100%

Consolidated statement of financial position (€ million), condensed

	31.12.2014	31.12.2013	Change, %

ASSETS			
Non-current assets			
Tangible assets	1,624	1,651	-1.7
Intangible assets	178	189	-5.9
Equity accounted investments and other financial assets	105	104	0.8
Loans and receivables	11	15	-26.8
Pension assets	147	170	-13.5
Total	2,066	2,131	-3.0
Current assets			
Inventories	776	797	-2.6
Trade receivables	584	617	-5.3
Other receivables	173	136	27.3
Financial assets at fair value through profit or loss	219	171	28.5
Available-for-sale financial assets	272	398	-31.8
Cash and cash equivalents	107	112	-4.2
Total	2,131	2,231	-4.5
Non-current assets held for sale	1	1	0.0
Total assets	**4,198**	**4,362**	**-3.8**

	31.12.2014	**31.12.2013**	**Change, %**
EQUITY AND LIABILITIES			
Equity	2,184	2,279	-4.2
Non-controlling interests	82	73	11.6
Total equity	2,265	2,352	-3.7
Non-current liabilities			
Interest-bearing liabilities	319	355	-10.1
Non-interest-bearing liabilities	11	10	5.9
Deferred tax liabilities	67	68	-1.0
Pension obligations	2	2	9.0
Provisions	27	17	53.5
Total	426	452	-5.8
Current liabilities			
Interest-bearing liabilities	180	199	-9.9
Trade payables	795	825	-3.7
Other non-interest-bearing liabilities	490	494	-0.9
Provisions	42	38	11.6
Total	1,506	1,557	-3.2
Total equity and liabilities	**4,198**	**4,362**	**-3.8**

Consolidated statement of changes in equity (€ million)

	Share capital	**Reserves**	**Currency trans-lation differ-ences**	**Revalu-ation reserve**	**Treasury shares**	**Re-tained earnings**	**Non-cont-rolling interests**	**Total**
Balance at 1.1.2013	**197**	**442**	**-2**	**10**	**-19**	**1,578**	**67**	**2,272**
Shares subscribed with options		20						20
Treasury shares								
Share-based payments					2		0	2
Dividends						-118	-5	-122
Other changes		0	0			5		5
Net profit for the period						173	12	185
Other comprehen-sive income								
Items that will not be reclassified subsequently to profit or loss								
Actuarial gains/losses						15		15
Items that may be								

reclassified subsequently to profit or loss								
Exchange differences on translating foreign operations		0	-11				-3	-14
Adjustment for hyperinflation						0	3	3
Cash flow hedge revaluation				-5				-5
Revaluation of available-for-sale financial assets				-5				-5
Others						0		0
Tax relating to other comprehensive income				1		-2		-2
Total other comprehensive income		0	-11	-9		12	-1	-8
Balance at 31.12.2013	**197**	**461**	**-13**	**1**	**-18**	**1,651**	**73**	**2,352**
Balance at 1.1.2014	**197**	**461**	**-13**	**1**	**-18**	**1,651**	**73**	**2,352**
Shares subscribed with options		2						2
Treasury shares					-16			-16
Share-based payments					2		0	2
Dividends						-138	-5	-143
Other changes		0	0			5	0	5
Net profit for the period						96	12	108
Other comprehensive income								
Items that will not be reclassified subsequently to profit or loss								
Actuarial gains/losses						-25		-25
Items that may be reclassified subsequently to profit or loss								
Exchange differences on translating foreign operations		0	-25				-3	-28
Adjustment for hyperinflation						0	4	4
Cash flow hedge revaluation				1				1
Revaluation of available-for-sale financial assets				-3				-3
Others						0		0
Tax relating to other comprehensive income				0		5		4
Total other comprehensive income		0	-25	-2		-19	1	-45
Balance at 31.12.2014	**197**	**463**	**-38**	**-1**	**-31**	**1,593**	**82**	**2,265**

Consolidated statement of cash flows (€ million), condensed

	1-12/ 2014	1-12/ 2013	Change, %	10-12/ 2014	10-12/ 2013	Change, %
Cash flows from operating activities						

Profit before tax	145	242	-40.1	26	68	-61.2
Planned depreciation	151	152	-0.6	38	39	-2.7
Finance income and costs	6	6	6.1	5	0	(..)
Other adjustments	63	8	(..)	29	11	(..)
Change in working capital						
Current non-interest-bearing operating receivables, increase (-)/decrease (+)	32	89	-64.4	76	94	-19.3
Inventories, increase (-)/decrease (+)	-7	3	(..)	5	-26	(..)
Current non-interest-bearing liabilities, increase (+)/ decrease(-)	-21	-1	(..)	-27	-48	-43.5
Financial items and tax	-65	-85	-23.7	-15	-24	-36.9
Net cash from operating activities	**304**	**414**	**-26.4**	**137**	**115**	**19.7**
Cash flows from investing activities						
Investing activities	-194	-174	11.2	-43	-44	-2.9
Sales of fixed assets	11	22	-48.6	3	5	-35.7
Increase in non-current receivables	0	0	48.4	1	0	(..)
Net cash used in investing activities	**-182**	**-152**	**19.8**	**-38**	**-39**	**-0.6**
Cash flows from financing activities						
Interest-bearing liabilities, increase (+)/ decrease (-)	-46	-47	-3.2	4	-11	(..)
Current interest-bearing receivables, increase (-)/decrease (+)	-1	78	(..)	0	77	-99.7
Dividends paid	-143	-122	17.2	-1	-	-
Equity increase	2	20	-89.0	-	2	-100
Acquisition of own shares	-16	-	-	-	-	-
Short-term money market investments, increase (-)/ decrease (+)	-57	-91	-37.3	-21	-29	-26.1
Other items	7	5	49.0	1	1	-26.5
Net cash used in financing activities	**-254**	**-159**	**60.0**	**-17**	**40**	**(..)**
Change in cash and cash equivalents	**-131**	**103**	**(..)**	**81**	**116**	**-29.8**
Cash and cash equivalents and current portion of available-for-sale financial assets at 1 Jan.	453	352	28.7	239	338	-29.3
Currency translation difference adjustment and revaluation	-8	-2	(..)	-7	-1	(..)
Cash and cash equivalents and current portion of available-for-sale financial assets at 31 Dec.	313	453	-30.8	313	453	-30.8

(..) change over 100%

Group's performance indicators

	1-12/2014	1-12/2013	Change, pp
Return on capital employed, %	6.4	10.2	-3.8
Return on capital employed excl. non-recurring items, %	9.9	9.8	0.1
Return on equity, %	4.7	8.0	-3.3
Return on equity excl. non-recurring items, %	7.6	7.7	-0.1
Equity ratio, %	54.5	54.5	0.0
Gearing, %	-4.4	-5.4	1.0
			Change, %
Capital expenditure, € million	194.0	171.5	13.1
Capital expenditure, % of net sales	2.1	1.8	16.2
Earnings per share, basic, €	0.97	1.75	-44.7
Earnings per share, diluted, €	0.97	1.75	-44.5
Earnings per share excl. non-recurring items, basic, €	1.65	1.68	-2.1
Cash flow from operating activities, € million	304	414	-26.4
Cash flow from investing activities, € million	-182	-152	19.8
Equity per share, €	22.05	22.96	-3.9
Interest-bearing net liabilities, € million	-99	-126	-21.5
Diluted number of shares, average for the reporting period, 1,000 pcs	99,161	99,136	0.0
Personnel, average	19,976	19,489	2.5

Group's performance indicators	**1-3/**	**4-6/**	**7-9/**	**10-12/**	**1-3/**	**4-6/**	**7-9/**	**10-12/**

by quarter	**2013**	**2013**	**2013**	**2013**	**2014**	**2014**	**2014**	**2014**
Net sales, € million	2,159	2,420	2,374	2,362	2,129	2,371	2,304	2,267
Change in net sales, %	-6.9	-1.6	-3.1	-3.9	-1.4	-2.1	-2.9	-4.0
Operating profit, € million	19.2	77.0	84.1	68.0	-13.0	69.4	63.4	31.7
Operating margin, %	0.9	3.2	3.5	2.9	-0.6	2.9	2.7	1.4
Operating profit excl. non- recurring items, € million	18.6	69.8	83.6	66.8	19.1	67.6	84.0	61.9
Operating margin excl. non-recurring items, %	0.9	2.9	3.5	2.8	0.9	2.9	3.6	2.7
Finance income/costs, € million	-3.3	0.4	-2.6	-0.4	-1.6	2.2	-1.8	-5.0
Profit before tax, € million	15.8	77.2	81.5	67.9	-14.4	71.4	61.7	26.4
Profit before tax, %	0.7	3.2	3.4	2.9	-0.7	3.0	2.7	1.2
Return on capital employed, %	3.1	12.3	14.2	11.5	-2.2	11.5	10.9	5.5
Return on capital employed, excl. non-recurring items, %	3.0	11.1	14.1	11.3	3.2	11.2	14.4	10.7
Return on equity, %	1.9	9.5	10.2	10.8	-2.0	9.4	8.1	3.7
Return on equity, excl. non-recurring items, %	1.8	8.6	10.1	10.6	2.3	9.1	11.3	8.0
Equity ratio, %	51.7	50.5	52.9	54.5	53.2	52.3	54.2	54.5
Capital expenditure, € million	41.5	48.1	35.4	46.6	43.4	55.7	51.7	43.2
Earnings per share, diluted, €	0.11	0.50	0.53	0.60	-0.11	0.51	0.41	0.17
Equity per share, €	22.62	21.79	22.39	22.96	22.83	21.86	22.25	22.05

Segment information

Net sales by segment (€ million)	**1-12/ 2014**	**1-12/ 2013**	**Change, %**	**10-12/ 2014**	**10-12/ 2013**	**Change. %**
Food trade, Finland	4,213	4,316	-2.4	1,092	1,120	-2.4
Food trade, other countries*	103	71	46.7	27	28	-5.6
Food trade total	**4,316**	**4,387**	**-1.6**	**1,119**	**1,148**	**-2.5**
- of which intersegment trade	173	172	0.4	46	45	1.6
Home and speciality goods trade, Finland	1,287	1,424	-9.6	386	430	-10.4
Home and speciality goods trade, other countries*	29	33	-10.8	7	8	-10.0
Home and speciality goods trade total	**1,316**	**1,457**	**-9.6**	**393**	**439**	**-10.4**
- of which intersegment trade	15	17	-12.6	5	5	-14.3
Building and home improvement trade, Finland	1,157	1,173	-1.3	244	257	-5.0
Building and home improvement trade, other countries*	1,441	1,435	0.4	341	339	0.5
Building and home improvement trade total	**2,598**	**2,607**	**-0.4**	**585**	**596**	**-1.9**
- of which intersegment trade	-1	-1	-18.1	0	0	0.2
Car and machinery trade, Finland	916	921	-0.6	202	212	-4.6
Car and machinery trade, other countries*	96	116	-17.5	14	14	-5.6
Car and machinery trade total	**1,011**	**1,037**	**-2.5**	**216**	**226**	**-4.7**
- of which intersegment trade	1	1	-34.4	0	0	-34.6
Common operations and eliminations	-171	-173	-0.8	-45	-46	-2.1
Finland total	**7,401**	**7,661**	**-3.4**	**1,878**	**1,972**	**-4.7**
Other countries total*	**1,669**	**1,654**	**0.9**	**389**	**390**	**-0.3**
Group total	**9,071**	**9,315**	**-2.6**	**2,267**	**2,362**	**-4.0**

* net sales in countries other than Finland

Operating profit by segment (€ million)	**1-12/ 2014**	**1-12/ 2013**	**Change**	**10-12/ 2014**	**10-12/ 2013**	**Change**
Food trade	196.0	208.0	-12.0	44.2	48.3	-4.1
Home and speciality goods trade	-85.0	-2.1	-82.9	7.1	23.3	-16.2
Building and home improvement trade	52.4	24.8	27.6	10.1	-1.0	11.1
Car and machinery trade	29.4	33.9	-4.5	1.6	3.3	-1.7
Common operations and eliminations	-41.5	-16.3	-25.2	-31.3	-5.9	-25.4
Group total	**151.4**	**248.4**	**-97.1**	**31.7**	**68.0**	**-36.4**

Operating profit excl. non-recurring items	**1-12/**	**1-12/**		**10-12/**	**10-12/**	

by segment (€ million)	2014	2013	Change	2014	2013	Change
Food trade	202.4	203.3	-0.8	46.7	48.3	-1.6
Home and speciality goods trade	-37.4	-8.3	-29.0	11.0	21.6	-10.6
Building and home improvement trade	57.7	25.7	32.0	11.9	-1.1	12.9
Car and machinery trade	29.6	33.9	-4.3	1.8	3.3	-1.5
Common operations and eliminations	-19.7	-15.8	-4.0	-9.5	-5.4	-4.2
Group total	**232.6**	**238.8**	**-6.2**	**61.9**	**66.8**	**-4.9**

Operating margin excl. non-recurring items by segment, %	1-12/ 2014	1-12/ 2013	Change pp	10-12/ 2014	10-12/ 2013	Change pp
Food trade	4.7	4.6	0.1	4.2	4.2	-0.0
Home and speciality goods trade	-2.8	-0.6	-2.3	2.8	4.9	-2.1
Building and home improvement trade	2.2	1.0	1.2	2.0	-0.2	2.2
Car and machinery trade	2.9	3.3	-0.3	0.8	1.5	-0.6
Group total	**2.6**	**2.6**	**0.0**	**2.7**	**2.8**	**-0.1**

Capital employed by segment, cumulative average (€ million)	1-12/ 2014	1-12/ 2013	Change	10-12/ 2014	10-12/ 2013	Change
Food trade	772	821	-49	765	790	-26
Home and speciality goods trade	395	445	-50	383	403	-20
Building and home improvement trade	716	732	-16	703	692	11
Car and machinery trade	162	161	1	167	172	-5
Common operations and eliminations	309	278	31	305	312	-8
Group total	**2,354**	**2,438**	**-83**	**2,323**	**2,370**	**-47**

Return on capital employed excl. non-recurring items by segment, %	1-12/ 2014	1-12/ 2013	Change pp	10-12/ 2014	10-12/ 2013	Change pp
Food trade	26.2	24.8	1.5	24.4	24.4	0.0
Home and speciality goods trade	-9.5	-1.9	-7.6	11.5	21.4	-10.0
Building and home improvement trade	8.1	3.5	4.5	6.8	-0.6	7.4
Car and machinery trade	18.3	21.1	-2.8	4.3	7.8	-3.4
Group total	**9.9**	**9.8**	**0.1**	**10.7**	**11.3**	**-0.6**

Capital expenditure by segment (€ million)	1-12/ 2014	1-12/ 2013	Change	10-12/ 2014	10-12/ 2013	Change
Food trade	91	92	0	19	24	-4
Home and speciality goods trade	17	23	-6	5	6	-1
Building and home improvement trade	60	38	22	16	11	5
Car and machinery trade	14	15	-1	3	3	-1
Common operations and eliminations	11	4	7	0	2	-2
Group total	**194**	**171**	**23**	**43**	**47**	**-3**

Segment information by quarter

Net sales by segment (€ million)	1-3/ 2013	4-6/ 2013	7-9/ 2013	10-12/ 2013	1-3/ 2014	4-6/ 2014	7-9/ 2014	10-12/ 2014
Food trade	1,045	1,099	1,095	1,148	1,007	1,106	1,085	1,119
Home and speciality goods trade	345	322	351	439	312	288	323	393
Building and home improvement trade	562	740	710	596	581	736	696	585
Car and machinery trade	249	301	260	226	272	283	240	216
Common operations and eliminations	-42	-41	-43	-46	-44	-42	-40	-45
Group total	**2,159**	**2,420**	**2,374**	**2,362**	**2,129**	**2,371**	**2,304**	**2,267**

Operating profit by segment (€ million)	1-3/ 2013	4-6/ 2013	7-9/ 2013	10-12/ 2013	1-3/ 2014	4-6/ 2014	7-9/ 2014	10-12/ 2014
Food trade	48.2	55.1	56.5	48.3	45.4	52.0	54.4	44.2
Home and speciality goods trade	-17.7	-5.6	-2.1	23.3	-54.5	-17.6	-20.0	7.1
Building and home improvement trade	-16.1	18.0	23.9	-1.0	-9.7	28.6	23.5	10.1
Car and machinery trade	7.8	13.0	9.8	3.3	8.2	10.9	8.7	1.6
Common operations and eliminations	-3.0	-3.4	-4.0	-5.9	-2.5	-4.5	-3.2	-31.3
Group total	**19.2**	**77.0**	**84.1**	**68.0**	**-13.0**	**69.4**	**63.4**	**31.7**

Operating profit excl. non-recurring items by segment (€ million)	**1-3/ 2013**	**4-6/ 2013**	**7-9/ 2013**	**10-12/ 2013**	**1-3/ 2014**	**4-6/ 2014**	**7-9/ 2014**	**10-12/ 2014**
Food trade	48.2	50.8	56.0	48.3	46.5	52.9	56.3	46.7
Home and speciality goods trade	-17.8	-10.0	-2.2	21.6	-22.7	-18.3	-7.4	11.0
Building and home improvement trade	-16.6	19.5	23.9	-1.1	-10.4	26.6	29.6	11.9
Car and machinery trade	7.8	13.0	9.8	3.3	8.2	10.9	8.7	1.8
Common operations and eliminations	-3.0	-3.4	-4.0	-5.4	-2.5	-4.5	-3.2	-9.5
Group total	**18.6**	**69.8**	**83.6**	**66.8**	**19.1**	**67.6**	**84.0**	**61.9**

Operating margin excl. non-recurring items by segment, %	**1-3/ 2013**	**4-6/ 2013**	**7-9/ 2013**	**10-12/ 2013**	**1-3/ 2014**	**4-6/ 2014**	**7-9/ 2014**	**10-12/ 2014**
Food trade	4.6	4.6	5.1	4.2	4.6	4.8	5.2	4.2
Home and speciality goods trade	-5.2	-3.1	-0.6	4.9	-7.3	-6.3	-2.3	2.8
Building and home improvement trade	-3.0	2.6	3.4	-0.2	-1.8	3.6	4.3	2.0
Car and machinery trade	3.1	4.3	3.8	1.5	3.0	3.8	3.6	0.8
Group total	**0.9**	**2.9**	**3.5**	**2.8**	**0.9**	**2.9**	**3.6**	**2.7**

Change in tangible and intangible assets (€ million)

	31.12.2014	**31.12.2013**
Opening net carrying amount	**1,840**	**1,870**
Depreciation, amortisation and impairment	-195	-153
Investments in tangible and intangible assets	204	210
Disposals	-18	-64
Currency translation differences	-29	-22
Closing net carrying amount	**1,802**	**1,840**

Related party transactions (€ million)

The Group's related parties include its key management (the Board of Directors, the Managing Director and the Group Management Board) and companies controlled by them, the Group's subsidiaries, associates and joint ventures as well as Kesko Pension Fund.

The following transactions were carried out with related parties:

	1-12/2014	**1-12/2013**
Sales of goods and services	79	83
Purchases of goods and services	21	19
Other operating income	10	10
Other operating expenses	29	28
Finance income and costs	0	0

	31.12.2014	**31.12.2013**
Receivables	8	8
Liabilities	20	19

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

	Level 1	**Level 2**	**Level 3**	**31.12.2014**
Financial assets at fair value through profit or loss	**24**	**196**		**219**
Derivative financial instruments at fair value through profit or loss				
Derivative financial assets		32		32
Derivative financial liabilities		16		16
Available-for-sale financial assets	**65**	**206**	**13**	**285**

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

	Level 1	**Level 2**	**Level 3**	**31.12.2013**
Financial assets at fair value through profit or loss	**14**	**157**		**171**
Derivative financial instruments at fair value through profit or loss				
Derivative financial assets		3		3

Derivative financial liabilities		22		22
Available-for-sale financial assets	**57**	**341**	**17**	**415**

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

Personnel, average and as at 31.12.

Personnel average by segment	**1-12/2014**	**1-12/2013**	**Change**
Food trade	3,444	3,143	301
Home and speciality goods trade	5,480	5,751	-271
Building and home improvement trade	9,357	8,910	447
Car and machinery trade	1,244	1,252	-8
Common operations	451	433	18
Group total	**19,976**	**19,489**	**487**

Personnel at 31.12.* by segment	**2014**	**2013**	**Change**
Food trade	3,833	3,570	263
Home and speciality goods trade	7,817	8,483	-666
Building and home improvement trade	10,375	10,066	309
Car and machinery trade	1,241	1,261	-20
Common operations	528	483	45
Group total	**23,794**	**23,863**	**-69**

* total number incl. part-time employees

Group's commitments (€ million)	**31.12.2014**	**31.12.2013**	**Change, %**
Own commitments	202	198	2.3
For associates and joint ventures	65	65	0.0
For others	11	10	4.8
Lease liabilities for machinery and equipment	25	25	-1.4
Lease liabilities for real estate	2,276	2,368	-3.9

Liabilities arising from derivative instruments (€ million)

Values of underlying instruments at 31.12.	**31.12.2014**	**31.12.2013**	**Fair value 31.12.2014**
Interest rate derivatives			
Interest rate swaps	101	202	-0.50
Currency derivatives			
Forward and future contracts	328	308	22.63
Option agreements	-	3	-
Currency swaps	50	100	-0.79
Commodity derivatives			
Electricity derivatives	21	31	-5.35

Calculation of performance indicators

Return on capital employed, %	Operating profit x 100 / (Non-current assets + Inventories + Receivables + Other current assets - Non-interest-bearing liabilities) on average for the reporting period
Return on capital employed excl. non- recurring items, %	Operating profit excl. non-recurring items x 100 / (Non-current assets + Inventories + Receivables + Other current assets - Non-interest-bearing liabilities) on average for the reporting period
Return on equity, %	(Profit/loss before tax - Income tax) x 100 / Shareholders' equity
Return on equity excl. non-recurring items, %	(Profit/loss adjusted for non-recurring items before tax - Income tax adjusted for the tax effect of non-recurring items) x 100 / Shareholders' equity
Equity ratio, %	Shareholders' equity x 100 / (Total assets - Prepayments received)

Earnings/share, diluted	(Profit/loss - Non-controlling interests) / Average diluted number of shares
Earnings/share, basic	(Profit/loss - Non-controlling interests) / Average number of shares
Earnings/share excl. non-recurring items, basic	(Profit/loss adjusted for non-recurring items - Non-controlling interests) / Average number of shares
Equity/share	Equity attributable to equity holders of the parent / Basic number of shares at the balance sheet date
Gearing, %	Interest-bearing net liabilities x 100 / Shareholders’ equity
Interest-bearing net debt	Interest-bearing liabilities - Money market investments - Cash and cash equivalents

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

	1.1.-31.12.2014		1.10.-31.12.2014	
K-Group's retail and B2B sales	**€ million**	**Change,%**	**€ million**	**Change,%**
K-Group's food trade				
K-food stores, Finland	4,604	-2.3	1,183	-2.7
Kespro	783	-1.7	199	-1.5
K-ruoka, Russia	103	46.9	27	-5.4
Food trade total	**5,491**	**-1.6**	**1,409**	**-2.6**
K-Group's home and speciality goods trade				
Home and speciality goods stores, Finland	1,404	-9.0	418	-9.0
Home and speciality goods stores, other countries	29	-11.2	7	-9.5
Home and speciality goods trade total	**1,433**	**-9.1**	**425**	**-9.1**
K-Group's building and home improvement trade				
K-rauta and Rautia	1,003	-2.1	218	-7.3
Rautakesko B2B Service	187	-0.2	45	-2.6
K-maatalous	463	0.6	108	-0.8
Finland total	**1,653**	**-1.1**	**371**	**-4.9**
Building and home improvement stores, other Nordic countries	868	-6.4	200	-6.6
Building and home improvement stores, Baltic countries	448	16.1	120	16.1
Building and home improvement stores, other countries	375	-0.8	88	-5.3
Building and home improvement trade total	**3,344**	**-0.6**	**779**	**-2.7**
K-Group's car and machinery trade				
VV-Autotalot	389	2.0	94	1.0
VV-Auto, import	387	1.3	82	-7.2
Konekesko, Finland	161	-9.1	29	-17.6
Finland total	**936**	**-0.4**	**206**	**-5.4**
Konekesko, other countries	101	-15.4	14	-1.3
Car and machinery trade total	**1,037**	**-2.1**	**220**	**-5.1**
Finland total	**9,381**	**-2.9**	**2,377**	**-4.4**
Other countries total	**1,924**	**0.5**	**456**	**-1.1**

Retail and B2B sales total	**11,305**	**-2.4**	**2,832**	**-3.8**