

# KESKO

*Annual Report 2001*



# Kesko's business idea

Kesko is Finland's leading trading sector marketing and logistics company. We actively develop the trading services valued by both retail and wholesale customers. We also act as a retailer on our own account and in close chain co-operation with retailers.

## Our core competence areas:

- creation of new trading systems and store types
- purchasing and logistics services
- marketing
- development of retail store network

## Contents

Year 2001 in brief .....	3
Kesko – the Trade Maker .....	4
Strategy .....	5
Review by the President and CEO .....	6
Operating environment .....	8
Values .....	12
Divisions in brief .....	13
Personnel .....	14
Corporate responsibility at Kesko .....	18
Risk management .....	22
Real estate .....	23
Kesko Food .....	24
Rautakesko .....	28
Kesko Agro .....	32
Keswell .....	36
Kaukomarkkinat .....	40
VV-Auto .....	43
Report by the Board of Directors .....	46
Income statement .....	53
Balance sheet .....	54
Cash flow statement .....	56
Notes to the financial statements .....	57
Key indicators by quarter .....	71
Group in figures .....	72
Calculation of key indicators .....	74
Auditors' report .....	75
Shares and shareholders .....	76
Corporate Governance .....	83
Kesko's Board of Directors .....	86
Corporate Management Board .....	88
Addresses and subsidiary information .....	90
Additional information about Kesko for investors .....	93
Information for shareholders .....	94
Brands .....	95



# Year 2001 in brief

## Net sales and profit

The Group's net sales were EUR 6,214 million, a decrease of 1.5%.

The profit before extraordinary items was EUR 85.7 million, a decrease of 31.9%.

## Introduction of chain operations

A chain operations reform involving Kesko and about 1,450 K-retailers was introduced at the beginning of 2001.

## Incorporation of business operations

Business operations were incorporated into four subsidiaries:

Kesko Food Ltd, Rautakesko Ltd, Kesko Agro Ltd and Keswell Ltd.

## Concentration on core businesses continued

In October, Rautakesko made a logistics co-operation agreement with Finland Post Corporation.

Kesko Corporation sold a majority shareholding (80%) in its IT subsidiary, Tietokesko Oy, to TietoEnator Corporation.

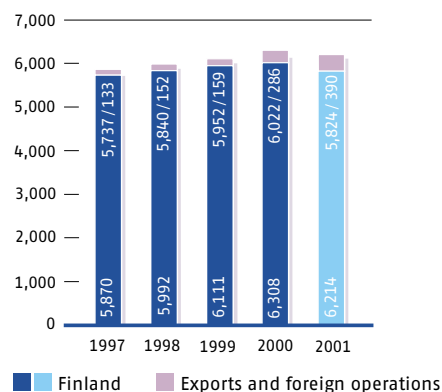
At the beginning of 2002, Kesko sold the business operations of the Carrols hamburger chain to the Burger-In Group.

## Focus on growth and competitiveness

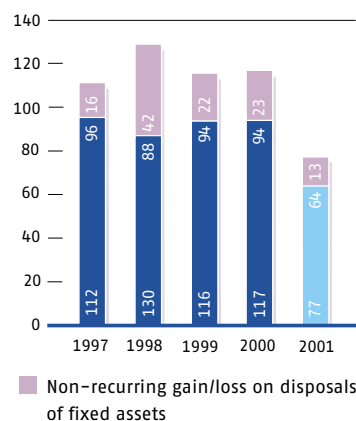
Active programme of investments to develop the retail store network in Finland, Sweden and the Baltic countries was continued.

The Group's investments totalled EUR 206.4 million

Group net sales, EUR million



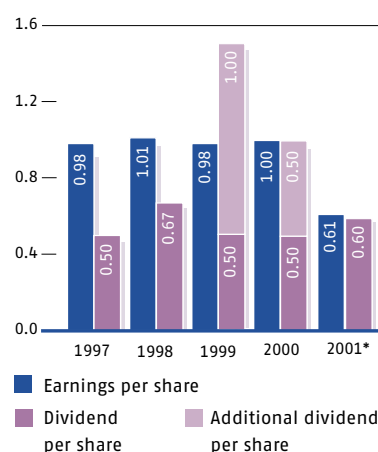
Group operating profit, EUR million



KEY FIGURES	2000	2001	Change, %
Net sales, EUR million	6,308	6,214	-1.5
Operating profit, EUR million	117	77	-34.3
Profit before extraordinary items, EUR million	126	86	-31.9
Return on invested capital, %	8.5	6.6	
Return on equity, %	6.4	4.1	
Investments, EUR million	247	206	-16.4
Cash flow from operations, EUR million	129	209	62.1
Equity ratio, %	54.7	53.6	
Gearing ratio, %	16.3	12.7	
Personnel (average)	11,099	11,544	4.0
Dividend per share, EUR	1.00	0.60*	-40.0
Earnings per share, EUR	1.00	0.61	-39.4
Equity per share, adjusted, EUR	15.31	14.93	-2.5

\* proposal to the Annual General Meeting

Earnings and dividend per share, EUR



# Kesko – the Trade Maker

## Chains combine the benefits of local enterprise and centralisation

Kesko and the K-retailers act in close chain co-operation for each store type. In a chain operation, the whole business is managed from customers to suppliers.

## Kesko has well-known trading concepts and an extensive store network

Kesko develops and refines its trading concepts and operating systems. The development of retailing concepts is based on consumer needs and the efficiency of the logistics chain. Kesko also develops the retail store network as a whole, is responsible for acquiring and constructing key retail sites and training the personnel. This makes Kesko an interesting partner for both suppliers and retailers.

## Kesko is a versatile distribution channel

Kesko is the most versatile distribution and marketing channel in Finland for suppliers in its lines of business. Kesko strives for long-term co-operation with domestic and foreign suppliers. This ensures efficiency for the logistics chain and safe, high-quality products for customers. Long-standing co-operation also makes it possible to offer ecologically and ethically sustainable services.

## Chains ensure customer promises are met

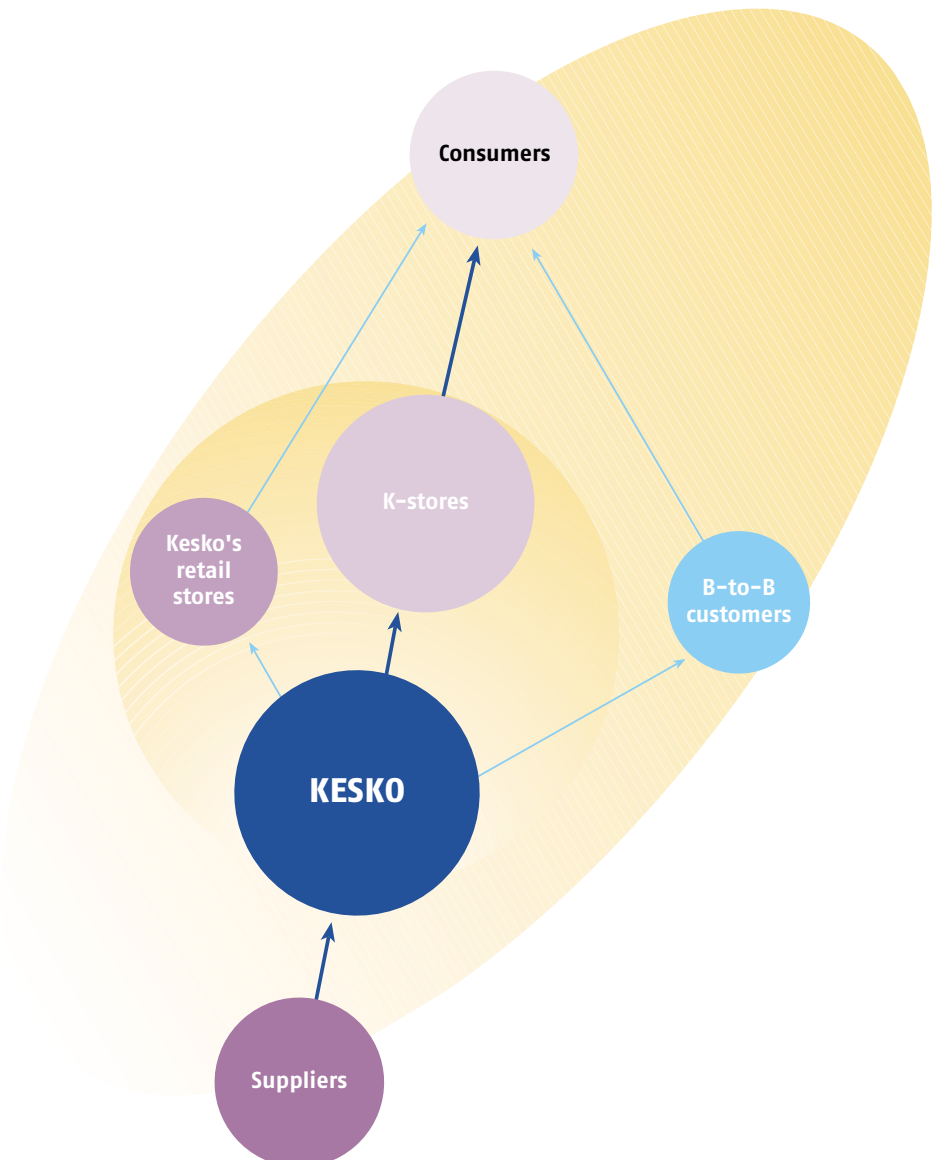
The basic advantage of chain operations is standardised chain selections. Customers find uniform product ranges and services at all stores of the chain. Joint marketing brings cost savings and highlights chain brands. It also creates opportunities for developing customer loyalty. Plussa ([www.plussa.com](http://www.plussa.com)) is the leading customer loyalty programme in

the Finnish trading sector, with a total of nearly 2.7 million cardholders.

## Centralised purchasing gives competitive advantage

By centralising purchases Kesko can get lower purchase prices, decrease logistical costs and combine resources to achieve price competitiveness. Information management gives Kesko logistical

superiority. International alliances, such as AMS, EP:International, EuroMat, Intersport and the World Wide Retail Exchange increase the efficiency of purchasing logistics by creating volume and synergy benefits. The centralisation of purchases benefits not only retailers and consumers but also Kesko's wholesale customers, such as restaurants and industry.



# Strategy

## Kesko's strategy

### Multi-channel strategy

- consumer trade – B-to-B trade – e-commerce
- diversified operations ensure even growth and profitability

### Focal areas

- market leader in the food trade and hardware and builders' supplies trade
- growth in the Nordic and Baltic countries

### Retailer entrepreneurship a key competitive advantage in Finland

- local knowledge and flexibility

### Active internationalisation

- 20% of net sales by 2005
- improvement of international purchasing co-operation
- active evaluation of alliances in different product lines

### Group-wide customer strategy (Plusa)

- wide use of Internet

### Improvement of competitiveness through concentration

- development of chain management and quality systems
- active maintenance of retail store network
- retailer training and Kesko employees' knowledge of retailing

### Corporate responsibility as a basis of operations

- comprehensive corporate nationality as a competitive advantage

## Kesko's vision

Kesko is the leading trading company in its market.

## Kesko's mission

Kesko supplies its customers with the best possible products and services. Kesko is esteemed highly as an employer, business partner and investment target.

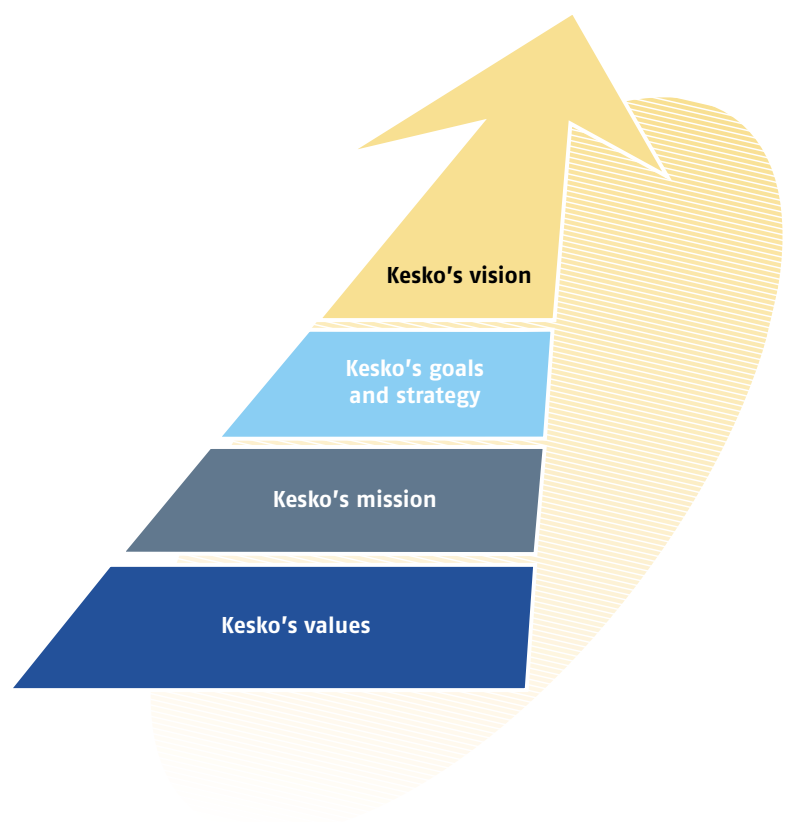
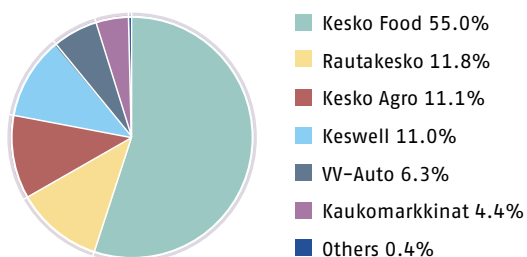
## Kesko's values

Kesko's values are presented on page 12.

## Dividend policy

Kesko distributes at least a third of its earnings per share as dividends, or a half if the equity ratio exceeds 50 percent.

Breakdown of net sales by division in 2001



# *Review by the President and CEO*

Following Finland's accession to the European Union, international retail chains have gradually filtered into the Finnish market. These chains have a great deal of experience in developing their operations abroad, and they will undoubtedly increase competition in the Finnish retailing sector.

Finnish trading companies are meeting the competition by increasing their efficiency and increasing their sales not only domestically, but beyond national frontiers, too.

At Kesko, this means that we are complementing our Finnish projects by actively expanding retail operations in the Nordic and Baltic countries. The spearheads of our strategy are the food trade and the hardware and builders' supplies trade, though the agricultural and machinery trade, too, has strong potential for success in the Baltics. At present, exports and foreign operations account for over six percent of our net sales, and we will continue to grow more rapidly abroad than in Finland.

Our target is to increase the proportion of our foreign operations to one fifth of the Group's total sales over the coming few years. Growth is being sought through the establishment of new stores and through company acquisitions.

In the consumers' eyes, internationally successful trading companies have uniform business practices. Kesko and K-stores will also focus on customer-orientation, capitalising on chain operations. This will enable us to ensure our success in the face of future competition and maintain our position as the leading trading company in Finland. For this purpose, we reformed, together with K-retailers, the co-operation sys-

tem that had been applied for decades. The reform required extensive financial and human resources, which is also reflected in Kesko's sales development and performance for last year.

In addition to retail operations we are strongly developing our services to the catering sector, the manufacturing industry and other companies. We have increased our offering on the Internet in all product lines and have received positive feedback from our customers. Over the next few years, an increasing proportion of Kesko's B-to-B business will be transferred to the Internet. New generation wholesale outlets in Lahti and Vantaa represent a completely new service concept of our Group, as they serve business customers with a broader selection and long opening hours.

Besides commercial operations, we have paid serious attention to Kesko's relations with the surrounding community. Last May, Kesko became the first Finnish company to publish an extensive report on corporate responsibility. It has brought us a great deal of positive feedback and the Finnish Forum of Environmental Experts gave Kesko the award of best overall corporate responsibility reporter of 2001.

Last year, the volume of the Finnish wholesale trade, including cars, grew by about 0.5% compared with the previous year. The volume of retail trade grew by about 2.8%.

The net sales of the Kesko Group dropped by one and a half percent and our profit before extraordinary items decreased by about one third. We cannot be satisfied with these results and thus already started implementing corrective measures last autumn.

The lower level of performance is also reflected in the Board of Directors' proposed distribution of dividend, which is lower than that of the previous year.

Last year was exceptional in many respects, but the work we carried out was absolutely necessary for the K-Alliance. I would like to thank our personnel for realising what has probably been the most profound change in Kesko's history.

The basic work has now been completed and each person has found his or her specific role in the new operating system. Forecasts for consumption growth are positive and consumer optimism is returning again. I am certain that this year will be more successful for Kesko than the previous one.

I would like to express my special thanks to all of our customers, partners and shareholders for your understanding regarding these changes, which were made – above all – with our customers' interests in mind.

**Matti Honkala**  
President and CEO



Our target is to increase the proportion of our foreign operations to one fifth of the Group's total sales over the coming few years.

# Operating environment

## *The trading sector is growing, internationalising and chains are being formed*

Key changes underway in the trading sector include:

- centralisation and the formation of chains
- increasing international competition
- the growing importance of information technology and customer management in directing business operations

In the future, different Kesko product lines will be affected by economic development not only in Finland, but also in neighbouring areas. Important factors include consumers' disposable income and purchasing power, as well as private and public investments.

Changes in consumer behaviour and consumption habits have highlighted individuality, the quest for comfort and ease and the growing importance of quality and differentiation. These changes have increased the demand that store formats as well as their product and service concepts should be developed to fulfil consumer needs and expectations.

Kesko has responded to the changes in the competitive environment by pinpointing its strategy: shifting the focus more on its key business operations and

increasing the efficiency of chain operations between Kesko and its stores.

Extensive investments and the systematic expansion in Finland's neighbouring areas will continue. For more information about Kesko's strategy, see [page 5](#).

### **More centralised and international trading**

In Europe and globally, across many product lines, companies operating with only one store format are expanding their operations to new markets with this uniform concept. They are expanding their sales network by establishing new stores and making company acquisitions.

Kesko has reacted to the changes in its operating environment by increasing the coherence of its chain operations in Finland, enhancing store concepts and making them more efficient, concentrat-

ing in its areas of key expertise, and by seeking growth in the Nordic and Baltic countries. Service operations have been outsourced and some less important business operations have been relinquished. In the next few years annual foreign investments are expected to exceed some 50 million euros. The target is to raise the proportion of net sales from outside Finland to 20% by the year 2005 and to attain

- in the food trade, a 25% share of the Baltic market
- in the hardware and builders' supplies trade, a 30% share of the Baltic market and a 10% share of the Swedish market, as well as rising to become the biggest hardware and builders' supplies store chain in the Nordic and Baltic countries
- in the agricultural and machinery trade, the leading position in the Baltic market
- international purchasing co-operation in different product lines

For more information about internationalisation, see the division parent companies' reviews on [pages 24-45](#).

### **Formation of chains**

At the beginning of 2001, Kesko and K-stores started a new operating sys-

The trading sector is characterised by growing competition, formation of chains and an increasing focus on customer management.

The photo on the left shows Satu Karilainen of Kesko Shoes and the photo on the right Anita Katila (left) and Antti Muhonen of Anttila Oy.





tem that combines the best parts of entrepreneurship and chain operations:

- **Retailer-entrepreneurs are responsible** for their own stores' operations and profitability, local marketing, purchasing local products and strengthening customer relations. The retailer is also always responsible for the management and development of store personnel.
- **Kesko is responsible** for creating strategies for different product lines and for the continuous development of store concepts in co-operation with retailers. Kesko purchases the products included in the joint chain selection and is responsible for nationwide and regional chain marketing. Kesko provides the required store sites, information systems and training for chain operations.

Retailer entrepreneurship is being developed as a competitive asset of the K-Alliance in Finland. The reform is clarifying the distribution of duties between Kesko and retailers, thereby increasing the efficiency of both parties. The annual growth of Kesko's profits and cost savings after the implementation of the reform is estimated to exceed 35 million euros.

The majority of new stores are established in centres of growth, where purchasing power is concentrated. Changes in consumption habits are taken into account when developing store types and building new stores.

The majority of store site investments in Finland (over 100 million euros each year) are directed to large store types:

- large store types: K-citymarket and K-superstore in the food trade, Inter-sport megastore in the sports trade, Musta Pörssi Maailma in the home electronics trade, Kodin Ykkönen department stores for home goods and interior decoration, and K-rauta hardware and builders' supplies stores
- in Finland Kesko aims at a store network which covers the entire country

- in the Baltics Kesko invests mainly in Säästumarket, Citymarket, K-rauta and K-maatalous store types, and in Sweden in K-rauta department stores

#### Focus on core business

Kesko is prepared to face the internationalisation of the trading sector and with it new competition by, for example, focusing resources in its key business operations in consumer trading, B-to-B business and e-commerce. Outside Finland, the main emphasis will be on food, hardware and builders' supplies, as well as the agricultural and machinery trade.

Kesko has sold and outsourced its non-core business operations. This has freed capital and increased the efficiency of operations:

- Tietokesko Oy, Kesko's IT subsidiary, became a joint enterprise of Kesko and TietoEnator Corporation
- the publishing operations of the customer magazines have gone to Yhtyneet Kuvalehdet Oy
- real estate service and maintenance has gone to ABB Kiinteistöpalvelut Oy
- service and support activities have gone to specialised companies in the respective fields

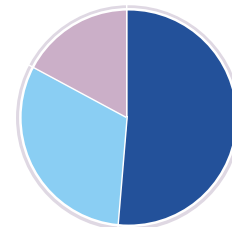
#### Information and logistics management

In the trading sector, the emphasis is shifting from the physical management of goods to the management of customer and goods information. The main targets of Kesko's logistics and information management strategies are:

- efficient management of information and goods flows to make Kesko the best distribution route for both suppliers and customers
- in logistics management and goods handling, efficiency of operations will be increased and throughput times shortened, e.g. by improving warehousing and terminal operations.

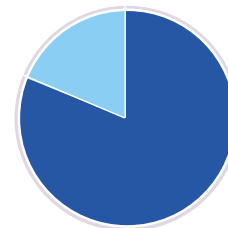
The renovation of the information systems in the main business areas has

#### Kesko's customers



- K-retailers 51.4%
- Other business and wholesale customers 31.3%
- Consumers 17.3% (own direct retail trade)

#### Kesko's purchases



- from Finland 81.1%
- from abroad 18.9%

continued on the basis of the SAP R/3 software. Basic operational applications in all business sectors will be implemented by 2004. In the next few years Kesko's annual investment in information technology will amount to some 20 million euros.

Logistics efficiency will also be improved with more coherent co-operation with leading companies in various sectors. Accordingly, Rautakesko has established a joint venture with Finland Post Corporation for its warehousing operations.

#### Electronic commerce

E-commerce and the Internet complement trading services and offering. The Internet now has an important role in B-to-B business:



Susan Mykrä (right) of K-Plus Oy in a meeting with a business partner.

- in the next few years a significant proportion of Kesko's B-to-B business will be transferred to the Internet
- Kespro (food trade to large-scale customers), Rautakesko, Kesko Agro and Kesko Machinery have been developing new web trading sites

#### Consumer trading

- NetAnttila has an established position as the best-known and most reliable Finnish trading channel
- Kesko's consumer services were combined under the [www.plussa.com](http://www.plussa.com) portal,

which benefits from the high consumer consciousness of the Plussa brand

#### Customer service

An improved recognition of customer needs and expectations combined with a higher level of customer loyalty enable a better service.

A reform of Group-wide customer strategy is underway at Kesko:

- the Plussa customer loyalty system is the key medium
- nearly 2.7 million Plussa cardholders in nearly 1.5 million Finnish households

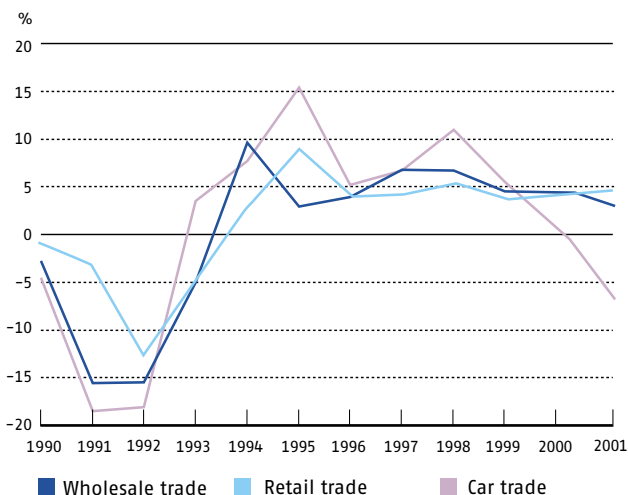
- between 40 and 85 percent of all K-store purchases, depending on the product line, are made through Plussa cards
- in 2001, Plussa customers were given a total of 59.3 million euros in Plussa vouchers

#### Corporate responsibility

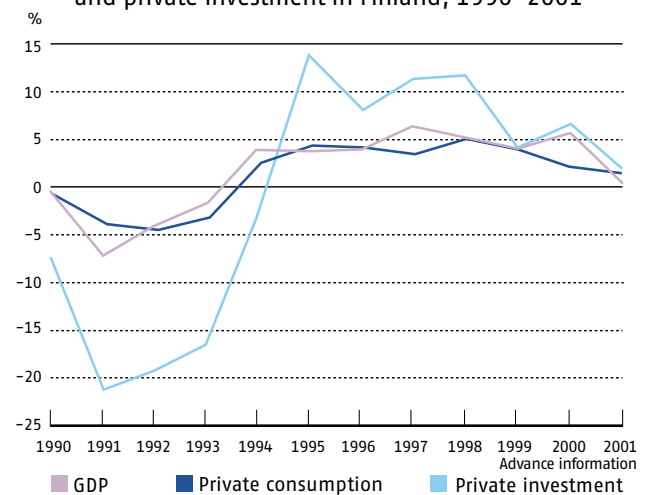
Company ethics and social responsibility are emphasised as competitive assets. Future consumers will increasingly choose products and services of those companies that recognise their corporate responsibility. At Kesko, corporate responsibility is considered to cover many issues, such as:

- Guidebook on Working Practices – the ethical principles of personnel
- the standardisation of purchasing operations, the SA 8000 standard, including the prevention of the use of child labour in manufacturing countries
- the versatile development of environmental issues in stores, including K-Environmental Store Diplomas
- increasing the number of organic products

Changes in trade volumes in Finland, 1990–2001



Changes in the gross domestic product, private consumption and private investment in Finland, 1990–2001



- energy economy of business buildings
- the development and training of personnel: the K-instituutti is one of the most important providers of adult training in Finland
- a nationwide and versatile store network

For more information about corporate responsibility, see pages 18-21. Kesko also publishes a separate corporate responsibility report for 2001 in Finnish and English. Kesko was awarded as being the best overall reporter of corporate responsibility in Finland in 2001.

#### Financial outlook for trade

Trading sector sales depend on the growth of real purchasing power in households as well as on private and public investments. Consumer moods and views of the future development of the economy and employment also have a major effect on their purchasing decisions. However, year-to-year differences inside the trading sector may be considerable.

#### Finland:

The economic outlook for 2002 continues to be uncertain. Much will depend on how the United States' economy will recover. The gross domestic product is expected to grow by some 2%, which is

one percentage point more than the year before. The growth figures of the late 1990s will not, however, be reached. The growth in private consumption will also slightly exceed that in 2001. According to the Statistics Finland's Consumer Survey, the consumers' confidence in the favourable development of both their own economic situation and Finland's strengthened in early 2002. With inflation slowing down and taxation lightening, real income will increase. Chances that housing production will pick up are good and car sales may also experience an upward turn. Year-to-year changes in the food trade are not very big, and the quantitative growth in 2002 will be about two percent.

#### Sweden:

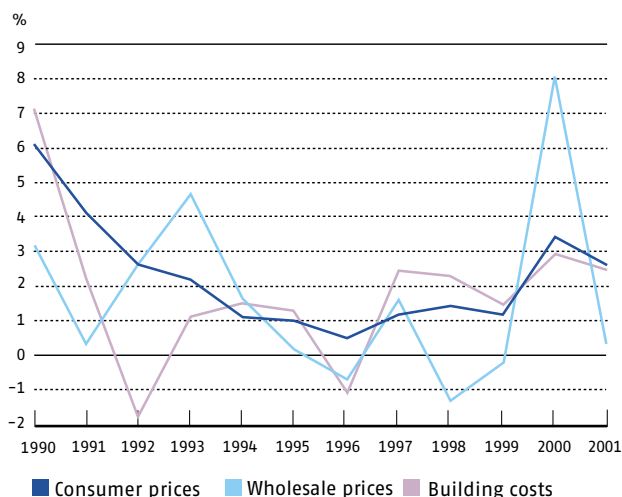
GDP and private consumption are both expected to grow faster in 2002 compared to the previous year. The rise in consumer prices is forecast to remain under two percent. Housing investments are expected to grow by about three percent and other building investments by about 10 percent. Thanks to the growth in private consumption and building investments, the growth in the Swedish hardware and builders' supplies trade is expected to slightly exceed that of 2001.

#### Baltic countries:

Growth forecasts in all Baltic states provide a good basis for Kesko's business operations in these countries. According to a forecast by the European Union, the GDP of Estonia will grow by 4.7% in 2002. The growth will be accelerated by domestic demand and the strong growth in investments. Consumer prices are expected to grow by about 4%. The GDP of Latvia is expected to grow by 4.5%. In 2001 the corresponding figure was as high as over 7% - one of the highest in all Central and Eastern European countries. In Lithuania, the GDP is expected to grow by 3.5%.

The basis for increasing sales in the trading sector is good, provided that the growth in investments and private consumption in the Baltic countries will continue in 2002 as the forecasts predict. In the agricultural trade, the sales of machinery for agriculture and animal husbandry in particular are expected to increase strongly as investment support systems get started.

Price changes in Finland, 1990-2001



#### Market outlook in 2002

	Total market EUR billion	Change %, estimate
<b>Kesko Food</b>	<b>22.7</b>	
Finland	18.2	+2-+3
Baltics	4.5	+5-+6
<b>Rautakesko</b>	<b>8.1</b>	
Finland	3.1	-1--2
Baltics and Sweden	5.0	+3 Sweden, 0 Baltics
<b>Kesko Agro</b>	<b>3.5</b>	
Finland	2.9	-5
Baltics	0.6	+5
<b>Keswell</b>	<b>7.5</b>	+3

# Values

*Our employees and operations are guided by the personnel strategy and Kesko's values. The latter were revised in thorough value discussions in autumn 2001, and approved by Kesko's Board of Directors at their meeting in February 2002. Kesko's values are discussed in numerous events to be arranged for the personnel during spring 2002.*

We recognise our customers' needs and expectations. We strive to offer them positive experiences through the continual reform of our operations and emphasis on entrepreneurial activity.

We offer our customers the best products and services in the market to ensure our competitiveness and success.

**We exceed our customers' expectations**

**We are the best operator in the trading sector**

We operate in an open, interactive working community where people are respected and every individual can contribute to the maximum and use initiative.

**We create a good working community**

**We bear our corporate responsibility**

Our operations are responsible and we follow ethically acceptable principles in all actions within our working community and in relations with our partners.

# *Divisions in brief*

## *Kesko Food*

Kesko Food Ltd is a developer of food trade operating systems and operates as a wholesaler and retailer in Finland and neighbouring countries. The food trade is the largest of Kesko's divisions. Kesko Food aims at being the leading marketer and specialist in food and other grocery trading in Finland. Kesko's efficiency is derived from its customer oriented approach, and good management and continuous development of its logistics chain.

Kesko Food is responsible for the development of the K-food store network and retailer resources. Pages 24-27.

- Net sales EUR 3,433 million (EUR 3,453 million in 2000)
- Operating profit EUR 40.0 million (EUR 41.0 million in 2000)

## *Rautakesko*

Rautakesko Ltd develops the K-rauta and Rautia chains, its Industrial and Constructor Sales and is responsible for their marketing, purchasing and logistics services, network and retailer resources. In addition to Finland, Rautakesko carries on retail trade in Sweden, Estonia and Latvia and wholesale trade in Russia. The hardware and builders' supplies trade is one of Kesko's focal areas. Rautakesko's aim is to become the leading chain in this trading sector in the Nordic and Baltic countries. Pages 28-31.

- Net sales EUR 746 million (EUR 786 million in 2000)
- Operating profit EUR 4.3 million (EUR 6.4 million in 2000)

## *Kesko Agro*

Kesko Agro Ltd purchases and sells animal feed, chemicals and agricultural machinery, and is involved in the grain trade. In addition to Finland, Kesko Agro is active in the Baltic countries. Kesko Machinery Ltd, a subsidiary of Kesko Agro, purchases and sells through its own network heavy machines for professional and commercial use, as well as light machinery, boats and boating equipment for consumers. Pages 32-35.

- Net sales EUR 699 million (EUR 625 million in 2000)
- Operating profit EUR 6.2 million (EUR 4.5 million in 2000)

## *Keswell*

Keswell Ltd specialises in the home and speciality goods trade. Its chains consisting of well-known retail stores have gained a strong position in Finland selling home technology, sports goods, shoes, home goods and interior decoration items. Keswell develops operating systems and the store network, manages the store chains and is responsible for the purchasing of goods, logistics and chain marketing. Its biggest subsidiary, Anttila Oy, is one the biggest retailers in the home and speciality goods trade in Finland. Pages 36-39.

- Net sales EUR 695 million (EUR 726 million in 2000)
- Operating profit EUR -5.9 million (EUR -7.8 million in 2000)

## *Kaukomarkkinat*

Kaukomarkkinat Oy is the leading Finnish trading house operating internationally. It has over 20 subsidiaries or representative offices abroad. Kaukomarkkinat specialises in international technical trading, the import and wholesale of the world's leading branded products as well as the import, manufacture and marketing of high-quality optics. Pages 40-42.

- Net sales EUR 291 million (EUR 294 million in 2000)
- Operating profit EUR 6.8 million (EUR 4.5 million in 2000)

## *VV-Auto*

VV-Auto Oy imports Volkswagen and Audi cars and Volkswagen commercial vehicles. Its subsidiary, Auto-Span Oy, is responsible for importing and marketing Seat cars. In addition, the companies import original spare parts and accessories for the cars and arrange training, in their own training centre, for the personnel of the service and repair workshop network. Pages 43-45.

- Net sales EUR 391 million (EUR 482 million in 2000)
- Operating profit EUR 14.2 million (EUR 17.8 million in 2000)

# Personnel

*Competent and motivated people are an important resource for Kesko and form the basis of its competitiveness. The strategy-driven development of competence, leadership based on values, management model and quality thinking, combined with a working community which promotes development, are the cornerstones of Kesko's human resources strategy. Kesko wants to be the most attractive and stimulating employer in the trading sector.*

In 2001 Kesko published its first extensive personnel report as part of a Corporate Responsibility Report. A more detailed review on personnel issues will be given in the 2001 Corporate Responsibility Report, to be published later in spring 2002.

## Personnel strategy

### - defines the direction

Kesko's strategic direction has been defined more closely, its commercial profit divisions have been incorporated into division parent companies and chain operations have been intensified. International operations have also been expanded. Personnel strategy has been adapted to correspond to the new circumstances.

The key aspects of Kesko's personnel strategy are competence, leadership based on values, management model and quality management, and the willingness to create a good working community which promotes development.

Business strategy defines the kind of competence Kesko needs in order to

ensure its competitiveness. The competence of both the personnel and the organisation are being systematically developed and managed. An operating system based on competence management will be adopted unit by unit within Kesko during 2002.

## Values

### - guide operations

As well as by strategy, personnel and operations are guided by Kesko's values. In autumn 2001 the values were revised in thorough value discussions:

- we exceed our customer's expectations
- we are the best operator in the trading sector
- we create a good working community
- we bear our corporate responsibility

Kesko's values are explained in more detail on page 12. Kesko's Guidebook on Working Practices contains the key value-based operating principles on which every Kesko employee is expected to work. The guidebook gives instructions in responsible operations

with customers, other stakeholders and other Kesko employees. The guidebook is to be revised during 2002. Our ethical principles can also be read at [www.kesko.fi/Kesko](http://www.kesko.fi/Kesko) in brief.

## Versatile jobs

In recruiting new employees the focus is on competence, education, good work performance and the willingness for self-development. The size and versatility of the Group offer good opportunities to learn different jobs and move up the career ladder: there are about 650 different job titles at Kesko. Internationalisation adds to the opportunities to work in different jobs. Career development is supported by, among other things, in-house training provided by the K-instituutti.

In-house job rotation continues to be a Kesko asset. As Kesko renews itself, internal mobility complements external recruitment. Working at Kesko is also a good stepping stone towards a K-retailer career.

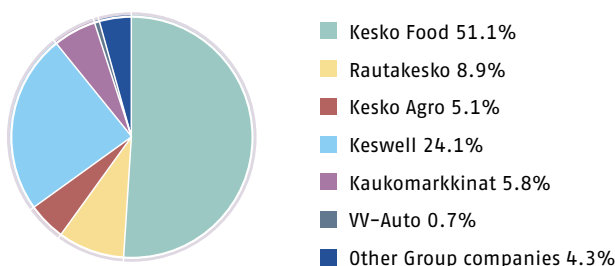
Division parent companies are responsible for the development and training of their employees. Corporate administration is responsible for the development of managers and manager potential. All units of the Group annually make self-evaluations using the criteria of the Finnish Quality Prize. This in-house quality competition is an incentive for personnel to continuously improve their working practices.

## K-instituutti

### - transforming knowledge into competence

The K-instituutti is the training centre of the K-Alliance. Its key function is to improve the competitiveness of Kesko and the K-stores by enhancing the competence of their personnel. The K-instituutti has a significant role in building the tools and methods by which the Group's competence resources are managed.

Kesko Group personnel by division at the end of 2001



General management development programmes are provided for all supervisors, managers and executives. The goal is to extend the competence and perspectives of management and to enhance their willingness to change. Development programmes for the retailing sector include courses for sales staff, store supervisors and entrepreneurs. More than half of the training programmes offered are tailored to customer needs. Internationalisation training started in 2000 continues in co-operation with Fintra.

In 2001 about 9,000 employees of Kesko and the K-stores attended courses at the K-instituutti, which is one of the biggest Finnish institutes awarding qualifications in the trading sector. About 800 K-store employees studied there in 2001 with a view to gaining a vocational qualification. Among the major training programmes in Finland were the euro training arranged for all store chains, the expansion of programmes to cover the personnel in the Baltics and Sweden, and the training in support of chain operations. The K-instituutti also started consultation in Kesko units' competence management projects.

### Good and stimulating working community

A good physical, mental and social working environment is a prerequisite for the well-being and good performance of staff. Job satisfaction is developed in many ways and is monitored systematically.

### Group job satisfaction (scale 1-5)

	1999	2000	2001
Own job	3.66	3.71	3.72
Superior's performance	3.67	3.74	3.78
Unit's operations	3.49	3.63	3.60
Kesko's operations	3.61	3.61	3.51

Pasi Arponen, IT Help Desk Operator  
Rautakesko Ltd

The survey conducted annually among the whole Group's personnel measures

- satisfaction with own job
- satisfaction with superior's performance
- satisfaction with own unit's operations
- satisfaction with Kesko's operations

The autumn 2001 survey was made for the seventh time in its present form and the response rate was quite high at 74%. The changes in job satisfaction levels are presented in the table below.

Despite sweeping changes, the employees' estimation of their immediate environment remains at a good level. Estimates concerning superior's performance and own job have improved as a result of systematic development. Besides customer relationships, room for improvement was seen in the amount of feedback received on own work performance.

The selection of "the Employee of the Month" and "the Manager of the Year" continued in 2001. They are intended to highlight individuals who set a good example in promoting Kesko's values. This practice will be continued.



Tuija Nopanen, Shop Assistant  
Keswell Ltd, Kodin Ykkönen,  
department store for home goods  
and interior decoration



Anita Katila, Department Manager Anttila



Erkki Saarinen, Warehouse Worker and Work Instructor (left)  
Tero Hietala, Warehouse Worker  
Central Warehouse 2

**"Employees of the Month" in 2001:**

**January:** Martti Turunen, Warehouse Worker at Rautakesko, Vantaa.

**February:** Sirpa Tero, Senior Sales Assistant at Kodin Ykkönen, Oulu.

**March:** Irma Jäntti, Department Manager at the Laune K-citymarket, Lahti.

**April:** Taisto Kokkonen, Driver at Kesko Food, Vantaa.

**May:** Anneli Vuokko, Wage Liaison Officer at the District Centre of South-western Finland, Turku.

**June:** Karin Nasib, Secretary at the District Centre of Western Finland, Tampere.

**July:** Merike Hulvela, Communications Officer at Corporate Communications, Helsinki.

**August:** Tuomo Pulkkanen, Systems Assistant at Kesko Machinery, Vantaa.

**September:** Heli Suhonen, Office Clerk at K-citymarket, Imatra.

**October:** Keijo Hartikainen, Wholesale Seller at Rautakesko, Vantaa.

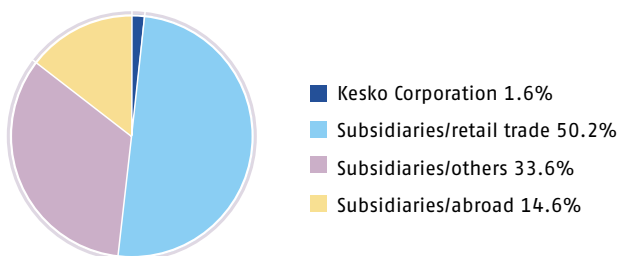
**November:** Ritva Korvala, Telephone Exchange Operator at the District Centre of Northern Finland, Oulu.

**December:** Minna Hannula, Assistant to the management of Keswell, Helsinki.

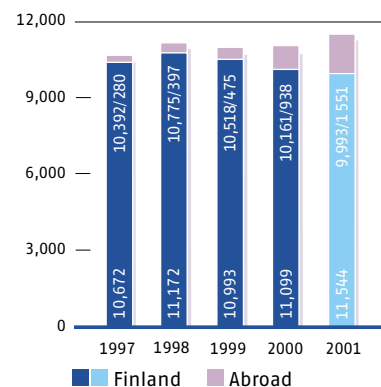
Eero Kortelainen, Logistics Manager from Tampere, was selected as the **Manager of the Year.**

Kesko personnel have several opportunities to give feedback, even directly to the top management. The "Keskonet" intranet has a channel titled "mail to the CEO" and a "direct channel" where employees may, anonymously or with their name, comment on matters related to Kesko. Keskonet received an award in a competition arranged by The Finnish Association of Organizational Communicators PROCOM.

Breakdown of Group personnel at the end of 2001



Group personnel, average







Susan Mykrä,  
Marketing Planner,  
K-Plus Oy

### Occupational health service

The occupational health service focuses on activities that maintain working capabilities. These account for some 40% of its operations. Each year about 100 employees participate in the rehabilitation programmes initiated and controlled by Kesko's own Occupational Health Service unit. The rehabilitation is implemented and paid for by the Social Insurance Institution. Additionally, a "job attitude" course for superiors, run by the Social Insurance Institution, is held in the Kesko Group. This course

prepares superiors to handle both the pressures of their job and the welfare and working capacities of their subordinates.

### Kesko Staff Club

The Kesko Staff Club arranges recreational activities for the personnel, thus promoting a good company spirit and working capability. The club offers a wide range of sporting, cultural and other activities. In the future, the activities will focus on physical fitness and exercise.

### In-house customer satisfaction

The annual in-house customer satisfaction survey has been reformed. The purpose was to survey, in addition to satisfaction, the nature of co-operation and the unambiguity of expectations and requirements. The questions were more complicated than before, which reduced the number of responses, but gave more detailed information for use in the development of each unit's operations. Overall, customer satisfaction remained at the same level as the previous year, although the differences between units were greater.

### Personnel plans

The participation of personnel in the planning and development of operations has increased openness and commitment. Each unit draws up an annual plan which includes human resources development, information flow, meeting procedures and performance appraisal discussions.

These discussions between superiors and subordinates focus on setting targets, giving feedback and planning individual development. According to the job satisfaction survey, satisfaction with performance appraisal discussions has increased further.

The present profit-sharing system involves the whole of the personnel and was introduced in Kesko Corporation and most of its subsidiaries in 1997. In addition to the total performance of the Group and the sales and performance of each unit, the key factor which contributes to the profit bonus is customer satisfaction. For management, the job satisfaction of personnel is another contributing factor. The Group performance for 2001 remained below the profit bonus limit, which is why no profit bonuses were paid for 2001.

### Operations of the K-instituutti in 1997-2001

	1997	1998	1999	2000	2001
Net sales, EUR million	2.7	3.4	4.3	4.4	4.9
Number of personnel	48	47	57	60	63
Number of student days	20,156	23,236	25,372	22,652	22,349
Number of students	7,940	8,593	9,447	6,665	9,180

# Corporate Responsibility at Kesko

*Corporate responsibility is an important part of Kesko's operating strategy. Kesko's values include responsible operations and following ethically acceptable principles within the working community and with partners.*

Kesko has defined the contents and indicators of its corporate responsibility. The definition follows the 'triple bottom line' categorisation that has become increasingly widespread internationally:

- economic responsibility
- environmental responsibility
- social responsibility

The indicators used are those suggested in the Global Reporting Initiative (GRI) guidelines. Some of these indicators have previously been used in environmental reporting.

In May 2001, Kesko became the first Finnish company to publish a report based on the GRI guidelines, and discontinued the separate environmental report. The report for 2001 will be published in Finnish and English in spring 2002. By this reporting practice, Kesko endeavours to provide incentive for cor-

porate responsibility and to promote the spreading of uniform practices. This is a brief account of the three sectors of corporate responsibility and the key results achieved.

Policies concerning corporate responsibility are included in the long-term planning and annual planning of each of Kesko's units. Kesko aims at being a pioneer in many areas of corporate responsibility, such as environmental activities, social quality control and responsibility reporting. Besides minimising environmental and social risks, a long-term target is to gain a clear competitive advantage.

## **Economic responsibility**

Economic performance is the cornerstone of corporate responsibility. If economic performance is poor, it will be difficult to be responsible in other ways. On the other hand, being socially or environmentally responsible must not reduce the economic performance of the company.

Traditional corporate reporting provides information about Kesko's economic performance, whereas the report on corporate responsibility focuses on specifying performance from the viewpoint of stakeholders' well-being. Kesko's stakeholder groups include customers, employees, shareholders, the state and municipalities, suppliers of goods and services, as well as institutions operating for the public good. Good performance provides a foundation not only to shareholders' profit expectations, but also to creating jobs, paying taxes and supporting the community.

## **Store network**

Consumers evaluate the responsibility of the store on the basis of such things as the availability of services. Together with K-retailers, Kesko aims at providing a nationwide and versatile store network in Finland, complemented by mail order and e-commerce.

At the end of 2001, there were 1,157 K-food stores, of which 744 were small stores. The stores were located in 398 towns and municipalities in all, compared with the total of 448 in Finland. 47% of all Finns live at a distance of no more than one kilometre from a K-food store. There was a total of 550 K-Alliance speciality stores in Finland. In the Baltic countries, Kesko had 37 food stores, five hardware and builders' supplies stores and seven agricultural stores, and in Sweden 10 hardware and builders' supplies stores.

## **Financial support to the community**

Kesko and its subsidiaries have traditionally given support to national and local organisations and institutions that work to benefit society. In recent years, this support has mainly been directed towards youth and sports organisations, the promotion of a healthy way of life, the protection of the environment and for children's health care. Major donations have been given to nearly one hundred recipients. The K-retailers' co-operation with local organisations and sports clubs has also been extensive.

The financial support given by the Kesko Group is specified in the Corporate Responsibility Report. One major target was the activities of the Young Finland Association, which promotes children's and young people's well-being through physical exercise and afternoon clubs. The Children's Olympics, organised annually by Kesko, attracted over 200,000 participants in summer 2001.



The K-retailers' Association, Kesko and the Finnish Association for Nature Conservation have together developed a model for K-stores that helps them to reduce their environmental impact.

## Environmental responsibility

Kesko's Board of Directors has set the strategic goal for Kesko to be the leading environmental company in the Finnish trading sector. Kesko's environmental management is based on:

- the environmental policy of 1996
- the environmental strategy approved in 1999
- the environmental plans of units
- the environmental programmes of division parent companies for 2000-2004

Kesko's major **direct** environmental impact is caused by:

- warehousing, handling and transportation of goods
- construction and use of real estate
- waste management

Kesko can reduce the impact by, for example, developing target-oriented environmental management and calculation and by improving eco-efficiency in construction.

Kesko's **indirect** impact includes environmental damage arising from the manufacture and use of the products sold. Kesko can reduce such damage by making requests to manufacturers, by promoting the sales of environmentally labelled or otherwise environmentally friendly products and by spreading environmental information to consumers. It is also important to promote the recycling and recovery of products and packaging.

### *Certification in environmental management*

Environmental systems complying with the ISO 14001 standard are used in the Kesko units that have the heaviest impact on the environment. Logistics of Kesko Food Ltd, the biggest division parent company, and Kesped Ltd, the transport and forwarding company, are the

Kesko gave support to the activities of the Young Finland Association.



first in the Finnish trading sector to have received certification. An environmental system is currently being set up for the purchasing operations of Kesko Food, with the target of receiving certification during 2002.

In March 2002, Anttila Oy became the first Finnish retail company to receive the ISO 14001 certificates for three Anttila department stores and three Kodin Ykkönen department stores specialised in home goods and interior decoration. In the next few years, all department stores will be included in the certified environmental system.

### *KELO calculation model*

The environmental calculation model KELO (short for 'sustainable logistics' in Finnish) was fully introduced in 2001. The KELO model is used for monitoring material, energy and waste flows in warehousing and terminal operations, the environmental burden caused by transportation, as well as the quantities and recovery of packaging material. Costs and environmental impacts of the operations are monitored side by side to ensure that the solutions selected support both financial and environmental targets. As a rule, environmental activities decrease costs and the required in-

vestments can be amortised quickly.

Kesko has applied for a patent covering the whole of the EU for the KELO model software.

### *Eco-efficient construction*

Kesko's building projects aim at increasing ecological efficiency. In design, the so-called 'core and shell' model is used. The model allows for several flexible changes in the 'core' business operations inside the building during the life cycle of the building. The new buildings based on this concept and completed in 2001 include the K-citymarket hypermarket in Forssa.

Kesko is involved in many national co-operation projects that increase eco-efficiency. For instance, the REKOS programme of the Technical Research Centre of Finland develops environmental labelling for business buildings, while the ProGresS environmental programme develops environmental expertise in this sector.

### *Saving energy*

Kesko has adopted the real estate and construction sector energy saving agreement (KRESS). The target of this agreement is to reduce specific heat consumption by 15% of 1998 levels by the year 2010 and to reverse the trend

in specific electricity consumption downwards by 2005. Specific consumption of electricity and heat has continued to decrease in recent years, and the targets were achieved in 2000. Nevertheless, in 2001 consumption went up slightly.

Kesko buys electricity not only for its own use, but also for the biggest K-retailers. Total electricity purchases amounted to 625 GWh in 2001, and the main supplier was Helsinki Energy. Since 1999, an environmental profile has been calculated for the consumption of electricity and heat. The profile specifies major emissions in the production of energy, the amount of radioactive waste and the breakdown of the energy used into renewable and non-renewable energy.

#### **Carbon dioxide balance**

In autumn 2001, the carbon dioxide index of listed companies was published in Finland for the first time (Taloussanomat, Green Index Ab). Carbon dioxide emissions caused by energy production for real estate, the transportation needed for operations and business trips of personnel were calculated.

Kesko's parameter for 2000 is 34 tons of CO<sub>2</sub> emissions per million euros in net sales, which exceeds the average in the Swedish trading sector. The difference is due to the fact that the proportion of electricity produced by hydro-power and nuclear power is higher in Sweden than in Finland.

More detailed information on energy consumption statistics, the environmental profile of electricity and the carbon dioxide balance for 2001 are given in the Corporate Responsibility Report.

#### **K-environmental stores**

The K-retailers' Association, Kesko and the Finnish Association for Nature Conservation have developed a statistical model that helps K-stores to reduce the environmental impact of store operations and to guide customers towards

environmentally friendly consumption. The requirements of the K-environmental store diploma – for example, a checklist with over 160 items in food stores – are reviewed annually.

An external auditor estimates how well the requirements have been fulfilled, and the K-Retailers' Association awards the diploma on the recommendation of the auditor. Subsequent audits are carried out every two years. By the end of 2001, there was a total of 181 K-environmental stores, of which 169 were food stores and 12 were hardware stores.

#### **Environmental values affect purchasing decisions**

Sales of organic foods continued to grow clearly in 2001. Kesko's selection of organic products increased, providing good opportunities for sales growth. K-retailers also offer a wide selection of organic foods from local suppliers. In the 'best organic stores of Finland' competition organised by Finfood, 13 out of the 18 stores chosen for the final were K-stores. The Seilori K-superstore was the winner in the category of medium-sized stores for the second year in succession.

Rautakesko offers a wide selection of products with environmental, energy or emission category labelling. The proportion of certified timber and furniture is growing, as is the recycling of impregnated timber and paint cans. Several recycling experiments are underway in the speciality goods trade. Kesko is an important supplier of raw material to Muovix Oy, which started manufacturing recycled plastic products for mainly agricultural uses in November 2000.

#### **Social responsibility**

Social responsibility includes ensuring the well-being of corporate personnel and the ethical working environment and conditions in the companies that are part of the products supply chain.

There is plenty of information available on the composition, well-being and opinions of corporate personnel, presented in the Corporate Responsibility Report and on pages 14-17 of this annual report.

The work in the supply chain first focuses on the countries and product groups where the social risks are the greatest. Kesko has carried out a risk analysis of corporate imports and, as a result, extended social quality control to cover 32 countries. Purchases made from these countries account for about 16% of Kesko's direct imports and about 1.5% of Kesko's sales.

#### **SA 8000 standard**

It is impossible for Kesko's buyers to be in charge of the social quality control of production, although they make regular visits to suppliers' premises. Control necessitates knowledge of international agreements and national legislation as well as the local circumstances and language. Kesko therefore applies the international standard and employs trained, independent auditors.

In its purchases from developing countries, Kesko applies the principles based on the United Nations Universal Declaration of Human Rights and Convention on the Rights of the Child and the International Labour Organisation's conventions regulating working life. The practical tool used is the Social Accountability SA 8000 standard based on these conventions. Kesko's buyers are responsible for promoting the adoption of the standard so that as many suppliers as possible can prove their social reliability by obtaining certification. Over 100 Kesko buyers for imported products have participated in the basic training in this standard. Kesko's partner in auditing affairs is Bureau Veritas Quality International.

More information on the social quality control results is given in the Corporate Responsibility Report. By the end

of 2001, Kesko's principles had been discussed with 250 suppliers. Of these, approximately 40 companies have started to make preparations for the adoption of the standard and 10 have received the SA 8000 certificate. The companies with certificates have a total of 14,000 employees.

#### **Common rules for import trade**

Kesko wants to promote the introduction of social quality requirements in international trade and on the home market. In spring 2000, Kesko therefore suggested to Finnish importers that they draw up ethical principles for imports. The proposal was formulated by a working group, chaired by Kesko, with members from six companies, and the ethical principles were published in November 2001. Their content corresponds to the principles previously adopted by Kesko, and the way that they are used can be audited using the SA 8000 standard. The commitment was signed by 13 companies, including all major food trading groups and many clothing and shoe manufacturers and importers. Practical co-operation, chaired by Kesko, will continue as part of the operations of the Central Chamber of Commerce.

#### **Preventive work**

Besides improving working conditions, Kesko participates in the prevention of social wrongs. Since 2000, Kesko has financed a project implemented by UNICEF India preventing the use of child labour in the town of Bhiwandi, near Mumbai. Bhiwandi has a strong weaving industry, which employs about 25,000 children, mainly boys aged from 7 to 14. According to the annual report by the project management, the finance provided by Kesko has so far enabled approximately 1,000 working boys to start attending school on a part-time basis.

Kesko also participates in the 'Global Movement for Children' project organised by UNICEF Finland. The funds raised in Finland will be used for the promotion of girls' education in Nepal.

#### **Recognition for work**

In the annual comparison by 'Elinkaari' (the Finnish Forum of Environmental Experts) of environmental and corporate responsibility reporting in autumn 2001, Kesko was awarded for being the best overall reporter.

Helsinki Metropolitan Area Council Waste Management awarded this year's 'Natural Resource Saver' prize to Kesko Food Ltd. Special recognition was given to Kesko Food's central warehouse in Vantaa for their significant work in decreasing waste and promoting recycling.

In the environmental competition of the real estate and construction sector, Kesko's eco-efficient construction model was given an honorary mention in the 'Environmental Deed of the Year' category. According to the jury, Kesko's operational model is based on several innovative ideas, including a clear vision of how to combine ecologically and financially sustainable business operations.

In November, Kesko granted FIM 250,000 (over EUR 42,000) in awards to the organisations and individuals who have carried out valuable work in sustainable development. Almost one hundred applications were sent for these awards, and the three FIM 50,000 awards went to Dodo - Living Nature for the Future association of Helsinki, the Eskolanmäki School of Kouvola and the Metsämörriohjaajat instructors' association of Kauniainen. Eight smaller awards were also granted.

*Kesko will publish a separate report on corporate responsibility for 2001. See page 94 for details on [ordering publications](#).*



Kesko distributed 11 awards for sustainable development in 2001. Pupils of the Lylykoski school of Ilomantsi, top, and visual artist Outi Liusvaara, above.

# Risk Management

## Management of business risks

Kesko develops and maintains the joint management of Kesko and the K-retailers using a system based on quality and process management. A risk map has been defined to form part of the management system, and it is being used by the division parent companies and Kesko units both to assess risks related to the achievement of the goals and targets of business operations and to determine the measures needed for managing risks.

Kesko's major business risks are related to customer loyalty, the threats arising from increasing competition and operational efficiency.

The function of the Group's Quality and Risk Management unit is to assess, on the basis of the divisions' risk definitions, the management of the entire Group's business risks and to report on them to the Corporate Board of Directors.

The operating environment of each division parent company has been analysed in the reviews on [pages 24-45](#).

## Management of financial risks

The Group's long-term funding has been arranged through the parent company, and intra-Group loans are mainly used for providing finance to subsidiaries. Kesko Corporation's Treasury is responsible for the management of Kesko Group's financial risks. The Group companies' cash flows are netted by the Group accounts, and the Treasury is responsible for investing liquidity surplus.

### Interest risk

In order to manage interest rate risks, the Group's borrowings and investments have been distributed in fixed and floating rate instruments by means of derivative contracts. The aim is to hedge against the negative effects of variations in interest rates. During the financial

year, the average duration for loans granted by financial institutions was one year and for liquid funds (cash, commercial papers and certificates of deposit) one month. The duration for loans is allowed to vary between one (1) and three (3) years.

### Exchange rate risk

The Group's exchange rate risks either relate to foreign subsidiaries or transaction risks that arise from trade debts. Due to the fast product turnover that is typical of the grocery trade, the exchange rate exposure relating to purchases cannot grow to a considerable level. The commercial units and subsidiaries make decisions on the extent of hedging their exposure. The currencies mainly causing this risk include the US dollar, the Swedish krona, the Danish krone, the Norwegian krone and the Estonian kroon. Forward exchange contracts and option agreements are used to hedge exchange rate exposure in these currencies. The business units carry out their hedging operations together with the Treasury, which hedges risk positions using market transactions within the limits confirmed for each currency.

Kesko's foreign subsidiaries are located outside the euro area. On 31 December 2001, the counter value of the foreign subsidiaries' equity and subordinated loans was EUR 34.9 million. The major currency positions are in Swedish krona, Estonian kroon and Latvian lat. The balance sheet exposure related to them has been mainly hedged with loans and other financial instruments.

### Liquidity risk

The aim of liquidity risk management is to maintain liquid funds and credit limits at a sufficient level to secure the financing of the Group's business operations at any time. The liquid funds form a cash portfolio which shall amount to at least EUR 50 million on average, with the duration being not longer than two (2) months. If the liquid funds exceed EUR

50 million, a separate investment policy has been defined for them.

At the end of 2001, the Group's liquid funds and investments totalled EUR 127 million. On the balance sheet date, the counter value of the committed non-current credit limits available was EUR 212 million.

### Credit risk

Financial instruments also cover the risk of counter parties failing to fulfil their obligations. Currency and interest rate derivative contracts are made only with those domestic and foreign banks that have good creditworthiness. Likewise, liquid funds are invested, within the limits confirmed, in objects with good creditworthiness. The investment objects and the limits determined for them are adjusted annually.

### Credit ratings

Kesko Corporation has not considered it necessary to obtain a credit rating in the Company's present financial situation.

# Real Estate

*The aim of Kesko's real estate strategy is to bring together the roles of user and owner in an appropriate way. Kesko Real Estate is responsible for the management of the Group's business premises. Kesko aims to have competitive store sites and productive real estate properties.*

The real estate owned by the Group is classified according to the strategic importance of store sites:

- Core properties are strategically the most important properties. Their ownership is aimed at securing the basic conditions for conducting business activities.
- Leaseback properties can be sold, but Kesko prefers for them to be rented back and used by the Group's companies.
- Development properties are those needing to be further developed for their intended use.
- Properties for sale are those for which Kesko has no further use.

The book values of core properties and leaseback properties account for about 85% of the total book value of real estate. The share of properties for sale is insignificant.

## Real estate operations in Finland

### Own premises:

At the end of 2001, Kesko Group owned 1,130,000 m<sup>2</sup> (1,121,000 m<sup>2</sup> in 2000) of real estate and flats:

- store premises 790,000 m<sup>2</sup> (750,000 m<sup>2</sup>)
- offices and warehouses 258,000 m<sup>2</sup> (307,000 m<sup>2</sup>)
- other premises 82,000 m<sup>2</sup> (64,000 m<sup>2</sup>)

Kesko and the K-retailers use 91% of the total floor area, while 8% of it is rented out to outside tenants. At the end of 2001, 1% of the premises were unoccupied.

The total book value of the real estate properties was EUR 732 million (EUR 710 million):

- store premises EUR 561 million (EUR 533 million)
- offices and warehouses EUR 135 million (EUR 145 million)
- other premises EUR 36 million (EUR 32 million)

### Rented premises

The total floor area of the premises rented

for use by Kesko Group and its store chain network was 1,508,000 m<sup>2</sup> (1,445,000 m<sup>2</sup>), which is mainly used for retail stores. Rent liabilities determined in rental agreements total EUR 1,034 million (EUR 1,060 million). The above amount does not include the premises rented from the Kesko Pension Fund, with the annual rent for these premises amounting to EUR 29 million.

## Real estate investments

### In 2001:

- the value of the premises purchased was EUR 20 million (EUR 20 million)
- the construction investments amounted to EUR 27 million (EUR 68 million)
- the value of properties sold was EUR 14 million (EUR 79 million). Some of the sold properties were rented back for business operations.
- the amount of rent liabilities for rented premises totalled EUR 189 million (EUR 321 million).

## Real estate operations in the Baltic countries and Sweden

In addition to Finland, investments were made in the creation of the store network in Estonia and Latvia in particular. In December 2001, Kesko and EBRD, the European Bank for Reconstruction and Development, signed an agreement on co-operation. On the basis of this agreement, EBRD and its partner banks will finance store site and real estate projects that will be implemented in Estonia and Latvia within the next few years, to a total value of EUR 57 million.

The total floor area of the premises owned or held by Kesko on the basis of rental agreements was 146,000 m<sup>2</sup>.

## Eco-efficient construction

Kesko applies an eco-efficient construction model. The life cycle of real estate determined by it ranges from the acquisition of the plot to the demolition of the building. In co-operation with other operators affecting the life cycle of a building, Kesko wants to create business premises whose investment costs are reasonable and life cycle costs lower than usual.

The core and shell concept, for example, is used in eco-efficient building. This means that a business building is made up of a real estate shell and a changeable business core, which both have different life cycles. This enables costs to be allocated either to real estate or to business operations, thus leading to better control and management of investments. Key benefits include the versatile use of both shell and modifiable systems.

Kesko's eco-efficient construction model received an honorary mention in the 'Environmental Deed of the Year' category of the environmental competition arranged in the real estate and construction sector in 2001.

## Real estate management and maintenance

ABB Kiinteistöpalvelut Oy is responsible for the management and maintenance of real estate owned or rented by Kesko. Kesko sold its subsidiary, Kestra Kiinteistöpalvelut Oy, to this company at the end of 2000.

## Location of properties 12/2001



### 1. Northern Finland

Store premises	99,000 m <sup>2</sup>
Office and warehouse premises	25,000 m <sup>2</sup>
Other premises	15,000 m <sup>2</sup>

### 2. Eastern Finland

Store premises	186,000 m <sup>2</sup>
Office and warehouse premises	19,000 m <sup>2</sup>
Other premises	11,000 m <sup>2</sup>

### 3. Western Finland

Store premises	100,000 m <sup>2</sup>
Office and warehouse premises	6,000 m <sup>2</sup>
Other premises	6,000 m <sup>2</sup>

### 4. Southwestern Finland

Store premises	134,000 m <sup>2</sup>
Office and warehouse premises	11,000 m <sup>2</sup>
Other premises	1,000 m <sup>2</sup>

### 5. Southern Finland

Store premises	271,000 m <sup>2</sup>
Office and warehouse premises	197,000 m <sup>2</sup>
Other premises	49,000 m <sup>2</sup>





A woman with blonde hair, wearing a red t-shirt and black pants, is smiling and working in a kitchen. She is standing behind a counter with various fresh vegetables, including a large red bell pepper, a yellow bell pepper, and some green leafy vegetables. The background shows white kitchen cabinets and a sink area. The image is partially obscured by a large teal graphic element on the right side of the page.

# *Kesko Food*

*Kesko Food is a developer of food trade operating systems and operates as a wholesaler and retailer in Finland and neighbouring countries. The food trade is the largest of Kesko's divisions. Kesko Food aims at being the leading marketer and specialist in food and other grocery trading in Finland. Kesko's efficiency is derived from its customer-oriented approach as well as from the good management and continuous development of its logistics chain. Kesko Food is responsible for the development of the K-food store network and retailer resources.*



President Kalervo Haapaniemi

### Market position and competitive advantages

The key businesses of Kesko Food Ltd are food store chain operations, catering sales to HoReCa customers and wholesaling and retailing in the Baltic countries.

#### Kesko Food's strengths

- the ability to exploit the synergy advantages of the retail and catering trade in Finland and the Baltic countries
- the K-food store chains are the best-known brands in Finnish retailing
- the K-chains' supply covers different customer groups and areas in Finland. The K-food store network is the widest in Finland
- international purchasing co-operation
- strong house brands in the Finnish market, especially the Pirkka range, which includes about 850 products

The Kespro Ltd subsidiary offers customer delivery and cash-and-carry services in Finland. Its customers include restaurants and other catering customers, service stations, kiosks, bakeries and industry.

Kesko works in co-operation with the leading European food chains in AMS (Associated Marketing Services). Kesko is also a partner in the WorldWide Retail Exchange. The WWRE is a business-to-business marketplace that enables worldwide purchasing co-operation on the Internet.

#### Finland

Kesko's own brands are known in the Finnish market. The most important of them is Pirkka, with a recognition level of nearly 100 percent. It has a very positive price/quality image. Other house brands include Rico fruit and vegetables, Costarica and Euro Shopper.

Kesko Food's purchasing of both retail and HoReCa products has been concentrated on the Purchasing unit.

In Finland, the number of K-food stores stands at nearly 1,200. The K-city-

market hypermarkets, with 42 outlets, and the K-superstores are the largest store types. The K-citymarket hypermarkets sell both foods and non-food products. K-retailers are responsible for the food trade and Citymarket Oy for the non-food trade. Other K-food stores are the K-supermarkets, the K-extra stores and the K-pikkolo stores.

In 2001, the K-food stores' share of the Finnish market was about 37% (37.6% in 2000). In Finland, retailer entrepreneurship is a special strength of Kesko Food.

#### Baltics

Kesko Food operates one Citymarket in Latvia and three SuperNetto stores in Estonia, which will be converted into Citymarket hypermarkets. In addition, Kesko Food owns Estonia's largest discount store chain, Säästumarket, which had 33 stores at the turn of the year. The chain was purchased in May 2001. Kesko Food's market share of the Estonian food trade is about 15%.

Kesko opened a 15,000 square metre logistics centre in Jüri, Tallinn in February 2001. The centre supports the building of Kesko's own retail store network and acts as a warehouse for imported goods. At the same time it is also an efficient distribution and export channel for the Estonian food industry.

### Operating environment and future outlook

#### Objectives of Kesko Food

- in Finland, the aim is to have a nationwide network of large outlets, neighbourhood stores and new urban-centre stores
- Kespro makes large investments in e-commerce and is building the most comprehensive Internet trading system in the Finnish food market: new generation wholesale outlets, based on experiences obtained from such outlets in Jyväskylä and Vantaa

- in the Baltic countries, an approx. 25% share of the grocery market (estimated value in 2001 EUR 4.2 billion)
- a comprehensive food store network will be built in Estonia and a chain of 4-5 hypermarkets in Riga, the capital of Latvia
- new construction projects take account of environmental aspects and the routes by which people travel

A number of significant acquisitions have been made in the international food trade. As food markets are no longer growing in most European countries, purchasing volumes are increasing through co-operation. The concentration of purchasing is important for the grocery trade, because international suppliers are growing in size and decreasing in number. New urban convenience stores emphasise take-away meals alongside more typical products. The development of on-line business operations for wholesale customers in particular, is one of Kesko Food's focal areas.

The retail trade is still undergoing a structural change. Large retail outlets continue to increase their share of the market. However, the extension of opening hours for stores of under 400 square metres has clearly improved their sales potential. Price competition between various trading groups will also increase. Potential new product categories, such as wines and medicines, will be of great importance to increase sales in grocery stores.

Kesko Food's future growth prospects derive from its stronger position in the Finnish market and its expansion in the Baltic countries. New products and whole categories as well as product development and e-commerce will contribute to sales growth. The operating profit is expected to continue to improve slightly, thanks to the new operating system. The expansion in the Baltic countries will create a basis for higher profit through increased net sales.

#### Store types of Kesko Food



## Year 2001

Kesko Food's net sales amounted to EUR 3,433 million, which was 0.6% less than in 2000. The foreign subsidiaries' share of net sales was 2.7%. The operating profit was EUR 40.0 million (EUR 41.0 million). Kesko Food's profit includes EUR 6.5 million from the refunded VAT. The main factors contributing to the decreased profit were the costs of starting the new chain operations, expansion of business operations in the Baltic countries and investments in the retail store network.

Kesko Food's total investments were EUR 90.6 million, with investments in the retail store network being EUR 77.4 million. There were on average 5,482 Kesko Food personnel in 2001.

In 2001, 15 new K-food stores were opened, with the K-citymarkets in Iso Omena shopping centre in Espoo and in Forssa being the most significant. At the beginning of 2002, new K-citymarkets were opened in Lohja and Vaasa. The major projects under construction are the K-citymarkets in Helsinki, Keminmaa, Vihti and Espoo, and the K-superstores in Helsinki, Mikkeli, Loimaa and Paimio. A total of 94 K-food stores, which were mainly small outlets, were closed down in 2001.

Carrols Oy, a Kesko Food subsidiary, made an agreement at the end of January 2002 on the sale of the Carrols hamburger chain's business operations to a subsidiary owned by the Burger-In Group. The deal that became effective on 1 March 2002 transferred the Carrols trademarks and the Carrols chain's restaurant operations.

In February 2002, Kesko Food made a decision to reform its chain concepts and concentrate on five retail store chains in Finland. Three of the chains are nationwide: K-citymarket, K-superstore and K-supermarket. In addition, the K-pikkolo chain is being developed in urban centres and the K-extra chain in suburbs and in the countryside.

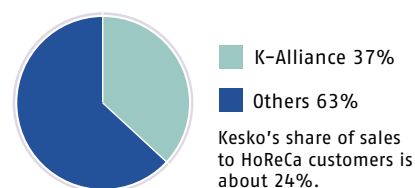
KESKO FOOD		
Net sales in 2001	EUR million	Change, %
Neighbourhood Chain Unit	1,008	-7.6
Supermarket Chain Unit	1,140	-0.3
Citymarket Oy	396	8.8
Kespro	736	-3.1
Kesko Eesti AS	44	48.2
Säästumarket	43	-
SIA Kesko Food Latvia	4	-
Carrols Oy	26	-12.2
Others ./. eliminations	36	
<b>Total</b>	<b>3,433</b>	<b>-0.6</b>
<b>Operating profit</b>	<b>40.0</b>	
<b>Average net assets</b>		
Non-current assets	191.8	
Stocks	169.0	
Receivables	272.3	
./. Interest-free liabilities	-398.1	
./. Provisions	-	
<b>Net assets</b>	<b>235.0</b>	
<b>Return on net assets</b>	<b>17%</b>	

K-ALLIANCE'S FOOD STORES IN 2001		
	Number	Sales (incl. VAT), EUR million
K-citymarket	42	1,271
K-superstore	123	1,232
K-supermarket	251	930
K-neighbourhood store*	238	393
K-extra	276	242
Rimi*	46	90
K-pikkolo	8	11
K-mobile store	42	18
Other grocery stores	131	100
<b>Finland, total</b>	<b>1,157</b>	<b>4,287</b>
Säästumarket, Estonia	33	74
SuperNetto, Estonia	3	34
Citymarket, Latvia	1	5
<b>Food stores, total</b>	<b>1,194</b>	<b>4,400</b>
K-Alliance's fast food chains		
Carrols**	71	58
Drop Coffee Shop**	3	1
<b>Fast food outlets, total</b>	<b>74</b>	<b>59</b>

\* The K-neighbourhood stores and Rimi stores will be combined with the K-supermarket, K-extra and K-pikkolo chains over the coming few years.

\*\* Kesko Food sold the operations of the Carrols hamburger chain in February 2002 and a decision has been made to abandon the Drop Coffee Shop concept.

Food retail sales  
in Finland in 2001 (estimate)







# *Rautakesko*

*Rautakesko develops the K-rauta and Rautia chains and Industrial and Constructor Sales and is responsible for their marketing, purchasing, logistics services, network and retailer resources. In addition to Finland, Rautakesko carries on retail trade in Sweden, Estonia and Latvia and wholesale trade in Russia.*



**President Matti Halmesmäki**

The hardware and builders' supplies trade is one of Kesko's focal areas. Rautakesko's aim is to become the leading chain in this trading sector in the Nordic and Baltic countries.

### **Market position and competitive advantages**

#### *Rautakesko's strengths*

- the K-rauta, Rautia and Industrial and Constructor Sales chain concepts and their strong market position
- direct purchase connections with domestic and foreign suppliers as well as EuroMat purchasing co-operation ([www.euro-mat.com](http://www.euro-mat.com))
- a comprehensive network in Finland
- strong main product lines:
  - building materials
  - interior decoration and house technology
  - tools, hardware, yard and garden
- in Finland, retailer entrepreneurship is a special strength of Rautakesko

#### **Finland**

In the K-Alliance's chain reform carried out in Finland, a lot of changes were made in the K-rauta and Rautia chains. The K-rauta chain is a little larger in terms of sales volume. In 2001, the combined market share of the K-rauta and Rautia stores was about 37% in Finland.

There are 45 K-rauta stores operating in Finland. They have a wide selection of goods, including, in addition to building materials, products for interior decoration and gardening. According to its customer promise, K-rauta also provides ideas and solutions, emphasising the role of service alongside the products themselves.

The Rautia chain includes 99 stores, whose main competitive advantage is knowledge of local market conditions. Rautia is the most comprehensive hardware store chain in Finland. The products offered by the Rautia stores are targeted

at builders, renovators and professional customers in particular. In addition, agricultural trading is part of the service concept in many Rautia stores.

The customers of Rautakesko's Industrial and Constructor Sales unit are building firms, industry and other professional customers.

#### **Sweden**

At present, there are 10 K-rauta stores operating in Sweden. The next store will be opened in Södertälje in spring. A wide and versatile choice of products and overall service packages offered to customers are competitive advantages of the K-rauta stores.

#### **Baltics**

In Estonia, Rautakesko is the market leader, with four retail stores and nationwide wholesale operations. Since spring 2000, Rautakesko has owned the country's largest hardware store chain - all the Ehitusmaailm outlets will be changed to K-rauta stores. Rautakesko's share of the Estonian building materials market is about 22%.

In Latvia, Rautakesko's wholesale network covers the whole country.

#### **Russia**

In Russia, Rautakesko has a wholesale outlet in Moscow.

### **Operating environment and future outlook**

#### *Objectives of Rautakesko*

- market leader in the Nordic and Baltic countries

International competition is increasing in Finland, and the hardware and builders' supplies trade will also become internationalised in the Nordic and Baltic countries. Increasing competition is giving impetus to the whole business

sector. Rautakesko's net sales will grow strongly in Sweden and the Baltic countries in particular. An important target of Rautakesko is the improvement of profitability.

#### **Focal areas**

- lowering of costs by improving chain operations and by adopting new operating systems: co-operation with the Finland Post Corporation in warehousing operations and co-operation with Onninen Oy in hepac purchases are examples of this
- improvement of competitiveness by increasing purchasing volumes, developing direct purchasing connections and by diversifying sales operations
- chain and information management is improved by revising the chain's information system
- development of e-commerce in particular with B-to-B customers and small contractors

#### **Finland**

The rather low level of household and business debt, stable interest rates and migration all contribute to an improved outlook. Construction will be concentrated in centres of growth. The total market of hardware and builders' supplies is approximately EUR 5.4 billion and it is expected to hardly expand. In the area of construction, the emphasis of growth is on repair and renovation.

Both K-rauta and Rautia stores will be renovated, so that both chains will operate with renovated stores in 2004. Retailer reserves will be strengthened with a special training programme. A focal area of the Industrial and Constructor Sales unit is the development of e-commerce. About 4,500 products can be ordered through the extranet ([www.k-yrityspalvelu.com](http://www.k-yrityspalvelu.com)) intended for professional customers.

### Sweden

The aim is to have a network of about 25 K-rauta stores in Sweden, increasing the market share to about 10%. In 2002, new K-rauta stores will be opened in Göteborg and Södertälje.

### Baltics

In Estonia, new K-rauta stores will be opened in Tallinn and Pärnu in 2002. These actions will strengthen the market leadership.

In Latvia, the first K-rauta store will be opened in Riga in spring 2002.

### Year 2001

Rautakesko's net sales amounted to EUR 746 million, a drop of 5.1%. The foreign subsidiaries' share of net sales was 13.9%. In Finland, decreased housing construction reduced the sales of Rautakesko's chains and the sales of the Industrial and Constructor Sales unit to construction firms and industry in particular. The operating profit was EUR 4.3 million (EUR 6.4 million). The decrease was accounted for by the costs arising from the expansion of foreign operations, particularly in Sweden, and by the initiation of the chain operating system in Finland.

Rautakesko's investments amounted to EUR 22.9 million. There were on average 1,201 Rautakesko personnel in 2001.

In 2001, the focus in Finland was on the reform of the K-rauta and Rautia stores. A new K-Rauta will be opened at Ruoholahti, Helsinki in April 2002. In Sweden, new K-rauta stores were opened in Helsingborg and Luleå. In Estonia, a new store was opened in Tartu and the Lasnae store in Tallinn was renovated.

### RAUTAKESKO

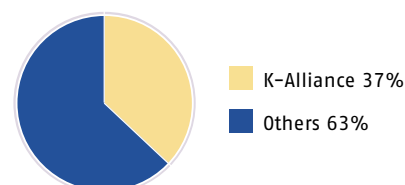
Net sales in 2001	EUR million	Change, %
Rautakesko	482	-7.0
Industrial and Constructor Sales	160	-7.9
K-rauta AB	49	11.5
AS Fanaal, Estonia	36	-
A/S Fanaal, Latvia	15	-
Others ./. eliminations	4	-
<b>Total</b>	<b>746</b>	<b>-5.1</b>
<b>Operating profit</b>	<b>4.3</b>	
<b>Average net assets</b>		
Non-current assets	37.6	
Stocks	48.1	
Receivables	69.8	
./. Interest-free liabilities	-81.4	
./. Provisions	-0.1	
<b>Net assets</b>	<b>74.0</b>	
<b>Return on net assets</b>	<b>6%</b>	

### K-ALLIANCE'S HARDWARE AND BUILDERS' SUPPLIES STORES IN 2001

	Number	Sales (incl. VAT), EUR million
K-rauta *	45	478
Rautia *	99	460
Other K-customer stores	47	45
<b>Finland, total</b>	<b>191</b>	<b>983</b>
K-rauta, Sweden	9	60
Ehitusmaailm (AS Fanaal), Estonia	4	43
Buvniecibas Pasaule (A/S Fanaal), Latvia	1	18
<b>Foreign countries, total</b>	<b>14</b>	<b>121</b>
<b>Hardware and builders' supplies stores, total</b>	<b>205</b>	<b>1,104</b>

\* 5 K-rauta stores and 40 Rautia stores also operate as K-agriculture stores.

Retail sales of hardware and builders' supplies in Finland in 2001 (estimate)



### Store types of Rautakesko









# *Kesko Agro*

*Kesko Agro Ltd purchases and sells animal feed, chemicals and agricultural machinery, and is involved in the grain trade. In addition to Finland, Kesko Agro is active in the Baltic countries. Kesko Machinery Ltd, a subsidiary of Kesko Agro, purchases and sells through its own network heavy machines for professional and commercial use, as well as light machinery, boats and boating equipment for consumers.*



President Matti Halmesmäki

## Market position and competitive advantages

### Agricultural trade

#### *Kesko Agro's strengths*

- comprehensive product selection, services and after-sales operations
- K-agriculture stores that are familiar with regional and local circumstances

The K-agriculture chain's customers are farmers. Kesko Agro and about 110 agricultural stores form the K-agriculture chain. The K-Alliance's share of the Finnish agricultural market was about 35% in 2001.

The major product brands represented by Kesko Agro include Deutz-Fahr and Same tractors, Claas combines and Tume and Elho agricultural implements.

Kesko Agro Eesti AS in Estonia, SIA Kesko Agro Latvia in Latvia and UAB Kesko Agro Lietuva in Lithuania carry on agricultural and machinery trade in the Baltic countries.

### Machinery trade

#### *Kesko Machinery's strengths*

- nation-wide sales and service network for each product line in Finland
- strong brand products and leading international suppliers

Kesko Machinery Ltd markets, through its own sales organisation, lorries, construction machines, lift trucks, warehouse equipment, as well as industrial and environmental machines for contractors, industry and other professional users. Light machines and boating products are marketed to consumers through the K-Alliance's retail store chains, the Kesmotors store network and specialised boat stores. Over 70% of Yamarin sales are directed to other Nordic countries. Kesko Machinery organises a maintenance and spare parts service covering the whole market area for the products it represents.

The best-known brands of Kesko Machinery are MAN lorries, Case, Fiat-Hitachi and Kobelco construction machines, BT, TCM and Daewoo lift trucks, Manitou telescoping handlers, Mecalux warehousing equipment, Kubota mini tractors and rider mowers, LM-Trac municipal machines, Yamaha outboard engines, Yamarin boats, Lynx snow mobiles and MBK scooters.

## Operating environment and future outlook

### *Objectives of Kesko Agro and Kesko Machinery*

- growing into the leading agricultural and machinery store chain in Finland and the Baltic countries
- developing and expanding the e-commerce solutions, which have started well
- improving the financial result through growth

### *Kesko Agro*

The Finnish agricultural market has remained at the level of about EUR 1.7 billion. The size of farms will increase, while their number will continue to decrease over the coming years. Some farmers, however, are intensifying their production strongly, which is why agricultural production and investments are expected to remain at their present level.

A new agricultural and machinery centre was opened in Riga, Latvia in spring 2001. Centres in line with the same concept will be opened in Tallinn, Estonia and Vilnius, Lithuania in 2002.

An online trading channel for spare parts was added to the expanding [www.k-raitti.com](http://www.k-raitti.com) extranet service in September 2001. The spare parts web service is used by the chain customers of Kesko Agro and Kesko Machinery, i.e., the K-agriculture, the K-rauta and Rautia stores, as well as the dealers and service network of spare parts and recreational

machines. The supply covers all the product brands represented by Kesko Agro and Kesko Machinery including their spare parts: about 345,000 items in total.

The service also includes Viljaweb, Finland's leading marketplace for the grain trade. It provides farmers with grain trade management tools, such as real time price and market information. Customers may do all their grain trading over their Viljaweb pages, buy grain or make counter-offers for special lots.

The Internet is very important for the trade-in machinery business. Kesko Agro provides a service at [www.vaihtokone.com](http://www.vaihtokone.com) where customers can choose from a range of around 2,000 trade-in machines. The supply covers 60 product groups from snowmobiles to construction machines. Around 30% of customer contacts that lead to a trade-in transaction take place via the Internet.

### *Kesko Machinery*

The demand for heavy machinery follows economic trends in industry and construction, so machinery investments are not yet forecast to increase significantly during 2002. The market of recreational machines is expected to remain at the level of 2001.

In 2001, the MAN lorries recorded the best sales development among Kesko Machinery's product groups with an increase of 30%. Also the sales of construction machines to Russia and the export of the Yamarin boats exceeded expectations.

The total market will not increase in Finland, but the expanded product selection will improve Kesko Machinery's chances for increasing sales.

### Year 2001

The net sales of Kesko Agro were EUR 699 million, an increase of 11.8%, which was better than expected. The foreign subsidiaries' share of net sales was 5.6%. The operating profit was EUR 6.2 million (EUR 4.5 million). The subsidiaries Kesko Machinery Ltd, K-maatalousyhtiöt Oy and Kesko Agro Eesti A/S improved their performance. The result was affected by the costs arising from the development of information systems and e-commerce and by the initiation costs in the Baltic countries.

Kesko Agro's investments were EUR 2.0 million. There were on average 700 Kesko Agro personnel in 2001.

Kesko Agro began importing and marketing of German Deutz-Fahr tractors in Finland and the Baltic countries in May.

MAN lorries recorded the best sales development, 30%, among Kesko Machinery's product groups and achieved a market share of 7.9%. The sales of construction machines to Russia also exceeded expectations. Kesko Machinery delivered 20 heavy Kobelco excavators to the Baltic Construction Company.

At the end of 2001, Kesko Machinery signed an agreement on the sale of Fiat-Hitachi construction machines in Finland and the Baltic countries. The target is to gain over 10% market share for Fiat-Hitachi in the whole area.

An agricultural and machinery store was opened in Riga in May. A subsidiary, UAB Kesko Agro Lietuva, was established in Lithuania in autumn, which started sales operations at the beginning of 2002.

### KESKO AGRO

Net sales in 2001	EUR million	Change, %
Kesko Agro	478	5.1
Kesko Machinery	140	11.4
K-maatalousyhtiöt Oy	159	19.3
Kesko Agro Eesti AS	20	141.6
SIA Kesko Agro Latvia	19	111.4
./. eliminations	-117	-
<b>Total</b>	<b>699</b>	<b>11.8</b>
<b>Operating profit</b>	<b>6.2</b>	
<b>Average net assets</b>		
Non-current assets	8.2	
Stocks	85.8	
Receivables	75.5	
./. Interest-free liabilities	-95.4	
./. Provisions	-0.6	
<b>Net assets</b>	<b>73.5</b>	
<b>Return on net assets</b>	<b>8%</b>	

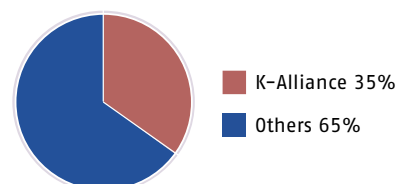
### K-ALLIANCE'S AGRICULTURAL STORES IN 2001

	Number	Sales (incl. VAT), EUR million
K-agriculture*	109	445
<b>Finland, total</b>	<b>109</b>	<b>445</b>
Kesko Agro Eesti, including branch outlets	5	20
Kesko Agro Latvia	2	19
Kesko Agro Lietuva**		-
<b>Agricultural stores, total</b>	<b>116</b>	<b>484</b>

\* 5 K-agriculture stores also operate as K-rauta stores and 40 as Rautia stores.

\*\* opened in March 2002

Retail sales of agricultural products in Finland 2001 (estimate)



### Store types of Kesko Agro

**K-MAATALOUS**

**KESMOTORS**

**KOTIPIHA**





# *Keswell*

*Keswell Ltd specialises in the home and speciality goods trade. Its chains consist of well-known retail stores which have gained a strong position in Finland. Keswell develops operating systems and the store network, manages the store chains and is responsible for the purchasing of goods, logistics and chain marketing. Its biggest subsidiary, Anttila Oy, is one of the biggest retailers in the home and speciality goods trade in Finland.*



President Matti Laamanen

### Market position and competitive advantages

#### *Keswell's strengths*

- well-known chain concepts for the home and speciality goods trade in Finland
- a nationwide store network in Finland
- several strong product lines: home technology, sports goods, shoes, clothes, home goods and interior decoration items
- expertise in the mail order business supports e-commerce
- international purchasing co-operation - Intersport International in the sports trade and EP:International in the home technology trade

#### *Anttila*

Anttila Oy, which is the biggest subsidiary of Keswell, concentrates on the home and speciality goods trade with four concepts: Anttila, Kodin Ykkönen, the Anttila mail order business and [www.netanttila.com](http://www.netanttila.com). There are 27 Anttila department stores located in various parts of Finland. There are seven Kodin Ykkönen department stores for home goods and interior decoration. Home electronics, movies, information technology and multimedia are the best sold product groups in the on-line trade. Anttila carries out its mail order business in Finland, Estonia and Latvia.

In 2001, Anttila became the first Finnish retail company to adopt an environmental system based on the ISO 14001 standard. The system will be certified in all Anttila and Kodin Ykkönen department stores, and in the Hämeenkylä central warehouse, gradually during 2002-2004. Anttila belongs to the international IGDS group (Intercontinental Group of Department Stores).

#### *Sports trade*

Intersport and Kesport are two different store formats. The Intersport stores are

located in urban centres or shopping centres and have nationwide marketing. The Kesport stores are smaller, leading sports stores in rural centres which focus on local marketing. Keswell develops sports store formats in co-operation with Intersport International.

Keswell Ltd's subsidiary, Interwell Oy, is a retail company operating in the sports business. It has an Intersport megastore in Mikonkatu, Helsinki, and a new Intersport shop & rental pilot store in the Levi skiing centre. The Intersport and Kesport stores in Keswell are all served by the Kesko Sports chain unit. The Intersport chain is the market leader in the Finnish sports trade.

#### *Home technology trade*

Musta Pörssi is one of the best-known home technology chains in Finland. Musta Pörssi is a member of the Electronic-Partner: International purchasing organisation. EP:International benefits its members with joint purchases, framework agreements and harmonised information management. This co-operation strengthens Musta Pörssi's competitive position in the Finnish market, a market in which big international home technology chains have also shown an interest.

Keswell Ltd's subsidiary, Jättipörssi Oy, a retail company operating in the home technology business, has Musta Pörssi stores in Espoo, Lahti and Vantaa. Lappeenrannan Pörssipartneri Oy operates in Lappeenranta. Kesko Musta Pörssi is the chain unit that serves the Musta Pörssi stores in Keswell.

Academica Oy is a pioneer in Finland in offering business customers a total service for information technology products. Academica Oy continues its investment in on-line business-to-business commerce.

#### *Shoe trade*

K-kenkä and Andiamo are the K-Alliance's

store formats. A complete renewal of the Andiamo chain will continue until the end of 2002. In this low-growth sector, much attention must be paid to the continuous improvement of basic operations, such as service. During 2001, the smallest K-kenkä stores were turned into Kenkä-expertti stores.

Andiamo focuses on trendy consumers, while K-kenkä mainly serves consumers who appreciate classic styles and comfort. Motorfeet Ltd, a retail company operating in the shoe business, is owned by Keswell Ltd and has two stores: an Andiamo store in Helsinki and a K-kenkä store in Rauma. Kesko Shoes is the chain unit that serves the K-kenkä and Andiamo stores in Keswell.

### Operating environment and future outlook

#### *Keswell's objectives*

- improved competitiveness through chain reform
- growth is sought from the interior decoration, sports and home technology trade and from e-commerce
- focus of investments on stores with larger floor areas: the Kodin Ykkönen department stores for home goods and interior decoration, the Intersport megastore sports stores, and the Musta Pörssi Maailma home technology stores
- to be a pioneer in the electronic trading of home and speciality goods to consumers

The home and speciality goods business is characterised by a great emphasis on chain operations and the increased number and market share of international chains in Finland. Concepts are renewed quickly and are more accurately defined than before. In the biggest cities, competition for the best store sites is strong and rents are at a high level.

#### Store types of Keswell

**ANTTILA**

**NETANTTILA.COM**

**Kodin  
YKKÖNEN**

**INTERSPORT**

**kesport**

It is estimated that the home and speciality goods trade will grow faster than average retail trade over the next few years. Consumption patterns are diversifying and splitting up as consumers become more demanding and seek experiences along with products. The importance of trademarks and brands will remain at a high level and the lifecycle of products will continue to shorten. Various intangible services will increase their share of consumption, and electronic trading will also continue to grow.

Through the chain reform under way, Keswell Ltd will improve the competitiveness of its chains in a quickly changing competition environment. The focal areas are customer-oriented chain concepts, uniform goods selections and efficient business operating processes.

#### Year 2001

Keswell's net sales were EUR 695 million, a drop of 4.3%. The decrease in comparable figures was 2.9%, when the speciality clothing trade included in the figures of the previous year is taken into account. The operating loss was EUR 5.9 million (EUR 7.8 million).

Keswell's investments were EUR 12.9 million. There were on average 2,519 Keswell personnel in 2001.

The net sales of the Anttila Group were EUR 464 million, an increase of 3.2%. The Anttila Group's operating loss was EUR 1.4 million, which was clearly lower than in the previous year (EUR 6.3 million).

In the sports trade, retail sales developed noticeably better than in the previous year and the retail store network developed favourably. The net sales of Kesko Sports increased by 5.5%. There were a total of 85 Intersport and Kesport stores operating at the end of the year.

The net sales of Kesko Musta Pörssi were 16.7% lower than in the previous year. As part of the chain operations

KESWELL		
Net sales in 2001	EUR million	Change, %
Anttila Group	464	3.2
Kesko Sports	104	5.5
Kesko Musta Pörssi	87	-16.7
Kesko Shoes	27	-6.5
Other subsidiaries	24	-13.7
./.. eliminations	-11	-
<b>Total</b>	<b>695</b>	<b>-4.3</b>
<b>Operating profit</b>	<b>-5.9</b>	
<b>Average net assets</b>		
Non-current assets	63.8	
Stocks	113.1	
Receivables	97.7	
./.. Interest-free liabilities	-114.6	
./.. Provisions	-	
<b>Net assets</b>	<b>160.0</b>	
<b>Return on net assets</b>	<b>-4%</b>	

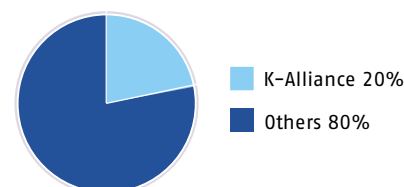
K-ALLIANCE'S HOME AND SPECIALITY GOODS STORES IN 2001		
	Number	Sales (incl. VAT), EUR million
Anttila department stores	27	360
Kodin Ykkönen department stores for home goods and interior decoration	7	126
Anttila mail order business and NetAnttila		74
Intersport	58	193
Kesport	27	18
Musta Pörssi	51	139
K-kenkä	33	24
Andiamo	27	26
Kenkäexpertti	48	14
Other home and speciality goods stores	25	9
<b>Home and speciality goods stores, total</b>	<b>303</b>	<b>983</b>

reform, ten Musta Pörssi stores started operating outside the K-Alliance. There were a total of 51 Musta Pörssi stores operating at the end of the year.

The net sales of Kesko Shoes went down by 6.5%. At the end of the year, there were 33 stores operating in the K-kenkä chain, 27 stores in the Andiamo chain and 48 stores in the Kenkäexpertti group.

The major investments in 2001 were the Musta Pörssi Maailma department stores for home technology opened in Lahti, Lappeenranta, Oulu, Turku and Vantaa, and the Intersport megastore sports stores opened in Kuopio, Lappeenranta, Tampere and Turku.

Retail sales of home and speciality goods in Finland in 2001 (estimate)









# *Kaukomarkkinat*

*Kaukomarkkinat is the leading internationally operating Finnish trading house with over 20 subsidiaries or representative offices abroad.*

*Kaukomarkkinat specialises in international technical trading, the import and wholesale of the world's leading branded products as well as the import, manufacture and marketing of high-quality optics.*



President Hannu Närhi

### Market position and competitive advantages

#### Strengths of Kaukomarkkinat

- Finland's leading expertise in technical trading across several sectors
- the strategy for international operations is to concentrate on market areas that require special expertise and local knowledge, where manufacturers are unwilling to establish their own sales companies
- a wide international network; knowledge of China, Poland, Russia and Central European countries
- represents well-known consumer goods brands in Finland

#### International technical trading

International technical trading is Kaukomarkkinat's largest business sector and one of its strongest areas of expertise. In recent years, Kaukomarkkinat has become Finland's leading technical trading operator. Key product groups in technical trading include machines, raw materials and accessories and products for the food, forest, electronics, plastics and packaging industries. Outside Finland, Kaukomarkkinat is active in China, Russia, Poland, Germany, Hungary, the Baltic countries and Sweden. Consumer electronics and watches are also sold in the Baltic countries and Sweden.

Telko Oy, purchased in 2000, markets raw materials, accessories, machines, equipment and necessary maintenance, spare parts and installation services to Finnish industry. Telko is also expanding its operations outside Finland. Leipurien Tukku is the leading Finnish supplier of ingredients, machinery and equipment for bakeries. It has also achieved a strong position in the Baltic countries, Poland and

the St. Petersburg area. Kauko Electronics supplies production automation machinery, measuring and testing equipment and video surveillance systems for the manufacturing industry.

#### Branded goods

Kaukomarkkinat imports the world's leading branded products to Finland. The three main business sectors are home electronics, sports and watches. The best-known brands include adidas, Citizen, Panasonic, Technics, Rodenstock, Silhouette and Polaroid. Adidas Suomi Oy is responsible for the sale of adidas products in Finland. Kaukomarkkinat and adidas each own half of the company.

Tähti-Optikko is a chain of branded products in the optical trade. A third of outlets are owned by Kaukomarkkinat and two thirds by partners. The chain operates nation-wide and has over 100 optical businesses.

#### Operating environment and future outlook

##### Objectives of Kaukomarkkinat

- to be the leading supplier in its product lines and to serve all customers impartially
- to grow profitably and to maintain the leading position in its areas of expertise

Sales of Panasonic industrial electronics have developed favourably. The growth of the Finnish electronics industry is increasing sales of production, testing and measuring systems. The acquisition of Intotel Oy in the autumn of 2001 significantly increased sales in these product groups. Sales of video surveillance systems are also expected to grow.

The situation in Russia is improving the outlook for international trade. If the Russian economy continues to develop favourably it will provide opportunities for the introduction of new products. China's membership of the World Trade Organisation will improve the operating environment in China.

#### KAUKOMARKKINAT

Net sales in 2001, EUR million	Change, %
291	-1.2
<b>Operating profit, EUR million</b>	
<b>6.8</b>	
<b>Average net assets</b>	
<b>EUR million</b>	
Non-current assets	55.4
Stocks	39.7
Receivables	46.2
./. Interest-free liabilities	-37.8
./. Provisions	-0.5
<b>Net assets</b>	<b>103.0</b>
<b>Return on net assets</b>	<b>7%</b>

Digital pictures and sound will continue to boost the sales of consumer electronics over the coming years. Matsushita/Panasonic is the world's largest manufacturer of consumer electronics and one of the leading manufacturers of wide screen and digital televisions and DVD equipment.

The aim is to increase the market share of the Tähti Optikko chain through new partnerships and acquisitions of existing optical outlets.

#### Year 2001

The Kaukomarkkinat Group's net sales were EUR 291 million, which was 1.2% less than in the previous year. The Group's operating profit was EUR 6.8 million (EUR 4.5 million). Investments were EUR 11.9 million. There were on average 873 Kaukomarkkinat personnel in 2001.

Net sales developed most favourably in Telko, which was included in the Group for only part of 2000, as well as in Leipurien Tukku and in the Chinese trade. Sales of telecommunications products, home technology and office automation recorded the biggest decreases. The Group's operating profit increased 52.0% over the previous year.

*Kaukomarkkinat Group publishes its own Annual Report in Finnish and English.*

#### Optics chain of the K-Alliance



# VV-Auto

*VV-Auto Oy imports Volkswagen and Audi cars and Volkswagen commercial vehicles. Its subsidiary, Auto-Span Oy, is responsible for importing and marketing Seat cars. In addition, the companies import original spare parts and accessories for the cars and arrange training, in their own training centre, for the personnel of the service and repair workshop network.*

A network of independent dealers with a total of 56 sales outlets is responsible for sales to consumers. There are also 34 service centres for car maintenance and repair.

## Market position and competitive advantages

On the whole, there was a sharp decline in the car market in Finland during 2001. The total number of new cars registered dropped by almost 19% to 109,000 cars. The number of commercial vehicles registered during the same period decreased by over a percent.

### Strengths of VV-Auto

- represents strong European product brands
- a wide choice of brands and a diversified choice of models
- leadership in the diesel car market
- a strong network of private dealers

The Volkswagen range has retained its position among the top brands of both cars and commercial vehicles in Finland. In the registration statistics of 2001, the Volkswagen cars were on the third place with a 9.4% market share, while the Volkswagen vans were on the second place with a 18.7% market share.

Despite the general decrease in the car trade, the number of Audi cars regis-

tered increased from the previous year due to the new Audi A4 model. The market share of Audi reached a record level of 2.0%. Seat's market share dropped to 1.9% but it maintained a strong position in the diesel car market.

VV-Auto's spare parts sales grew by almost 9% over the previous year, which was attributable to the increased service capacity of the dealer network.

The warranty period of all the new cars sold by VV-Auto Group extended from one year to two years at the beginning of November. The two-year warranty also concerns original spare parts, replacement parts and accessories.

A joint environmental programme of VV-Auto and the Central Organisation for Motor Trade and Repairs has been implemented by the Volkswagen and Audi dealers. At present, the programme is being introduced by Seat dealers. Apart from a few exceptions, the VV-Auto Group's car range now already meets the EU4 emission requirements that become effective in 2006.

## Operating environment and future outlook

### Objectives of VV-Auto

- each brand among the leading brands in respective competitive group
- adaptation of international concepts in the Finnish market

- expert service and improved customer satisfaction through brand specialisation

Audits of the Volkswagen quality system have been started in the dealer network. The aim is for all dealers to be included in the quality programme by 2003 at the latest.

Challenges for the near future include the requirements specified in the scrapping directive for cars to be removed from circulation, and the implementation of recycling in Finland.

The total demand in the car trade is expected to continue to decrease in 2002. In addition to economic conditions,

VV-AUTO	
<b>Net sales in 2001, EUR million</b>	<b>Change, %</b>
391	-18.8
<b>Operating profit, EUR million</b>	<b>14.2</b>
<b>Average net assets</b>	<b>EUR million</b>
Non-current assets	23.1
Stocks	57.6
Receivables	12.7
./. Interest-free liabilities	-32.8
./. Provisions	-4.7
<b>Net assets</b>	<b>55.9</b>
<b>Return on net assets</b>	<b>25%</b>



**President Erkki Sillantaka**

continuing discussion on the taxation of second-hand and new cars continues to be a cause for uncertainty on the car market. The EU group exception statute to be revised in the autumn will also affect the dealers' operating environment.

In early 2002, Volkswagen will launch a new Polo model to the Finnish market. Towards the end of the year, the range will expand to include cars for representative purposes and all-terrain vehicles.

Through the Internet, more versatile and comprehensive information on products and services is made available for customers, which speeds up decision-making when people actually come to purchasing.

The extranet to be introduced in the first part of the year will make communications between the importer and the dealer network quicker and more effective.

#### **Year 2001**

The VV-Auto Group's net sales were EUR 391 million, a drop of 18.8%. The operating profit was EUR 14.2 million (EUR 17.8 million). Investments were EUR 6.1 million. The average number of VV-Auto's personnel in 2001 was 113 persons.

The overall car trade in Finland dropped sharply. The number of new cars registered was 18.7% lower and that of commercial vehicles 1.1% lower than in the previous year. The prevailing economic conditions and the continuing discussion about possible changes in the taxation of second-hand and new cars contributed to the decrease in demand.

In 2001, almost 18,000 cars were delivered to customers through the dealer network.

The share of the cars imported by the VV-Auto Group was 13.3% of the total number of new cars registered.





# Report by the Board of Directors

*The Group's net sales for 2001 totalled EUR 6,214 million, which is 1.5% less than in the previous year (EUR 6,308 million). The Group's profit before extraordinary items was EUR 85.7 million (EUR 125.8 million). Earnings per share were EUR 0.61 (EUR 1.00). Equity per share was EUR 14.93 (EUR 15.31).*

## Market review

According to advance information, the volume of wholesale trade in Finland in January-November 2001 increased by 3.2% over the corresponding period of the previous year. The increase in the retail trade was 4.4%.

According to the survey of the Federation of Finnish Commerce and Trade, the wholesale trade (car trade excluded) is expected to grow in 2002 by 3.0% and the retail trade by 3.5%.

In 2001, consumer prices were 2.6% higher on average than a year earlier. In 2002, consumer prices are forecast to rise by about 1.5%. Private consumption is expected to grow by 2.5% and private investments by about 1% this year. According to Statistics Finland's consumer survey, Finnish consumers' confidence in the favourable development of both their own finances and the Finnish economy strengthened in January 2002.

Favourable economic development has continued in the Baltic countries. According to the European Union's forecast, the GDP will grow this year by

about 4.7% in Estonia, by about 4.5% in Latvia and by about 3.5% in Lithuania. Structural change is progressing rapidly in the trading sector and those retail stores that operate in chains are increasing their share of total sales. The value of the total grocery market is forecast to increase to EUR 4.5 billion this year.

In Sweden, investments in housing production are estimated to grow by about 3% and in other construction by about 10%. Private consumption is forecast to grow more rapidly in 2002 than in the previous year.

## Net sales and profit

### Net sales

The Group's net sales for 2001 totalled EUR 6,214 million, which is 1.5% less than in the previous year (EUR 6,308 million). The decline resulted partly from a change in pricing practice. As part of the chain reform, Kesko decreased its wholesale prices to the K-retailers from the beginning of 2001. The new pricing system is estimated to have a decreasing effect of about two percentage

points on net sales at an annual level in the whole Group and over three percentage points in Kesko Food. However, the change did not weaken the profit of business operations, because the services previously included in wholesale prices are now separately charged to retailers.

In 2001, the share of exports and foreign operations in net sales was 6.3%.

### Profit

The Group's profit before extraordinary items and taxes was EUR 85.7 million (EUR 125.8 million), which is 1.4% of net sales (2.0%). The operating profit was EUR 76.8 million (EUR 116.7 million). The operating profit includes profits and losses from sales of fixed assets and business operations and value adjustments to a total value of EUR 13.2 million (EUR 22.9 million). The drop in the Group's operating profit was attributable to the decline in sales and to the additional costs of about EUR 9.0 million relating to the chain reform.

The VAT, including interest, refunded to K-Plus Oy exceeded by EUR 7.7 mil-

## Net sales by division

	1-12/2001 EUR million	1-12/2000 EUR million	Change, %	10-12/2001 EUR million	10-12/2000 EUR million
Kesko Food	3,433	3,453	-0.6	939	903
Rautakesko	746	786	-5.1	162	179
Kesko Agro	699	625	11.8	173	155
Keswell	695	726	-4.3	224	223
VV-Auto	391	482	-18.8	84	84
Kaukomarkkinat	291	294	-1.2	75	88
Other units – eliminations	-41	-58	-	4	-4
<b>Group total</b>	<b>6,214</b>	<b>6,308</b>	<b>-1.5</b>	<b>1,661</b>	<b>1,628</b>

lion the residual and additional VAT imposed on some Group companies in the same matter. The amount of the refunded VAT has been included in the results of the divisions, with Kesko Food's share being EUR 6.5 million.

Pension costs were EUR 18.3 million higher than in the previous year, at which time the good investment income of the Kesko Pension Fund had decreased the pension benefits charged by it. The operating profit of the Sincera Oy investment company was EUR 3.4 million lower than in the previous year.

The Group's net financial income was EUR 8.9 million (EUR 9.0 million).

Earnings per share were EUR 0.61 (EUR 1.00). Equity per share was EUR 14.93 (EUR 15.31).

#### Net sales and profit in October-December

The Group's net sales for the fourth quarter of 2001 were EUR 1,661 million, which is 2.1% more than in the previous year (EUR 1,628 million). The Group's profit before extraordinary items in Octo-

ber-December was EUR 29.7 million (EUR 35.4 million). The Group's operating profit was EUR 27.8 million (EUR 35.9 million), which includes EUR 7.7 million from the refunded VAT. Earnings per share were EUR 0.14 (EUR 0.29).

#### Investments

The Group's investments totalled EUR 206.4 million (EUR 246.9 million), which is 3.3% (3.9%) of net sales. Investments in the buildings, fixtures and

information technology of retail stores amounted to EUR 160.3 million, while investments in the real estate, fixtures and information technology used by Kesko and its subsidiaries for wholesale operations amounted to EUR 46.1 million.

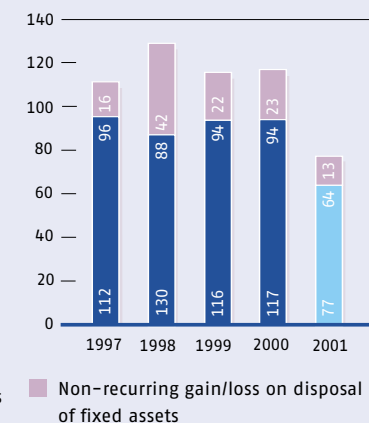
#### Finance

Cash flow from operating activities was EUR 209.0 million and from investing activities EUR -118.7 million. At the end of the year, the equity ratio was 53.6%

Group net sales, EUR million



Group operating profit, EUR million



#### Operating profit by division

	1-12/2001 EUR million	1-12/2000 EUR million*	Change, %	10-12/2001 EUR million	10-12/2000 EUR million
Kesko Food	40.0	41.0	-2.2	24.2	15.6
Rautakesko	4.3	6.4	-32.9	-1.5	-3.7
Kesko Agro	6.2	4.5	38.5	-1.6	-2.9
Keswell	-5.9	-7.8	24.5	15.1	7.5
VW-Auto	14.2	17.8	-20.3	1.8	1.8
Kaukomarkkinat	6.8	4.5	52.0	1.2	0.7
Common operations	11.2	50.3	-78.0	-11.4	16.9
<b>Group operating profit</b>	<b>76.8</b>	<b>116.7</b>	<b>-34.3</b>	<b>27.8</b>	<b>35.9</b>
Net financial income	8.5	8.5	1.6	2.1	-0.7
Associated companies	0.4	0.6	-31.6	-0.2	0.2
<b>Profit before extraordinary items</b>	<b>85.7</b>	<b>125.8</b>	<b>-31.9</b>	<b>29.7</b>	<b>35.4</b>

The method used to disclose the divisions' operating profit was changed at the beginning of 2001. The rents charged by the real estate function for the Group's premises are stated as rent expenses of other divisions. The operating profit from real estate is included in the operating profit of common operations. Common operations also include the net expenses or income of other common operations, as well as Group items such as corporate management expenses and amortisation on consolidation.

\*) The figures for 2000 have been converted to comparable ones to correspond to the changed practice.

(54.7%). The interest-bearing net debt was EUR 172.8 million (EUR 227.3 million). The liquid assets were EUR 126.9 million (EUR 77.4 million).

### Group structure

Kesko Corporation's commercial business operations were transferred to the subsidiaries established. The business operations of foods were transferred to Kesko Food Ltd and those of home and speciality goods to Keswell Ltd, starting from 1 April 2001. Starting from 1 October 2001, the business operations of hardware and builders' supplies were transferred to Rautakesko Ltd, those of agricultural products to Kesko Agro Ltd and those of machinery to Kesko Machinery Ltd, which operates as Kesko Agro Ltd's subsidiary.

On 1 January 2001, a Corporate Management Group was established in the Kesko Group. Its members represent the company's active management. President and CEO Matti Honkala acts as the Board's Chairman, and the other members are Kalervo Haapaniemi, Matti Halmesmäki, Erkki Heikkinen, Juhani Järvi, Matti Laamanen, Riitta Laitasalo, and Jouko Tuunainen until 31 May 2001.

### Personnel

The Group's average number of employees in 2001 was 11,544 (11,099), divided between the divisions as follows:

The number was increased by the expansion of Kesko Food in the Baltic countries and of Rautakesko in Estonia and Sweden. On the other hand, the number was decreased by the outsourcing of service and support activities. The majority shareholding (80%) of the Group's IT company, Tietokesko Oy, was sold to TietoEnator Corporation in the spring. This decreased the Group's number of employees by 171. The Group employed 1,551 persons (938) abroad.

### Divisions

#### Kesko Food

Kesko Food's net sales amounted to EUR 3,433 million, which is 0.6% less than in 2000. The foreign subsidiaries' share of net sales was 2.7%. However, net sales increased by 4.1% during the last quarter compared with the same period a year earlier, mainly due to the good sales during the Christmas season. The operating profit was EUR 40.0 million (EUR 41.0 million). Kesko Food's profit includes EUR 6.5 million from the refunded VAT. The main factors contributing to the decreased profit were the costs of starting the new chain operations, expansion of business operations in the Baltic countries and investments in the retail store network.

Kesko Food's total investments were EUR 90.6 million, with the investments

in the retail store network being EUR 77.4 million.

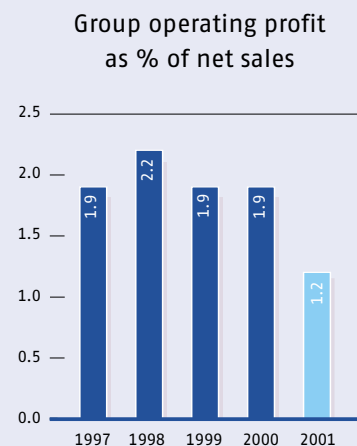
The transfer to a pricing system and payment structure based on the new chain operating system decreased Kesko Food's net sales by about three percentage points. As a whole, the chain operations have started almost as planned. There are great differences between Kesko Food's sales to different chains and stores. In the retail trade, sales progressed best in the K-superstore chain, by 8.1%. Total food sales increased by about 5-6% in Finland. At the end of 2001, the total number of the K-food stores in Finland was 1,159.

The operating profit of Citymarket Oy, that carries on non-food trade in the K-citymarket hypermarkets, was EUR 2.7 million (EUR 11.2 million). The decline resulted from a lower than planned sales increase, an active investment programme and repercussions of the problems experienced when starting the chain operations at the beginning of the year.

The building of the retail store network in the Baltic countries progressed according to plan. In these countries, Kesko Food operates a hard discounter chain and a superstore chain. In May, Kesko Food purchased the Säästumarket hard discounter chain operating in Estonia. At the turn of the year, the chain had 33 stores. In addition, Kesko

Personnel	1-12/2001	1-12/2000	31.12.2001
Kesko Food	5,482	4,896	7,654
Rautakesko	1,201	1,040	1,343
Kesko Agro	700	664	761
Keswell	2,519	2,639	3,607
VV-Auto	113	107	113
Kaukomarkkinat	847	799	866
Others	682	954	644
<b>Total</b>	<b>11,544</b>	<b>11,099</b>	<b>14,988</b>

The comparable figures have been adjusted to correspond to the new organisation. In calculating the average number of employees, part-time employees have been converted to full-time employees in relation to their working hours.





Food has in Estonia 3 SuperNetto stores, which will be converted to Citymarkets. Kesko Food's share of the Estonian grocery trade is about 15%. Latvia's first Citymarket was opened in Riga at the end of September and another Citymarket will be opened there in March 2002. Kesko Food's target in the Baltic countries is to gain a share of about 25% of their total grocery market, which is currently about EUR 4.2 billion.

The comparable net sales of Kespro Ltd, which provides services to catering customers, kiosks, service stations and restaurants, decreased by 3.1%. A new type of wholesale outlet, based on a new concept, were opened in 2001 at Tammisto in Vantaa, and in Lahti. They differ from conventional wholesale and cash & carry outlets with respect to opening hours, wide range of goods, Internet services and fast deliveries. There were 18 cash & carry outlets at the end of the year.

#### Rautakesko

Rautakesko's net sales amounted to EUR 746 million, a drop of 5.1%. The foreign subsidiaries' share of net sales was 13.9%. In Finland, decreased housing construction reduced the sales of Rautakesko's chains and the sales of the Industrial and Constructor Sales unit to construction firms and industry in particular. The operating profit was EUR 4.3 million (EUR 6.4 million). The decrease

is accounted for by the costs arising from the expansion of foreign operations, particularly in Sweden, and by the initiation of the chain operating system in Finland. Investments amounted to EUR 22.9 million.

By the end of 2001, 45 stores were included in the K-rauta chain and 99 stores in the Rautia chain. As a result of the chain operations reform, five stores started to operate outside the K-Alliance. These stores' effect on sales amounted to about EUR 6.4 million.

In October, Rautakesko signed an agreement on starting logistical co-operation with the Finland Post Corporation. Starting from the beginning of 2002, the joint venture established has provided central warehousing and related services to the K-rauta and Rautia chains and the Industrial and Constructor Sales unit of Rautakesko. Finland Post owns 60% and Rautakesko 40% of the joint venture.

The net sales of K-rauta AB in Sweden were EUR 48.5 million, a growth of 11.5% (currency-denominated increase 22.8%). There were ten K-rauta stores operating in Sweden at the end of 2001. New K-rauta stores will be opened in Göteborg and Södertälje in 2002. The hardware and builders' supplies operations in Sweden were not profitable. The net sales of Fanaal AS in Estonia were EUR 36.0 million and those of

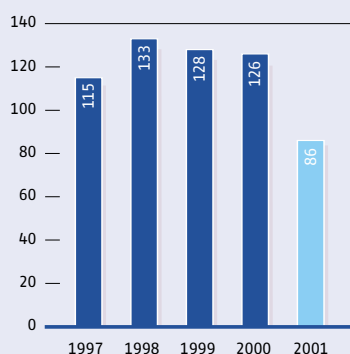
Fanaal A/S in Latvia were EUR 15.2 million. There are four stores operating in Estonia and one in Latvia. Latvia's first K-rauta store will be opened in Riga in spring, and the construction of a new K-rauta store in Haabersti has been started in Tallinn.

#### Kesko Agro

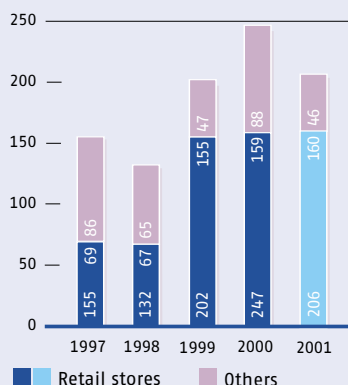
The net sales of Kesko Agro were EUR 699 million, an increase of 11.8%, which was better than expected. The foreign subsidiaries' share of net sales was 5.6%. The operating profit was EUR 6.2 million (EUR 4.5 million). The subsidiaries Kesko Machinery Ltd, K-maatalousyhtiöt Oy and Kesko Agro Eesti A/S improved their performance. The result was affected by the costs arising from the development of information systems and e-commerce and by the initiation costs in the Baltic countries. Kesko Agro's investments were EUR 2.0 million.

In Finland, the net sales of agricultural trading grew by 8.3%. This was mainly attributable to increased grain sales, thanks to the good harvest in 2000. On the other hand, as the amount and quality of the crop harvested in the autumn of 2001 were poorer than expected, the volume of the grain trade is expected to decrease. Kesko Agro started the import and marketing of German Deutz-Fahr tractors in Finland and the Baltic coun-

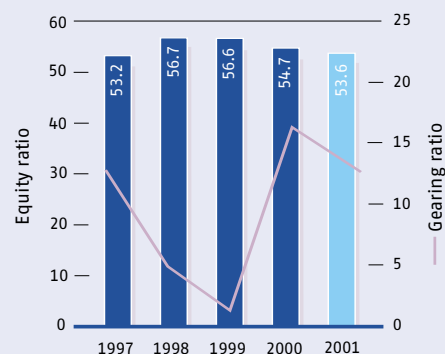
Group profit before extraordinary items, EUR million



Group investments, EUR million



Group equity and gearing ratio, %



tries in May. There were 110 K-agricultural stores at the end of the year.

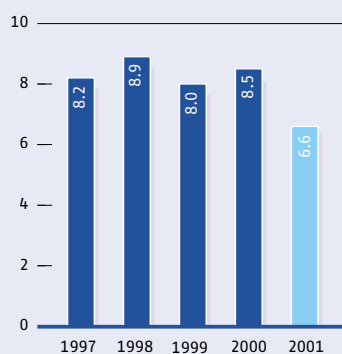
The net sales of Kesko Machinery rose by 11.4%. However, sales slowed down towards the end of the year. At the end of the year, Kesko Machinery signed an agreement on the sale of Fiat-Hitachi construction machinery in Finland and the Baltic countries. The aim is a market share of over 10%.

The agricultural and machinery business in Estonia and Latvia has progressed according to plan. An agricultural and machinery store was opened in Riga in May. A subsidiary, UAB Kesko Agro Lietuva, was established in Lithuania in autumn and it started operating at the beginning of 2002. New full-service agricultural and machinery stores will be opened in Tallinn and Vilnius this spring. Kesko Agro's target is to be the market leader in the Baltic agricultural business.

#### **Keswell**

Keswell's net sales were EUR 695 million, a drop of 4.3%. The decrease in comparable figures was 2.9%, when the speciality clothing trade included in the figures is taken into account. The operating loss was EUR 5.9 million (EUR 7.8 million). In October-December, Keswell's operating profit was EUR 15.1 million (EUR 7.5 million). Investments were EUR 12.9 million.

**Group return on invested capital, %**



The net sales of the Anttila Group were EUR 464.3 million, an increase of 3.0%. The mail order business grew by 11.2% and increased its market share in Estonia in particular. NetAnttila exceeded its sales target clearly. The sales of the Kodin Ykkönen department stores for home goods and interior decoration increased by 21.7%, partly due to the two new department stores opened in the previous year. The home and speciality goods sales of the Anttila department stores declined by 2.4%. The Anttila Group's operating loss was EUR 1.4 million, which was clearly lower than in the previous year (EUR 6.3 million). The operating profit of the Anttila department stores was EUR 2.2 million. In October-December, the Anttila Group's operating profit was EUR 14.1 million. The result for the whole year was affected by the initiation costs of the three department stores opened at the end of 2000 and by investments in e-commerce. There were 27 Anttila department stores and 7 Kodin Ykkönen department stores for home goods and interior decoration operating at the end of the year.

In the sports trade, retail sales developed clearly better than in the previous year and the retail store network developed favourably. Four new Intersport megastores were opened in 2001. The sales of the Intersport chain grew by

7.1%. The net sales of Kesko Sports increased by 5.5%. There were a total of 85 Intersport and Kesport stores operating at the end of the year.

The net sales of Kesko Musta Pörssi were 16.7% lower than in the previous year. The retail sales of the Musta Pörssi chain decreased clearly compared with 2000, mainly due to diminished TV and mobile phone sales. As part of the chain operations reform, ten Musta Pörssi stores started operating outside the K-Alliance. Five new Musta Pörssi Maailma department stores for home technology and two new Musta Pörssi stores were opened in 2001. There were a total of 51 Musta Pörssi stores operating at the end of the year.

The net sales of Kesko Shoes went down by 6.5%. Some of the K-kenkä chain's stores were reorganised into the new Kenkäexpertti group. At the end of the year, there were 33 stores operating in the K-kenkä chain, 27 stores in the Andiamo chain and 48 stores in the Kenkäexpertti group.

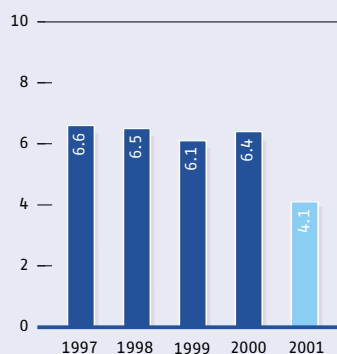
#### **VV-Auto**

The VV-Auto Group's net sales were EUR 391 million, a drop of 18.8%. The operating profit was EUR 14.2 million (EUR 17.8 million). Investments were EUR 6.1 million.

The overall car trade in Finland dropped sharply. The number of new cars registered was 18.7% lower and that of commercial vehicles 1.1% lower than in the previous year. There was uncertainty in the car market, which was caused by the prevailing economic conditions and the debate about possible changes in the taxation of used and new cars.

The share of the cars imported by the VV-Auto Group was 13.3% of the total number of new cars registered. The market share of Volkswagen cars was 9.4% and that of Volkswagen vans

**Group return on equity, %**



was 18.7%. Concerning mini buses, Volkswagen continues to be the market leader with a 62.7% market share.

### Kaukomarkkinat

The Kaukomarkkinat Group's net sales were EUR 291 million, which was 1.2% less than in the previous year. The Group's operating profit was EUR 6.8 million (EUR 4.5 million). Investments were EUR 11.9 million.

Net sales developed most favourably in Telko, which had been included in the Group for only part of 2000, as well as in Leipuri Tukku and in the Chinese trade. Sales of telecommunications products, home technology and office automation recorded the biggest decreases. The Group's operating profit increased by 52.0% over the previous year. It has been possible to reduce costs by developing operating processes, so that the whole Group's costs in comparable figures were lower than in the previous year.

Kaukomarkkinat purchased the whole share capital of Intotel Oy in September. The company's net sales for 2000 were EUR 5.8 million.

### Shares and equities market

Kesko Corporation's share capital is EUR 180,426,800, with 35.2% of the share capital consisting of A shares and 64.8% of B shares.

The price of the company's A share was EUR 16.95 at the end of 2000 and EUR 15.00 at the end of 2001, a drop of 11.5%. The price of the B share was EUR 10.75 at the end of 2000 and EUR 10.30 at the end of 2001, a decrease of 4.2%. In 2001, the HEX general index dropped by 32.4% and the HEX portfolio index by 22.3%, while the trading sector price index increased by 13.4% during the year.

At the end of 2001, the market capitalisation of A shares was EUR 476 million and that of B shares EUR 602 mil-

lion, i.e. the total market capitalisation for all shares was EUR 1,078 million.

During 2001, 1.2 million of Kesko's A shares with a total value of EUR 20.5 million and 14.2 million B shares with a total value of EUR 139.1 million were traded on the Helsinki Exchanges.

### Kesko and the euro

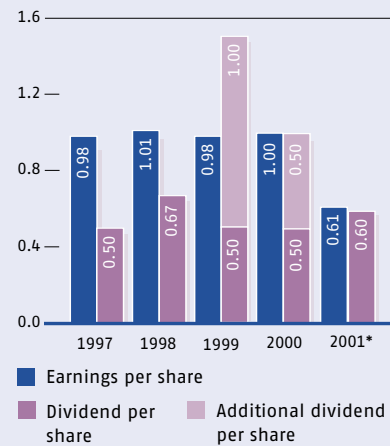
Kesko adopted the euro as its accounting currency on 1 January 2002. The prices of Kesko's stock items remained in markkas until 31 December 2001. The transfer to the euro took place according to plan, with no problems.

### Main events in 2001

A new chain operating system was adopted between Kesko and about 1,450 K-retailers, starting at the beginning of 2001. The new chain or customer agreement was approved by over 98% of all K-retailers. Co-operation is intensified in the management of the whole operating chain.

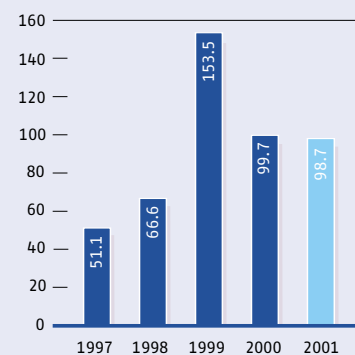
On 10 April 2001, Kesko Corporation was served a summons by nine Citymarket retailers to whom Kesko had given notice. One of the retailers cancelled the summons later. These retailers primarily demanded that Kesko pay damages amounting to approximately EUR 13.8 million for serving notice, which they claimed to be contrary to contract. In addition, on 6 September 2001, Kesko was served a summons by four Andiamo retailers to whom Kesko had given notice. These retailers primarily demanded that Kesko pay damages amounting to approximately EUR 0.9 million for serving notice, which they claimed to be contrary to contract. Kesko contests all the claims presented against it on the grounds that they are unjustified and considers that it has had sufficient legal grounds to serve notice to terminate the agreements.

### Earnings and dividend per share, EUR

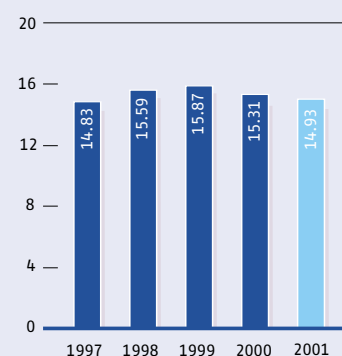


\* proposal to the Annual General Meeting

### Dividend of earnings, %



### Equity per share, EUR



Kesko Corporation sold the majority shareholding (80%) of its IT subsidiary, Tietokesko Oy, to TietoEnator Corporation. The company has continued to produce information technology services for the Group as an associated company, starting from 1 June 2001.

On 4 May 2001, Kesko published its first report on corporate responsibility. It is based on the recommendation of the international Global Reporting Initiative organisation. In October, Kesko was awarded as Finland's best overall reporter on issues relating to the environment and corporate responsibility.

During 2001, the Finnish Competition Authority granted fixed-term exceptional permits for the fixed pricing system of the Kesko Group's retail store chains.

On 15 October 2001, Kesko opened a new Internet portal for consumers, www.plussa.com. The K-Alliance's former K-netti.com service and Pirkka.fi pages were combined to form the new portal.

The excessive amount of VAT paid by K-Plus Oy, a Group company, was refunded to it by a decision made on 13 November 2001. The amount refunded, including interest, exceeds by EUR 7.7 million the amount of residual and additional taxes earlier imposed on some Group companies.

On 20 December 2001, Kesko and EBRD, the European Bank for Reconstruction and Development, signed an agreement on co-operation concerning two real estate companies in the Baltic countries. These companies' combined share capital will be EUR 34 million. In addition, EBRD will arrange a loan of EUR 50 million, which will be used to primarily finance real estate projects in Estonia and Latvia. The agreed ownership share of EBRD in the Estonian and Latvian real estate companies is 19.9%.

At the end of January 2002, Carrols Oy, a Kesko Food subsidiary, signed an agreement on the sale of the Carrols hamburger chain's business operations to a subsidiary owned by the Burger-In

Group. The deal becomes effective on 1 March 2002 upon the fulfilment of the conditions included in the agreement. The deal concerns the transfer of the Carrols trademarks and the Carrols chain's restaurant operations.

#### **Future outlook**

The chain operations reform, which significantly increases the efficiency of co-operation between Kesko and the retailers, has been implemented in large part and the positive consequences of the reform are becoming visible. Kesko will continue to invest actively in both Finland and the Baltic countries.

In 2002, Kesko Group's net sales are expected to increase in Finland at no less than the growth rate of the market.

Due to the improvement actions carried out and the streamlining of the corporate structure, Kesko Group's operating profit, excluding one-off items, is forecast to increase compared with the previous year.

#### **PROPOSED DISTRIBUTION OF PROFIT**

The Group's distributable reserves are	EUR 837,257,662.44
The parent company's distributable reserves are	EUR 742,734,053.66
of which the net profit for the year is	EUR 80,977,792.62
The Board of Directors proposes to the Annual General Meeting that the distributable reserves be used as follows:	
To be paid to shareholders as dividends (at EUR 0.60 per share)	EUR 54,128,040.00
To be reserved for charitable donations at the discretion of the Board of Directors	EUR 250,000.00
To be carried forward as retained earnings	EUR 688,356,013.16

Helsinki, 13 February 2002  
Kesko Corporation  
Board of Directors

# Income Statement

INCOME STATEMENT 1.1.-31.12.		GROUP				KESKO CORPORATION			
	Note	2001		2000		2001		2000	
		EUR million	%	EUR million	%	EUR million	%	EUR million	%
<b>Net sales</b>	1	<b>6,214.1</b>	100.0	<b>6,307.6</b>	100.0	<b>1,812.0</b>	100.0	<b>4,956.2</b>	100.0
Other operating income	2	398.5	6.4	335.5	5.3	244.6	13.5	388.4	7.8
Materials and services	3	-5,438.8	87.5	-5,552.6	87.9	-1,691.3	93.3	-4,670.5	94.2
Personnel expenses	4,5	-333.6	5.3	-315.6	5.0	-59.1	3.3	-105.6	2.1
Depreciation and value adjustments	6, 13, 14, 15	-114.7	1.9	-119.1	1.9	-34.5	1.9	-47.9	1.0
Other operating expenses	7	-650.7	10.5	-539.9	8.6	-237.1	13.1	-452.6	9.1
Share of profits/losses of associated companies		2.0	0.0	0.8	0.0	-		-	
<b>Operating profit</b>		<b>76.8</b>	1.2	<b>116.7</b>	1.9	<b>34.6</b>	1.9	<b>68.0</b>	1.4
Share of profits/losses of associated companies	8	0.4	0.0	0.6	0.0	-		-	
Financial income and expenses	8	8.5	0.2	8.5	0.1	48.5	2.7	12.9	0.2
<b>Profit before extraordinary items</b>		<b>85.7</b>	1.4	<b>125.8</b>	2.0	<b>83.1</b>	4.6	<b>80.9</b>	1.6
Extraordinary items	9	-		-		18.6	1.0	19.6	0.4
<b>Profit before appropriations and taxes</b>		<b>85.7</b>	1.4	<b>125.8</b>	2.0	<b>101.7</b>	5.6	<b>100.5</b>	2.0
Appropriations	10	-		-		13,6	0,8	14,7	0,3
<b>Profit before taxes</b>		<b>85.7</b>	1.4	<b>125.8</b>	2.0	<b>115.3</b>	6.4	<b>115.2</b>	2.3
Income taxes	12	-29.5	0.5	-34.6	0.6	-34.3	1.9	-34.9	0.7
<b>Minority interest</b>		<b>-1.3</b>	0.0	<b>-0.7</b>	0.0	<b>-</b>		<b>-</b>	
<b>Net profit for the financial year</b>		<b>54.9</b>	0.9	<b>90.5</b>	1.4	<b>81.0</b>	4.5	<b>80.3</b>	1.6

# Balance Sheet

BALANCE SHEET 31.12.		GROUP				KESKO CORPORATION			
	Note	2001		2000		2001		2000	
		EUR million	%	EUR million	%	EUR million	%	EUR million	%
<b>ASSETS</b>									
<b>Non-current assets</b>									
Intangible assets	13								
Goodwill		90.7		61.7		-		-	
Other capitalised expenditure		85.4		85.6		23.4		42.8	
Advance payments and construction in progress		6.2		1.4		-		1.3	
		<b>182.3</b>	<b>7.1</b>	<b>148.7</b>	<b>5.8</b>	<b>23.4</b>	<b>1.2</b>	<b>44.1</b>	<b>1.8</b>
Tangible assets	14								
Land and water		156.0		150.9		107.4		109.1	
Buildings		521.3		530.3		360.4		372.4	
Machinery and equipment		160.2		182.1		13.7		76.8	
Other tangible assets		6.9		5.7		4.1		4.3	
Advance payments and construction in progress		30.6		13.8		17.0		10.1	
		<b>875.0</b>	<b>34.1</b>	<b>882.8</b>	<b>34.3</b>	<b>502.6</b>	<b>26.8</b>	<b>572.7</b>	<b>23.1</b>
Investments	15								
Holdings in Group companies		-		-		670.7		561.7	
Receivables from Group companies		-		-		0.1		6.3	
Holdings in participating interests		38.7		29.1		30.5		25.8	
Receivables from participating interests		2.0		0.2		-		-	
Other shares and similar rights of ownership		91.5		105.4		17.6		70.9	
Other receivables		18.4		18.2		18.2		18.2	
		<b>150.6</b>	<b>5.9</b>	<b>152.9</b>	<b>6.0</b>	<b>737.1</b>	<b>39.5</b>	<b>682.9</b>	<b>27.5</b>
<b>Current assets</b>									
Stocks									
Finished products/goods		<b>510.8</b>	<b>19.9</b>	<b>536.2</b>	<b>20.9</b>	-		<b>166.2</b>	<b>6.7</b>
Receivables									
Long-term receivables	16								
Trade receivables		0.1		0.1		-		-	
Receivables from participating interests		21.3		21.7		21.3		21.6	
Loan receivables		67.2		70.2		-		0.1	
		<b>88.6</b>	<b>3.5</b>	<b>92.0</b>	<b>3.6</b>	<b>21.3</b>	<b>1.1</b>	<b>21.7</b>	<b>0.9</b>
Short-term receivables	16								
Trade receivables		530.7		518.0		36.6		397.2	
Receivables from Group companies		-		-		434.1		437.4	
Receivables from participating interests		8.6		11.4		8.2		11.0	
Loan receivables		5.6		53.5		2.5		51.0	
Other receivables		16.0		17.7		2.1		5.1	
Prepayments and accrued income		72.0		79.6		18.0		40.5	
		<b>632.9</b>	<b>24.6</b>	<b>680.2</b>	<b>26.5</b>	<b>501.5</b>	<b>26.8</b>	<b>942.2</b>	<b>38.0</b>
Marketable securities									
Other marketable securities		<b>49.3</b>	<b>1.9</b>	<b>30.0</b>	<b>1.1</b>	<b>49.3</b>	<b>2.6</b>	<b>29.0</b>	<b>1.2</b>
Cash on hand and at bank		<b>77.6</b>	<b>3.0</b>	<b>47.4</b>	<b>1.8</b>	<b>37.8</b>	<b>2.0</b>	<b>20.8</b>	<b>0.8</b>
<b>ASSETS</b>		<b>2,567.1</b>	<b>100.0</b>	<b>2,570.2</b>	<b>100.0</b>	<b>1,873.0</b>	<b>100.0</b>	<b>2,479.6</b>	<b>100.0</b>

<b>BALANCE SHEET 31.12.</b>		<b>GROUP</b>				<b>KESKO CORPORATION</b>			
	Note	2001		2000		2001		2000	
		EUR million	%	EUR million	%	EUR million	%	EUR million	%
<b>LIABILITIES</b>									
<b>Shareholders' equity</b>	17								
Share capital		180.4		180.4		180.4		180.4	
Share premium account		142.7		142.7		142.7		142.7	
Revaluation reserve		1.9		2.0		1.1		1.2	
Other reserves									
Other reserves		249.4		249.0		243.4		243.4	
Retained earnings		717.4		716.1		418.3		428.5	
Profit for the financial year		54.9		90.5		81.0		80.3	
		<b>1,346.7</b>	52.4	<b>1,380.9</b>	53.7	<b>1,067.0</b>	57.0	<b>1,076.6</b>	43.4
<b>Minority interest</b>		<b>16.4</b>	0.6	<b>16.0</b>	0.6	-		-	
<b>Appropriations</b>									
Depreciation reserve	13, 14, 15	-		-		213.0		246.0	
Untaxed reserves	18	-		-		-		4.4	
Other reserves		-		-		-		-	
		<b>-</b>		<b>-</b>		<b>213.0</b>	11.4	<b>250.4</b>	10.1
<b>Provisions</b>									
Other provisions	11, 19	<b>10.5</b>	0.4	<b>12.0</b>	0.5	<b>1.1</b>	0.0	<b>1.8</b>	0.1
<b>Liabilities</b>									
Deferred tax liability	20, 23	<b>62.1</b>	2.4	<b>60.7</b>	2.4	-		-	
<b>Non-current liabilities</b>	21, 23								
Bonds and notes		-		-		-		-	
Bonds with warrants		0.2		0.2		-		-	
Loans from financial institutions		60.8		63.5		3.2		3.2	
Pension loans		6.9		-		-		-	
Other debt		2.5		0.3		-		1.3	
		<b>70.4</b>	2.8	<b>64.0</b>	2.5	<b>3.2</b>	0.2	<b>4.5</b>	0.2
<b>Current liabilities</b>	22, 23								
Loans from financial institutions		22.7		16.6		-		1.3	
Pension loans		0.8		-		-		-	
Advances received		22.0		16.3		0.9		3.4	
Trade payables		603.1		584.1		13.1		501.2	
Debt to Group companies		-		-		408.7		324.8	
Debt to participating interests		19.6		13.6		17.6		13.6	
Other debt		259.6		289.6		132.1		251.6	
Accruals and deferred income		133.2		116.4		16.3		50.4	
		<b>1,061.0</b>	41.4	<b>1,036.6</b>	40.3	<b>588.7</b>	31.4	<b>1,146.3</b>	46.2
<b>LIABILITIES</b>		<b>2,567.1</b>	<b>100.0</b>	<b>2,570.2</b>	<b>100.0</b>	<b>1,873.0</b>	<b>100.0</b>	<b>2,479.6</b>	<b>100.0</b>

# Cash Flow Statement

CASH FLOW STATEMENT, EUR MILLION	GROUP		KESKO CORPORATION	
	2001	2000	2001	2000
<b>Cash flow from operating activities</b>				
Operating profit	76.8	116.7	34.6	68.0
Adjustments to operating profit				
Depreciation according to plan	104.5	114.2	32.8	48.3
Other adjustments	-0.7	-8.9	-7.9	-7.6
Change in working capital				
Short-term trade receivables, increase/decrease (-/+)	10.8	-66.3	449.9	1.9
Stocks, increase/decrease (-/+)	25.4	-43.7	166.0	1.0
Interest-free short-term debt, increase/decrease (+/-)	22.5	57.4	-544.8	4.4
	58.7	-52.6	71.1	7.3
Interests paid and other payments	-14.1	-14.8	-32.9	-26.3
Interests received	18.4	17.9	29.3	30.5
Dividends received	5.0	4.1	36.0	6.1
Taxes paid	-39.6	-47.7	-32.3	-42.8
<b>Cash flow from operating activities</b>	<b>209.0</b>	<b>128.9</b>	<b>130.7</b>	<b>83.5</b>
<b>Cash flow from investing activities</b>				
Investments in tangible and intangible assets	-149.1	-207.3	-31.3	-118.5
Capital gains from tangible and intangible assets	53.3	77.8	31.2	61.4
Other investments	-0.2	-36.4	-0.2	-36.4
Capital gains from other investments	15.2	5.8	13.8	4.9
Loans granted	-2.0			-0.2
Repayment of loan receivables		1.0	6.2	1.6
Subsidiaries acquired	-40.8	-8.2	-30.2	-12.6
Subsidiaries disposed	10.8	0.3	10.8	0.3
Associated companies acquired	-6.2	-3.1	-4.9	-3.0
Associated companies disposed	0.3	2.4	0.2	1.1
<b>Cash used in investing activities</b>	<b>-118.7</b>	<b>-167.7</b>	<b>-4.4</b>	<b>-101.4</b>
<b>Cash flow from financing activities</b>				
Raising of short-term loans		9.8		52.0
Repayment of short-term loans	-11.6		-18.0	
Raising of long-term loans	9.0	1.1	-1.3	
Repayment of long-term loans	-2.7	-6.4		-3.7
Increase (-)/decrease (+) of short-term receivables	52.8	-21.2	3.6	-107.6
Increase (-)/decrease(+) of long-term receivables	3.4	-2.9	0.5	3.1
Dividends paid	-90.2	-135.3	-90.2	-135.3
Group contributions received and paid			18.6	19.6
Merger items				-4.1
Liquid funds transferred in incorporation			-1.6	
Others	-1.5	0.6	-0.7	0.0
<b>Cash used in financing activities</b>	<b>-40.8</b>	<b>-154.3</b>	<b>-89.1</b>	<b>-176.0</b>
<b>Change in liquid funds</b>	<b>49.5</b>	<b>-193.1</b>	<b>37.2</b>	<b>-193.9</b>
<b>Liquid funds at 1 January</b>	<b>77.4</b>	<b>270.5</b>	<b>49.9</b>	<b>243.8</b>
<b>Liquid funds at 31 December</b>	<b>126.9</b>	<b>77.4</b>	<b>87.1</b>	<b>49.9</b>



# Notes to the Financial Statements

## PRINCIPLES USED FOR PREPARING FINANCIAL STATEMENTS

### Extent of consolidated financial statements

In addition to Kesko Corporation, the consolidated financial statements contain all subsidiaries, including 42 real estate companies.

A copy of Kesko Corporation's financial statements and the consolidated financial statements is available from Kesko Corporation, Satamakatu 3, FIN-00016 Kesko, Finland.

### Principles of consolidation

#### Internal shareholdings

The Group's internal shareholdings have been eliminated by using the acquisition method. The difference between the acquisition cost of subsidiaries and the corresponding equity item has been partly included in fixed assets and partly stated as goodwill and amortised according to plan. In the Group, goodwill is amortised over 5-15 years.

#### Internal business transactions and margins

All Group's internal business transactions, unrealised margins arising from internal deliveries, internal receivables and debt and internal distribution of profit have been eliminated.

#### Minority interests

Minority interests have been separated from the financial statements of individual subsidiaries and disclosed separately from shareholders' equity in accordance with minority interests.

#### Translation differences

Foreign Group companies' income statements have been translated into Finnish markkas at the average exchange rate during the financial year and balance sheets at the exchange rate current on the balance sheet date. Translation differences have been included in retained earnings.

#### Associated companies

The associated companies in which Kesko's holding is 20-50% have been consolidated by using the equity method. The Group's share of profits/losses of real estate associated companies and the associated companies that carry on business operations, based on the Group's share of ownership, has been stated as a separate item before operating profit. The share of profits/losses of Vähittäiskaupan Takaus Oy and Valluga-sijoitus Group has been stated as a separate item after operating profit.

### Changes in the Group structure

The companies Interwell Oy, Jättipörssi Oy, Kesped AS, Kesko Machinery Ltd, Lappeenrannan Pörssipartneri Oy, UAB Kesko Agro Lietuva and five real estate companies were established during the year. The companies Intotel Oy, Kinnisvaravalduse AS, Mika Pukkila Oy and Optikko Hakula Auli Martin Oy and four real estate companies were acquired. The Metex CZ s.r.o company and the majority shareholdings in Oy Metex Trading Ltd and Tietokesko Oy were sold during the financial year.

During the financial year, Kauko II Oy and Näpikö Oy were merged with Kaukomarkkinat Oy, Finn-Turk Ab was merged with Virsu Oy and RK-TEK Service Oy was merged with RK-TEK Oy and Noormarkun Näkökeskus Oy with Satakunnan Näkö- ja Piilolasikeskus Oy.

The companies Harjavallan Näkökeskus Oy, Kauko Elektroniikka Oy, Löytis Oy, Ab Nykarleby Syncenter - Uudenkaarlepyyn Näkökeskus Oy, Satakunnan Silmälasikeskus Oy, Satakunnan Näkö- ja Piilolasikeskus Oy and Tremont Oy were dissolved during the financial year.

### Valuation of fixed assets

Fixed assets are stated in the balance sheet at cost less depreciation according to plan.

#### Depreciation plan

Depreciation according to plan is calculated on a straight line basis so as to write off the cost of fixed assets over their estimated useful lives.

The periods adopted for depreciation are as follows:

Buildings	33 years
Fixtures and fittings	8 years
Machinery and equipment	8 years
or machinery and equipment	
purchased since 1999	25% reducing balance method
Transportation fleet	5 years
Information technology equipment	3-5 years
Other tangible assets and other capitalised expenditure	5-14 years

The depreciation on vehicles and machinery rented out is based on their foreseeable useful lives and net realisable values. Land has not been depreciated.

The goodwill arising from the Kaukomarkkinat Group and Anttila Oy is amortised over fifteen years on a straight line basis.

Other goodwill is amortised over 5-10 years. The times for depreciation have been determined on the basis of the stability of business and the sector's future outlook. Depreciation according to plan and the depreciation reserve comply with Finnish tax legislation.

The depreciation reserve has been treated as appropriations in the parent company and included in deferred tax liability and shareholders' equity in the Group.

#### **Valuation of stocks**

The stocks have been stated at lower of weighted average cost or net realisable value.

#### **Valuation of financial assets**

Marketable securities have been valued at lower of cost or net realisable value.

#### **Foreign currencies**

Items denominated in foreign currencies have been translated into Finnish markkas and euros at the average exchange rate of the European Central Bank on the balance sheet date. If a receivable or a debt is tied to a fixed rate of exchange, it has been used for translation.

Profits and losses arising from foreign currency transactions have been dealt with in the income statement.

#### **Derivative contracts**

##### *Interest rate derivative contracts*

Cash flows arising from interest rate derivative agreements are recognised during the financial year as interest income or expenses, according to the maturity date. In the financial statements, open forward rate agreements, futures, options and swaps are stated at market values. Unrealised revaluation is not stated as income. Any valuation losses are included in interest expenses.

##### *Currency derivative contracts*

The forward exchange contracts are valued at the average exchange rate of the European Central Bank on the balance sheet date. The rate differences arising from forward exchange contracts used to hedge purchases of goods are treated in the income statement as purchase adjustment items, and concerning the forward exchange contracts used to hedge financial items, as financial items.

In the financial statements, the open option contracts are stated at market value. The valuation items of option contracts, as well as the premiums and results of matured

options, are included in the income statement as foreign exchange profit or loss.

##### *Equities derivative contracts*

Open equities derivative contracts are valued on the prudence principle at the market price so that the valuation losses not realised on the balance sheet date are stated as expenses, but unrealised revaluation is not stated as income.

#### **Pension costs**

Annual pension costs are included in personnel expenses in the income statement. Kesko Pension Fund provides Kesko Corporation's and the division parent companies' personnel with pension benefits. The Fund's A Department, which provides supplementary pension benefits, was closed on 9 May 1998.

Pension insurance companies provide pension benefits to the employees of the other Kesko subsidiaries. The job-based retirement age agreed for a number of directors and other superiors in the Group is 60 or 62 years.

NOTES TO THE INCOME STATEMENT	GROUP		KESKO CORPORATION	
	2001	2000	2001	2000
<b>1. Net sales</b>				
Net sales by division				
Kesko Food	3,433	3,453	712	3,139
Rautakesko	746	786	505	693
Kesko Agro	699	625	461	581
Keswell	695	726	121	533
VV-Auto	391	482	-	-
Kaukomarkkinat	291	294	-	-
Others – eliminations	-41	-58	13	10
<b>Total</b>	<b>6,214</b>	<b>6,308</b>	<b>1,812</b>	<b>4,956</b>
Foreign operations				
Kesko Food	103	50	-	1
Rautakesko	106	88	8	9
Kesko Agro	75	37	31	27
Keswell	18	12	-	0
VV-Auto	16	20	-	-
Kaukomarkkinat	71	79	-	-
Others – eliminatios	1	0	-	-
<b>Total</b>	<b>390</b>	<b>286</b>	<b>39</b>	<b>37</b>
<b>2. Other operating income</b>				
Services income	317.2	179.6	100.2	257.0
Profits on sales of real estate and shares	15.0	20.7	11.5	14.1
Rent income	31.0	29.0	124.4	36.3
Others	35.3	106.2	8.5	81.0
<b>Total</b>	<b>398.5</b>	<b>335.5</b>	<b>244.6</b>	<b>388.4</b>
<b>3. Materials and services</b>				
Materials and goods				
Purchases during the financial year	5,333.5	5,522.1	1,666.2	4,584.0
Variation in stocks	30.0	-41.6	-5.7	1.0
External services	75.4	72.1	30.8	85.6
<b>Total</b>	<b>5,438.9</b>	<b>5,552.6</b>	<b>1,691.3</b>	<b>4,670.6</b>
<b>4. Information concerning personnel and administrative body members</b>				
Average number of personnel by division				
Kesko Food	5,482	4,896	441	1,786
Rautakesko	1,201	1,040	350	457
Kesko Agro	700	664	322	429
Keswell	2,519	2,639	35	304
VV-Auto	113	107	-	-
Kaukomarkkinat	847	799	-	-
Others – eliminations	682	954	216	271
<b>Total</b>	<b>11,544</b>	<b>11,099</b>	<b>1,364</b>	<b>3,247</b>

NOTES TO THE INCOME STATEMENT	GROUP		KESKO CORPORATION	
	2001	2000	2001	2000
<b>5. Personnel expenses</b>				
Salaries and fees	267.4	267.6	46.6	99.0
Social security expenses				
Pension expenses	40.0	21.6	7.5	-2.6
Other social security expenses	26.2	26.4	5.0	9.2
<b>Total</b>	<b>333.6</b>	<b>315.6</b>	<b>59.1</b>	<b>105.6</b>
<b>Salaries and fees to the management</b>				
Salaries to the Supervisory Board members	-	0.0	-	0.0
Salaries to Managing Directors	3.7	3.8	0.4	0.4
Salaries to the members of Boards of Directors	0.4	0.9	0.2	0.9
<b>Total</b>	<b>4.1</b>	<b>4.7</b>	<b>0.6</b>	<b>1.3</b>
<b>6. Depreciation and value adjustments</b>				
Depreciation according to plan	104.6	114.2	32.7	48.3
Value adjustments, non-current assets	0.7	-1.8	1.8	-0.4
Amortisation on goodwill	9.4	6.7	-	-
<b>Total</b>	<b>114.7</b>	<b>119.1</b>	<b>34.5</b>	<b>47.9</b>
<b>7. Other operating expenses</b>				
Rent expenses	193.3	190.8	109.6	181.2
Marketing expenses	195.2	149.7	43.4	117.8
Maintenance of real estate and store sites	81.3	50.9	32.7	59.5
Data communications expenses	69.9	39.6	25.4	38.8
Losses on sales of real estate and shares	3.5	10.1	1.0	5.4
Other operating expenses	107.5	98.8	25.0	49.9
<b>Total</b>	<b>650.7</b>	<b>539.9</b>	<b>237.1</b>	<b>452.6</b>
<b>8. Financial income and expenses</b>				
Share of profits/losses of associated companies	0.4	0.6	-	-
Dividend income				
From Group companies	-	-	48.4	4.9
From participating interests	-	-	0.2	-
From others	7.3	5.1	2.0	3.5
Dividend income, total	7.3	5.1	50.6	8.4
Interest income from investments held as non-current assets				
From others	1.3	1.3	1.3	1.3
Other interest and financial income				
From Group companies	-	-	23.3	20.2
From others	26.7	23.1	14.0	15.1
Interest income, total	28.0	24.4	38.6	36.6
Interest and other financial expenses				
To Group companies	-	-	-21.5	-16.5
To others	-26.8	-21.0	-19.2	-15.5
Interest expenses, total	-26.8	-21.0	-40.7	-32.0
<b>Total</b>	<b>8.9</b>	<b>9.1</b>	<b>48.5</b>	<b>13.0</b>

NOTES TO THE INCOME STATEMENT	GROUP		KESKO CORPORATION	
	2001	2000	2001	2000
<b>9. Items included in extraordinary income and expenses</b>				
Contributions from Group companies	-	-	56.7	34.2
Contributions to Group companies	-	-	-38.0	-14.6
Total	-	-	18.7	19.6
<b>10. Appropriations</b>				
Difference between depreciation according to plan and depreciation in taxation	-	-	9.2	14.7
Recognition of acquisition reserve	-	-	4.4	-
Total	-	-	13.6	14.7
<b>11. Changes in provisions</b>				
Rent expenses for vacant business premises	-1.5	-0.6	-0.6	0.3
Guarantee losses	-	-	-	-
Guarantee provisions	0.8	0.7	-0.4	0.4
Supplementary pension liabilities	-0.1	-0.1	-	-
Expenses for discontinued business operations	0.9	-6.7	0.9	-
Other changes	-1.6	2.7	-0.6	0.5
Total	-1.5	-4.0	-0.7	1.2
<b>12. Income taxes</b>				
Income taxes on extraordinary items	-	-	-5.4	-5.7
Income taxes on operating activities	-28.2	-43.9	-28.9	-29.2
Change in deferred tax liability	-1.4	9.3	-	-
Total	-29.6	-34.6	-34.3	-34.9
NOTES TO THE BALANCE SHEET	GROUP		KESKO CORPORATION	
	2001	2000	2001	2000
<b>13. Intangible assets</b>				
Goodwill				
Acquisition cost at 1 January	90.5	79.1	-	-
Increases	38.4	7.0	-	-
Decreases	0.0	4.4	-	-
Acquisition cost at 31 December	128.9	90.5	-	-
Accumulated depreciation at 1 January	28.8	17.7	-	-
Accumulated depreciation on decreases and transfers	0.0	4.4	-	-
Depreciation for the financial year	9.4	6.7	-	-
Accumulated depreciation at 31 December	38.2	28.8	-	-
Book value at 31 December	90.7	61.7	-	-
<b>Other capitalised expenditure</b>				
Acquisition cost at 1 January	196.6	198.4	100.6	86.8
Increases	21.5	39.3	2.3	12.8
Decreases	-57.1	-42.5	-65.1	-1.6
Transfers between items	3.7	1.4	2.3	2.6
Acquisition cost at 31 December	164.7	196.6	40.1	100.6

NOTES TO THE BALANCE SHEET	GROUP		KESKO CORPORATION	
	2001	2000	2001	2000
Accumulated depreciation at 1 January	111.0	126.8	57.8	51.2
Accumulated depreciation on decreases and transfers	-49.5	-41.6	-47.0	-1.0
Depreciation for the financial year	17.8	25.8	6.0	7.6
Accumulated depreciation at 31 December	79.3	111.0	16.8	57.8
Book value at 31 December	85.4	85.6	23.3	42.8
<b>Advance payments</b>				
Acquisition cost at 1 January	1.4	0.0	1.3	0.0
Increases	6.8	1.8	-	1.3
Decreases	-0.2	-	-1.3	-
Transfers between items	-1.8	-0.4	-	-
Acquisition cost at 31 December	6.2	1.4	0.0	1.3
Book value at 31 December	6.2	1.4	0.0	1.3
<b>14. Tangible assets</b>				
<b>Land and water</b>				
Acquisition cost at 1 January	149.2	145.1	108.5	103.6
Increases	10.0	14.0	1.5	11.1
Decreases	-6.6	-13.5	-3.4	-7.2
Transfers between items	1.7	3.6	0.2	1.0
Acquisition cost at 31 December	154.3	149.2	106.8	108.5
Revaluation	1.7	1.7	0.6	0.6
Book value at 31 December	156.0	150.9	107.4	109.1
<b>Buildings</b>				
Acquisition cost at 1 January	713.7	726.7	498.6	470.7
Increases	29.6	38.9	9.8	61.3
Decreases	-22.5	-112.0	-9.3	-44.7
Transfers between items	10.8	60.1	2.0	11.3
Acquisition cost at 31 December	731.6	713.7	501.1	498.6
Accumulated depreciation at 1 January	202.2	238.4	126.2	117.1
Accumulated depreciation on decreases and transfers	-10.0	-64.0	-2.4	-7.7
Depreciation for the financial year	32.6	27.8	16.9	16.8
Accumulated depreciation at 31 December	224.8	202.2	140.7	126.2
Revaluation	14.5	18.8	-	-
Book value at 31 December	521.3	530.3	360.4	372.4
<b>Machinery and equipment</b>				
Acquisition cost at 1 January	519.7	593.6	290.2	263.4
Increases	72.0	64.2	4.3	29.6
Decreases	-292.5	-151.9	-273.8	-4.8
Transfers between items	4.8	13.8	1.6	2.0
Acquisition cost at 31 December	304.0	519.7	22.3	290.2

NOTES TO THE BALANCE SHEET	GROUP		KESKO CORPORATION	
	2001	2000	2001	2000
Accumulated depreciation at 1 January	337.6	416.0	213.4	191.2
Accumulated depreciation on decreases and transfers	-246.4	-138.0	-214.1	-0.9
Depreciation for the financial year	52.6	59.6	9.3	23.1
Accumulated depreciation at 31 December	143.8	337.6	8.6	213.4
Book value at 31 December	160.2	182.1	13.7	76.8
<b>Other tangible assets</b>				
Acquisition cost at 1 January	12.1	9.0	8.3	7.3
Increases	2.3	2.8	0.1	1.2
Decreases	-2.5	-1.5	-2.2	-1.2
Transfers between items	0.0	1.8	0.5	1.0
Acquisition cost at 31 December	11.9	12.1	6.7	8.3
Accumulated depreciation at 1 January	6.4	4.5	4.0	3.6
Accumulated depreciation on decreases and transfers	-2.6	1.0	-2.0	-0.3
Depreciation for the financial year	1.2	0.9	0.6	0.7
Accumulated depreciation at 31 December	5.0	6.4	2.6	4.0
Book value at 31 December	6.9	5.7	4.1	4.3
<b>Advance payments and construction in progress</b>				
Acquisition cost at 1 January	13.8	28.7	10.1	23.6
Increases	40.1	8.8	13.4	4.5
Decreases	-4.1	-3.5	-	-18.0
Transfers between items	-19.2	-20.2	-6.5	-
Acquisition cost at 31 December	30.6	13.8	17.0	10.1
Book value at 31 December	30.6	13.8	17.0	10.1
<b>Revaluation of non-current assets</b>				
Land and water	1.7	1.7	0.6	0.6
Buildings	14.5	18.8	-	-
Shares and similar rights of ownership	0.6	0.6	0.6	0.7
	16.8	21.1	1.2	1.3

Revaluation refers to land, buildings and shares whose value is estimated to have increased permanently to a level which essentially exceeds the acquisition cost.

<b>15. Investments</b>				
<b>Holdings in Group companies</b>				
Acquisition cost at 1 January	-	-	628.9	618.9
Increases	-	-	256.1	12.6
Decreases	-	-	-146.7	-2.6
Transfers between items	-	-	-0.3	-
Acquisition cost at 31 December	-	-	738.0	628.9
Accumulated depreciation at 1 January	-	-	67.3	67.3
Value adjustments	-	-	1.8	-
Accumulated depreciation on decreases and transfers	-	-	-1.8	-
Accumulated depreciation at 31 December	-	-	67.3	67.3
Revaluation	-	-	0.1	0.1
Book value at 31 December	-	-	670.8	561.7

NOTES TO THE BALANCE SHEET	GROUP		KESKO CORPORATION	
	2001	2000	2001	2000
<b>Holdings in participating interests</b>				
Acquisition cost at 1 January	28.7	33.3	25.4	24.6
Increases	6.2	1.1	4.9	3.0
Share of profits/losses for the financial year	3.9	-0.3	-	-
Decreases	-0.7	-5.0	-0.4	-2.4
Transfers between items	0.2	-0.4	0.3	0.2
Acquisition cost at 31 December	38.3	28.7	30.2	25.4
Accumulated depreciation at 1 January	-	-	-	-
Accumulated depreciation on decreases and transfers	-	-	-	-
Accumulated depreciation at 31 December	-	-	-	-
Revaluation	0.4	0.4	0.3	0.4
Book value at 31 December	38.7	29.1	30.5	25.8
<b>Other shares and similar rights of ownership</b>				
Acquisition cost at 1 January	107.3	76.6	72.1	42.1
Increases	0.6	50.7	0.5	49.6
Decreases	-11.5	-20.5	-53.9	-19.4
Transfers between items	0.2	0.5	-	-0.2
Acquisition cost at 31 December	96.6	107.3	18.7	72.1
Accumulated depreciation at 1 January	2.1	0.8	1.4	0.6
Accumulated depreciation on decreases and transfers	2.4	-	-	-
Value adjustments	0.8	1.3	-	0.8
Accumulated depreciation at 31 December	5.3	2.1	1.4	1.4
Revaluation	0.2	0.2	0.2	0.2
Book value at 31 December	91.5	105.4	17.5	70.9
<b>Shares in listed companies</b>	book value	market value	book value	market value
	EUR million	EUR million	EUR million	EUR million
Kiinteistösjoiitus Oyj Citycon	29.7	20.0	6.8	4.6
Rautakirja Oyj A	35.8	28.9	-	-
Total	65.5	48.9	6.8	4.6

Kiinteistösjoiitus Oyj Citycon shares have been valued at 80% of the company's equity per share.

Rautakirja Oyj shares have been stated at acquisition costs. Their acquisition value was EUR 55.25 and bid quotation at 31 December was EUR 44.61. The book value of shares in housing and real estate companies (66 business premises) was EUR 64.6 million.



## NOTES TO THE BALANCE SHEET

	Group shareholding, %	Parent company shareholding, %
<b>Group companies</b>		
Center-yhtiöt Oy, Helsinki (Group)	91.0	91.0
FIM-mainos Oy, Helsinki	100.0	100.0
Hämeenkyllän Kauppa Oy, Helsinki (Group)	100.0	100.0
K-instituutti Oy, Helsinki	90.0	90.0
K-linkki Oy, Helsinki	100.0	100.0
K-Luotto Oy, Helsinki	100.0	100.0
K-Plus Oy, Helsinki	100.0	100.0
K-Rahoitus Oy, Helsinki	100.0	100.0
Kaukomarkkinat Oy, Espoo (Group)	100.0	100.0
Kauppiaitten Kustannus Oy, Helsinki	91.0	91.0
Kesped Ltd, Helsinki	100.0	100.0
Kestra Kiinteistöpalvelut Oy, Helsinki	100.0	100.0
Keswell Ltd, Helsinki (Group)	100.0	100.0
Kesko Agro Ltd, Helsinki (Group)	100.0	100.0
Patria Media Oy, Helsinki (Group)	99.0	88.1
Rautakesko Ltd, Helsinki (Group)	100.0	100.0
Kesko Food Ltd, Helsinki (Group)	100.0	100.0
Sincera Oy, Helsinki	100.0	100.0
Suneva Oy, Helsinki	100.0	100.0
Finnish Rich Coffee Ltd, Helsinki	100.0	100.0
VV-Auto Oy, Helsinki (Group)	100.0	100.0
<b>Associated companies</b>		
Tietokesko Oy, Helsinki	20.0	20.0
Valluga-sijoitus Oy, Helsinki (Group)	39.0	39.0
Vähittäiskaupan Takaus Oy, Helsinki	34.3	34.3
Vähittäiskaupan Tilipalvelu VTP Oy, Helsinki	30.0	30.0

	GROUP		KESKO CORPORATION	
	2001	2000	2001	2000
<b>Receivables from participating interests</b>				
Subordinated loans	2.0	0.2	-	-
<b>Other receivables</b>				
Kiinteistösijoitus Oyj Citycon, subordinated loan	18.2	18.2	18.2	18.2
Others	0.2	-	-	-
Total	18.4	18.2	18.2	18.2

NOTES TO THE BALANCE SHEET	GROUP		KESKO CORPORATION	
	2001	2000	2001	2000
<b>16. Receivables</b>				
<b>Receivables from Group companies</b>				
Investments				
Receivables	-	-	0.1	6.3
Total	-	-	0.1	6.3
Short-term receivables				
Trade receivables	-	-	7.9	56.7
Loan receivables	-	-	424.5	377.5
Prepayments and accrued income	-	-	1.8	3.2
Total	-	-	434.2	437.4
Total	-	-	434.3	443.7
<b>Receivables from participating interests</b>				
Long-term receivables				
Loan receivables	21.2	21.7	21.2	21.6
Total	21.2	21.7	21.2	21.6
Short-term receivables				
Trade receivables	1.6	0.7	1.2	0.5
Loan receivables	7.0	10.7	7.0	10.5
Prepayments and accrued income	0.0	0.0	-	0.0
Total	8.6	11.4	8.2	11.0
Total	29.8	33.1	29.4	32.6
<b>Prepayments and accrued income</b>				
Sales price receivables	8.1	19.7	-	-
Annual discounts	4.3	11.4	0.0	10.2
Receivables from advertising costs	4.4	13.7	-	13.4
Others	55.2	34.8	18.0	16.9
Total	72.0	79.6	18.0	40.5
<b>17. Shareholders' equity</b>				
Share capital at 1 January	180.4	180.4	180.4	180.4
Share capital at 31 December	180.4	180.4	180.4	180.4
Share premium account at 1 January	142.7	142.7	142.7	142.7
Share premium account at 31 December	142.7	142.7	142.7	142.7
Revaluation reserve at 1 January	2.0	1.4	1.2	1.2
Change in revaluation reserve	-0.1	0.6	-0.1	0.0
Revaluation reserve at 31 December	1.9	2.0	1.1	1.2
Other reserves at 1 January	249.0	237.8	243.4	243.4
Change in other reserves	0.4	11.2	-	-
Other reserves at 31 December	249.4	249.0	243.4	243.4

NOTES TO THE BALANCE SHEET	GROUP		KESKO CORPORATION	
	2001	2000	2001	2000
Retained earnings at 1 January	806.6	869.8	508.8	564.1
Distribution of dividends	-90.2	-135.3	-90.2	-135.3
Transfer to donations	-0.3	-0.3	-0.3	-0.3
Adjustment for associated companies	1.7	-6.0	-	-
Translation differences	0.0	-0.9	-	-
Transfer to other reserves	-0.4	-11.2	-	-
Retained earnings at 31 December	717.4	716.1	418.3	428.5
Profit for the financial year	54.9	90.5	81.0	80.3
Shareholders' equity, total	1,346.7	1,380.9	1,066.9	1,076.6
<b>Distributable reserves</b>				
Other reserves	249.2	248.8	243.4	243.4
Retained earnings	717.3	716.1	418.3	428.5
Profit for the financial year	54.9	90.5	81.0	80.3
Share of depreciation reserve and untaxed reserves included in shareholders' equity	-178.7	-190.1	-	-
Group entries	-5.4	-5.4	-	-
Total	837.3	860.0	742.7	752.2
<b>Breakdown of parent company's share capital</b>		counter value,		
	pcs	EUR	MEUR	MFIM
A shares	31,737,007	2	63.5	377.4
B shares	58,476,393	2	116.9	695.3
Total	90,213,400		180.4	1,072.7
Voting rights given by shares:	votes			
A share	10			
B share	1			
<b>18. Appropriations</b>				
Depreciation reserve	-	-	212.9	246.0
Untaxed reserves	-	-	-	4.4
Total	-	-	212.9	250.4
<b>19. Provisions</b>				
Rent expenses for vacant business premises	1.6	3.1	0.2	0.8
Guarantee losses	0.3	0.3	-	-
Guarantee provisions	5.3	4.5	-	0.4
Supplementary pension liabilities	0.3	0.4	-	-
Expenses for discontinued business operations	1.0	0.1	0.9	-
Other provisions	2.0	3.6	-	0.6
Total	10.5	12.0	1.1	1.8
<b>20. Deferred tax liabilities and assets</b>				
Deferred tax assets				
caused by timing differences	17.3	23.5	-	-
Deferred tax liabilities				
caused by appropriations	-76.5	-81.2	-	-
caused by timing differences	-2.9	-3.0	-	-
Total	-62.1	-60.7	-	-

NOTES TO THE BALANCE SHEET	GROUP		KESKO CORPORATION	
	2001	2000	2001	2000
<b>21. Non-current liabilities</b>				
Debt falling due later than within five years				
Loans from financial institutions	0.0	-	-	-
Pension loans	3.6	-	-	-
<b>Total</b>	<b>3.6</b>	<b>-</b>	<b>-</b>	<b>-</b>
Bonds with warrants (Tuko Oy) 1994-2001	0.2	0.2	-	-
Subordinated loan issued by Hämeenkyän Kauppa Oy (former Tuko Oy). Subscription period 3.6.-1994-3.6.2001.				
<b>22. Current liabilities</b>				
Bonds with warrants 1996-2002 The bonds include 1,325,000 warrants, each of which entitles to subscribe for one of Kesko B shares during 1.12.1999-30.4.2002.	0.1	0.1	0.1	0.1
interest rate 4%				
<b>Debt to Group companies</b>				
Advances received	-	-	50.6	14.8
Trade payables	-	-	0.1	10.3
Other debt	-	-	357.3	293.2
Accruals and deferred income	-	-	0.6	6.5
<b>Total</b>	<b>-</b>	<b>-</b>	<b>408.6</b>	<b>324.8</b>
<b>Debt to participating interests</b>				
Advances received	0.0	0.5	-	0.5
Trade payables	0.4	0.1	-	0.1
Other debt	17.7	12.7	17.6	12.7
Accruals and deferred income	1.5	0.3	-	0.3
<b>Total</b>	<b>19.6</b>	<b>13.6</b>	<b>17.6</b>	<b>13.6</b>
<b>Accruals and deferred income</b>				
Personnel expenses	44.3	52.3	1.5	20.6
Advertising expenses	2.5	11.5	-	11.5
Taxes	16.4	15.5	11.0	5.7
Others	70.0	37.1	3.8	12.6
<b>Total</b>	<b>133.2</b>	<b>116.4</b>	<b>16.3</b>	<b>50.4</b>
<b>23. Interest-free debt</b>				
Deferred tax liability	62.1	60.7	61.7	72.6
Long-term liabilities	0.0	0.3	-	-
Short-term liabilities	831.6	795.6	84.9	623.3
<b>Total</b>	<b>893.7</b>	<b>856.6</b>	<b>146.6</b>	<b>695.9</b>

OTHER NOTES TO THE FINANCIAL STATEMENTS	GROUP		KESKO CORPORATION	
	2001	2000	2001	2000
<b>24. Securities given and contingent liabilities</b>				
Debt for the security of which mortgages have been given				
Loans from financial institutions	0.1	0.3	-	-
Mortgages given	7.5	1.6	-	-
Other long-term debt	-	-	-	-
Mortgages given	-	-	-	-
Trade payables	4.2	10.7	0.7	0.9
Other short-term debt	3.0	3.4	0.3	3.3
Total	7.2	14.1	1.0	4.2
Mortgages given	16.8	11.7	16.8	11.7
Other mortgages	3.8	3.8	2.0	2.0
Debt, total	7.3	14.4	1.0	4.2
Mortgages given, total	28.1	17.1	18.8	13.7
Debt for the security of which shares have been given				
Other long-term debt	-	-	-	-
Pledged shares	-	-	-	-
Trade payables	-	2.6	-	2.6
Other short-term debt	1.7	11.1	1.7	11.1
Pledged shares	15.5	73.0	15.5	73.0
Debt, total	1.7	13.7	1.7	13.7
Pledged shares, total	15.5	73.0	15.5	73.0
<b>Real estate mortgages</b>				
For own debt	28	17	19	14
For Group companies				
For associated companies				
For management				
For shareholders				
For others				
<b>Chattel mortgages</b>				
For own debt	0			
For Group companies				
For associated companies				
For management				
For shareholders				
For others				
<b>Pledges</b>				
For own debt	18	77	16	73
For Group companies			3	
For associated companies				
For management				
For shareholders				
For others				
<b>Guarantees</b>				
For own debt	26	22		
For Group companies			122	92
For associated companies				
For management				
For shareholders	1	1	1	1
For others	2	2	2	2

OTHER NOTES TO THE FINANCIAL STATEMENTS	GROUP		KESKO CORPORATION	
	2001	2000	2001	2000
<b>Other contingent liabilities</b>				
For own debt	71	62	44	45
For Group companies			0	57
For associated companies				
For management				
For shareholders				
For others				
<b>Leasing liabilities</b>				
Falling due within a year	8	9	0	0
Falling due later	20	14	1	1

OTHER NOTES TO THE FINANCIAL STATEMENTS	GROUP				KESKO CORPORATION			
	2001	market value	2000	market value	2001	market value	2000	market value
<b>Liabilities arising from derivative instruments</b>								
Value of underlying instruments at 31 Dec.								
Interest rate derivatives								
Forward and future contracts	8	0.0	4	0.0	8	0.0	4	0.0
Option agreements								
Bought								
Written								
Interest rate swaps	11	0.0			22	0.0		
Currency derivatives								
Forward and future contracts	113	-1.3	57	0.4	140	-1.1	57	0.4
Option agreements								
Bought	7	-0.2	10	-0.2	7	-0.2	10	-0.2
Written			1	0.0	8	0.2	1	0
Currency swaps								
Equities derivatives								
Forward and future contracts								
Option agreements								
Bought	1	0.0	2	-0.1				
Written	0	0.0						

#### Provisions for the sale of real estate

Price adjustment mechanisms in 2007 are connected with the sales of the real estate used for Tuko's daily consumer goods business and sold on 7 February 1997. They are not expected to have any essential effect on the Group's financial position.

#### Major trials pending

Cases pending at Helsinki District Court:

- Eight former K-retailers primarily demand that Kesko Corporation be obliged to pay a total of EUR 13.8 million in compensation for notices they claim to be contrary to their contracts. Their alternative demand is that, if the notices are found to be according to contract, the condition of notice be modified in such a way that the reasonable period of notice is 24 months instead of the 6 months currently stated. And if this is the case, they also demand compensation for 18 months of lost profits: a total amount of EUR 10.3 million. Additionally the retailers demand that Kesko be obliged to compensate them for damages caused by the increase in wholesale prices, which they regard as groundless, to a total of EUR 1.4 million. All compensations and legal expenses are claimed subject to penal interest for delay.
- Four former Andiamo shoe retailers primarily demand that Kesko Corporation be obliged to pay a total of EUR 0.9 million in compensation for notices they claim to be contrary to their contracts. Their alternative demand is that, if the notices are found to be according to contract, the condition of notice be modified in such a way that the reasonable period of notice is 24 months instead of the 6 months currently stated. And if this is the case, they also demand compensation for 18 months of lost profits: a total amount of EUR 0.6 million. Additionally the retailers demand that Kesko be obliged to reimburse them for marketing money to a total of EUR 0.09 million. All compensations and legal expenses are claimed subject to penal interest for delay.

Kesko Corporation has contested all these summons and claims as groundless. The proceedings continue at Helsinki District Court.

# Key indicators by quarter

GROUP KEY INDICATORS BY QUARTER								
	1-3/ 2000	4-6/ 2000	7-9/ 2000	10-12/ 2000	1-3/ 2001	4-6/ 2001	7-9/ 2001	10-12/ 2001
Net sales, EUR million	1,455	1,655	1,570	1,628	1,432	1,585	1,536	1,661
Change in net sales, %	-	-	-	-	-1.6	-4.2	-2.2	2.1
Operating profit, EUR million	11.9	33.9	35.0	35.9	-0.4	29.0	20.4	27.8
Operating profit, %	0.8	2.1	2.2	2.2	0.0	1.8	1.3	1.2
Financial income/expenses, EUR million	2.9	6.3	0.4	-0.5	1.1	5.9	0.0	1.9
Profit before extraordinary items, EUR million	14.8	40.2	35.4	35.4	0.7	34.9	20.4	29.7
Profit before extraordinary items, %	1.0	2.4	2.3	2.2	0.1	2.4	1.3	1.7
Return on invested capital, %	4.1	10.7	9.6	10.3	1.3	9.3	6.5	9.0
Return on equity, %	2.9	8.2	7.4	7.8	0.2	7.3	5.1	4.1
Equity ratio, %	57.7	53.1	54.2	54.7	55.4	50.7	52.1	53.6
Investments, EUR million	101.2	65.4	39.3	41.0	47.9	71.1	35.0	52.4
Earnings per share, EUR	0.12	0.31	0.28	0.29	0.01	0.27	0.19	0.14
Equity per share, EUR	15.89	14.72	15.01	15.31	15.31	14.59	14.79	14.93

DIVISION NET SALES BY QUARTER, EUR MILLION								
	1-3/ 2000	4-6/ 2000	7-9/ 2000	10-12/ 2000	1-3/ 2001	4-6/ 2001	7-9/ 2001	10-12/ 2001
Kesko Food	794	892	864	903	758	867	869	939
Rautakesko	163	231	213	179	172	220	192	162
Kesko Agro	143	185	142	155	162	209	155	173
Keswell	164	160	179	223	154	146	171	224
VW-Auto	150	133	115	84	130	92	85	84
Kaukomarkkinat	66	64	76	88	73	67	76	75
Common operations-eliminations	-25	-10	-19	-4	-17	-16	-12	4
Group net sales	1,455	1,655	1,570	1,628	1,432	1,585	1,536	1,661

DIVISION OPERATING PROFIT BY QUARTER, EUR MILLION								
	1-3/ 2000	4-6/ 2000	7-9/ 2000	10-12/ 2000	1-3/ 2001	4-6/ 2001	7-9/ 2001	10-12/ 2001
Kesko Food	-1.2	10.7	15.9	15.6	-4.2	12.3	7.7	24.2
Rautakesko	0.2	3.4	6.5	-3.7	-1.8	2.5	5.1	-1.5
Kesko Agro	1.9	5.7	-0.2	-2.9	1.7	6.1	0.0	-1.6
Keswell	-10.9	-2.0	-2.4	7.5	-11.9	-4.9	-4.2	15.1
VW-Auto	7.5	5.3	3.2	1.8	5.5	3.5	3.4	1.8
Kaukomarkkinat	0.4	-0.4	3.8	0.7	1.5	0.8	3.3	1.2
Common operations	14.0	11.2	8.2	16.9	8.8	8.7	5.1	-11.4
Group operating profit	11.9	33.9	35.0	35.9	-0.4	29.0	20.4	27.8

# Group in figures

GROUP IN FIGURES, EUR					
	1997	1998	1999	2000	2001
<b>Income statement</b>					
Net sales, EUR million	5,870	5,992	6,111	6,308	6,214
Change in net sales, %	18.6	2.1	2.0	3.2	-1.5
Other operating income, EUR million	238	290	292	336	399
Materials and services, EUR million	5,204	5,270	5,359	5,553	5,439
Personnel expenses, EUR million	302	321	317	316	333
Personnel expenses as % of net sales	5.2	5.4	5.2	5.0	5.3
Depreciation and value adjustments, EUR million	99	101	113	119	115
Other operating expenses, EUR million	391	460	496	540	651
Share of profits/losses of associated companies, EUR million			-2	1	2
Operating profit, EUR million	112	130	116	117	77
Operating profit as % of net sales	1.9	2.2	1.9	1.9	1.2
Financial income and expenses, EUR million	3	3	12	9	9
Profit before extraordinary items, EUR million	115	133	128	126	86
Profit before extraordinary items as % of net sales	2.0	2.2	2.1	2.0	1.4
Profit before taxes, EUR million	115	156	124	126	86
Profit before taxes as % of net sales	2.0	2.6	2.0	2.0	1.4
Income taxes, EUR million	27	42	39	34	30
Minority interest, EUR million	0	0	0	-1	-1
Net profit for the financial year, EUR million	89	114	85	91	55
Net profit for the financial year as % of net sales	1.5	1.9	1.4	1.4	0.9
<b>Balance sheet</b>					
Intangible assets, EUR million	151	143	133	149	182
Tangible assets, EUR million	918	886	865	883	875
Investments, EUR million	119	82	126	153	151
Stocks, EUR million	461	495	492	536	510
Receivables, EUR million	726	692	683	772	722
Marketable securities, EUR million	180	208	232	30	49
Cash on hand and at bank, EUR million	30	39	39	47	78
Share capital, EUR million	152	152	180	180	180
Shareholders' equity, total, EUR million	1,338	1,407	1,432	1,380	1,347
Minority interest, EUR million	30	27	16	16	16
Provisions, EUR million	21	19	16	12	11
Liabilities, EUR million	1,196	1,092	1,106	1,162	1,193
Balance sheet total, EUR million	2,585	2,545	2,570	2,570	2,567
Cash flow from operating activities, EUR million	244	191	268	129	209
Interest-bearing liabilities, EUR million	385	317	289	305	230
Interest-bearing net debt, EUR million	176	71	18	227	173
<b>Key indicators</b>					
Return on equity, %	6.6	6.5	6.1	6.4	4.1
Return on invested capital, %	8.2	8.9	8.0	8.5	6.6
Equity ratio, %	53.2	56.7	56.6	54.7	53.1
Gearing ratio, %	12.9	4.9	1.3	16.3	12.7
<b>Investments, EUR million</b>					
Investments as % of net sales	2.6	2.2	3.3	3.9	3.3
<b>Personnel</b>					
Average number of personnel during the year	10,672	11,172	10,993	11,099	11,544
Number of personnel at 31 Dec., incl. part-time employees			12,968	13,361	14,988



<b>GROUP IN FIGURES, FIM</b>					
	1997	1998	1999	2000	2001
<b>Income statement</b>					
Net sales, FIM million	34,902	35,629	36,333	37,503	36,947
Change in net sales, %	18.6	2.1	2.0	3.2	-1.5
Other operating income, FIM million	1,417	1,725	1,738	1,995	2,370
Materials and services, FIM million	30,939	31,333	31,856	33,014	32,338
Personnel expenses, FIM million	1,798	1,911	1,887	1,877	1,984
Personnel expenses as % of net sales	5.2	5.4	5.2	5.0	5.3
Depreciation and value adjustments, FIM million	587	603	672	708	682
Other operating expenses, FIM million	2,326	2,732	2,951	3,210	3,869
Share of profits/losses of associated companies, FIM million			-12	5	12
Operating profit, FIM million	667	775	693	694	456
Operating profit as % of net sales	1.9	2.2	1.9	1.9	1.2
Financial income and expenses, FIM million	17	16	71	54	54
Profit before extraordinary items, FIM million	685	791	764	748	510
Profit before extraordinary items as % of net sales	2.0	2.2	2.1	2.0	1.4
Profit before taxes, FIM million	685	926	737	748	510
Profit before taxes as % of net sales	2.0	2.6	2.0	2.0	1.4
Income taxes, FIM million	161	251	232	206	176
Minority interest, FIM million	2	2	0	-4	-8
Net profit for the financial year, FIM million	526	677	505	538	326
Net profit for the financial year as % of net sales	1.5	1.9	1.4	1.4	0.9
<b>Balance sheet</b>					
Intangible assets, FIM million	897	852	791	884	1,084
Tangible assets, FIM million	5,458	5,270	5,140	5,248	5,203
Investments, FIM million	710	487	752	909	895
Stocks, FIM million	2,739	2,944	2,928	3,188	3,037
Receivables, FIM million	4,320	4,112	4,061	4,592	4,290
Marketable securities, FIM million	1,069	1,235	1,377	179	293
Cash on hand and at bank, FIM million	176	229	231	282	462
Share capital, FIM million	902	902	1 073	1 073	1,073
Shareholders' equity, total, FIM million	7,955	8,365	8,515	8,211	8,007
Minority interest, FIM million	179	163	95	95	98
Provisions, FIM million	127	114	95	71	63
Liabilities, FIM million	7,108	6,487	6,575	6,905	7,096
Balance sheet total, FIM million	15,369	15,129	15,280	15,282	15,264
Cash flow from operating activities, FIM million	1,453	1,138	1,592	767	1,243
Interest-bearing liabilities, FIM million	2,290	1,884	1,718	1,812	1,782
Interest-bearing net debt, FIM million	1,045	421	110	1,352	1,028
<b>Key indicators</b>					
Return on equity, %	6.6	6.5	6.1	6.4	4.1
Return on invested capital, %	8.2	8.9	8.0	8.5	6.6
Equity ratio, %	53.2	56.7	56.6	54.7	53.1
Gearing ratio, %	12.9	4.9	1.3	16.3	12.7
<b>Investments, FIM million</b>					
Investments as % of net sales	2.6	2.2	3.3	3.9	3.3
<b>Personnel</b>					
Average number of personnel during the year	10,672	11,172	10,993	11,099	11,544
Number of personnel at 31 Dec., incl. part-time employees			12,968	13,361	14,988

# Calculation of key indicators

Return on equity (ROE), %	=	$\frac{\text{profit before extraordinary items less income taxes}}{\text{shareholders' equity} + \text{minority interest (average during the year)}}$	x 100
Return on invested capital (ROI), %	=	$\frac{\text{profit before extraordinary items} + \text{interest and other financial expenses}}{\text{balance sheet total less interest-free debt (average during the year)}}$	x 100
Return on net assets (RONA), %	=	$\frac{\text{operating profit}}{\text{net assets (= balance sheet total less liquid assets less interest-free debt less provisions) average}}$	x 100
Equity ratio, %	=	$\frac{\text{shareholders' equity} + \text{minority interest}}{\text{balance sheet total less advances received}}$	x 100
Gearing ratio, %	=	$\frac{\text{interest-bearing liabilities less marketable securities less cash on hand and at bank}}{\text{shareholders' equity} + \text{minority interest}}$	x 100
Cash flow from operations	=	operating profit + depreciation and value adjustments ± change in working capital ± financial income and expenses less income taxes	
Market capitalisation	=	share price on balance sheet date x number of shares	
Earnings per share	=	$\frac{\text{profit before extraordinary items less income taxes} \pm \text{minority interest}}{\text{average adjusted number of shares}}$	
Equity per share	=	$\frac{\text{shareholders' equity}}{\text{adjusted number of shares}}$	
Dividend of earnings, %	=	$\frac{\text{dividend per share}}{\text{earnings per share}}$	x 100
Price per earnings ratio (P/E)	=	$\frac{\text{share price on balance sheet date}}{\text{earnings per share}}$	
Dividend yield, %	=	$\frac{\text{dividend per share}}{\text{share price on balance sheet date}}$	x 100
Cash flow from operations per share	=	$\frac{\text{cash flow from operating activities}}{\text{average number of shares}}$	
Yield of A share and B share	=	change in share price + annual dividend income	

# Auditors' Report

## To Kesko Corporation's shareholders

We have examined Kesko Corporation's accounting records, financial statements and administration for the financial period from 1 January to 31 December 2001. The statements prepared by the Board of Directors and the Managing Director include the Report by the Board of Directors, as well as the consolidated income statement and balance sheet, the parent company's income statement and balance sheet, and notes to the financial statements. On the basis of our examination, we give below a report on the financial statements and administration.

The audit has been carried out in accordance with generally accepted auditing standards. The accounting records and the financial statements, including the principles for preparing these statements, their contents and the practice to disclose the financial data, have been audited to obtain reasonable assurance that the financial statements are free of material misstatement. Concerning administration, we have examined the legality of the actions of the Board of Directors' members and the Managing Director on the basis of the rules specified in the Companies Act.

In our opinion, the financial statements have been prepared in accordance with the Accounting Act and other rules and standards concerning the preparation of financial statements. The financial statements show a true and fair view of the performance and financial position of the Group and the parent company. The financial statements, including the consolidated financial statements, can be adopted. The members of the parent company's Board of Directors and the Managing Director can be discharged from their responsibilities for the financial period audited by us. The proposal of the Board of Directors concerning distributable reserves is in compliance with the Companies Act.

Helsinki, 28 February 2002

SVH Pricewaterhouse Coopers Oy  
Certified Public Accountants

Pekka Nikula  
CPA

Mauno Tervo  
CPA

# Shares and shareholders

## Share series and share capital

Kesko Corporation's share capital is divided into A shares and B shares. The company's share capital is EUR 180,426,800. The minimum share capital is EUR 100,000,000 and the maximum EUR 400,000,000, within which limits the share capital can be increased or decreased without amending the Articles of Association.

The minimum number of A shares is one (1) and the maximum number two hundred and fifty million (250,000,000), while the minimum number of B shares is one (1) and the maximum number two hundred and fifty million (250,000,000), provided that the total number of shares is at minimum two (2) and at maximum four hundred million (400,000,000).

The total number of shares is 90,213,400, of which 31,737,007 (35.2%) are A shares and 58,476,393 (64.8%) are B shares. The book counter-value of the shares is EUR 2.00.

Each A share entitles the holder to 10 votes and each B share to 1 vote. Both shares give the same dividend rights.

The company's shares are included in the book-entry securities system held by the Finnish Central Securities Depository Ltd.

The right to receive funds distributed by the company and to subscribe to shares when the share capital is increased belongs only to those

- who are registered as shareholders in the shareholder register on the record date
- whose right to receive funds has been entered by the record date into

the book-entry securities account of the shareholder registered in the shareholder register, and registered in the shareholder register

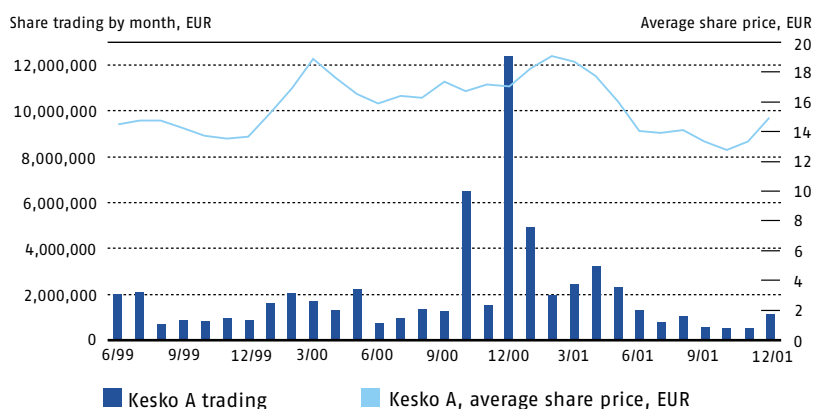
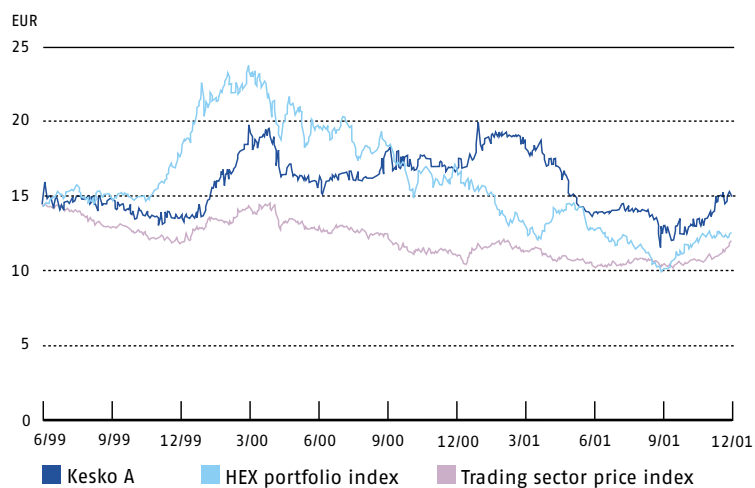
- if a share has been registered in a nominee name, into whose book-entry securities account the share has been entered by the record date, and whose custodian has been regis-

tered in the shareholder register as the custodian of the shares by the record date.

## Share trading

Kesko Corporation's shares are listed on the HEX Helsinki Exchanges and traded in euros. Key information about the Kesko share trading is given in the table below.

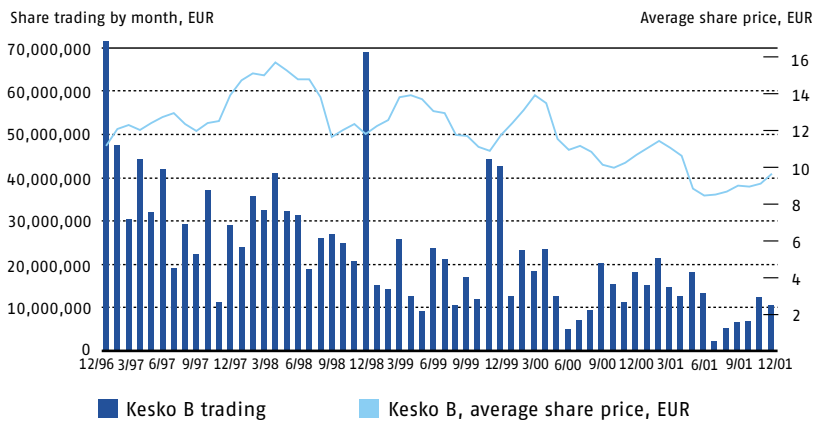
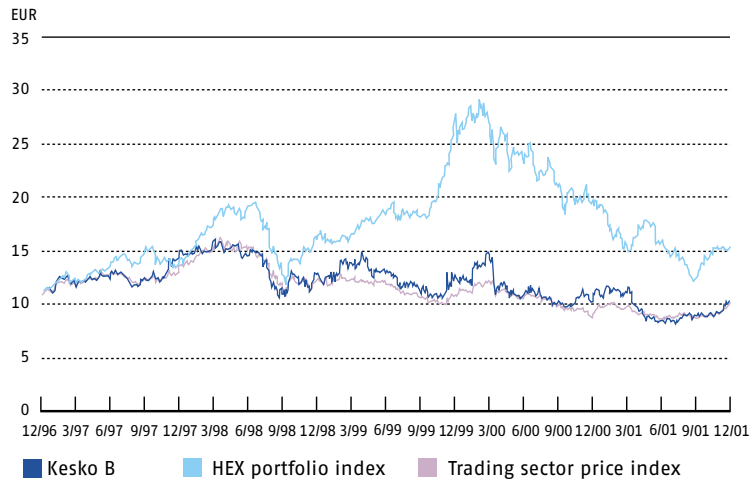
Trends in Kesko's A share price and share trading



Kesko's A and B share prices and share trading in 2001

Share	Share price, EUR 31.12.2000	Share price, EUR 31.12.2001	Change, %	Lowest price, EUR	Highest price, EUR	Trading volume, 1,000 pcs	Total value, EUR million	Turnover rate, %
Kesko A	16.95	15.00	-11.5	11.50	20.00	1,234	20.5	3.8
Kesko B	10.75	10.30	-4.2	8.10	11.80	14,214	139.1	24.3

### Trends in Kesko's B share price and share trading



The trading sector index rose by 13.4% during the year, while the HEX general index dropped by 32.4% and the HEX portfolio index by 22.3%.

At the end of 2001, the market value of A shares was EUR 476.1 million and that of B shares EUR 602.3 million, with the total market capitalisation of the company being EUR 1,078.4 million.

Kesko's share prices and trading volumes can be monitored through the company's Internet pages at [www.kesko.fi](http://www.kesko.fi).

#### Stock options

##### Stock option scheme 1996

In 1996, the company issued to the

company management bonds with warrants totalling EUR 222,849, which entitle them to subscribe to a maximum of 1,325,000 B shares of Kesko Corporation at a unit price of EUR 10.01. The subscription period for the shares is 1.12.1999-30.4.2002, and they entitle to dividends for the financial year during which the shares were subscribed and paid for.

##### Stock option scheme 2000

The Annual General Meeting of 10 April 2000 approved a stock option scheme for the top and middle management as part of the management's incentive pro-

gramme. There were two classes of warrants issued, warrants B and warrants C, both without consideration. There were 3,825,000 warrants B issued and 2,015,000 warrants C issued, i.e. a total of 5,840,000 warrants.

Each warrant B and C entitles to the subscription of one B share of Kesko. The share subscription period shall begin on 1 November 2002 for warrants B and on 1 November 2003 for warrants C, and shall end on 31 March 2006 for all warrants. The share subscription price for warrant B shall be the trade volume weighted average price of Kesko's B share on the Helsinki Exchanges during March 2000 with an addition of 15% (EUR 15.97), and for warrant C the corresponding average price of the B share during March 2001 with an addition of 15% (EUR 12.71). From the share subscription price shall be deducted the amount of the dividend per share distributed after the period for the determination of the share subscription price has ended but before the date of subscription for shares. The stock option scheme comprises over 500 persons.

In all, the issued warrants entitle to the subscription of a total of 7,165,000 B shares, which would account for 7.36% of the share capital and 1.87% of voting rights.

#### Stock options held by the members of the Board of Directors and the Corporate Management Board

Other members of Kesko Corporation's Board of Directors than the company's President and CEO do not hold warrants.

At the end of December 2001, the President and his Deputy, Kalervo Haapaniemi, held a total of 275,000 warrants, which consisted of 50,000 warrants issued in 1996 and 225,000 B and C warrants issued in 2000. Their ownership share is 3.77% of the total number

of the 1996 warrants and 3.85% of the total number of the year 2000 B and C warrants. The shares to be subscribed on the basis of these warrants give them entitlement to 0.28% of the share capital and 0.07% of the total voting rights, supposing that all subscription rights are used.

Detailed information on stock options held by the management are given on pages 86-89 where the Board of Directors and the Corporate Management Board are presented.

By the end of December 2001, no shares were subscribed for on the basis of the warrants. The company has no other convertible bonds or bonds with warrants in issue.

#### Authorisations of Board of Directors

The Board of Directors has no authorisation to increase the share capital, or to acquire or assign the company's shares. Kesko Corporation does not hold any of its own shares.

#### Dividend policy

Kesko distributes at least a third of its earnings per share as dividends, or a half if the equity ratio exceeds 50%.

#### Proposed dividends

Kesko Corporation's Board of Directors proposes to the Annual General Meeting that EUR 54.1 million be distributed as dividends from the net profit for 2001, or EUR 0.60 per share, representing 98% of earnings per share. During the past five years, 93% of earnings per share, on the average, have been distributed as dividends.

#### Shareholders

According to the register of Kesko's shareholders kept by the Finnish Central Securities Depository Ltd, there were 25,057 shareholders at the end of December 2001. The total number of

#### Basic information of the shares

The symbol of the A share is KESAV  
The symbol of the B share is KESBV

The trading unit of both share series is 100 shares  
The share capital is EUR 180,426,800  
The number of shares is 90,213,400

- 31,737,007 A shares
- 58,476,393 B shares
- The book counter-value of the shares is EUR 2.00
- The taxable value of an A share (in 2001) was EUR 10.71
- The taxable value of a B share (in 2001) was EUR 7.21

#### Voting rights

- A share: 10 votes
- B share: 1 vote

shares registered in a nominee name was 16,360,126, accounting for 18.1% of the share capital. The number of votes entitled by these shares was 16,510,921, or 4.4% of the total voting rights.

K-retailers owned a total of 17.0% of the shares, and had 35.1% of voting rights.

A list of the largest shareholders can be found at [www.kesko.fi/Investor-information](http://www.kesko.fi/Investor-information).

#### Shares held by Kesko's management

The members of Kesko's Board of Directors whose term began on 1 January 2001, including the Managing Director and the Deputy Managing Director and the organisations under their con-

trol, held at the end of December 2001 a total of 1,084,949 Kesko shares, which represented 1.20% of the company's share capital and 2.04% of its voting rights.

Detailed information on shares held by the management are given on pages 86-89 where the Board of Directors and the Corporate Management Board are presented.

#### Flagging notifications

During 2001, the company did not receive any flagging notifications. The company has not been informed of any agreements relating to its share ownership or the exercising of its voting rights.

#### The latest changes in share capital

Year	Subscription period	Subscription terms	Change	New share capital
1989	22.5.-30.6.	R 1 for 5 at FIM 45	FIM 150,000,000	FIM 900,000,000
1990	15.1.-20.2.	C 200 for 5000 at FIM 68	FIM 2,434,000	FIM 902,434,000
1998	8.4.		FIM -300,000	FIM 902,134,000
1999	31.5.		EUR 28,700,000	EUR 180,426,800

R = rights issue C = conversion of bonds

## 20 largest shareholders by number of shares at 31 December 2001

	Number of shares	% of shares	% of votes
1. Kesko Pension Fund	3,520,705	3.90	9.09
2. The K-Retailers' Association	2,765,639	3.07	7.26
3. Vähittäiskaupan Takaus Oy	2,628,533	2.91	6.99
4. The Finnish Local Government Pensions Institution	1,604,600	1.78	0.43
5. Valluga-sijoitus Oy	1,340,439	1.49	3.57
6. Varma-Sampo Mutual Pension Insurance Company	1,318,353	1.46	0.35
7. Pohjola Non-Life Insurance Company Limited	1,250,000	1.39	0.33
8. Suomi Mutual Life Insurance Company	1,228,800	1.36	0.33
9. Ilmarinen Mutual Pension Insurance Company	1,075,400	1.19	0.29
10. Sampo Life Insurance Company Limited	1,044,930	1.16	0.28
11. English Tearoom Oy Ab	1,008,400	1.12	0.27
12. Tapiola Mutual Pension Insurance Company	1,000,000	1.11	0.27
13. Foundation for Vocational Training in the Retail Trade	812,625	0.90	1.71
14. Tapiola General Mutual Insurance Company	809,000	0.90	0.22
15. Suomi Insurance Company Limited	503,000	0.56	0.13
16. Fortum Pension Foundation	455,000	0.50	0.12
17. Tapiola Mutual Life Insurance Company	400,200	0.44	0.11
18. LEL Employment Pension Fund	394,300	0.44	0.10
19. Kaleva Mutual Insurance Company	394,000	0.44	0.10
20. Pension Foundation Polaris	340,000	0.38	0.09

## 20 largest shareholders by number of votes at 31 December 2001

	Number of votes	% of votes	Number of shares	% of shares
1. Kesko Pension Fund	34,161,070	9.09	3,520,705	3.90
2. The K-Retailers' Association	27,288,740	7.26	2,765,639	3.07
3. Vähittäiskaupan Takaus Oy	26,285,330	6.99	2,628,533	2.91
4. Valluga-sijoitus Oy	13,404,390	3.57	1,340,439	1.49
5. Foundation for Vocational Training in the Retail Trade	6,432,243	1.71	812,625	0.90
6. Ruokajätti Kalevi Sivonen Oy	2,274,000	0.61	281,400	0.31
7. A. Toivakka Oy	1,934,500	0.51	211,450	0.23
8. Mauri ja Nina Penttinen Ky	1,931,600	0.51	198,020	0.22
9. Ruokacity Myyrmäki Oy	1,790,000	0.48	188,000	0.21
10. The Finnish Local Government Pensions Institution	1,604,600	0.43	1,604,600	1.78
11. Vesa Laakso Oy	1,555,000	0.41	173,500	0.19
12. Kotihalli Oy	1,481,500	0.39	247,600	0.27
13. Hannu Aaltonen Oy	1,417,800	0.38	141,780	0.16
14. K-Grocers' Club of the K-Retailers' Association	1,362,660	0.36	187,440	0.21
15. Varma-Sampo Mutual Pension Insurance Company	1,318,353	0.35	1,318,353	1.46
16. Jutor Oy	1,281,600	0.34	187,200	0.21
17. Pohjola Non-Life Insurance Company Limited	1,250,000	0.33	1,250,000	1.39
18. Suomi Mutual Life Insurance Company	1,228,800	0.33	1,228,800	1.36
19. Sundman & Co - Holding Oy Ab	1,108,020	0.29	110,802	0.12
20. Ilmarinen Mutual Pension Insurance Company	1,075,400	0.29	1,075,400	1.19

## Ownership structure at 31 December 2001

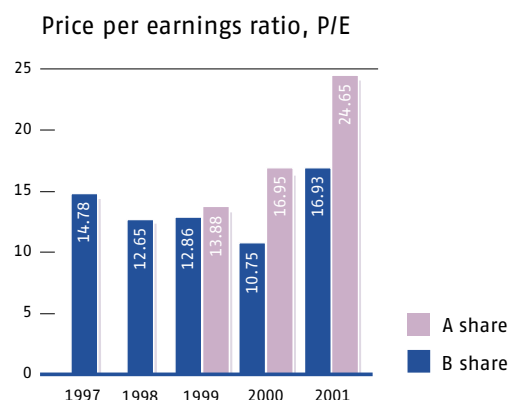
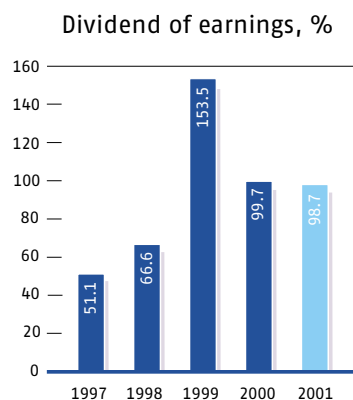
ALL SHARES	Number of shares	% of all shares	
Private enterprises	25,155,771		27.88
Public companies	38,980		0.04
Financial and insurance institutions	8,625,247		9.56
General government*	11,136,850		12.35
Non-profit institutions**	4,266,273		4.73
Households	24,247,836		26.88
Foreigners (incl. nominee registrations)	16,742,443		18.56
On waiting list	0		0.00
Not transferred to the book-entry securities system	0		0.00
<b>Total</b>	<b>90,213,400</b>		<b>100.00</b>

A SHARES	Number of shares	% of A shares	% of all shares
Private enterprises	18,418,355	58.03	20.42
Public companies	0	0.00	0.00
Financial and insurance institutions	1,340,453	4.22	1.49
General government*	3,408,745	10.74	3.78
Non-profit institutions**	950,257	2.99	1.05
Households	7,599,594	23.95	8.42
Foreigners (incl. nominee registrations)	19,603	0.06	0.02
On waiting list	0	0.00	0.00
Not transferred to the book-entry securities system	0	0.00	0.00
<b>Total</b>	<b>31,737,007</b>	<b>100.00</b>	<b>35.18</b>

B SHARES	Number of shares	% of A shares	% of all shares
Private enterprises	6,740,316	11.53	7.47
Public companies	36,080	0.06	0.04
Financial and insurance institutions	7,284,794	12.46	8.08
General government*	7,728,105	13.22	8.57
Non-profit institutions**	3,316,016	5.67	3.68
Households	16,648,242	28.47	18.45
Foreigners (incl. nominee registrations)	16,722,840	28.60	18.54
On waiting list	0	0.00	0.00
Not transferred to the book-entry securities system	0	0.00	0.00
<b>Total</b>	<b>58,476,393</b>	<b>100.00</b>	<b>64.82</b>

\* General government includes municipalities, the provincial administration of Åland, employment pension institutions and social security funds.

\*\* Non-profit institutions include foundations awarding scholarships, organisations safeguarding certain interests, and charitable associations.





### Distribution of share ownership at 31 December 2001

#### ALL SHARES

Number of shares	Number of shareholders	% of shareholders	Shares total	% of shares
1 - 100	5,196	20.75	285,567	0.32
101 - 500	8,772	35.03	2,442,995	2.71
501 - 1,000	4,117	16.44	3,196,660	3.54
1,001 - 5,000	5,237	20.92	11,838,666	13.12
5,001 - 50,000	1,579	6.31	20,244,882	22.44
50,001 -	138	0.55	52,204,630	57.87
<b>Total</b>	<b>25,039</b>	<b>100.00</b>	<b>90,213,400</b>	<b>100.00</b>

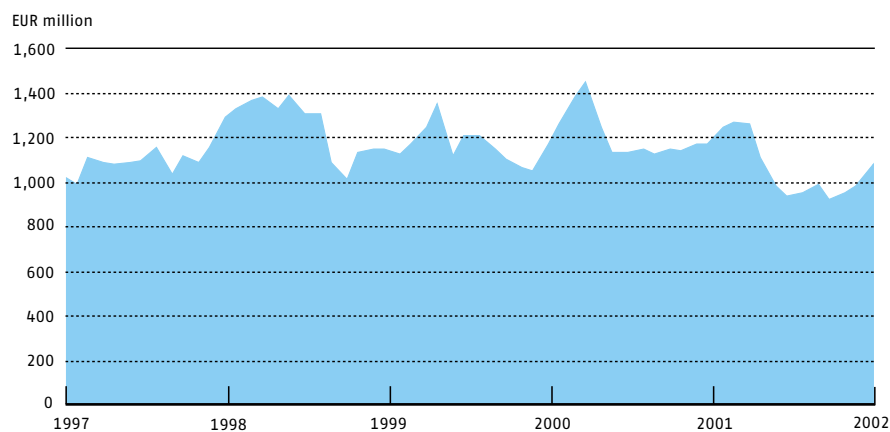
#### A SHARES

Number of shares	Number of shareholders	% of holders of A shares	A shares total	% of A shares
1 - 100	711	14.17	35,141	0.11
101 - 500	988	19.69	271,032	0.85
501 - 1,000	684	13.63	557,230	1.76
1,001 - 5,000	1,710	34.08	4,275,019	13.47
5,001 - 50,000	874	17.42	11,700,933	36.87
50,001 -	50	1.00	14,897,652	46.94
<b>Total</b>	<b>5,017</b>	<b>100.00</b>	<b>31,737,007</b>	<b>100.00</b>

#### B SHARES

Number of shares	Number of shareholders	% of holders of B shares	B shares total	% of B shares
1 - 100	5,153	23.27	283,540	0.48
101 - 500	8,541	38.57	2,368,445	4.05
501 - 1,000	3,757	16.97	2,895,157	4.95
1,001 - 5,000	3,861	17.44	8,209,548	14.04
5,001 - 50,000	759	3.43	9,497,398	16.24
50,001 -	71	0.32	35,222,305	60.23
<b>Total</b>	<b>22,142</b>	<b>100.00</b>	<b>58,476,393</b>	<b>100.00</b>

### Market capitalisation of Kesko



Share capital and shares					
	1997	1998	1999	2000	2001
Share capital, EUR million	152	152	180	180	180
Number of shares at 31 Dec., million pcs	90	90	90	90	90
Adjusted number of shares at 31 Dec., million pcs	90	90	90	90	90
Adjusted average number of shares during the year, million pcs	90	90	90	90	90
of which exclusive/A shares, %	35	35	35	35	35
of which ordinary/B shares, %	65	65	65	65	65
Market capitalisation, EUR million, A shares			432	538	476
Market capitalisation, EUR million, B shares	849	748	736	629	602
Number of shareholders at 31 Dec.	24,292	23,704	23,235	24,496	25,057
Share turnover, EUR million					
A share			8	33	20
B share	415	382	248	177	139
Share turnover, million pcs					
A share			1	2	1
B share	34	28	20	15	14
Turnover rate, %					
A share			1.8	6.2	3.9
B share	58.2	47.8	34.8	26.1	24.3
Change in share turnover, %					
A share				240.9	-37.5
B share	-18.8	-17.7	-27.2	-25.1	-6.7
Share price at 31 Dec., EUR					
A share			13.60	16.95	15.00
B share	14.50	12.78	12.60	10.75	10.30
Average share price, EUR					
A share			14.22	16.85	16.57
B share	12.20	13.65	12.18	11.59	9.79
Highest share price during the year, EUR					
A share			16.00	19.90	20.00
B share	14.80	16.40	15.45	14.99	11.80
Lowest share price during the year, EUR					
A share			12.50	13.50	11.50
B share	10.68	10.09	10.50	9.61	8.10
Earnings per share, EUR	0.98	1.01	0.98	1.00	0.61
Equity per share, adjusted, EUR	14.83	15.59	15.87	15.31	14.93
Dividend per share, EUR	0.50	0.67	1.50	1.00	0.60*
Dividend of earnings, %	51.1	66.6	153.5	99.7	98.7
Cash flow from operations per share, EUR	2.71	2.12	2.97	1.43	2.32
Price per earnings ratio (P/E), A share			13.88	16.95	24.65
Price per earnings ratio (P/E), B share	14.78	12.65	12.86	10.75	16.93
Dividend yield, %, A share			11.0	5.9	4.0
Dividend yield, %, B share	3.5	5.3	11.9	9.3	5.8
Yield of A share (from 1 June 1999)				18.3	8.6
Yield of B share					
For the last five financial years, %	21.7	12.2	10.2	9.8	6.1
For the last ten financial years, %	12.3	8.1	5.7	8.2	11.0

\* proposal to the Annual General Meeting

# Corporate Governance

*Kesko Group comprises the parent company, Kesko Corporation, and its subsidiaries. The most important decisions within Kesko Corporation are made by the company's shareholders in a General Meeting.*

Kesko Group has four commercial product lines: food, hardware and builders' supplies, home and speciality goods, and agriculture and machinery. The divisions responsible for Kesko Corporation's goods trading have been incorporated into subsidiaries wholly owned by Kesko Corporation. Kesko Food Ltd and Keswell Ltd started operations on 1 April 2001. Rautakesko Ltd and Kesko Agro Ltd, and its subsidiary Kesko Machinery Ltd, started operations on 1 October 2001. The division parent companies mentioned later refer to Kesko Food Ltd, Rautakesko Ltd, Kesko Agro Ltd and Keswell Ltd.

Kaukomarkkinat Oy and VV-Auto Oy are subsidiaries wholly owned by Kesko Corporation.

## General Meeting

The General Meeting is the company's highest decision-making body. The Annual General Meeting is responsible for handling the matters determined for it by the Articles of Association, including the adoption of the financial statements and the decision on profit distribution. Kesko's General Meeting is convened by the company's Board of Directors. According to the Companies Act and the Articles of Association, the amendment of the Articles of Association and the election of the members of the Board of Directors and the auditors are included in the matters over which the General Meeting has exclusive jurisdiction.

## Board of Directors

### Composition and term

According to the Articles of Association, Kesko Corporation's Board of Directors consists of a minimum of five and a maximum of eight members. The Board of Directors' members are elected by a General Meeting for a term that starts at the close of the General Meeting electing the members and expires at the close of the third General Meeting after the election. The Board of Directors elects a Chairman and a Deputy Chairman from among its members.

### Functions

The function of the Board of Directors is to supervise the company's management and to duly arrange the company's operations. In its meeting on 3 January 2001, the Board of Directors confirmed the guidelines that specify the Board of Directors' meeting practice and functions. The Board of Directors handles and decides on matters that are fundamentally and financially significant for the Group's operations. The functions of Kesko Corporation's Board of Directors include:

- the making of decisions on the Group strategy and the confirmation of strategies for divisions
- the confirmation of the Group's operational plan and budget
- the handling and adoption of interim reports, consolidated financial statements and annual report

- the confirmation of the Group's investment plan
- the making of decisions on strategically or financially important individual investments, company acquisitions or disposals, and contingent liabilities
- the approving of the Group's financial policy
- the confirmation of the Group-level risk management and reporting practices
- the making of decisions on reward and incentive schemes to the Group's management
- the making of decisions on the Group structure and organisation
- the formulation of a dividend policy and the responsibility for the development of the shareholder value
- the appointment of the company's Managing Director and the determination of his salary and benefits
- the appointment of the Deputy Managing Director
- the appointment of the Presidents of the division parent companies
- other duties that are determined for a Board of Directors in the Companies Act, in the Articles or Association or that are otherwise specified

### Meetings, fees and other benefits

The Board of Directors meets about 10 times a year. In the meetings, matters are presented by Kesko's President and

CEO. The following fees are paid to the members of the Board of Directors, with the exception of the persons employed by the company:

- the monthly fee paid to the Chairman is EUR 3,363.76
- the monthly fee paid to the Deputy Chairman is EUR 2,186.44
- the monthly fee paid to a Board member is EUR 1,681.88
- the fee paid to a participant, per meeting is EUR 420.47

In addition, the Board of Directors' members are entitled to daily allowances and compensation for travelling expenses in accordance with the general travel rules applied by Kesko Corporation.

The Board of Directors' members Kalevi Sivonen, Heikki Takamäki and Jukka Toivakka are K-retailers, who are in normal business relations with Kesko Group.

#### **Managing Director and Deputy Managing Director**

Kesko Corporation has a Managing Director whose duty is to manage the company's operational activities in accordance with the Board of Directors' instructions and rules. The Managing Director is also known as President and CEO. The Board of Directors elects the Managing Director and the Deputy Managing Director.

The Managing Director's retirement age is 60 years, with his full pension being 66% of the annual salaries serving as the basis for calculating the pension. The retirement age of the Deputy Managing Director is 60 years, with his pension being 60% of the annual salaries serving as the basis for calculating the pension. A six-month period of notice is given for termination of the employ-

ment contracts of the Managing Director and the Deputy Managing Director.

#### **The Division Boards of Directors**

The most important functions of a Division Board of Directors are:

- the definition of a strategy and the confirmation of an operational plan and a budget for a division parent company
- the determination of a control and reporting system for a division parent company
- the handling and adoption of a division parent company's financial statements and the division's consolidated financial statements
- the making of decisions on investments, company acquisitions and disposals and contingent liabilities within the investment limits determined by the Group
- the making of decisions on reward and incentive systems for a division parent company's management and key persons in accordance with the Group's guidelines
- the making of decisions on a division parent company's organisation
- the preparation of matters that will be proposed to Kesko's Board of Directors
- other duties that are determined for a Board of Directors in the Companies Act, in the Articles of Association or that are otherwise specified

The members of the Division Boards of Directors are elected from among the persons who belong to Kesko Group's management, and Kesko Corporation's President and CEO acts as their Chairman. According to the Articles of Association, a Division Board of Directors has 3-5 members.

#### **President of a division parent company**

The President is responsible for the operational management and development of the division's operations. His responsibilities include the development of sales and market shares in the division, profitability and efficiency, and investments within the limits determined by the Group's Board of Directors.

#### **Corporate Management Board**

Kesko Group has a Corporate Management Board, with its members representing the Group's top management. The Corporate Management Board meets 8-10 times a year. It is responsible for dealing with Group-level development projects and Group-level principles and policies. In addition, the Corporate Management Board is informed about the Group's and the division parent companies' business plans, profit performance and the matters that are handled by Kesko Corporation's Board of Directors, and it also participates in the preparation of those matters.

The following persons belong on the Corporate Management Board:

- President and CEO, who acts as the Chairman
- Deputy Chief Executive, who acts as the Deputy Chairman
- Corporate Executive Vice President, CFO
- Presidents of the division parent companies
- Senior Vice President, Administration
- Senior Vice President, Corporate Communications

#### **Auditors and the control system**

##### **Auditors**

The company has a minimum of one and a maximum of three auditors elected

by the Annual General Meeting. The term of an auditor is the company's financial period and an auditor's duties terminate at the close of the Annual General Meeting following the election. The auditors shall be auditors or firms of auditors authorised by the Central Chamber of Commerce.

#### **Control system**

The company's Board of Directors has the supreme responsibility for accounting and the control of financial management. Kesko Corporation's Board of Directors has confirmed the operating principles of internal control to be applied in the Group. The main function of statutory auditing is to verify that the financial statements show a true and fair view of the Group's performance and financial position for a financial year. In addition, the auditors give reports to the Board of Directors concerning the regular supervision of administration and operations.

The company has a Quality and Risk Management unit, whose function is to evaluate and ensure the adequacy, appropriateness and efficiency of the risk management, control and administrative processes of the management. The unit operates in line with the professional principles of internal audit and reports to the President and CEO and the Board of Directors. The order in which investment decisions are made is clearly defined in the organisation.

#### **Company insiders**

On 1 March 2000, Kesko Corporation adopted the insider regulations prepared by the Helsinki Exchanges, the Central Chamber of Commerce of Finland and the Confederation of Finnish Industry and Employers. The Board of Directors has also confirmed Kesko Corporation's insider regulations, which include rules for permanent and project-specific insiders, and the insider organisation and procedures defined for the company.

According to law, the persons in the following positions are considered to be Kesko Corporation's permanent insiders:

- members of the Board of Directors
- Managing Director
- Deputy Managing Director
- auditors, including the auditor of a firm of auditors, with principal responsibility for the company

In addition, Kesko Corporation's permanent insiders include the persons who are working, at the time in question, in such duties as determined by the Board of Directors.

Kesko Corporation's insider register is held by the Finnish Central Securities Depository Ltd. The up-to-date ownership information on insiders is available from the premises of HEXGate in Helsinki, address Fabianinkatu 14, at street level.

*An updated list of Kesko Corporation's permanent insiders can be read at [www.kesko.fi/Investorinformation](http://www.kesko.fi/Investorinformation).*

# *Kesko's Board of Directors*

## *on 31 December 2001*



MATTI KALLIO

**Matti Kallio,  
Chairman, b. 1945**

Kotihalli Oy, Chairman of the Board, domicile Helsinki.

**Other major duties:**

The Foundation for Vocational Training in the Retail Trade: Board of Trustees' member; Sampo Life Insurance Company Limited: Supervisory Board member.

Kesko Corporation's shares and stock options held on 31 December 2001: A total of 229,780 A shares and 233,300 B shares held either by him or his company.



KEIJO SUILA

**Keijo Suila,  
Deputy Chairman, b. 1945**

B.Sc. (Econ.).  
Finnair Oyj's President and CEO, domicile Helsinki.

**Other major duties:**

The Employers' Confederation of Service Industries: Board of Directors' member; Elisa Communications Corporation: Board of Directors' Chairman; the Finnish Cultural Foundation: Supervisory Board member; the Finnish Fair Corporation: Supervisory Board member; Sampo Life Insurance Company Limited: Supervisory Board member.

Kesko Corporation's shares and stock options held on 31 December 2001: None.



MATTI HONKALA

**Matti Honkala, b. 1945**

B.Sc. (Econ.).  
Kesko Corporation's President and CEO, domicile Kauniainen.

**Other major duties:**

The Employers' Confederation of Service Industries: Board of Directors' Chairman; the Finnish Fair Corporation: Board of Directors' member; Varma-Sampo Mutual Pension Insurance Company: Supervisory Board's Chairman; Sampo Life Insurance Company Limited: Supervisory Board's Chairman; Luottokunta: Supervisory Board's Chairman; the Federation of Finnish Commerce and Trade: Board of Directors' Deputy Chairman; the Central Chamber of Commerce: Board of Directors' member; Finpro: Supervisory Board's Deputy Chairman; the International Chamber of Commerce (ICC): World Council member; UGAL: Board of Directors' member.

Kesko Corporation's shares and stock options held on 31 December 2001: 2000 B shares and 200,000 stock options, which entitle to subscribe for a maximum of 200,000 Kesko Corporation's B shares.



EERO KASANEN

**Eero Kasanen, b. 1952**

D.Sc. (Econ.).  
Doctor of Business Administration Rector of the Helsinki School of Economics and Business Administration, domicile Helsinki.

**Other major duties:**

Pohjola Fund Management Limited: Board of Directors' member; Elcoteq Network Oyj: Board of Directors' member; Kaleva Mutual Insurance Company: Board of Directors' member; Holding Oy of Helsinki School of Economics and Business Administration: Board of Directors' Chairman; the Research Foundation of the OKOBANK Group: Board of Directors' member; the National Theatre of Finland: Board of Directors' member; the Emil Aaltonen Foundation: Board of Directors' member.

Kesko Corporation's shares and stock options held on 31 December 2001: None.



MAARIT NÄKYVÄ



KALEVI SIVONEN



HEIKKI TAKAMÄKI



JUKKA TOIVAKKA

**Maarit Näkyvä, b. 1953**

M.Sc. (Econ.).

Sampo plc's Executive Vice President, Private Banking and Retail Distribution, domicile Espoo.

**Other major duties:**

Sampo Bank plc: Board of Directors' Deputy Chairman, Sampo Fund Management Ltd: Board of Directors' deputy member.

Kesko Corporation's shares and stock options held on 31 December 2001: None.

**Kalevi Sivonen, b. 1949**

Retailer, K-citymarket Itäkeskus, domicile Vantaa.

Kesko Corporation's shares and stock options held on 31 December 2001: A total of 221,429 A shares and 60,400 B shares held by him, his wards or his company.

**Heikki Takamäki, b. 1947**

Retailer, Rauta-Otra Nekala, domicile Tampere.

**Other major duties:**

K-Retailers' Association: Chairman; the Foundation for Vocational Training in the Retail Trade: Board of Directors' Chairman; SV-Kauppiaskanava Oy: Board of Directors' Chairman; Finnish Employers' Confederation of Service Industries: Delegate.

Kesko Corporation's shares and stock options held on 31 December 2001: A total of 89,470 A shares and 37,120 B shares held by him and his company.

**Jukka Toivakka, b. 1962**

M.Sc. (Econ.).

Retailer, K-citymarket Mikkeli, domicile Mikkeli.

Kesko Corporation's shares and stock options held on 31 December 2001: A total of 191,450 A shares and 20,000 B shares held by him and his company.

# Corporate Management Board

## on 31 December 2001



MATTI HONKALA

**Matti Honkala**, b. 1945

B.Sc. (Econ.).

Kesko Corporation's President and CEO, domicile Kauniainen.

**Other major duties:**

The Employers' Confederation of Service Industries: Board of Directors' Chairman; the Finnish Fair Corporation: Board of Directors' member; Varma-Sampo Mutual Pension Insurance Company: Supervisory Board's Chairman; Sampo Life Insurance Company Limited: Supervisory Board's Chairman; Luottokunta: Supervisory Board's Chairman; the Federation of Finnish Commerce and Trade: Board of Directors' Deputy Chairman; the Central Chamber of Commerce: Board of Directors' member; Finpro: Supervisory Board's Deputy Chairman; the International Chamber of Commerce (ICC): World Council member; UGAL: Board of Directors' member.

Kesko Corporation's shares and stock options held on 31 December 2001: 2000 B shares and 200,000 stock options, which entitle to subscribe for a maximum of 200,000 Kesko Corporation's B shares.



KALERVO HAAPANIEMI

**Kalervo Haapaniemi**, b. 1947

M.Sc. (Econ.).

President, Kesko Food Ltd; Deputy Chief Executive, domicile Espoo.

**Other major duties:**

Luottokunta: Board of Directors' member; Publicis International Oy: Board of Directors' member; Rautakirja Oyj: Board of Directors' member.

Kesko Corporation's shares and stock options held on 31 December 2001: 75,000 stock options, which entitle to subscribe for a maximum of 75,000 Kesko Corporation B shares.



MATTI HALMESMÄKI

**Matti Halmesmäki**, b. 1952

M.Sc. (Econ.), LL.M.

President, Rautakesko Ltd and Kesko Agro Ltd, domicile Helsinki.

Kesko Corporation's shares and stock options held on 31 December 2001: 125,000 stock options, which entitle to subscribe for a maximum of 125,000 Kesko Corporation B shares.



ERKKI HEIKKINEN

**Erkki Heikkinen**, b. 1949

M.A.

Senior Vice President, Corporate Communications, domicile Helsinki.

Kesko Corporation's shares and stock options held on 31 December 2001: 100 Kesko Corporation B shares and 75,600 stock options, which entitle to subscribe for a maximum of 75,600 Kesko Corporation B shares.





JUHANI JÄRVI

**Juhani Järvi, b. 1952**

M.Sc. (Econ.).  
Corporate Executive Vice  
President, CFO,  
domicile Helsinki.

**Other major duties:**

Kiinteistösi joitus Oyj Citycon:  
Board of Directors' Deputy  
Chairman.

Kesko Corporation's shares and  
stock options held on 31 Decem-  
ber 2001: 75,000 stock options,  
which entitle to subscribe for a  
maximum of 75,000 Kesko Corpo-  
ration B shares.



MATTI LAAMANEN

**Matti Laamanen, b. 1948**

M.Sc. (Econ.), LL.M.  
President, Keswell Ltd,  
domicile Kerava.

Kesko Corporation's shares and  
stock options held on 31 Decem-  
ber 2001: 1,000 B shares and  
78,400 stock options, which entitle  
to subscribe for a maximum of  
78,400 Kesko Corporation  
B shares.



RIITTA LAITASALO

**Riitta Laitasalo, b. 1955**

M.Sc. (Econ.).  
Senior Vice President,  
Administration,  
domicile Espoo.

**Other major duties:**

The Commercial Employers'  
Association in Finland: Board of  
Directors' member.

Kesko Corporation's shares and  
stock options held on 31 December  
2001: 80,600 stock options, which  
entitle to subscribe for a maximum  
of 80,600 Kesko Corporation  
B shares.

***Auditors in 2001:***

- SVH Pricewaterhouse Coopers Oy  
Certified Public Accountants, Auditor with principal responsibility,  
Pekka Nikula, B. Sc. (Econ.), CPA
- Mauno Tervo, B. Sc. (Econ.), CPA

A monthly updated list of Kesko Corporation's shares and stock options held by the members of the Corporate Management Board is available on Kesko's Internet pages at [www.kesko.fi/Investorinformation](http://www.kesko.fi/Investorinformation).

# Addresses and subsidiary information

## Addresses on 1 March 2002

### KESKO CORPORATION

[www.kesko.fi](http://www.kesko.fi)

### CORPORATE MANAGEMENT

Satamakatu 3, Helsinki  
FIN-00016 Kesko  
Tel. +358 10 5311 (7.30-18.00 local time)  
Fax +358 9 657 465  
E-mail: [firstname.surname@kesko.fi](mailto:firstname.surname@kesko.fi)

## District Centres

### Southern Finland

Jokiniementie 31  
P.O.B. 152, FIN-01301 Vantaa  
Tel. +358 10 5311, Fax +358 1053 28517

### Eastern Finland

Päivärannantie 18  
P.O.B. 46, FIN-70701 Kuopio  
Tel. +358 10 5311, Fax +358 1053 29020

### Southwestern Finland

Rydönnotko 1  
P.O.B. 116, FIN-20101 Turku  
Tel. +358 10 5311, Fax +358 1053 21309

### Western Finland

Jokipohjantie 28  
P.O.B. 330, FIN-33101 Tampere  
Tel. +358 10 5311, Fax +358 1053 25448

### Northern Finland

Äimäkuja 2  
P.O.B. 16, FIN-90401 Oulu  
Tel. +358 10 5311, Fax +358 1053 30572

## Kesko Food Ltd

	<i>average personnel in 2001</i>	<i>net sales EUR million</i>
President Kalervo Haapaniemi Satamakatu 3, Helsinki FIN-00016 Kesko Tel. +358 10 53030, Fax +358 1053 23486	5,482 (incl. subsidiaries)	2,214
<b>SUBSIDIARIES</b>		
<b>Citymarket Oy</b> Managing Director Antti Puhakka Satamakatu 3 FIN-00016 Kesko Tel. +358 10 5311, Fax +358 1053 23492 <a href="http://www.citymarket.fi">www.citymarket.fi</a>	2,160	396
<b>Kesko Food AS</b> Managing Director Maldar Mäesalu Põrguväljatee 3, Pildiküla, Harjumaa EE 75301, Estonia Tel. +372 605 9400, Fax +372 605 9401	247	44

**Kespro Ltd** 559 736

Managing Director Ari Virnes  
Sähkötie 1, Vantaa  
P.O.B. 15, FIN-00016 Kesko  
Tel. +358 10 53040, Fax +358 9 851 4452  
[www.kespro.com](http://www.kespro.com)

### Kinnisvaravalduse AS/Kadaka Säästumarket AS

Managing Director Maldar Mäesalu 215 43  
Ülemistee 1  
EE 11415 Tallinn, Estonia  
Tel. +372 605 0190, Fax +372 605 0191  
[www.smarket.ee](http://www.smarket.ee)

**SIA Kesko Food Latvia** 73 4

Managing Director Henrijs Fogels  
Lielirbes iela 29  
LV-1046 Riga, Latvia  
Tel. +371 706 4200, Fax +371 706 4201

**Viking Coffee Ltd** 45 21

Managing Director Raimo Ilveskero  
Tikkurilantie 5  
P.O.B. 269, FIN-01301 Vantaa  
Tel. +358 1053 28901, Fax +358 9 873 4034  
[www.costarica.fi](http://www.costarica.fi)

## Rautakesko Ltd

	<i>average personnel in 2001</i>	<i>net sales EUR million</i>
President Matti Halmesmäki Vanha Porvoontie 229 P.O.B. 75, FIN-01301 Vantaa Tel. +35810 53032, Fax +358 9 857 4783	1,201 (incl. subsidiaries)	137

### SUBSIDIARIES

**AS Fanaal** 314 36  
Managing Director Peeter Raudsepp  
Tähetorni 100 A  
EE-11625 Tallinn, Estonia  
Tel. +372 6 257 501, Fax +372 6 257 563  
[www.ehitusmaailm.ee](http://www.ehitusmaailm.ee)  
E-mail: [fanaal@mail.emaailm.ee](mailto:fanaal@mail.emaailm.ee)

**A/S Fanaal** 108 15

Managing Director Artis Bitenieks  
Rencenu iela 21  
LV-1073 Riga, Latvia  
Tel. +371 7 810 090, Fax +371 7 810 091  
E-mail: [fanaal@fanaal.lv](mailto:fanaal@fanaal.lv)

**K-rauta AB** 297 49

Managing Director Mikael Forss  
Bagarbyvägen 61  
19134 Sollentuna, Sweden  
Tel. +46 8 625 6960, Fax +46 8 625 6998  
E-mail: [firstname.surname@k-rauta.se](mailto:firstname.surname@k-rauta.se)  
[www.k-rauta.se](http://www.k-rauta.se)

**ZA0 Kestroy** 22 4

Managing Director Ilkka Sinkkonen  
Ul Ryabinovaya 43 A  
121471 Moscow, Russia  
Tel. +7095 447 1836, Fax +7095 913 9048  
E-mail: [sales@kestroy.ru](mailto:sales@kestroy.ru)  
[www.kestroy.com](http://www.kestroy.com)

<b>Kesko Agro Ltd</b>				
	<i>average personnel in 2001</i>	<i>net sales EUR million</i>		
President Matti Halmesmäki Tikkurilantie 10 P.O.B. 54, FIN-01380 (01301) Vantaa Tel. +358 10 53033, Fax +358 9 857 4729	700 (incl. subsidiaries)	122		
<b>K-Alliance's experimental farm</b>	19			
Hahkialantie 30 FIN-14700 Hauho Tel. +358 10 53033, Fax +358 3 615 0230 <a href="http://www.k-koetila.fi">www.k-koetila.fi</a>				
<b>SUBSIDIARIES</b>				
<b>Kesko Agro Eesti AS</b>	44	20		
Managing Director Tõnu Kelder Peterburi mnt 63 A EE-0014 Tallinn, Estonia Tel. +372 665 2965, Fax +372 665 2995 <a href="http://www.keskoagro.com">www.keskoagro.com</a>				
<b>K-maatalousyhtiöt Oy</b>	178	159		
Managing Director Janne Eriksson Tikkurilantie 10 (P.O.B. 54) FIN-01380 Vantaa (01301 Vantaa) Tel. +358 10 53033, Fax +358 9 857 4729 <a href="http://www.k-maatalous.fi">www.k-maatalous.fi</a>				
<b>Kesko Machinery Ltd</b>	187	35		
Managing Director Pekka Lahti Tikkurilantie 10 P.O.B. 54, FIN-01380 (01301) Vantaa Tel. +358 10 53034, Fax +358 9 873 5700 <a href="http://www.konekesko.com">www.konekesko.com</a>				
<b>SIA Kesko Agro Latvia</b>	48	19		
Managing Director Peteris Stupans Vienibas Gatve 93 LV 1058 Riga, Latvia Tel. +371 7 805 420, Fax +371 7 805 421 <a href="http://www.keskoagro.com">www.keskoagro.com</a>				
<b>UAB Kesko Agro Lietuva</b>	1			
Managing Director Janne Mäki Savanoriu pr. 191 2053 Vilnius, Lithuania Tel. +370 2 321 991, Fax +370 2 311 257				
<b>Keswell Ltd</b>				
	<i>average personnel in 2001</i>	<i>net sales EUR million</i>		
Managing Director Matti Laamanen Valimotie 17, Helsinki FIN-00016 Kesko Tel. +358 10 53031, Fax +358 1053 39108	2,519 (incl. subsidiaries)	383		
<b>SUBSIDIARIES</b>				
<b>Academica Oy</b>	29	13		
Managing Director Jaakko Ryttilä Isoniitynkujja 2 FIN-02270 Espoo Tel. +358 1053 46482, Fax +358 1053 46490 <a href="http://www.academica.fi">www.academica.fi</a>				
<b>Anttila Oy</b>	2,311	464		
Managing Director Matti Leminen Valimotie 17, Helsinki P.O.B. 1060, FIN-00016 Kesko Tel. +358 10 5343, Fax +358 1053 40109 <a href="http://www.anttila.fi">www.anttila.fi</a>				
<b>Interwell Oy</b>	31	6		
Managing Director Juha Nurminen Valimotie 17, Helsinki FIN-00016 Kesko Tel. +358 1053 40950, Fax +358 9 653 304				
<b>Jättipörssi Oy</b>	5	3		
Managing Director Arto Rasi Valimotie 17, Helsinki 00016 Kesko Tel. +358 1053 40920, Fax +358 1053 40929				
<b>Motorfeet Ltd</b>	3	1		
Managing Director Hannele Eräjää Valimotie 17, Helsinki FIN-00016 Kesko Tel. +358 1053 39300, Fax +358 9 223 5645				
<b>Kaukomarkkinat Oy</b>				
	<i>average personnel in 2001</i>	<i>net sales EUR million</i>		
President Hannu Närhi Kutojantie 4 P.O.B. 40, FIN-02631 Espoo Tel. +358 9 5211, Fax +358 9 521 6641 <a href="http://www.kaukomarkkinat.fi">www.kaukomarkkinat.fi</a>	873	291		
<b>VV-Auto Oy</b>				
	<i>average personnel in 2001</i>	<i>net sales EUR million</i>		
President Erkki Sillantaka VV-Auto Oy/Auto-Span Oy Hitsaajankatu 7 B P.O.B. 80, FIN-00811 Helsinki Tel. +358 9 75 831, Fax +358 9 758 3267 <a href="http://www.volkswagen.fi">www.volkswagen.fi</a> , <a href="http://www.audi.fi">www.audi.fi</a> , <a href="http://www.seat.fi">www.seat.fi</a>	113	391		
<b>Other subsidiaries</b>				
	<i>average personnel in 2001</i>	<i>net sales EUR million</i>		
<b>Kesped Ltd</b>	204	100		
Managing Director Timo Kortelainen Jokiniementie 31 P.O.B. 47, FIN-01301 Vantaa Tel. +358 10 53050, Fax +358 1053 27021 <a href="http://www.kesped.fi">www.kesped.fi</a>				
<b>K-Plus Oy/K-Luotto Oy</b>	73/25	89/5		
Managing Director Eija Jantunen Satamakatu 3, Helsinki FIN-00016 Kesko Tel. +358 10 53020, Fax +358 9 698 6952 <a href="http://www.plusa.com">www.plusa.com</a>				

<b>Finance</b>		<i>average personnel in 2001</i>	<i>net sales EUR million</i>	<b>Administration</b>		<i>average personnel in 2001</i>	<i>net sales EUR million</i>
Executive Vice President, CFO Juhani Järvi Satamakatu 3, Helsinki FIN-00016 Kesko Tel. +358 10 5311, Fax +358 9 657 465		102		Senior Vice President Riitta Laitasalo Satamakatu 3, Helsinki FIN-00016 Kesko Tel. +338 10 5311, Fax +358 9 657 465		154	
<b>Accounting</b> Vice President, Corporate Controller Teemu Kangas-Kärki Satamakatu 3, Helsinki FIN-00016 Kesko Tel. +358 10 5311, Fax +358 9 624 679				<b>Human Resources</b> Vice President Kyösti Pärssinen Satamakatu 3, Helsinki FIN-00016 Kesko Tel. +358 10 5311, Fax +358 1053 23479			
<b>Treasury</b> Treasurer Heikki Ala-Seppälä Satamakatu 3, Helsinki FIN-00016 Kesko Tel. +358 10 5311, Fax +358 9 666 131				<b>SUBSIDIARIES</b> <b>K-instituutti Oy</b> Managing Director Kari Heiskanen Siikajärventie 88-90 FIN-02860 Espoo Tel. +358 10 5311, Fax +358 9 863 8571 <a href="http://www.k-instituutti.fi">www.k-instituutti.fi</a>		62	5
<b>Strategic Development</b> Vice President Lasse Mitronen Satamakatu 3, Helsinki FIN-00016 Kesko Tel. +358 10 5311, Fax +358 9 624 679				<b>Corporate Communications and External Relations</b>  Senior Vice President Erkki Heikkinen Satamakatu 3, Helsinki FIN-00016 Kesko Tel. +358 10 5311, Fax +358 9 174 398			
<b>Legal Affairs</b> General Counsel Anne Leppälä-Nilsson Satamakatu 3, Helsinki FIN-00016 Kesko Tel. +358 10 5311, Fax +358 1053 23421				<b>Quality and Risk Management</b>  Vice President Asko Ihalainen Satamakatu 3, Helsinki FIN-00016 Kesko Tel. +358 1053 22046, Fax +358 1053 22126			
<b>Information and Logistics Management</b> Vice President, Corporate CIO Eero Vesterinen Satamakatu 3, Helsinki FIN-00016 Kesko Tel. +358 10 5311, Fax +358 1053 23460				<b>Central Warehouse</b>  <b>Central Warehouse 1 (home and speciality goods)</b> Tikkurilantie 5 P.O.B. 145, FIN-01301 Vantaa Tel. +358 10 5311, Fax +358 10 532 7505			
<b>Kesko Real Estate</b> Vice President Terho Kalliokoski Satamakatu 3, Helsinki FIN-00016 Kesko Tel. +358 10 5311, Fax +358 1053 23432 <a href="http://www.kesko.fi/kiinteistot">www.kesko.fi/kiinteistot</a>				<b>Central Warehouse 2 (groceries)</b> Jokinielementie 31 P.O.B. 152, FIN-01301 Vantaa Tel. +358 10 5311, Fax +358 10 532 8517			
<b>SUBSIDIARIES</b>				<b>Hämeenkylä Warehouse (Anttila)</b> Ainontie 5, FIN-01630 Vantaa Tel. +358 10 5343, Fax +358 10 533 9499			
<b>Hämeenkylä Kauppa Oy</b> Managing Director Erkki Heikonen Satamakatu 3, Helsinki FIN-00016 Kesko Tel. +358 10 5311, Fax +358 1053 23425		1	10	<b>Service numbers</b>  Plussa customer service 24 h: +358 800 1 55 818 <a href="http://www.plussa.com">www.plussa.com</a> Kesko Food's consumer service (Mon-Fri 9.00-13.00 local time) +358 800 0 1000			
<b>K-Rahoitus Oy</b> Managing Director Jouni Järvinen Tikkurilantie 10 P.O.B. 54, FIN-01301 Vantaa Tel. +358 10 5311, Fax +358 1053 20556		6	1				
<b>Sincera Oy</b> Managing Director Heikki Ala-Seppälä Satamakatu 3, Helsinki FIN-00016 Kesko Tel. +358 10 5311, Fax +358 9 666 131		–	16				

# *Additional information about Kesko for investors*

## **Investor Relations**

Satamakatu 3, FIN-00016 KESKO

### *Juhani Järvi*

Corporate Executive Vice President, CFO

Tel. +358 1053 22209

Fax +358 9 657 465

juhani.jarvi@kesko.fi

### *Jukka Pokki*

Investor Relations Manager

Tel. +358 1053 22645

Fax +358 1053 23481

jukka.pokki@kesko.fi

## **Additional information on Kesko for investors is available at the following banks and brokerage firms**

### *Aktia Savings Bank plc, Helsinki*

Telephone: +358 102 475 000

Fax: +358 102 476 376

sabah.samaletdin@aktia.fi

### *Alfred Berg Finland, Helsinki*

Telephone: +358 9 2283 2711

Fax: +358 9 2283 2283

tia.lehto@alfredberg.fi

### *Nordea Securities Oyj, Helsinki*

Telephone: +358 9 123 41

Fax: +358 9 1234 0310

juha.iso-herttua@nordeasecurities.com

### *Crédit Agricole Indosuez Cheuvreux, London*

Telephone: +44 207 621 5172

Fax: +44 207 621 5101

fhoyer@indocdy.com

### *Conventum Securities Ltd, Helsinki*

Telephone: +358 9 2312 3311

Fax: +358 9 2312 3335

hannu.nyman@conventum.com

### *Crédit Suisse First Boston, London*

Telephone: +44 207 888 1199

Fax: +44 207 888 2894

david.shriver@csfb.com

### *D. Carnegie AB, Helsinki*

Telephone: +358 9 6187 1235

Fax: +358 9 618 71 219

kim.nummelin@carnegie.fi

### *Danske Securities, Helsinki*

Telephone: +358 20175 4332

Fax: +358 20175 4303

ari.jarvinen@danskecurities.com

### *Enskilda Securities AB, Helsinki*

Telephone: +358 9 6162 8723

Fax: +358 9 6162 8769

anders.antas@enskilda.se

### *Impivaara Securities Ltd, London*

Telephone: +44 207 284 3937

Fax: +44 207 284 3938

jrobertsa@cix.co.uk

### *Mandatum Stockbrokers Ltd, Helsinki*

Telephone: +358 9 166 72 711

Fax: +358 9 651 093

ari.laakso@mandatum.fi

### *Opstock Ltd, Helsinki*

Telephone: +358 9 404 4408

Fax: +358 9 404 2703

jari.raisanen@opstock.fi

### *Evli Securities Plc, Helsinki*

Telephone: +358 9 4766 9177

Fax: +358 9 4766 9350

robert.liljequist@evli.com

### *Handelsbanken Securities, Helsinki*

Telephone: +358 10 444 2425

Fax: +358 10 444 2578

tom.skogman@handelsbanken.se

## **Principles of Investor Relations**

In line with its IR strategy, Kesko continually produces correct and up-to-date information for the markets as a basis for the formation of Kesko's share price. The aim is to make Kesko's activities better known and to increase the transparency of investor information and, therefore, the attraction of Kesko as an investment target.

## **Internet and printed publications**

In its investor communications, Kesko follows the principle of impartiality and publishes all investor information primarily on its Internet pages ([www.kesko.fi](http://www.kesko.fi)) in Finnish, Swedish and English.

The company maintains a mailing list of persons to whom the Annual Report, Corporate Responsibility Report and the Trade-Maker stakeholder magazine are sent. The Annual report and the TradeMaker magazine are sent to all shareholders.

## **Press conferences and silent period**

Kesko arranges press conferences for analysts and the media at the time of announcing the annual and interim results or other significant news, and holds Capital Market Days on various themes 1-2 times a year.

Kesko observes a two-week period of silence before publishing information on its results. At other times, analyst and investor questions are taken by phone or e-mail, or at the investor meetings arranged.

In autumn 2001, Kesko's Internet pages targeted to investors were considered to be the third best among Finnish companies by the consulting company Halvarsson & Hallvarsson. In January 2002, Kesko's investor pages on the Internet took second place in a competition arranged by the Finnish Foundation for Share Promotion, the Finnish Investment Analysts' Association and the Talouselämä business weekly. Kesko's stakeholder and personnel magazine Trade-Maker received an award in the annual competition arranged by The Finnish Association of Organizational Communicators PROCOM.

# Information for shareholders

## Schedule for financial publications and other key dates in 2002

Annual General Meeting record date	12 April 2002
Closing date for registering in the Annual General Meeting	16 April 2002
The Annual General Meeting 2002	22 April 2002
Decisions by the Annual General Meeting 2002 published	22 April 2002
Record date of proposed dividend	25 April 2002
Dividends payable from (Board of Directors' proposal)	3 May 2002

Interim report for the first 3 months of 2002	15 May 2002
Interim report for the first 6 months of 2002	8 August 2002
Interim report for the first 9 months of 2002	13 November 2002

In addition, the Group's sales figures are published monthly.

### Registering in the Annual General Meeting

The Annual General Meeting of Kesko Corporation will be held in the Helsinki Fair Centre's congress wing, Rautatieläisenkatu 3, on 22 April 2002 at 13.00 hrs. Shareholders wishing to attend the Annual General Meeting should notify Kesko Corporation/Legal Affairs by letter to FIN-00016 Kesko, by fax to +358 1053 23421, by telephone to +358 1053 23211, by e-mail to [taina.lepisto@kesko.fi](mailto:taina.lepisto@kesko.fi), or through the Internet pages at <http://www.kesko.fi/> Investorinformation, not later than 16 April 2002 at 16.00 hrs.

### Change of address

Shareholders should notify the bank in which they have a book-entry securities account of any change of address.

### Financial publications

The annual report and interim reports are published in Finnish, Swedish and English. Interim information is published in special sections of the TradeMaker magazine rather than in separate printed reports.

The TradeMaker magazine is published in Finnish and English in February, May, August and November.

The annual report, interim reports, monthly sales figures and other key releases are also published on the Group's Internet pages at [www.kesko.fi](http://www.kesko.fi).

Kesko also publishes a separate report on corporate responsibility in Finnish and English.

### Publications may be ordered from

Kesko Corporation/  
Corporate Communications  
FIN-00016 Kesko  
Tel: +358 1053 22404  
Fax: +358 9 174 398  
Internet: [www.kesko.fi/Materialservice](http://www.kesko.fi/Materialservice)

# Brands

*Kesko was a brand maker long before the notion of 'brands' had become established in Finland. Kesko and the blue and white K-emblem have become well known to all Finns over Kesko's 60 plus years of existence. Kesko's store chains, organised by division, are both brands in themselves and the Group's strength. An image, basic promise and target group have been defined for each chain. Chain brands are created with long-term perspectives in mind and are, without exception, strong, highly respected and well-known factors in each product line.*

## Brands well-known to all Finns

Some of the chain brands are clearly linked to the K-emblem and Kesko, thus exploiting the Kesko image as something that is synonymous with a traditional, reliable Finnish store. Some chains are marketed independently with their own brands. This is particularly true of the speciality goods trade, where store images must be profiled more closely to specific segments. Positioning is aimed at ensuring chains' competitiveness and creating brands that are as strong as possible and that support the set objectives. Kesko and its chains share a strong, positive image of retailer enterprise, good customer service, local operations and customer satisfaction. For more information about the chains, see respective divisions, pp. 24-45.

In addition to chain brands, Kesko has a strong and loyal customer brand in Plussa, and own product brands, the best known of which is Pirkka. According to surveys, both Plussa and Pirkka are well known to almost all Finns. Kesko's role as brand maker and marketing company is highlighted by the fact that it sells, markets and imports thousands of brand products through its division parent companies.

## Benefiting from division expertise

Each chain handles its marketing operations independently. This enables them to capitalise on their division-specific expertise and to answer the requirements of competition. Actual marketing and brand operations use all modern channels and media depending on which best suit each case and target group.

Kesko Food reformed its chain concepts in February 2002, and will concentrate operations within five store chains. The chains' brand images were modified to display the K-emblem more prominently. This will enhance recognition of the K-Alliance stores and highlight the positive image of the K-emblem. The reform is aimed at better meeting the diversified needs of modern consumers and at more effective marketing.

The success of Plussa has relied on successful, long-term marketing and a functioning customer loyalty system. Plussa is the K-Alliance's supporting brand, which awards customers for centralising their purchases and unites the product and service provision of the Alliance's chains and partners. Plussa acts as a unifying element throughout the Alliance's marketing, and it is used for deepening the relation between stores and consumers.

Kesko is Finland's leading trading company, which invests in strong brands, marketing and in intensifying trading concepts and operating systems. Strong brands create confidence in consumers, make it easier to distinguish them from the competition and ensure future competitiveness.



The K-emblem was born over 50 years ago. In March 1947, this quality symbol was introduced simultaneously in about 2,500 K-store windows.



The first Pirkka products were introduced in K-stores in 1986.



The Plussa customer loyalty programme was launched in November 1997.



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