Report by the Board of Directors and Financial Statements

Report by the Board of Directors

Financial statements

Report by the Board of Directors

January–December 2009

Continuing operations

Net sales and profit

The Group's net sales in January–December 2009 were €8,447 million, which is 11.9% down on the corresponding period of the previous year (€9,591 million). The net sales decreased by 7.5% in Finland and by 28.1% abroad. Exports and foreign operations accounted for 17.5% (21.5%) of net sales. The deterioration of the general economic situation especially affected the sales performance of the Group's car and machinery trade and building and home improvement trade. The sales performance of the food trade remained steady during the reporting period.

In January–December, the K-Group's (i.e. Kesko's and the chain stores') retail and B2B sales, including VAT, were €12,614 million, a decrease of 9.1% compared with the previous year. The K-Group chains' sales entitling to K-Plussa loyalty award credits were €6,181 million, up 3.8% compared with the previous year. In 2009, the K-Plussa customer loyalty programme gained 101,608 new households. At the end of the year, there were 2,033,884 K-Plussa households.

The Group's profit before tax for January–December was €216.6 million (€288.5 million). The operating profit was €232.3 million (€285.6 million). Non-recurring items excluded, the operating profit was €155.4 million (€217.0 million), representing 1.8% (2.3%) of net sales. The non-recurring income includes a €91.4 million amount of gains on the disposals of real estate to Varma Mutual Pension Insurance Company and the Kesko Pension Fund. The non-recurring expenses include a €14.4 million amount of real estate impairment charges. The non-recurring gains on disposals and impairment charges for the comparable period totalled €68.7 million.

The smaller year-on-year operating profit excluding non-recurring items was due to a decreased demand especially in the building and home improvement trade and the car and machinery trade. Due to cost adjustments, the Group's fixed costs decreased by some €69 million compared with the previous year, regardless of new store site openings.

The Group's earnings per share from continuing operations were €1.27 (€1.81). The Group's equity per share was €20.39 (€20.09).

Investments

In January–December, the Group's investments totalled €198.0 million (€338.4 million), which is 2.3% (3.5%) of net sales. Investments in store sites were €161.2 million (€279.0 million) and other investments €36.7 million (€59.5 million). Investments in foreign operations represented 35.5% (29.0%) of total investments.

Finance

In January–December, the cash flow from operating activities increased by €247.4 million on the comparative year to €378.8 million (€131.4 million). The increase is especially attributable to capital released from inventories. The net cash from investing activities was €31.0 million positive (€-45.8 million). The cash flow from investing activities included a €252.0 million (€281.4 million) amount of proceeds from the sale of fixed assets.

Throughout the reporting period, the Group's liquidity and solvency remained at an excellent level. At the end of the period, liquid assets totalled €715 million (€443 million). Interest-bearing liabilities were €456 million (€491 million) and interest-bearing net liabilities €-259 million (€47 million) at the end of the reporting period. Equity ratio was 54.1% (52.4%) at the end of the period.

In January–December, the Group's net financial expenses were €16.0 million (net financial income €1.0 million). Net financial expenses were increased by €17.9 million for hedging the Baltic and Russian currency exposures resulting from increased interest rate differences between currencies. Interest income on liquid assets decreased following a decline in the market interest rate level.

Taxes

In January–December, the Group's tax expense was €82.4 million (€89.4 million). The effective tax rate was 38.0% (30.9%), affected by loss-making foreign operations.

Personnel

In January–December, the average number of employees in the Kesko Group was 19,184 (21,327) converted into full-time employees. In Finland, the average decrease was 530 employees, while outside Finland, it was 1,613.

At the end of December 2009, the total number of employees was 22,200 (24,668), of whom 12,959 (13,651) worked in Finland and 9,241 (11,017) outside Finland. Compared with the end of 2008, there was a decrease of 692 employees in Finland and 1,776 outside Finland.

As a result of the decline in consumer demand, measures aimed at adjusting the number and cost of staff were continued. During the reporting period, the Group's staff cost decreased by €43.0 million, or 7.4%, compared with the previous year.

Seasonal nature of operations

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

Segment performances in January–December

Food trade

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

In the food trade, the net sales in January–December were €3,798 million (€3,707 million), up 2.4%. During the same period, the grocery sales of K-food stores increased by 5.6%, adjusted for the change in VAT (4.7% incl. VAT). K-food stores' total retail sales in January–December were €4,891 million (€4,685 million), representing a 5.3% year-on-year growth, adjusted for the change in VAT (4.4% incl. VAT). Good sales performance was achieved especially by Pirkka products and K-citymarket, the retail food sales of which grew by 14.3%, adjusted for the change in VAT. The growth rate of the total grocery trade market in Finland in January–December is estimated at some 3–4% up on the previous year. In January–December, prices increased at an average monthly rate of 3.3%, compared with the previous year (Statistics Finland).

In January–December, the operating profit excluding non-recurring items of the food trade was €133.1 million (€122.5 million), which is about €10.5 million up on the previous year. The operating profit excluding non-recurring items in relation to net sales was 3.5% (3.3%), or 0.2 percentage points higher than in the previous year. The operating profit was €170.6 million (€185.5 million). The non-recurring gains on property sales were €46.4 million in January–December. The comparative year's operating profit was increased by €68.5 million of non-recurring gains on property sale and lease arrangements.

In January–December, investments in the food trade were €69.4 million (€139.7 million), of which investments in store sites were €56.2 million (€116.0 million).

In 2009, five new K-citymarkets, four K-supermarkets and 15 K-markets were opened. In addition, renovations and extensions were carried out.

Home and speciality goods trade

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

In the home and speciality goods trade, the net sales in January–December were €1,558 million (€1,606 million), down 3.0%. Owing to the deteriorated economic situation and a rise of the unemployment rate, consumer demand in the home and speciality goods trade declined especially for home electronics and interior decoration products.

The operating profit of the home and speciality goods trade excluding non-recurring items in January–December was €29.5 million (1.9% of net sales), a €1.7 million year-on-year decrease due to the fall in sales. In January–December, the operating profit was €66.5 million (€63.6 million). Non-recurring gains on property sales and impairment charges were €37.0 million in January–December and €32.4 million in the comparative period.

Investments in the home and speciality goods trade in January–December were €29.6 million (€60.5 million).

In January–December, Anttila's net sales were €513 million (€558 million), down 8.0%. The sales of the Anttila department stores were €303 million, down 5.7%. The sales of the Kodin Ykkönen department stores for home goods and interior decoration were €132 million, down 10.7%. NetAnttila's sales were €80 million, a decrease of 12.5%, mainly due to the weakened economic conditions in Estonia and Latvia.

The net sales of K-citymarket's home and speciality goods trade in January–December were €595 million (€566 million), up 5.1%. The net sales performance was affected by the store site network expansion and especially the good year-end sales performance.

Intersport Finland's net sales in January–December were €165 million (€158 million), up 4.3%, which is especially attributable to the increased sales of winter sports equipment. Indoor's net sales in January–December were €155 million (€177 million), down 12.4%. The performance was affected by the discontinuation of Indoor's business activities in Sweden during the first quarter of 2008, and the weakened economic conditions in Estonia and Latvia. Musta Pörssi Ltd's net sales in January–December were €107 million (€123 million), down 12.5%.

Kenkäkesko Ltd's net sales in January–December were €24 million (€26 million), down 7.9%.

Building and home improvement trade

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

In the building and home improvement trade, the net sales in January–December were €2,312 million (€2,978 million), down 22.4%.

In January–December, the net sales in Finland were €1,041 million, a decrease of 21.1%. The building and home improvement trade contributed €744 million, and the agricultural supplies trade €297 million to the net sales in Finland. The net sales of the building and home improvement trade in Finland were down 15.4%, especially due to a fall in the sales to professional customers. The net sales of the agricultural supplies trade decreased by 32.6%. The net sales from foreign operations in the building and home improvement trade were €1,271 million (€1,659 million), a decrease of 23.4%. In addition to a decline in demand, the sales performance of foreign operations was affected by the weakening of the Swedish krona, the Norwegian krone and the Russian ruble. The net sales from foreign operations dropped by 17.2% in terms of the local currencies. Foreign operations contributed 55.0% to the net sales of the building and home improvement trade.

In Sweden, the net sales of K-rauta AB increased by 0.6% to €187 million in January–December. In terms of the local currency, K-rauta AB's net sales grew by 11.1%. In Norway, Byggmakker's net sales decreased by 16.4% to €477 million. In terms of the local currency, Byggmakker's net sales dropped by 11.2%. In Estonia, Rautakesko's net sales were down 22.1% to €63 million. In Latvia, Rautakesko's net sales decreased by 32.9% to €48 million. In Lithuania, Senukai's net sales fell by 42.1% to €260 million. In Russia, the net sales of the building and home improvement trade decreased by 16.8% to €169 million. In terms of the local currency, the net sales increased by 0.8%. The net sales of the Belarusian OMA were down by 25.5% to €53 million. In terms of the local currency, OMA's net sales decreased by 7.8%.

In January–December, the operating profit excluding non-recurring items of the building and home improvement trade was €11.9 million (0.5% of net sales), which was €44.4 million, or 1.4 percentage points, lower than in the previous year. The profit performance was affected by a substantial contraction in the Nordic, Baltic and Russian construction markets. In Finland, the building and home improvement trade market declined in January–December by some 15%, in Sweden by some 5%, in Norway by some 10%, and in the Baltic countries by some 30–40% (Rautakesko's estimate). The staff cost was down €42.1 million, or 21.9%, on the comparative period. The operating profit of the building and home improvement trade was €19.6 million (€19.4 million) in January–December. The operating profit includes a €7.7 million non-recurring gain on a property sale. The comparative period's operating profit includes a non-recurring €47.0 million impairment charge on Byggmakker Norge's intangible assets, and a €5.4 million non-recurring gain on a property sale.

In January–December, investments in the building and home improvement trade were €84.7 million (€122.7 million), of which 82.8% (79.1%) abroad.

In January–December, two new K-rauta stores were opened in Sweden and one in Russia, Estonia and Latvia. In addition, the store site network was strengthened by other new and replacement stores.

The retail sales of the K-rauta and Rautia chains in January–December decreased by 5.5% to €1,158 million, including VAT, in Finland. The sales of Rautakesko B2B Service decreased by 29.5%. The retail sales of the K-maatalous chain were €448 million, including VAT, down 28.8%.

Car and machinery trade

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

In January–December, the net sales of the car and machinery trade were €947 million (€1,480 million), down 36.0%.

VV-Auto's net sales in January–December were €598 million (€884 million), a decrease of 32.3%. The net sales performance was affected by a decline in demand in the car trade, coupled with the car tax change effective at the beginning of April, causing the car tax levied on cars after 1 April 2009 to be excluded from the net sales. Adjusted for the tax change, the net sales fell by 24.3%. In January–December, the combined market share of passenger cars and vans imported by VV-Auto rose to 18.5% (17.1%).

Konekesko's net sales in January–December were €350 million (€597 million), down 41.3% on the previous year, as a result of the weakened machinery market and the discontinuation of the Baltic grain and agricultural supplies trade. The net sales in Finland were €185 million, a decrease of 31.9%. The net sales from Konekesko's foreign operations were €165 million, down 49.3%. In line with its strategy, Konekesko concentrates on the machinery trade also in the Baltic countries and disposes of its grain and agricultural inputs trade.

In January–December, the operating profit excluding non-recurring items of the car and machinery trade was €0.3 million (0.0% of net sales), which was €30.1 million lower than in the previous year. The profit performance was especially affected by the decline of Konekesko's profitability as a result of the decline in the machinery market and the discontinuation of the Baltic grain and agricultural supplies trade.

Investments in the car and machinery trade were €13.4 million (€15.6 million) in January–December.

Discontinued operations

In the comparative year 2008, the Group's profit from discontinued operations was €41.5 million. Discontinued operations included Kauko-Telko Ltd and the €31 million gain on its disposal, and TähtiOptikko Group Oy, with the about €8.5 million gain on its disposal.

October–December 2009

Continuing operations

Net sales and profit

The Group's net sales in October–December 2009 were €2,153 million, which is 7.7% down on the corresponding period of the previous year (€2,333 million). Net sales decreased by 4.4% in Finland and by 21.4% abroad. Exports and foreign operations accounted for 16.6% (19.5%) of net sales. The net sales performance of the food trade was steady. The net sales of the home and speciality goods trade took an upward turn during the reporting period. As a result of the weak market situation, the sales in the building and home improvement trade and in the car and machinery trade decreased compared with the comparative year.

In October–December, the K-Group's (i.e. Kesko's and the chain stores') retail and B2B sales, including VAT, were €3,226 million, a decrease of 5.4% on the corresponding period of the previous year.

The Group's profit before tax for October–December was €116.3 million (€7.7 million). The operating profit was €118.1 million (€6.9 million). The operating profit excluding non-recurring items was €68.0 million (€27.3 million), representing 3.2% of net sales (1.2%). The non-recurring items include a €63.5 million gain on the sale of properties to Varma Mutual Pension Insurance Company. The non-recurring expenses include a €14.4 million amount of impairments on real estate.

The higher year-on-year operating profit excluding non-recurring items was due to increased operational efficiency, cost savings and the fact that the profitability of the comparative year was negatively affected by impairments on trade receivables and inventories. Successful Christmas trading also contributed to the higher operating profit.

The Group's earnings per share from continuing operations were €0.73 (€-0.05). The Group's equity per share was €20.39 (€20.09).

Investments

The Group's investments in October–December totalled €41.5 million (€105.2 million), which is 1.9% (4.5%) of net sales. Investments in store sites were €30.0 million (€84.1 million), and other investments €11.5 million (€21.1 million). Investments in foreign operations represented 40.1% (37.8%) of total investments.

Finance

In October–December, the cash flow from operating activities was €123.1 million (€15.1 million), improved by adjustments in costs and inventories. The net cash flow from investing activities was €96.4 million (€-95.7 million). The cash flow from investing activities included a €157.8 million (€3.7 million) amount of proceeds received from the disposal of fixed assets. This amount was increased by a property sale at a debt-free price of €156 million completed in December.

In October–December, the Group's net financial expenses were €1.8 million (net financial income €0.8 million). They were increased by the costs of currency exposure hedging and the income from liquid assets reduced by lowered Euribor rates.

Taxes

In October–December, the Group's tax expense was €41.8 million (€5.5 million). The effective tax rate was 35.9% (71.2%), affected by foreign companies' loss-making performances.

Personnel

In October–December, the average number of personnel in the Kesko Group was 18,126 (20,920) converted into full-time employees. In Finland, the average decrease was 626 employees, while outside Finland, it was 2,168 employees.

Segment performances in October–December

Food trade

In the food trade, the net sales in October-December were €970 million (€982 million), down 1.2%. During the same period, the grocery sales of K-food stores increased by 3.6%, adjusted for the change in VAT (0.7% incl. VAT). Good sales performance was achieved especially by the K-citymarket chain and the Pirkka products. There were 1,030 K-food stores at the end of December.

In October-December, the operating profit excluding non-recurring items of the food trade was €33.7 million (€31.6 million), which is €2.1 million up on the previous year. The operating profit excluding non-recurring items in relation to net sales was 3.5% (3.2%), or 0.3 percentage points higher than in the previous year. The operating profit of the food trade was €58.7 million (€27.4 million). The non-recurring gains on property sales were €33.1 million.

In October-December, investments in the food trade were €9.9 million (€31.8 million), of which investments in store sites were €6.4 million (€21.9 million).

Kesko Food continued to develop the K-food store network. In October, a K-citymarket was opened in Kirkkonummi and a K-supermarket in Eurajoki and Porvoo. In November, a K-citymarket was opened in Linnainmaa, Tampere, and in Koivukylä, Vantaa. In addition, several new K-markets were opened.

The most significant store sites being built are the K-supermarkets in Kotka, in Koivuhaka, Vantaa, in Kangasala, Rovaniemi, Kouvola and in Paloheinä, Helsinki. K-citymarket Keljo in Jyväskylä is being extended.

Home and speciality goods trade

In the home and speciality goods trade, the net sales in October-December were €500 million (€490 million), up 2.0%. The growth is attributable to the good sales performance of clothing and sports goods, coupled with successful Christmas trading.

The operating profit of the home and speciality goods trade excluding non-recurring items in October-December was €39.7 million (7.9% of net sales), a €12.0 million year-on-year increase due to increased operational efficiency, cost savings and successful Christmas trading (€27.7 million, or 5.7%, of net sales). In October-December, the operating profit was €66.5 million (€10.6 million). Non-recurring gains on property sales and impairment charges were €26.8 million (€-17.1 million).

Investments in the home and speciality goods trade in October-December were €6.8 million (€20.6 million).

In October-December, Anttila's net sales were €179 million (€183 million), down 2.0%. The sales of the Anttila department stores were €110 million, down 2.5%. The sales of the Kodin Ykkönen department stores for home goods and interior decoration were €46 million, up 0.9%. NetAnttila's sales were €24 million, a decrease of 4.7%. The decline was sharp in Estonia and Latvia. In October, a new Kodin Ykkönen store was opened in Lielahti, Tampere. Kodin Ykkönen in Kaisaniemi, Helsinki will be closed down in early 2010, due to the termination of the lease. The Anttila department store in Jyväskylä will relocate to a new site in spring 2010.

The net sales of K-citymarket's home and speciality goods trade in October-December were €198 million (€187 million), up 5.5%. The net sales performance was affected by store site network expansions and an increased number of customers. In October, a K-citymarket was opened in Kirkkonummi and an extended K-citymarket in Mikkeli. In November, K-citymarkets were opened in Koivukylä, Vantaa, and in Linnainmaa, Tampere.

Intersport Finland's net sales in October-December were €46 million (€40 million), up 14.8% owing to the good sales performance of winter sports equipment. Indoor's net sales in October-December were €39 million (€42 million), down 7.0%. Indoor's net sales in Finland matched the level of the comparative period. Musta Pörssi Ltd's net sales in October-December were €35 million (€35 million), up 0.7%. Kenkäkesko Ltd's net sales in October-December were €4 million (€4 million), down 7.5%.

Building and home improvement trade

In the building and home improvement trade, the net sales in October-December were €525 million (€617 million), down 14.9%.

In October-December, the net sales in Finland were €223 million, a decrease of 14.9%. The building and home improvement trade contributed €159 million and the agricultural supplies trade €63 million to the net sales in Finland. The net sales of the building and home improvement trade in Finland were down 3.6%, and the net sales of the agricultural supplies trade decreased by 34.7%.

The net sales from foreign operations in the building and home improvement trade were €302 million (€356 million), a decrease of 15.0%. In addition to a decline in demand, the sales performance of foreign operations was affected by the weakening of the Russian ruble. The net sales from foreign operations dropped by 14.9% in terms of the local currencies. Foreign operations contributed 57.6% to the net sales of the building and home improvement trade.

In Sweden, the net sales of K-rauta AB increased by 16.3% to €43 million in October-December. In terms of the local currency, K-rauta AB's net sales grew by 14.7%. In Norway, Byggmakker's net sales increased by 11.9% to €120 million. In terms of the local currency, Byggmakker's net sales grew by 1.5%. In Estonia, Rautakesko's net sales were down 22.4% to €14 million. In Latvia, Rautakesko's net sales decreased by 31.6% to €10 million. In Lithuania, Senukai's net sales fell by 45,2% to €57 million. In Russia, the net sales of the building and home improvement trade decreased by 22.7% to €42 million. In terms of the local currency, the net sales decreased by 6.5%. The net sales of the Belarusian OMA were down by 32.4% to €13 million. In terms of the local currency, OMA's net sales decreased by 2.9%.

In October-December, the operating loss excluding non-recurring items of the building and home improvement trade was €2.1 million, or -0.4% of net sales, compared to €7.5 million (-1.2% of net sales) in the previous year. Regardless of net sales decrease, profitability improved as a result of cost adjustments, and the impairments on inventories and trade receivables negatively affecting the profit of the comparative year. The operating profit of the building and home improvement trade was €1.6 million (€-6.5 million) in October-December.

In October-December, investments in the building and home improvement trade were €19.4 million (€44.9 million), of which 85.6% (87.5%) abroad.

The retail sales of the K-rauta and Rautia chains in October-December increased by 0.2% to €266 million, including VAT, in Finland. The sales of Rautakesko B2B Service decreased by 14.1%. The retail sales of the K-maatalous chain were €96 million, including VAT, down 37.3%.

In October-December, a new Rautia store was opened in Kiiminki, and a replacement K-rauta store in Vaasa.

Rautakesko is building a new K-rauta store in Jyväskylä, Finland, another in Stockholm, Sweden, and two new K-rauta stores in Russia, one in Tula and the other in Kaluga. OMA is building a new store in Minsk, Belarus.

Car and machinery trade

In October-December, the net sales of the car and machinery trade were €205 million (€295 million), down 30.5%.

VV-Auto's net sales in October-December were €125 million (€161 million), a decrease of 22.2%. The net sales performance was affected by a decline in demand in the car trade, coupled with the car tax change effective at the beginning of April, causing the car tax levied on cars after 1 April 2009 to be excluded from the net sales. The comparable net sales, adjusted for the tax change, decreased by 7.4% in October-December. However, the number of new customer orders in October-December was clearly up on the previous year. The combined market share of passenger cars and vans imported by VV-Auto rose to 18.8% (18.4%) in October-December.

Konekesko's net sales in October-December were €80 million (€134 million), down 40.5% on the corresponding period of the previous year, as a result of the weakened machinery market and the discontinuation of the Baltic grain and agricultural supplies trade. The net sales in Finland were €36 million, a decrease of 29.5%. The net sales from Konekesko's foreign operations were €44 million, down 47.2%.

In October-December, the operating profit excluding non-recurring items of the car and machinery trade was €2.7 million (1.3% of net sales), which was €19.8 million, or 7.1 percentage points, higher than in the corresponding period of the previous year. The profit performance was affected by substantial cost adjustments and the impairments on the inventories and trade receivables of the machinery and agricultural trade negatively affecting the profitability of the comparative year.

Changes in the Group composition

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

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

Kesko Corporation's Annual General Meeting held on 30 March 2009 adopted the financial statements for 2008 and discharged the Board of Directors' members and the Managing Director from liability. The Annual General Meeting also resolved to distribute a dividend of €1.00 per share, or a total amount of €97,851,050, as proposed by the Board. The dividend pay date was 9 April 2009. The Annual General Meeting elected PricewaterhouseCoopers Oy as the company's auditor, with APA Johan Kronberg as the auditor with principal responsibility, and approved the Board's proposal to amend the article of the Articles of Association providing for the convocation period so that the notice of the General Meeting shall be given at the latest 21 days before the General Meeting, and the Board's proposal to authorise the Board to decide on the issuance of a maximum of 20,000,000 new B shares. The share issue authorisation is valid until 30 March 2012.

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

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

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

Shares, securities market and Board authorisations

At the end of December 2009, Kesko Corporation's share capital totalled €196,643,058. Of all shares 31,737,007, or 32.3%, were A shares and 66,584,522, or 67.7%, were B shares. The aggregate number of shares was 98,321,529. Each A share entitles to ten (10) votes and each B share to one (1) vote. During the reporting period, the share capital was increased four times corresponding to share subscriptions with the stock options of the year 2003 option scheme. The increases were made on 11 February 2009 (€52,392), 5 May 2009 (€51,250), 5 June 2009 (€673,146) and 17 December 2009 (€216,562), and announced in stock exchange notifications on the same days. The subscribed shares were included on the main list of the Helsinki stock exchange for public trading with the old B shares on 12 February 2009, 6 May 2009, 8 June 2009 and 18 December 2009.

The price of a Kesko A share quoted on NASDAQ OMX Helsinki (the Helsinki stock exchange) was €22.00 at the end of 2008, and €23.60 at the end of 2009, representing an increase of 7.3%. The price of a B share was €17.80 at the end of 2008, and €23.08 at the end of 2009, representing an increase of 29.7%. In January-December, the highest A share quotation was €25.00 and the lowest was €18.73. For B shares, they were €24.00 and €14.99 respectively. In January-December, the OMX Helsinki All Share index of the Helsinki stock exchange rose by 19.5%, the weighted OMX Helsinki CAP index by 36.2%, while the Consumer Staples Index was up 30.8% during the same period.

At the end of 2009, the market capitalisation of A shares was €749 million, while that of B shares was €1,537 million. Their combined market capitalisation was €2,286 million, an increase of €411 million compared with the end of 2008. In 2009, 993,444 A shares were traded on the Helsinki stock exchange at a total value of €22 million, while 78.2 million B shares were traded at a total value of €1,501 million.

The 2003E stock options of the year 2003 option scheme were available for trading until the end of April 2009, and a total of some 116,000 options were traded at a total value of €981,000. A total of some 153,000 2003F stock options were traded during the reporting period at a total value of €1,122,000.

The Board of Directors was authorised by the Annual General Meeting of 30 March 2009 to issue a maximum of 20,000,000 new B shares against payment or other consideration. The authorisation also includes a rights issue. The authorisation has not been used. In addition to the 2003 stock option scheme, the company operates the 2007 scheme of stock options 2007A, 2007B and 2007C. Their exercise period has not started. Further information on the Board's authorisations is available at www.kesko.fi.

At the end of the reporting period, the number of shareholders was 38,888. In 2009, it increased by 808 shareholders. At the end of 2009, foreign ownership of all shares was 20%, and foreign ownership of B shares was 30%.

Flagging notifications

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

Main events during the reporting period

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

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

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

The Supreme Administrative Court decided not to grant leave to appeal against the Helsinki Administrative Court's prior decision not to accept the €22.5 million write-down made by Rautakesko Ltd on the shares of its Swedish subsidiary, K-rauta AB, in its taxation for the year 2001. The Supreme Administrative Court also decided not to grant leave to appeal against the Helsinki Administrative Court's prior decision to dismiss Kesko Corporation's appeal concerning the deductibility of expenses added to its taxable income for the years 1997–1999 (stock exchange release on 11 June 2009).

Kesko sold 13 retail store properties in different parts of Finland to Varma Mutual Pension Insurance Company. The debt-free selling price of the properties was €156 million. The Kesko Group's gain on the sale was €63 million, which was treated as a non-recurring item in Kesko's fourth quarter operating profit (stock exchange release on 22 December 2009).

Kesko decided to transfer the management of the statutory pension provision and the insurance portfolio to Ilmarinen Mutual Pension Insurance Company in two phases, starting from 1 June 2010. The Kesko Pension Fund's statutory employee pension insurance (department B) covers about 8,700 people. The first phase of the transfer will concern some 3,600 people. The transfer is estimated to have a positive effect on Kesko's cash flow. The transfer is subject to the approval of the Financial Supervisory Authority and the Finnish Competition Authority. The second phase will be implemented at the beginning of 2012 at the earliest.

An agreement has also been made to sell store sites and shares owned by the Kesko Pension Fund and Kesko, in a total value of some €440 million, partly to Ilmarinen and partly to a joint venture owned by Kesko, the Kesko Pension Fund and Ilmarinen, in connection with the transfer of pension liabilities. The completion of the arrangements will have a positive non-recurring income statement impact for Kesko and the Kesko Pension Fund. The implementation of the arrangements under the letter of intent is subject to the approval of the bodies of the contracting parties (stock exchange release on 30 December 2009).

Information contained in the notes to the financial statements

Information on the Group's personnel is disclosed in note 8. Information on options, shares under options and voting rights is disclosed in note 35.

Related party transactions are disclosed in note 43. The Kesko Group is not engaged in significant research and development activities.

In May 2010, Kesko will publish a separate corporate responsibility report which analyses the Group's performance in economic, social and environmental responsibility. An assurance statement will be provided by an independent external party.

Risk management

The Kesko Group has established a risk management process, based on the risk management policy confirmed by the Board. The divisions have made risk assessments and updated them in accordance with the strategy process and the rolling planning framework. The divisions' risks and their management responses have been discussed by the division parent companies' and the Group's management. In their respective responsibility areas, the Group units have assessed the risks threatening the Group's objectives and the management of such risks.

On the basis of the divisions' and Group units' risk analyses, the Corporate Risk Management Unit has prepared summaries of major risks and their management on a quarterly basis. The resulting risk report has been handled by Kesko Corporation's Board of Directors' Audit Committee. The main risks and uncertainties have been reported in the interim financial reports. The following is a description of the risks and uncertainties assessed to be significant.

Significant risks and uncertainties

The general economic development continues to involve significant uncertainties. Developments in the employment situation, tax increases resulting from the debt burden of the public sector, and consumers' confidence in the future have an essential impact on consumers' purchasing power, consumer demand and businesses' investment readiness. The biggest uncertainty relates to the building and home improvement trade, and the car and machinery trade, as well as the consumer demand trends in Kesko's operating countries, especially in Latvia, Lithuania, Estonia and Russia.

Kesko aims to achieve growth also through international expansion in selected business areas. Failures in these projects may put growth and profitability at risk. On the other hand, business and stores site acquisitions may be easier to complete and with better terms. Expansion and operations in Russia involve both opportunities and risks. The unpredictability of officials and sudden changes in the interpretation and application of laws may complicate operating activities or delay expansion in Russia.

Changes in consumer behaviour, technological developments and an increasing supply of electronic services are significantly changing the operating systems of trade. Kesko's challenge is to combine the possibilities of online trading, electronic customer communication and the retailer business model into an efficient system.

The automation of financial administration routines may be delayed by suppliers' and retailers' technical facilities and abilities to adopt new operating systems. Kesko is carrying out several significant information system projects. There is a risk that the expected benefits are delayed or that the project costs are exceeded.

The trading sector is characterised by increasingly complicated and long supply chains and a dependency on information systems, telecommunications and external service providers. Disturbances in the supply chain can cause major losses in sales and profit.

Failure in the protection of personal information and card payments could cause losses, claims for damages and the degrading of reputation.

Shrinkage causes significant financial losses for the retail trade. Shrinkage results, for example, from spoiled or damaged goods, theft or other malpractice, and unsuccessful purchasing. Recession entails a growing risk of financial malpractice.

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

Considerable amounts of capital or lease liabilities are tied up in store properties for years. As a result of the recession or changes in local competitive situations, the operations in a store site can run risk of becoming unprofitable and the operation ends while non-current liabilities remain.

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

Compliance with legislation, agreements and Kesko's responsibility guidelines or ethical principles is an important basic value. Non-compliance may result in fines, compensation for damages and other financial losses, and a loss of confidence or reputation.

Further information about the risks, uncertainties and management responses relating to Kesko's operating activities, and about Kesko's risk management system and principles is available in note 42 to the financial statements and on the company's website at www.kesko.fi.

Other risks and uncertainties relating to profit performance are described in the Group’s future outlook.

Future outlook

Estimates of the future outlook for the Kesko Group's net sales and operating profit excluding non-recurring items are given for the 12 months following the reporting period (1/2010–12/2010) in comparison with the 12 months preceding the reporting period (1/2009–12/2009). The performance of the Group's operating activities is affected by the economic outlook in its different market areas and especially by the growth rate of private consumption. Substantial uncertainties are related to the economic outlook and developments in the real economy in the near future. In Finland, the unemployment rate is expected to rise further, which is why private consumer demand is not expected to return to growth during the next twelve months.

The steady development of the grocery trade is expected to continue, although grocery prices are expected to turn down. The market situation is expected to remain difficult in the building sector and in the car and machinery trade.

Making any statement about the Group's future outlook continues to be impacted by the economic outlook and the increasing unemployment. In 2010, the Kesko Group's net sales and operating profit excluding non-recurring items from continuing operations are expected to match the level of 2009. The Group's liquidity and solvency are expected to remain excellent.

Proposal for profit distribution

The parent's distributable profits are €1,051,861,023.07, of which the profit for the period is €138,776,973.11.
The Board of Directors proposes to the Annual General Meeting to be held on 29 March 2010 that the distributable profits be used as follows:
€0.90 per share, or a total of €88,547,166.90, be distributed as dividends.
€1,300,000.00 are reserved for charitable donations at the discretion of the Board of Directors.
€962,013,856.17 are carried forward in equity.

Annual General Meeting

The Board of Directors decided to convene the Annual General Meeting at the Helsinki Fair Centre on 29 March 2010 at 13.00. Kesko Corporation will publish a notice of the Annual General Meeting at a later date.

Annual Report 2009 and Corporate Governance Statement

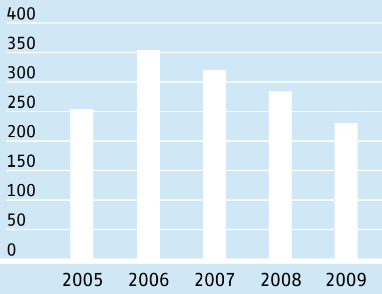
Kesko will publish the 2009 Annual Report, which contains the report by Kesko's Board of Directors and the financial statements for 2009, and a separate Corporate Governance Statement on week 9 on its website at www.kesko.fi.

Group performance indicators

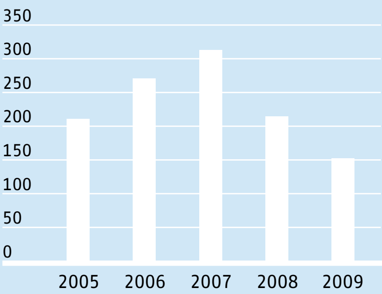
Key indicators

Net sales*, € million

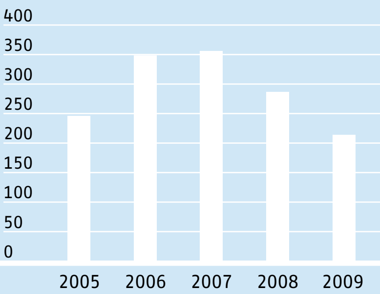
Operating profit*, € million



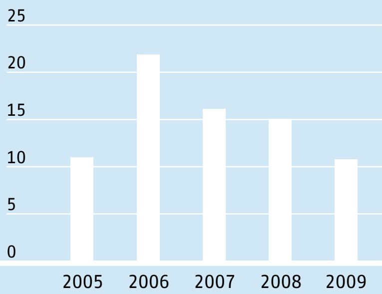
Operating profit excl. non-recurring items*, € million



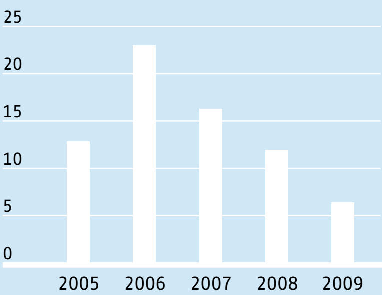
Profit before tax*, € million



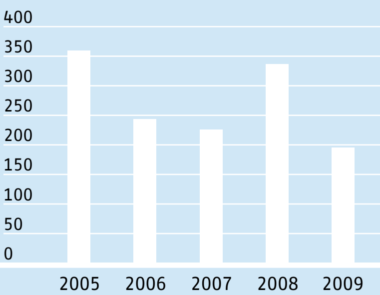
Return on capital employed, %



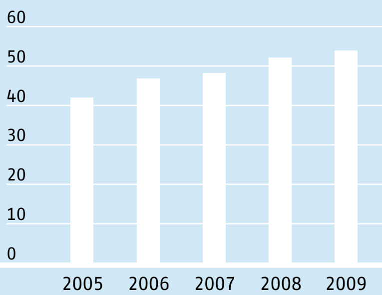
Return on equity, %



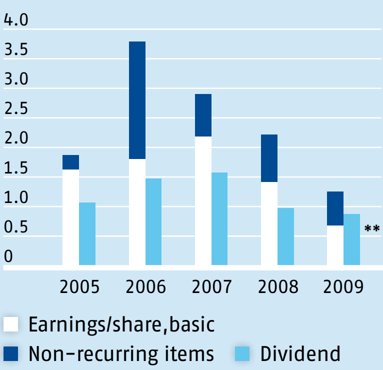
Investments*, € million



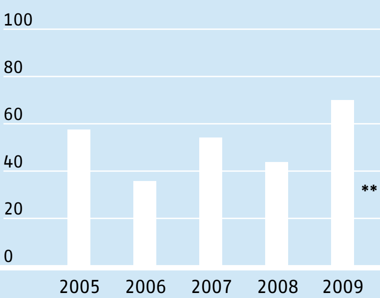
Equity ratio, %



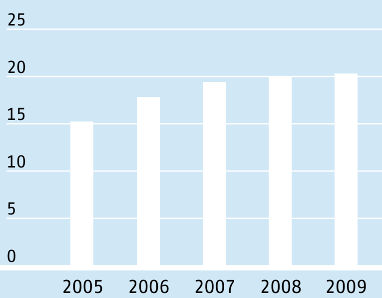
Earnings per share and dividend per share, €



Payout ratio, %



Equity per share, €, 31.12., adjusted



** continuing operations ** proposal to the AGM*

Group performance indicators

Continuing operations		2006	2007	2008	2009
Income statement					
Net sales	€ million	8,493	9,287	9,591	8,447
Change in net sales	%	11.1	9.4	3.4	-11.9
Staff cost	€ million	515	547	578	535
Staff cost as percentage of net sales	%	6.1	5.9	6.0	6.3
Depreciation and impairment charges	€ million	129	116	178	131
Operating profit	€ million	355	322	286	232
Operating profit as percentage of net sales	%	4.2	3.5	3.0	2.8
Operating profit excl. non-recurring items	€ million	273	315	217	155
Operating profit excl. non-recurring items as percentage of net sales	%	3.2	3.4	2.3	1.8
Financial income and expenses	€ million	-5	36	1	-16
Income from associates	€ million	1	0	2	0
Profit before tax	€ million	351	358	289	217
Profit before tax	%	4.1	3.9	3.0	2.6
Income tax	€ million	105	87	89	82
Profit for the year from continuing operations	€ million	235	248	178	125
Profit for the year from discontinued operations	€ million	133	37	42	-
Investments	€ million	246	228	338	198
Investments as percentage of net sales	%	2.9	2.5	3.5	2.3
Personnel, average number for the year		18,937	20,520	21,327	19,184
Personnel at 31 Dec.		23,052	25,208	24,668	22,200
Earnings/share, diluted	€	2.39	2.52	1.81	1.27
Earnings/share, basic	€	2.41	2.54	1.82	1.28

Whole Group		2006	2007	2008	2009
Profit for the year (incl. minority interest)	€ million	379	307	241	134
Profit for the year as percentage of net sales	%	4.2	3.2	2.5	1.6
Attributable to owners of the parent	€ million	369	285	220	125
Attributable to minority interest	€ million	10	22	21	9
Cash flow from operating activities	€ million	328	248	131	379
Cash flow from investing activities	€ million	203	-85	-46	31
Profitability					
Return on equity	%	23.1	16.4	12.1	6.6
Return on equity excl. non-recurring items	%	11.4	12.7	8.1	3.8
Return on capital employed	%	22.0	16.3	15.2	11.0
Return on capital employed excl. non-recurring items	%	12.3	14.7	10.3	7.3
Interest-bearing net debt/EBITDA		0.3	0.6	0.1	-0.7
Finance and financial position					
Gearing	%	11.9	14.0	2.3	-12.5
Equity ratio	%	47.0	48.5	52.4	54.1
Other indicators					
Investments	€ million	282	228	340	198
Investments as percentage of net sales	%	3.1	2.5	3.5	2.3
Personnel, average number for the year		23,756	20,520	21,327	19,184
Personnel at 31 Dec.		23,755	25,890	24,668	22,200
Share performance indicators					
Whole Group					
Earnings/share, diluted	€	3.76	2.90	2.24	1.27
Earnings/share, basic	€	3.80	2.92	2.25	1.28
Earnings/share, excl. non-recurring items, basic	€	1.83	2.21	1.44	0.71
Equity/share, adjusted	€	17.94	19.53	20.09	20.39
Dividend/share	€	1.50	1.60	1.00	0.90*
Payout ratio	%	39.5	54.8	44.5	70.5*
Payout ratio excl. non-recurring items	%	82.0	72.4	69.4	126.8*
Cash flow from operating activities/share, adjusted	€	3.35	2.52	1.37	3.86
Price/earnings ratio, (P/E), A share, adjusted		10.22	13.07	9.84	18.54
Price/earnings ratio, (P/E), B share, adjusted		10.64	13.02	7.96	18.13
Effective dividend yield, A share	%	3.9	4.2	4.6	3.8*
Effective dividend yield, B share	%	3.8	4.2	5.6	3.9*
Share price at 31 Dec.					
A share	€	38.43	37.85	22.00	23.60
B share	€	40.02	37.72	17.80	23.08
Average share price					
A share	€	30.10	43.85	28.30	21.92
B share	€	31.34	43.36	23.51	19.18
Market capitalisation, A share	€ million	1,220	1,201	698	749
Market capitalisation, B share	€ million	2,632	2,491	1,176	1,537
Turnover					
A share	million pcs	2	4	1	1
B share	million pcs	77	122	121	78
Turnover rate	%				
A share	%	6.4	11.5	4.5	3.1
B share	%	117.1	185.3	183.3	117.4
Adjusted number of shares at 31 Dec.	thousand	98,027	98,395	98,256	98,382
Yield of A share for the last five periods	%	29.3	26.6	10.9	9.2
Yield of B share					
For the last five periods	%	42.8	36.1	12.9	10.3
For the last ten periods	%	22.7	18.7	11.7	14.9

** proposal to the Annual General Meeting*

Net sales by segment, continuing operations (€ million)	1–12/2009	1–12/2008	Change, %
Food trade, Finland	3,790	3,696	2.6
Food trade, other countries*	7	11	-33.1
Food trade total	**3,798**	**3,707**	**2.4**
Home and speciality goods trade, Finland	1,530	1,560	-1.9
Home and speciality goods trade, other countries*	28	46	-39.6
Home and speciality goods trade total	**1,558**	**1,606**	**-3.0**
Building and home improvement trade, Finland	1,041	1,319	-21.1
Building and home improvement trade, other countries*	1,271	1,659	-23.4
Building and home improvement trade total	**2,312**	**2,978**	**-22.4**
Car and machinery trade, Finland	773	1,137	-32.0
Car and machinery trade, other countries*	175	343	-49.1
Car and machinery trade total	**947**	**1,480**	**-36.0**
Common operations and eliminations	-168	-178	-5.7
Finland total	**6,966**	**7,533**	**-7.5**
Other countries total*	**1,481**	**2,059**	**-28.1**
Group total	**8,447**	**9,591**	**-11.9**

** exports and net sales in countries other than Finland.*

Operating profit by segment, continuing operations (€ million)	1–12/2009	1–12/2008	Change
Food trade[1]	170.6	185.5	-14.9
Home and speciality goods trade[2]	66.5	63.6	3.0
Building and home improvement trade[3]	19.6	19.4	0.2
Car and machinery trade	-5.1	30.5	-35.6
Common operations and eliminations	-19.3	-13.3	-6.0
Total	**232.3**	**285.6**	**-53.3**

Segments' operating profits excl. non-ecurring items, continuing operations (€ million)	1–12/2009	1–12/2008	Change
Food trade	133.1	122.5	10.5
Home and speciality goods trade	29.5	31.2	-1.7
Building and home improvement trade	11.9	56.4	-44.4
Car and machinery trade	0.3	30.4	-30.1
Common operations and eliminations	-19.4	-23.6	4.1
Total	**155.4**	**217.0**	**-61.6**

1) Includes €46.4 million in non-recurring gains on real estate disposals. The operating profit of the comparative year included €68.5 million in non-recurring gains on real estate disposals and lease arrangements.

2) Includes €37.0 million (€32.4 million) in non-recurring gains on real estate disposals and impairments.

3) Includes a €7.7 million non-recurring gain on real estate disposal. The comparative period included a €47.0 million non-recurring impairment charge on Byggmakker Norge's intangible assets, and a €5.4 million non-recurring gain on real estate disposal.

Group performance indicators by quarter

	1–3/ 2008	4–6/ 2008	7–9/ 2008	10–12/ 2008	1–3/ 2009	4–6/ 2009	7–9/ 2009	10–12/ 2009
Net sales, € million	2,277	2,547	2,435	2,333	2,018	2,143	2,133	2,153
Change in net sales, %	6.8	6.1	3.0	-2.4	-11.4	-15.9	-12.4	-7.7
Operating profit, € million	150.1	84.8	43.8	6.9	23.2	42.7	48.3	118.1
Operating margin, %	6.6	3.3	1.8	0.3	1.1	2.0	2.3	5.5
Operating profit excl. non-recurring items, € million	36.6	81.1	72.0	27.3	3.4	36.4	47.5	68.0
Operating margin excl. non-recurring items, %	1.6	3.2	3.0	1.2	0.2	1.7	2.2	3.2
Financial income/expenses, € million	-1.4	-0.2	1.8	0.8	-5.1	-4.4	-4.7	-1.8
Profit before tax, € million	148.6	84.3	48.0	7.7	18.2	38.2	43.8	116.3
Profit before tax, %	6.5	3.3	2.0	0.3	0.9	1.8	2.1	5.4
Return on capital employed, %	30.1	22.2	8.2	1.4	4.2	8.0	9.4	22.9
Return on capital employed excl. non-recurring items, %	7.3	15.6	13.6	4.9	0.6	6.8	9.2	13.2
Return on equity, %	25.1	19.1	4.2	0.6	2.4	4.6	5.2	14.7
Return on equity excl. non-recurring items, %	5.6	12.3	10.4	4.3	-0.6	3.7	5.0	7.7
Equity ratio, %	46.3	49.0	50.2	52.4	49.8	51.0	52.3	54.1
Investments, € million*	60.3	83.0	89.9	105.2	51.5	55.8	49.2	41.5
Earnings per share, diluted, €*	1.11	0.58	0.17	-0.05	0.12	0.19	0.24	0.73
Equity per share, €	19.13	20.17	20.29	20.09	19.16	19.36	19.60	20.39

** Continuing operations*

Net sales by segment, continuing operations

€ million	1–3/ 2008	4–6/ 2008	7–9/ 2008	10–12/ 2008	1–3/ 2009	4–6/ 2009	7–9/ 2009	10–12/ 2009
Food trade	853	939	933	982	888	974	966	970
Home and speciality goods trade	364	355	396	490	346	331	381	500
Building and home improvement trade	695	870	795	617	529	643	614	525
Car and machinery trade	402	426	357	295	296	233	213	205
Common operations and eliminations	-37	-44	-46	-51	-41	-39	-41	-47
Group total	2,277	2,547	2,435	2,333	2,018	2,143	2,133	2,153

Segments' operating profits, continuing operations

€ million	1–3/ 2008	4–6/ 2008	7–9/ 2008	10–12/ 2008	1–3/ 2009	4–6/ 2009	7–9/ 2009	10–12/ 2009
Food trade	81.3	31.5	45.3	27.4	42.3	33.8	35.8	58.7
Home and speciality goods trade	40.1	3.7	9.2	10.6	-3.3	-3.6	7.0	66.5
Building and home improvement trade	7.3	34.6	-16.1	-6.5	-5.2	14.8	8.5	1.6
Car and machinery trade	15.8	21.3	10.4	-17.0	-6.0	1.9	1.7	-2.7
Common operations and eliminations	5.6	-6.3	-4.9	-7.6	-4.6	-4.3	-4.5	-5.9
Group total	150.1	84.8	43.8	6.9	23.2	42.7	48.3	118.1

Segments' operating profits excl. non-recurring items, continuing operations

€ million	1–3/ 2008	4–6/ 2008	7–9/ 2008	10–12/ 2008	1–3/ 2009	4–6/ 2009	7–9/ 2009	10–12/ 2009
Food trade	25.0	31.5	34.4	31.6	33.8	30.1	35.5	33.7
Home and speciality goods trade	-6.8	3.5	6.8	27.7	-10.7	-6.0	6.5	39.7
Building and home improvement trade	7.3	31.0	25.5	-7.5	-9.1	14.8	8.4	-2.1
Car and machinery trade	15.8	21.3	10.4	-17.1	-6.0	1.9	1.7	2.7
Common operations and eliminations	-4.8	-6.2	-5.1	-7.5	-4.6	-4.4	-4.5	-6.0
Group total	36.6	81.1	72.0	27.3	3.4	36.4	47.5	68.0

Calculation of performance indicators

Profitability

Return on equity, % = $\dfrac{\text{(Profit / loss before tax – income tax)}}{\text{Shareholders' equity}} \times 100$

Return on equity excl. non-recurring items, % = $\dfrac{\text{(Profit/loss adjusted for non-recurring items before tax – income tax adjusted for the tax effect of non-recurring items)}}{\text{Shareholders' equity}} \times 100$

Return on capital employed, % = $\dfrac{\text{Operating profit}}{\text{(Non-current assets + inventories + receivables + other current assets – non-interest-bearing liabilities) for a 12 month average}} \times 100$

Return on capital employed excluding non-recurring items, % = $\dfrac{\text{Operating profit excluding non-recurring items}}{\text{(Non-current assets + inventories + receivables + other current assets – non-interest-bearing liabilities) for a 12 month average}} \times 100$

EBITDA = Operating profit + depreciation + impairments

Funding and financial position

Equity ratio, % = $\dfrac{\text{Shareholders' equity}}{\text{(Balance sheet total – prepayments received)}} \times 100$

Gearing, % = $\dfrac{\text{Interest-bearing net debt}}{\text{Shareholders' equity}} \times 100$

Interest-bearing net debt/EBITDA = $\dfrac{\text{Interest-bearing net debt}}{\text{EBITDA}}$

Share performance indicators

Earnings/share, diluted = $\dfrac{\text{Profit/loss – minority interest}}{\text{Average number of shares adjusted for the dilutive effect of options}}$

Earnings/share, basic = $\dfrac{\text{Profit/loss – minority interest}}{\text{Average number of shares}}$

Earnings/share excl. non-recurring items, basic = $\dfrac{\text{Profit/loss adjusted for non-recurring items – minority interest}}{\text{Average number of shares}}$

Equity/share = $\dfrac{\text{Equity attributable to equity holders of the parent}}{\text{Basic number of shares at balance sheet date}}$

Payout ratio, % = $\dfrac{\text{(Dividend/share)}}{\text{Earnings/share}} \times 100$

Price/earnings ratio, (P/E) = $\dfrac{\text{Share price at balance sheet date}}{\text{(Earnings/share)}}$

Effective dividend yield, % = $\dfrac{\text{(Dividend/share)}}{\text{Share price at balance sheet date}} \times 100$

Market capitalisation = Share price at balance sheet date × number of shares

Cash flow from operating activities/share = $\dfrac{\text{Cash flow from operating activities}}{\text{Average number of shares}}$

Yields of A share and B share = Change in share price + annual dividend yield

Analysis of shareholding

Ownership structure at 31.12.2009

All shares	Number of shares, pcs	% of all shares
Non-financial corporations and housing corporations	25,624,351	26.06
Financial and insurance corporations	6,101,976	6.21
General Government	11,342,495	11.54
Households	28,889,275	29.38
Non-profit institutions serving households	6,238,327	6.34
Rest of the world	772,696	0.79
Nominee registered	19,352,409	19.68
Total	98,321,529	100.00

10 largest shareholders by number of shares at 31.12.2009

		Number of shares, pcs	% of shares	Number of votes	% of votes
1.	Kesko Pension Fund	4,438,885	4.51	35,388,850	9.22
2.	The K-Retailers' Association	3,400,724	3.46	33,639,590	8.76
3.	Vähittäiskaupan Takaus Oy	2,991,771	3.04	26,648,568	6.94
4.	Ilmarinen Mutual Pension Insurance Company	1,938,980	1.97	3,916,838	1.02
5.	Valluga-sijoitus Oy	1,340,439	1.36	13,404,390	3.49
6.	Varma Mutual Pension Insurance Company	1,210,986	1.23	1,210,986	0.32
7.	Tapiola Mutual Pension Insurance Company	1,019,858	1.04	1,019,858	0.27
8.	Oy The English Tearoom Ab	1,008,400	1.03	1,008,400	0.26
9.	Foundation for Vocational Training in the Retail Trade	936,085	0.95	7,989,898	2.08
10.	The State Pension Fund	850,000	0.86	850,000	0.22

10 largest shareholders by number of votes at 31.12.2009

		Number of shares, pcs	% of shares	Number of votes	% of votes
1.	Kesko Pension Fund	4,438,885	4.51	35,388,850	9.22
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5.	Foundation for Vocational Training in the Retail Trade	936,085	0.95	7,989,898	2.08
6.	Ilmarinen Mutual Pension Insurance Company	1,938,980	1.97	3,916,838	1.02
7.	Ruokacity Myyrmäki Oy	389,541	0.40	3,895,410	1.01
8.	The K-Food Retailers' Club	351,822	0.36	3,518,220	0.92
9.	Heimo Välinen Oy	313,707	0.32	2,961,570	0.77
10.	Svenska litteratursällskapet i Finland r.f.	350,000	0.36	2,150,000	0.56

Management's shareholdings

At the end of December 2009, the members of Kesko Corporation's Board of Directors, the President and CEO and the corporations under their control held 224,720 Kesko Corporation A shares and 100,820 Kesko Corporation B shares, i.e. a total of 325,540 shares which represent 0.33% of the company's share capital and 0.61% of voting rights.

At 31 December 2009, the President and CEO held 2,000 Kesko Corporation A shares and 7,000 Kesko Corporation B shares, which represent 0.01% of the company's share capital and 0.01% of its voting rights. In addition, the President and CEO holds 150,000 share options, which comprise 50,000 2007C options granted in 2009. If shares were subscribed for with the President and CEO's options, the options would represent 0.15% of all shares and 0.04% of all voting rights.

Consolidated Financial Statements

Consolidated income statement, IFRS

€ million	Note	1.1.–31.12.2009	%	1.1.–31.12.2008	%
Continuing operations					
Net sales	2	**8,446.8**	100.0	**9,591.5**	100.0
Cost of sales		-7,297.6	-86.4	-8,292.7	-86.5
Gross profit		**1,149.2**	13.6	**1,298.7**	13.5
Other operating income	5, 7	710.4	8.4	730.3	7.6
Staff cost	8, 35	-535.2	-6.3	-578.2	-6.0
Depreciation and impairment	13, 14	-131.2	-1.6	-178.1	-1.9
Other operating expenses	6, 7	-960.8	-11.4	-987.1	-10.3
Operating profit		**232.3**	2.8	**285.6**	3.0
Interest income and expenses	9	0.7	0.0	4.7	0.0
Exchange differences and other financial income and expenses	9	-16.7	-0.2	-3.8	0.0
Total financial income and expenses	9	-16.0	-0.2	1.0	0.0
Income from associates		0.2	0.0	1.9	0.0
Profit before tax		**216.6**	2.6	**288.5**	3.0
Income tax	10	-82.4	-0.9	-89.4	-0.9
Profit for the year from continuing operations		134.2	1.6	199.1	2.1
Profit for the year from discontinued operations	4	-	-	41.5	0.4
Profit for the year		**134.2**	1.6	**240.6**	2.5
Profit for the year attributable to					
Owners of the parent		125.2		219.7	
Minority interest		9.0		20.9	
Earnings per share for profit attributable to owners of the parent					
Continuing operations					
Basic, €	12	1.28		1.82	
Diluted, €	12	1.27		1.81	
Discontinued operations					
Basic, €	12	-		0.43	
Diluted, €	12	-		0.43	
Kesko total					
Basic, €	12	1.28		2.25	
Diluted, €	12	1.27		2.24	

Consolidated statement of comprehensive income

Profit for the year		134.2	240.6
Other comprehensive income:			
Currency translation differences related to a foreign operation	11	-2.5	-6.3
Cash flow hedge revaluation	11	-3.9	-12.8
Revaluation of available-for-sale financial assets	11	-1.9	2.2
Other comprehensive income	11	-0.3	-0.3
Tax related to components of other comprehensive income	11	1.5	2.8
Total other comprehensive income for the year, net of tax		**-7.1**	**-14.5**
Comprehensive income for the year		**127.1**	**226.1**
Comprehensive income for the year attributable to			
Owners of the parent		123.0	204.8
Minority interest		4.1	21.3

Consolidated statement of financial position, IFRS

€ million	Note	31.12.2009	%	31.12.2008	%
ASSETS					
Non-current assets					
Intangible assets	13	184.8		169.6	
Tangible assets	14	1,110.6		1,209.5	
Investments in associates	15, 45	33.0		31.2	
Available-for-sale financial assets	16	3.0		3.0	
Non-current receivables	17, 18	67.5		69.2	
Deferred tax assets	19	3.2		6.5	
Pension assets	20	315.2		300.3	
Total non-current assets		**1,717.4**	44.7	**1,789.3**	46.0
Current assets					
Inventories	21	665.5		871.0	
Interest-bearing receivables	22	32.1		14.9	
Trade receivables	22, 41	593.6		633.1	
Other non-interest-bearing receivables	22	117.6		137.4	
Financial assets at fair value through profit or loss	23	213.1		94.4	
Available-for-sale financial assets	24	427.7		291.0	
Cash and cash equivalents	25	73.9		57.8	
Total current assets		**2,123.5**	55.3	**2,099.6**	53.9
Non-current assets held for sale	4, 26	0.9	0.0	3.0	0.1
Total assets		**3,841.8**	100.0	**3,891.9**	100.0
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	27	196.6		195.6	
Share issue	27	-		0.1	
Share premium	27	194.2		190.6	
Other reserves	27	242.8		242.9	
Currency translation differences	27	-7.1		-9.5	
Revaluation surplus	27	-2.7		1.6	
Retained earnings		1,381.0		1,344.4	
		2,004.9	52.2	**1,965.7**	50.5
Minority interest		**64.5**	1.7	**60.7**	1.6
Total equity		**2,069.4**	53.9	**2,026.4**	52.1
Non-current liabilities					
Interest-bearing non-current liabilities	28, 29, 41	262.0		196.9	
Non-interest-bearing non-current liabilities		5.7		11.8	
Deferred tax liabilities	19	127.7		132.0	
Retirement benefit obligations	20	1.8		1.8	
Provisions	30	14.5		20.1	
Total non-current liabilities		**411.6**	10.7	**362.7**	9.3
Current liabilities					
Interest-bearing current liabilities		194.2		293.6	
Trade payables	31	703.5		755.6	
Other non-interest-bearing liabilities	31	179.9		181.6	
Tax liabilities	31	37.0		2.9	
Accrued liabilities	31	217.1		245.5	
Provisions	30	29.2		23.5	
Total current liabilities		**1,360.9**	35.4	**1,502.9**	38.6
Total liabilities		**1,772.5**	46.1	**1,865.5**	47.9
Total equity and liabilities		**3,841.8**	100.0	**3,891.9**	100.0

Consolidated statement of cash flows, IFRS

€ million	Note	2009	2008
Cash flows from operating activities			
Profit before tax		216.6	330.8
Adjustments:			
Depreciation according to plan		116.9	118.1
Financial income and expenses		16.0	-1.1
Other adjustments	37	-74.0	-130.1
		58.9	-13.2
Change in working capital			
Current non-interest-bearing receivables, increase (-) / decrease (+)		39.4	-10.3
Inventories increase (-) / decrease (+)		206.6	2.3
Current non-interest-bearing liabilities, increase (+) / decrease (-)		-83.9	-78.4
		162.2	-86.4
Interest paid and other financial expenses		-37.5	-32.6
Interest received		23.0	31.6
Dividends received		0.1	0.1
Income tax paid		-44.5	-99.0
Net cash generated from operating activities		**378.8**	**131.4**
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired		-16.4	-35.0
Acquisition of associate		-0.2	0.0
Purchases of tangible and intangible assets		-205.2	-284.7
Purchases of available-for-sale financial assets		-0.8	-0.3
Disposal of subsidiary, net of cash disposed of	4, 38	52.3	121.3
Disposal of associate		0.1	1.5
Proceeds from sale of available-for-sale financial assets	39	1.2	0.2
Proceeds from sale of tangible and intangible assets		198.3	158.4
Increase in non-current loan receivables		0.0	-7.3
Decrease in non-current loan receivables		1.6	0.0
Net cash used in investing activities		**31.0**	**-45.8**
Cash flows from financing activities			
Increase (+) / decrease (-) in interest-bearing liabilities		-33.1	-47.1
Repayments of finance lease liabilities		0.2	-5.6
Increase (+) / decrease (-) in current interest-bearing receivables		-13.7	216.5
Dividends paid		-98.4	-172.5
Proceeds from issuance of shares		4.6	0.4
Increase (-) / decrease (+) in short-term money market investments		-97.6	-17.3
Other items		3.6	11.3
Net cash used in financing activities		**-234.4**	**-14.3**
Change in cash and cash equivalents and current available-for-sale financial assets		**175.4**	**71.4**
Cash and cash equivalents and current available-for-sale financial assets at 1 Jan.	40	319.3	245.3
Currency translation difference adjustment and value adjustment		-3.2	-0.7
Cash and cash equivalents related to available-for-sale assets		0.0	-1.8
Cash and cash equivalents and current available-for-sale financial assets at 31 Dec.	40	491.4	319.3

Consolidated statement of changes in equity, IFRS

€ million	Share capital	Share issuance	Share premium	Other reserves	Currency translation differences	Revaluation surplus	Retained earnings	Total	Minority interest	Total equity
	Attributable to owners of the parent									
Balance at 1 Jan. 2009	**195.6**	**0.1**	**190.6**	**242.9**	**-9.5**	**1.6**	**1,344.4**	**1,965.7**	**60.7**	**2,026.4**
Shares resulting from the exercise of options	1.0	-0.1	3.7					4.6		4.6
Cost of share option schemes							8.1	8.1		8.1
Subsidiary disposals								0.0		0.0
Dividend distribution							-97.9	-97.9	-0.5	-98.4
Other changes				-0.2			1.5	1.3	0.2	1.6
Total comprehensive income for the period					2.4	-4.3	124.9	123.0	4.1	127.1
Balance at 31 Dec. 2009	**196.6**	**0.0**	**194.2**	**242.8**	**-7.1**	**-2.7**	**1,381.1**	**2,004.9**	**64.4**	**2,069.4**
Balance at 1 Jan. 2008	**195.5**	**0.0**	**190.4**	**247.1**	**-2.7**	**9.5**	**1,269.2**	**1,909.1**	**55.3**	**1,964.4**
Shares resulting from the exercise of options	0.1	0.1	0.2					0.4		0.4
Cost of share option schemes							5.6	5.6		5.6
Subsidiary disposals				-4.2			4.2	0.0	0.1	0.1
Dividend distribution							-156.4	-156.4	-16.1	-172.5
Other changes							2.3	2.3		2.3
Total comprehensive income for the period					-6.8	-7.9	219.6	204.8	21.3	226.1
Balance at 31 Dec. 2008	**195.6**	**0.1**	**190.6**	**242.9**	**-9.5**	**1.6**	**1,344.4**	**1,965.7**	**60.7**	**2,026.4**

Further information about share capital and reserves is given in note 27.

Notes to the consolidated financial statements

NOTE 1

Accounting policies for the consolidated financial statements

Basic information about the company

Kesko is the leading provider of trading sector services and a highly valued listed company. Kesko has about 2,000 stores engaged in chain operations in the Nordic and Baltic countries, Russia and Belarus.

Kesko's operations are divided into four reportable segments. The Group's business divisions, namely the food trade, the home and speciality goods trade, the building and home improvement trade, and the car and machinery trade, have been identified as the Kesko Group's reportable segments.

The Group's parent company, Kesko Corporation, is a Finnish public limited company constituted in accordance with the laws of Finland. The company's business ID is 0109862-8, it is domiciled in Helsinki, and its registered address is Satamakatu 3, FI-00016 Kesko. Copies of Kesko Corporation's financial statements and the consolidated financial statements are available from Kesko Corporation, Satamakatu 3, FI-00016 Kesko, and from the Internet, at www.kesko.fi.

Kesko's Board of Directors has approved these financial statements for disclosure on 4 February 2010.

General information

Kesko's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) approved for adoption by the European Union, and they comply with the IAS and IFRS standards, and respective IFRIC and SIC Interpretations valid at 31 December 2009. The International Reporting Standards refer to standards and their interpretations approved for adoption within the EU in accordance with the procedure enacted in EC regulation 1606/2002, included in the Finnish Accounting Standards and regulations based on them. Accounting standards not yet effective have not been adopted voluntarily for the consolidated financial statements. The notes to the consolidated financial statements also include compliance with the Finnish accounting and corporate legislation.

All amounts in the consolidated financial statements are in millions of euros and are based on original cost, with the exception of items identified separately, which have been measured at fair value in compliance with the standards.

With effect from 1 January 2009, the Group has adopted the following new and revised standards:

- IFRS 8, 'Operating Segments': The adoption of IFRS 8 has not changed the Group's reportable segments, because the Group's segment information was also previously based on internal management reporting, with the measurement principles of assets and liabilities complying with IFRS regulations. The Group's business divisions, identified as the Kesko Group's reportable segments effective 1 January 2009, are the food trade, the home and speciality goods trade, the building and home improvement trade, and the car and machinery trade. The change in reportable segments was due to changes in the Group composition. The segment information for the 2008 financial year has been restated accordingly.
- IAS 1 'Presentation of Financial Statements': In consequence of the adoption of the revised IAS 1 standard, the financial statements present a statement of comprehensive income specifying non-owner changes in equity. The statement of changes in equity has also been modified to comply with the requirements of the amended standard.
- IAS 23 'Borrowing Costs, capitalisation of borrowing costs attributable to a qualifying asset': The amended standard removes the option of immediately expensing borrowing costs attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. These borrowing costs are eligible for capitalisation as part of the cost of the asset. The Group previously expensed borrowing costs in the accounting period in which they incurred. Interest costs have not been capitalised as part of the cost of the asset during the accounting period.
- IFRIC 13 'Customer Loyalty Programmes': At the beginning of 2009, the Kesko Group adopted a new IFRIC interpretation, IFRIC 13 'Customer Loyalty Programmes'. According to the interpretation, the loyalty award credits relating to the K-Plussa customer loyalty programme are recognised at fair values in sales adjustment items, as part of the sales transactions. Loyal award credits have been accounted for in the net sales of those Group retail companies which grant K-Plussa loyal award credits. The comparative figures for 2008 have also been restated to comply with the new interpretation. The adoption of the interpretation does not impact the Group's operating profit, because loyalty award credits arising from the K-Plussa customer loyalty programme have been recorded at fair value in the income statement as incurred even before the adoption of the interpretation.

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

- IAS 32 'Financial Instruments: presentation', and IAS 1'Presentation of Financial Statements' - Puttable financial instruments and obligations arising on liquidation (amendment)
- IFRS 1 'First-time adoption of IFRS', and IAS 27 'Consolidated and Separate Financial Statements' - Cost of an investment in a Subsidiary, Jointly controlled Entity or Associate (amendment)
- IFRS 2 'Share-based Payments' - Vesting conditions and cancellations (amendment)
- Annual amendments to the IFRSs (Annual Improvements 2007)
- IFRIC 16 'Hedges of a Net Investment in a Foreign Operation'

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

- IFRS 7 'Financial Instruments: Disclosures' (amendment)
- IFRIC 9 'Reassessment of Embedded Derivatives' (amendment) and IAS 39 'Financial Instruments: Recognition and Measurement' (amendment)
- IFRIC 15 'Agreements for the Construction of Real Estate'

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

Use of estimates

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain estimates and assumptions about the future that affect the reported amounts of assets and liabilities, contingent liabilities, and income and expense. The actual results may differ from these estimates and assumptions. Furthermore, the application of accounting policies is based on the management's judgements, for example, in the classification of assets and in determining whether risks and rewards incident to ownership of financial assets and leased assets have substantially transferred to the other party. The most significant estimates relate to the following.

Allocation of cost of acquisition

Assets and liabilities acquired in business combinations are measured at their fair values at the date of acquisition. The fair values on which cost allocation is based are determined by reference to market values to the extent they are available. If market values are not available, the measurement is based on the estimated earnings-generating capacity of the asset and its future use in Kesko's operating activities. The measurement of intangible assets, in particular, is based on the present values of future cash flows and requires management estimates regarding future cash flows and the use of assets.

Impairment test

The amounts recoverable from cash generating units' operating activities are determined based on value-in-use calculations. In the calculations, forecast cash flows are based on financial plans approved by the management, covering a period of 3 years (note 13).

Employee benefits

The Group operates both defined contribution pension plans and defined benefit pension plans. The calculation of items relating to employee benefits requires the consideration of several factors. Pension calculations under defined benefit plans in compliance with IAS 19 include the following factors that rely on management estimates (note 20):

- expected return on plan assets
- discount rate used in calculating pension expenses and obligations for the period
- future salary level trend
- employee service life

Changes in these assumptions can significantly impact the amounts of pension liability and future pension expenses. In addition, a significant part of the pension plan assets is invested in real estate and shares, whose value adjustments also impact the amounts of liabilities and pension expenses.

Measurement of inventories

The Group regularly reviews inventories for obsolescence and turnover, and for below-cost market values, and recognises obsolescence as necessary. Such reviews require assessments of future demand for products. Possible changes in these estimates may cause changes in inventory measurement in future periods.

Trade receivables

The Group companies apply a uniform practice to measuring mature receivables. Possible changes in customers' solvency may cause changes in the measurement of trade receivables in future periods.

Consolidation principles

Subsidiaries

The consolidated financial statements combine the financial statements of Kesko Corporation and subsidiaries controlled by the Group. Control exists when the Group owns more than 50% of the voting rights of a subsidiary or otherwise exerts control. Control refers to the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. Acquired subsidiaries are consolidated from the date on which the Group gains control until the date on which control ceases. When assessing whether an enterprise controls another enterprise, the potential voting rights that are currently exercisable have been taken into account. The subsidiaries are listed in note 45.

Internal shareholdings are eliminated by using the acquisition cost method. The cost of acquisition is determined on the basis of the fair value of the acquired assets as on the date of acquisition, the issued equity instruments and liabilities resulting from or assumed on the date of the exchange transaction, plus the direct expenses relating to the acquisition. The identifiable assets, liabilities and contingent liabilities of the acquiree are measured at the fair value on the date of acquisition, gross of minority interest.

Intra-group transactions, receivables and payables, unrealised gains and internal distribution of profits are eliminated when preparing the consolidated financial statements. Unrealised losses are not eliminated, if the loss is due to the impairment of an asset. Minority interests in the net income are disclosed in the income statement and the amount of equity attributable to minority interest is disclosed separately in the Group's equity.

Associates

Unrealised gains between the Group and associates are eliminated in proportion to the Group's ownership interest. Dividends received from associates are deducted from the Group's result and the cost of the shares. An investment in an associate includes the goodwill generated by the acquisition. Goodwill is not amortised. The associates are listed in note 45.

Joint ventures

Joint ventures are enterprises in which the Group and another party exercise joint control by virtue of contractual arrangements. The Group's interests in joint ventures are consolidated proportionally on a line-by-line basis. The consolidated financial statements disclose the Group's share of a joint venture's assets, liabilities, income and expenses. At the end of the accounting period, the Group has no joint ventures.

Mutual real estate companies

In compliance with IAS 31, mutual real estate companies are consolidated as assets under joint control on a line-by-line basis in proportion to ownership.

Foreign currency items

The consolidated financial statements are presented in euros, which is both the functional currency of the Group's parent company and the reporting currency. On initial recognition, the figures relating to the result and financial position of Group entities located outside the euro zone are recorded in the functional currency of their operating environment. The operating currency of the real estate companies in St. Petersburg and Moscow in Russia has been determined to be the euro, which is why no significant exchange differences are realised from their balance sheets for the Group.

Foreign currency transactions are recorded in euros by applying the exchange rate at the date of the transaction. Foreign currency receivables and liabilities are translated into euros using the closing rate. Gains and losses from foreign currency transactions, and from receivables and liabilities are recognised in the income statement, with the exception of those loan exchange rate movements designated to provide a hedge against foreign net investments and regarded as effective. These exchange differences are recognised in equity, in compliance with the rules of hedge accounting, and their changes are presented in other comprehensive income. Foreign exchange gains and losses from operating activities are included in the respective items above operating profit. Gains and losses from forward foreign exchange contracts and options used to hedge financial transactions, and from foreign currency loans are included in financial income and expenses.

The income statements of Group entities operating outside the euro zone have been translated into euros at the average rate of the reporting period, and the balance sheets at the closing rate. The translation difference resulting from the use of different rates, and the translation differences arising from the elimination of the acquisition cost of subsidiaries outside the euro zone, and the hedging result of net investments made in them, are recognised in equity, and the changes are presented in other comprehensive income. In connection with the disposal of a subsidiary, currency translation differences are disclosed in the income statement as part of the gains or losses on the disposal.

As of 1 January 2004, the goodwill arising from the acquisition of foreign units and the fair value adjustments of assets and liabilities made upon their acquisition have been treated as assets and liabilities of these foreign units and translated into euros at the closing rate. The goodwill and fair value adjustments of acquisitions made prior to 1 January 2004 have been recorded in euros.

Financial assets

The Group classifies financial assets in the following categories:

- financial assets at fair value through profit or loss
- available-for-sale financial assets
- loans and receivables.

The category is determined at initial recognition on the basis of why they were originally acquired.

Purchases and sales of financial assets are recognised using the 'regular way' method. Financial assets are classified as non-current assets if they have a maturity date greater than twelve months after the balance sheet date. If financial assets are going to be held for less than 12 months, they are classified as current assets. Financial assets at fair value through profit or loss are classified as current assets.

Financial assets are derecognised when the contractual rights to the cash flow of the financial asset expire or have been transferred to another party, and when the risks and rewards of ownership have been transferred.

At each reporting date, the Group assesses whether there is any indication that a financial asset may be impaired. If any such indication exists, the recoverable amount of the asset is estimated. The recoverable amount is the fair value based on the market price or the present value of cash flows. The fair value of investment instruments is determined on the basis of a maturity-based interest rate quotation. An impairment loss is recognised if the carrying amount of a financial asset exceeds its recoverable amount. The impairment losses are recognised within the financial items of the income statement.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include instruments initially classified as financial assets at fair value through profit or loss (the Fair Value Option). These instruments are accounted for based on fair value and they include investments in bond funds, as defined by the Group's treasury policy, as well as investments in other interest-bearing papers with over 3-month maturities. The interest income and fair value changes of these financial assets, as well as any commissions returned by funds are presented on a net basis in the income statement in the interest income of the category in question.

In addition, financial assets at fair value through profit or loss include all derivatives that do not qualify for hedge accounting in compliance with IAS 39. Derivatives are carried at fair value using prices quoted in active markets. The results of derivatives hedging purchases and sales are recognised in other operating income or expenses. The results of derivatives used to hedge financial items are recognised in financial items, unless the derivative has been designated as a hedging instrument.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative assets designated as available for sale at the date of initial recognition. Available-for-sale financial assets are measured at fair value at the balance sheet date and their fair value changes are recognised in equity, and the fair value change is presented in other comprehensive income. The fair value of publicly quoted financial assets is determined based on their market value. Financial assets not quoted publicly are measured at cost if their fair values cannot be measured reliably.

The dividends from equity investments included in available-for-sale financial assets are recognised in financial items in the income statement. The interest income from available-for-sale financial assets is recognised in the financial items of the relevant class. When an available-for-sale financial asset is sold, the accumulated fair value changes recognised in equity are included in the income statement as 'Other financial income/expenses'.

Loans and receivables

Loans and receivables are non-derivative assets with fixed or measurable payments, and they are not quoted in active markets. Loans and receivables also include trade receivables and other receivables. They are recognised at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks. The cash and cash equivalents in the consolidated balance sheet also include amounts relating to the retail operations of division parent companies, used as cash floats in stores, or amounts being transferred to the respective companies.

Financial liabilities

Financial liabilities have initially been recognised at their cost, net of transaction costs. In the financial statements, financial liabilities are measured at amortised cost using the effective interest rate method. The arrangement fees related to lines of credit are amortised over the validity period of the credit. Financial liabilities having a maturity period of over 12 months after the balance sheet date are classified as non-current liabilities. Those having a maturity period of less than 12 months after the balance sheet date are classified as current liabilities.

Derivative financial instruments and hedge accounting

When acquired, derivative financial instruments are carried at fair value and subsequently they are measured at fair value. The recognition of value adjustments of derivatives depends on whether the derivative instrument qualifies for hedge accounting, and if so, on the hedged item. When entered into, derivative contracts are treated either as fair value hedges of receivables or liabilities, or in the case of interest rate risk and electricity price risk, as cash flow hedges, as hedges of net investments in a stand-alone foreign entity, or as derivative contracts that do not meet the hedge accounting criteria. If the hedge accounting criteria are not met, the results of instruments hedging a commercial currency risk are recognised in profit or loss in other operating income or expenses. The portion of derivatives hedging financial transactions to be recognised in the income statement is included in financial items.

When a hedging arrangement is entered into, the relationship between the item being hedged and the hedging instrument, as well as the objectives of the Group's risk management are documented. The effectiveness of the hedging relationship is tested regularly and the effective portion is recognised, against the change in the fair value of the hedged item, in translation differences in equity, or in the revaluation surplus. The ineffective portion is recognised in financial items or other operating income and expenses, depending on its nature. The effective portion of the value adjustments of instruments hedging cash flow, such as a long-term credit facility, is recognised in the equity hedging reserve. The value adjustment of currency derivative instruments relating to the credit facility is recognised in the loan account, and the value adjustment of interest rate derivative instruments in other non-interest-bearing receivables or debt.

Hedge accounting is discontinued when the hedging instrument expires or is sold, the contract is terminated or exercised. Any cumulative gain or loss existing in equity remains in equity until the forecast transaction has occurred.

Measurement principles

The fair value of forward rate agreements is determined by reference to the market prices of the balance sheet date. The fair value of interest rate swaps is calculated on the basis of the present value of future cash flows, using the market prices at the balance sheet date. The fair value of forward exchanges is determined by measuring the forward contracts at the forward rate of the balance sheet date. Currency options are measured by using the counterparty's price quotation, but the Group verifies the price with the help of the Black-Scholes method. Electricity and grain derivatives are measured at fair value using the market quotations of the balance sheet date.

Hedging a net investment in a stand-alone foreign entity

The Group applies hedge accounting in accordance with IAS 39 to hedge foreign currency net investments in foreign entities. Forward exchanges or foreign currency loans are used as hedging instruments. Spot price changes in forward exchanges are recognised as translation differences under equity, and are disclosed in components of comprehensive income. The interest rate differentials of forward exchange agreements are recognised as income under financial items. The exchange differences of foreign currency loans are stated as translation differences under equity. When a foreign entity is disposed of or wound up, the accumulated gains or losses from hedging instruments are recognised in profit or loss.

Embedded derivatives

The Group has prepared method descriptions for identifying embedded derivatives and applies fair value measurement to them. In the Kesko Group, embedded derivatives are included in firm commercial contracts denominated in a currency which is not the functional currency of either party and not commonly used in the economic environment in which the transaction takes place. The fair value of embedded derivatives is determined using the market prices of the measurement date and the value change is recognised in the income statement.

Intangible assets

Goodwill and trademarks

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets and liabilities of an enterprise at the date of the acquisition. The goodwill of companies acquired prior to 1 January 2004 corresponds to their carrying amounts reported in accordance with the previous accounting practices, and the carrying amount is used as the deemed cost. The goodwill of business combinations entered into prior to 1 January 2004 corresponds to their carrying amounts reported in accordance with the previous accounting practices used as the deemed cost, in compliance with IFRS.

Goodwill is not amortised but tested annually for impairment and whenever there is an indication of impairment. For testing purposes goodwill is allocated to the cash generating units. Goodwill is measured at original cost and the share acquired prior to 1 January 2004 at deemed cost net of impairment. Any negative goodwill is immediately recognised as income in accordance with IFRS 3.

Intangible assets with indefinite useful lives are not amortised. They are tested for impairment annually and whenever there is an indication of impairment. These intangible assets include trademarks capitalised upon acquisition.

Other intangible assets
The cost of intangible assets with definite useful lives are stated in the balance sheet and recognised as expenses during their useful lives. Such intangible assets include software licences and customer relationships to which acquisition cost has been allocated upon acquisition, and leasehold interests that are amortised during their probable terms. The estimated useful lives are:

Computer software and licences	3–5 years
Customer and supplier relationships	10 years

Research and development expenses
The Group has not had such development expenditures which, under certain conditions, should be recognised as assets and written off during their useful lives in accordance with IAS 38. Therefore the costs of research and development activities have been expensed as incurred.

Computer software
The labour costs and other direct expenditure of the Group employees working on new software development projects are capitalised as part of the software cost. In the balance sheet, computer software is included in intangible assets and its cost is written off during the useful life of the software. Software maintenance expenditure is recognised as an expense as incurred.

Property, plant and equipment
Property, plant and equipment mainly comprise land, buildings, machinery and equipment. Property, plant and equipment are carried at original cost net of planned depreciation and any impairment. The property, plant and equipment of acquired subsidiaries are measured at fair value at the date of acquisition.

The machinery and equipment of buildings are treated as separate assets and any significant expenditure related to their replacement is capitalised. Subsequent expenditure relating to an item of property, plant and equipment is only added to the carrying amount of the asset when it is probable that future economic benefits relating to the asset will flow to the Group and that the cost of the asset can be reliably measured. The repair, service and maintenance expenditures of other items of property, plant and equipment aer recognised as an expense as incurred.

Property, plant and equipment are written off on a straight-line basis during their estimated useful lives.

The most common estimated useful lives are:

Buildings	10–33 years
Components of buildings	8–10 years
Machinery and equipment	3–8 years
Cars and transport equipment	5 years

The residual values, useful lives and depreciation methods applied to property, plant and equipment are reviewed at least at the end of each accounting period. If the estimates of useful life and the expected pattern of economic benefits are different from previous estimates, the change in the estimate is accounted for in accordance with IAS 8.

The depreciation of property, plant and equipment ceases when the asset is classified as held for sale in accordance with IFRS 5. Lands are not depreciated.

Gains and losses from sales and disposals of property, plant and equipment are recognised in the income statement and presented as other operating income and expenses.

Investment properties
Investment properties are properties held by the enterprise mainly to earn rentals or for capital appreciation. The Group does not hold real estate classified as investment properties.

Impairment of non-financial assets
At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. If any such indication exists, the recoverable amount of the asset is estimated. The recoverable amount of goodwill and intangible assets with indefinite useful lives is assessed every year whether or not there is an indication of impairment. In addition, an impairment test is performed whenever there is an indication of impairment.

The recoverable amount is the higher rate of an asset's fair value less the costs of disposal, and its value in use. Often it is not possible to assess the recoverable amount for an individual asset. Then, as in the case of goodwill, the recoverable amount is determined for the cash generating unit to which the goodwill or asset belongs.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. The impairment loss is disclosed in the income statement. An impairment loss recognised for an asset in prior years is reversed if there has been an increase in the reassessed recoverable amount. However, the reversal of an impairment loss of an asset should not exceed the carrying amount of the asset without an impairment loss recognition. For goodwill, a recognised impairment loss is not reversed under any circumstances.

Leases
In accordance with IAS 17, leases that substantially transfer all the risks and rewards incident to ownership to the Group are classified as finance leases. An asset leased under a finance lease is recognised in the balance sheet at the lower rate of its fair value at the inception date and the present value of minimum lease payments. The rental obligations of finance leases are recorded in interest-bearing liabilities in the balance sheet. Lease payments are allocated between the interest expense and the liability. Finance lease assets are amortised over the shorter period of the useful life and the lease term.

Leases in which assets are leased out by the Group, and substantially all the risks and rewards incident to ownership are transferred to the lessee, are also classified as finance leases. Assets leased under such contracts are recognised as receivables in the balance sheet and are stated at present value. The financial income from finance leases is determined so as to achieve a constant periodic rate of return on the remaining net investment for the lease term.

Leases in which risks and rewards incident to ownership are not transferred to the lessee are classified as operating leases. Lease payments related to them are recognised in the income statement on a straight-line basis over the lease term.

In sale and leaseback transactions the sale price and the future lease payments are usually interdependent. If a sale and leaseback transaction results in a finance lease, any excess of sales proceeds over the carrying amount is not immediately recognised as income. Instead it is deferred and amortised over the lease term. If a sale and leaseback transaction results in an operating lease and the transaction is established at fair value, any profit or loss is recognised immediately.

If the sale price is below fair value, any profit or loss is recognised immediately unless the loss is compensated by future lease payments at below market price, in which case the loss is deferred and amortised over the period for which the asset is expected to be used. If the sale price is above fair value, the excess over fair value is deferred and amortised over the period for which the asset is expected to be used. If the fair value at the time of a sale and leaseback transaction is less than the carrying amount of the asset, a loss equal to the amount of the difference between the carrying amount and fair value is recognised immediately.

Inventories

Inventories are measured at the lower rate of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs to sell. The cost is primarily assigned by using the weighted average cost formula. The cost of certain classifications of inventory is assigned by using the FIFO formula. The cost of an acquired asset comprises all costs of purchase including freight. The cost of self-constructed goods comprise all costs of conversion including direct costs and allocations of variable and fixed production overheads.

Trade receivables

Trade receivables are recognised at the original invoice amount. Impairment is recognised when there is objective evidence of impairment loss. The Group has established a uniform basis for the determination of impairment of trade receivables based on the time receivables have been outstanding. In addition, impairment is recognised if there is other evidence of a debtor's insolvency, bankruptcy or liquidation. Losses on loans and advances are recognised as an expense in the income statement as part of 'Other operating expenses'.

Non-current assets held for sale and discontinued operations

Assets (or a disposal group) and assets and liabilities relating to discontinued operations are classified as held for sale, if their carrying amount will be recovered principally through the disposal of the assets rather than through continuing use. For this to be the case, the sale must be highly probable, the asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary, the management must be committed to selling and the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets held for sale (or assets included in the disposal group) and assets and liabilities linked to a discontinuing operation are measured at the lower rate of the carrying amount and fair value net of costs to sell. After an asset has been classified as held for sale, or if it is included in the disposal group, it is not depreciated. If the classification criterion is not met, the classification is reversed and the asset is measured at the lower rate of the carrying amount prior to the classification less depreciation and impairment, and recoverable amount. A non-current asset held for sale and assets included in the disposal group classified as held for sale are disclosed separately in the balance sheet. Liabilities included in the disposal group of assets held for sale are also disclosed separately in the balance sheet. The profit from discontinued operations is disclosed as a separate line item in the income statement.

The comparative information in the income statement are adjusted for operations classified as discontinued during the latest financial period being reported. Consequently, the profit from discontinued operations is presented as a separate line item also for the comparatives.

Provisions

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and that a reliable estimate can be made of the amount of the obligation. Provision amounts are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Changes in provisions are recorded in the income statement in the same item in which the provision was originally recognised. The most significant part of the Group's provisions relates to warranties given to products sold by the Group, and to onerous leases.

A warranty provision is recognised when a product fulfilling the terms is sold. The provision amount is based on historical experience about the level of warranty expenses. Leases become onerous if the leased premises become vacant, or if they are subleased at a rate lower than the original. A provision is recognised for an estimated loss from vacant lease premises over the remaining lease term, and for losses from subleased premises.

Employee benefits

Pension plans

The Group has both defined contribution plans and defined benefit plans. The contributions payable under defined contribution plans are recognised as expenses in the income statement of the period to which the payments relate. In defined contribution plans, the Group does not have a legal or constructive obligation to make additional payments, in case the payment recipient is unable to pay the retirement benefits.

In defined benefit plans, after the Group has paid the amount for the period, an excess or deficit may result. The pension obligation represents the present value of future cash flows from payable benefits. The present value of pension obligations has been calculated using the Project Unit Credit Method. Pension costs are expensed during employees' service lives based on actuarial calculations. The discount rate assumed in calculating the present value of the pension obligations is the market yield of high-quality bonds issued by companies. Their maturity substantially corresponds to the maturity of the calculated pension liability. The assets corresponding to the pension obligation of the retirement benefit plan are carried at fair values at the balance sheet date. Actuarial gains and losses are recognised in the income statement for the average remaining service lives of the employees participating in the plan to the extent that they exceed 10 percent of the higher rate of the present value of the defined benefit plans and the fair value of assets belonging to the plan.

Relating to the arrangements taken care of by the Kesko Pension Fund, the funded portion and the disability portion under the Finnish Employees' Pension Act are treated as defined benefit plans. In addition, the Group operates a pension plan in Norway which is treated as a defined benefit plan. The plan is not significant for the Group. Other pension plans are treated as defined contribution plans.

Share-based payment

The share options granted as part of the Group management's and other key personnels' incentive and commitment programme are measured at fair value at the grant date and expensed on a straight-line basis over the option's vesting period. The counter-item is recognised in retained earnings. The expenditure determined at the grant date is based on the Group's estimate of the number of options expected to vest at the end of the vesting period. The Group updates the estimate of the final number of options at each balance sheet date. Any movements in estimates are recorded in the income statement. The fair value of the options has been calculated using the Black-Scholes option pricing model.

When share options are exercised, the proceeds received from share subscriptions, adjusted for possible transaction costs, are recognised in shareholders' equity. Proceeds from share subscriptions based on options granted prior to the entry into force of the new Limited Liability Companies Act (1 Sept. 2006), have been recorded in shareholders' equity and share premium, in accordance with the plan rules. The proceeds from share subscriptions based on option plans implemented after the new Limited Liability Companies Act entered into force are recorded in shareholders' equity and the reserve of invested non-restricted equity, in accordance with the plan rules.

Revenue recognition policies

Net sales comprise the sale of products, services and energy. The sale of services and energy account for an insignificant portion of net sales. For net sales, sales revenue is adjusted by indirect taxes, sales adjustment items and the exchange differences of foreign currency sales. Sales adjustment items take into account customer loyalty programmes recognised in revenue in accordance with IFRIC 13 Customer Loyalty Programmes. According to the interpretation, the loyalty award credits relating to the K-Plussa customer loyalty programme are recognised in sales adjustment items at fair values as part of sales transactions. Loyalty award credits affect the net sales of those retail companies which grant K-Plussa customer loyalty credits.

The Group sells products to retailers and other retail dealers, and engages in own retailing. Revenue from the sale of goods is recognised when the significant risks, benefits and control relating to the ownership of the goods have transferred to the buyer, and it is probable that the economic benefits associated with the transaction will flow to the Group. Normally revenue from the sale of goods can be recognised at the time of delivery of the goods. Sales to retailers and other retail dealers are based on central invoicing. Retail sales are mainly on cash and credit card basis.

The Group does not have long-term projects with revenue recognised using the percentage of completion method.

Revenue from the rendering of services is recognised after the service has been rendered and when a flow of economic benefits associated with the service is probable. Interest is recognised as revenue on a time proportion basis using the effective interest method. Dividends are recognised as revenue when the right to receive payment is established.

Other operating income and expenses

Other operating income includes income other than that associated with the sale of goods or services, such as rent income, store site and chain fees and various other service fees and commissions. Profits and losses from the sale and disposal of property, plant and equipment are disclosed in other operating income and expenses. Other operating income and expenses also include realised and unrealised profits and losses from derivatives used to hedge currency risks of trade.

Borrowing costs

The amendment of IAS 23 'Borrowing Costs' (effective from 1 January 2009) removed the option of expensing borrowing costs attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. These borrowing costs are eligible for capitalisation as part of the cost of the asset. The Group previously expensed borrowing costs in the accounting period in which they incurred. During the reporting period, interest costs have not been capitalised as part of the cost of the asset. The amendment of the standard has not been applied retrospectively.

Directly attributable transaction costs clearly associated with a certain borrowing are included in the original amortised cost of the borrowing and amortised to interest expense by using the effective interest method.

Income taxes

The taxes disclosed in the consolidated income statement recognise the Group companies' taxes on current net profits on an accrual basis, prior period tax adjustments and changes in deferred taxes. The Group companies' taxes are calculated from the taxable profit of each company determined by local jurisdiction.

Deferred tax assets and liabilities are recognised for all temporary differences between the tax bases and carrying amounts of assets and liabilities. Deferred tax has not been calculated on goodwill insofar as goodwill is not tax deductible. Deferred tax on subsidiaries' undistributed earnings is not recognised unless a distribution of earnings is probable, causing tax consequences.

Deferred tax is calculated using tax rates enacted by the balance sheet date, and if the rates change, at the new rate expected to apply. A deferred tax asset is recognised to the extent that it is probable that it can be utilised against future taxable income. The Group's deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority.

The most significant temporary differences arise from defined benefit plans, property, plant and equipment (depreciation difference, finance lease) and measurement at fair value of asset items in connection with business acquisitions.

Dividend distribution

The dividend proposed by the Board to the Annual General Meeting has not been deducted from equity. Instead dividends are recognised on the basis of the decision of the Annual General Meeting.

New IFRS standards and ifric interpretations

In addition to the standards and interpretations presented in the 2008 financial statements, the Group will adopt the following standards, interpretations and amendments to the existing standards and interpretations issued in 2009 for application in its 2010 financial statements. The standards, interpretations and amendments to the existing standards and interpretations published in 2009 other than those listed here, are not assumed to have an impact on the consolidated financial statements.

IFRS 2 (Amendment) Share-based Payment – Group Cash-settled Share-based Payment Transactions. The amendment clarifies that an entity that receives goods or services from its supplier must apply IFRS 2 even though the entity has no obligation to make the required share-based cash payments. The Group's management assesses that the amendment will not have a material impact on the consolidated financial statements. The amendment has not yet been endorsed by the European Union.

IFRIC 9 and IAS 39 (Amendments) - Reassessment of Embedded Derivatives on Reclassification. The amendments clarify that on reclassification of a financial asset out of the 'at fair value through profit or loss' category all embedded derivatives have to be assessed and, if necessary, separately accounted for in financial statements. The Group's management assesses that the amendment will not have a material impact on the consolidated financial statements. The amendment has not yet been endorsed by the European Union.

In 2009, IASB issued several improvements to existing standards as part of its annual improvement project. The following is a summary of the amendments which the Group will adopt in 2010, and which the Group's management assesses will possibly have an impact on the consolidated financial statements. These amendments have been endorsed by the European Union.

IFRS 2 (Amendment) - Scope of IFRS 2 – Share-based Payment. The amendment confirms that in addition to business combinations as defined by IFRS 3 (revised) 'Business combinations', contributions of a business on formation of a joint venture and common control transactions are excluded from the scope of IFRS 2, 'Share-based payment'. The Group's management assesses that the amendment may have an impact in business acquisitions.

IFRS 5 (Amendment) Non-current Assets Held for Sale and Discontinued Operations. The amendment clarifies that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirements of IAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1. The Group's management assesses that the amendment may have an impact on the information disclosed in the financial statements in situations where an asset has been classified as available for sale or as a discontinued operation.

IAS 38 (Amendment) Intangible Assets. The amendment clarifies the measuring of fair value of an intangible asset acquired in a business combination that a group of intangible assets may be recognised as a single asset provided the individual assets have similar useful lives. The Group's management assesses that the amendment may have an impact in business acquisitions.

IAS 38 (Amendment) Intangible Assets. The amendment clarifies the description of valuation techniques commonly used by entities when measuring the fair value of intangible assets acquired in a business combination that are not traded in active markets. The Group's management assesses that the amendment may have an impact in business acquisitions.

The following is a summary of the standards, interpretations and amendments to the existing standards published by the IASB, which will be adopted by the Group in 2011, or at a later effective date, and which, according to the Group's estimate, may have an impact on the consolidated financial statements.

IFRS 9 Financial Assets – Classification and Measurement. The standard represents the first milestone in the IASB's planned replacement of IAS 39. It addresses classification and measurement of financial assets. The next steps involve reconsideration and re-exposure of the classification and measurement requirements for financial liabilities, impairment testing methods for financial assets, and development of enhanced guidance on hedge accounting. The Group's management assesses that the new standard will have an impact on the presentation of financial instruments in the financial statements. The standard has not yet been endorsed by the European Union.

NOTE 2

Segment information

The Group's reportable segments are composed of the Group's business divisions, namely the food trade, the home and speciality goods trade, the building and home improvement trade, and the car and machinery trade. During the 2008 financial period, the reportable segments were Kesko Food, Rautakesko, VV-Auto, Anttila, Kesko Agro and Other operating activities. The segment information of the 2008 financial period has been restated to correspond to the new segment classification. The adoption of IFRS 8 has not changed the Group's reportable segments, because the Group's prior segment information was already based on the management's internal reporting, with the measurement principles of assets and liabilities complying with the IFRS regulations. The reportable segment classification was changed as a result of the change in the Group's organisational structure.

Segment information is reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, responsible for allocating resources, has been identified as the Corporate Management Board. The net sales of the reportable operating segments are derived from the food trade, the home and speciality goods trade, the building and home improvement trade, and the car and machinery trade. Sales between segments are charged at prevailing market rates.

The Corporate Management Board assesses the performance of the segments based on operating profit, operating profit adjusted for non-recurring items, and return on capital employed. Incidental transactions outside ordinary course of business are treated as non-recurring items and allocated to segments. The Group identifies gains and losses on disposals of real estate, shares and operations, impairments and costs of discontinuing significant operations as non-recurring items. Gains on disposal are presented within 'other income' in the income statement, and losses on disposal within 'other operating costs'. In other respects, the Management Board's performance monitoring is in full compliance with IFRS reporting. Financial expenses are not allocated to segments, as the activity is driven by the central treasury department, which manages the Group's cash and cash equivalents. Forward foreign exchange contracts entered into inside the Group are, however, reported as part of other operating income and expenses to the extent that they hedge the segments' operational foreign currency risk. Segment information only comprises continuing operations.

The assets and liabilities included in a segment's capital employed consist of items used by the segment in its operating activities, or items justifiably allocated to segments. The assets included in capital employed comprise property, plant and equipment and intangible fixed assets, interests in associates, pension assets, inventories, trade receivables and other non-interest-bearing receivables, external interest-bearing receivables and available-for-sale assets. The liabilities included in capital employed consist of trade payables, other non-interest-bearing liabilities and provisions. The Group's real estate assets and the revenue and costs derived from them have been allocated to the segments.

Capital employed does not include deferred tax assets and liabilities, financial assets at fair value through profit or loss, available-for-sale financial assets, or interest-bearing liabilities.

The food trade comprises the food business based on Kesko Food's K-retailer business model and Kespro's grocery wholesaling. Kesko Food is active in the grocery trade in Finland. The operations of the more than 1,000 K-food stores are based on the K-retailer business model. These stores form Kesko Food's K-citymarket, K-supermarket, K-market and K-extra chains. Kesko Food manages the operations of the chains made up by the stores. Chain operations ensure higher competitiveness. Through chain operations, Kesko Food ensures a strong operational base for K-retailers in terms of sourcing and purchasing, formation of selections, marketing and price competition. Kesko Food's subsidiary Kespro Ltd engages in wholesaling in the Finnish HoReCa business.

The home and speciality goods trade comprises Anttila, K-citymarket's home and speciality goods trade, and the other home and speciality goods companies, namely Indoor, Intersport Finland, Musta Pörssi and Kenkäkesko. Anttila retails home and speciality goods. Anttila serves its customers at Anttila department stores, Kodin Ykkönen department stores for home goods and interior decoration, and through NetAnttila focusing on distance sales. K-citymarket's home and speciality goods trade is responsible for the home and speciality goods and the household goods trade of the K-citymarket chain's department stores. Intersport Finland is active in the sports equipment trade in Finland and its retail store chains in Finland are Intersport, Budget Sport and Kesport. Indoor is a furniture and interior decoration retailer operating in Finland and the Baltic countries. Its store chains are Asko and Sotka. Must Pörssi offers home technology products and services through the Musta Pörssi store chain and the Konebox.fi online store. Kenkäkesko is active in the shoe trade and its retail store chains are K-kenkä and Andiamo.

The building and home improvement trade comprises Rautakesko's building and home improvement trade and agricultural trade in Finland, Sweden, Norway, the Baltic countries, Russia and Belarus. Rautakesko's operations are based on strong chain concepts, efficient sourcing, and best practices duplicated internationally. Rautakesko is responsible for the chains' concepts, marketing, and sourcing and logistics services, store site network and retailer resources in Finland. Rautakesko is a retail operator in Sweden, the Baltic countries, Russia, Belarus and Norway. The retail store chains are K-rauta, Rautia, K-Maatalous, Byggmakker (Norway), Senukai (Lithuania) and OMA (Belarus). Rautakesko's building and home improvement stores serve both consumer and professional customers.

The car and machinery trade comprises the business operations of VV-Auto and Konekesko. VV-Auto imports and markets Volkswagen, Audi and Seat passenger cars and Volkswagen commercial vehicles in Finland. VV-Auto is also engaged in car retailing and provides after-sales services at its own retail outlets. Konekesko is a service company specialising in the import and sales of construction, environmental and agricultural machinery, trucks and buses, and recreational machinery. Konekesko operates in Finland, the Baltic countries and Russia.

Common operations comprise Group support functions.

Segment information 2009

Income statement

€ million	Food trade	Home and speciality goods trade	Building and home improvement trade	Car and machinery trade	Common operations	Eliminations	Total
Segment net sales	3,797.6	1,558.0	2,311.8	947.5	133.7		8,748.6
of which inter-segment sales	-161.5	-26.1	-1.6	-0.5	-112.2		-301.8
Net sales from external customers	**3,636.1**	**1,532.0**	**2,310.2**	**947.0**	**21.5**		**8,446.8**
Other segment income	546.3	118.7	104.2	6.8	15.6		791.5
of which inter-segment income	-71.2	-5.4	-2.7	-0.4	-1.4		-81.1
Other operating income from external customers	**475.1**	**113.2**	**101.4**	**6.3**	**14.3**	**0.0**	**710.4**
Depreciation and amortisation	-42.8	-27.0	-36.6	-8.1	-2.7	0.3	-116.9
Impairments	-8.0	-1.1	-0.6	-4.6			-14.4
Operating profit	**170.6**	**66.5**	**19.6**	**-5.1**	**-19.3**	**0.0**	**232.3**
Non-recurring items	37.5	37.0	7.7	-5.4	0.7	-0.5	77.0
Operating profit excl. non-recurring items	**133.1**	**29.5**	**11.9**	**0.3**	**-20.0**	**0.5**	**155.4**
Financial income and expenses							-16.0
Share of profit/loss from associates							0.2
Profit before tax and discontinued operations							**216.6**

Assets and liabilities

€ million	Food trade	Home and speciality goods trade	Building and home improvement trade	Car and machinery trade	Common operations	Eliminations	Total
Tangible and intangible assets	480.8	252.0	450.4	67.5	19.7	25.1	1,295.4
Interests in associates and other investments	1.1	0.2	0.2	0.0	35.2	-0.6	36.0
Pension assets	150.5	52.1	43.3	28.5	40.8		315.2
Inventories	90.4	223.0	195.8	157.2		-0.8	665.5
Trade receivables	255.9	149.5	154.8	51.3	11.8	-29.7	593.7
Other non-interest-bearing receivables	35.4	24.2	54.0	13.0	9.2	-15.5	120.3
Interest-bearing receivables from external customers	79.7	0.6	13.3	2.9	3.4	-3.0	96.9
Assets held for sale					0.9		0.9
Assets included in capital employed	**1,093.8**	**701.5**	**911.8**	**320.3**	**121.1**	**-24.5**	**3,123.9**
Unallocated items							
Deferred tax assets							3.2
Financial assets at fair value through profit or loss							213.1
Available-for-sale financial assets							427.7
Cash and cash equivalents							73.9
Total assets	**1,093.8**	**701.5**	**911.8**	**320.3**	**121.1**	**-24.5**	**3,841.8**
Trade payables	348.7	138.3	198.9	31.4	3.1	-21.7	698.7
Other non-interest-bearing liabilities	140.6	121.3	85.4	51.9	70.4	-23.3	446.2
Provisions	8.4	8.2	3.8	14.7	8.7		43.7
Liabilities included in capital employed	**497.7**	**267.8**	**288.1**	**97.9**	**82.2**	**-45.0**	**1,188.6**
Unallocated items							
Interest-bearing liabilities							456.2
Deferred tax liabilities							127.7
Total liabilities	**497.7**	**267.8**	**288.1**	**97.9**	**82.2**	**-45.0**	**1,772.5**
Total capital employed at 31 Dec.	**596.1**	**433.8**	**623.7**	**222.4**	**38.8**	**20.5**	**1,935.3**
Average capital employed	**635.7**	**509.6**	**644.9**	**244.2**	**58.3**	**21.8**	**2,114.5**
Return on capital employed excl. non-recurring items, %	**20.9**	**5.8**	**1.8**	**0.1**	**0.0**	**0.0**	**7.3**
Investments	**69.4**	**29.6**	**84.7**	**13.4**	**2.5**	**-1.7**	**198.0**
Number of employees at 31 Dec.	**3,288**	**8,073**	**9,219**	**1,196**	**424**		**22,200**
Average number of employees	**3,035**	**5,666**	**8,789**	**1,291**	**403**		**19,184**

Segment information 2008

Income statement

€ million	Food trade	Home and speciality goods trade	Building and home improvement trade	Car and machinery trade	Common operations	Eliminations	Total
Segment net sales	3,706.9	1,605.6	2,977.5	1,479.7	115.8		9,885.5
of which inter-segment sales	-176.8	-24.5	-2.3	-1.0	-89.3		-294.0
Net sales from external customers	**3,530.1**	**1,581.0**	**2,975.2**	**1,478.7**	**26.5**		**9,591.5**
Other segment income	522.8	131.9	115.5	6.5	28.3		805.0
of which inter-segment income	-66.3	-5.2	-1.5	-1.2	-0.7		-74.7
Other operating income from external customers	**456.5**	**126.8**	**114.1**	**5.4**	**27.6**		**730.3**
Depreciation and amortisation	-44.7	-25.3	-35.2	-8.5	-3.5	0.3	-117.0
Impairments		-15.5	-45.6				-61.1
Operating profit	**185.5**	**63.6**	**19.4**	**30.5**	**-13.5**	**0.2**	**285.6**
Non-recurring items	62.9	32.4	-37.0	0.1	10.3		68.7
Operating profit excl. non-recurring items	**122.5**	**31.2**	**56.4**	**30.4**	**-23.8**	**0.2**	**217.0**
Finance income and costs							1.0
Share of profit/loss from associates							1.9
Profit before tax and discontinued operations							**288.5**

Assets and liabilities

€ million	Food trade	Home and speciality goods trade	Building and home improvement trade	Car and machinery trade	Common operations	Eliminations	Total
Tangible and intangible assets	543.2	299.5	417.1	71.1	23.4	24.9	1,379.2
Interests in associates	0.9	0.2	0.1	0.7	33.0	-0.6	34.2
Pension assets	159.8	45.0	42.3	27.6	25.5		300.3
Inventories	90.5	256.5	273.5	255.3	0.0	-4.8	871.0
Trade receivables	279.4	131.3	167.1	72.9	10.0	-27.5	633.1
Other non-interest-bearing receivables	34.1	23.9	50.7	13.6	41.8	-15.8	148.3
Interest-bearing receivables from external customers	66.6	0.5	0.6	2.6	4.9	-1.9	73.2
Assets held for sale			1.9		1.0		3.0
Assets included in capital employed	**1,174.6**	**756.9**	**953.3**	**443.8**	**139.5**	**-25.8**	**3,442.2**
Unallocated items							
Deferred tax assets							6.5
Financial assets at fair value through profit or loss							94.4
Available-for-sale financial assets							291.0
Cash and cash equivalents							57.8
Total assets	**1,174.6**	**756.9**	**953.3**	**443.8**	**139.5**	**-25.8**	**3,891.9**
Trade payables	349.0	138.9	205.5	78.9	4.6	-26.3	750.6
Other non-interest-bearing liabilities	160.9	107.2	93.5	47.6	56.2	-16.6	448.9
Provisions	8.2	7.1	4.7	15.3	8.3		43.6
Liabilities included in capital employed	**518.1**	**253.2**	**303.8**	**141.9**	**69.1**	**-43.0**	**1,243.1**
Unallocated items							
Interest-bearing liabilities							490.6
Deferred tax liabilities							132.0
Total liabilities	**518.1**	**253.2**	**303.8**	**141.9**	**69.1**	**-43.0**	1,865.6
Total capital employed at 31 Dec.	**656.5**	**503.7**	**649.5**	**301.9**	**70.4**	**17.1**	**2,199.2**
Average capital employed	**635.1**	**507.3**	**629.3**	**280.7**	**66.8**	**16.1**	**2,135.3**
Return on capital employed excl. non-recurring items,%	**19.3**	**6.2**	**9.0**	**10.8**	**0**	**0**	**10.2**
Investments	**139.7**	**60.5**	**122.7**	**15.6**	**4.2**	**-4.3**	**338.4**
Number of employees at 31 Dec.	**3,830**	**8,229**	**10,972**	**1,402**	**235**		**24,668**
Average number of employees	**3,440**	**5,801**	**10,400**	**1,451**	**236**		**21,327**

Group-wide information

The Group is active in the Nordic countries, the Baltic countries, Russia and Belarus. The food trade and the home and speciality goods trade mainly take place in Finland, the car and machinery trade in Finland and the Baltic countries, and the building and home improvement trade in Finland, Norway, Sweden, the Baltic countries, Russia and Belarus. The item 'Other countries' includes Russia and Belarus.

The net sales, assets, investments and personnel are disclosed based on their location.

2009

€ million	Finland	Other Nordic countries	Baltic countries	Other countries	Eliminations	Total
Net sales	7,022.9	664.0	556.0	222.7	-18.8	8,446.8
Assets	2 489.7	248.7	197.7	144.2	43.7	3,123.9
Investments	127.1	18.6	5.8	47.2	-0.6	198.0
Number of employees at 31 Dec.	13,299	1,521	4,798	2,582		22,200

2008

€ million	Finland	Other Nordic countries	Baltic countries	Other countries	Eliminations	Total
Net sales	7,634.2	758.7	945.7	278.2	-25.3	9,591.5
Assets	2 737.3	232.4	317.6	116.0	39.0	3,442.2
Investments	241.5	31.1	11.5	55.5	-1.2	338.4
Number of employees at 31 Dec.	14,192	1,648	6,316	2,512		24,668

The net sales nearly completely consist of goods sales. The sales of services are immaterial.

The revenues of transactions with any single customer do not amount to 10% or more of the Kesko Group's revenues.

NOTE 3

Acquisitions

Acquisitions in 2009

In 2009, the Kesko Group's acquisitions mainly comprised real estate companies. The acquisition cost totalled €10.5 million and the cash outflow, additional purchase prices included, totalled €16.4 million.

Acquisitions in 2008

In 2008, the Kesko Group's acquisitions mainly comprised real estate companies. The cost of acquisitions totalled €30.0 million and the cash outflow, additional purchase prices included, totalled €35.0 million.

NOTE 4

Discontinued operations and disposals of assets

Discontinued operations

In 2009, no discontinued operation occurred in the Kesko Group.

Disposals of assets

In March 2009, the Kesko Group sold four retail store properties to the Kesko Pension Fund. The debt-free selling price was about €50 million. The Kesko Group’s €19.7 million gain has been reported as a non-recurring item in the operating profit.

In addition, the Kesko Group sold 13 of its retail store properties in different parts of Finland to Varma Mutual Pension Insurance Company in December 2009. The debt-free selling price was €156 million. The Group's €63.5 million gain has been reported as a non-recurring item in the operating profit.

Discontinued operations in 2008

In March 2008, Kesko Corporation sold the share capital of Tähti Optikko Group Oy. The debt-free selling price was about €15 million, which contributed a non-recurring gain of about €8.5 million.

In April 2008, Kesko Corporation sold the share capital of Kauko-Telko Ltd engaged in technical trade. The debt-free price was about €77 million, which contributed a non-recurring gain of about €31 million.

Net assets of discontinued operations at date of disposal

€ million	2008
Cash	21.0
Intangible assets	22.8
Tangible assets	10.0
Inventories	26.6
Receivables	31.3
Non-interest-bearing liabilities	-35.9
Interest-bearing liabilities	-13.4
Deferred tax liabilities (net)	-3.1
	59.2
Group eliminations	1.9
Gains/losses on disposal	39.4
Total consideration	100.6
Received in cash	100.6
Received in shares	
Cash and cash equivalents in disposed entity	-21.0
Cash inflow on disposal	79.6

Income statement for discontinued operations

€ million	2008
Net sales	83.1
Expenses	-80.3
Profit before tax	2.8
Income tax	-0.8
Profit after tax	2.0
Profit before tax on disposal of operations	39.5
Net profit on the disposal of operations	41.5

Cash flow statement for discontinued operations

€ million	2008
Operating cash flows	1.7
Investing cash flows	-3.0
Financing cash flows	-6.7
Total cash flows from discontinued operations	-8.0

The cash flows do not include the cash flows from the disposal of operating activities.

Disposals of assets

In January 2008, Kesko Corporation sold K-Rahoitus Oy, one of its wholly-owned subsidiaries. In the 2007 financial statements, K-Rahoitus Oy's assets were reported in available-for-sale assets and in liabilities relating to available-for-sale assets. The transaction contributed a non-recurring gain of about €10.3 million.

In 2008, Kesko waived the purchase option included in the lease agreements made with Nordisk Renting Oy in 2001 and 2002, for which RBS Nordisk Renting paid Kesko a €74.2 million compensation.The previous agreements had been financial lease agreements and their cancellation generated a non-recurring income item of €26.5 million.

In addition, Kesko sold properties to Aberdeen Property Fund Finland 1 Ky at a price of 44 million, which generated a €16.3 million non-recurring gain.

Notes to the income statement

NOTE 5

Other operating income

€ million	2009	2008
Service fees	488.1	460.0
Rent income	39.3	37.3
Gains on disposal of tangible and intangible assets	94.4	140.0
Gains from derivatives *)	2.6	4.9
Other	86.0	88.0
Total	710.4	730.3

Service fees mainly comprise chain and store site fees paid by chain companies for the chain concepts.

NOTE 6

Other operating expenses

€ million	2009	2008
Rent expenses	-383.1	-349.9
Marketing costs	-239.3	-254.0
Property and store site occupancy costs	-112.0	-125.3
Data communication costs	-65.1	-65.5
Other trading expenses	-157.7	-186.1
Losses on disposal of tangible assets	-1.4	-1.3
Losses on derivatives *)	-2.2	-4.9
Total	-960.8	-987.1

**) Includes revaluations of embedded derivatives.*

Audit fees

€ million	2009	2008
Authorised Public Accountants PricewaterhouseCoopers		
Audit fees	0.8	0.9
Tax consultation	0.1	0.2
Other services	0.2	0.7
Total	1.1	1.7
Other auditing firms	0.2	0.4

NOTE 7

Non-recurring items

€ million	2009	2008
Gains on disposal of real estate and shares	93.7	139.0
Losses on disposal of real estate and shares	-1.1	-1.0
Impairment losses	-14.4	-61.1
Others	-1.3	-8.2
Total	77.0	68.7

Incidental transactions outside ordinary course of business are treated as non-recurring items and allocated to segments. The Group identifies gains and losses on disposal of real estate, shares and operations, impairments and costs of discontinuing significant operations as non-recurring items. Gains on disposal are presented within 'other income' in the income statement, and losses on disposal within 'other operating expenses'.

In addition to the above, the comparative discontinued operations include non-recurring gains on disposal in the amount of €39.5 milllion.

Impairment losses

During the financial period, a total amount of €14.4 million of impairments in real estate were recognised as expenses.

The income statement of the comparative period includes a total amount of €61.1 million in impairment losses. An impairment charge of €45.6 million was made on the consolidated goodwill and trademark of Rautakesko's subsidiary, Byggmakker Norge. In addition, the comparative non-recurring expenses include an impairment charge of €15.5 million on Anttila's logistics centre in Vantaa.

NOTE 8

Staff cost, number of employees and management's salaries

€ million	2009	2008
Salaries and fees	-448.4	-496.6
Social security costs	-39.0	-47.3
Pension costs	-39.6	-28.8
Defined benefit plans	8.2	20.5
Defined contribution plans	-47.8	-49.3
Share-based payments	-8.1	-5.5
Total	-535.2	-578.2

The employee benefits of the Group's management and other related party transactions are disclosed in note 43 and option plans in note 35.

Salaries and fees of the Group companies' managing directors and boards of directors

€ million	2009	2008
Salaries of managing directors (incl. fringe benefits)	4.9	5.8
Fees of Board members	0.3	0.3
Total	5.2	6.1

Average number of Group employees

	2009	2008
Food trade	3,035	3,440
Home and speciality goods trade	5,666	5,801
Building and home improvement trade	8,789	10,400
Car and machinery trade	1,291	1,451
Others	403	236
Total	19,184	21,327

NOTE 9

Financial income and expenses

€ million	2009	2008
Interest income and expenditure		
Interest income on loans and receivables	10.1	15.1
Interest income on financial assets carried at fair value through profit or loss	9.1	6.3
Interest income on available-for-sale financial assets	1.9	13.8
Interest expense on financial liabilities carried at amortised cost	-20.3	-30.5
Total interest income and expenditure	0.7	4.7
Exchange differences and other financial income and expenses		
Exchange differences and fair value changes on derivatives, foreign currency denominated loans and bank accounts not qualified for hedge accounting	-19.0	-2.4
Dividend yield on available-for-sale financial assets	0.1	0.1
Gains on disposal of available-for-sale financial assets	3.2	0.0
Losses on disposal of available-for-sale financial assets	-0.2	
Other financial expenses	-0.8	-1.5
Total exchange differences and other financial income and expenses	-16.7	-3.8
Total financial income and expenses	-16.0	1.0

The interest expenditure includes €4.9 million (€5.8 million) in interest on finance leases recognised as expenses for the period. The interest income includes €3.1 million (€2.5 milion) in interest on finance leases reported as income for the period.

The result of the realised interest rate derivative used to hedge the USD-denominated private placement loan is recognised in net terms in interest expenses with the loan interest.

Exchange differences recognised in the income statement

€ million	2009	2008
Other income	1.9	3.8
Purchases and other expenses	-3.1	-0.7
Finance income and expenses	-19.2	-3.0
Total	-20.4	0.1

NOTE 10

Income tax expense

€ million	2009	2008
Current tax	-82.7	-83.2
Tax for prior periods	-1.2	2.2
Deferred tax	1.6	-8.4
Total	-82.4	-89.4

Reconciliation between tax expense and tax calculated at domestic rate:

Profit before tax	216.6	288.5
Tax at parent's rate (26%)	-56.3	-75.0
Effect of foreign subsidiaries' different tax rates	2.0	3.4
Effect of income not subject to tax	1.4	9.8
Effect of expenses not deductible for tax purposes	-8.9	-10.0
Effect of tax losses	-17.1	-12.1
Effect of consolidation and elimination	0.0	-6.8
Taxes for prior periods	-1.2	2.2
Adjustment of prior period deferred taxes	-1.2	-3.9
Others	-1.2	3.0
Tax in the income statement	-82.4	-89.4

NOTE 11

Components of other comprehensive income

Components of other comprehensive income and related tax			**2009**
	Before tax	**Tax charge/ credit**	**After tax**
Currency translation differences relating to a foreign operation	-2.5		-2.5
Cash flow hedge revaluation	-3.9	1.0	-2.9
Revaluation of available-for-sale financial assets	-1.9	0.5	-1.4
Other components	-0.3		-0.3
Total	**-8.6**	**1.5**	**-7.1**

Components of other comprehensive income and related tax			**2008**
	Before tax	**Tax charge/ credit**	**After tax**
Currency translation differences relating to a foreign operation	-6.3		-6.3
Cash flow hedge revaluation	-12.8	3.3	-9.5
Revaluation of available-for-sale financial assets	2.2	-0.6	1.6
Other components	-0.3		-0.3
Total	**-17.2**	**2.8**	**-14.5**

NOTE 12

Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to the parent's equity holders by the weighted average number of shares outstanding during the period. Diluted earnings per share is calculated by adjusting the weighted average number of all shares to assume conversion of all potentially dilutive shares. The Group operates a share option scheme with a dilutive effect, which increases the number of shares. The share options have a dilutive effect when their exercise price is lower than the fair value of a share. The dilutive effect is the number of shares which has to be issued without consideration, because the Group could not use the assets received from the exercise of the share options to issue an equal number of shares at fair value. The fair value of a share is based on the average share price during the period.

	2009	2008
Profit for the period attributable to equity holders of the parent		
Continuing operations, € million	125.2	178.2
Discontinued operations, € million	-	41.5
Kesko total, € million	125.2	219.7
Number of shares		
Weighted average number or shares outstanding	98,061,761	97,795,685
Effect of options granted	320,423	460,550
Diluted weighted average number of shares outstanding	98,382,184	98,256,234
Earnings per share from profit attributable to equity holders of the parent		
Continuing operations		
Basic, €	1.28	1.82
Diluted, €	1.27	1.81
Discontinued operations		
Basic, €	-	0.43
Diluted, €	-	0.43
Kesko total		
Basic, €	1.28	2.25
Diluted, €	1.27	2.24

Notes to the consolidated statement of financial position

NOTE 13

Intangible assets

€ million	Goodwill	Trademarks	Other intangible assets	Prepayments	Total 2009
Cost					
Cos at 1 Jan. 2009	115.3	71.1	142.5	10.4	339.4
Currency translation differences	6.8	5.6	4.8		17.1
Additions	2.2		28.7	6.0	36.9
Acquisition of subsidiary					0.0
Disposals	-0.9	-0.7	-15.2	-0.6	-17.5
Transfers between items			-3.3	-5.9	-9.2
Cost at 31 Dec. 2009	123.3	75.9	157.4	10.0	366.6
Accumulated amortisation and impairment					
Accumulated amortisation and impairment at 1 Jan. 2009	-43.3	-28.6	-97.9		-169.7
Currency translation differences	-6.7	-1.3	-1.6		-9.6
Accumulated amortisation of disposals and transfers	0.2		22.0		22.1
Amortisation for the period			-24.7		-24.7
Impairments					
Accumulated amortisation and impairment at 31 Dec. 2009	-49.9	-29.8	-102.2		-181.9
Carrying amount at 1 Jan. 2009	72.1	42.5	44.6	10.4	169.6
Carrying amount at 31 Dec. 2009	**73.5**	**46.1**	**55.2**	**10.0**	**184.8**

€ million					Total 2008
Cost					
Cos at 1 Jan. 2008	163.3	78.3	124.5	13.4	379.6
Currency translation differences	-7.6	-7.2	-5.3	-1.3	-21.4
Additions	6.4		36.8	7.4	50.6
Acquisition of subsidiary			0.0		0.0
Disposals	-46.7		-16.7	-1.5	-64.9
Transfers between items	-0.1		3.1	-7.6	-4.6
Cost at 31 Dec. 2008	115.3	71.1	142.5	10.4	339.4
Accumulated amortisation and impairment					
Accumulated amortisation and impairment at 1 Jan. 2008	-29.0	-21.3	-77.2		-127.5
Currency translation differences	5.9	1.3	1.6		8.8
Accumulated amortisation of disposals and transfers	16.9		6.0		22.9
Amortisation for the period			-28.3		-28.3
Impairments	-37.0	-8.6			-45.6
Accumulated amortisation and impairment at 31 Dec. 2008	-43.3	-28.6	-97.9		-169.7
Carrying amount at 1 Jan. 2008	134.3	57.0	47.3	13.4	252.2
Carrying amount at 31 Dec. 2008	**72.1**	**42.5**	**44.6**	**10.4**	**169.6**

Goodwill and intangible rights by segment

€ million	Intangible assets * 2009	Goodwill 2009	Discount rate (WACC) ** 2009	Intangible assets * 2008	Goodwill 2008	Discount rate (WACC) ** 2008
Building and home improvement trade						
Byggmakker, Norway	28.3		8.0%	24.7		8.0%
Rautakesko, Estonia		1.1	13.0%		1.1	11.0%
Senukai, Lithuania		17.2	14.0%		17.2	11.5%
Stroymaster, Russia		14.2	15.0%		14.1	12.0%
Real estate companies		7.1			5.7	
Home and speciality goods trade						
Anttila, Finland		23.4	7.0%		23.4	7.0%
Indoor, Finland	17.8	4.1	7.0%	17.8	4.1	7.0%
Car and machinery trade		4.4	8.0%		4.2	8.0%
Others		2.1			2.2	
Total	46.1	73.5		42.5	72.1	

** intangible assets with indefinite useful lives*

*** after tax*

Cash generating units have been identified at a level lower than the reportable segments. The units have been identified by chain/country, and most of them are legal entities.

The useful lives of trademarks (brands) included in intangible assets have been classified as indefinite because it has been estimated that they will affect the generation of cash flows over an indefinite period. This is because no foreseeable limit to the period over which they are expected to generate net cash inflows for the Group can be seen. Trademarks are part of assets purchased in connection with acquisitions.

Intangible assets with indefinite useful lives are tested annually for possible impairment and whenever there is an indication of impairment.

During the 2008 financial period, Byggsenteret, part of the Norwegian Byggmakker group, was sold, and the allocated goodwill was €9.5 million.

Impairment test for goodwill and intangible assets

The recoverable amount of a cash-generating unit is determined based on value-in-use calculations. These calculations use cash flow projections based on financial plans approved by the management covering a period of 3 years. The key assumptions used for the plans are total market development and profitability, changes in store site network, product and service selection, pricing and trends in operating costs. Cash flows beyond the period have been extrapolated mainly based on 1.5–4% (1–4%) forecast growth rates, allowing for country-specific differences.

The discount rate used is the WACC, specifed for each segment and country after tax, which is adjusted by tax effects in connection with the test. The WACC formula inputs are risk-free rate of return, market risk premium, industry-specific beta factor, target capital structure, borrowing cost and country risks. Compared with the previous year, discount rates in Russia and the Baltic countries rose as a result of higher country risks and interest rate levels.

Impairment losses

For the 2009 accounting period, there were no impairments in goodwill or intangible rights.

For the 2008 accounting period, an impairment charge of €45.6 million was made against Byggmakker Norge's intangible assets. Of this amount €37.0 million was allocated to goodwill and €8.6 million to a trademark. The impairment charge was reported as a non-recurring item. The impairment loss was due to weaker-than-expected profitability development. In addition, it was estimated that revenue expectations concerning Byggmakker had declined. Byggmakker Norge constitutes a separate cash-generating unit and belongs to the building and home improvement trade segment.

Sensitivity analysis

The key variables used in impairment testing are the EBITDA rate and the discount rate.

The most sensitive to changes in assumptions are the intangible assets relating to the operations of Byggmakker, Indoor and Rauta-kesko Estonia.

A one percentage point rise in the discount rate would not cause an impairment of any cash generating unit.

For Byggmakker and Rautakesko Estonia, a reduction of residual EBITDA by over 0.8 pp would cause a need for impairment. For Indoor, a reduction of residual EBITDA by over 1.2 pp would cause a need for impairment.

When the other cash generating units are estimated according to the management's assumptions, a foreseeable change in any key variable would not create a situation in which the unit's recoverable amount would be smaller than its carrying amount.

NOTE 14

Property, plant and equipment

€ million	Land and water	Buildings	Machinery and equipment	Other tangible assets	Prepayments and purchases in progress	Total 2009
Cost						
Cost at 1 Jan. 2009	271.7	1,059.9	486.5	38.3	82.4	1,938.8
Currency translation differences	1.7	2.4	3.0	0.6	0.6	8.2
Additions	23.3	55.5	47.3	9.5	26.1	161.7
Acquisition of subsidiary	3.2					3.2
Disposals	-27.2	-159.1	-26.0	-4.2	-18.3	-234.8
Transfers between items	0.0	38.3		0.3	-30.4	8.3
Cost at 31 Dec. 2009	272.8	997.1	510.8	44.5	60.3	1,885.4
Accumulated depreciation and impairment						
Accumulated depreciation and impairment at 1 Jan. 2009	-2.4	-389.6	-322.6	-14.8		-729.3
Currency translation differences		-0.4	-1.7	-0.1		-2.2
Accumulated depreciation of disposals and transfers		45.2	15.6	2.3		63.2
Depreciation for the period		-38.4	-49.4	-4.4		-92.1
Impairment	-0.2	-14.0		-0.1		-14.3
Accumulated depreciation and impairment at 31 Dec. 2009	-2.6	-397.2	-358.1	-17.0	0.0	-774.8
Carrying amount at 1 Jan. 2009	269.3	670.3	164.0	23.6	82.4	1,209.5
Carrying amount at 31 Dec. 2009	**270.1**	**599.9**	**152.7**	**27.5**	**60.3**	**1,110.6**

						Total 2008
Cost						
Cost at 1 Jan. 2008	223.2	1,140.7	481.4	36.2	29.9	1,911.3
Currency translation differences	-3.3	-4.1	-8.0	-1.1	-1.3	-17.8
Additions	54.4	69.5	97.9	7.1	70.6	299.5
Acquisition of subsidiary	2.6	9.6	0.0			12.2
Disposals	-11.1	-174.7	-90.5	-4.0	-0.2	-280.5
Transfers between items	5.9	18.9	5.7	0.1	-16.5	14.1
Cost at 31 Dec. 2008	271.7	1,059.9	486.5	38.3	82.4	1,938.8
Accumulated depreciation and impairment						
Accumulated depreciation and impairment at 1 Jan. 2008	-3.7	-414.1	-326.3	-14.1		-758.2
Currency translation differences	0.0	1.1	4.2	0.5		5.8
Accumulated depreciation of disposals and transfers	1.3	76.5	48.6	1.9		128.3
Depreciation for the period		-37.6	-49.1	-3.1		-89.5
Impairment		-15.5				-15.5
Accumulated depreciation and impairment at 31 Dec. 2008	-2.4	-389.6	-322.6	-14.8		-729.3
Carrying amount at 1 Jan. 2008	219.5	726.6	155.2	22.2	29.9	1,153.1
Carrying amount at 31 Dec. 2008	**269.3**	**670.3**	**164.0**	**23.6**	**82.4**	**1,209.5**

Property, plant and equipment include assets leased under finance leases as follows:

€ million	Buildings	Machinery and equipment	Other tangible assets	Total
2009				
Cost	38,7	37,0	0,1	75,7
Accumulated depreciation	-24,1	-29,8	-0,1	-54,0
Carrying amount	14,6	7,2	0,0	21,7
2008				
Cost	38,7	47,6	0,1	86,4
Accumulated depreciation	-23,7	-36,4	-0,1	-60,2
Carrying amount	15,0	11,2	0,0	26,2

NOTE 15

Interests in associates

€ million	2009	2008
Carrying amount at 1 Jan.	31.2	27.0
Share of profit/loss for the period	0.2	1.9
Additions	1.7	2.4
Disposals	-0.1	-0.1
Currency translation differences		
Carrying amount at 31 Dec.	33.0	31.2

Shares in associates are not quoted.

Disclosures for the Group's associates and the Group's interests in their aggregate assets, liabilities, net sales and profits/losses:

€ million	Assets	Liabilities	Net sales	Profit/loss	Ownership interest, %
2009					
Valluga-sijoitus Oy, Helsinki	33.5	0.0	0.0	1.3	39.0
Vähittäiskaupan Takaus Oy, Helsinki	56.0	0.2	1.2	3.2	34.4
Vähittäiskaupan Tilipalvelu VTP Oy, Helsinki	3.8	2.2	10.9	0.7	30.0
Others	5.3	3.7	1.9	0.0	
Total	98.5	6.1	14.0	5.1	
2008					
Valluga-sijoitus Oy, Helsinki	34.5	2.3	0.7	9.1	39.0
Vähittäiskaupan Takaus Oy, Helsinki	52.9	0.2	1.1	2.2	34.4
Vähittäiskaupan Tilipalvelu VTP Oy, Helsinki	3.4	2.2	10.0	-0.3	30.0
Others	4.6	3.2	0.5	0.0	
Total	95.3	7.9	12.3	11.0	

NOTE 16

Non-current available-for-sale financial assets

€ million	2009	2008
Carrying amount at 1 Jan.	3.0	4.0
Additions	0.8	0.0
Disposals	-0.7	-1.0
Carrying amount at 31 Dec.	3.0	3.0

The available-for-sale assets include unquoted shares, mainly measured at cost, because their fair values cannot be measured reliably.

NOTE 17

Non-current receivables

€ million	2009	2008
Non-interest-bearing non-current receivables	2.6	10.9
Finance lease receivables	59.5	51.3
Loan receivables from associates	1.5	1.5
Other non-current receivables	3.8	5.5
Total	67.5	69.2

The non-interest-bearing non-current receivables include €1.3 million in derivative revaluations and their carrying amount equals the fair value. The fair value of finance lease receivables cannot be measured reliably.

Maturity analysis of non-current receivables at 31 Dec. 2009

€ million	2011	2012	2013	2014	2015-	Total
Non-interest-bearing non-current receivables	0.8	0.6	0.3	0.8	0.2	2.6
Finance lease receivables	11.2	11.2	11.2	11.2	14.7	59.5
Loan receivables from associates					1.5	1.5
Other non-current receivables	1.1	1.0	0.8	0.7	0.2	3.8
Total	13.1	12.8	12.3	12.7	16.6	67.5

NOTE 18

Finance lease receivables

€ million	2009	2008
Analysis of finance lease receivables:		
No later than 1 year	20.1	15.9
Later than 1 year and no later than 5 years	50.9	44.0
Later than 5 years	15.3	13.5
Gross investment in finance leases	**86.3**	**73.5**
Present value of minimum lease payments receivable:		
No later than 1 year	16.8	13.1
Later than 1 year and no later than 5 years	44.8	38.5
Later than 5 years	14.7	12.8
Finance lease receivable	**76.3**	**64.3**
Unearned finance income	**10.0**	**9.1**

The finance lease receivables consist of store fixtures owned by Kesko Food Ltd, and store fixtures leased by it from finance companies and subleased to chain companies. During the lease term, the leased item is held as collateral, and after the actual lease term, the lessee may extend the lease over low-cost extension periods. The lease terms are between 3 and 8 years.

NOTE 19

Deferred income tax

The movements in deferred tax assets and deferred tax liabilities in 2009 were as follows:

€ million	31.12.2008	Income statement charge	Tax charged/ credited to equity	Exchange differences	Acquisition/sale of subsidiary	31.12.2009
Deferred tax assets						
Internal margin of inventories	1.0	0.0				0.9
Finance lease assets	0.2	-0.1				0.1
Provisions	9.1	-0.2				8.9
Pensions	0.9	-0.4				0.5
Confirmed losses	2.8	0.6		0.5		3.9
Others	20.7	-2.6	-1.2	0.1		17.0
Total	34.5	-2.7	-1.2	0.6	0.0	31.2
Deferred tax liabilities						
Accumulated depreciation differences	49.5	-10.2			0.0	39.3
Changes in Group composition	22.9	-0.8		1.6	1.0	24.8
Pensions	79.0	4.0				83.0
Others	8.5	2.8	-2.7	-0.1		8.6
Total	159.9	-4.1	-2.7	1.5	0.9	155.7
Net deferred tax liabilities	125.5					124.5

Balance sheet division:

€ million	2009	2008
Deferred tax assets	3.2	6.5
Deferred tax liabilities	127.7	132.0

The group 'Others' within deferred tax assets includes, for example, deferred tax assets on timing differences relating to depreciation, and deferred tax assets resulting from stand-alone companies applying the Group's accounting principles.

The movements in deferred tax assets and deferred tax liabilities in 2008 were as follows:

€ million	31.12.2007	Income statement charge	Tax charged/ credited to equity	Exchange differences	Acquisition/sale of subsidiary	31.12.2008
Deferred tax assets						
Internal margin of inventories	2.2	-1.2		0.0	0.0	1.0
Finance lease assets	5.5	-5.3		0.0	0.0	0.2
Provisions	6.2	2.8			-0.1	9.1
Pensions	1.0	0.0		0.0	-0.1	0.9
Confirmed losses	3.9	-0.8		-0.4	0.0	2.8
Others	19.3	0.4	2.6	-0.6	-1.0	20.7
Total	38.0	-4.1	2.6	-1.0	-1.2	34.5
Deferred tax liabilities						
Accumulated depreciation differences	55.3	-5.0		0.0	-0.9	49.5
Changes in Group composition	21.6	-1.8		-2.4	5.5	22.9
Pensions	68.1	10.8			0.1	79.0
Others	11.0	0.1	-0.2	-0.1	-2.3	8.5
Total	156.0	4.1	-0.2	-2.5	2.4	159.9
Net deferred tax liabilities	117.9					125.5

Balance sheet division:

€ million	2008	2007
Deferred tax assets	6.5	7.7
Deferred tax liabilities	132.0	125.5

At 31 Dec. 2009, the Group had a €63.8 million carryforward of unused confirmed tax losses not recognised for deferred tax assets, because the realisation of the related tax benefit through future taxable profits is not probable.

The confirmed tax losses not recognised for tax loss carry-forwards expire as follows:	2010	2011	2012	2013	2014	2014-	Total
	2.4	0.5	2.3	0.0	0.0	58.6	63.8

Deferred income tax liabilities have not been recognised for taxes payable on subsidiaries' unremitted earnings, because the subsidiaries' distributions are at the discretion of the Group, and a distribution with tax effect is not probable in the near future.

NOTE 20

Pension assets

The Group operates several retirement plans. In Finland, employees' pension insurance is partly arranged with insurance companies and partly by the Kesko Pension Fund, whose department A granting additional benefits was closed on 9 May 1998. Pension plans arranged with the Kesko Pension Fund have been treated as defined benefit plans.

As regards foreign subsidiaries, the plan adopted in the Norwegian subsidiary is the only pension plan classified as a defined benefit plan. The nature of the pension plan in Norway and Norwegian legislation changed during the 2008 accounting period to the effect that a significant number of the company's employees transferred from the defined benefit plan. At 31 December 2009, the net debt relating to the defined benefit plan in Norway was €0.4 million (€0.5 million).

The pension plans in other foreign subsidiaires are arranged in accordance with local regulations and practices. They do not contain significant defined benefit plans.

The defined benefit liability recognised in the balance sheet in respect of the Kesko Pension Fund is determined as follows:

€ million	**2009**	**2008**
Present value of funded obligations	-525.1	-530.4
Fair value of plan assets	871.6	819.5
Deficit/surplus	346.5	289.1
Unrecognised actuarial gains (-)/losses (+)	-31.4	11.1
Net assets (+)/liabilities (-) recognised in the balance sheet	315.2	300.3
The movements of the present value of the obligation are as follows:		
Plan obligation at 1 Jan.	530.4	560.6
Current services cost	12.7	15.1
Interest cost	28.6	28.8
Benefits paid	-27.7	-27.2
Actuarial gains (-)/losses (+)	-24.3	-47.0
Others	5.5	
Plan obligation at 31 Dec.	525.1	530.4
The movement in the fair value of plan assets is as follows:		
Plan assets at 1 Jan.	819.5	897.0
Expected return on plan assets	54.9	63.2
Contributions to plan	6.8	17.8
Benefits paid	-27.7	-27.2
Actuarial gains (-)/losses (+)	18.2	-131.2
Others		
Plan assets at 31 Dec.	871.6	819.5
The amounts recognised in the income statement were as follows:		
Current service cost	-12.7	-15.1
Interest cost	-28.6	-28.8
Expected return on plan assets	54.9	63.2
Change	-5.5	
Actuarial gains (-)/losses (+)		1.2
Total amount recognised in the income statement	8.2	20.5
Changes in net assets recognised in the balance sheet:		
Opening balance	300.3	262.1
Income/costs recognised in the income statement	8.2	20.5
Contributions to plan	6.8	17.8
Closing balance	315.2	300.3

Pensions arranged with the Kesko Pension FUnd	2009	2008	2007	2006	2005
Present value of plan obligation	-525.1	-530.4	-560.6	-440.9	-426.8
Fair value of plan assets	871.6	819.5	897.0	794.8	628.7
Surplus/deficit	346.5	289.1	336.4	353.9	201.8
Experience adjustments on plan assets	18.2	-130.9	11.5	113.1	41.6
Experience adjustments on plan liabilities	4.3	-15.6	23.2	4.8	5.9

The return on plan assets was €73.0 million (€-71.6 million).
In 2010, the Group expects to pay €53.0 million in contributions to defined benefit plans.

Plan assets are comprised as follows, % of fair values of plan assets	2009	2008
Real estate	47.5%	39.7%
Shares	23.2%	19.4%
Long-term interest investments	19.3%	20.6%
Short-term interest investments	7.9%	18.5%
Other investments	2.1%	1.8%
Total	100.0%	100.0%

Plan assets, € million		
Kesko Corporation shares included in fair value	104.3	93.5
Real estate leased and mostly subleased to retailers by the Kesko Group	456.4	359.5

Principal actuarial assumptions used:	2009	2008
Discount rate	5.25%	5.25%
Expected return on plan assets	6.60%	6.60%
Future salary increase assumption	3.50%	3.50%
Inflation	2.00%	2.00%
Expected average remaining service life	14–23	15–20

When calculating the pension obligation of the Kesko Pension Fund's department B, the supplementary coefficient has been 1.5% for years 2010–2012, 1% for years 2013–2015, and 2.7% for 2016 and subsequent years.

When calculating the Pension Fund's expected return, the invested assets are divided into five categories. The total expected returns on the investment portfolio (6.6%) is composed of the compound returns on these assets. The returns expected on different assets is based on the parameters of an investment portfolio analysis model widely used in employee pension schemes, and calculated from long-term historical data. The most significant type of assets affecting the total returns is shares, further divided into nine geographical subgroups with expected returns ranging between 8.5%-12.3%.

NOTE 21

Inventories

€ million	2009	2008
Goods	662.3	864.2
Prepayments	3.2	6.9
Total	665.5	871.0
At the end of the financial year, inventories have been written down to correspond to their net realisable value.	49.6	55.1

NOTE 22

Trade receivables and other current receivables

€ million	2009	2008
Interest-bearing receivables		
Finance lease receivables	16.8	13.1
Interest-bearing loan and other receivables	15.3	1.9
Total interest-bearing receivables	32.1	14.9
Trade receivabels	593.6	633.1
Other non-interest-bearing receivables		
Non-interest-bearing loan and other receivables	33.0	27.3
Deferred revenue and other accruals	84.7	110.1
Total other non-interest-bearing receivables	117.6	137.4
Total	743.3	785.5

A total amount of €12.6 million (€13.8 million) of trade receivables has been recognised within credit losses in the income statement. Credit risk is described in more detail in note 42.

The deferred revenue and other accruals mainly include amortisations of marketing revenue, rebates and staff cost.

The fair value of current trade and loan receivables, and the fair value of current interest-bearing receivables are estimated to nearly equal the carrying amounts based on their short maturities.

NOTE 23

Financial assets at fair value through profit or loss

€ million	2009	2008
Financial assets at fair value through profit or loss	213.1	94.4
Total	213.1	94.4

The financial assets at fair value through profit or loss include commercial papers, certificates of bank deposits and other money market investments. An analysis of the assets is given in note 41.

NOTE 24

Available-for-sale financial assets

€ million	2009	2008
Carrying amount at 1 Jan.	291.0	155.6
Changes	139.0	133.2
Changes in fair value	-2.3	2.2
Carrying amount at 31 Dec.	427.7	291.0

The available-for-sale financial assets include short-term investments in commercial papers, certificates of bank deposits, other interest rate instruments and Finnish Government bonds. An analysis of the assets is given in note 41.

NOTE 25

Cash and cash equivalents

€ million	2009	2008
Cash on hand and in banks	73.9	57.8
Total	73.9	57.8

NOTE 26

Non-current assets classified as held for sale and related liabilities

Assets held for sale

€ million	2009	2008
Land	0.4	0.7
Buildings and real estate shares	0.5	2.3
Total	0.9	3.0

The held-for-sale disposal group did not include liabilities at 31 December 2009 (at 31 December 2008).

NOTE 27

Notes to shareholders' equity

Changes in share capital

Share capital	Number of shares A	B	Total	Share capital € million	Share premium € million	Total € million
1 Jan. 2008				195.5	190.4	385.9
Exercise of share options	-	57,089	57,089	0.1	0.2	0.3
31 Dec. 2008	31,737,007	66,087,847	97,824,854	195.6	190.6	386.2
Exercise of share options	-	496,675	496,675	1.0	3.7	4.7
31 Dec. 2009	31,737,007	66,584,522	98,321,529	196.6	194.2	390.8
Number of votes	317,370,070	66,584,522	383,954,592			

During the reporting period, the share capital was increased four times resulting from the exercise of the 2003 scheme options. The increases were made on 11 February 2009 (€52,392), 5 May 2009 (€51,250), 5 June 2009 (€673,146), and 17 December 2009 (€216,562), and announced in stock exchange notifications on the same days. The subscribed shares were included on the main list of OMX Helsinki Exchanges for public trading with the old B shares on 12 February 2009, 6 May 2009, 6 June 2009, and 18 December 2009.

All issued shares have been fully paid. The maximum number of A shares is 250 million and the maximum number of B shares is also 250 million, provided that the total number of shares is at maximum 400 million. One A share entitles the holder to 10 votes and one B share to 1 vote.

An analysis of share-based payments is given in note 35.

Dividends

After the balance sheet date, the Board has proposed that €0.90 per share be distributed as dividends. A dividend of €1.00 per share was distributed on the profit for 2008.

Equity and reserves

Equity consists of share capital, share premium, other reserves, revaluation reserve, exchange differences and retained earnings. In addition, the portion of accumulated depreciation difference and optional provisions net of deferred tax liabilities are included in equity.

Share premium

The amount exceeding the par value of shares received by the enterprise in connection with share subscriptions is recorded in share premium in cases where share options were granted under the old Limited Liability Companies Act (29 Sept. 1978/734). Previously the share premium also included the entry matching the effect of share options, but the amount has been presented retrospectively in retained earnings (€9.9 million transferred from share premium to retained earnings on 1 Jan. 2008).

Reserve of invested non-restricted equity

The reserve of invested non-restricted equity includes other equity-related investments and share subscription prices to the extent that they are not expressly designated to be included in share capital. The payments received from the exercise of options of schemes under the new Limited Liability Companies Act (21 Jul. 2006/624, effective 1 Sept. 2006) are recorded in full in the reserve of invested non-restricted equity.

Other reserves

The other reserves have mainly been created and accumulated under the resolutions of the Annual General Meeting.

Currency translation differences

The currency translation differences arise from the translation of foreign operations' financial statements. Also the gains and losses arising from net investment hedges in foreign entities are included in currency translation differences, provided that hedge accounting requirements are fulfilled. The change in the reserve is stated within comprehensive income. Previously, the currency translation differences of retained earnings were included in retained earnings, but the amount has been retrospectively presented within currency translation differences (transfer of €0.7 million from retained earnings to currency translation differences on 1 Jan. 2008).

Revaluation surplus

The revaluation surplus includes the fair value change of available-for-sale financial instruments and the effective portion of fair value change based on hedge accounting applied to derivatives. The cash flow hedges include electricity derivatives and interest rate derivatives hedging the private placement bond interest. The changes in the reserve are stated within comprehensive income.

Cash flow hedge result

Hedge accounting is applied to hedging exposure to electricity price risk. As a result, the amount of €-5.0 million (€5.4 million) has been removed from equity and included in the income statement as a purchase cost adjustment, and €0.3 million (€-12.5 million) have been recognised in equity. Their combined effect on the revaluation surplus for the financial year was €5.3 million (€-17.9 million) before accounting for deferred tas assets.

A fair value change of €-9.1 million (€5.1 million) has been recognised in equity for the USD-denominated private placement arrangement and €-0.1 million (€-0.1 million) in the financial items of the income statement.

NOTE 28

Carrying amounts of financial assets and liabilities by measurement group

At 31 Dec. 2009

Balance sheet item, € million	Financial assets/ liabilities at fair value through profit or loss	Loan and receivables	Available-for-sale financial assets	Financial liabilities at amortised cost	Derivatives qualified for hedge accounting	Carrying amounts of balance sheet items	Fair value
Non-current financial assets							
Available-for-sale financial assets			3.0			3.0	3.0
Non-current non-interest-bearing receivables		1.3				1.3	1.3
- Derivatives					1.3	1.3	1.3
Non-current interest-bearing receivables		64.9				64.9	64.9
Current financial assets							
Trade receivables and other non-interest-bearing receivables		709.6				709.6	709.6
- Derivatives	1.5				0.2	1.7	1.7
Interest-bearing receivables		32.1				32.1	32.1
Financial assets at fair value through profit or loss	213.1					213.1	213.1
Available-for-sale financial assets			427.7			427.7	427.7
Carrying amount by measurement group	**214.6**	**807.9**	**430.7**		**1.5**	**1,454.7**	**1,454.7**
Non-current financial liabilities							
Non-current interest-bearing liabilities				244.9		244.9	267.4
- Derivatives					17.1	17.1	17.4
Total non-current interest-bearing liabilities						262.0	284.5
Non-current non-interest-bearing liabilities				3.1		3.1	3.1
- Derivatives					2.5	2.5	2.5
Total non-current non-interest-bearing liabilities						5.7	5.7
Current financial liabilities							
Current interest-bearing liabilities				194.2		194.2	194.2
Trade payables				703.5		703.5	703.5
Other non-interest-bearing liabilities				176.5		176.5	176.5
- Derivatives					3.4	3.4	3.4
Accrued liabilities				245.8		245.8	245.8
- Derivatives	8.3					8.3	8.3
Total accrued liabilities						254.1	254.1
Carrying amount by measurement group	**8.3**			**1,568.0**	**23.0**	**1,599.3**	**1,621.8**

At 31 Dec. 2008

Balance sheet item, € million	Financial assets/ liabilities at fair value through profit or loss	Loan and receivables	Available-for-sale financial assets	Financial liabilities at amortised cost	Derivatives qualified for hedge accounting	Carrying amounts of balance sheet items	Fair value
Non-current financial assets							
Available-for-sale financial assets			3.0			3.0	3.0
Non-current non-interest-bearing receivables		0.9				0.9	0.9
- Derivatives		0.1			9.9	10.0	10.0
Non-current interest-bearing receivables		58.3				58.3	58.3
Current financial assets							
Trade receivables and other non-interest-bearing receivables		755.6				755.6	755.6
- Derivatives	10.2		2.1		2.6	14.9	14.9
Interest-bearing receivables		14.9				14.9	14.9
Financial assets at fair value through profit or loss	94.4					94.4	94.4
Available-for-sale financial assets			291.0			291.0	291.0
Carrying amount by measurement group	**104.6**	**829.8**	**296.1**		**12.5**	**1,243.0**	**1,243.0**
Non-current financial liabilities							
Non-current interest-bearing liabilities				175.2		175.2	198.2
- Derivatives					21.7	21.7	21.7
Total non-current interest-bearing liabilities						196.9	219.9
Non-current non-interest-bearing liabilities				11.8		11.8	11.8
Current financial liabilities							
Current interest-bearing liabilities				293.6		293.6	293.6
Trade payables				755.6		755.6	755.6
Other non-interest-bearing liabilities				181.6		181.6	181.6
Accrued liabilities				237.9		237.9	237.9
- Derivatives	4.1				3.5	7.6	7.6
Total accrued liabilities						245.5	245.5
Carrying amount by measurement group	**4.1**			**1,655.7**	**25.2**	**1,685.0**	**1,708.0**

The fair values of loans have been calculated based on the present value of future cash flows using the 0.5%–4.0% market rates of interest at the balance sheet date. The fair value of current interest-bearing liabilities is estimated to nearly equal their carrying amount.

The maturity schedule of non-current loans is presented in note 41.

NOTE 29

Finance lease liabilities

€ million	2009	2008
The maturities of finance lease payments are as follows:		
No later than 1 year	20.9	27.2
Later than 1 year and no later than 5 years	64.5	64.0
Later than 5 years	10.9	14.1
Total minimum lease payments	**96.3**	**105.3**
Present value of minimum lease payments:		
No later than 1 year	17.3	22.6
Later than 1 year and no later than 5 years	57.9	56.6
Later than 5 years	10.5	13.4
Total finance lease liabilities	**85.7**	**92.7**
Accumulating financial expensess	**10.6**	**12.6**
Contingent rents for the financial year	**0.1**	**1.5**
Expected sublease rentals	**61.5**	**64.4**

The finance lease receivables mainly consist of store fixtures leased by Kesko Food Ltd from finance companies and subleased to chain companies. In addition, the finance leases include real estate leases with lease payments tied to interest rate.

NOTE 30

Provisions

€ million	Onerous leases	Warranty provisions	Other provisions	Total
Provisions at 1 Jan. 2009	14.1	15.5	14.1	43.6
Exchange differences	0.2	0.0	0.0	0.3
Additional provisions	8.0	1.8	6.3	16.1
Unused amounts reversed	-5.1	-4.2	-1.0	-10.2
Business arrangements		-0.3		
Expensed in income statement	17.3	12.7	19.4	49.6
Used amounts	-2.6	-0.5	-2.7	-5.8
Provisions at 31 Dec. 2009	14.8	12.2	16.7	43.7
Analysis of total provisions				
Non-current	5.9	5.0	3.6	14.5
Current	8.8	7.3	13.1	29.2

The provisions for onerous leases mainly relate to lease liabilities of premises vacated from the Group operations, and to net losses on rent of subleased premises. Warranty provisions have been recorded for vehicles and machines sold by the Group companies. The provision amount is based on experience from realised warranty obligations in previous years.

NOTE 31

Trade payables and other current non-interest-bearing liabilities

€ million	2009	2008
Trade payables	703.5	755.6
Other current non-interest-bearing liabilities	179.9	181.6
Tax liabilities	37.0	2.9
Accrued liabilities	217.1	245.5
Total current non-interest-bearing liabilities	1,137.5	1,185.7

The accrued liabilities are mainly due to the timing of purchases and staff cost.

NOTE 32

Jointly controlled assets

Jointly controlled assets (mutual real estate companies)

These figures represent the Group's share of jointly controlled assets and liabilities and income and profit included in the consolidated statement of financial position and the income statement.

€ million	2009	2008
Non-current assets	41.6	76.2
Current assets	0.3	1.5
	41.9	77.8
Non-current liabilities	7.0	9.8
Current liabilities	19.3	32.8
	26.3	42.6
Net assets	15.6	35.2
Income	4.7	6.0
Expenses	3.8	4.7
Profit	0.9	1.3

NOTE 33

Contingent liabilities

Commitments

€ million	2009	2008
Collateral given for own commitments		
Pledges	91	40
Mortgages	21	17
Guarantees	23	18
Other commitments and contingent liabilities	77	50
Collateral given for shareholders		
Guarantees	0	0
Collateral given for others		
Other commitments and contingent liabilities	7	8
Guarantees	0	0

The guarantees given do not include guarantees related to items presented within liabilities in the consolidated statement of financial position or as a lease liability in note 34.

NOTE 34

Operating leases

Group as the lessee

Minimum lease payments under non-cancellable operating lease agreements:

€ million	2009	2008
No later than 1 year	352.6	322.5
Later than 1 year and no later than 5 years	1,071.5	955.0
Later than 5 years	935.4	823.7
Total	2,359.5	2,101.1
Expected future minimum lease payments under non-cancellable sublease agreements	57.8	61.5
Lease and sublease payments recognised for the financial year:		
Minimum lease payments	335.9	305.3
Contingent rents	0.5	0.7
Sublease income	26.3	21.8

The 2009 income statement includes net rent and maintenance rent payments under operating leases, and other rents in a total amount of €383.1 million (€349.9 million). The maintenance rent payments are not included in the minimum lease payments.

Kesko leases retail and logistics premises for its operating activities. Most of the leases are index-linked and in conformity with local market practice.

Group as the lessor

Minimum lease payments received under non-cancellable operating lease agreements:

€ million	2009	2008
No later than 1 year	8.6	8.8
Later than 1 year and no later than 5 years	15.3	15.2
Later than 5 years	13.6	13.1
Total	37.5	37.1
Aggregate contingent rents charged to the income statement	-	0.1

Kesko leases premises to entrepreneurs other than K-retailers in order that the total service offer of a store site support its profit generation potential. Such premises typically include so-called store entrance stores at large retail outlets.

NOTE 35

Share-based payment

The Group operates option plans as part of the management's incentive and commitment arrangements. Each option gives its holder the right to subscribe for one Kesko Corporation B share at a price, and during the period, specified in the terms of the option scheme. The options are forfeit if the employee leaves the company before the end of the vesting period, unless, in an individual case, the Board decides that the option recipient may keep all or some of the options under offering obligation.

Year 2003 option plan

On 31 March 2003, the Annual General Meeting resolved to grant a total of 1,800,000 options with no consideration to the management of the Kesko Group as well as to a wholly-owned subsidiary of Kesko Corporation. A deviation was made from the shareholders' pre-emptive subscription rights, since the share options form a part of the incentive and commitment programme for the management. Each option entitles its holder to subscribe for one new Kesko Corporation B share. The options are marked with the symbols 2003D (KESBVEW103), 2003E (KESBVEW203) and 2003F (KESBVEW303) in units of 600,000 options each. The share subscription periods of the options are:

- 2003D 1 April 2005–30 April 2008 (subscription period has expired)
- 2003E 1 April 2006–30 April 2009 (subscription period has expired) and
- 2003F 1 April 2007–30 April 2010.

The original exercise price per share of option 2003D was equal to the volume weighted average price of a Kesko Corporation B share on the Helsinki Stock Exchange between 1 April–30 April 2003 (€9.63), that of option 2003E between 1 April–30 April 2004 (€15.19) and that of option 2003F between 1 April–30 April 2005 (€19.08). From the share subscription price of share options shall, as per the dividend record date, be deducted the amount of the dividend decided after the beginning of the period for determination of the subscription price but before share subscription.

After the distribution of dividends for the year 2007, the price of a B share subscribed for with option 2003D was €2.00. The subscription period expired on 30 April 2008, and a total of 574,088 Kesko B shares were subscribed. 25,912 options remained ungranted and they expired. After the distribution of dividends for the year 2008, the price of a B share subscribed for with option 2003E was €7.99. The subscription period expired on 30 April 2009, and a total of 576,000 Kesko B shares were subscribed. 24,000 options remained ungranted and they expired. After the distribution of dividends for the year 2008, the price of a B share subscribed for with option 2003F is €13.88, and the subscription period began on 1 April 2007.

The option plan covers approximately 50 people. A total of 1,800,000 new B shares can be subscribed for under this option plan, which can increase the company's share capital by a maximum of €3,600,000.

Year 2007 option plan

On 26 March 2007, the Annual General Meeting decided to grant a total of 3,000,000 stock options for no consideration to the management of the Kesko Group, other key personnel, and a subsidiary wholly owned by Kesko Corporation. The Company had a weighty financial reason for granting the options because they are intended to be part of Kesko's share-based incentive system. Each stock option entitles its holder to subscribe for one new Kesko Corporation B share. In addition, the option plan also includes an obligation to buy company shares for permanent ownership for the value of 25% of the proceeds from the sale of stock options. The options are marked with the symbols 2007A, 2007B and 2007C in units of 1,000,000 options each. The share subscription periods of the options are:

- 2007A 1 April 2010–30 April 2012
- 2007B 1 April 2011–30 April 2013
- 2007C 1 April 2012–30 April 2014.

The original subscription price for stock option 2007A shall be the trade volume weighted average quotation of a Kesko Corporation B share on the Helsinki Stock Exchange between 1 April and 30 April 2007 (€45.82), for stock option 2007B, between 1 April and 30 April 2008 (€26.57), and for stock option 2007C, between 1 April and 30 April 2009 (€16.84). The subscription prices of shares subscribed for with stock options shall be reduced by the amount decided after the beginning of the period for the determination of the subscription price but before the subscription, as at the record date for each distribution of profits or other assets.

After the distribution of dividends for the year 2008, the price of a B share subscribed for with option 2007A was €43.22, with option 2007B €25.57, and with option 2007C €16.84. The subscription periods have not yet begun. The option plan covers approximately 130 people.

Percentage of issued stock options out of all shares and votes

If shares were subscribed for with all exercisable options, the shares subscribed for with all of the 2003 and 2007 plan options would account for 4.67% of shares and 1.23% of all votes. The subscriptions made with stock options could raise the number of the company's shares to 101,688,793. As a result of the subscriptions, the voting rights carried by all shares could increase to 387,321,856 votes.

The shares subscribed for with stock options entitle to dividends and carry other shareholder rights after the corresponding share capital increase has been entered in the Trade Register.

The company has not granted other options or special rights entitling to shares.

STOCK OPTIONS DURING THE FINANCIAL YEAR 1 JANUARY–31 DECEMBER 2009

Main terms and conditions of the plans	2003 STOCK OPTIONS			2007 STOCK OPTIONS		
Grant date	31 March 2003			26 March 2007		
Instrument	stock option			stock option		
Target group	management			management, other key personnel		
	2003D	**2003E**	**2003F**	**2007A**	**2007B**	**2007C**
Original number of options	600,000	600,000	600,000	1,000,000	1,000,000	1,000,000
Number of shares per option	1	1	1	1	1	1
Original exercise price per share	9.63 €	15.19 €	19.08 €	45.82 €	26.57 €	16.84 €
Dividend adjustment	Yes	Yes	Yes	Yes	Yes	Yes
Exercise price 31 Dec. 2006	4.53 €	12.09 €	17.98 €	–	–	–
Exercise price 31 Dec. 2007	3.03 €	10.59 €	16.48 €	45.82 €	–	–
Exercise price 31 Dec. 2008	2.00 €	8.99 €	14.88 €	44.22 €	26.57 €	
Exercise price 31 Dec. 2009		7.99 €	13.88 €	43.22 €	25.57 €	16.84 €
Fair value at grant date						
17 Jul. 2007:2007A				50.25 €		
19 Sep. 2007: 2007A				45.02 €		
12 Dec. 2007:2007A				39.42 €		
29 May 2008:2007B					26.47 €	
27 May 2009:2007C						20.12 €
First allocation, date	1 Apr. 2005	1 Apr. 2006	1 Apr. 2007	1 Apr. 2010	1 Apr. 2011	1 Apr. 2012
Expiry, date	30 Apr. 2008	30 Apr. 2009	30 Apr. 2010	30 Apr. 2012	30 Apr. 2013	30 Apr. 2014
Remaining vesting period, years	expired	expired	0.3	2.3	3.3	4.3
Plan participants at end of financial year	–	–	32	116	124	128

Movements in quantities and exercise prices 2009

	2003 STOCK OPTIONS				2007 STOCK OPTIONS			
2009	**2003D**	**2003E**	**2003F**	**Weighted average exercise price**	**2007A**	**2007B**	**2007C**	**Weighted average exercise price**
Options outstanding at beginning of period		383,394	433,045	12.11 €	756,500	767,500		35.33 €
Options available for grant at beginning of period		24,000	47,500	12.90 €	243,500	232,500	1,000,000	35.60 €
Options granted during period							785,500	16.84 €
Options forfeited during period					19,000	22,000	3,000	32.60 €
Options exercised during period		383,394	113,281	9.33 €				
Options lapsed during period		24,000		7.99 €				
Options outstanding at end of period			319,764	13.88 €	737,500	745,500	782,500	28.30 €
Options exercisable at end of period			367,264	13.88 €	1,000,000	1,000,000	1,000,000	28.54 €
Average price weighted by grant date trading volume*		17.05 €	19.19 €					
Kesko B share price at end of grant year								
2007					37.72 €			
2008						17.80 €		
2009							23.08 €	

** for 2003E: trade volume weighted average price of a B share in January–April 2009, for 2003F: trade volume weighted average price of a B share in 2009*

Movements in quantities and exercise prices 2008

	2003 STOCK OPTIONS				2007 STOCK OPTIONS			
2008	**2003D**	**2003E**	**2003F**	**Weighted average exercise price**	**2007A**	**2007B**	**2007C**	**Weighted average exercise price**
Options outstanding at beginning of period	33,150	406,133	434,245	13.23 €	786,000			45.82 €
Options available for grant at beginning of period	25,912	24,000	47,500	11.45 €	214,000	1,000,000	1,000,000	45.82 €
Options granted during period						776,000		26.57 €
Options forfeited during period					29,500	8,500		40.27 €
Options exercised during period	33,150	22,739	1,200	5.05 €				
Options lapsed during period	25,912			2.00 €				
Options outstanding at end of period		383,394	433,045	12.11 €	756,500	767,500		35.33 €
Options exercisable at end of period		407,394	480,545	12.18 €	1,000,000	1,000,000	1,000,000	35.40 €
Average price weighted by grant date trading volume*	30.87 €	23.61 €	23.61 €					

** for 2003D: trade volume weighted average price of a B share in January–April 2008, for 2003E and 2003F: trade volume weighted average price of a B share in 2008*

Fair value measurement

For fair value measurement Kesko Corporation has consulted Alexander Corporate Finance Oy. The fair value of options has been calculated using the Black-Scholes share pricing model. The fair value of options determined on the date of the grant has been expensed over their vesting period.

During the financial year 1 January–31 December 2009, the options contributed €8.1 million (€5.5 million) to the Group's profit.

Black-Scholes model assumptions

€ million	Granted in 2009	Granted in 2008	Granted in 2007	All options
Number of options granted, pcs	785,500	776,000	789,000	2,350,500
B share average (weighted) price	20.12 €	26.47 €	49.37 €	32.03 €
Average (weighted) exercise price	16.84 €	26.57 €	45.82 €	29.78 €
Expected average (weighted) volatility	32.0%	27.4%	21.7%	27.0%
Average (weighted) vesting period	4.9 yrs	4.9 yrs	4.8 yrs	4.9 yrs
Average (weighted) risk-free interest rate	3.0%	4.4%	4.5%	4.0%
Returned options (weighted average)	0.4%	3.9%	6.1%	4.09%
Total fair value, €	6,320,122	6,406,920	11,697,744	24,424.787

The expected volatility of a Kesko B share has been estimated based on historic volatility using weekly changes over a period of time corresponding to the option's vesting period. The risk-free interest rate is the government zero coupon bond interest rate at the measurement date with a maturity equalling the option vesting period.

Notes to the cash flow statement

NOTE 36

Non-cash flow related investments

€ million	2009	2008
Total purchases of fixed assets,	198.0	339.6
of which settlement in cash	222.6	319.9
Settlement of prior period investments	-16.6	-13.8
Investments leased to customers	-17.5	0.0
Investments financed by finance lease or other borrowing	9.4	33.4

NOTE 37

Adjustments to cash flows from operating activities

€ million	2009	2008
Adjustment of non-cash transactions in the income statement or items presented elsewhere in the cash flow statement:		
Change in provisions	-0.8	6.9
Income from associates	-0.2	-1.9
Impairment	14.4	61.1
Credit losses	12.6	13.8
Non-recurring gains on disposal of fixed assets	-94.9	-181.9
Non-recurring losses on disposal of fixed assets	1.4	1.5
Option expenses	8.1	5.6
Defined benefit pensions	-16.0	-43.4
Others	1.4	8.2
Total	-74.0	-130.1

NOTE 38

Subsidiary disposals

2009

- Real estate sold to a pension insurance company and the Kesko Pension Fund. Their aggregate contribution to the cash flow was €52.3 million.

2008

The aggregate cash flow contribution from subsidiary disposals was €121.3 million and it consisted of the following subsidiary disposals:

- K-Rahoitus Oy, transaction completed on 31 January 2008
- Tähti Optikko Group Oy, transaction completed on 31 March 2008
- Kauko-Telko Ltd, transaction completed on 30 April 2008
- In addition the Kesko Group, the Kesko Pension Fund and Valluga-Sijoitus Oy sold 23 of their retail store properties in different parts of Finland to Aberdeen Property Fund Finland 1 Ky on 30 September 2008.

NOTE 39

Proceeds from available-for-sale financial assets

2009

In 2009, the proceeds from available-for-sale financial assets totalled €1.2 million.

2008

In 2009, the proceeds from available-for-sale financial assets totalled €0.2 million.

NOTE 40

Cash and cash equivalents within the statement of cash flows

Components of cash and cash equivalents in the statement of cash flows:

€ million	2009	2008
Available-for-sale financial assets (maturing in less than 3 months)	417.5	261.5
Cash and cash equivalents	73.9	57.8
Total	491.4	319.3

In the statement of cash flows, the components of cash and cash equivalents include those stated in the statement of financial position, assets and the portion of available-for-sale financial assets that mature in less than three months from acquisition. The available-for-sale financial assets in the statement of financial position (€427.7 million) also include bonds with longer maturities in the amount of €10.2 million.

NOTE 41

Financial risk management

With respect to financial risks, the Group observes a uniform funding policy that has been approved by the company Board of Directors. Compliance with this policy and developments in the Group's financial situation are monitored by the Board of Directors' Audit Committee. The Group's Treasury is centrally responsible for the Group funding, liquidity management, relations with providers of finance, and the management of financial risks. In the main, the Group's funding is arranged through the parent company, and the Group's Treasury arranges funding for subsidiaries in their functional currencies. For companies with significant external ownership, the Group has not guaranteed financial liabilities in excess of its ownership interest.

Foreign exchange risks

The Kesko Group operates in eight countries and makes purchases from numerous countries. As a result, the Group is exposed to various foreign exchange risks arising from net investments in foreign operations (translation-related risks), foreign currency assets, liabilities and forecast transactions (transaction risk).

The Group companies' funding is arranged in their functional currencies. The parent company bears the ensuing foreign currency risk and hedges it by using derivatives or foreign currency-denominated loans. In the 2009 financial year, the hedging cost arising from subsidiary funding, in other words the interest rate differences between the euro and the hedged currencies, was €17.9 million (€4.6 million). These interest rate differences were 5% p.a. on average in 2009.

Translation risks

The Group's balance sheet is exposed to currency translation risks relating to net investments in subsidiaries outside the euro area. This balance sheet exposure has been hedged by borrowings denominated in the relevant foreign currencies and forward exchange contracts. The most significant translation positions are in the Estonian kroon, Norwegian krone, Swedish krona, Russian ruble, Lithuanian litas and Latvian lat. The position does not include the non-controlling interest in equity. In proportion to the volume of operations and the balance sheet total, the foreign currency translation risk is small. The hedging percentage of the foreign currency translation exposure has been reduced further in 2010.

The functional currency of the real estate companies in St. Petersburg and Moscow in Russia has been determined to be the euro, which is why net investments in these companies are not exposed to foreign currency translation risk, and they are not included in the currency translation position.

Transaction risks

International purchasing activities and foreign currency denominated funding provided by the parent to subsidiaries expose the Group to transaction risks relating to several foreign currencies. The currency-specific transaction risk consists of receivables and liabilities denominated in foreign currencies in the balance sheet, forecast foreign currency cash flows, and foreign subsidiaries' liabilities and receivables with respect to the parent.
The exposure is commercially managed by, e.g., transferring exchange rate changes to selling prices, or by replacing suppliers. The remaining positions are hedged by currency derivative

Group's currency translation position at 31 Dec. 2009

€ million	LVL	NOK	EEK	SEK	RUB	LTL	BYR
Net investment	2.7	32.4	63.8	24.3	28.3	45.8	1.6
Hedging derivatives	0.0	0.0	-44.7	-10.5	-19.2	-26.6	0.0
Hedging loans	-2.8	-18.8	0.0	0.0	0.0	0.0	0.0
Open position	-0.1	13.6	19.1	13.8	9.1	19.1	1.6

Group's currency translation position at 31 Dec. 2008

€ million	LVL	NOK	EEK	SEK	RUB	LTL	BYR
Net investment	2.0	38.6	62.9	2.0	25.1	37.5	1.9
Hedging derivatives	0.0	0.0	-40.6	-1.4	-17.0	-31.9	0.0
Hedging loans	-4.9	-17.4	-15.7	0.0	0.0	0.0	0.0
Open position	-2.9	21.2	6.7	0.6	8.1	5.6	1.9

The next table shows how a 10% change in the Group companies' functional currencies would affect the Group's equity. Sensitivity has been calculated from the net position, in other words, the effects of hedging derivative instruments or loans have been calculated in addition to the hedged exposure.

Sensitivity analysis, effect on equity, at 31 Dec. 2009

€ million	LVL	NOK	EEK	SEK	RUB	LTL	BYR
Change +/-10%	0.0	1.4	1.9	1.4	0.9	1.9	0.2

Sensitivity analysis, effect on equity, at 31 Dec. 2008

€ million	LVL	NOK	EEK	SEK	RUB	LTL	BYR
Change +/-10%	-0.3	2.1	0.7	0.1	0.8	0.6	0.2

instruments. The percentage of hedging in commercial transactions is decided by each relevant subsidiary within the limits of documented hedging policies. The subsidiaries report their currency exposures to the Group Treasury on a monthly basis.

In the main, the subsidiaries carry out their hedging operations together with the Group Treasury, which hedges risk positions by using market transactions within the limits confirmed for each currency. Intra-Group derivatives are allocated to the segments in segment reporting.

The Group does not apply hedge accounting in accordance with IAS 39 to the hedging of currency risks relating to purchases and sales. In initial measurement, derivative instruments are recognised at cost and at subsequent measurement they are recognised at fair value. The value changes of currency derivatives used to hedge purchases and sales are recognised in 'Other operating income or expenses'.

Kesko Corporation's USD-denominated private placement loan has been hedged against currency risk and interest rate risk by applying hedge accounting. Currency and interest rate swaps to the same amount and with the same maturity as the loan have been designated as the hedging instruments. Consequently, the loan is entirely hedged against currency and interest rate risk. During the period, no amount of ineffectiveness has been recognised in the income statement relating to this credit facility.

Loan interest rate risk and sensitivity analysis

Interest rate movements affect the Group's interest expense. The interest rate hedging policy is aimed at equalising the effects of interest rate movements on the profits for different accounting periods.

Interest rate risks are centrally managed by the Group Treasury, which adjusts loan duration by interest rate derivative instruments. The target duration is three years which is allowed to vary between one and a half and four years. The realised duration during the period was 3.5 (3.2) years on average.

A sensitivity analysis for commercial paper liabilities realised during the period used average balance values. At the balance sheet date of 31 December 2009, the effect of interest-bearing variable rate liabilities on pre-tax profit would have been €-/+3.3 million, if the interest rate level had risen or fallen by 1 percentage point (€-/+3.8 million).

Liabilities to K-retailers consist of two types of interest-bearing receivables payable by the Kesko Group companies to K-retailers; retailers' prepayments to Kesko, and retailers' chain rebates. Chain rebates are subsequent discounts granted to retailers and their terms vary from one store chain to another.

Private placement bonds and the aggregate amount of €170.6 million in loans from financial institutions have fixed rates, and the effective interest cost was 4.8%. At the end of the year, the average rate of variable-interest-rate loans from financial institutions, liabilities to retailers and other interest-bearing liabilities was 7.7%. Some of the loans are euro-denominated, private placement bonds are USD-denominated, and loans from financial institutions and commercial paper liabilities include NOK-denominated loans corresponding to €24.1 million (€20.5 million) and LVL-denominated loans corresponding to €21.1 million (€29.8 million).

Group's transaction position at 31 Dec. 2009

€ million	USD	SEK	NOK	EEK	LVL	LTL	RUB	BYR
Group's transaction risk	-4.5	69.7	43.5	-23.9	39.8	-20.4	32.1	-2.3
Hedging derivatives	10.1	-68.9	-37.8	25.8	-13.5	-3.8	-38.8	0.0
Hedging loans	0.0	0.0	-5.3	0.0	-18.3	0.0	0.0	0.0
Open position	5.6	0.8	0.4	1.9	7.9	-24.2	-6.7	-2.3

A sensitivity analysis of the transaction position shows how a 10% exchange rate change in receivables and liabilities denominated in foreign currencies would affect the Group's profit. The calculation does not include forecast future currency-denominated cash flows, but the currency derivatives used to hedge these exposures are included in the analysis.

Sensitivity analysis, effect on pre-tax profit at 31 Dec. 2009

€ million	USD	SEK	NOK	EEK	LVL	LTL	RUB	BYR
Change +/-10%	0.6	0.1	0.0	0.2	0.8	-2.4	-0.7	-0.2

Liquidity risk and sensitivity analysis for interest-bearing receivables

Liquidity risk management aims at maintaining sufficient liquid assets and credit lines in order to guarantee the availability of sufficient funding for the Group's business activities at all times.

The aim is to invest liquidity consisting of financial assets in the money market by using efficient combinations of return and risk. At regular intervals, the Group's management approves the instruments and limits for each investment among those analysed by the Group Treasury. The risks and actual returns of investments are monitored regularly.

A sensitivity analysis for variable-rate receivables uses average annual balance values of invested assets. The receivables include customer financing receivables, finance lease receivables, other interest-bearing receivables, and within investments, commercial papers and bond funds. The sensitivity of bond funds has been determined based on duration. At the balance sheet date, the effect of these items on the pre-tax profit would have been €+/-4.0 million (€+/-4.4 million), and +/-€1.5 million on

Undiscounted cash flows from financial liabilities and related financial expenses at 31 Dec. 2009

€ million	2010	2011	2012	2013	2014	2015-
Loans from financial institutions	**8.2**	**1.2**	**17.8**	**0.9**	**0.7**	**26.7**
Financial expenses	4.6	3.4	2.2	1.1	1.1	1.3
Private placement bonds (USD)					**41.6**	**41.6**
Financial expenses	5.2	5.2	5.2	5.2	3.9	7.2
Pension loans		**2.9**	**5.8**	**5.8**	**5.8**	**26.3**
Financial expenses	1.9	1.9	1.7	1.4	1.2	2.6
Finance lease liabilities	**17.3**	**23.4**	**10.8**	**10.5**	**13.3**	**10.5**
Financial expenses	3.6	1.9	1.6	1.5	1.5	0.4
Liabilities to K-retailers	**109.7**					
Financial expenses	0.5					
Other interest-bearing liabilities	**56.6**					
Financial expenses	0.1					
Commercial papers						
Financial expenses						
Non-current non-interest-bearing liabilities		**0.0**		**0.0**	**0.0**	
Current non-interest-bearing liabilities						
Trade payables	**703.5**					
Accruals and deferred income	**245.0**					
Other non-interest-bearing liabilities	**161.6**					

Undiscounted cash flows from financial liabilities and related financial expenses at 31 Dec. 2008

€ million	2009	2010	2011	2012	2013	2014-
Loans from financial institutions	**20.0**	**0.8**	**1.0**	**0.8**	**0.7**	**23.6**
Financial expenses	2.6	1.2	1.2	1.1	1.1	2.4
Private placement bonds (USD)			**0.0**	**0.0**		**86.2**
Financial expenses	5.4	5.4	5.4	5.4	5.4	11.5
Pension loans						
Financial expenses						
Finance lease liabilities	**22.7**	**11.8**	**23.4**	**10.8**	**10.6**	**13.4**
Financial expenses	4.5	2.5	1.8	1.5	1.5	0.7
Liabilities to K-retailers	**114.1**					
Financial expenses	4.9					
Other interest-bearing liabilities	**83.4**					
Financial expenses	0.6					
Commercial papers	**47.7**					
Financial expenses	4.0					
Non-current non-interest-bearing liabilities	**0.1**	**0.0**				
Current non-interest-bearing liabilities						
Trade payables	**755.6**					
Accruals and deferred income	**241.5**					
Other non-interest-bearing liabilities	**165.7**					

equity, if the interest rate level had changed by +/-1 percentage point.

At the balance sheet date, the counter value of undrawn committed long-term credit facilities was €227 million (€225 million). The committed credit limits mature at the end of 2010, 2011 and 2012. In addition, the Group's uncommitted credit lines available contain commercial paper programmes denominated in euros to a total counter value of €329 million (€449 million).

The terms and conditions of the private placement credit facility and the committed limit include ordinary financial covenants. The requirements of these covenants have been met. The loan terms included a financial covenant concerning the relation between the net debt and the amount of EBITDA, which remained well under the limit throughout the accounting period.

The debt to K-retailers consist of two types of interest-bearing receivables payable by the Kesko Group companies to K-retailers: retailers' prepayments to Kesko and retailers' chain rebates. Chain rebates are subsequent discounts given to retailers and the terms vary from one chain to another. The private placement bonds include the fair value change of currency derivative instruments.

Undiscounted cash flows from derivative instruments at 31 Dec. 2009

€ million	2010	2011	2012	2013	2014	2015-
Payables						
Foreign currency hedge forward contracts of net investment	141.8					
Foreign currency forward contracts outside hedge accounting	296.4					
Net settlement of payables						
Interest rate derivatives	0.3	0.2	0.1	0.0	0.0	
Electricity derivatives	3.1	2.1	0.6	0.2	0.0	
Grain derivatives						
Derivatives relating to private placement bonds*						
Foreign currency derivatives	1.1	1.1	1.1	1.1	9.4	10.0
Receivables						
Net investment hedging instruments	138.0					
Foreign currency forward contracts outside hedge accounting	293.4					
Net settlement of receivables						
Interest rate derivatives						
Electricity derivatives	0.2	0.4	0.3	0.0	0.0	
Grain derivatives						
Derivatives relating to private placement bonds*						
Interest rate derivatives	0.9	0.9	0.9	0.9	0.7	1.2

Undiscounted cash flows from derivative instruments at 31 Dec. 2008

€ million	2009	2010	2011	2012	2013	2014-
Payables						
Foreign currency hedge forward contracts of net investment	89.6					
Foreign currency forward contracts outside hedge accounting	239.8					
Net settlement of payables						
Interest rate derivatives						
Electricity derivatives	3.0	4.4	3.0	0.8	0.1	0.0
Grain derivatives	0.0					
Derivatives relating to private placement bonds*						
Foreign currency derivatives	0.9	0.9	0.9	0.9	0.9	16.1
Receivables						
Net investment hedging instruments	91.3					
Foreign currency forward contracts outside hedge accounting	244.7					
Net settlement of receivables						
Interest rate derivatives	0.0	0.0	0.0	0.0		
Electricity derivatives	0.0					
Grain derivatives	0.0					
Derivatives relating to private placement bonds*	0.0					
Interest rate derivatives	0.9	0.9	0.9	0.9	0.9	1.9

** The cash flows of private placement bonds and related foreign currency and interest rate derivatives are settled on a net basis.*

Breakdown of liability maturities 2009

€ million	31 Dec 2009	Available	Total	2010	2011	2012	2013	2014 and later
Loans from financial institutions	55.3		55.3	8.2	1.2	17.8	0.9	27.3
Private placement bonds	100.0		100.0					100.0
Pension loans	46.4		46.4		2.9	5.8	5.8	31.8
Finance lease liabilities	85.7		85.7	17.3	23.4	10.8	10.5	23.8
Liabilities to K-retailers	109.7		109.7	109.7				
Other interest-bearing liabilities	56.6		56.6	56.6				
Trade payables	703.6		703.6	703.5	0.0			
Accrued liabilities	254.1		254.1	254.1				
Other non-interest-bearing liabilities	185.5		185.5	179.9	3.0	1.5	1.1	0.0
Binding credit limits	*	225.0	227.0	76.0	0.9	150.0		
Commercial papers	0.0	329.0	329.0					
Guarantees	23.3		23.3	0.2	1.5	0.0	0.0	21.6
Total	1,620.3	554.0	2,176.2	1,405.5	33.0	185.9	18.3	204.6

** The amount withdrawn from binding credit limits is included in loans from financial institutions.*

The financial guarantees given do not include guarantees relating to an item presented as a liability in the consolidated statement of financial position, or as a lease liability in note 34.

Breakdown of liability maturities 2008

€ million	31 Dec 2008	Available	Total	2009	2010	2011	2012	2013 and later
Loans from financial institutions	47.1		47.1	20.2	0.8	1.0	0.8	24.3
Private placement bonds	100.0		100.0					100.0
Pension loans	0.0		0.0					
Finance lease liabilities	92.7		92.7	22.7	11.8	23.4	10.8	24.0
Liabilities to K-retailers	114.1		114.1	114.1				
Other interest-bearing liabilities	88.9		88.9	88.9				
Trade payables	755.6		755.6	755.6				
Accrued liabilities	245.5		245.5	245.5				
Other non-interest-bearing liabilities	196.3		196.3	184.5	11.8			
Binding credit limits	*	246.5	247.7		75.0	21.5	150.0	
Commercial papers	47.7	401.3	449.0	47.7				
Total	1,687.9	647.8	2,336.9	723.6	99.4	45.9	161.6	148.3

** The amount withdrawn from binding credit limits is included in loans from financial institutions.*

Fair value measurement levels for financial assets and liabilities

	Fair value at 31 Dec. 2009			
€ million	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss				
Bank certificates of deposit and deposits		202.9		202.9
Bond funds	10.1			10.1
Total	10.1	202.9		213.1
Derivative instruments at fair value				
Derivative receivables		3.5		3.5
Derivative liabilities		31.9		31.9
Available-for-sale financial assets				
Commercial papers (maturing in less than 3 months)		214.1		214.1
Bank certificates of deposit and deposits (maturing in less than 3 months)	3.8	199.6		203.4
Bonds	10.2			10.2
Total	14.0	413.7		427.7

Financial assets and liabilities at fair value through profit or loss

The Group's liquid assets have mainly been invested in the debt instruments of major Finnish companies, in certificates of deposit and in deposits in banks operating in Kesko's market area, in Finnish and Swedish government bonds, and in the bonds of selected companies. The return on these investments for 2009 was 2.2% (4.9%). The maximum credit risk is the fair value of these investments in the balance sheet at the balance sheet date as presented below. The classification is based on the measurement hierarchy required by IFRS 7: level 1 instruments are traded in active markets and their fair values are the quoted prices. The fair values of level 2 instruments are derived from market data, but these instruments are not so actively traded. The fair values of level 3 instruments are partly based on measurement parameters that require management's judgement.

Credit and counterparty risk

The business companies of the Group's divisions are responsible for the management of the credit risk associated with trade receivables. The company has a credit policy and compliance with it is monitored. The aim is to secure the payment of receivables by carefully assessing customers' creditworthiness, by reviewing customer credit terms and collateral requirements, by effective credit control and credit insurances as applicable. In Finland, the main part of the Group's business activities is carried out in cooperation with retailers. According to the retailer agreements, retailers lodge bank overdrafts as collateral against their trade payables to the relevant Kesko subsidiaries.

Group companies apply a uniform practice to measuring past due receivables. A receivable is written down when there is objective evidence of impairment. The ageing analysis of trade receivables at 31 December is as follows:

Ageing analysis of trade receivables

€ million	**2009**	**2008**
Trade receivables fully performing	550.0	567.7
1–7 days past due	14.5	18.4
8–30 days past due	9.2	20.0
31–60 days past due	4.8	6.8
Over 60 days past due	15.1	20.2
Total	593.6	633.1

Of trade receivables, €319.5 million (€298.1 million) were from chain retailers and €38.0 million (€21.4 million) were credit card receivables. The collateral for chain retailer receivables is an overdraft facility granted by a Kesko associate, Vähittäiskaupan Takaus Oy, with the maximum always limited to the realisation value of the counter collateral given by the K-retail company and entrepreneur to Vähittäiskaupan Takaus. At the end of the year, the aggregate value of the counterparty collateral was €164.1 million. In addition, the collateral for receivables includes other collateral, such as business mortgages and other pledged assets.

The trade receivable impairments were €19.9 million. An amount of €12.6 million in credit losses and impairments has been recognised in the net profit for the period.

The amount of receivables with renegotiated terms amounted to €13.0 million at 31 December 2009.

Financial credit risk

Financial instruments involve the risk of counterparties failing to settle their obligations. Kesko only makes currency and other derivative contracts with banks that have good creditworthiness. Liquid funds are invested annually, within the limits confirmed for each counterparty, in instruments with good creditworthiness. Company and bank-specific limits in terms of euros and time are set for interest investments. These limits are reviewed during the year depending on the market situation.

Borrowing agreements at change of control (over 50% interest)

According to the terms of Kesko Corporation's USD-denominated private placement loan, in a situation involving a change of control, Kesko is obligated to offer a repayment of the whole loan capital to all noteholders. The noteholders have the right to accept or refuse the repayment.

According to the terms of Kesko Corporation's syndicated loan, the syndicate has the right to call in the loan and any withdrawn loan amounts.

According to the terms of either loan agreement, a transfer of ownership to retailers or a retailers' association shall not be considered a change of control.

Credit ratings

For the present, Kesko Corporation has not applied for a credit rating, because it has not been considered necessary in the company's present financial situation.

Commodity risks and their sensitivity analysis

The Group uses electricity derivatives to level out energy costs. The electricity price risk is evaluated for five-year periods. The value changes of derivatives hedging the price of electricity supplied during the period are recognised within the adjustment items of purchases. Hedge accounting is applied to contracts hedging future purchases. The effective portion of derivatives that meet hedge accounting criteria are recognised in the revaluation reserve of equity and the ineffective portion in the income statement within other operating income or expenses. The change in the revaluation reserve recognised in equity is presented in the statement of comprehensive income under 'Revaluation of cash flow hedge'.

At the end of the year, the ineffective portion of hedge accounting was €-0.4 million (€-0.9 million).

At the balance sheet date, a total quantity of 955,344 MWH (1,174,056 MWH) of electricity had been purchased with electricity derivatives, and the 1–12 month hedging rate was 70.2% (75.4%), the 13–24 month rate was 47.3% (62.3%), the 25–36 month rate was 29.6% (34.1%), the 37–48 month rate was 9.6% (12.6%) and the 49–60 month rate was 0.0% (9.6%).

A sensitivity analysis for electricity derivatives assumes that derivatives maturing in less than 12 months have an impact on profit. If the market price of electricity derivatives changed by +/-20 percentage points from the balance sheet date 31 December 2009, it would contribute €+/-3.4 million (€+/-3.5 million) to the 2010 profit and €+/-4.4 million (€+/-5.3 million) to equity. The impact has been calculated before tax.

Fair values of derivative financial instruments

€ million	31 Dec. 2009 Positive fair value (balance sheet value)	31 Dec. 2009 Negative fair value (balance sheet value)	31 Dec. 2009 Net fair value	31 Dec. 2008 Net fair value
Interest rate derivatives	0.7**	-0.1	0.6	9.9
Currency forwards	1.9*/**	-25.9*/**	-24.0	-7.6
Electricity derivatives	0.9	-5.9	-5.0	-10.8
Grain derivatives	0.0	0.0	0.0	0.0

Nominal values of derivative financial instruments

€ million	31.12.2009 Nominal amount	31.12.2008 Nominal amount
Interest rate derivatives	206.7**	204.9
Currency forwards	541.7*/**	433.0
Electricity derivatives	40.1	45.9
Grain derivatives	0.0	0.7

*) *Derivative financial instruments also include currency forwards used to hedge net investments in stand-alone foreign entities, with a fair value of €0.0 million (€1.6 million) and a nominal value of €101.2 million (€90.8 million).*

**) *Derivative financial instruments include interest rate swaps relating to a currency-denominated loan arrangement with a nominal gross value of €200.8 million and a fair value of €0.6 million (€9.9 million), and currency swaps with a nominal value of €100.4 million and a fair value of €-17.2 million (€-14.2 million).*

The maximum credit risk of derivatives is the fair value of the balance sheet at the reporting date.

The Group's agricultural trade operations use a minor amount of grain derivatives to hedge against grain price risk. At the balance sheet date, there were no open grain derivatives.

Capital structure management

Due to the global financial crisis and the consequent weakening of the real economy, the importance of capital structure management was increasingly emphasized in 2008, and the situation was not completely restored to normal during 2009. The Kesko Group's capital management objectives include targets set for the Group's solvency and liquidity, as well as its capital productivity.

The objectives for the Group's solvency and liquidity are set with the purpose of securing the Group's liquidity in all market situations, enabling the implementation of investment programmes based on the Group's strategy, and maintaining the shareholder value. Objectives have been set for the financial indicators 'equity ratio' and 'interest-bearing net debt/EBITDA'. The calculation formulas for these indicators are presented in the report by the Board. Some of the Group's interest-bearing liabilities include covenants, whose terms and conditions have been taken into account in the above target levels. The Group does not have a credit rating given by any external credit rating institution.

The purpose of setting objectives for the Group's capital productivity is to steer the operating activities in increasing shareholder value on a long-term basis. The objectives for capital productivity have been set for the Group's equity and capital employed. The calculation formulas for the indicators 'return on equity' and 'return on capital employed' are presented in the report by the Board of Directors. The Group's capital structure (equity-to-debt ratio) is only optimised at the Group level, which is why at the lower levels of the organisation, i.e. in the divisions and companies, the targets relating to capital productivity have been set for the indicators 'economic value added' and 'return on capital employed'.

Economic value added formula:

Operating profit excluding non-recurring items
- operational taxes
- return requirement for average capital employed
+/- other adjustment items

The above target levels set for the Group's financial indicators are approved by the Board of Directors. On 4 February 2009, the Board approved the following values for the Group's medium term objective.

Target level	
Return on equity	12%
Return on capital employed	14%
Equity ratio	40-50%
Interest-bearing net debt /EBITDA	< 3

Dividend policy

Kesko Corporation distributes at least 50% of its earnings per share excluding non-recurring items as dividends, taking however the company's financial position and operating strategy into account.

NOTE 42

Risk management

The Kesko Group has established a risk management process, based on the risk management policy confirmed by the Board. The divisions have made risk assessments and updated them in accordance with the strategy process and the rolling planning framework. The divisions' risks and their management responses have been discussed by the division parent companies' and the Group's management. In their respective responsibility areas, the

Group units have assessed the risks threatening the Group's objectives and the management of such risks.

On the basis of the divisions' and Group units' risk analyses, the corporate risk management function has prepared summaries of major risks and their management on a quarterly basis. The resulting risk report has been handled by Kesko Corporation's Board of Directors' Audit Committee. The main risks and uncertainties, and changes in the risk situation compared with the previous financial statements have been reported in the interim financial reports. The following is a description of the risks and uncertainties assessed to be significant.

Strategic risks

Developments in the economic situation

The general economic development continues to involve significant uncertainties. Developments in the employment situation, tax increases resulting from the debt burden of the public sector, and consumers' confidence in the future have an essential impact on consumers' purchasing power, consumer demand and businesses' investment readiness.

Kesko has adjusted its operations to meet the lower demand by a more efficient use of capital, and by adjusting the number of employees and costs. A prolonged or deeper economic recession would necessitate further adjustments.

Competitiveness of store concepts

The achievement of objectives requires efficient store concepts which are attractive to customers. In the chain business model, a competitive edge is gained by store concepts and brands that are based on customer needs and differentiated from the competition, coupled with efficient, high-quality concept implementations. Customer satisfaction and brand surveys, and competitor monitoring are used to find out customer needs and market changes. Changing customer needs are satisfied and competitiveness is reinforced by developing concepts and operating systems, and by reforming brands. High-quality concept implementation is ensured throughout the chain by strict chain control and regular concept measurements.

International growth

Kesko aims to achieve growth also through international expansion in selected business areas. Failures in these projects may put growth and profitability at risk. In the present economic situation, all risks involved in investments are thoroughly assessed. On the other hand, it may be possible to complete acquisitions of businesses and store sites more easily and on better terms.

In international operations, uniform operating practices and processes are a prerequisite for improved efficiencies and synergy benefits. In Kesko's international operations, category management and purchasing and sourcing are steered in a centralised manner, and a supporting shared information system is being implemented.

Expansion and operations in Russia involve both opportunities and risks. The unpredictability of officials and sudden changes in the interpretation and application of laws may complicate operating activities or delay expansion in Russia. This risk is managed by training personnel, and by developing operating systems and controls, and by providing guidelines.

Leveraging technology

Kesko's challenge is to combine the possibilities of online trading, electronic customer communication and the retailer business model into an efficient system. Kesko develops electronic customer communications and the chains' online store sites in order to improve customer satisfaction and increase sales.

The automation of financial administration routines may be delayed by suppliers' and retailers' technical facilities and abilities to adopt new operating systems. Kesko is implementing a shared service centre project for the purpose of improving cost-efficiency and the uniformity of financial administration practices.

Kesko is carrying out several significant information system projects. Insufficient resources and poor project management involve a risk that the expected benefits will be delayed or that the project costs will be exceeded. Strict control by the division's management, skilled project management and competent people are necessary for the success of these projects.

Financial risks

Credit loss risk

As a result of the recession, B2B customers and retailers increasingly experience economic and financial difficulties, which involve a risk of growing credit losses. Division parent companies are responsible for managing credit risks related to receivables from customers. The companies have established a credit policy, whose implementation is monitored. The aim is to ensure the payment of receivables by carefully assessing customers' creditworthiness, by specifying the terms of customer credits and collateral requirements, and by efficient credit control and credit insurances where applicable.

Risk of devaluation in the Baltic countries

Finland is Kesko's only operating country that belongs to the euro area. International expansion has increased currency risks, and the Baltic currencies, the Latvian lats in particular, are at risk of being devalued. Hedging against currency exchange fluctuations is made more difficult by hedging costs that, in some cases, have become excessively high. The management of the Group's currency risks is centralised in the Group Treasury.

Other financial risks

These and other financial risks (incl. counterparty risk, liquidity risk, exchange rate risk in purchasing operations, interest rate risk and commodity risk related to electricity forward exchanges) are described in more detail in note 41 to Kesko Corporations' 2009 financial statements.

Operational risks

Business interruptions and information system failures

The trading sector is characterised by increasingly complicated and long supply chains and an increasing dependency on information systems, telecommunications and external service providers. Disturbances in the supply chain can cause major losses in sales and returns. These problems may affect the customer in that there are no products available in the store or the store is closed. Kesko has prioritised the most critical information systems with regard to business operations, and the continuity management projects underway are aimed at securing undisturbed critical operations and a sufficiently fast recovery after a serious disturbance. The plans are tested regularly to ensure their efficiency and updatedness and to maintain readiness for crisis situations.

Suppliers and distribution channels

In divisions that are strongly dependent on individual principals and suppliers, such as the car and machinery trade, changes in ownership, or in a principal's or supplier's strategy concerning the product selection, pricing and distribution channel solutions can mean a reduction in competitiveness or sales, or a loss of business. Good market shares, growing sales and development of operations create a basis for long-term cooperation.

Suppliers may have increasing difficulties in deliveries, as a result of the recession. There is also a growing risk of bankruptcies. The financial situation and delivery accuracy of the major suppliers are monitored and substitute suppliers are examined.

Store sites

Store sites are a significant competitive factor. Considerable amounts of capital or lease liabilities are tied up in store properties for years. As a result of the recession or changes in the competitive situation, there is a risk that store sites may become unprofitable and that operations will end while the long-term liabilities remain. The acquisition of good store sites can be slowed by scarcity of plots, zoning and permit procedures and trends in plot prices. Each operating country has its special characteristics arising from, for example, legislation and the authorities. Foreign real estate owners' readiness to make repair or extension investments has weakened in some cases as a result of the recession.

These risks are managed by long-term store network planning, careful preparation of each store site investment decision and the sale-leaseback system. In cases where Kesko manages the construction, the aim is to design a store site that can be modified for different uses as necessary. In the case of leased premises, the flexibility and continuity requirement is taken into account by extension options included in the leases.

Responsibility

Different aspects of responsibility are increasingly important for customers, and possible responsibility failures would weaken Kesko's reputation. Kesko's challenges in responsibility work include communicating its responsibility policies to customers, retailers and suppliers, and ensuring the ethicality of production. In monitoring the social compliance of its suppliers, Kesko primarily concentrates on suppliers operating in the so- called 'high risk' countries. China is Kesko's most important non-EU import country, and our own local monitoring team has been established in Shanghai. Their duty is to guide, train and supervise the suppliers of Kesko's division parent companies, focusing on the terms of employment and working conditions, as well as on matters relating to compliance with environmental and chemical legislation.

Malpractice and wastage

Recession entails a growing risk of financial malpractice. Preventive measures have included more effective communications, training and guidelines as well as tightened controls. Information technology is increasingly used to trace incidental transactions, and prevent and reveal malpractices.

Retail stores incur significant financial losses arising from wastage. Wastage can result, for example, from spoilage or breakage of goods, theft or other malpractice, and unsuccessful purchasing. The Group continuously develops methods and tools for more efficient wastage management and reduction. Wastage prevention training is arranged for retailers, supervisors and sales staff in different contexts, and it is a key area in training new store personnel. Wastage teams have been established in stores to find out the reasons for the store's wastage and to establish efficient wastage management measures. Best practices are adopted for wider use.

Safety of payment and online transactions

The requirements of stakeholders and the law for safe information handling to prevent damages and malpractice have increased, especially with respect to credit card payment and personal information. Kesko is carrying out a project to introduce chip card payment terminals. Audits and up-to-date information security solutions are used to ensure the confidentiality of customer and personal information. Appropriate guidelines are central in ensuring the confidentiality of business secrets. Critical transactions, such as payments, are protected with job descriptions, acceptance limits, access rights and system controls.

Employee competence and working capacity

The implementation of strategies and the achievement of goals require competent and motivated people. There is a risk that the trading sector will not attract the most competent people. The increased need for specialised expertise increases dependence on the competences of individuals and the risk of losing key people. In connection with strategy work, the competencies required for strategy implementation are identified, and personnel plans are drawn up. Personnel surveys play a central role in the development of HR management and the promotion of working capacity. Kesko's employer image is developed by systematic stakeholder cooperation and internal and external communications.

Product safety and supply chain quality

Kesko's objective is to provide safe products for its customers. A failure in the quality assurance of the supply chain, or in product control may result in financial losses, the loss of customer confidence or, in the worst case, a health hazard. In order to manage this risk, the Product Research Unit controls the quality of products sold by Kesko Food, Citymarket Oy and Anttila, and supervises companies manufacturing products for Kesko Food. The trading sector's self-control practices ensure that the regulations and rules concerning foodstuffs are observed. The practice of recalling products ensures that defective products are withdrawn from sale quickly.

Pandemics

A pandemic, or an epidemic of widely spread disease, would have extensive effects on business operations. At least temporarily, it could impact demand and the availability and quality of goods and services. Kesko's continuity management principles concerning the safeguarding of critical functions require that the unavailability of a major part of the personnel or the key people because of an epidemic or some other reason must be prepared for. Up-to-date continuity plans and their testing maintain the abilities to control exceptional situations. Substitute arrangements are made to ensure that the resources for functions will be maintained. Ensuring efficient internal and external communications plays an important part in continuity planning.

Legislation, agreements and ethical principles

Compliance with legislation, agreements and Kesko's ethical principles is an important basic value in all of Kesko's operations. Non-compliance may result in fines, compensation for damages and other financial losses, and a loss of confidence or reputation. The Group has specific training programmes, especially in competition legislation, to avoid this. Self-assessments are made in matters concerning competition legislation.

Contractual risks are managed by harmonising agreements and the processes of entering into agreements, and by electronic archiving of contracts. An essential issue in the chain agreements between Kesko and the retailers is finding solutions for the high-quality delivery of customer promises and commitment to the chain business operation.

In international operations, problems also arise from different interpretations and procedures concerning, among other things, taxation and official regulations.

Reporting to the markets

The objective of Kesko's corporate communications is to produce and publish reliable information at the right time. If some information published by Kesko proved to be incorrect or a release failed to meet regulations, it might result in investors and other stakeholder groups losing confidence, and possible sanctions. The accuracy of financial information is challenged by tight schedules and dependence on information systems. This risk is managed through careful scheduling and ensuring the right resources and sufficient competencies.

Damage risks

Damages, accidents and crimes are prevented through uniform practices and cost-efficient safety precautions. The financial consequences of damage are covered with insurance, in accordance with the policy defined by the Kesko Board of Directors. The Kesko Group uses international insurance programmes to cover, among others, property, business interruption and liability risks. The Group's risk management function steers the implementation of insurance programmes in a centralised manner.

NOTE 43

Related-party transactions

The Group's related parties include its key management personnel (the Board of Directors, the Managing Director and the Corporate Management Board), subsidiaries, associates and the Kesko Pension Fund. The subsidiaries and associates are listed in a separate note (note 45).

The following transactions were carried out with related parties:

Sales of goods and services

€ million	2009	2008
Sales of goods		
Board of Directors and management	37.2	24.3
Kesko Pension Fund	0.2	1.3
Total	37.4	25.5
Sales of services		
Associates	0.9	1.0
Board of Directors and management	4.8	1.9
Kesko Pension Fund	1.5	1.3
Total	7.1	4.2

The related party transactions disclosed include those transactions with related parties that are not eliminated in the consolidated financial statements.

Among associates consolidated using the equity method, a property owned by Valluga-Sijoitus Oy has been leased for the Group's use. Vähittäiskaupan Takaus Oy and Vähittäiskaupan Tilipalvelu Oy sell their services to Kesko's and K-retailers' retail companies. The other associates mainly include business property companies which have leased their premises and real estate to the Kesko Group. Associates that operate as mutual real estate companies have been consolidated in the financial statements in proportion to their ownership interest.

Some members of Kesko's Board of Directors act as K-retailers. The Group companies sell goods and services to enterprises controlled by them.

The Kesko Pension Fund is a separate legal entity which manages and holds in trust part of the pension assets of the Group's employees in Finland. Pension assets include Kesko Corporation shares in the amount of €104.3 million. Real estate and premises owned by the Pension Fund have been leased to the Kesko Group, which has subleased most of them to retailers. In 2009, the Kesko Group paid a total amount of €52.5 million (€62.7 million) in contributions to the Pension Fund.

Goods and services are sold to related parties on normal market terms and conditions and at market prices.

In March 2009, the Kesko Group sold four store properties to the Kesko Pension Fund. The debt-free selling price was about €50 million. The Group's €19.7 million gain on the disposal is included in the non-recurring items within the operating profit.

Purchases of goods and services

€ million	2009	2008
Purchases of goods		
Associates	0.0	0.0
Board of Directors and management	1.4	2.2
Total	1.4	2.2
Purchases of services		
Associates	2.6	2.5
Board of Directors and management	0.1	0.1
Pension Fund	0.0	0.2
Total	2.7	2.8

In addition, the other operating expenses include rents paid by the Kesko Group to the Kesko Pension Fund in a total amount of €34.7 million (€22.4 million).

Financial expenses

€million	2009	2008
Associates	0.5	1.6
Pension Fund	0.0	0.2
	0.5	1.8

Trade receivables

€ million		
Associates	0.1	0.0
Board of Directors and management	2.1	1.7
Pension Fund	0.3	0.2
	2.5	1.9

Members of Kesko's Board of Directors act as K-retailers. At the balance sheet date, the receivables resulting from sales by Kesko to enterprises controlled by them totalled €2.1 million (€1.7 million). The receivables are covered by the commercial credit collateral granted by Vähittäiskaupan Takaus Oy, a Kesko associate. The maximum amount of the collateral is always limited to the realisable value of the counter-guarantee granted by the K-retailer's enterprise and the K-retailer entrepreneur to Vähittäiskaupan Takaus. At the end of the financial year, the value of the counter-guarantee was €3.2 million (€3.5 million).

Other current liabilities

€ million	2009	2008
Associates	38.6	37.4
Board of Directors and management	0.8	0.6
Pension Fund	3.4	2.6
	42.8	40.6

The other current liabilities include, among other things, chain rebate liabilities payable to enterprises controlled by the three Kesko Board members acting as K-retailers. Chain rebates are paid in arrears on criteria related to the amount of actual annual sales and the quality of operations.

In addition, Kesko's non-current receivables from a real estate associate total €1.5 million.

Board of Directors' compensation

€ thousand	2009	2008
Members of the Board of Directors		
Heikki Takamäki, Chair	81.5	67.5
Seppo Paatelainen, Deputy Chair	53.0	38.5
Esa Kiiskinen (from 30 March 2009)	31.8	
Ilpo Kokkila	41.8	35.5
Mikko Kosonen (from 30 March 2009)	33.8	
Maarit Näkyvä	45.3	41.0
Rauno Törrönen (from 30 March 2009)	31.8	
Pentti Kalliala (until 30 March 2009)	8.5	37.5
Keijo Suila (until 30 March 2009)	12.0	50.0
Jukka Säilä (until 30 March 2009)	8.5	35.5

Salaries and fees of the President and CEO, and the Corporate Management Board members

€ thousand	2009	2008
Matti Halmesmäki, President and CEO	744.6	838.6
Corporate Management Board (the other members)	1,621.4	1,807.6

Other top management employee benefits

Share-based payments

At 31 December 2009, the President and CEO held 150,000 stock options, 50,000 of which were 2007C options granted in 2009. Presuming that shares were subscribed for with the President and CEO's options, the options would represent 0.15% of shares and 0.04% of all voting rights. At 31 December 2009, the other Corporate Management Board members held an aggregate number of 476,000 stock options. In 2009, the other Corporate Management Board members were granted a total of 150,000 2007C options. The options held by the Corporate Management Board have equal rules and vesting periods with the other options included in the management's option plans.

Retirement benefits

The retirement age of the President and CEO is 60 years and his full retirement benefit is 66% of his pensionable salary. The retirement ages of the other Corporate Management Board members mainly vary between 60 and 62, and the full retirement benefit is 66% of the pensionable salary. The retirement benefits of the CFO are determined on the basis of the Employees' Pensions Act (TyEL).

Termination benefits

The notice period of the President and CEO is 6 months. Severance compensation paid in addition to the salaries for the notice period corresponds to 12 months' salary. The notice period of the other Corporate Management Board members is 6 months and severance compensation paid in addition to the salaries for the notice period corresponds to 6–12 months' salary.

NOTE 44

Other notes

Events after the balance sheet date

No significant events took place in the Group after the balance sheet date.

NOTE 45

Subsidiaries and associates at 31 December 2009

INTERESTS IN GROUP COMPANIES

Owned by the parent	Domicile	Group's ownership interest %	Parent's ownership interest %
Anttila Oy	Helsinki	100.00	100.00
Asunto Oy Kirkkonummen Västeruddintie 33	Kirkkonummi	100.00	100.00
Indoor Group Ltd	Lahti	100.00	100.00
Intersport Finland Ltd	Helsinki	100.00	100.00
K-instituutti Oy	Helsinki	72.00	72.00
K-Plus Oy	Helsinki	100.00	100.00
Kenkäkesko Ltd	Helsinki	100.00	100.00
Keslog Ltd	Helsinki	100.00	54.95
Kestra Kiinteistöpalvelut Oy	Helsinki	100.00	100.00
Kiinteistö Oy Kangasalan Palvelukeskus	Kangasala	82.50	82.50
Kiinteistö Oy Kemin Asemakatu 4	Kemi	66.50	66.50
Kiinteistö Oy Lahden Lyhytkatu 1	Lahti	50.00	50.00
Kiinteistö Oy Pontsonkulma	Helsinki	94.57	94.57
Kiinteistö Oy Sunan Hallitalo	Espoo	100.00	100.00
Kiinteistö Oy Voisalmen Liiketalo	Lappeenranta	100.00	100.00
Kiinteistö Oy Välivainion Ostoskeskus	Oulu	65.97	65.97
Klintcenter Ab	Maarianhamina	100.00	100.00
Konekesko Ltd	Helsinki	100.00	100.00
K-Talouspalvelukeskus Oy	Helsinki	100.00	51.02
Musta Pörssi Ltd	Helsinki	100.00	100.00
Plussa OÜ	Tallinn, Estonia	100.00	100.00
Rautakesko Ltd	Helsinki	100.00	100.00
Kesko Food Ltd	Helsinki	100.00	100.00
Sincera Oy	Helsinki	100.00	100.00
VV-Auto Group Oy	Helsinki	100.00	100.00

Owned by other Group companies	Domicile	Group's ownership interest %	Parent's ownership interest %
Agro Trade Latvija SIA	Riga, Latvia	100.00	
Antti SIA	Riga, Latvia	100.00	
Anttila AS	Viljandi, Estonia	100.00	
AP Real Estate SIA	Riga, Latvia	100.00	
Asko Möbler Ab	Huddinge, Sweden	100.00	
Auto-Span Oy	Helsinki	100.00	
Bansemko OOO	Moscow, Russia	100.00	
Barker-Littoinen Oy	Espoo	100.00	
Bruland Bygg AS	Förde, Norway	66.26	
Byggmakker Distribution AS	Ski, Norway	99.92	
Byggmakker Norge AS	Oslo, Norway	99.92	
Cassa Oy	Helsinki	100.00	
Daugavkrasts M SIA	Riga, Latvia	100.00	
Fiesta Real Estate AS	Tallinn, Estonia	100.00	
Hauhon Kiinteistö- ja Kauppakeskus Oy	Hauho	100.00	
Hasti-Ari AS	Ski, Norway	100.00	
Ikosen OÜ	Tallinn, Estonia	100.00	
Indoor Group AS	Tallinn, Estonia	100.00	
Indoor Group SIA	Riga, Latvia	100.00	
Indoor Group UAB	Vilnius, Lithuania	100.00	
Insofa Oy	Lahti	100.00	
Interstroy OOO	Russia	100.00	
Ka Jelgava SIA	Jelgava, Latvia	100.00	
K-citymarket Oy	Helsinki	100.00	
Keru Kiinteistöt Oy	Helsinki	100.00	
Kesko Real Estate Latvia SIA	Riga, Latvia	100.00	
Kesko Real Estate OOO	St. Petersburg, Russia	100.00	
Kesko Real Estate Services OOO	St. Petersburg, Russia	100.00	
Kespro LTD	Helsinki	100.00	
Kestroy 1 ZAO	Moscow, Russia	100.00	
Kiinteistö Oy Arolan Risteys	Elimäki	100.00	
Kiinteistö Oy Hannunhelmi	Kirkkonummi	100.00	
Kiinteistö Oy Liike-Jaako	Rovaniemi	67.88	
Kiinteistö Mesta Oy	Helsinki	100.00	
Kiinteistö Oy Piispansilta	Espoo	100.00	
Kiinteistö Oy Pälkäneen Liikekeskus	Kangasala	79.98	
KiinteistÖ Oy Saarijärven Postitalo	Saarijärvi	100.00	
Kiinteistö Oy Sarviniitynkatu 4	Kerava	100.00	
Kiinteistö Oy Tampuri	Helsinki	100.00	
Kiinteistö Oy Tarkkaiikka	Oulu	100.00	
Kiinteistö Oy Vantaan Kiitoradantie 2	Vantaa	100.00	

Owned by other Group companies	Domicile	Group's ownership interest %	Parent's ownership interest %
K-Maatalouskaupat Oy	Helsinki	100.00	
Knuto AS	Ski, Norway	100.00	
Konekesko Eesti AS	Tallinn, Estonia	100.00	
Konekesko Holding Oy	Helsinki	100.00	
Konekesko Latvija SIA	Riga, Latvia	100.00	
Konekesko Lietuva UAB	Vilnius, Lithuania	100.00	
Konekesko OOO	St. Petersburg, Russia	100.00	
Konsoma JLLC	Minsk, Belarus	8.94	
K Prof SIA	Riga, Latvia	100.00	
K Rauta SIA	Riga, Latvia	100.00	
K-Rauta AB	Stockholm, Sweden	100.00	
KR Fastigheter AB	Sollentuna, Sweden	100.00	
KR Fastigheter i Eskilstuna AB	Sollentuna, Sweden	100.00	
KR Fastigheter i Järfälla AB	Sollentuna, Sweden	100.00	
KR Fastigheter i Halmstad AB	Sollentuna, Sweden	100.00	
KR Fastigheter i Umeå AB	Sollentuna, Sweden	100.00	
KR Fastigheter i Täby AB	Sollentuna, Sweden	100.00	
KR Fastigheter Servicekontor AB	Sollentuna, Sweden	100.00	
KR Fastigheter i Sundsvall AB	Sollentuna, Sweden	100.00	
KR Fastigheter i Uppland AB	Sollentuna, Sweden	100.00	
K-Rauta Fastigheter i Malmö AB	Sollentuna, Sweden	100.00	
Limingan Portti 1 Oy	Liminka	100.00	
Loimaan Maatalous- ja Rautakauppa Oy	Helsinki	100.00	
Match-Point OOO	Kaluga, Russia	100.00	
Masterstroyprof ZAO	St. Petersburg, Russia	100.00	
Mezciems Real Estate SIA	Riga, Latvia	100.00	
Norgros Handel AS	Lilleström, Norway	99.92	
OMA OOO	Minsk, Belarus	8.94	
Polo LS SIA	Riga, Latvia	100.00	
Pikoil Oy	Espoo	100.00	
Rake Bergen AS	Oslo, Norway	100.00	
Rake Eiendom AS	Oslo, Norway	100.00	
Rautakesko AS	Tallinn, Estonia	100.00	
Rautakesko A/S	Riga, Latvia	100.00	
Romos Holdingas UAB	Kaunas, Lithuania	8.94	
Senukai UAB	Kaunas, Lithuania	49.60	
Senuku Prekybos Centras UAB	Vilnius, Lithuania	50.00	
Senuku Tirdzniecibas Centras SIA	Riga, Latvia	50.00	
SPC Holding UAB	Kaunas, Lithuania	50.00	
Stroymaster Holding Finland Oy	Helsinki	100.00	
Stroymaster ZAO	St. Petersburg, Russia	100.00	
Sunretail ZAO	Moscow, Russia	100.00	

Owned by other Group companies	Domicile	Group's ownership interest %	Parent's ownership interest %
Tampereen Länsikeskus Oy	Tampere	94.43	
Teploschit OOO	Yaroslavl, Russia	100.00	
TP Real Estate SIA	Riga, Latvia	100.00	
Trögstadveien 13 AS	Ski, Norway	99.92	
Turun VV-Auto Oy	Turku	100.00	
Verdal Eiendom AS	Ski, Norway	99.92	
VV-Autotalot Oy	Helsinki	100.00	

ASSOCIATES

Owned by the parent	Domicile	Group's ownership interest %	Parent's ownership interest %
Graanin Liikekeskus Oy	Mikkeli	50.00	50.00
Itäkeskuksen Pysäköintitalo Oy	Helsinki	36.16	36.16
Kiinteistö Oy Janakkalan Linnatuuli	Janakkala	29.86	29.86
Kiinteistö Oy Itäaukio	Lahti	26.20	26.20
Kiinteistö Oy Joensuun Kaupunginportti	Joensuu	22.77	22.77
Kiinteistö Oy Mellunmäen Liike- ja Toimintakeskus	Helsinki	23.42	23.42
Kiinteistö Oy Ulvilan Hansa	Ulvila	42.41	42.41
Kiinteistö Oy Vantaanportin Liikekeskus	Vantaa	27.81	27.81
Raksilan Paikoitus Oy	Oulu	33.33	33.33
Valluga-Sijoitus Oy	Helsinki	39.00	39.00
Vähittäiskaupan Takaus Oy	Helsinki	34.35	34.35
Vähittäiskaupan Tilipalvelu VTP Oy	Helsinki	30.00	30.00

Owned by other Group companies	Domicile	Group's ownership interest %	Parent's ownership interest %
Kiinteistö Oy Meri-Pietari	Helsinki	23.12	
Kiinteistö Oy Lahden Teollisuuskeskus	Lahti	48.32	
Toomaxx Handels GmbH	Germany	25.00	
Toomax Asia Ltd.	Hong Kong	25.00	

Parent's financial statements 2009

Parent's income statement (FAS)

€	1 Jan.–31 Dec. 2009	1 Jan.–31 Dec. 2008
Net sales	**19,555,415.66**	**18,193,914.32**
Other operating income	261,003,344.25	299,019,437.07
Materials and services	419.20	-454.51
Staff expenses	-10,348,598.91	-12,971,150.41
Depreciation and reduction in value	-31,569,693.98	-37,541,067.49
Other operating expenses	-122,545,157.91	-129,245,796.46
Operating profit	**116,095,728.31**	**137,454,882.52**
Financial income and expenses	11,208,558.82	37,555,785.57
Profit before extraordinary items	**127,304,287.13**	**175,010,668.09**
Extraordinary items	21,584,005.65	99,866,000.00
Profit before appropriations and taxes	**148,888,292.78**	**274,876,668.09**
Appropriations	39,559,034.61	26,513,831.22
Profit before taxes	**188,447,327.39**	**301,390,499.31**
Income taxes	-49,670,354.28	-64,679,900.23
Profit for the financial year	**138,776,973.11**	**236,710,599.08**

Parent's balance sheet (FAS)

€	31 Dec. 2009	31 Dec. 2008
ASSETS		
NON-CURRENT ASSETS		
INTANGIBLE ASSETS		
Other capitalised long-term expenditure	6,173,722.48	6,455,877.43
Advance payments and construction in progress	1,472,260.89	1,641,853.61
	7,645,983.37	8,097,731.04
TANGIBLE ASSETS		
Land and waters	97,192,920.76	111,379,744.40
Buildings	233,179,097.13	309,366,678.87
Machinery and equipment	3,867,441.64	4,980,270.93
Other tangible assets	6,639,197.75	8,158,495.25
Advance payments and construction in progress	4,639,483.95	7,094,125.24
	345,518,141.23	440,979,314.69
INVESTMENTS		
Holdings in Group companies	264,122,468.86	273,535,019.71
Participating interests	17,767,798.60	18,657,266.58
Other shares and similar rights of ownership	7,285,332.58	7,295,881.70
	289,175,600.04	299,488,167.99
CURRENT ASSETS		
DEBTORS		
Long-term		
Amounts owed by Group companies	410,731,848.84	399,439,059.07
Amounts owed by participating interests	1,546,010.01	1,546,010.01
Other long-term loan receivables	1,454,664.32	3,310,137.35
	413,732,523.17	404,295,206.43
Short-term		
Trade debtors	146,040.27	184,033.61
Amounts owed by Group companies	296,808,568.37	546,643,021.41
Amounts owed by participating interests	2,072,193.08	3,104,920.53
Other receivables	197,328.26	243,510.35
Prepayments and accrued income	3,454,499.07	25,382,155.33
	302,678,629.05	575,557,641.23
INVESTMENTS		
Other investments	635,648,380.60	383,152,895.82
CASH IN HAND AND AT BANKS	11,809,147.40	22,785,663.82
TOTAL ASSETS	**2,006,208,404.86**	**2,134,356,621.02**

€	31 Dec. 2009	31 Dec. 2008
LIABILITIES		
CAPITAL AND RESERVES		
Share capital	196,643,058.00	195,649,708.00
Share issue	-	89,900.00
Share premium account	193,929,222.36	190,255,218.02
Other reserves	243,415,795.55	243,415,795.55
Retained earnings	669,668,254.41	531,108,065.33
Profit for the financial year	138,776,973.11	236,710,599.08
	1,442,433,303.43	1,397,229,285.98
APPROPRIATIONS		
Depreciation reserve	91,612,421.32	131,171,455.93
PROVISIONS		
Other provisions	7,833,178.72	8,266,027.48
CREDITORS		
Non-current		
Private placement bonds	100,418,410.04	100,418,410.04
Loans from credit institutions	38,194,792.42	20,512,820.51
Trade creditors	-	279.45
	138,613,202.46	120,931,510.00
Current		
Loans from credit institutions	7,049,203.44	-
Advances received	9,922.97	90,883.83
Trade creditors	2,333,672.26	3,068,581.11
Amounts owed to Group companies	238,966,256.30	352,147,751.01
Amounts owed to participating interests	38,387,884.71	37,212,846.36
Other debt	13,102,883.11	69,526,049.14
Accruals and deferred income	25,866,476.14	14,712,230.18
	325,716,298.93	476,758,341.63
TOTAL LIABILITIES	**2,006,208,404.86**	**2,134,356,621.02**

Parent's cash flow statement (FAS)

€	1 Jan.–31 Dec. 2009	1 Jan.–31 Dec. 2008
Cash flow from operating activities		
Profit before extraordinary items	127,304,287.13	175,010,668.09
Adjustments:		
Depreciation according to plan	22,431,800.30	22,542,266.17
Financial income and expenses	-11,208,558.82	-37,555,785.57
Other adjustments	-86,901,943.53	-115,916,129.96
	51,625,585.08	44,081,018.73
Change in working capital		
Interest-free short-term trade receivables, increase/decrease (-/+)	5,013,184.12	4,314,998.23
Interest-free short-term debt, increase/decrease (+/-)	-7,364,940.23	3,239,414.65
	-2,351,756.11	7,554,412.88
Interests paid	-24,886,896.53	-39,864,151.14
Interests received	50,091,388.56	72,980,921.01
Dividends received	15,919.30	6,220,481.75
Taxes paid	-31,500,126.37	-62,090,706.16
	-6,279,715.04	-22,753,454.54
Cash flow from operating activities	**42,994,113.93**	**28,881,977.07**
Cash flow from investing activities		
Purchases of other investments	-	-50,000.00
Investments in tangible and intangible assets	-25,407,912.38	-28,940,941.87
Increase in long-term receivables	-	-61,937,039.62
Decrease in long-term receivables	14,727,559.87	-
Subsidiary disposed	30,401,356.84	149,729,156.38
Associated company disposed	140,000.00	1,388,000.00
Proceeds from other investments	-	223,047.00
Proceeds from sale of tangible and intangible assets	164,968,531.04	141,294,028.63
Cash flow from investing activities	**184,829,535.37**	**201,706,250.52**
Cash flow from financing activities		
Decrease in current creditors	-165,768,732.94	-106,807,060.53
Increase in non-current creditors	17,681,692.46	-
Decrease in non-current creditors	-	-4,618,842.74
Increase/decrease (-/+) in short-term interest-bearing receivables	248,003,649.29	45,784,249.44
Short-term money market investments	-98,162,726.19	-18,400,959.74
Dividends paid	-97,850,410.00	-156,428,592.00
Group contributions received and paid	21,584,005.65	99,866,000.00
Increase in share capital	4,577,454.34	379,018.16
Others	-14,532,339.74	10,549,067.77
Cash flow from financing activities	**-84,467,407.13**	**-129,677,119.64**
Change in liquid assets	**143,356,242.17**	**100,911,107.95**
Liquid assets at 1 January	**282,031,553.81**	**181,120,445.86**
Liquid assets at 31 December	**425,387,795.98**	**282,031,553.81**

Notes to the parent's financial statements

Principles used for preparing the parent's financial statements

Kesko Corporation's financial statements have been prepared in compliance with the Finnish Accounting Standards (FAS).

Non-current assets

Intangible assets

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

Depreciation plan

Other capitalised expenditure	5–14 years

Tangible assets

Tangible 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 tangible assets over their estimated useful lives.

The periods adopted for depreciation are as follows:

Buildings	15–33 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	5–14 years

Land has not been depreciated. The total of depreciation according to plan and the change in depreciation reserve comply with the Finnish tax legislation. The change in depreciation reserve has been treated as appropriations in the parent company.

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 currency at the average exchange rate of the European Central Bank at the balance sheet date. If a receivable or a debt is tied to a fixed rate of exchange, it has been used for translation. Exchange rate differences have been recognised in profit or loss.

Derivative financial instruments

Interest rate derivative contracts

Interest rate derivatives are used to modify loan durations. The target duration is three years and it is allowed to vary between one and a half and four years. Cash flows arising from interest rate derivative contracts are recognised during the financial year as interest income or expenses, according to the maturity date. In the financial statements, open forward 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

Currency derivative instruments are used for hedging against translation and transaction risks. Forward exchange contracts are valued at the exchange rate of the balance sheet date. The rate differences arising from open derivative contracts are reported in financial items. If a derivative instrument has been used to hedge a foreign-currency-denominated asset, the value change has been recognised against that of the asset item. The premiums of option contracts are included in the balance sheet accruals until they expire, or if a value change at the balance sheet date so requires, recognition in profit or loss.

Commodity derivatives

Kestra Kiinteistöpalvelut Oy, a Kesko Corporation subsidiary, uses electricity derivatives to balance the energy costs of the Group and its retailers. Kesko's subsidiaries engaged in the agricultural trade use grain derivatives to hedge against the grain price risk. Kesko Corporation is an external counterparty in electricity and grain derivative contracts made with the bank, and internally hedges the corresponding price with the subsidiary. At no stage does Kesko Corporation have derivative positions, and thus there are no effects on profit or loss. The electricity price risk is reviewed on a 3-year time span. With respect to derivative contracts hedging the price of electricity supplied during the financial year, changes in value are recognised in Kesko under interest income and expenses. The unrealised gains and losses of contracts hedging future purchases are not recognised through profit or loss. With respect to grain derivative contracts, the open contracts in the income statement are recognised at market prices. Valuation differences related to open contracts are recognised in Kesko under financial items.

Pension plans

The pension insurances of Kesko Corporation's personnel are arranged through the Kesko Pension Fund. The Fund's A department, which provides supplementary pension benefits, was closed on 9 May 1998. The job-based retirement age agreed for some of the personnel is 60 or 62 years. Pensions are expensed in the income statement.

Provisions

Provisions stated in the balance sheet include items bound to by agreements or otherwise, but remain unrealised. Changes in provisions are included in the income statement. Rent liabilities for vacant rented premises no longer used for the Group business operations, as well as the losses resulting from renting the premises to outsiders, are included in provisions.

Income tax

Income tax includes the income tax payments for the period based on the profit for the period, and taxes payable for prior periods, or tax refunds. Deferred taxes are not included in the parent's income statement and balance sheet.

Notes to the income statement

€ million	2009	2008
1. Other operating income		
Profits on sales of real estate and shares	95.7	128.1
Rent income	164.4	169.8
Merger profit	0.0	0.8
Others	0.9	0.3
Total	261.0	299.0
2. Average number of personnel		
Kesko Corporation	147	160
Total	147	160
3. Personnel expenses		
Salaries and fees	9.1	10.0
Social security expenses		
Pension expenses	0.5	2.1
Other social security expenses	0.7	0.9
Total	10.3	13.0
Salaries and fees to the management		
Managing Director and his deputy	0.8	0.8
Board of Directors' members	0.3	0.3
Total	1.1	1.1

An analysis of the management's salaries and fees is included in the notes to the consolidated financial statements.

€ million	2009	2008
4. Depreciation and reduction in value		
Depreciation according to plan	22.5	22.5
Reduction in value, non-current assets	9.1	15.0
Total	31.6	37.5
5. Other operating expenses		
Rent expenses	90.0	87.6
Marketing expenses	1.0	2.2
Maintenance of real estate and store sites	11.7	15.6
Data communications expenses	12.2	12.2
Losses on sales of real estate and shares	0.7	1.0
Merger losses	0.0	2.7
Other operating expenses	7.0	8.6
Total	122.6	129.9
PricewaterhouseCoopers, Authorised Public Accountants		
Auditor's fees	0.1	0.1
Tax consultation	0.0	0.1
Other fees	0.1	0.1
Total	0.2	0.3

€ million	2009	2008
6. Financial income and expenses		
Dividend income		
From Group companies	0.0	6.2
Dividend income, total	0.0	6.2
Other interest and financial income		
From Group companies	37.0	50.7
From others	12.8	67.2
Interest income, total	49.8	117.9
Interest and other financial expenses		
To Group companies	-5.5	-27.8
To others	-33.1	-58.8
Interest expenses, total	-38.6	-86.6
Total	11.2	37.6
7. Items included in extraordinary income and expenses		
Contributions from Group companies	49.7	153.7
Contributions to Group companies	-28.1	-53.9
Total	21.6	99.8
8. Appropriations		
Difference between depreciation according to plan and depreciation in taxation	39.6	26.5
Total	39.6	26.5
9. Changes in provisions		
Future rent expenses for vacant business premises	0.5	-2.0
Other changes	-1.0	3.1
Total	-0.5	1.1
10. Income taxes		
Income taxes on extraordinary items	-5.6	-26.0
Income taxes on operating activities	-44.1	-38.6
Total	-49.7	-64.7

Deferred taxes

Deferred tax liabilities and assets have not been included in the balance sheet. The amounts are not significant.

Notes to the balance sheet

€ million	2009	2008
11. Intangible assets		
Other capitalised long-term expenditure		
Acquisition cost at 1 January	39.1	38.3
Increases	1.5	0.7
Decreases	-1.1	-0.9
Transfers between items	0.7	1.0
Acquisition cost at 31 December	40.2	39.1

€ million	2009	2008
Accumulated depreciation at 1 January	32.6	30.6
Accumulated depreciation on decreases and transfers	-0.4	-0.4
Depreciation for the financial year	1.8	2.4
Accumulated depreciation at 31 December	34.0	32.6
Book value at 31 December	6.2	6.5
Advance payments		
Acquisition cost at 1 January	1.7	2.5
Increases	0.8	0.6
Decreases	-0.6	-0.4
Transfers between items	-0.4	-1.0
Acquisition cost at 31 December	1.5	1.7
Book value at 31 December	1.5	1.7

12. Tangible assets

Land and waters		
Acquisition cost at 1 January	111.4	112.2
Increases	1.8	8.3
Decreases	-16.0	-9.1
Acquisition cost at 31 December	97.2	111.4
Book value at 31 December	97.2	111.4
Buildings		
Acquisition cost at 1 January	514.9	513.2
Increases	9.6	24.2
Decreases	-99.6	-26.9
Transfers between items	3.1	4.4
Acquisition cost at 31 December	428.0	514.9
Accumulated depreciation at 1 January	205.5	181.8
Accumulated depreciation on decreases and transfers	-35.4	-8.6
Value adjustment	9.1	15.0
Depreciation for the financial year	15.6	17.3
Accumulated depreciation at 31 December	194.8	205.5
Book value at 31 December	233.2	309.4
Machinery and equipment		
Acquisition cost at 1 January	24.7	25.5
Increases	0.8	1.0
Decreases	-3.6	-1.9
Transfers between items	0.2	0.1
Acquisition cost at 31 December	22.1	24.7
Accumulated depreciation at 1 January	19.7	19.6
Accumulated depreciation on decreases and transfers	-2.8	-1.3
Depreciation for the financial year	1.3	1.5
Accumulated depreciation at 31 December	18.2	19.7
Book value at 31 December	3.9	5.0
Other tangible assets		
Acquisition cost at 1 January	15.2	13.7
Increases	1.1	2.8
Decreases	-2.6	-1.4
Transfers between items	0.0	0.1
Acquisition cost at 31 December	13.7	15.2

€ million	2009	2008
Accumulated depreciation at 1 January	7.0	6.5
Accumulated depreciation on decreases and transfers	-1.3	-0.7
Depreciation for the financial year	1.4	1.2
Accumulated depreciation at 31 December	7.1	7.0
Book value at 31 December	6.6	8.2
Advance payments and construction in progress		
Acquisition cost at 1 January	7.1	5.4
Increases	9.2	6.3
Transfers between items	-11.7	-4.6
Acquisition cost at 31 December	4.6	7.1
Book value at 31 December	4.6	7.1

Revaluation of non-current assets

At the end of the financial year, Kesko Corporation's balance sheet did not contain revaluations.

13. Investments

Holdings in Group companies		
Acquisition cost at 1 January	273.6	404.0
Increases	28.5	3.2
Decreases	-38.0	-133.6
Acquisition cost at 31 December	264.1	273.6
Accumulated depreciation at 1 January	0.0	1.7
Value adjustments	0.0	-1.7
Accumulated depreciation at 31 December	0.0	0.0
Book value at 31 December	264.1	273.6
Participating interests		
Acquisition cost at 1 January	18.7	19.8
Increases	0.0	0.1
Decreases	-0.9	-1.2
Acquisition cost at 31 December	17.8	18.7
Book value at 31 December	17.8	18.7
Other shares and similar rights of ownership		
Acquisition cost at 1 January	7.3	7.3
Acquisition cost at 31 December	7.3	7.3
Book value at 31 December	7.3	7.3

Kesko Corporation's ownership interests in other companies as at 31 December 2009 are presented in the notes to the consolidated financial statements.

During the financial year, Kesko Corporation sold some of its real estate companies.

During the 2008 financial year, Kesko Corporation sold its wholly-owned subsidiaries Kauko-Telko Ltd, Tähti Optikko Group Oy and K-Rahoitus Oy. In addition, the company founded a new subsidiary, K-talouspalvelukeskus Oy. Among subsidiaries directly owned by Kesko Corporation, other changes took place in real estate companies only.

€ million	2009	2008
14. Debtors		
Amounts owed by Group companies		
Long-term		
Loan receivables	360.7	389.4
Subordinated loans	50.0	10.0
Long-term receivables, total	410.7	399.4
Short-term		
Trade debtors	1.1	1.0
Loan receivables	294.2	541.2
Prepayments and accrued income	1.5	4.4
Short-term receivables, total	296.8	546.6
Total	707.5	946.0
Amounts owed by participating interests		
Long-term		
Loan receivables	1.5	1.5
Short-term		
Loan receivables	2.1	3.1
Short-term receivables, total	2.1	3.1
Total	3.6	4.6
Prepayments and accrued income		
Taxes	0.0	7.3
Others	3.5	18.1
Total	3.5	25.4

Kesko Corporation has issued capital loans of €30 million, €10 million and €10 million respectively to its subsidiaries Konekesko Ltd, Indoor Group Ltd and Kiinteistö Mesta Oy.

The loan issued to Konekesko Ltd will mature on 31.12.2024. The capital will be repaid in fifteen equally large instalments of €2 million payable each year on 31.12., provided that the provisions of chapter 12, section 1, paragraph 1 of the Limited Liability Companies Act are fulfilled. Interest will be payable only if the amount of the company's unrestricted equity plus all capital loans at the time of repayment exceeds the amount of loss shown in the balance sheet of the financial statements to be adopted for the company's last concluded financial year or of any more recent financial statements. The annual interest payable on the loan will comprise the reference rate and a margin to be added to it. The reference rate will be the 3-month Euribor and the margin will be 0.5% p.a. The interest will be paid in arrears on 31.12. Any unpaid interest will be treated as the borrower's debt and a sum of interest will be payable annually on it, whose rate will be the same as for the interest to be paid on the capital of the loan.

The loan issued to Indoor Group Ltd will mature on 31.3.2014. The capital will be repaid in five equally large instalments with the first one due on 31.3.2010. The capital will be repaid only if the provisions of chapter 12, section 1, paragraph 1 of the Limited Liability Companies Act are fulfilled. Interest will be payable only if the amount of the company's unrestricted equity plus all capital loans at the time of repayment exceeds the amount of loss shown in the balance sheet of the financial statements to be adopted for the company's last concluded financial year or of any more recent financial statements. If the repayment criteria are met, 10% interest will be paid on the loan.

The loan issued to Kiinteistö Mesta Oy will be repaid only if, after repayment of the loan, the restricted equity shown in the balance sheet to be adopted for the borrower's last concluded financial year and all other non-distributable items are fully funded.

€ million	2009	2008
15. Capital and reserves		
Share capital at 1 January	195.6	195.5
Subscriptions with options	1.0	0.1
Share capital at 31 December	196.6	195.6
Share issue, exercise of options at 1 January	0,1	-
Increase	4.6	0.4
Transfer to share capital	-1.0	-0.1
Transfer to share premium account	-3.6	-0.2
Share issue, exercise of options at 31 December	0.0	0.1
Share premium account at 1 January	190.3	190.1
Subscriptions with options	3.6	0.2
Share premium account at 31 December	193.9	190.3
Other reserves at 1 January	243.4	243.4
Other reserves at 31 December	243.4	243.4
Retained earnings at 1 January	767.8	687.8
Distribution of dividends	-97.8	-156.4
Transfer to donations	-0.3	-0.3
Retained earnings at 31 December	669.7	531.1
Profit for the financial year	138.8	236.7
Capital and reserves, total	1,442.4	1,397.2

Increase in share capital

During the reporting period, the share capital was increased four times corresponding to share subscriptions with the stock options of the 2003 option scheme. The increases were made on 11 February 2009 (€52,392), 5 May 2009 (€51,250), 5 June 2009 (€673,146) and 17 December 2009 (€216,562), and announced in stock exchange notifications on the same days. The subscribed shares were included on the main list of the Helsinki stock exchange for public trading with the old B shares on 12 February 2009, 6 May 2009, 8 June 2009 and 18 December 2009.

Distributable reserves

Other reserves	243.4	243.4
Retained earnings	669.7	531.1
Profit for the financial year	138.8	236.7
Total	1,051.9	1,011.2

Breakdown of the parent company's share capital

	pcs	counter value, €	€ million
A shares	31,737,007	2	63.5
B shares	66,584,522	2	133.2
Total	98,321,529		196.6

Voting rights carried by shares	number of votes
A share	10
B share	1

2003 and 2007 stock option plans

On 31 March 2003, the Annual General Meeting resolved to gratuitously issue a total of 1,800,000 share options to the management of the Kesko Group as well as to a wholly-owned subsidiary of Kesko Corporation. A deviation was made from the shareholders' pre-emptive right to subscription since the options form a part of the incentive and commitment programme for the management. Each option entitles the holder to subscribe for one new Kesko Corporation B share. The options are marked with symbols 2003D (KESBVEW103), 2003E (KESBVEW203) and 2003F (KESBVEW303) in units of 600,000 options each.

The Annual General Meeting of 26 March 2007 decided to grant a total of 3,000,000 stock options for no consideration to the Kesko Group management and the management of the other Group companies, to the rest of the key Kesko personnel, and to Sincera Oy, a subsidiary wholly owned by Kesko Corporation. A deviation was made from the shareholders' pre-emptive right to subscription since the options form a part of the incentive and commitment programme for the management. Each stock option entitles its holder to subscribe for one new Kesko Corporation B share. The stock options shall be marked with symbols 2007A, 2007B and 2007C in units of 1,000,000 options each.

Percentage of issued stock options out of all shares and votes

If shares were subscribed for with all exercisable options, the shares subscribed for with all the 2003 and 2007 plan options would account for 4.67% of shares and 1.23% of all votes. The subscriptions made with stock options could raise the number of the company's shares to 101,688,793. As a result of the subscriptions, the voting rights carried by all shares could increase to 387,321,856 votes.

The company has not granted other options or special rights entitling to shares.

Authorisations of the Board of Directors

Kesko's Annual General Meeting of 30 March 2009 authorised the Board to decide about the issuance of new B shares.

B shares can be issued against payment to the company's existing shareholders in proportion to their existing shareholdings regardless of whether they consist of A or B shares, or, deviating from shareholders' pre-emptive rights in order for the issued shares to be used as consideration in possible company acquisitions, other company business arrangements, or to finance investments. The maximum number of new shares issued is 20,000,000.

The Board of Directors was also authorised to decide about the subscription price of the shares, to issue shares against non-cash consideration, and to make decisions concerning any other matters relating to share issues.

The authorisation is valid until 30 March 2012.

The Board of Directors has no other authorisation concerning an issue of rights, convertible bonds or options valid at the moment.

€ million	2009	2008
16. Appropriations		
Depreciation reserve	91.6	131.2
Total	91.6	131.2
17. Provisions		
Future rent expenses for vacant business premises	5.7	5.2
Other provisions	2.1	3.1
Total	7.8	8.3
18. Non-current creditors		
Debt falling due later than within five years		
Private placement bonds	100.4	100.4
Loans from credit institutions	38.2	20.5
Total	138.6	120.9

On 10 June 2004, Kesko Corporation issued a private placement of USD 120 million in the US. The arrangement consists of three bullet loans: a 10-year loan (USD 60 million), a 12-year loan (USD 36 million) and a 15-year loan (USD 24 million). Kesko has hedged the loan by using currency and interest rate swaps, as a result of which the loan capital totals €100.4 million and the fixed capital-weighted average interest rate is 5.4%.

€ million	2009	2008
19. Current creditors		
Debt to Group companies		
Trade creditors	0.1	0.6
Other creditors	237.1	349.8
Accruals and deferred income	1.8	1.7
Total	239.0	352.1
Amounts owed to participating interests		
Other creditors	38.4	37.2
Total	38.4	37.2
Accruals and deferred income		
Staff expenses	2.5	2.6
Taxes	12.1	0.0
Others	11.3	12.1
Total	25.9	14.7
20. Interest-free debt		
Current creditors	32.0	21.3
Total	32.0	21.3

Other notes

€ million	2009	2008
21. Guarantees and contingent liabilities		
Real estate mortgages		
For own debt	7	6
For Group companies	10	10
Pledged shares	39	14
Guarantees		
For own debt	3	1
For Group companies	36	58
For others	0	1
Other contingent liabilities		
For own debt	15	10
Rent liabilities on machinery and fixtures		
Falling due within a year	0	1
Falling due later	0	0
Rent liabilities on real estate		
Falling due within a year	81	82
Falling due later	463	422

€ million	2009	Fair value	2008	Fair value
Liabilities arising from derivative instruments				
Value of underlying instruments at 31 Dec.				
Interest rate derivatives				
Forward and future contracts	12	-0.1	-	
Interest rate swaps	201	0.7	201	9.9
Currency derivatives				
Forward and future contracts				
Outside the Group	437	-6.6	333	6.6
Inside the Group	9	0.1	20	1
Option agreements				
Bought	-	-	-	-
Written	5	0	5	-0.1
Currency swaps	100	-17.2	100	-14.2
Commodity derivatives				
Electricity derivatives				
Outside the Group	40	-5.0	46	-10.8
Inside the Group	40	5.0	46	10.8
Grain derivatives	0	0.0	1	0.0

Signatures

Signatures

Helsinki, 4 February 2010

Heikki Takamäki Seppo Paatelainen

Esa Kiiskinen Ilpo Kokkila Mikko Kosonen

Maarit Näkyvä Rauno Törrönen Matti Halmesmäki
Managing Director

The Auditor's Note

Our auditors' report has been issued today.

Helsinki, 9 February 2010

PricewaterhouseCoopers Oy
Authorised Public Accountants

Johan Kronberg
APA

Auditor's Report (Translation from the Finnish Original)

To the Annual General Meeting of Kesko Corporation

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Kesko Corporation for the year ended on 31 December, 2009. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes to the consolidated financial statements, as well as the parent company's statement of financial position, income statement, statement of cash flows and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the financial statements and the report of the Board of Directors and for the fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the fair presentation of the financial statements and the report of the Board of Directors in accordance with laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's Responsibility

Our responsibility is to perform an audit in accordance with good auditing practice in Finland, and to express an opinion on the parent company's financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. Good auditing practice requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements and the report of the Board of Directors are free from material misstatement and whether the members of the Board of Directors of the parent company and the Managing Director have complied with the Limited Liability Companies Act.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements and of the report of the Board of Directors, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements and the report of the Board of Directors in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

The audit was performed in accordance with good auditing practice in Finland. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the Consolidated Financial Statements

In our opinion, the consolidated financial statements give a true and fair view of the financial posi-tion, financial performance and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the Company's Financial Statements and the Report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Other Opinions

We support that the financial statements should be adopted. The proposal by the Board of Directors regarding the use of distributable funds shown in the statement of financial position is in compliance with the Limited Liability Companies Act. We support that the Members of the Board of Directors and the Managing Director should be discharged from liability for the financial period audited by us.

Helsinki, 9 February 2010
PricewaterhouseCoopers Oy
Authorised Public Accountants

Johan Kronberg
Authorised Public Accountant

Shares and shareholders

Dividend policy

On 4 February 2009, Kesko's Board of Directors decided to revise Kesko's dividend policy published on 6 April 2005. In addition to the financial position and the operating strategy, the new policy takes account of the nature of non-recurring items. According to Kesko Corporation's revised dividend policy, Kesko Corporation distributes at least 50% of its earnings per share excluding non-recurring items as dividends, taking however the company's financial position and operating strategy into account (stock exchange release 5 February 2009).

The financial objectives are presented on page 10.

Proposed dividends for the year 2009

Kesko Corporation's Board of Directors proposes to the Annual General Meeting that €88,547,166.90 or €0.90 per share, be distributed as dividends from the net profit for the year 2009, representing 70.5% of earnings per share and 126,8% of earnings per share excluding non-recurring items. During the past five years 83.4% of earnings per share excluding non-recurring items, on the average, has been distributed as dividends.

Basic information on the shares at 31 December 2009

A share

- shortname: KESAV (OMX)
- ISIN code: FI0009007900
- voting rights per share: 10 votes
- number of shares: 31,737,007
- market capitalisation: €749 million

B share

- shortname: KESBV (OMX)
- ISIN code: FI0009000202
- voting rights per share: 1 vote
- number of shares: 66,584,522
- market capitalisation: €1,537 million

Trading unit of both share series: 1 share
Total share capital: €196,643,058
Total number of shares: 98,321,529
Voting rights carried by all shares: 383,954,592
Market capitalisation: €2,286 million

Share series and share capital

Kesko Corporation's share capital is divided into A share series and B share series. The company's share capital was €196,643,058.

The minimum number of A shares is one (1) and the maximum number two hundred and fifty million (250,000,000) and 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 98,321,529, of which 31,737,007 (32.3%) are A shares and 66,584,522 (67.7%) are B shares.

Each A share entitles the holder to 10 votes and each B share to 1 vote. Both shares give the same dividend rights. The number of votes entitled by A shares is 83% and the number of votes entitled by B shares 17% of the total voting rights.

The shares are included in the book-entry securities system held by Euroclear Finland Ltd.

The right to receive distributions from the company and the right to subscribe for 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, and
- 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 registered in the shareholder register as the custodian of the shares by the record date

Authorisations of the Board of Directors and treasury shares

Kesko's Annual General Meeting held on 30 March 2009 authorised the company's Board of Directors to decide about the issuance of new B shares. The new shares can be issued against payment either in a directed issue to the company's existing shareholders in proportion to their existing shareholdings regardless of whether they consist of A or B shares; or in a directed issue deviating from the shareholders' pre-emptive rights in order for the issued shares to be used as consideration in possible company acquisitions, other company business arrangements, or to finance investments. The company must have a weighty financial reason for deviating from the shareholders' pre-emptive rights. The authorisation is for the issuance of up to 20,000,000 new shares. The subscription price is recognised in the reserve of invested non-restricted equity.

The Board of Directors was also given the authority to decide about the subscription price of the shares, to issue shares against non-cash consideration, and to make decisions concerning any other matters relating to share issues. The share issue authorisation will be valid until 30 March 2012. The authorisation has not been used.

In addition, the company operates the 2003 and 2007 option plans. The exercise periods of the 2003 plan options have expired except for the 2003F options, whose exercise period will expire on 30 April 2010.

The Board of Directors has no other valid authorisations to issue shares, to increase share capital, or to acquire or assign the company's shares.

Kesko Corporation or its subsidiaries held no Kesko Corporation shares.

Shareholders

According to the register of Kesko's shareholders kept by the Euroclear Finland Ltd, there were 38,888 shareholders at the end of 2009 (38,080 at the end of 2008). The total number of shares registered in a nominee name was 19,352,409, accounting for 19.68% of the shares (18,909,587 and 19.33% respectively at the end of 2008). The number of votes entitled by these shares was 19,875,903 or 5.18% of the total voting rights (19,535,132 or 5.09% respectively at the end of 2008). A list of Kesko's largest shareholders, updated monthly, is available at www.kesko.fi/investors.

The 2003 stock option scheme

On 31 March 2003, the Annual General Meeting resolved to gratuitously issue a total of 1,800,000 stock options to the management of the Kesko Group as well as to a wholly-owned subsidiary of Kesko Corporation. A deviation was made from the shareholders' pre-emptive right to subscription since the stock options form a part of the incentive and commitment programme for the management. The scheme comprises approximately 60 persons.

Each stock option entitles its owner to subscribe for one Kesko Corporation B share. The stock options have been marked with shortnames 2003D (KESBVEW103, ISIN code FI0009609317), 2003E (KESBVEW203, ISIN code FI0009609325), and 2003F (KESBVEW303, ISIN code FI0009609333), in units of 600,000 stock options each.

The share subscription periods are:

- for stock option 2003D 1 April 2005 – 30 April 2008,
- for stock option 2003E 1 April 2006 – 30 April 2009, and
- for stock option 2003F 1 April 2007 – 30 April 2010.

The original share subscription price for stock option 2003D was the trade volume weighted average price of a Kesko Corporation B share on the Helsinki Stock Exchange between 1 to 30 April 2003 (€9.63), for stock option 2003E, the corresponding price between 1 to 30 April 2004 (€15.19) and for stock option 2003F, the corresponding price between 1 to 30 April 2005 (€19.08). From the prices of shares subscribed for with stock options shall be deducted the amount of the dividend per share distributed after the above period for the determination of the subscription price has ended but before the date of subscription for shares.

At the end of 2009, the subscription price of a B share subscribed for with stock option 2003F was €13.88. The subscription period for stock option 2003D ended on 30 April 2008, and for 2003E on 30 April 2009. Dividend rights and other shareholder rights of the share subscribed for with options take effect when the share capital increase has been entered in the Trade Register.

The 2007 stock option scheme

The Annual General Meeting of 26 March 2007 decided to grant a total of 3,000,000 stock options for no consideration to the Kesko Group management and other key Kesko personnel, and to a subsidiary wholly owned by Kesko Corporation. The company had a weighty financial reason for granting stock options because they are intended to be part of Kesko's share-based incentive system.

Each stock option entitles its holder to subscribe for one new Kesko Corporation B share. The stock options shall be marked with symbols 2007A, 2007B and 2007C in units of 1,000,000 options each.

The exercise periods of the options shall be:

- for stock option 2007A, from 1 April 2010 until 30 April 2012,
- for stock option 2007B, from 1 April 2011 until 30 April 2013 and
- for stock option 2007C, from 1 April 2012 until 30 April 2014.

The original subscription price for stock option 2007A was the trade volume weighted average quotation of a Kesko Corporation B share on the Helsinki Stock Exchange between 1 April and 30 April 2007 (€45.82), for stock option 2007B between 1 April and 30 April 2008 (€26.57), and for stock option 2007C between 1 April and 30 April 2009 (€16.84). The subscription prices of shares subscribed for with stock options shall be reduced by the amount decided after the beginning of the period for the determination of the subscription price but before the subscription as at the record date for each dividend distribution or other distribution of funds.

If shares were subscribed for with all exercisable options, the shares subscribed for with all the 2003 and 2007 plan options would account for 4.67% of shares and 1.23% of all votes. The subscriptions made with stock options could raise the number of the company's shares to 101,688,793. As a result of the subscriptions, the voting rights carried by all shares could increase to 387,321,856 votes.

Share subscriptions made with stock options

In 2009, the share capital was increased four times corresponding to share subscriptions with the stock options of the 2003 option scheme. The increases were made on 11 February 2009 (€52,392), 5 May 2009 (€51,250), 5 June 2009 (€673,146) and 17 December 2009 (€216,562). In 2009, the share capital was increased by a total of €993,350 (496,675 shares).

By the end of 2009, 574,088 B shares had been subscribed for with the 2003D options (subscription period has ended), 576,000 with the 2003E options (subscription period has ended), and 232,736 with the 2003F options, or 1,382,824 B shares in aggregate. The subscribed shares have been included in the main list of the NASDAQ OMX Helsinki stock exchange for public trading.

Other special shareholding rights

The company has not issued other stock options, convertible bonds, bonds with warrants or other special rights to company shares.

Shares and options held by the management

At the end of 2009, the members of Kesko Corporation's Board of Directors, the President and CEO and the corporations under their control held 224,720 Kesko Corporation A shares (202,910 at the end of 2008) and 100,820 Kesko Corporation B shares (210,370), i.e. a total of 325,540 shares (413,280), which represented 0.33% (0.42%) of the company's total share capital and 0.61% (0.58%) of its voting rights.

At the end of 2009, the company's President and CEO held a total of 150,000 Kesko Corporation options (100,000 at the end of 2008), which represented 0.15% (0.10%) of the company's total share capital and 0.04% (0.03%) of voting rights, presuming that shares have been subscribed for with all of these options. No Board members held stock options at the end of 2009 (nor at the end of 2008).

Detailed information on shares and options held by the management at the beginning and at the end of 2009 is given on pages 66–69.

Trading in Kesko's shares and stock options in 2009

Kesko Corporation's shares are listed on the NASDAQ OMX Helsinki Ltd Helsinki stock exchange. Key information about share trading in 2009 is given in the tables and graphs on this double page spread. The price trends of both shares followed the general share price trend. The prices of liquid B shares rose by 30 percent and those of less liquid A shares by 7 percent, while the NASDAQ OMX Helsinki All Share Index was up 19 percent. The trading in B shares dropped by over one third, and the value traded almost halved. The number of A shares traded also decreased by about 30% compared with the previous year, and the value traded represented only about one half of last year's level. At the end of the year, the market capitalisation of A shares was €749 million and that of B shares €1,537 million. The total market capitalisation of the company was €2,286 million, an increase of €411 million, or 22% during the year.

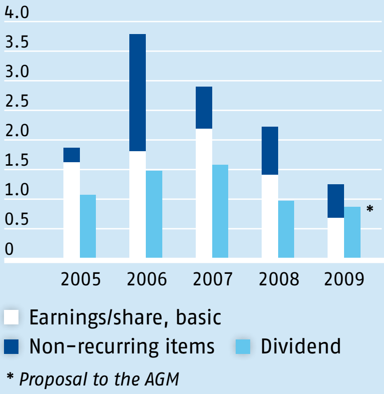
Flagging notifications

Kesko Corporation did not receive any flagging notification during 2009.

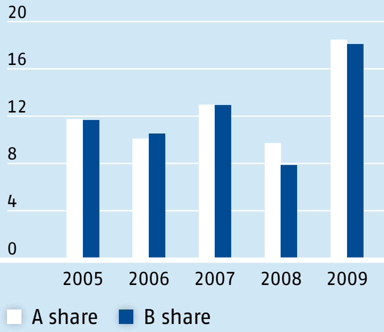
The company has not been informed of any agreements relating to its share ownership or the exercise of its voting rights.

Share performance indicators

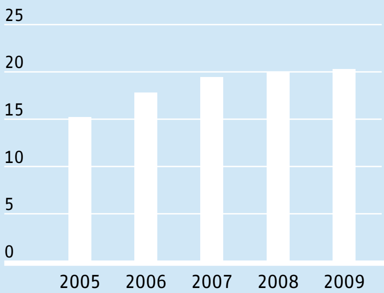
Earnings per share and dividend per share, €



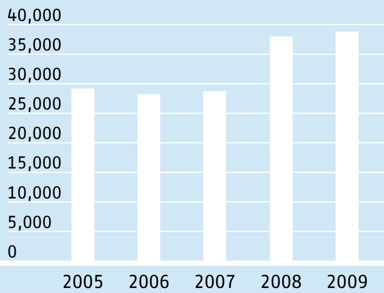
Share price per earnings, P/E ratio, at 31 Dec., adjusted



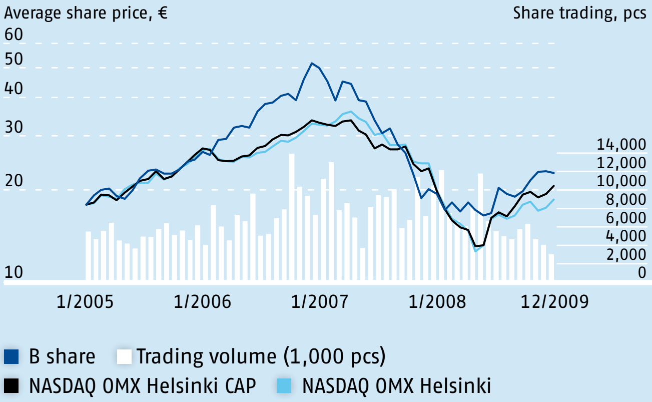
Equity per share, €, at 31 Dec., adjusted



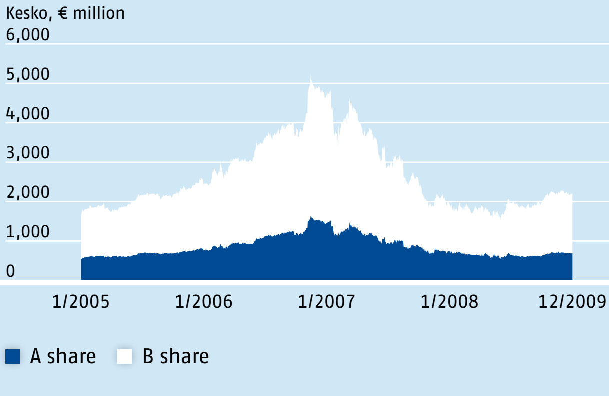
Number of shareholders, at 31 Dec.



Trading volume of Kesko B share



Market capitalisation of Kesko shares



The latest changes is share capital

Year	Subscription period	Subscription ratio and price per option type	Change	New share capital, €
2005	15.2.2005	1:1 à 8.87 € B stock option	€ 2,656,500	€ 190,337,584
		1:1 à 7.11 € C stock option		
2005	4.5.2005	1:1 à 7.87 € B stock option	€ 912,390	€ 191,249,974
		1:1 à 6.11 € C stock option		
		1:1 à 5.63 € D stock option		
2005	8.6.2005	1:1 à 7.87 € B stock option	€ 536,600	€ 191,786,574
		1:1 à 6.11 € C stock option		
		1:1 à 5.63 € D stock option		
2005	3.8.2005	1:1 à 7.87 € B stock option	€ 172,676	€ 191,959,250
		1:1 à 6.11 € C stock option		
		1:1 à 5.63 € D stock option		
2005	28.9.2005	1:1 à 7.87 € B stock option	€ 588,700	€ 192,547,950
		1:1 à 6.11 € C stock option		
		1:1 à 5.63 € D stock option		
2005	2.11.2005	1:1 à 7.87 € B stock option	€ 97,960	€ 192,645,910
		1:1 à 6.11 € C stock option		
		1:1 à 5.63 € D stock option		
2005	20.12.2005	1:1 à 7.87 € B stock option	€ 321,942	€ 192,967,852
		1:1 à 6.11 € C stock option		
		1:1 à 5.63 € D stock option		
2006	13.2.2006	1:1 à 7.87 € B stock option	€ 640,500	€ 193,608,352
		1:1 à 6.11 € C stock option		
		1:1 à 5.63 € D stock option		
2006	4.5.2006	1:1 à 7.87 € B stock option	€ 938,058	€ 194,546,410
		1:1 à 6.77 € B stock option		
		1:1 à 6.11 € C stock option		
		1:1 à 5.01 € C stock option		
		1:1 à 4.53 € D stock option		
2006	9.6.2006	1:1 à 4.53 € D stock option	€ 59,200	€ 194,605,610
		1:1 à 12.09 € E stock option		
2006	7.8.2006	1:1 à 4.53 € D stock option	€ 118,000	€ 194,723,610
		1:1 à 12.09 € E stock option		
2006	3.10.2006	1:1 à 4.53 € D stock option	€ 94,800	€ 194,818,410
		1:1 à 12.09 € E stock option		
2006	1.11.2006	1:1 à 4.53 € D stock option	€ 157,200 €	€ 194,975,610
		1:1 à 12.09 € E stock option		
2006	21.12.2006	1:1 à 4.53 € D stock option	€ 64,240	€ 195,039,850
		1:1 à 12.09 € E stock option		
2007	12.2.2007	1:1 à 4.53 € D stock option	€ 46,376	€ 195,086,226
		1:1 à 12.09 € E stock option		
2007	26.4.2007	1:1 à 3.03 € D stock option	€ 86,800	€ 195,173,026
		1:1 à 10.59 € E stock option		
2007	29.5.2007	1:1 à 3.03 € D stock option	€ 298,572	€ 195,471,598
		1:1 à 10.59 € E stock option		
		1:1 à 16.48 € F stock option		
2007	24.7.2007	1:1 à 3.03 € D stock option	€ 9,000	€ 195,480,598
		1:1 à 10.59 € E stock option		
2007	26.9.2007	1:1 à 3.03 € D stock option	€ 39,032	€ 195,519,630
		1:1 à 16.48 € F stock option		
2007	19.12.2007	1:1 à 3.03 € D stock option	€ 15,900	€ 195,535,530
		1:1 à 10.59 € E stock option		
2008	11.2.2008	1:1 à 3.03 € D stock option	€ 210	€ 195,535,740
		1:1 à 10.59 € E stock option		
2008	28.4.2008	1:1 à 3.03 € D stock option	€ 38,168	€ 195,573,908
		1:1 à 2.00 € D stock option		
		1:1 à 8.99 € E stock option		
2008	9.6.2008	1:1 à 2.00 € D stock option	€ 42,200	€ 195,616,108
		1:1 à 14.88 € F stock option		
2008	28.7.2008	1:1 à 8.99 € E stock option	€ 8,600	€ 195,624,708
2008	1.10.2008	1:1 à 8.99 € E stock option	€ 4,000	€ 195,628,708
2008	27.10.2008	1:1 à 8.99 € E stock option	€ 6,000	€ 195,634,708
2008	18.12.2008	1:1 à 8.99 € E stock option	€ 7,500	€ 195,649,708
2009	11.2.2009	1:1 à 8.99 € E stock option	€ 52,392	€ 195,702,100
2009	5.5.2009	1:1 à 8.99 € E stock option	€ 51,250	€ 195,753,350
		1:1 à 7.99 € E stock option		
2009	5.6.2009	1:1 à 7.99 € E stock option	€ 673,146	€ 196,426,496
		1:1 à 13.88 € F stock option		
2009	17.12.2009	1:1 à 13.88 € F stock option	€ 216,562	€ 196,643,058

Prices and trading of Kesko A and B shares on the Helsinki Stock Exchange in 2009

Share	Share price, € 31 Dec. 2008	Share price, € 31 Dec. 2009	Change,%	Lowest price, €	Highest price, €	Trading volume, 1,000 pcs	Total value traded, € million
A share	22.00	23.60	+7.3	18.73	25.00	993	21,955
B share	17.80	23.08	+29.7	14.99	24.00	78,189	1,500,605

During the year, the NASDAQ OMXHelsinki All Share Index rose by 19.5% and the NASDAQ OMXHelsinkiCAP Index by 36.2%, and the Helsinki Stock Exchange Consumer Staples Index by 30.8%. Up-to-date information on shares and shareholders is available at www.kesko.fi

10 largest shareholders by number of shares (A- and B-series) at 31.12.2009

	Number of shares, pcs	% of shares	Number of votes	% of votes
1 Kesko Pension Fund	4,438,885	4.51	35,388,850	9.22
2 The K-Retailers´ Association	3,400,724	3.46	33,639,590	8.76
3 Vähittäiskaupan Takaus Oy	2,991,771	3.04	26,648,568	6.94
4 Ilmarinen Mutual Pension Insurance Company	1,938,980	1.97	3,916,838	1.02
5 Valluga-sijoitus Oy	1,340,439	1.36	13,404,390	3.49
6 Varma Mutual Pension Insurance Company	1,210,986	1.23	1,210,986	0.32
7 Tapiola Mutual Pension Insurance Company	1,019,858	1.04	1,019,858	0.27
8 Oy The English Tearoom Ab	1,008,400	1.03	1,008,400	0.26
9 Foundation for Vocational Training in the Retail Trade	936,085	0.95	7,989,898	2.08
10 The State Pension Fund	850,000	0.86	850,000	0.22
10 largest, total	**19,136,128**	**19.45**	**125,077,378**	**32.58**

Ownership structure 31.12.2009

All shares	Number of shares	% of all shares
Non-financial corporations and housing corporations	25,624,351	26.06
Financial and insurance corporations	6,101,976	6.21
General Government*	11,342,495	11.54
Households	28,889,275	29.38
Non-profit institutions serving households**	6,238,327	6.34
Rest of the world	772,696	0.79
Nominee registered	19,352,409	19.68
Total	**98,321,529**	**100.00**

A shares	Number of shares	% of A shares	% of all shares
Non-financial corporations and housing corporations	18,335,606	57.77	18.65
Financial and insurance corporations	1,384,377	4.36	1.41
General Government*	3,662,847	11.54	3.73
Households	6,677,770	21.04	6.79
Non-profit institutions serving households**	1,613,405	5.08	1.64
Rest of the world	4,836	0.02	0.00
Nominee registered	58,166	0.18	0.06
Total	**31,737,007**	**100.00**	**32.28**

B shares	Number of shares	% of B shares	% of all shares
Non-financial corporations and housing corporations	7,288,745	10.95	7.41
Financial and insurance corporations	4,717,599	7.09	4.80
General Government*	7,679,648	11.53	7.81
Households	22,211,505	33.36	22.59
Non-profit institutions serving households**	4,624,922	6.95	4.70
Rest of the world	767,860	1.15	0.78
Nominee registered	19,294,243	28.98	19.62
Total	**66,584,522**	**100.00**	**67.72**

** 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, charitable associations.*

10 largest shareholders by number of votes at 31.12.2009

	Number of shares	% of shares	Number of votes	% of votes
1 Kesko Pension Fund	4,438,885	4.51	35,388,850	9.22
2 K-Retailers' Association	3,400,724	3.46	33,639,590	8.76
3 Vähittäiskaupan Takaus Oy	2,991,771	3.04	26,648,568	6.94
4 Valluga-sijoitus Oy	1,340,439	1.36	13,404,390	3.49
5 Foundation for Vocational Training in the Retail Trade	936,085	0.95	7,989,898	2.08
6 Ilmarinen Mutual Pension Insurance Company	1,938,980	1.97	3,916,838	1.02
7 Ruokacity Myyrmäki Oy	389,541	0.40	3,895,410	1.01
8 K-Food Retailers' Club	351,822	0.36	3,518,220	0.92
9 Heimo Välinen Oy	313,707	0.32	2,961,570	0.77
10 Svenska litteratursällskapet i Finland r.f.	350,000	0.36	2,150,000	0.56
10 largest, total	**16,451,954**	**16.73**	**133,513,334**	**34.77**

Distribution of share ownership at 31.12.2009

All shares Number of shares	Number of shareholders	% of shareholders	Shares total	% of shares
1–100	11,057	28.43	649,923	0.66
101–500	14,363	36.93	3,994,056	4.06
501–1 000	5,689	14.63	4,466,636	4.54
1 001–5 000	5,992	15.41	13,313,691	13.54
5 001–10 000	955	2.46	6,812,170	6.93
10 001–50 000	688	1.77	14,227,131	14.47
50 001–100 000	80	0.21	5,661,411	5.76
100 001–500 000	49	0.13	9,906,666	10.08
500 001–	15	0.04	39,289,845	39.96
Total	**38,888**	**100.00**	**98,321,529**	**100.00**

A shares Number of shares	Number of shareholders	% of holders of A shares	A shares total	% of A shares
1–100	1,707	26.41	86,919	0.27
101–500	1,378	21.32	365,747	1.15
501–1 000	977	15.11	841,461	2.65
1 001–5 000	1,610	24.91	3,973,792	12.52
5 001–10 000	405	6.27	2,856,168	9.00
10 001–50 000	334	5.17	7,030,846	22.15
50 001–100 000	35	0.54	2,471,378	7.79
100 001–500 000	13	0.20	2,559,208	8.06
500 001–	5	0.08	11,551,488	36.40
Total	**6,464**	**100.00**	**31,737,007**	**100.00**

B shares Number of shares	Number of shareholders	% of holders of B shares	B shares total	% of B shares
1–100	10,270	29.49	612,459	0.92
101–500	13,819	39.68	3,846,514	5.78
501–1 000	5,000	14.36	3,864,363	5.80
1 001–5 000	4,719	13.55	10,123,854	15.20
5 001–10 000	554	1.59	4,032,498	6.06
10 001–50 000	379	1.09	7,589,624	11.40
50 001–100 000	38	0.11	2,683,974	4.03
100 001–500 000	32	0.09	6,925,951	10.40
500 001–	11	0.03	26,905,285	40.41
Total	**34,822**	**100.00**	**66,584,522**	**100.00**

** 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, charitable associations.*

Share capital and shares

		2005	2006	2007	2008	2009
Share capital	€ million	193	195	196	196	197
Number of shares at 31 Dec.	1,000 pcs	96,483.9	97,519.9	97,767.8	97,824.9	98,321.5
Adjusted number of shares at 31 Dec	1,000 pcs	96,483.9	97,519.9	97,767.8	97,824.9	98,321.5
Adjusted average number of shares during the year	1,000 pcs	97,215.5	98,027.0	98,395.3	98,256.2	98,382.2
of which A shares	%	33	32	32	32	32
of which B shares	%	67	68	68	68	68
Market capitalisation, A share	€ million	768	1,220	1,201	698	749
Market capitalisation, B share	€ million	1,551	2,632	2,491	1,176	1,537
Number of shareholders at 31 Dec.	pcs	29,339	28,414	28,925	38,080	38,888
Share turnover						
A share	€ million	29	61	161	41	22
B share	€ million	1,383	2,410	5,294	2,859	1,501
Share turnover						
A share	million pcs	1	2	4	1	1
B share	million pcs	66	77	122	121	78
Turnover rate						
A share	%	4.1	6.4	11.5	4.5	3.1
B share	%	101.5	117.1	185.3	183.3	117.4
Change in turnover						
A share	%	7.6	57.2	78.8	-61.0	-30.4
B share	%	-24.0	15.4	58.8	-1.0	-35.4
Share price at 31 Dec.						
A share	€	24.19	38.43	37.85	22.00	23.60
B share	€	23.95	40.02	37.72	17.80	23.08
Average share price						
A share	€	21.93	30.10	43.85	28.30	21.92
B share	€	21.04	31.34	43.36	23.51	19.18
Highest share price during the year						
A share	€	24.60	38.99	53.44	38.20	25.00
B share	€	24.44	40.48	54.85	38.12	24.00
Lowest share price over the year						
A share	€	18.61	23.72	34.52	21.33	18.73
B share	€	17.80	23.80	34.40	15.31	14.99
Earnings per share, diluted	€	1.87	3.76	2.90	2.24	1.27
Earnings per share, basic	€	1.89	3.80	2.92	2.25	1.28
Equity per share, adjusted	€	15.35	17.94	19.53	20.09	20.39
Dividend per share	€	1.10	1.50	1.60	1.00	0.90*
Payout ratio	%	58.1	39.5	54.8	44.5	70.5*
Dividend as percentage of profit excl. non-recurring items	%	66.7	82.0	72.4	69.4	126.8*
Cash flow from operating activities per share, adjusted	€	3.07	3.35	2.52	1.37	3.86
Price per earnings ratio (P/E), A share, adjusted		11.86	10.22	13.07	9.84	18.54
Price per earnings ratio (P/E), B share, adjusted		11.74	10.64	13.02	7.96	18.13
Dividend yield, A share	%	4.6	3.9	4.2	4.6	3.8*
Dividend yield, B share	%	4.6	3.8	4.2	5.6	3.9*
Effective dividend yield of A share for the last five periods	%	15.4	29.3	26.6	10.9	9.2
Effective dividend yield of B share						
for the last five periods	%	29.2	42.8	36.1	12.9	10.3
for the last ten periods	%	18.6	22.7	18.7	11.7	14.9

**proposal to the Annual General Meeting*

Information for shareholders

Financial reporting calendar and key dates in 2010

Year 2009 financial statements release	5 February 2010
Year 2009 Annual Report and audited financial statements	Week 9
Year 2010 Annual General Meeting	29 March 2010
Interim report for the first three months of 2010	27 April 2010
Interim report for the first six months of 2010	23 July 2010
Interim report for the first nine months of 2010	26 October 2010

In addition, the Kesko Group's sales figures are published monthly and the K-Group's retail sales figures are published in connection with the interim reports.

Annual General Meeting

The Annual General Meeting of Kesko Corporation will be held in the Helsinki Fair Centre's congress wing, Messuaukio 1 (congress wing entrance), Helsinki, on 29 March 2010 at 13.00.

All shareholders entered in the register of Kesko Corporation shareholders kept by Euroclear Finland Ltd on 17 March 2010 (Annual General Meeting record date) are entitled to attend the Annual General Meeting.

Shareholders wishing to attend the meeting should notify, not later than 24 March 2009 at 16.00, to Kesko Corporation/Legal Affairs, FI-00016 Kesko, by fax to +358 1053 23421, by telephone to +358 1053 23211, by e-mail to taina.hohtari@kesko.fi, or through the Internet at www.kesko.fi/investors. The notifications must be received by the end of the registration period. Any proxies authorising the holders to attend the Annual General Meeting shall be sent to the above mailing address by the end of the registration period. Holders of nominee registered shares are advised to request necessary instructions for registering in the shareholder register, submitting proxies and registering for the Annual General Meeting from their custodian banks.

More information about the Annual General Meeting, attendance and decision-making is given under the heading 'Corporate Governance' on pages 54–65.

The resolutions of the Annual General Meeting are published without delay after the meeting in a stock exchange release.

Payment of dividends

The Board of Directors has decided to propose to the Annual General Meeting that a dividend of €0.90 per share be paid for 2009. The dividend will be paid to all shareholders entered in the register of Kesko Corporation shareholders kept by Euroclear Finland Ltd on 1 April 2010 (record date for the payment of dividend). Registration practice takes three banking days, so the dividends are paid to those who hold the shares at the close of the date of the Annual General Meeting on 29 March 2010. Dividends of the shares traded on the date of the Annual General Meeting are paid to buyers.

According to the Board of Directors' proposal, the payment of dividends starts on 12 April 2010.

Financial publications

Kesko publishes a printed Annual Report in Finnish and English. The company maintains an Annual Report mailing list. Those who wish to be included on the mailing list may fill in the form at www.kesko.fi/material.

The financial statements release, three interim reports, monthly sales figures and other key releases are available on the company's website at www.kesko.fi/media.

Kesko publishes a printed Corporate Responsibility Report in Finnish and English.

Publications may be ordered from

Kesko Corporation/Corporate Communications and Responsibility
Satamakatu 3
FI-00016 Kesko
Tel. +358 1053 22404
www.kesko.fi/material

Changes of address

Shareholders should notify changes of address to the bank, brokerage firms or other account operator with which they have a book-entry securities account.

Information about Kesko for investors

Communications policy and principles

The purpose of Kesko's communications is to promote the business of the Group and its business partners by taking the initiative in providing stakeholders with correct information on Group objectives and operations. The general principles followed in providing communications also include openness, topicality and truthfulness. No comments are made on confidential or unfinished business, nor on competitors' affairs.

The primary objective of communications is to describe what added value Kesko and its cooperation partners generate to consumers and other customers, whose impressions and behaviour ultimately decide Kesko's success.

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 Corporation'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.

In its investor communications, Kesko follows the principle of impartiality and publishes all investor information on its web pages in Finnish and English.

Kesko publishes the printed Annual Report in Finnish and English. The financial statements release and three interim reports are available on Kesko's web pages. The company maintains the Annual Report mailing list. Those who wish to be included on the mailing list may fill in the form at www.kesko.fi/material. Kesko's stock exchange and press releases sent by e-mail can also be ordered at www.kesko.fi/material.

Kesko arranges press conferences for analysts and the media at the time of publishing financial statements or other significant news, and holds Capital Market Days for analysts and institutional investors on various themes 1–2 times a year.

Kesko observes a two-week period of silence before publishing its results releases. At other times, we are happy to answer the enquiries of analysts and investors by phone or e-mail, or at the investor meetings arranged.

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Kesko Corporation's Board of Directors and Corporate Management Board are presented on pages 66–67 and 68–69.

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Glossary

In this glossary we have compiled a list of some key terms used in the Annual Report.

After-sales marketing refers in the car and machinery trade in particular to after-sales activities, such as maintenance, repairs, sales of spare parts, accessories and equipment.

AMS is an abbreviation of AMS Sourcing BV. Kesko Food works in cooperation with the leading European food chains in AMS, and is a partner in the World- Wide Retail Exchange. The WWRE is a business-to-business web marketplace.

Brand is a trademark, logo or branded product. It is an embodiment of all information relating to the company product or service. A brand is an image, created by the way of doing things, by quality and the willingness to reach the set destination.

Certification of goods sold by stores is an audit carried out by an independent third to verify the compliance of operating systems with certain criteria (e.g. with an ISO standard).

Chain agreement is a contract between the retailer and Kesko that enables the retailer join one of Kesko's retail store chains. Under the terms of the chain agreement, the retailer and Kesko agree on their rights and responsibilities regarding chain operations.

Chain concept is a comprehensive description of retail business operations and guidelines for their similar implementation in all stores of the chain.

Chain selection in the K-Group is that part of a selection which is the same in all stores of the chain. The chain unit makes decisions concerning the selection.

Chain unit is the Kesko unit responsible for store chain operations and chain concept development in the K-Group. It has decision-making power in matters concerning the chain.

Corporate responsibility refers to voluntary responsibility towards key stakeholders. It is measurable, based on the company's values and objectives, and is divided into economic, social and environmental responsibility.

Dealer, for instance in the car trade, is a company authorised by the importer to sell and service branded products. The dealer meets the quality standards set by the manufacturer and the importer.

Department store is a retail store that sells a wide variety of goods. Its sales area is at least 2,500 m^2. In a department store, no product category accounts for over half of the total sales area.

Distance sales refers to trading activities where customers do not visit store premises, but instead trade through the Internet, other electronic media or mail order.

Fair trade is a form of international trade, illustrated by a formalised parrot logo. The logo indicates that business is carried out directly with small producers of the third world without intermediaries. Producers receive a guaranteed price for their products that is usually significantly higher that the world market price. They are also given guarantees of long contracts and opportunities for advance financing.

Groceries refer to food and other everyday products that people are used to buying when they shop for food. Groceries include food, beverages, tobacco, home chemical products, household papers, magazines and cosmetics.

Grocery store is, in most cases, a selfservice food store that sells the full range of the above groceries. Food accounts for about 80% of grocery stores' total sales.

Home and speciality goods stores include clothing, shoe, sports, home technology, home goods, furniture and interior decoration stores.

HoReCa is a category consisting of large customers in the food trade, including hotels, restaurants and other catering companies.

Hypermarket is a retail store selling a wide variety of goods mainly on the self-service principle. Its sales area exceeds 2,500 m^2. In a hypermarket, food accounts for about half of the total area, but sales focus on groceries (food and other everyday items).

K-Group consists of the K-retailers, the K-Retailers' Association and the Kesko Group.

K-retailer is an independent chain entrepreneur who, through good service, competence and local expertise, provides additional strength for chain operations. The K-retailer entrepreneurs are responsible for their stores' customer satisfaction, personnel and profitable business operations.

K-Retailers' Association is a body that looks after the interests of the K-retailers. Its key function is to promote and strengthen the conditions for the entrepreneurial activities of K-retailers. All the K-retailers – about 1,302– are members of the K-Retailers' Association.

Logistics is a process in which information management is used to direct the goods flow and related services throughout the entire supply chain. Logistics help optimise the quality and cost-efficiency of operations.

Neighbourhood store is usually a small grocery store, located close to consumers and easily accessible by foot. It is usually a self-service store of less than 400 m^2. In Finland they have unrestricted opening hours even in town plan areas.

New establishment (greenfielding) refers to new store sites or business premises.

Operations control system (ERP Enterprise Resource Planning system) is an information system that supports the planning and control of business operations. It includes the information systems supporting the core processes of the company, such as category management and purchasing logistics in the trading sector, e.g. SAP R3.

Organic product is, according to the EU regulation on organic production, a product in which at least 95% of the raw materials of agricultural origin have been organically produced.

Private label (own brand, house brand) product is a branded product made for the trading company by a manufacturer and marketed as part of a larger product family under one brand name. A company markets its private label products through its own network.

Retail trade refers to sales to consumer customers.

Sales area refers to the store area reserved for sales, such as goods areas, aisles, service counters, checkout areas and air lock entrances.

Selection is the range of products sold for the same purpose, for instance a selection of bread. Speciality stores carry a deep selection in the category.

Self-control is an entrepreneur's own control system, the purpose of which is to prevent problems arising in food hygiene. In compliance with legislation, self-control is based on HACCP (Hazard Analysis and Critical Control Points) principles. The hazards related to products are assessed, the critical control points needed for hazard monitoring are identified and then controlled. The system is applied to the hygiene of manufacturing plants' machinery and equipment, the quality of raw materials and products, the effectiveness of manufacturing processes, and transportation and warehousing conditions.

Service company is an enterprise that offers all the products and services wanted or expected by customers at the same time. The service company provides customers with a combination of products and related services, taking care of product assemblies and other user functions that may be required.

Shopping centre houses many trading companies, but has joint management and marketing. A shopping centre has one or more main companies, but no individual store accounts for over 50% of the total business premises. A shopping centre has a minimum of 10 stores, in most cases joined by a common mall.

Store-specific selection in the K-Group is that part of the selection of a store that is adapted for the special needs of the local market.

Store site is a business property or premises where the chain concept and related auxiliary services are carried out.

Store site fee is the term used for the payment made by the retailer to Kesko as a compensation for the use of the store site under the chain agreement and the related services offered by Kesko. The store site fee is, as a rule, calculated as a percentage of the retailer's gross profit or net sales.

Strategy is a comprehensive plan of the means the organisation intends to use in order to achieve its visions and goals.

Supermarket is a grocery store that focuses on food sales and works on a self-service principle. Its sales area is at least 400 m^2, with food accounting for over half of the total sales area.

Wholesale trade is purchasing from suppliers in large quantities and then selling to enterprises engaged in the retail trade.