KESKO

KESKO'S YEAR 2013

KESKO GROUP

DIVISIONS

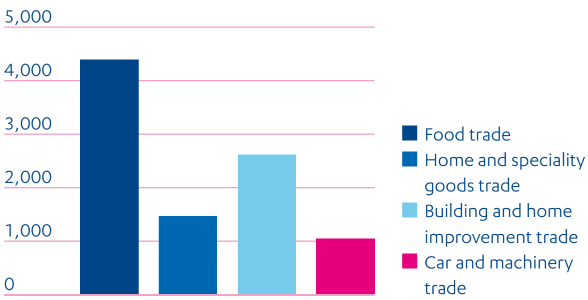
COMMON OPERATIONS

CORPORATE GOVERNANCE

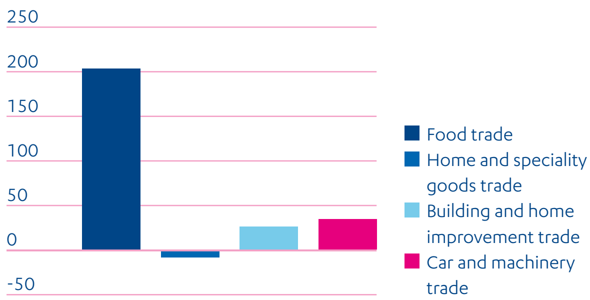
SUMMARY OF FINANCIAL STATEMENTS

2013 IN FIGURES

NET SALES IN 2013
€ 9,315 million



OPERATING PROFIT EXCL. NON-RECURRING ITEMS IN 2013
€ 239 million



KEY FIGURES		2013	2012	2011	2010	2009
Net sales	€ million	9,315	9,686	9,460	8,777	8,477
Operating profit	€ million	248	212	281	307	232
Operating profit excl. non-recurring items	€ million	239	230	279	268	155
Profit before tax	€ million	242	210	282	312	217
Return on capital employed excl. non-recurring items	%	9.8	9.0	13.1	14.0	7.4
Return on equity excl. non-recurring items	%	7.7	6.9	8.8	8.7	3.8
Cash flow from operating activities	€ million	414	382	216	438	379
Capital expenditure	€ million	171	378	425	325	198
Equity ratio	%	54.5	52.5	53.9	53.5	54.2
Dividend per share	€	1.40*	1.20	1.20	1.30	0.90
Earnings per share, diluted	€	1.75	1.26	1.84	2.06	1.27
Earnings per share excl. non-recurring items, basic	€	1.68	1.47	1.84	1.78	0.71
Equity per share	€	22.96	22.48	22.29	21.81	20.39
Personnel, average		19,489	19,747	18,960	18,215	19,200

** Proposal to the AGM*

KESKO OPERATES IN EIGHT COUNTRIES

- **Finland:** all divisions
- **Sweden and Norway:** building and home improvement trade
- **Estonia, Latvia and Lithuania:** building and home improvement trade, machinery trade, furniture trade and e-commerce
- **Russia, mainly St. Petersburg and Moscow areas:** building and home improvement trade, food trade and sports trade
- **Belarus:** building and home improvement trade

* Percentage of Kesko's net sales

K-GROUP'S RETAIL SALES AND STORE NUMBERS BY COUNTRY		Finland	Sweden	Norway	Estonia	Latvia	Lithuania	Russia	Belarus
Retail sales	€ million	9,663	207	720	118	100	303	358	106
Stores		1,547	20	91	20	9	18	38	10

KESKO IN BRIEF

Kesko is a highly valued listed trading sector company. It manages retail store chains that are valued by customers, and efficiently produces services for retail store chains' purchasing, logistics, network development and data management.

Kesko's operations include the food, home and speciality goods, building and home improvement, and car and machinery trades. Its divisions and chains act in close cooperation with retailer entrepreneurs and other partners. Kesko has about 2,000 stores engaged in chain operations in Finland, Sweden, Norway, Estonia, Latvia, Lithuania, Russia and Belarus.

Kesko and K-retailers form the K-Group, whose retail sales totalled about €11.6 billion (VAT 0%) in 2013. The K-Group employs around 45,000 people.

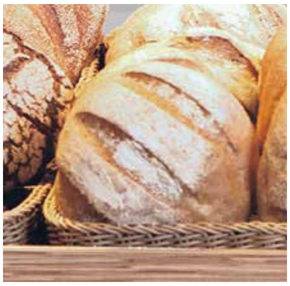
OUR CORE COMPETENCE AREAS

- Development and management of store concepts and brands
- Combining retailer entrepreneurship and chain operations efficiently
- International retail expertise
- Multi-channel retailing
- Cost-efficient and responsible business models
- Development and management of the store site network

WHY INVEST IN KESKO

- Strong market position in Finland and other countries
- Growth particularly in the growing Russian market
- Strong and steady profit and financial position
- Good dividend payment capacity
- Recognised responsibility work

DIVISIONS



FOOD TRADE

Kesko Food is a key operator in the Finnish grocery trade. K-food retailers, with whom Kesko Food applies the efficient chain business model, are responsible for customer satisfaction at more than 900 K-food stores.

Retail sales €5,578 million

HOME AND SPECIALITY GOODS TRADE

The home and speciality goods chains are K-citymarket's home and speciality goods, Anttila and Kodin1, Intersport and Budget Sport, Asko and Sotka, Musta Pörssi and Kookenkä.

Retail sales €1,574 million

BUILDING AND HOME IMPROVEMENT TRADE

Rautakesko develops retail and B2B sales of building, renovation and home improvement products and services with an emphasis on customer-orientation.

Retail sales €3,363 million

CAR AND MACHINERY TRADE

The car and machinery trade consists of VV-Auto and Konekesko with their subsidiaries. VV-Auto and Konekesko represent the leading brands and are responsible for their sales and after-sales services.

Retail sales €1,059 million

READ MORE
Divisions from p. 12 onwards

KESKO'S PROFIT INCREASED

Gloomy financial news, deteriorating employment rates and increasingly stringent taxation cut consumers' purchasing power and willingness to shop in all divisions, particularly in Finland. At the same time, electronic commerce assumed an increasingly important role in consumers' purchasing behaviour and international online retailing intensified competition, particularly in the home and speciality goods trade.

One of the key objectives of Kesko's profitability programme, which was launched in 2012, was implementing cost savings of €100 million, thereby ensuring Kesko's profit performance in the deteriorating economic situation. Though Kesko's net sales did not reach the targets set, we succeeded in improving our profit by implementing the targeted cost savings by the end of 2013. All business operations of Kesko Group participated in this, and cost savings were achieved across the whole range. In addition, capital of about €200 million was released from Group inventories and receivables, clearly strengthening the Group's financial position and liquidity.

Kesko's net sales for 2013 totalled €9.3 billion, 3.8% down on the previous year. Operating profit excluding non-recurring items was €239 million, an increase of €9 million. Profit for the year was €185 million, representing an increase of €49 million from 2012.

In the food trade, net sales increased by 1.8%, but K-food stores' sales development fell short of the market growth. Thanks to the strong rationalisation measures in the food trade, profitability improved clearly and comparable costs decreased by over €30 million from the previous year. One K-citymarket and 11 K-supermarkets were opened in Finland over the course of the year. Three new K-food stores were opened in St. Petersburg, Russia. Both sales and profitability exceeded the anticipated level in Russia, where customers have received the K-food stores' 'Best in Fresh' concept extremely well. Kespro's strong sales and profit development continued in 2013 and the citymarket.fi online store was expanded in late 2013 to include groceries.

In the home and speciality goods trade, sales development and profitability varied from chain to chain. K-citymarket's home and speciality goods, Intersport Finland, Asko and Sotka achieved strong profit. For Anttila department stores, however, the year was difficult: sales decreased and business was clearly loss-making. For Anttila, the key objectives include expanding the selections of the NetAnttila online store and revising the department store concept, while plans are also being made to close a considerable number of current stores to improve overall profitability.

In the building and home improvement trade, the rationalisation measures taken improved profitability despite the difficult market situation, particularly towards the end of the year. The construction market remained weak above all in Finland. The third K-rauta store in Moscow opened during the year. Revised retailer agreements were adopted in Norway.

In the car and machinery trade, sales decreased following market trends, but return on capital remained excellent. Volkswagen was once again the market leader and the combined market share of Audi, Volkswagen and Seat increased to 20.6%.

CAPITAL EXPENDITURE PRIORITISED

In accordance with the profitability programme, Kesko Group's capital expenditure was prioritised and the emphasis was on food store sites in Finland and Russia. In 2013, capital expenditure totalled about €171 million, compared with €378 million in the previous year.

Store sites provide the key basis for the business operations of Kesko and K-retailers. In Kesko Group's capital expenditure, the focus is on the food trade and the building and home improvement trade. From the perspective of growth, the expansion of operations in Russia plays a key role. Three K-food stores were opened in St. Petersburg in 2013 and three more will also be opened there over the course of 2014.

Kesko decided to look into selling some of the store sites it owns to a fund to be set up with Kesko as one of its significant investors.

MULTI-CHANNEL BUSINESS APPROACH WILL PROCEED

Online business and electronic information have greatly changed customers' purchasing behaviour. In e-commerce, competition is international and the importance of price, wide selections and shopping experience is emphasised. From customers' perspective, it is of key importance that they are offered an opportunity to plan and make purchases irrespective of time and place. Retailers need to have comprehensive product, service, price and availability information online, provide customer-oriented logistics services and adopt interactive and more individualised communications for marketing and customer loyalty programmes. By the end of 2014, all of Kesko's chains will offer an online

"We succeeded in improving our profit by implementing the targeted cost savings."

shopping option to their customers, while also shifting the emphasis even more towards targeted marketing and customer rewards.

RESPONSIBILITY WORK REWARDED AGAIN

Kesko's responsibility work was developed on the basis of the updated responsibility programme, published in February 2013. K-food stores introduced a new K-responsibility concept, which will raise the customer visibility of our responsibility work. Kesko's Corporate Responsibility Report for 2012 was selected as the best in Finland in a responsibility reporting contest. Kesko was again included in major sustainability indices, and continues on the list of The Global 100 Most Sustainable Corporations in the World. Kesko was also selected for the new UN Global Compact 100 stock index.

EMPLOYEES' COMPETENCE DEVELOPMENT

Kesko and K-retailers have around 45,000 employees. As electronic commerce and services increase, systematic and business-driven development of employees' competence is a critical success factor. Kesko and the K-stores actively participate in the Youth Guarantee initiative. The K-Group aims to employ 1,000 young people in the target group of the initiative by the end of 2014. By the end of 2013, 520 young people had already been employed.

AIMING FOR PROFITABLE GROWTH

Key objectives for 2014 include a healthy increase in K-food stores' sales, strong growth in e-commerce and services, and enhancement measures in all of the chains, profitable expansion of business in Russia, and improving return on capital in the building and home improvement trade and in Anttila.

THANKS TO EMPLOYEES, SHAREHOLDERS, K-RETAILERS AND ALL PARTNERS

I thank all shareholders, K-retailers and their staff and our business partners for successful cooperation and all of Kesko's employees for committed and competent work.

Matti Halmesmäki
President and CEO

Values

WE EXCEED OUR CUSTOMERS' EXPECTATIONS

WE ARE THE BEST OPERATOR IN THE TRADING SECTOR

WE CREATE A GOOD WORKING COMMUNITY

WE BEAR OUR CORPORATE RESPONSIBILITY

Corporate responsibility is an integral part of everyday work at Kesko and is based on Kesko's values, vision and strategy. Kesko and K-stores aim to make customers' lives easier and help them make responsible choices.

VISION

Kesko is the leading provider of trading sector services and a highly valued listed company

Group's strategic themes

1. STRENGTHENING SALES GROWTH AND INCREASING SHARE-HOLDER VALUE

2. E-COMMERCE AND MULTI-CHANNEL SERVICES

3. EXPLOITING BUSINESS OPPORTUNITIES IN RUSSIA

4. RESPONSIBLE OPERATIONS

Divisions' focus areas

FOOD TRADE

- Superior fresh foods departments, the best selections and a good price image
- Customer-driven online services
- Fast and successful expansion of food retailing in Russia

HOME AND SPECIALITY GOODS TRADE

- Considerable expansion of the selections in NetAnttila and Musta Pörssi online stores
- Reducing the network of Anttila department stores and renewing the concepts
- Refurbishing the home and speciality goods departments of K-citymarkets
- Online stores in all chains over the course of 2014

BUILDING AND HOME IMPROVEMENT TRADE

- Development of customer-driven services in stores and online
- Increasing sales and cost efficiency
- High-quality private label brands Cello, PROF and FXA

CAR AND MACHINERY TRADE

Car trade

- Strengthening the market share of Volkswagen, Audi and Seat
- The best maintenance services

Machinery trade

- The leading brands and the best maintenance services

1. STRENGTHENING SALES GROWTH AND INCREASING SHAREHOLDER VALUE

Kesko's key objective is healthy, profitable growth. This summarises the aim to make Kesko's operations as customer-oriented as possible in all divisions: the food trade, the home and speciality goods trade, the building and home improvement trade, and the car and machinery trade. The core of Kesko's chains' customer relationship and competition strategy consists of customer-driven brands, selections and services, and their multi-channel offering via the store site network and online stores. From the perspective of growth, key strategic focus areas include capital expenditure in the major growth centres of Finland, the growing retail market of Russia and the development of e-commerce and services.

In addition to sales growth, key issues in Kesko's strategy include improving cost-efficiency and allocating capital expenditure to the most profitable business operations. Kesko's target return on capital employed is 14%, while the target return on equity is 12%. From the perspective of shareholder value, a good dividend payment capacity and the strong financial position supporting this also play key roles. Kesko's dividend policy is to distribute at least 50% of its earnings per share excluding non-recurring items as dividends, taking into account, however, the company's financial position and operating strategy.

YEAR 2013

As expected, 2013 proved challenging from the perspective of growth. The general economic situation declined in nearly all of the countries where Kesko operates, which was reflected in a decrease in consumer demand above all in the home and speciality goods trade, the building and home improvement trade, and the car and machinery trade. The key dynamics of the operating environment also included the growth of electronic commerce, manifested particularly in the home and speciality goods trade as increasing domestic and foreign supply and tightening competition.

In the food trade, in line with the strategy, services of fresh foods departments of Finnish K-food stores were revised, 12 new K-food stores were opened in Finland and three in Russia, and the ruoka.citymarket.fi online food store was opened. The emphasis in the home and speciality goods trade's strategy was on revising K-citymarket and Anttila and increasing e-services and e-commerce. In line with its profitability strategy, the building and home improvement trade greatly increased the efficiency of its operations and succeeded in improving profitability despite a decrease in sales. One new K-rauta store was opened in Moscow, Russia. In the car and machinery trade, Volkswagen was the market leader once again.

Capital expenditure in the refurbishment of the store network totalled €126 million in 2013 and 22 new stores were opened. This figure consisted of 15 food stores, one building and home improvement store and six home and speciality goods stores. Capital expenditure in Russia amounted to €62 million, where three new food stores, one new building and home improvement store and one sports store were opened. In the home and speciality goods trade, the emphasis was increasingly shifted to electronic commerce.

To improve profitability, all divisions implemented significant cost savings, €100 million in all. Significant capital expenditure and working capital adjustments were also implemented, which essentially strengthened Kesko Group's financial position.

In 2013, Kesko paid a dividend of €1.20 per share, which was 82% of the earnings per share excluding non-recurring items and corresponded to an effective yield of 4.8% per share.

OBJECTIVES FOR THE FOLLOWING YEARS

- The growth rate will exceed that of the market in all product lines
- Kesko Group's return on capital employed will be 14%

FINANCIAL OBJECTIVES AND THEIR REALISATION

OBJECTIVES	Target level	Realised in 2013	Realised in 2012
Net sales growth	Growth faster than market	Realised **: In Finland, furniture trade and car trade	Realised**: Building and home improvement trade in Finland, sports trade in Finland, car and machinery trade
Return on equity*	12%	7.7%	6.9%
Return on capital employed*	14%	9.8%	9.0%
Interest-bearing net debt/EBITDA	< 3	-0.3	0.4
Equity ratio	40–50%	54.5%	52.5%

** Excl. non-recurring items*
*** Kesko's own estimate*

2. E-COMMERCE
AND MULTI-CHANNEL SERVICES

Customer needs and consumption behaviour have changed greatly along with new web services and rapidly developing mobile devices. In multi-channel transactions, customers expect stores to provide real-time information about product selections, properties, prices and availability.

Providing e-commerce and online shopping services are strategic focal points in all of Kesko's divisions. The aim is to serve customers as well as possible irrespective of time and place at various stages of their purchasing processes. In the food trade, for example, the pirkka.fi service offers consumers a wide range of recipes and services for home cooks to share and the ruoka.citymarket.fi online food store in the Greater Helsinki area, further broadens the scope.

The development of online services and stores necessitates major investments in building operating processes, developing competence and providing the required IT systems. Kesko aims to offer online shopping services in all of its divisions over the course of 2014. Kesko has already achieved a significant position in e-commerce with the NetAnttila.com, kodin1.com, citymarket.fi, mustaporssi.fi, budgetsport.fi and kookenka.fi online stores.

YEAR 2013

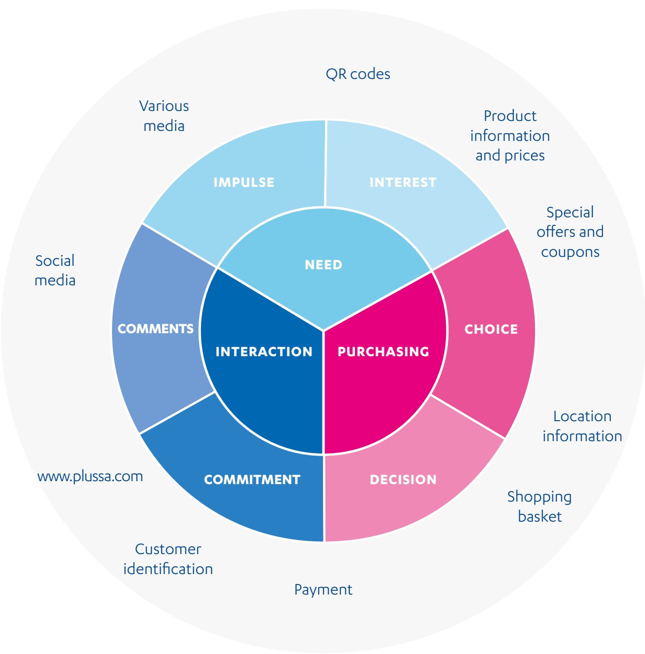
The change in customer behaviour related to the use of e-services continued as expected during 2013 and it is estimated that about 75% of Finnish consumers shopped online, compared with only about 60% in 2010. Growth in online sales in the Finnish retailing market was estimated to be about 6% in January-June. Total net sales in the retail trade decreased by nearly one percent in 2013.

Kesko continued to develop e-commerce and services in all product lines in 2013. Key activities in the home and speciality goods trade included the revisio of business operations of the NetAnttila.com and citymarket.fi online stores. In the food trade, the ruoka.citymarket.fi online food store was launched in the Greater Helsinki area. In the building and home improvement trade, 'click and collect' services and many other e-services were introduced on the k-rauta.fi pages. In addition to many other e-services, the car trade also provides an option for booking maintenance and test drives online.

OBJECTIVES
FOR THE FOLLOWING YEARS

- There will be an online shopping option in all the home and speciality goods chains, in the food trade and in the building and home improvement trade in 2014
- Comprehensive store-specific product information, prices and availability will be provided online by the end of 2016

MULTI-CHANNEL SERVICES



Smartphones, fast connections, use of web services via mobile devices, mobile applications and exploiting location information enable online and traditional shopping to combine under the customer's fingertips, irrespective of time and place.

3. EXPLOITING BUSINESS OPPORTUNITIES IN RUSSIA

Kesko's key geographic growth area is Russia, where the retail market is estimated to have increased by about 10% annually in recent years. The 140 million Russian consumers constitute a food trade market worth about €250 billion, a building and home improvement trade market worth about €13 billion and a sports trade market worth about €8 billion. The strong basis for an increase in demand lies in the large middle class of Russia, rising average salaries and the low unemployment rate, which was below 6% at the end of 2013.

Kesko's aim is to make annual capital expenditure of over €100 million in expanding the networks of food stores and building and home improvement stores in Russia. In the building and home improvement trade, Kesko has 13 K-rauta stores in Russia, seven of which are in St. Petersburg and six in the Moscow area. Some new stores will be added to the network in St. Petersburg, but the emphasis in the coming years will be on the Moscow area. As a whole, the medium-term aim in the building and home improvement trade is to have a network of about 30 stores.

In food retailing, Kesko launched business in Russia at the end of 2012. There are now four K-ruoka stores in St. Petersburg and the aim is to have a network of about ten stores there by the end of 2015 and expand business to the Moscow area.

Intersport has 21 stores in Russia, where the focus is the St. Petersburg market.

YEAR 2013

Kesko's net sales in Russia totalled €362 million in 2013. The development of the Russian national economy slowed from previous years and real GDP growth was only 1.6%.

Slower growth in Russia was also reflected in the development of the building and home improvement trade during 2013. Rautakesko's net sales in Russia amounted to €272 million in 2013 and, in terms of roubles, sales increased by 1.6%. Kesko opened its 13th K-rauta store in Russia, in the Mytishi area of Moscow in April.

In the food trade in Russia, Kesko's net sales amounted to €71 million in 2013 and three new K-ruoka stores were opened in St. Petersburg. There were four stores in all at the end of 2013. The 'Best in Fresh' concept of Russian food stores and related superior fresh foods departments have received extremely good customer feedback and overall customer satisfaction has been excellent. Sales, customer numbers and profitability have all been higher than expected in Russian food stores. The aim is to open three more stores in 2014.

In 2013, Intersport Russia focused on renewing the concept and restructuring the store network.

OBJECTIVES FOR THE FOLLOWING YEARS

- In the building and home improvement trade, net sales of €800 million by 2017
- In the food trade, net sales of €500 million and a positive operating result by 2017
- Intersport's net sales in Russia €50 million by 2015

4. RESPONSIBLE OPERATIONS

Responsibility is a part of the everyday activities at Kesko and K-stores. It is also essential in order to achieve good financial performance and build confidence between Kesko, K-stores, customers and business partners.

Responsibility work is based on Kesko's values and vision and is guided by the management system, corporate responsibility stakeholder analysis, materiality assessment, operating principles and the guide entitled 'Our Responsible Working Principles'.

It is important that all employees in the eight countries where we operate, as well as our partners, commit themselves to working in line with Kesko's values and responsible working principles.

The transparency and responsibility of purchasing chains have become increasingly important and we want to provide customers with increasingly detailed information on the origins and manufacturing methods of products.

In Kesko, wellbeing at work is based on the opportunity to do meaningful work, in line with one's abilities, in a safe, pleasant and supportive working environment. A pluralist organisation that promotes diversity guarantees equal opportunities, rights and treatment to all.

YEAR 2013

Kesko's updated responsibility programme was published in February 2013. The programme contains both short- and long-term objectives up to 2020 for Kesko's operations and those of the entire K-Group.

The responsibility programme covers all divisions and is part of all our operational processes. The progress and results of the responsibility programme will be described in Kesko's Corporate Responsibility Report.

In 2013, K-food stores adopted a new K-responsibility concept, which helps communicate stores' responsibility to customers and personnel with concrete examples. In 2014, the K-responsibility concept will be expanded to K-rauta, Rautia and K-agricultural stores.

OBJECTIVES FOR THE FOLLOWING YEARS

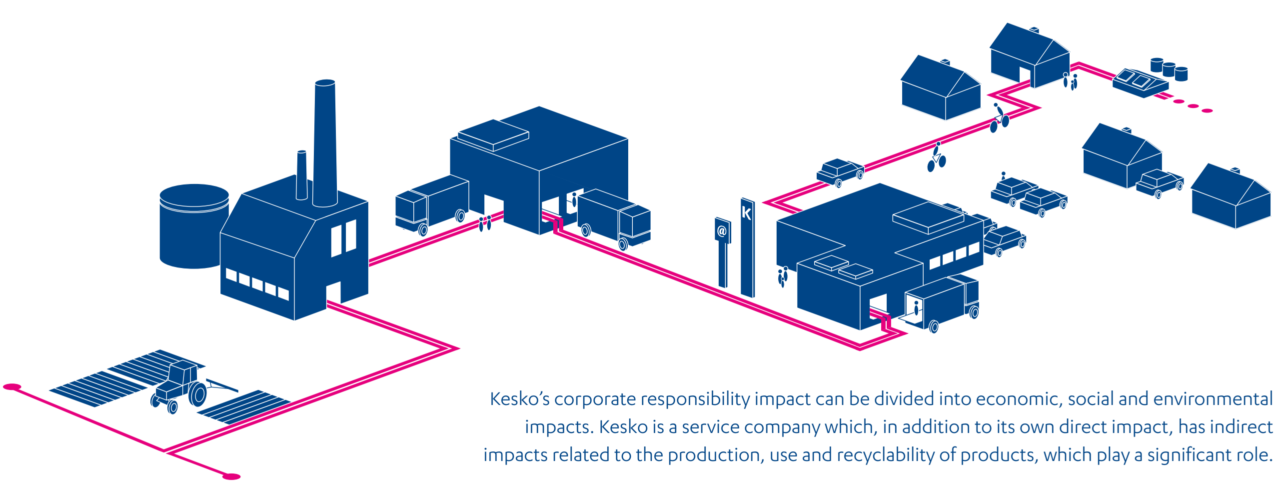
- We will improve our annual energy efficiency by 65 GWh by 2016
- We will reduce the relative carbon dioxide emissions from Keslog's transportation by 10% by 2020
- We will offer a wide selection of responsible Pirkka products; 500 Pirkka products meeting a responsibility criterion and 200 Pirkka organic products by 2015

READ MORE

Read more about Kesko's responsibility work on page 39

IMPACTS OF KESKO'S OPERATIONS ON SOCIETY

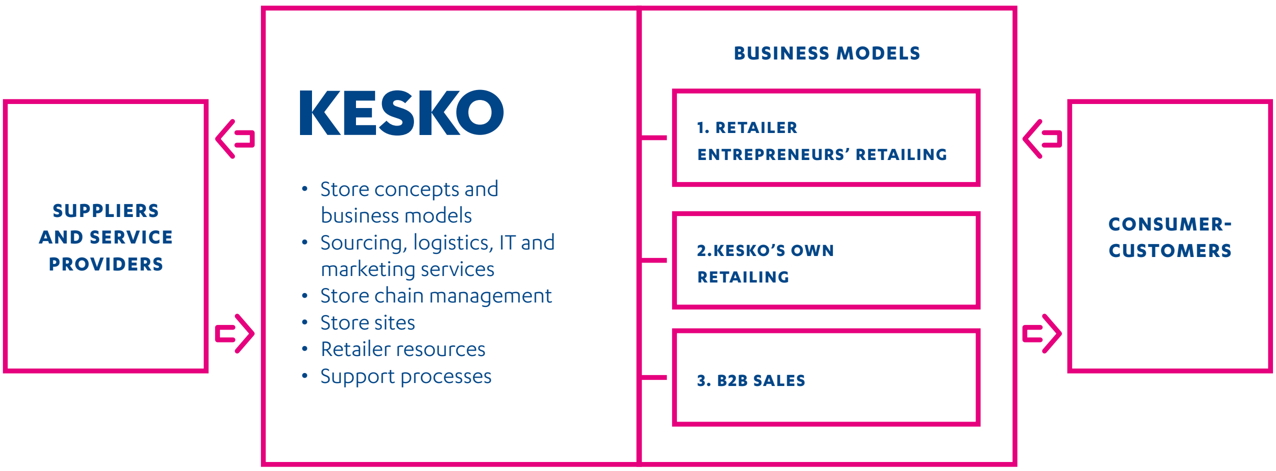
RAW MATERIALS → PRODUCTION → LOGISTICS → STORE → CUSTOMER → PRODUCTS AND SERVICES → RECYCLING



Kesko's corporate responsibility impact can be divided into economic, social and environmental impacts. Kesko is a service company which, in addition to its own direct impact, has indirect impacts related to the production, use and recyclability of products, which play a significant role.

KESKO'S BUSINESS MODEL

The business models applied in Kesko's sales to consumer-customers are retailing through retailer entrepreneurs and Kesko's own retailing. Kesko is also engaged in B2B sales. Kesko Group manages retail store chains and produces purchasing, logistics, network development and information management services efficiently by using centralised resources and economies of scale.



1. RETAILER ENTREPRENEURS

Our principal business model in the Finnish market is the chain business model, in which independent K-retailers run retail stores in Kesko's store chains. In Finland, all food and building and home improvement stores in the K-Group are run by retailer entrepreneurs. In the retailer model, through its chain operations Kesko provides a first-class setting for its retailer entrepreneurs to provide the best possible service to their customers. The K-retailer entrepreneur implements the chain concept and is responsible for store management, customer satisfaction, personnel and business profitability. The K-Group's competitive edge is based on having the best selections, excellent service and knowledge of customer needs.

At the end of 2013, Kesko had 1,036 independent K-retailer entrepreneurs and also about 180 other retailer entrepreneurs as partners.

2. KESKO'S OWN RETAILING

Kesko acts as a retailer in business operations where the competitive advantage is based on having a centrally managed chain concept and large units. Kesko's own retail stores in Finland include the K-citymarket chain's home and speciality goods trade and the Anttila and Kodin1 department stores.

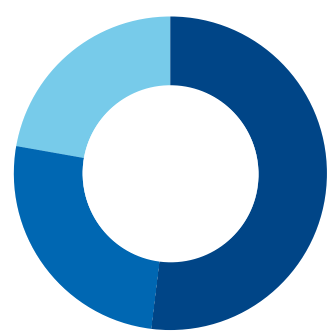
Outside Finland, our own retailing is the main business model. At the end of 2013, Kesko had around 130 own retail stores outside Finland.

Kesko also has several online stores, such as NetAnttila.com, Kodin1.com, citymarket.fi and mustaporssi.fi.

3. B2B SALES

Kesko is also engaged in B2B sales. In the food trade, B2B customers are served by Kespro, the leading wholesaler in the Finnish hotel, restaurant and catering (HoReCa) business. In the building and home improvement trade, customers are served by Rautakesko B2B Sales, whose customers include building firms, agricultural entrepreneurs, the manufacturing industry and municipalities. The car and machinery trade also serves retail dealers across Finland.

KESKO'S NET SALES BY BUSINESS MODEL



- Retailer entrepreneurs' retailing 51% (52%)
- Kesko's own retailing 27% (26%)
- B2B sales 22% (22%)

TRENDS IN THE RETAIL OPERATING ENVIRONMENT

GROWTH OF E-COMMERCE AND MULTI-CHANNEL RETAILING IN ALL PRODUCT LINES

- Customers can plan and shop irrespective of time and place

CONSUMERS ARE INCREASINGLY PRODUCT-AWARE AND DEMANDING

- Web services will increase the transparency of selections, prices and availability
- Product origins and responsible operating practices are important selection criteria for consumers
- The importance of social media in purchasing decisions will increase

THE IMPORTANCE OF CUSTOMER-ORIENTED SERVICES AS A COMPETITIVE ASSET IS EMPHASISED

- Services offered at all stages of the purchasing process

SLOW ECONOMIC GROWTH AND CONSUMERS' PRICE AWARENESS

- When the development of purchasing power is modest, low-priced products are favoured for the shopping basket
- Consumers make price comparisons actively

INCREASING PROPORTION OF RETAILERS' PRIVATE LABEL BRANDS

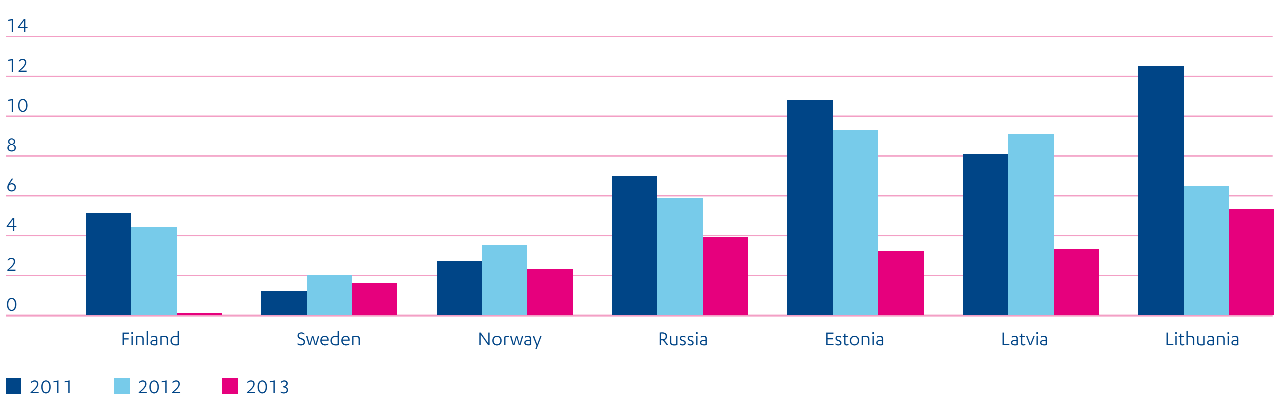
- Ease of shopping
- Low-priced products

CUSTOMER LOYALTY PROGRAMMES WILL BE INTERACTIVE AND PROVIDE MORE INDIVIDUAL REWARDS

- Targeted offers and rewards

GROWTH OF RETAIL MARKET IN KESKO'S OPERATING COUNTRIES IN 2011-2013

%



Retail trade, percentage change on previous year, not inflation-adjusted
Source: Eurostat and, for Russia, Bofit

DIVISIONS

FOOD TRADE

Kesko Food is a key operator in the Finnish grocery trade. K-food retailers, with whom Kesko Food applies the efficient chain business model, are responsible for customer satisfaction at more than 900 K-food stores.

Finland, Russia
Total number of stores: 920

COMPETITIVE ADVANTAGES

- The best fresh foods departments and widest selections
- K-retailer entrepreneurship guarantees customer-driven and efficient operations
- Favourably-priced and high-quality Pirkka products

NET SALES	OPERATING PROFIT EXCL. NON-RECURRING ITEMS	RETAIL SALES
€4,387 million	€203.3 million	€5,578 million

K CITYMARKET
K SUPERMARKET
PIRKKA
K MARKET
K EXTRA
K РУОКА
KESPRO
citymarket.fi on kauppasi verkossa

HOME AND SPECIALITY GOODS TRADE

The home and speciality goods chains are K-citymarket's home and speciality goods, Anttila and Kodin1, Intersport and Budget Sport, Asko and Sotka, Musta Pörssi and Kookenkä.

Finland, Estonia, Latvia, Russia
Total number of stores: 430

COMPETITIVE ADVANTAGES

- Efficient combination of online retailing and a physical store network
- Well-known and trusted store chains and product brands
- Active customer service in stores and electronic channels

NET SALES	OPERATING PROFIT EXCL. NON-RECURRING ITEMS	RETAIL SALES
€1,457 million	€-8.3 million	€1,574 million

K CITYMARKET
ANTTILA
KODIN 1
INTERSPORT
citymarket.fi on kauppasi verkossa
NETANTTILA.COM
kesport
budget sport
ASKO
SOTKA
MUSTA PÖRSSI
KOOKENKÄ

BUILDING AND HOME IMPROVEMENT TRADE

Rautakesko develops retail and B2B sales of building, renovation and home improvement products and services with an emphasis on customer orientation.

Finland, Sweden, Norway, Estonia, Latvia, Lithuania, Russia, Belarus
Total number of stores: 420

COMPETITIVE ADVANTAGES

- Chain concepts and service offering based on customer needs
- Efficient sourcing, purchasing and logistics
- Internationally uniform business models and skilled customer service
- Good location and comprehensive store network
- Wide e-services on the internet

NET SALES	OPERATING PROFIT EXCL. NON-RECURRING ITEMS	RETAIL SALES
€2,607 million	€25.7 million	€3,363 million

K-RAUTA K-PAYTA RAUTIA K-MAATALOUS Rautakesko Yrityspalvelu BM BYGGMAKKER SENUKAI

CAR AND MACHINERY TRADE

The car and machinery trade consists of VV-Auto and Konekesko with their subsidiaries. VV-Auto and Konekesko represent the leading brands and are responsible for their sales and after-sales services.

Finland, Estonia, Latvia, Lithuania
Total number of stores: 11

COMPETITIVE ADVANTAGES

- International brands and strong market position
- Versatile and multi-channel services, expert staff
- Strong sales and after-sales network, efficient logistics

NET SALES	OPERATING PROFIT EXCL. NON-RECURRING ITEMS	RETAIL SALES
€1,037 million	€33.9 million	€1,059 million

Audi SEAT MAN MASSEY FERGUSON KONEKESKO YAMAHA YAMARIN SUVI Kubota CLAAS KOBELCO MAGNI PONSSE STILL SENNEBOGEN

FOOD TRADE

K-food retailers, with whom Kesko Food applies the efficient chain business model, are responsible for customer satisfaction at more than 900 K-food stores in Finland. Kesko Food's business is rapidly expanding in Russia and in online retailing. Kespro – a Kesko Food subsidiary – is the leading wholesaler in the Finnish HoReCa sector.

Every day, 900,000 customers visit K-food stores with high expectations for comprehensive product selections, ease of shopping, favourable prices and responsibility. Meeting individual customer needs and expectations is a prerequisite of success for K-food stores.

Kesko Food's main functions include centralised product purchasing, selection management, logistics, and the development of chain concepts and the store site network. Cooperation between Kesko Food and K-food retailers is based on the chain operations defined in the chain agreement, which ensures the customer-orientation of operations, efficiency and the achievement of competitive advantages.

The competitiveness of K-food stores and Kesko Food is reinforced by efficient practices and long-term cooperation models with selected partners.

Responsibility is an integral part of Kesko Food's and K-food stores' daily operations. In 2013, K-food stores introduced a K-responsibility concept, which makes the responsible operations of K-food stores increasingly visible to customers.

STRATEGIC OBJECTIVES

In Finland, the focus in the food trade is ensuring the profitable growth of K-food stores. They increase their market shares by delivering on customer promises and strengthening competitive advantages. K-food stores' competitive advantages include superior fresh foods departments, the best selections and a good price image. The quality image of Pirkka products continues to be strengthened.

Significant capital expenditure in online services will make shopping easier for customers. The food online store launched in the autumn will first be expanded in the Greater Helsinki area and then in other major cities. The aim is to build an online store network covering all of Finland in cooperation with K-food retailers.

In the food trade in Russia, the aim is rapid and profitable expansion, which involves significant capital expenditures.

EVENTS IN 2013

- Significant enhancement measures improved profitability
- The refurbishment of fresh foods departments in K-food stores
- The ruoka.citymarket.fi online food store was launched
- Three new K-ruoka stores were opened in St. Petersburg
- The K-responsibility concept 'Let's do Good. Together.' was introduced in K-food stores
- Kesko Food's Consumer Service introduced the principle 'We will always answer you'
- The Osta&Nosta cashback service was expanded in K-food stores
- Pirkka social media services received a Some Awards prize

FRESH FOODS DEPARTMENTS AS A COMPETITIVE ADVANTAGE

K-food stores offer their customers the best fruit and vegetable department in the area, a bakery department and service counters with fresh meat, fish and meals. The refurbishment of fresh foods departments continued in 2013 and their selections, service and displays were enhanced in all K-food store chains.

K-citymarkets will have a refurbished service counter, providing the best service and cooking tips. K-supermarkets will offer the best selections of fruit and vegetables in the market, while K-markets will provide the most wide-ranging selection of bread and bake-off products in the neighbourhood market. The aim is that all K-markets across Finland always offer bread fresh from the oven.

K-RETAILER SERVES BEST

Local K-retailers are responsible for customer service, wide product selections, competence of personnel, product quality and profitability of business in their own stores. Listening to the wishes of local customers and making use of customer data, the K-retailers build a selection of products and services that meet customers' needs. K-food retailers complement the chain's common product selection, for example, with local food from local producers.

K-food retailers offer their customers competitive prices, visible to customers in the form of low-priced Pirkka products, chain campaigns, store-specific special offers and the benefits provided by the K-Plussa customer loyalty programme. On the other hand, K-food retailers can complement their selections flexibly and quickly with store-specific products that they are free to choose.

More than 900 K-food stores provide a comprehensive network for their customers. Approximately half of the Finnish population live within a kilometre of a K-food store.

K-food stores operate in four chains:

- K-citymarkets offer their customers the widest selections of groceries and home and speciality goods, a low-price shopping basket and the best special offers. Their special strengths include a diversified service counter for meat, fish and meals, operating under the 'Kitchen' concept. K-citymarkets combine food expertise with exciting stores and displays.
- K-supermarkets are better than average food stores. Their strengths include excellent service and wide selections of food items. Abundant fruit and vegetable departments always provide customers with the freshest produce of the season for everyday needs and more festive occasions. Store selections are always complemented with local products.
- K-markets are reliable, service-oriented, local neighbourhood stores located near customers. In addition to good basic selections, K-markets offer customers fresh bread straight from the store oven and the best local services.
- K-extras are neighbourhood stores which focus on personal service and provide customers with daily essentials.

HIGH-QUALITY AND LOW-PRICED PIRKKA

The Pirkka range of more than 2,000 products plays an important role in the K-food stores' total selection. Pirkka

products combine high quality and low prices. The success of the Pirkka brand in several consumer surveys is the result of long-term work.

All Kesko Food's recipes have been developed and tested by the Pirkka test kitchen, which is part of the Pirkka Product Research Unit. These diverse recipes are published in the Pirkka magazine, on the Pirkka.fi web site and Pirkka mobile services, on the K-RuokaPirkka leaflet available at K-food stores, on the TV programme "What are we having today?", on Pirkka social media channels, and on Pirkka product packaging.

PIRKKA PRODUCTS
IN 2013

- Number of products at the end of 2013: 2,252
- Number of Pirkka Organic products: 95
- Number of new Pirkka products launched: 173
- Pirkka further expanded its selections of products baked in stores. Several new Pirkka household items were also launched.

KESPRO OFFERS THE BEST SOURCING SOLUTIONS

Kesko Food's subsidiary Kespro is the leading wholesaler in the Finnish hotel, restaurant and catering (HoReCa) business and acts as a partner for its customer companies and municipalities in Finland. Kespro provides its customers with the best sourcing solutions as well as delivery and cash&carry services in the HoReCa sector. The wide, customer-driven product selection comprises food items, alcohol, cookware, tableware and cutlery. Kespro's own Menu range is varied, high-quality and favourably priced. Kespro's market share increased in 2013.

EXPANSION IN RUSSIA

Kesko Food opened the first grocery store of the K-ruoka chain in St. Petersburg in 2012 and three new stores in 2013. The new stores have been excellently received by local customers. K-ruoka stores' competitive advantages include extensive, fresh, high-quality selections. The objective for the next few years is to expand business operations to Moscow. The aim is to achieve net sales of €500 million and a positive business result in Russia by 2017.

RUOKA.CITYMARKET.FI
ONLINE FOOD STORE

In November 2013, Kesko Food launched the ruoka.citymarket.fi online food store, which delivers products to consumers and business customers in the cities of Helsinki and Vantaa. The delivery area will be expanded gradually. The products are familiar from K-food stores' favourably-priced selections and also include many Pirkka items. In addition to thousands of food products, the selections also include non-food items. There are also large packages available to meet the needs of families and companies. In many cases, deliveries are made on the same day the order is placed and some of them with biogas-fuelled vehicles.

MARKET SHARES

FOOD TRADE

- Market share in Finland 33.7% (Kesko's own estimate)
- Competitors: Prisma, S-market and Alepa/ Sale (S Group), Valintatalo, Siwa and Euro-market (Suomen Lähikauppa Oy), Lidl and M chain stores

HORECA

- Kespro, Finland
- Competitors: Meiranova Oy, Metro-tukku, Heinon Tukku Oy

MARKET

- The Finnish grocery trade market was worth about €16.6 billion (incl. VAT) in 2013, representing an estimated growth of about 2.5% (VAT 0%, Kesko's own estimate).

FOOD TRADE KEY FIGURES

- In the food trade, the net sales were €4,387 million, up 1.8%.
- The operating profit excluding non-recurring items was €203.3 million (€167.5 million).
- Profitability was improved by significant savings achieved from enhanced operations and by the adjustment of capital expenditure.
- The sales and profitability of K-ruoka stores in Russia were better than expected.
- Kespro's sales and profit improved.

Retail sales and number of stores

	Number		Sales (VAT 0%), € million	
	2013	2012	2013	2012
K-citymarket, food	80	80	1,540	1,526
K-supermarket	218	210	1,723	1,708
K-market (incl. service station stores)	442	452	1,269	1,298
K-ruoka, Russia	4	1	70	3
Others*	176	194	182	201
K-food stores, retail sales			**4,783**	**4,736**
Kespro			795	779
Food trade, total	**920**	**937**	**5,578**	**5,515**

** Incl. online sales*

Food trade, key figures

		2013	2012
Net sales	€ million	4,387	4,311
Operating profit	€ million	208.0	170.2
Operating profit excl. non-recurring items	€ million	203.3	167.5
Operating profit excl. non-recurring items as % of net sales	%	4.6	3.9
Capital expenditure	€ million	92	200
Capital employed	€ million	821	763
Return on capital employed excl. non-recurring items	%	24.8	21.9
Personnel average		3,143	2,799

Food trade, net sales in 2013

	€ million	Change, %
K-citymarket, food	1,087	-1.2
K-supermarket	1,254	2.2
K-market and K-extra	988	-1.2
Kespro	803	2.0
K-ruoka, Russia	71	-
Others	184	-5.1
Net sales, total	**4,387**	**1.8**

Properties

		2013	2012
Owned properties, capital	€ million	658	633
Owned properties, area	1,000 m²	426	392
Leased properties, lease liabilities	€ million	1,184	1,107
Leased properties, area	1,000 m²	1,001	1,017

HOME AND SPECIALITY GOODS TRADE

Kesko's home and speciality goods chains are K-citymarket's home and speciality goods, Anttila and Kodin1, Intersport and Budget Sport, Asko and Sotka, Musta Pörssi and Kookenkä. In addition to around 420 stores, all chains also provide wide-ranging services online.

Kesko's home and speciality goods chains provide customers with a wide and price-competitive selection of well-known domestic and foreign brands.

Wide-ranging online services help customers plan their purchases in advance and shop for both products and services. Kesko's home and speciality goods chains are present in customers' daily lives, in the channel they have chosen.

STRATEGIC OBJECTIVES

There is a strong change underway in the home and speciality goods trade. The web and electronic information are changing customers' shopping behaviour. Sales are growing, particularly on the web, where business is global. New foreign store chains are also entering the Finnish market by opening physical stores.

Kesko's home and speciality goods chains are vigorously developing online stores and their selections. Intersport, Asko and Sotka will open their online stores over the course of 2014.

The growth of e-commerce and the tightening competition have greatly reduced the profitability of Anttila and the home technology trade. Approximately one third of the current network of Anttila department stores is planned to be closed. At the same time, the selections of NetAnttila will be considerably expanded and the Anttila and Kodin1 department store concepts will be renewed. Home and speciality goods departments of K-citymarket will be refurbished.

Marketing aims to provide increasingly real-time and individual service to customers in channels important to them, both traditional and electronic.

Choosing where to shop is made easier for customers by providing each store's product, price and availability information online.

Intersport Russia's business operations, concept and network will be developed to achieve healthy sales and profitability.

EVENTS IN 2013

- Anttila's new, automated logistics centre served both online and physical stores efficiently
- NetAnttila.com and Kodin1.com websites were renewed
- With mobile devices more and more common, the number of mobile sites and services was increased
- Musta Pörssi's business model was changed and the focus shifted to online trade
- Anttila opened a store in the Citycenter shopping centre in downtown Helsinki
- The Kodin1 department store for interior decoration and home goods was opened in Raisio in an energy-efficient passive retail store
- The Intersport store network in Russia underwent reorganisations

K-CITYMARKET IN DAILY LIFE

K-citymarket is a diversified and favourably-priced hypermarket chain, which provides wide selections of groceries and home and speciality goods. K-citymarket Oy is responsible for the home and speciality goods business in the stores, while K-retailer entrepreneurs are responsible for the food business.

The citymarket.fi online store gives customers access to a wide range of products and allows them to place orders whenever they want, reliably and easily. There are several modes of delivery, including collection from any of the K-citymarkets.

ANTTILA PROVIDES ENTERTAINMENT, FASHION AND HOME GOODS

Anttila retails entertainment, fashion and home goods. Anttila's extensive store network and online stores seamlessly complement each other.

Anttila department stores offer wide selections of home goods, casual clothing and entertainment at low prices. Kodin1 provides smart, up-to-date products and services for home decoration. NetAnttila.com is one of the oldest and best known online stores in Finland. In addition to interior decoration ideas and products, the Kodin1.com online store provides availability data for Kodin1 department stores. Mobile versions of online stores make shopping easier for customers on move. Anttila also has online stores in Estonia and Latvia.

INTERSPORT IS THE BIGGEST SPORTS TRADE OPERATOR IN FINLAND

Intersport Finland's retail store chains in Finland are Intersport, Budget Sport and Kesport. Intersport is part of an international sports trade chain in which Kesko is a partner. The Intersport chain is the market leader in Finnish sports retailing. The chain's stores and the online store to be opened in 2014 provide customers with the clothing, equipment and advice needed for active sports, keeping fit and leisure purposes. Intersport Club is Intersport's customer programme. Electronic programmes for various sports, launched by Intersport, have gained great popularity among customers.

Intersport Russia's store site network was adjusted in 2013. The 21 Intersport stores currently operating in the country are located in shopping centres mainly in and around St. Petersburg and Moscow. There are only few sports stores in Russia like Intersport, selling several product brands.

Budget Sport stores offer branded products for physical activities, outdoor sports and leisure easily and at favourable prices. Customers are also served by the diversified budgetsport.fi online store.

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

ASKO AND SOTKA OPERATE IN FINLAND AND ESTONIA

Asko and Sotka are Kesko-owned Indoor's retail store chains selling furniture and interior decoration items. Asko provides home decorators with a wide range of high-quality furniture and interior decoration items combined with active and reliable service. Sotka's main target group consists of customers who value low prices and easy shopping.

On the chains' websites there are several interior decoration and design applications, varying design ideas and tips, and YouTube videos. Asko and Sotka also have an online store in Estonia, and the ones in Finland will be opened over the course of 2014.

MUSTA PÖRSSI FOCUSES ON ONLINE TRADE

The Musta Pörssi chain offers its customers home technology products and related services. Customers can choose to have any home technology installed ready to use, if they so wish. Both the online store and the physical stores located in shopping centres focus on providing a good customer experience and constantly changing product selections.

The focus in the home technology trade is increasingly on e-commerce. It is easy to compare products online and customers are price-conscious.

In 2013, a new KotiKauppa service was tested, in which the customer can ask a sales assistant for a house call.

There are currently 11 Musta Pörssi Partneri stores in smaller towns.

KOOKENKÄ IS FINLAND'S BIGGEST SHOE STORE CHAIN

Kenkäkesko's retail store chain, Kookenkä, offers a high-quality selection of shoes and service for customers who value trends, fashion and brands. Koo Club is Kookenkä's own customer programme. In addition to chain stores, customers can purchase footwear from the Kookenka.fi online store.

INTERSPORT RUNNING PROGRAMME ATTRACTED MORE THAN 50,000 ENTHUSIASTS

Intersport started an eight-week running programme on the store chain's web pages at the beginning of March. Most participants were Intersport Club members who also invited their friends – more than 10,000 running enthusiasts – to join in.

Once a week during the programme, the participants received an email directing them to Intersport's campaign pages. Varied content was produced for the website, including videos providing tips on training, running technique and equipment. Various aspects of health and wellbeing in general – an important part of running – were also highlighted on the site, including pirkka.fi tips on a runner's diet. Themes taken up in newsletters also included the impact of music on running and practical hints on how to prepare for running events. The programme also offered wide-ranging benefits, information on new products for spring, fun competitions and votes.

Feedback on the running programme was positive and corresponding new programmes on various sports are being planned.

MARKET SHARES

HYPERMARKET AND DEPARTMENT STORE TRADE

- K-citymarket's home and speciality goods, Anttila, Kodin1 and NetAnttila
- The market share cannot be reliably calculated
- Competitors: department stores, hypermarkets, speciality store chains and online stores

SPORTS TRADE

- Intersport, Budget Sport and Kesport
- Finland 35%*
- Competitors: Sportia, Top Sport, Stadium, department stores and hypermarkets, and other speciality sports stores

FURNITURE TRADE

- Asko and Sotka
- Finland 23%*
- Competitors: furniture and interior decoration stores

HOME TECHNOLOGY TRADE

- Musta Pörssi and Musta Pörssi Partneri
- Finland 2%*
- Competitors: stores specialising in home technology, hypermarkets and online stores.

SHOE TRADE

- Kookenkä and Kenkäexpertti
- Finland 10%*
- Competitors: other speciality stores, department stores, hypermarkets, sports stores and online stores

* Kesko's own estimate

MARKET

Home and speciality goods market in Finland and development from the previous year (retail trade, VAT 0%)

- The total Finnish market for home and speciality goods is approximately €9.4 billion
- The sports trade is about €0.8 billion (0%)
- The interior decoration items and furniture trade is approximately €1.5 billion (-7%)
- The market for home electronics and entertainment products is about €1.8 billion (+3%)
- The shoe trade is around €0.4 billion (-7%)

HOME AND SPECIALITY GOODS TRADE KEY FIGURES

- In the home and speciality goods trade, the net sales were €1,457 million, down 9.1%.
- The operating profit excluding non-recurring items was €-8.3 million (€19.6 million).
- K-citymarket home and speciality goods and Intersport Finland as well as Asko and Sotka had profits at a good level.
- Weakened demand and the e-commerce revolution affected especially Anttila, where sales decreased and financial result was negative.
- Net sales performance was also impacted by the ending of Musta Pörssi's retailer business and the closing of unprofitable stores of Intersport Russia.

Retail sales and number of stores

	Number		Sales (VAT 0%), € million	
	2013	2012	2013	2012
K-citymarket, home and speciality goods*	81	81	613	653
Anttila department stores*	31	32	264	327
Kodin1 department stores for interior decoration and home goods*	13	13	116	133
Intersport	63	62	212	216
Budget Sport*	11	10	41	38
Kesport	30	32	19	22
Asko	36	34	93	94
Sotka	49	49	103	104
Musta Pörssi* **	17	32	41	72
Shoe stores* **	65	69	42	45
Home and speciality goods stores, Finland	**396**	**414**	**1,544**	**1,704**
Anttila, Baltic countries (NetAnttila)*	3	3	6	8
Asko and Sotka, Baltic countries*	10	10	8	9
Intersport, Russia	21	28	16	28
Home and speciality goods stores, other countries	**34**	**41**	**31**	**45**
Home and speciality goods stores, total	**430**	**456**	**1,574**	**1,749**

** Incl. online stores*
*** Incl. 19 Kenkäexpertti stores and 11 Musta Pörssi Partneri stores*

Home and speciality goods trade, key figures

		2013	2012
Net sales	€ million	1,457	1,603
Operating profit	€ million	-2.1	0.0
Operating profit excl. non-recurring items	€ million	-8.3	19.6
Operating profit excl. non-recurring items as % of net sales	%	-0.6	1.2
Capital expenditure	€ million	23	61
Capital employed	€ million	445	514
Return on capital employed excl. non-recurring items	%	-1.9	3.8
Personnel average		5,751	6,139

Home and speciality goods trade, net sales in 2013

	€ million	Change, %
K-citymarket, home and speciality goods	628	5.4
Anttila	391	-16.5
Intersport, Finland	190	+5.0
Intersport, Russia	18	-36.2
Indoor	182	-1.2
Musta Pörssi	29	-48.8
Kenkäkesko	21	-8.7
Total	**1,457**	**-9.1**

Properties

		2013	2012
Owned properties, capital	€ million	196	202
Owned properties, area	1,000 m²	146	141
Leased properties, lease liabilities	€ million	779	806
Leased properties, area	1,000 m²	786	810

BUILDING AND HOME IMPROVEMENT TRADE

Rautakesko's 420 stores are reliable partners in building, home improvement and interior decoration for both consumers and B2B customers. Rautakesko operates in eight countries and manages six retail store chains: K-rauta, Rautia, K-maatalous, Byggmakker, Senukai and OMA. Rautakesko is the fifth largest company in the European building and home improvement market.

Meeting the various demands of customer groups, extensive assortments and wide-ranging installation and design services in stores and on the internet provide the basis for implementing building and interior decoration projects in cooperation with the customer. Rautakesko's stores have around 100,000 customer visits per day, while the websites are visited by more than 40,000.

Rautakesko's key function is to support the stores' operations and customer service by offering common assortments and services, sourcing and logistics, and the development of the chain concepts and the store network. There are 420 building and home improvement stores in eight countries: Finland, Sweden, Norway, Estonia, Latvia, Lithuania, Russia and Belarus. The figure also includes 83 K-maatalous agricultural stores in Finland. K-retailers who operate in the chain business model are responsible for the business of Finnish retail stores. The retailer business model will also be implemented in Sweden and Norway.

KEY STRATEGIC OBJECTIVES

In 2013, the focus was on improving the efficiency of operations and profitability in all operating countries. The particular emphasis was on advancing store processes and uniform core operations. Enhancement of e-services continued during the year. The focus was also on implementing the common assortment,

EVENTS IN 2013

- Implementation of Rautakesko's common core operations and assortments started and profit improved clearly
- Revised Byggmakker retailer agreements in Norway
- K-rauta Skanssi, the largest K-rauta store in Finland, was opened in Turku in March
- A new K-rauta was opened in Moscow region, Russia in April
- The efficiency of responsible sourcing was improved by adopting shared operating models and a new web-based training programme
- The Kimara Aurinkorinne of K-rauta and Rautia won the 'Best House' and 'Best Interior Decoration' categories and was the second in the 'Best Yard' category in the visitors' vote at the Hyvinkää Housing Fair in Finland
- K-maatalous Experimental Farm in Hauho celebrated its 50th anniversary in promoting Finnish experimental farming and cultivation, and the stores in the K-maatalous chain were fully transferred under the responsibility of retailer entrepreneurs

DEVELOPMENT OF E-SERVICES CONTINUES

Services, planning tools, instructional videos and mobile applications related to building, energy efficiency, home improvement, renovation and interior decoration were published on the websites of K-rauta, Rautia and Byggmakker and on social media channels. The Rautia chain launched targeted communities, based on customers' interest – Sisäpiiri and Tyylikerho – to increase customer interaction on electronic channels.

During the year, real-time customer service was tested on social media channels. Two K-rauta stores successfully piloted the 'click and collect' e-commerce service, in which products are ordered on the internet and collected from the store.

K-maatalous continued to make use of multi-channel customer communications by providing plant protection advice on Facebook, Twitter and YouTube.

supporting in-store customer service and developing the management model and reporting system that support retail store operations.

A strategic area for the future will be the development of customer-oriented total solutions both in the consumer and B2B trade. It is very important to continue expanding e-services alongside operations, so that customers are offered service that meets their individual needs and expectations at all stages.

EFFICIENT CONCEPTS AND LOCAL EXPERTISE

The competitive advantage of Rautakesko's stores consists of locally operating retailers and country-specific chains, and the efficient, centralised activities supporting them. Rautakesko's international business model increases efficiency by combining the purchasing volumes, category management, logistics, information system management and network development of the chains operating in different countries. Operations outside Finland accounted for 55.0% (56.5%) of net sales in the building and home improvement trade.

K-rauta is Rautakesko's international concept, which combines total services and assortments for consumers and B2B customers. There are 42 K-rauta stores in Finland, 20 in Sweden, and eight in both Estonia and Latvia. There are 13 K-rauta stores in Russia, seven of which are in the St. Petersburg area and six in the Moscow area. K-rauta is the second largest operator in the building and home improvement market in St. Petersburg. The newest K-rauta in the Moscow area was opened in Mytishi in April. Rautakesko's aim is to create a network of ten K-rauta stores in St. Petersburg and a network of 15-20 stores in the Moscow area. The net sales target in Russia is €800 million by 2017.

PRIVATE LABEL BRANDS CELLO AND PROF

- Rautakesko's private label brands, Cello and PROF, have won several product tests. In the most recent one in 2013, PROF masking tape shared first place in a tape comparison carried out by the TM Rakennusmaailma magazine.

Byggmakker is a key building and home improvement trade operator in Norway. Its store network extends throughout the country and B2B customer expertise is extremely strong. Byggmakker retailers' retailer agreements were revised on 1 January 2014 and the aim is to transfer all stores in the chain to independent retailers over the course of 2014.

The Senukai chain is the market leader in Lithuania. The chain's stores offer customers almost every product related to building and living. OMA is

K-rauta's Pro Center concept has been developed to serve B2B customers' special needs, allowing customers to focus on their core business. Together with the K-rauta and Rautia chains, Rautakesko B2B Sales is the market leader in the B2B trade in Finland.

the largest building and home improvement store chain in Belarus.

The Rautia chain has the widest building and home improvement store network in Finland. It serves builders, renovators and building professionals, in particular. In many localities, Rautia and K-maatalous agricultural stores operate as combined stores.

The K-maatalous chain operates in Finland. The stores are run by K-maatalous retailers who know the local conditions and agricultural entrepreneurs.

THE MOST RELIABLE BUILDING PARTNER

Building and home improvement store customers are offered an individual shopping experience, which plays a major role in consumers' purchasing decisions in particular. There are also targeted services available for home builders and decorators, such as a sales assistant appointed for the project, and solutions and tips for project management.

In 2013, about two thirds of the total net sales came from consumer business and one third from sales to B2B customers, but the proportion varies considerably from country to country. In addition to strong consumer sales, the special needs of B2B customers are taken closely into account when planning assortments and services.

The 'Pro Center' concept developed as part of the international K-rauta concept was created for the specific purpose of responding to these identified special needs, so that the B2B customer can better focus on its core business. Together with the K-rauta and Rautia chains, Rautakesko B2B Sales is the market leader in the B2B trade in Finland.

E-SERVICES AS A STRATEGIC FOCUS

Rautakesko tested and launched several electronic services in 2013. The aim is to offer customers a fluent and inspiring multi-channel shopping experience. The customer receives the products and services needed for the project readily delivered to the selected place; for instance, ordered on the web and delivered to the store or home.

The improvement of store communications and concepts continued in all the chains and operating countries in 2013. Customer service offered by stores was strengthened by providing extensive, store-specific product, price and availability information on the web and piloting store-specific 'click and collect' online service solutions in Finland. The aim is to provide e-commerce services across the entire operating area.

MARKET

The building and home improvement market by operating country and development from the previous year (retail trade, VAT 0%)
The total retail market in Rautakesko's operating area is around €25 billion*

- Finland €3.2 billion (-4.7%), (Finnish Hardware Association DIY)
- Sweden €3.7 billion (+0.8%)*
- Norway €4.0 billion (+0.3%)*
- Estonia €0.3 billion (+9%)*
- Latvia €0.3 billion (+5.5%)*
- Lithuania €0.5 billion (+10%)*
- Russia €13.4 billion (+3%)*
- Belarus €0.7 billion (+15%)*

The agricultural market in Finland
The agricultural market is about €2 billion (+0%)*

* Kesko's own estimate

MARKET SHARES

BUILDING AND HOME IMPROVEMENT TRADE

- Finland 39% (Finnish Hardware Association DIY, Kesko's own estimate). Main competitors: Starkki, Kodin Terra, S-rauta, Agrimarket, Bauhaus.
- Sweden 6%*. Main competitors: Bauhaus, Byggmax, Beijer Bygg and Hornbach
- Norway 18%*. Main competitors: Monter/Optimera, Maxbo, Coop and XL Bygg
- Estonia 22%*. Main competitors: Ehitus ABC, Bauhof, Espak and Bauhaus
- Latvia 14%*. Main competitors: Depo DIY and Kursi
- Lithuania 30%*. Main competitors: Bauhof, Emeritazas
- Northwestern and central Russia 5% (St. Petersburg and Moscow)*. Main competitors: Leroy Merlin, OBI, Castorama, Maxidom, Metrika
- Belarus 10%*. Main competitors: Novoselkin, Materik

AGRICULTURAL TRADE

- Finland 26%*. Main competitors: Agrimarket and Yrittäjien Maatalous (YRMA)

BUILDING AND HOME IMPROVEMENT TRADE KEY FIGURES

- In the building and home improvement trade, the net sales were €2,607 million, down 7.8%.
- Excluding the impact of retailer changes in Norway, net sales performance in terms of local currencies was -0.5%.
- The operating profit excluding non-recurring items was €25.7 million (€13.3 million).
- Due to enhancement measures, profit performance was clearly positive.

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Retail sales and number of stores

	Number		Sales (VAT 0%), € million	
	2013	2012	2013	2012
K-rauta*	42	42	565	587
Rautia*	99	99	460	487
Rautakesko B2B sales			187	209
K-maatalous*	83	83	460	463
K-customer contract stores	28	30	46	47
Finland, total	**252**	**254**	**1,718**	**1,792**
K-rauta, Sweden	20	21	207	215
Byggmakker, Norway	91	106	720	988
Other Nordic countries, total	**111**	**127**	**927**	**1,203**
K-rauta, Estonia	8	8	69	64
K-rauta, Latvia	8	8	52	51
Senukai, Lithuania	18	17	266	268
Baltic countries, total	**34**	**33**	**386**	**383**
K-rauta, Russia	13	14	272	284
OMA, Belarus	10	9	106	86
Building and home improvement trade, outside Finland, total	**168**	**183**	**1,692**	**1,956**
Building and home improvement trade, total	**420**	**437**	**3,363**	**3,748**

** In 2013, 47 Rautia stores also operated as K-maatalous stores. In 2012, one K-rauta store and 48 Rautia stores also operated as K-maatalous stores*

Building and home improvement trade, key figures

		2013	2012
Net sales	€ million	2,607	2,827
Operating profit	€ million	24.8	11.6
Operating profit excl. non-recurring items	€ million	25.7	13.3
Operating profit excl. non-recurring items as % of net sales	%	1.0	0.5
Capital expenditure	€ million	38	63
Capital employed	€ million	732	760
Return on capital employed excl. non-recurring items	%	3.5	1.7
Personnel average		8,910	9,105

Building and home improvement trade, net sales in 2013

	€ million	Change, %
Building and home improvement trade, Finland	1,173	-4.6
K-rauta, Sweden	205	-4.0
Byggmakker, Norway	470	-26.0
K-Rauta, Estonia	69	+8.1
K-rauta, Latvia	52	+1.1
Senukai, Lithuania	263	-1.1
K-rauta, Russia	272	-4.2
OMA, Belarus	106	+22.7
Total	**2,607**	**-7.8**

Properties

		2013	2012
Owned properties, capital	€ million	427	427
Owned properties, area	1,000 m²	432	405
Leased properties, lease liabilities	€ million	373	354
Leased properties, area	1,000 m²	685	725

CAR AND MACHINERY TRADE

The car and machinery trade consists of VV-Auto and Konekesko with their subsidiaries. VV-Auto is a company specialised in importing, retailing and providing after-sales service for cars manufactured by Volkswagen Group. Konekesko offers machinery products and services valued by customers in Finland and the Baltic countries.

VV-Auto imports and markets Volkswagen, Audi and SEAT passenger cars, and Volkswagen commercial vehicles in Finland. It also imports and markets SEAT passenger cars in Estonia and Latvia. VV-Auto is also a major car retailer and provides after-sales service at its own outlets in the Greater Helsinki area and Turku.

Konekesko is a machinery trade company, focusing on the import, sale and after-sales service of construction, materials handling, environmental and agricultural machinery, trucks and buses, and recreational machinery. Konekesko operates in Finland, Estonia, Latvia and Lithuania.

STRATEGIC OBJECTIVES

The strategic objective of the car trade is to strengthen the market share, desirability and customer loyalty of Volkswagen, Audi and SEAT by offering the most comprehensive car sales and after-sales service in the sector. Electronic services combined with a strong dealer network create the prerequisites for the best customer experience in the car trade.

The strategic objective of the machinery trade is to be the most valued business partner in the sector. Centralised product line management that covers all operating countries provides the basis for wide-ranging services and efficient operations. The developing Baltic machinery market is strengthening the growth of machinery stock and the after-sales business. Both consumer and business customer services are improved by enhancing electronic services and customer communications.

In the car and machinery trade, long-term areas of improvement are customer service and training of sales

EVENTS IN 2013

- For the third time Volkswagen was rated the winner in the Service 1 purchase survey of the Finnish Auto Bild magazine
- Jouni Gustafsson won the Master Technician European Championship in the competition organised by Volkwagen
- The new training centre was opened in Vantaa
- Claas combine harvesters became market leaders in every Baltic country
- The new principal brand in earthmoving equipment is Kobelco
- In Lithuania, the offices moved to new premises in Vilnius and a new outlet was opened in Kuldiga, Latvia

WORLD CHAMPIONSHIP WITH TRAINING

In summer 2013, a new training centre was completed in Vantaa, where 130 courses and 5,000 training days will be annually organised for the service personnel working in various positions for Volkswagen, Audi and SEAT. With the help of the training programmes, every employee will gain expertise in his or her specific duties. Six full-time trainers also tailor courses to meet dealers' wishes and familiarise employees with new car models and technology.

Jouni Gustafsson, 31, who works as a service technician for Huittisten Laatuauto in Huittinen is an excellent example of the broad scope of the training system. After having gained in-depth expertise and skills by attending dozens of Volkswagen's technology and specialised courses, Gustafsson became the European Champion when finishing second in the World Championship competition arranged for the Volkswagen partner organisations' master technicians in the summer of 2013. Two years before, Gustafsson won the World Championship. More than 40,000 Volkswagen professionals took part in competition qualifications and the 2013 finals in Wolfsburg had nearly 300 participants from 80 countries.

and after-sales personnel. Efficiency of operations will be improved by streamlining operating practices.

VV-AUTO

Volkswagen passenger car owners are served by a network of 40 dealers and 55 service workshops, and there are 39 dealers and 54 service workshops for Volkswagen commercial vehicles. The corresponding figures for Audis are 21 and 25. SEATs are sold by 21 dealers and maintained and repaired by 35 workshops in Finland. There are four dealers and service workshops for SEATs in the Baltic countries.

The Volkswagen, Audi and SEAT ranges expanded considerably over the course of 2013. New Volkswagen models launched included the Golf Variant, the Jetta hybrid, Golf GTI and GTD versions, the Beetle Cabriolet, the bio/natural gas-fuelled eco up! and the civilian version of the successful rally car, the Polo R WRC. Audi launched the new A3 Sportback and Sedan models, the A6 and A7 models were complemented with RS types and new launches also included RSQ3 and SQ5, and revised A8

and S8 types. New SEAT arrivals included the new Mii and Toledo as well as Leon SC and ST versions.

In the Car Brand Tracking survey (TNS Gallup) that measures the desirability of car brands – that is, brand preference and presence – Volkswagen has been by far the most sought-after car brand in Finland for years. Audi, for its part, has long led its other competitors in the category as far as desirability is concerned. SEAT has also discovered the right direction with the brand's revised models and improved its position in the assessment of desirability.

VV-Auto is constantly developing its electronic services and offers a modern car service booking tool, independent of terminals, to its customers. The booking service responds to customers' expectations of visiting a service centre whenever they wish to do so. The service allows customers to choose an exact date and time at the preferred centre from all available times and dates. When selecting the services they require, customers are also given the price for each job booked. In 2013, the service was launched at four Audi Centers: Airport, Helsinki, Espoo and Turku. The service is one of the best of its kind available for customers in Finland.

KONEKESKO

Konekesko's largest business area is agricultural machinery. The main brands in Finland are Massey Ferguson tractors and Claas combine harvesters. In the Baltic countries, the selection also includes Claas tractors and a range of agricultural implements, the most important brands being Claas, Lemken, Hardi and Umega. Claas combine harvesters are market leaders in every Baltic country and Konekesko is now also the market leader for tractors in Latvia.

Konekesko's sale of recreational machinery is based on close, long-term cooperation with Yamaha Motor Co. Ltd. Konekesko has the largest dealer network in Finland selling Yamaha motorcycles, mopeds, ATVs, snowmobiles, outboards, generators, PWCs and snowblowers.

Konekesko's own boat brands are Yamarin, Yamarin Cross, Suvi and Palta. During the year, five new Yamarin and Suvi models were launched to the market. Konekesko also represents Linder, Zodiac and TG boats.

Yamaha launched several new motorcycle, snowmobile, ATV and outboard models during the year. Yamaha has been the market leader in outboards since 1977 and it also retained its position as the market leader for motorcycles in Finland. Yamarin increased its market share in registered boats.

Konekesko has a sales network of its own for construction, materials handling and environmental machinery in Finland and the Baltic countries. The best-known product brands are Kobelco, Kubota, Sennebogen, Weidemann, Grove and Still. In the Baltic countries, Konekesko also represents Ponsse forestry machinery and Dynapac asphalt rollers and pavers. After cooperation between CNH and Kobelco ended, Konekesko started as Kobelco's first new importer in Europe.

In Finland, Konekesko is also responsible for the sales and after-sales service of MAN trucks, and MAN and Neoplan buses.

MARKET SHARES

CAR TRADE, FINLAND

- VV-Auto's market share 20.6% (Volkswagen, Audi and SEAT passenger cars and Volkswagen commercial vehicles, total)
- Volkswagen passenger cars 12.4%.
- Audi 5.5%.
- SEAT 1.6%.
- Volkswagen commercial vehicles 30.8%.

MACHINERY TRADE, FINLAND

- Outboards* 48.6% (Yamaha, Selva)
- Boats* 24.2% (Yamarin, Suvi, Linder, TG, Zodiac, Palta)
- Motorcycles* 15.6% (Yamaha)
- Tractors* 10.2% (Massey Ferguson)
- Trucks*, over 6 tonnes, 3.9% (MAN)
- Light transportation trailers < 750 kg, 16.2% (Muuli)

*Registered

MARKET

- In 2013, 103,450 passenger cars and 10,405 vans were registered for the first time in Finland. The passenger car market decreased by 7.0% and the van market by 9.3% from the previous year.
- Volkswagen was the number one brand in terms of registration statistics for both passenger cars and vans. The total number of registrations of cars and vans imported by VV-Auto was 23,157.
- The total market for Konekesko's product areas was €1,300 million in Finland and €300 million in the Baltic countries (Kesko's own estimate).

CAR AND MACHINERY TRADE KEY FIGURES

- Net sales of the car and machinery trade were €1,037 million, down 6.9%.
- In the car trade, the market share of Audi, Volkswagen and Seat grew to 20.6%.
- The operating profit excluding non-recurring items was €33.9 million (€41.9 million).
- Due to enhancement measures, profitability remained at a good level.

Retail sales and number of stores

	Number		Sales (VAT 0%), € million	
	2013	2012	2013	2012
VV-Auto, retail outlets	10	10	381	412
VV-Auto, imports			382	396
Konekesko, Finland	1	1	177	210
Finland total	**11**	**11**	**940**	**1,017**
Konekesko, Estonia			36	31
Konekesko, Latvia			47	52
Konekesko, Lithuania			37	38
Konekesko, Baltic countries, total			**119**	**120**
Car and machinery trade, total	**11**	**11**	**1,059**	**1,138**

Car and machinery trade, key figures

		2013	2012
Net sales	€ million	1,037	1,114
Operating profit	€ million	33.9	41.9
Operating profit excl. non-recurring items	€ million	33.9	41.9
Operating profit excl. non-recurring items as % of net sales	%	3.3	3.8
Capital expenditure	€ million	15	27
Capital employed	€ million	161	188
Return on capital employed excl. non-recurring items	%	21.1	22.3
Personnel average		1,252	1,254

Car and machinery trade, net sales in 2013

	€ million	Change, %
VV-Auto	745	-5.7
Konekesko, Finland	178	-15.7
Konekesko, Baltic countries	116	+0.2
Total	**1,037**	**-6.9**

Properties

		2013	2012
Owned properties, capital	€ million	67	68
Owned properties, area	1,000 m²	68	67
Leased properties, lease liabilities	€ million	22	26
Leased properties, area	1,000 m²	35	34


TUORETTA RUOKAA, MONIPUOLISESTI
Tuoreet raaka-aineet ja aidot maut ovat luonnollinen osa monipuolista ruokavaliota.

RESPONSIBLE CHOICES

Responsibility is part of everyday work at Kesko and K-stores. The responsibility programme and our responsible working principles guide our work. We want to help our customers make responsible choices.

RESPONSIBLE PURCHASING

Customers must be able to rely on the fact that the products offered by stores are well-researched, safe and sustainably produced.

Kesko's purchasing principles guide Kesko's responsible purchasing. Various sustainability statements, such as the palm oil policy, the fish and shellfish statement, the timber policy, and the stand on the sandblasting of jeans, have been prepared to support purchasing.

In its operations, Kesko pays special attention to human rights issues and working conditions across its sourcing chain. Monitoring focuses particularly on countries where the risks that these rights will be violated are the greatest (such as in many Asian, Central American and African countries).

International assessment systems, BSCI auditing and SA8000 certification are used for supplier audits in high-risk countries. The Principles and Practice of Socially Responsible Trading guide has been created to help Kesko's buyers and suppliers in purchases from high-risk countries.

SAFE, WELL-RESEARCHED PRODUCTS

Kesko Food's own Pirkka Product Research unit analyses samples of foodstuffs and home and speciality goods and develops new private label products.

The Product Research laboratory has an accredited ISO 17025 quality system and uses more than 450 determination methods. In addition to new products, the products already included in selections are monitored on a constant basis. The laboratory tested over 9,400 product samples and made over 29,300 analyses in 2013.

Home economics teachers in the Pirkka test kitchen annually develop and test hundreds of new food recipes. The Pirkka.fi recipe service contains about 5,000 recipes, all of which have their nutrition contents calculated, to make choices easier.

Consumers' interest in products, their origins and contents has increased. Customers can contact Kesko Food's consumer service unit to find out the country of origin of any Pirkka product ingredient. The consumer service unit received more than 23,000 consumer contacts in 2013.

ENERGY EFFICIENT SOLUTIONS IN K-STORES

Kesko is committed to saving 65 GWh of its annual energy consumption by the end of 2016. Particularly good results have been obtained with energy efficient construction and retail stores' energy solutions.

The Kodin1 department store for interior decoration and home goods, which was opened in Raisio in May 2013, is the first passive retail store building in the Nordic countries. The Veturi shopping centre in Kouvola was awarded with the BREEAM Very Good environmental certificate in autumn 2013.

Energy saving solutions in retail stores include lids and doors on refrigeration equipment, recovery of condensation heat, refrigeration equipment that uses carbon dioxide, and adjustable and directional lighting. In Keslog's

OBJECTIVES OF THE RESPONSIBILITY PROGRAMME UP TO 2020

Kesko's updated responsibility programme was published in February 2013. The programme contains both short-term objectives and objectives up to 2020 for Kesko's operations and those of the entire K-Group.

Examples of the objectives:

- We will improve our annual energy efficiency by 65 GWh by 2016.
- We will reduce the relative carbon dioxide emissions from Keslog's transportation by 10% by 2020.
- We will offer a wide selection of responsible Pirkka products: 500 Pirkka products meeting a responsibility criterion and 200 Pirkka organic products by 2015.

The progress and results of the responsibility programme will be described in Kesko's Corporate Responsibility Report.

transportation, emissions are cut by economical driving, route planning and two-tier trailers.

WASTE RECOVERY

Kesko's objective is to direct all generated waste to recycling and energy recovery. Anttila's logistics centre in Kerava recovers nearly all of its waste, around 99%. The waste recovery rate of the K-stores in the sphere of the centralised waste management agreement is about 90%.

Kesko Food's objectives include decreasing the food waste generated in K-food stores by ten percent by 2020. The amount of food wasted will be reduced with the help of electronic forecasting and ordering systems, efficient logistics and employee training. K-retailers also donate food to charity.

SAVINGS WITH THE ENERGY EXPERT SERVICE

The aim of the Energy Expert service provided by K-rauta and Rautia stores is to make it easy for customers to improve the energy efficiency of their homes.

Services and products available for customers include energy savings surveys, thermal camera inspections, air and ground heat pumps, solar water heaters and solar panels, including installations.

Customers of building and home improvement stores are served by Energy Experts and Energy Masters. The objective is to have at least one trained Energy Expert or Energy Master and a service cooperation network in each of the stores.

OUR RESPONSIBLE WORKING PRINCIPLES

Our Responsible Working Principles provide the guidelines for working at Kesko and K-stores. All employees in eight countries have the same guidelines and share the same view of our common values and principles.

It is particularly important to ensure that all employees are committed to working in accordance with Kesko's values and responsible working principles. We also require that our business partners follow corresponding responsible principles.

In 2013, five value discussions on responsible working principles were

By early 2014, the K-Group had already provided employment for more than 500 young people with the help of the Youth Guarantee. Pictured new employees Juha Pettinen (right), Nora Varvemaa and Tuomo Miettinen.

Kesko is listed in the most significant sustainability indices

Kesko participates in the UN Global Compact initiative

organised for various divisions in Finland, Sweden, Norway, Estonia and Russia.

RESPONSIBILITY VISIBLE TO CUSTOMERS

We aim to raise the customer visibility of Kesko's and K-stores' responsible operations in retail stores. In autumn 2013, K-food stores launched a new K-responsibility concept, which tells customers about the stores' good deeds in a practical manner and helps them make sustainable choices easily. The concept will be expanded to K-maatalous, K-rauta and Rautia stores over the course of 2014.

The "Let's Do Good. Together." symbol makes the K-responsibility concept visible to customers. The concept takes into account all of the aspects of responsibility, such as local origins, healthiness of food, reliable selections, the environment and a good working community.

YOUTH GUARANTEE PROMOTES EMPLOYMENT

In 2013, Kesko and K-stores launched a programme intended to employ at least 1,000 young people in the target group of the Youth Guarantee by the end of 2014. By the beginning of 2014, a total of 520 young people had been employed by K-stores and Kesko across Finland; between August and December 2013, most of them by K-food stores. The programme has had a promising start, particularly in the Greater Helsinki area, northern Finland and eastern Finland. Kesko's Board of Directors granted €100,000 for the launch of the programme in 2013.

THE BEST RESPONSIBILITY REPORT IN FINLAND

Kesko's Corporate Responsibility Report for 2012 was chosen as Finland's best in the 2013 Sustainability Reporting Award Finland Competition. Kesko's report was also ranked the best by the media and non-governmental organisations.

According to the jury, Kesko has reported on its social and economic responsibility exceptionally well and produced good descriptions of its supply chains management, product responsibility, and anti-corruption actions and principles, for example.

This was Kesko's 13th Corporate Responsibility Report. The report for 2013 will be in electronic format and it will be published in April 2014.

HUMAN RESOURCES TO IMPLEMENT STRATEGIES

Kesko and its chain stores offer a wide range of career and development opportunities in the trading sector, varying from sales and customer service jobs to supervisory and specialist jobs and retailer entrepreneurship. In all, the K-Group – Kesko and the K-retailers – employ around 45,000 people.

THREE AIMS OF HR MANAGEMENT:

- To be the most attractive workplace in the trading sector
- To have the most competent and motivated people
- To achieve the best labour productivity

Kesko and K-stores offer various jobs in eight countries. International growth provides opportunities for job rotation between different countries and Kesko Group divisions.

Kesko and K-stores participate in the Youth Guarantee initiative aimed at employing at least 1,000 young people in the target group by the end of 2014. Kesko is implementing the initiative in cooperation with the authorities, the K-Retailers' Association and other organisations. Kesko's Board of Directors granted €100,000 for the launch of the initiative. By the end of 2013, K-stores and Kesko had employed 520 young people across Finland as part of the initiative.

As part of cooperation between Kesko and educational establishments and Kesko's long-standing responsibility work, Kesko Fair Play scholarships were distributed to more than 2,800 young people who had promoted motivation in school work. The total scholarship amount was nearly €150,000.

Systematic, business-driven development of personnel and management is a critical factor for future success. Core competence development areas include sales and service competence, product line specific competitive advantage projects, immediate leadership and management, as well as e-commerce and services.

The Master Sales Assistant training programme is the biggest annual training event of the K-Group. In 2013, retail stores ordered study rights for over 12,000 students and the number of courses completed using the web environment was approximately 175,000. The training culminated in the Master Sales Assistant competition at the K-Team Event in Tampere at the beginning of November. The training programme was also provided at more than 100 business colleges and polytechnics, which ordered study rights for nearly 4,400 students and had over 58,000 courses completed. A new online course entitled Responsible Choices also became part of the Master Sales Assistant training programme.

Regional and store-specific training courses provided by the K-instituutti training centre in Finland had about 2,500 students in 2013. The vocational and specialist qualification training programmes organised by K-instituutti had nearly 500 participants over the course of the year. In addition, chains organised various types of training events for stores with the aim of improving competitive advantage and retailers provided training for their staff according to their own specific needs.

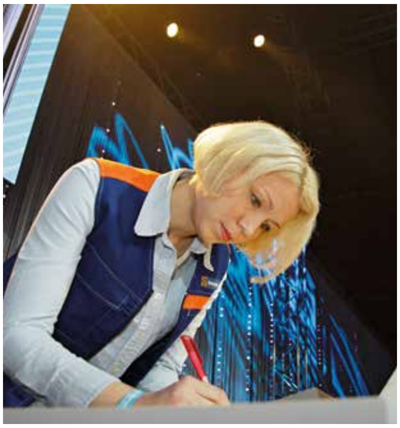
Since 2011, Kesko has been implementing a wellbeing at work programme aimed at enhancing employees' job satisfaction and working capacity and lowering the total costs of wellbeing at work. The 2013 focus area of the programme was work safety. During the year, related training was organised for around 750 supervisors and a new web training course on work safety was made available.

In order to enhance employees' success and wellbeing at work, special attention was paid to cooperation between companies' managers and shop stewards.

The measures for staff cost enhancement in line with the profitability programme launched in Kesko Group in late 2012 were implemented as announced. In addition to terminations, the reductions included reduced working hours and retirement arrangements.

The HR Shared Service Center that serves Kesko Group's companies in Russia began operating in St. Petersburg in 2013.

A comprehensive revision of the Group's HR operations began at the end of 2013, aimed at strengthening the unit's support for implementing business strategies and developing international, Group-level HR operating models. The process will focus on strengthening HR development work, improving employee efficiency and achieving savings in the total costs of providing wellbeing services at work.



The Master Sales Assistant training programme is the biggest annual training event of the K-Group. The 2013 training culminated in the Master Sales Assistant competition at the K-Team Event in November.

EVENTS IN 2013

- Kesko and K-stores participated in the Youth Guarantee initiative
- Kesko distributed the Kesko Fair Play scholarship to over 2,800 young people
- The HR Shared Service Center began operating in St. Petersburg
- The revised personnel survey was adopted

OPERATIONS IN EIGHT COUNTRIES

- Kesko has about 20,000 employees on average
  – In 2013, the number decreased by 426 in Finland and increased by 168 outside Finland
- At the end of 2013, Kesko had 23,863 employees in the following divisions:
  – Food trade 3,570
  – Home and speciality goods trade 8,483
  – Building and home improvement trade 10,066
  – Car and machinery trade 1,261
  – Common operations 483
- Employee numbers by country at the end of 2013:
  – Finland 12,776
  – Lithuania 3,554
  – Russia 3,082
  – Belarus 1,980
  – Sweden 932
  – Estonia 568
  – Norway 488
  – Latvia 483

REVISED PERSONNEL SURVEY

The personnel survey, which was revised in 2013 and conducted by Kesko Group and some of the K-stores, had 16,269 respondents. The questions were rephrased, which means that the results are not comparable with those for previous years. The results are now compiled in four indices – employee engagement, performance management, supervisory work and wellbeing at work – and they are globally comparable. Based on the results, supervisors prepare action plans using an electronic tool. They also have access to an elearning programme that helps them to make best use of the results.

STORE SITE OPERATIONS

The store site network is a strategic competitive factor for Kesko. It provides opportunities for developing business operations and increasing sales and customer satisfaction. Kesko's divisions are responsible for their own store sites throughout their life cycles.

REAL ESTATE PROPERTY MANAGEMENT

For the management of Kesko's real estate assets and liabilities, the retail stores and other real estate properties are classified as follows:

Strategic properties are or can be developed into large retail stores. They involve important business interests related to the continuity of management, the flexibility of change and the financial value of the premises. In order to protect such interests, Kesko usually prefers to own these properties.

Standard properties are premises owned by Kesko Group, including large properties without a significant development need, which can be sold and leased back for use in the Group's business operations.

Realisation properties are those for which Kesko has no further business use.

Development properties are those in need of further development for their intended use.

In 2013, Kesko reviewed the criteria on which store sites owned by it are classified as strategic and other properties. As at 31 December 2013, according to the new classification, 53% of store sites are strategic, compared to 78% in the old classification.

Kesko is looking into selling some of its store sites to a fund with a maximum fair value of approximately €750-950 million to be set up with Kesko as one of its significant investors. Kesko Group would continue its operations on these store sites under long-term leases signed in connection with their sales to the fund. The possible fund is expected to be launched over the course of 2014.

CAPITAL EXPENDITURE

Kesko's capital expenditure in real estate aims to enable the creation of retail services valued by customers by anticipating changes in customer behaviour and the operating environment and by maintaining the technical condition of properties.

Kesko makes capital expenditure only in properties needed in its own or supporting business operations. As a result of Kesko's internationalisation, capital expenditure outside Finland has become increasingly important.

LIFE-CYCLE EFFICIENT REAL ESTATE OPERATIONS

Kesko's real estate operations are based on the life-cycle efficiency of store sites. This means optimising the costs and environmental burden across the entire life cycle of a store site. The aim is to achieve the lowest life-cycle costs in the retail sector while also ensuring that optimum conditions are maintained for customers, employees and products. Optimum conditions must be taken into account from planning and construction onwards.

The Kodin1 department store for interior decoration and home goods opened in Raisio in 2013 is the first passive retail store building in the Nordic countries. The building is energy efficient thanks to lighting solution based on customer movements combined with adaptable ventilation, heat recovery from ventilation and airtight structures. These functions are controlled by highly sophisticated building automation. The factors taken into account when planning the passive retail store building also included its shape and position on the site.

PROPERTY MAINTENANCE

Kesko has outsourced the production of maintenance services for the properties managed by it. In 2013, these services were provided by Caverion Suomi Oy, ISS Palvelut Oy and Ovenia Oy. Systematic, proactive maintenance is managed through a centralised ERP system. Comprehensive management of property data enables efficient maintenance and on-time repairs and replacements in order to maintain good conditions and energy efficiency. A Kesko Group company is responsible for purchasing electricity for the K-Group.

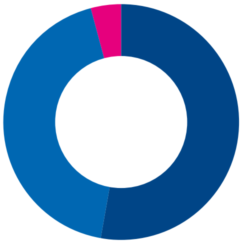
KESKO IS COMMITTED TO SAVING ENERGY

Kesko has been increasing its energy efficiency for decades: retail stores were given advice on how to save energy as early as in the 1980s. We participate in the national energy efficiency agreement, in which we have made a commitment to increase the efficiency of our energy consumption through various actions and save 65 GWh by the end of 2016. This amount corresponds to the annual energy consumption of about 3,200 one-family houses.

We are constantly developing new energy efficient solutions for construction and real estate use and briefing retail store staff. To enable improvement in energy efficiency, we use a comprehensive monitoring system of energy consumption and remote monitoring of building automation as a part of our daily maintenance.

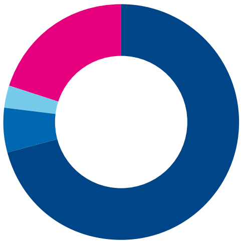
Careful energy monitoring helps us keep our properties' technical systems in order and maintain the value of the properties.

BREAKDOWN OF OWNED PROPERTIES



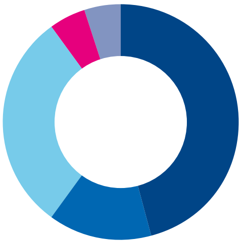
- Strategic properties 53% (49%)
- Standard properties 43% (46%)
- Realisation properties 0% (1%)
- Development properties 4% (4%)

OWNED PROPERTIES BY REGION, book value



- Finland 71% (72%)
- Other Nordic countries 6% (7%)
- Baltic countries and Belarus 3% (3%)
- Russia 20% (18%)

OWNED PROPERTIES BY DIVISION, book value



- Food trade 46% (45%)
- Home and speciality goods trade 14% (14%)
- Building and home improvement trade 30% (30%)
- Car and machinery trade 5% (5%)
- Others 5% (6%)

Owned properties

Book value by region, € million	2013	2012
Finland	1,004	1,015
Other Nordic countries	89	98
Baltic countries and Belarus	39	40
Russia	291	256
Total	**1,423**	**1,409**

Area by region, 1,000 m²	2013	2012
Finland	758	750
Other Nordic countries	121	121
Baltic countries and Belarus	112	123
Russia	143	111
Total	**1,135**	**1,105**

Book value by division, € million	2013	2012
Food trade	658	633
Home and speciality goods trade	196	202
Building and home improvement trade	427	427
Car and machinery trade	67	68
Others	75	79
Total	**1,423**	**1,409**

Area by division, 1,000 m²	2013	2012
Food trade	426	392
Home and speciality goods trade	146	141
Building and home improvement trade	432	405
Car and machinery trade	68	67
Others	63	100
Total	**1,135**	**1,105**

Leased properties

Area by region, 1,000 m²	2013	2012
Finland	2,317	2,330
Other Nordic countries	161	185
Baltic countries and Belarus	456	466
Russia	30	36
Total	**2,963**	**3,017**

Lease liabilities by region, € million	2013	2012
Finland	2,154	2,087
Other Nordic countries	49	71
Baltic countries and Belarus	132	106
Russia	33	38
Total	**2,368**	**2,302**

Lease liabilities, € million	2013	2012
No later than 1 year	360	358
Later than 1 year and no later than 5 years	1,088	1,074
Later than 5 years	920	870
Total	**2,368**	**2,302**

CUSTOMER INFORMATION HELPS IDENTIFY CUSTOMER NEEDS

Information collected with the K-Plussa customer loyalty programme helps us develop and tailor our operations to better meet customer needs. The objective is to be able to provide individual service to each customer at every K-store and chain.

With the help of the information produced by the customer loyalty programme we develop customer dialogue and the multi-channel approach in the K-Group. K-Plus Oy's most important strategic initiatives in 2013 included developing an environment for Kesko Group's customer register and building a campaign management tool that enables multi-channel customer dialogue.

The emphasis has been on using electronic channels, through which targeted benefits and offers have been provided for customers. In 2013, an increasing number of K-Plussa customers received individual benefits when the K-Group carried out new targeted marketing campaigns with the help of the campaign tool. In order to receive personal product offers, the customer has to give permission for product-specific data handling and e-mail marketing.

Every month, there are hundreds of K-Plussa offers available for K-Plussa customers, which always reward them with a discount of at least 10% at the checkout. In addition, the bonus for purchases amounts to up to 5%.

Customer information and analytics produced by K-Plus Oy are also used in business management, store network planning, concept development and planning selections and services. Business partners who participate in K-Plussa's customer reward model have access to the best information on the market combined with tools for implementing customer-specific services and communications.

CUSTOMER LOYALTY PROGRAMME IN RUSSIA

In Russia, our customer loyalty programme was launched on 5 December 2012 in connection with the opening of the first K-ruoka food store. The new customer loyalty card has been well received and about 400,000 Russian customers already have it. The card entitles customers to discounts at K-Group stores in Russia, including K-rauta and Intersport stores in addition to K-ruoka stores.

YEAR 2013 IN FIGURES

- More than 74,000 new customer households
- 3.9 million customers, 2.3 million Finnish households
- Used 1 million times a day
- 40 partners
- 3,000 places of purchase
- Discounts of at least 10% off the normal price
- The Pirkka magazine celebrated its 80th anniversary
- 2.9 million readers, which means that Pirkka was the most widely read magazine in Finland (KMT 2013)
- 400,000 customers in the Russian K-plus Loyalty Program

COMPETITIVE STRENGTH FROM CHAIN OPERATIONS AND COMPETITIVE ADVANTAGE FROM K-RETAILER ENTERPRISE

The K-Group's principal business model in Finland is the chain business model, in which independent K-retailers run retail stores in Kesko's store chains. At the end of 2013, Kesko had 1,183 K-retailer entrepreneurs as partners.

Cooperation between K-retailers and Kesko – chain operations – is based on equality, openness and willingness to develop joint operations. The objective of chain operations is to improve competitiveness and customer satisfaction and to achieve higher, uniform quality and lower costs.

The obligations and rights of K-retailers and Kesko have been specified in the chain agreement.

Competitive edge is gained by combining systematic chain operations and the K-retailer operations based on entrepreneurship. Kesko is responsible for continuously developing the business model and the store concepts, for managing chain operations and for sourcing the products included in the chain selections. The K-retailer entrepreneur is responsible for his or her store's customer satisfaction, personnel and business profitability.

To ensure success, it is important that a new retailer's professional and other skills are at as high a level as possible at the start of the retailer career. About 200 stores are affected by retailer changes annually in the K-Group. The annual need for new K-retailer entrepreneurs is 50-100. In 2013, 51 new K-retailers started their careers.

Future K-retailer entrepreneurs are trained in the retailer training programmes. The training consists of online studies, on-the-job training under a mentor retailer, and regional and nationwide events for exchanging experiences. The content and duration of the programme can be flexibly and efficiently defined for each student on an individual basis, taking their development potential, work experience and education into account.

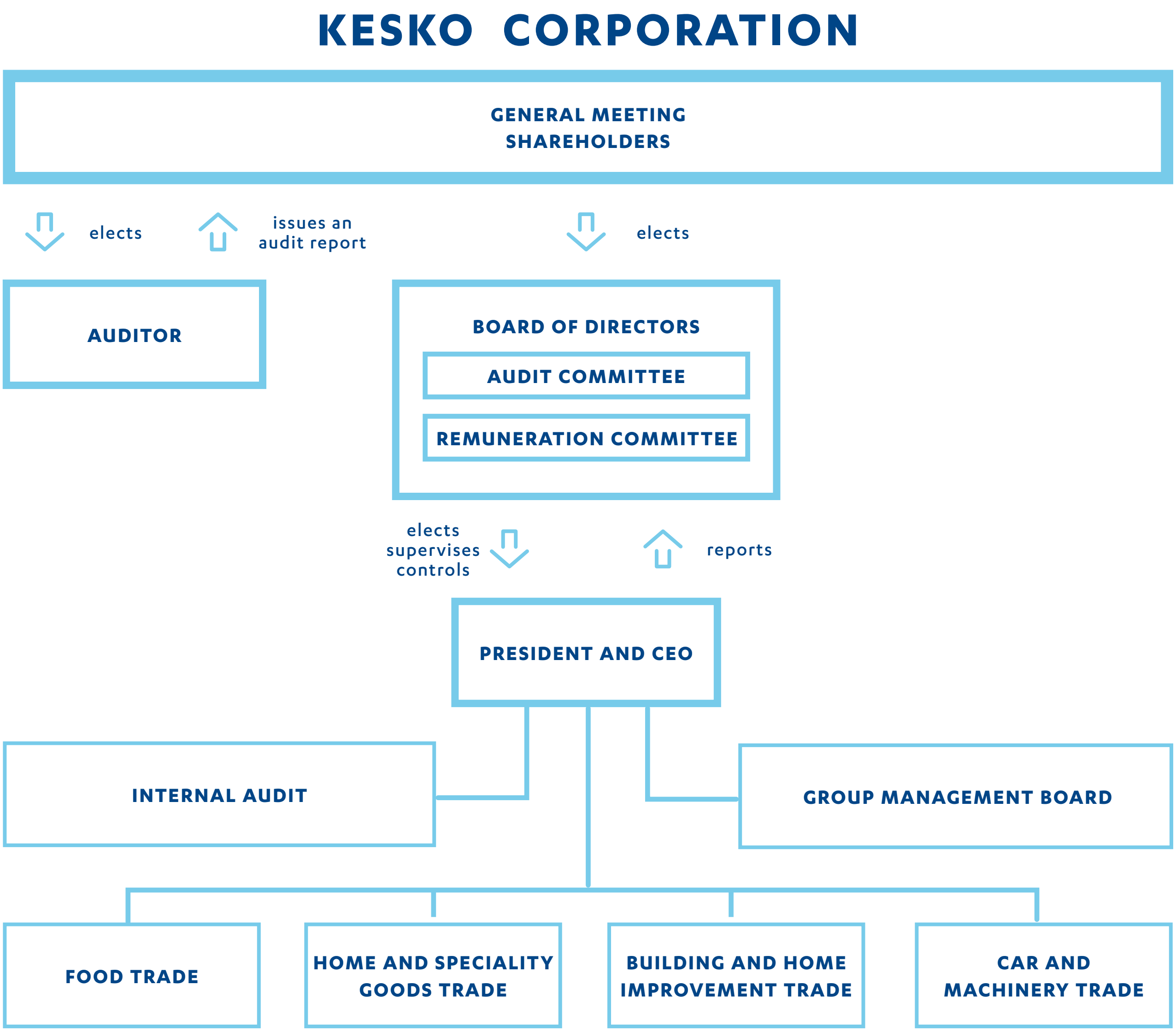
Many of those starting the K-retailer trainee programme have a steady amount of retailing experience, but the number of students transferring from other fields or having just finished their general education has grown.

More than 100 people complete the programme every year. After completion, the trainees are ready to start as independent K-retailer entrepreneurs.

The K-Group gives its retailers strong background support and opportunities for further training and progress in their K-retailer careers.

CORPORATE GOVERNANCE

KESKO GROUP'S CORPORATE GOVERNANCE STRUCTURE



RULES AND CORPORATE GOVERNANCE CODE OBSERVED BY KESKO

Kesko Corporation (Kesko or company) is a Finnish public limited company in which the duties and responsibilities of the executive bodies are defined according to Finnish law. Kesko Group comprises the parent company, Kesko, and its subsidiaries.

Kesko's decision-making and corporate governance are guided by Kesko's values and responsible operating practices. Decision-making and corporate governance comply with the Finnish Limited Liability Companies Act, regulations concerning publicly quoted companies, Kesko's Articles of Association, the charters of Kesko's Board of Directors and its Committees and the rules and guidelines of NASDAQ OMX Helsinki Ltd. The company complies with the Finnish Corporate Governance Code for Listed Companies 2010 (available at www.cgfinland.fi).

As provided by the Comply or Explain principle of the Corporate Governance Code, the company departs from the Corporate Governance Code's recommendation concerning Board members' terms of office. According to Kesko's Articles of Association, the term of the company's Board members is three years, whereas recommendation 10 of the Corporate Governance Code recommends that the Board members should be elected for a term of one year. A shareholder who, together with related entities, holds over 10% of all votes carried by the Kesko shares, has informed the company's Board that it considers the term of three years good for the company's long-term development and has not seen any need to shorten the term of office stated in the Articles of Association.

GENERAL MEETING

The highest decision-making power in Kesko is exercised by the company's shareholders at the company's General Meeting. The Annual General Meeting is held annually by the end of June on a date designated by the company's Board. The most significant matters falling within the competence of the General Meeting include the election of Board members and the auditor, the adoption of the financial statements, the resolution on discharging the Board members and the Managing Director from liability, and the resolution on the distribution of the company's assets, such as profit distribution.

The company has share series A and B, which differ with respect to the votes they carry. Each series A share carries the right to ten (10) votes and each series B share carries the right to one (1) vote at the General Meeting. When votes are taken, the proposal for which more than half of the votes were given will normally be the resolution of the General Meeting, as prescribed by the Limited Liability Companies Act.

Shareholders are invited to the General Meeting by a notice published on the company website. The notice of the meeting and other General Meeting documents, including the proposals of the company's Board to the General Meeting, are made available to shareholders no later than three weeks prior to the General Meeting at the company's main office and on its website at www.kesko.fi. The notice of the meeting and the proposals of the company's Board to the General Meeting are also published in a stock exchange release.

The company aims for all of Kesko's Board members, the President and CEO, and the auditor to be present at the Annual General Meeting. The minutes of the General Meeting are made available to shareholders at www.kesko.fi within two weeks of the General Meeting. The resolutions of the General Meeting are also published in a stock exchange release immediately after the meeting.

BOARD OF DIRECTORS

According to the Articles of Association, the term of office of a Board member is three years, starting at the close of the General Meeting electing the member and expiring at the close of the third Annual General Meeting after the election. Kesko's Board of Directors consists of a minimum of five and a maximum of eight members. The Board elects the Chair and the Deputy Chair from among its members for the whole term of the Board.

According to the resolutions of the Annual General Meetings on 16 April 2012 and 8 April 2013, the Board consists of seven (7) members, and the General Meeting on 16 April 2012 elected seven (7) members to the Board.

The Board of Directors elected by Kesko's Annual General meeting of 16 April 2012 consists of seven members:

- Esa Kiiskinen (Chair)
- Seppo Paatelainen (Deputy Chair)
- Ilpo Kokkila
- Tomi Korpisaari
- Maarit Näkyvä
- Toni Pokela
- Virpi Tuunainen.

In accordance with the Articles of Association, their terms will expire at the close of the 2015 Annual General Meeting.

All of Kesko's Board members are non-executive directors. In the latest independence evaluation carried out on 8 April 2013, the Board found all members independent of the company's significant shareholders, and the majority of the members also independent of the company. Board members Kiiskinen, Korpisaari and Pokela are not independent of the company, because companies controlled by them have chain agreements with a Kesko Group company.

Board duties

Kesko's Board of Directors ensures that the company's administration, operations, accounting and financial management controls are in place. The Board considers and makes decisions on all matters that are financially, operationally or fundamentally significant to the Group. The Board's duty is to promote the best interests of Kesko and all of its shareholders.

Board operations in 2013

In 2013, the Board held 10 meetings. The Board members' average attendance rate at Board meetings was 95.7%.

In its strategy work in 2013, the Board has concentrated especially on strategies for the food trade, the building and home improvement trade and the department store trade, on the real estate owned by the Group, on the strategic questions related to real estate management and on developing electronic services. The Board has monitored and supervised the implementation of the divisions' plans for expansion in Russia. The Board also approved changes in the composition of the Group Management Board and in the responsibility areas of the Management Board members. It also monitored the implementation of the Group's profitability programme. As in previous years, the Board has reviewed the financial reports and monitored the Group's funding situation, approved the most significant capital expenditures, monitored the progress of Group-level projects and approved interim reports and the financial statements.

The Board meetings regularly include a review by the President and CEO on major topical issues, as well as reports by the Chairs of the Board's Audit Committee and Remuneration Committee on preparatory committee meetings preceding the Board meetings. The auditor presents his findings to the Board once a year in connection with the review of the financial statements.

The Board regularly assesses its operations and working practices and carries out a related self-assessment once a year. Most recently, the Board made a self-assessment in December 2013. The self-assessment was based on the results of a survey, which the Board discussed before deciding upon follow-up measures. When assessing its operations, the Board noted that it had been more successful than before in allocating its time to addressing issues that are important to Kesko Group.

BOARD COMMITTEES

Kesko has a Board's Audit Committee and a Remuneration Committee, both of which consist of three Board members. At the close of the Annual General meeting, the Board elects the Chairs and the members of the Committees from among its members for one year at a time.

The Committees have no independent decision-making power. Instead, the Board makes decisions based on material prepared by the Committees.

The Committees regularly assess their operations and working practices and carry out a related self-assessment once a year.

Audit Committee

The Audit Committee members are Maarit Näkyvä (Ch.), Seppo Paatelainen (Deputy Ch.) and Virpi Tuunainen. All members of the Audit Committee are independent of the company and its significant shareholders. In the election of the Audit Committee members, the relevant qualification requirements have been taken into account.

According to its charter, the duties of the Audit Committee include monitoring Kesko Group's financial and funding situation and the process of reporting the financial statements and supervising the company's financial reporting process, as well as monitoring the statutory audit of the financial statements and the consolidated financial statements, and evaluating the independence of the company's audit firm. The Audit Committee also prepares the draft resolution concerning the election of the company's auditor to the General Meeting.

In 2013, the Audit Committee held five (5) meetings, and its members' average attendance rate at the meetings was 100%. At the Committee meetings, the Group's Chief Financial Officer, the Group Controller, the Chief Audit Executive and the Group General Counsel regularly report on their areas of responsibility to the Committee. The Committee also receives reports on Kesko Group's funding situation, risk management and insurance. The auditor is present at the Committee meetings and presents his audit plan and report to the Audit Committee.

During the year, the Committee reviewed reports on the Group's financial situation, including the financial statements release and interim reports, and made a recommendation to the Board on handling the interim reports and the financial statements release. In addition, the Committee reviewed the Group's external and internal audit, risk management and legal affairs reports. As part of risk management, the Committee reviewed the change on dominant market position in the Competition Act that is related to the operation of Kesko Food and the expected tightening of data protection regulations within the EU and considered measures to provide for the changes, among other things. The Committee approved the updated internal control principles and internal audit plan, budget and resources for 2014. The Committee also evaluated the auditor's independence and the consultation services provided to the Group. The Audit Committee has prepared and submitted a proposal to Kesko's Annual General Meeting on the auditor to be elected for Kesko.

Remuneration Committee

The Remuneration Committee members are Esa Kiiskinen (Ch.), Seppo Paatelainen (Deputy Ch.) and Ilpo Kokkila. All members of the Remuneration Committee are independent of the company's significant shareholder and the majority is also independent of the company.

According to its charter, the duties of the Remuneration Committee include preparing matters pertaining to the appointment, compensation and other financial benefits of the company's President and CEO and Group Management Board members responsible for lines of business, and preparing the managing director's service contract to the Board.

In 2013, the Remuneration Committee held four (4) meetings and its members' average attendance rate at the meetings was 100%. Among other things, the Committee prepared proposals for the Board on the vesting criteria and target group for share-based compensation, as well as on the principles of the management's performance bonus scheme. In addition, the Committee reviewed results from studies and surveys on the Group's employee satisfaction, wellbeing at work, sickness absences and management resources.

Read more about Kesko's Board members on pages 58–59 and at www.kesko.fi.

PRESIDENT AND CEO

Kesko has a managing director who is the President and CEO. Kesko's President and CEO is Matti Halmesmäki, Master of Science in Economics, Master of Laws. He has been Kesko's President and CEO since 1 March 2005.

The President and CEO's duty is to manage the company in accordance with the instructions and orders issued by the company Board and to inform the Board about the developments in the company's business operations and financial situation. He is also responsible for the company's day-to-day management and for ensuring

ATTENDANCE AT MEETINGS BY MEMBERS OF THE BOARD AND ITS COMMITTEES IN 2013

			Attendance		
	Board member since	Committee	Board	Audit Committee	Remuneration Committee
Esa Kiiskinen, Ch.	2009	Remuneration Committee (Ch.)	10/10		4/4
Seppo Paatelainen, Dep. Ch.	2006	Audit Committee (Dep. Ch.)	10/10	5/5	
		Remuneration Committee (Dep. Ch.)			4/4
Ilpo Kokkila	2006	Remuneration Committee	8/10		4/4
Tomi Korpisaari	2012		10/10		
Maarit Näkyvä	2001	Audit Committee (Ch.)	9/10	5/5	
Toni Pokela	2012		10/10		
Virpi Tuunainen	2012	Audit Committee	10/10	5/5	

BOARD MEMBERS' INDEPENDENCE IN 2013

	Independent of the company	Independent of significant shareholder
Esa Kiiskinen, Ch.	No*	Yes
Seppo Paatelainen, Dep. Ch.	Yes	Yes
Ilpo Kokkila	Yes	Yes
Tomi Korpisaari	No*	Yes
Maarit Näkyvä	Yes	Yes
Toni Pokela	No*	Yes
Virpi Tuunainen	Yes	Yes

** Each of the companies controlled by Kiiskinen, Korpisaari and Pokela has a chain agreement with a company belonging to Kesko Group.*

ANNUAL AND MEETING FEES PAID TO BOARD MEMBERS FOR BOARD AND COMMITTEE WORK IN 2013 (€)

		Meeting fees			
	Annual fees	Board	Audit Committee	Remuneration Committee	Total
Esa Kiiskinen, Ch.	80,000	5,500		2,000	87,500
Seppo Paatelainen, Dep. Ch.	50,000	5,500	2,500	2,000	60,000
Ilpo Kokkila	37,000	5,000		2,000	44,000
Tomi Korpisaari	37,000	5,500			42,500
Maarit Näkyvä	37,000	5,500	5,000		47,500
Toni Pokela	37,000	5,500			42,500
Virpi Tuunainen	37,000	5,000	2,000		44,000
Total	**315,000**	**37,500**	**9,500**	**6,000**	**368,000**

The fees are reported on cash basis.

ANNUAL AND MEETING FEES RESOLVED BY THE ANNUAL GENERAL MEETING IN 2009–2013 (€)

Fee/year

Annual fee	2009–2013
Board Chair	80,000
Board Deputy Chair	50,000
Board member	37,000

Fee/meeting

Meeting fees	2009–2013
Fee for a Board meeting	500
Fee for a Committee meeting	500
Committee Chair's fee for a Committee meeting, if he/she is not also the Board Chair or Deputy Chair	1,000

PRESIDENT AND CEO MATTI HALMESMÄKI

Salaries, performance bonuses and fringe benefits in 2011–2013 (€)

	2013	2012	2011
Non-variable monetary salary	909,840	865,300	642,900
Performance bonuses	350,000*	309,000*	339,500*
Fringe benefits	22,740	22,023	19,980
Total	**1,282,580**	**1,196,323**	**1,002,380**

** Paid based on previous year's performance.*

PERIOD OF NOTICE AND TERMINATION BENEFIT

If the President and COE's service contract is terminated by the company, he is paid a 12-months' salary for the period of notice and a separate lump sum termination benefit which corresponds to his 12-months' monetary salary and fringe benefits (a total of 24 x termination month's monetary salary + fringe benefits). If the President and CEO resigns, he is entitled to a 6-months' salary for the period of notice.

SHARE-BASED PAYMENTS

Share-based compensation plan

Share award (pcs)	2013	2012	2011
Maximum	21,000	21,000	18,000
Granted	4,200*	5,607	7,794
Commitment period (until)	31 Dec. 2016	31 Dec. 2015	31 Dec. 2014

** Board's decision in February 2014. The number of shares granted for the 2013 vesting period will be paid in April 2014 in accordance with the terms of the plan.*

The share award is based on the fulfilment of the vesting criteria set by the Board for each vesting period. The Board annually decides on the vesting criteria and the maximum share amounts at the beginning of the vesting period. At the beginning of the year following the vesting period, the Board decides the final amounts of Kesko B shares to be granted based on the fulfilment of the vesting criteria. The vesting criteria with equal weightings for the 2011, 2012 and 2013 vesting periods are Kesko's basic earnings per share (EPS) excl. non-recurring items, the performance of Kesko Group's sales exclusive of tax for the vesting period, and the percentage by which the total shareholder return of a Kesko B share exceeds the OMX Helsinki Benchmark Cap GI Index.

In addition, a cash component is paid to cover the taxes and tax-like charges incurred by the award.

COMMITMENT PERIOD OF SHARE-BASED PAYMENTS

The share award in Kesko B shares involves a commitment period of three calendar years, following each vesting period, during which the shares may not be assigned.

The commitment period for shares awarded for the 2011 vesting period ends on 31 December 2014, the commitment period for shares awarded for the 2012 vesting period ends on 31 December 2015, and the commitment period for shares awarded for the 2013 vesting period ends on 31 December 2016.

SHARE OPTIONS

As at 31 December 2013, the President and CEO did not hold any share options. The 2007A-2007C share options carry an obligation set by Kesko's Board to option recipients to use 25% of the proceeds from their share options to buy company shares for permanent ownership.

RETIREMENT BENEFITS

The President and CEO's statutory pension security is organised through a pension insurance company. In addition, he is a member of Kesko Pension Fund's department A that was closed in 1998, and his supplementary retirement benefit is based on its rules and his managing director's service contract. His supplementary retirement benefit is based on a defined benefit plan. In 2011, the President and CEO's term of office, based on his managing director's service contract, was extended until his retirement on old age pension at the age of 63. At retirement, his pension will be 66% of his pensionable salary, which is determined based on his non-variable monetary salary, performance bonuses and fringe benefits for the last 10 years. The IFRS pension obligation based on a defined benefit plan that arises from the President and CEO's supplementary retirement benefit is €5.5 million. The pension obligation is fully covered. During the financial year 2013, the supplementary retirement benefit did not incur cash flow contributions. The IFRS pension cost calculated on an accrual basis was positive by €0.1 million due to surplus. The pension cost incurred by the President and CEO's statutory pension cover was €0.2 million.

that financial matters are handled in a reliable manner. The President and CEO also chairs the Group Management Board and the key Boards with regard to business operations.

The President and CEO is elected by the Board, which also makes the decisions on the terms and conditions of the President and CEO's service contract. A written managing director's service contract, approved by the Board, has been made between the company and the President and CEO.

Read more about Kesko's President and CEO on page 60 and at www.kesko.fi.

GROUP MANAGEMENT BOARD

Kesko Group has a Group Management Board, the Chair of which is Kesko's President and CEO. The Group Management Board has no authority based on legislation or the Articles of Association. The Group Management Board's duty is to discuss Group-wide development projects and Group-level policies and practices. In addition, the Group Management Board discusses the Group's and the division parent companies' business plans, profit performances and matters handled by Kesko's Board, which it also helps to prepare.

The Group Management Board holds 8–10 meetings a year.

Read more about Kesko's Group Management Board on pages 60–61 and at www.kesko.fi.

REMUNERATION

REMUNERATION OF THE BOARD AND ITS COMMITTEES

The Annual General Meeting adopts resolutions on the fees and other financial benefits of the members of Kesko's Board and its Committees annually. The fees of the members of the Board and its Committees are paid in cash only.

GROUP MANAGEMENT BOARD MEMBERS AND RESPONSIBILITY AREAS IN 2013

	Since	Responsibility area (at 31 Dec. 2013)
Matti Halmesmäki, Ch.	1 Jan. 2001	Kesko's President and CEO
Jorma Rauhala, President of Kesko Food Ltd	5 Feb. 2013	Food trade and Kesko's store site operations in Russia
Minna Kurunsaari, Senior Vice President, home and speciality goods trade*	1 Dec. 2011	Home and speciality goods trade
Terho Kalliokoski, President of Rautakesko Ltd**	17 Mar. 2005	Building and home improvement trade
Pekka Lahti, President of VV-Auto Group Oy	1 Mar. 2005	Car and machinery trade
Arja Talma, Senior Vice President***	17 Mar. 2005	Store sites and investments
Jukka Erlund, Senior Vice President, CFO of Kesko	1 Nov. 2011	Finance and accounting, IT management, financial services
Matti Mettälä, Senior Vice President	1 Oct. 2012	Human resources and stakeholder relations

** Kurunsaari's responsibility area has been home and speciality goods trade since 20 Dec. 2013. Her previous responsibility area was home and speciality goods trade and customer information and e-commerce projects. Since 20 Dec. 2013, each division parent company is responsible for customer information and e-commerce projects.*
*** Kalliokoski was appointed President of Rautakesko Ltd starting on 5 Feb. 2013. Previously, he was President of Kesko Food Ltd.*
**** Talma was appointed Senior Vice President responsible for the store sites and investments of Kesko Group starting on 5 Feb. 2013. Previously, she was President of Rautakesko Ltd.*

SALARIES, PERFORMANCE BONUSES AND FRINGE BENEFITS OF GROUP MANAGEMENT BOARD MEMBERS IN 2012–2013 (€)

	Non-variable monetary salary		Performance bonuses		Fringe benefits		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
Matti Halmesmäki, Ch.	909,840	865,300	350,000	309,000	22,740	22,023	1,282,580	1,196,323
Group Management Board*	1,671,384	1,491,291	323,550	327,950	118,896	108,944	2,113,830	1,928,185
Total	**2,581,224**	**2,356,591**	**673,550**	**636,950**	**141,636**	**130,968**	**3,396,410**	**3,124,508**

** Excluding President and CEO Halmesmäki.*

Salaries, performance bonuses and fringe benefits are reported on cash basis. The 2012 accrual is calculated by adding the amount of performance bonus paid in 2013 to the salaries and fringe benefits in 2012. The performance bonus accrued for 2013 will be decided in spring 2014.

SHARE-BASED PAYMENTS TO GROUP MANAGEMENT BOARD MEMBERS

	2013		2012		2011	
	Maximum	To be granted**	Maximum	Granted	Maximum	Granted
Matti Halmesmäki, Ch.	21,000	4,200	21,000	5,607	18,000	7,794
Group Management Board*	46,500	9,300	35,600	9,506	33,300	14,420
Total	**67,500**	**13,500**	**56,600**	**15,113**	**51,300**	**22,214**

** Excluding President and CEO Halmesmäki. The amounts reported for the Group Management Board reflect the situation in February following each vesting period.*
*** The Board's decision in February 2014. The shares to be granted for the 2013 vesting period will be granted by the end of April 2014 in accordance with the terms of the plan.*

The share award is based on the fulfilment of the vesting criteria set by the Board for each vesting period. The Board annually decides on the vesting criteria and the maximum share amounts at the beginning of the vesting period. At the beginning of the year following the vesting period, the Board decides the final amounts of Kesko B shares to be granted based on the fulfilment of the vesting criteria. The vesting criteria with equal weightings for the 2011–2013 vesting periods are Kesko's basic earnings per share (EPS) excl. non-recurring items, the performance of Kesko Group's sales exclusive of tax for the vesting period, and the percentage by which the total shareholder return of a Kesko B share exceeds the OMX Helsinki Benchmark Cap GI Index. In addition, a cash component is paid to cover the taxes and tax-like charges incurred by the award.

COMMITMENT PERIOD OF SHARE-BASED PAYMENTS

The share award in Kesko B shares involves a commitment period of three calendar years, following each vesting period, during which the shares may not be assigned. The commitment period for shares awarded for the 2011 vesting period ends on 31 December 2014, the commitment period for shares awarded for the 2012 vesting period ends on 31 December 2015, and the commitment period for shares awarded for the 2013 vesting period ends on 31 December 2016. If a person's employment in or service relationship to a Kesko Group company ends before the compensation is paid due to company reorganisation or business transfer or because the recipient retires or dies, the Board will decide at its discretion whether the recipient or his/her beneficiary has a right to the compensation.

SHARE OPTIONS

As at 31 Dec. 2012, Group Management Board members, excluding President and CEO Halmesmäki, held a total of 17,000 2007B and 65,500 2007C share options. As at 31 Dec. 2013, Group Management Board members held no share options. The 2007A-2007C share options carry an obligation set by Kesko's Board to option recipients to use 25% of the proceeds from their share options to buy company shares for permanent ownership.

RETIREMENT BENEFITS, PERIODS OF NOTICE AND TERMINATION BENEFITS OF GROUP MANAGEMENT BOARD MEMBERS

	Old age pension age (yrs)	Pension as percentage of pensionable salary (%)	Period of notice	Termination benefit
Matti Halmesmäki, Ch.	63	66	6*/12 mo	12 mo salary
Jorma Rauhala	62	66	6 mo	6 mo salary
Minna Kurunsaari	62	66	6 mo	6 mo salary
Terho Kalliokoski	62	66	6 mo	12 mo salary
Pekka Lahti	62	66	6 mo	18 mo salary
Arja Talma	based on TyEL**	based on TyEL**	6 mo	12 mo salary
Jukka Erlund	based on TyEL**	based on TyEL**	6 mo	6 mo salary
Matti Mettälä	62	66	6 mo	12 mo salary

If the company terminates the service contract of a Group Management Board member, he/she is paid a 6–12-months' salary for the period of notice and a separate lump sum termination benefit which corresponds to his/her 6–18-months' non-variable monetary salary and fringe benefits (a total of 12–24 x termination month's monetary salary + fringe benefits). If the executive resigns, he/she is entitled to a salary for the period of notice.

The statutory pension security of Group Management Board members is organised through a pension insurance company. Except for two (2) members (Erlund and Talma), the Group Management Board members are members of the Kesko Pension Fund's department A that was closed in 1998, and their supplementary retirement benefits are based on its rules and each of their service contracts. Their retirement benefits are based on defined benefit plans. The IFRS pension obligation based on a defined benefit plan that arises from the Group Management Board members' (excluding Halmesmäki, Erlund and Talma) supplementary retirement benefit is €3.2 million. The pension obligation is fully covered. During the financial year 2013, the supplementary retirement benefit did not incur cash flow contributions. The IFRS pension cost calculated on an accrual basis was positive by €0.1 million due to surplus.

** If the President and CEO resigns, he is entitled to a 6-months' salary for the period of notice.*
*** TyEL = the Employees' Pensions Act*

REMUNERATION OF THE PRESIDENT AND CEO AND OTHER MANAGEMENT

The remuneration plan for the President and CEO and for the other members of the Group Management Board consists of a non-variable monetary salary (monthly salary), fringe benefits (free car and mobile phone benefit), a performance bonus based on criteria set annually (the maximum performance bonus of President and CEO corresponds to his monetary salary for a maximum of eight months, and that of the other members of the Group Management Board to their monetary salary for a maximum of 4–5 months), share-based compensation, share option plans and the management's retirement benefits.

Based on the Remuneration Committee's preparatory work, Kesko's Board makes decisions on the individual compensation, other financial benefits, the performance bonus system criteria and the performance bonuses paid to the President and CEO and the Group Management Board members responsible for lines of business. The President and CEO makes decisions on the compensation and other financial benefits of Group Management Board members other than those responsible for lines of business within the limits set by the Chair of the Board's Remuneration Committee.

Read more about Kesko management's remuneration and the company's share-based compensation and share option plans on pages 52–53 and 60–61, or at www.kesko.fi.

RISK MANAGEMENT, INTERNAL CONTROL AND INTERNAL AUDIT

RISK MANAGEMENT

Risk management is an integral part of management in Kesko

Kesko's risk management is proactive and an integral part of its management and day-to-day activities. The objective of risk management is to ensure the fulfilment of customer promises, profit performance, dividend payment capacity, shareholder value, the implementation of responsible operating practices and the continuity of operations in Kesko Group. The risk management policy confirmed by the Board of Directors guides risk management in Kesko Group.

Kesko Group has a uniform risk assessment and reporting system and it applies a business-oriented and comprehensive approach to risk assessment and management. This means that key risks are systematically identified, assessed, managed, monitored and reported as part of business operations at the Group, division, company and unit levels in all operating countries.

Providing insurance cover is part of Kesko's risk management

Providing insurance cover is part of Kesko's risk management, and the policy confirmed by Kesko's Board defines the principles for providing insurance. The objective of insurance is to ensure that the Group's personnel, assets, business operations and liabilities have appropriate, good value insurance cover, while taking account of legislative requirements and the Group's risks and risk tolerance at any given time. The Group's risk management function is responsible for the Group-level insurance programmes, their competitive tendering and brokerage services as part of the Group's damage/loss risk management.

Responsibilities and roles in risk management

The business division and Group function managements are responsible for implementing risk management. Each division has appointed a management board member, usually the finance director, to be responsible for coordinating risk management and security, for providing guidelines in each respective division, and for reporting on risk management responses. In addition, divisions have risk managers and security managers responsible for the development and supervision of risk management and security in the division in cooperation with the business management and supporting functions.

Kesko has a Group-level Risk Management Steering Group, which is chaired by the Group's President and CEO and is composed of the representatives of the management of the various divisions and Group functions.

The Group's risk management function supervises and coordinates the development of joint risk management and security procedures and the adoption of best practices in the Group. It is also responsible for risk reporting to the Group's management.

The management of financial risks is based on the Group's finance policy, which is confirmed by Kesko's Board. The Group Treasury is centrally responsible for funding, liquidity management, debt investor relations and the management of financial risks.

Risk reporting

Based on risk analyses carried out by the divisions and Group functions, Kesko Group's risk management function prepares a quarterly Group risk map, which presents the most significant risks and explains how they are managed. The risk map, the most significant risks and uncertainties, and changes in and responses to them are reported to the Kesko Board's Audit Committee when the interim reports and the financial statements are handled. The Audit Committee's Chair reports on risk management to the Board as part of the Audit Committee report. Kesko's Board discusses the most significant risks and the responses required to manage them, and assesses the efficiency of risk management. The most significant risks and uncertainties are reported to the market by the Board in the financial statements, and material changes to them are set out in interim reports.

Risk management responses in 2013

Kesko's risk management process is established and no significant changes took place in 2013. As in previous years, the risk management, legal affairs and internal audit functions organized value discussions on Kesko's responsible operating practices in Kesko's subsidiaries. During 2013, an e-learning programme on occupational safety was started in Kesko's Finnish operations. The project for enhanced user rights management was continued in Kesko's various SAP environments. The trend in terms of damages was better than in previous years, and there was no major isolated damage.

The risk management function took part in an international self-assessment concerning the level of risk management. The results will be used to further improve Kesko's risk management.

Focus areas of risk management in 2014

The risk management function will continue working in close cooperation with division parent companies and with Group functions in order to ensure the adoption of responsible operating practices, to prevent malpractice, and to develop risk management related to personnel safety, business continuity, information security and data protection, among other things. In 2014, Kesko will start a Group-wide e-learning programme on data security. The project to develop SAP user rights management is ongoing and it will be expanded into all SAP environments. In collaboration with the divisions, the risk management function organises crisis exercises and training sessions on safety and security.

The most significant risks and management responses

The risks and uncertainties impacting Kesko's business operations, their management responses and the organisation and principles of Kesko's risk management are described at www.kesko.fi/investors and in the Report by the Board of Directors on page 67.

Financial risks (such as counterparty risk, liquidity risk, currency risk, interest rate risk and commodity risk relating to electricity derivatives) are described in note 32 to Kesko's financial statements in the online Annual Report.

INTERNAL CONTROL

Internal control is an integral part of management and it is a key way of ensuring the achievement of business objectives. Through efficient internal control, deviations from objectives can be prevented or discovered as early as possible, so that corrective measures can be taken. The tools of internal control include policies and principles, work instructions, manual controls and automatic controls built into IT systems, follow-up reports, inspections and audits, among other things.

The objective of internal control in Kesko Group is to ensure the profitability, efficiency, continuity and freedom from disruptions of operations, the reliability of financial and operational reporting both externally and within Kesko Group, compliance with laws and agreements and Kesko's values and operating principles, as well as the security of assets, know-how and information.

The planning of control measures begins with defining business objectives and identifying and assessing risks that pose a threat to the objectives. The definition of objectives and assessment of risks should take into account not only operational objectives, but also requirements related to operations' conformity to law and to the correctness of the information used in decision-making and reporting. Control measures are targeted based on risks, and control measures are selected as appropriate so as to keep the risks under control.

The Board and the President and CEO are responsible for the organisation of internal control. The management of each division, company and unit is responsible for ensuring that functional and efficient control practices are in place. The divisions annually prepare control plans that contain the focus and development areas for control among other things. Every Kesko employee is expected to comply with responsible working principles and report any problems to their supervisor.

Kesko's Group units provide guidance and support to divisions and subsidiaries through policies, principles and guidelines concerning their areas of responsibility. Kesko Group's internal audit function evaluates and verifies the performance and efficiency of Kesko's internal control, reports on it to the President and CEO and the Audit Committee of Kesko Corporation's Board and assists the management and Kesko companies in the development of an internal control system.

In December 2013, the Audit Committee of Kesko's Board confirmed the updated internal control policies, which are based on good control principles, widely accepted internationally (COSO 2013).

INTERNAL AUDIT

Kesko Group's internal audit is responsible for the independent evaluation and assurance function required of a listed company. It systematically examines and verifies the efficiency of risk management, control, management and governance. The Audit Committee of Kesko's Board has approved the operating instructions for Kesko's internal audit function.

Organisation and operation of internal audit

The internal audit function is organised under Kesko's President and CEO and the Audit Committee, and it reports on its findings and recommendations to the Audit Committee, the President and CEO, the management of the audited operations and the auditor. The function covers all of Kesko's divisions, companies and functions.

Auditing is based on risk analyses and risk management and control discussions with the Group's and divisions' managements. Meetings with the auditor are arranged regularly. An internal audit plan, subject to approval by the President and CEO and the Audit Committee, is prepared annually. The annual plan is modified on a risk basis, if necessary.

As necessary, the internal audit function purchases external services for added resources or for the purpose of conducting audit operations that require special competencies. Audits can also make use of the competencies and contributions of Kesko Group's other specialists. The professional skills of auditors are maintained by internal and external training and by studying for vocational degrees in the field.

The internal audit function cooperates with the Group's risk management function and participates in the work of the Risk Management Steering Group. The internal audit function assesses the efficiency of Kesko's risk management system annually.

Internal audit operations in 2013

In 2013, the most important targets for the internal audit function were Kesko's business operations in Russia and related risks, and various basic controls such as payment controls, store controls and proactive IT controls. Other focus areas included the ongoing business and IT projects, the information security and control of online stores and malpractice risks. In the information system audit, special attention was paid to the progress and management of ongoing projects. Compliance with Kesko's accounting policies and reporting guidelines was verified and assessed in various audits, with an emphasis on the accuracy of inventory values and trade receivables. Close cooperation with the auditor was maintained in order to ensure sufficient coverage of audit operations and to avoid overlapping operations.

Internal audit focus areas in 2014

The key focus areas of internal audit operations in 2014 will be the business operations in Russia and related risks, as well as e-services and related information security and data protection. Other focus areas include the ongoing business and IT projects, as well as responsible purchasing.

GROUP'S FINANCIAL REPORTING

Kesko's financial reporting and planning are based on Kesko Group's management system. The Group units' financial results are reported and analysed within the Group monthly, and disclosed in interim reports published quarterly. Financial plans are prepared for quarterly periods, in addition to which significant changes are taken into account in monthly performance forecasts. The strategies and related long-term financial plans of the Group and its units are updated annually.

Key actions in 2013

Kesko Group continued its project to harmonise its financial management information systems. The project serves both the Group companies and the K-Group's retailers. In Finland, the centralisation of financial management routines in the Shared Service Centre of Kesko Group continued, and in Russia, the Shared Service Centre started

AUDITORS' FEES IN 2012–2013 (€1,000)

2013

	PwC		Other audit firms		Total
	Kesko Corporation	Other Group companies	Kesko Corporation	Other Group companies	
Auditing	115	741	0	71	927
Tax consultation	8	40	4	3	55
IFRS consultation	3	3	3	0	9
Other services	58	92	102	16	268
Total	**184**	**876**	**109**	**90**	**1,258**

2012

	PwC		Other audit firms		Total
	Kesko Corporation	Other Group companies	Kesko Corporation	Other Group companies	
Auditing	132	705	-	83	931
Tax consultation	22	80	11	5	118
IFRS consultation	-	5	5	-	10
Other services	96	133	161	66	445
Total	**250**	**923**	**177**	**154**	**1,504**

operations in January 2013. In addition, Kesko Group and the Group companies continued to work in cooperation to increase the efficiency of financial management routines and convert them to electronic format.

The adoption of a shared planning system, which had begun earlier, continued. The project will harmonise the Group companies' planning systems and integrate them into the Group's reporting system.

Key actions in 2014

In 2014, the financial management function will continue its information system project servicing the K-Group and the adoption of the system. In addition, the routines of Group companies' financial management will continue to be centralised in Shared Service Centres, and operations will continue to be made more efficient and electronic in Finland and Russia.

AUDIT

According to the Articles of Association, Kesko has one auditor, which shall be an audit firm authorised by the Central Chamber of Commerce. The term of an auditor is the company's financial year and an auditor's duties terminate at the close of the Annual General Meeting following the election.

The 2013 General Meeting elected PricewaterhouseCoopers Oy, Authorised Public Accountants, as the company's auditor, with APA Johan Kronberg as the auditor with principal responsibility.

OTHER INFORMATION

More comprehensive information on Kesko's Corporate Governance and the separate statements, referred to in the Corporate Governance Code, Kesko's Corporate Governance Statement and the Remuneration Statement, are available in the Investor section at www.kesko.fi.

READ MORE
www.kesko.fi/investors

BOARD OF DIRECTORS

ESA KIISKINEN

b. 1963, Business College Graduate
Domicile: Helsinki, Finland

Chair
(Chair of the Remuneration Committee)

Principal occupation: food retailer.
Main employment history: K-food retailer since 1990.
Main positions of trust: Confederation of Finnish Industries EK: Chair of the Delegation for Entrepreneurs 2012–, Confederation of Finnish Industries EK: Vice-Chair of the Board 2012–, Finnish Family Firms Association: member of the Board 2011–, the Foundation for Vocational Training in the Retail Trade: Chair of the Board 2008–, Saija ja Esa Kiiskinen Oy: Chair of the Board 1995–, the Federation of Finnish Commerce: member of the Board 2008–2012, K-Retailers' Association: Chair of the Board 2008–2012, Vähittäiskaupan Tilipalvelu VTP Oy: member of the Board 2008–2012.
Board member since: 30 March 2009.
Kesko shares and share options held:
As at 31 December 2012: a total of 107,350 A shares held by him or his company. No share options.
As at 31 December 2013: a total of 107,350 A shares held by him or his company. No share options.

SEPPO PAATELAINEN

b. 1944, Master of Science (Agriculture and Forestry)
Domicile: Suonenjoki, Finland

Deputy Chair
(Deputy Chair of the Audit Committee and the Remuneration Committee)

Principal occupation: -
Main employment history: Atria Yhtymä Oyj: CEO 1991–2006, Itikka Co-operative and Itikka Lihabotnia Oy: CEO 1988–1991, Luja-Yhtiöt: Director 1973–87, Itikka Co-operative: Production Director 1970–73.
Main positions of trust: Ilkka-Yhtymä Oyj: Chair of the Board 2007–, member of the Board 1994–2007, Alma Media Corporation: Chair of the Board 2011–2013, Deputy Chair of the Board 2009–2010, Seinäjoki Region Business Service Center: Chair of the Board 2009–2012, Finavia Corporation: Chair of the Board, member of the Board 2010–2011, Valga Viro: Chair of the Board 2005–2006, Pit Product (Russia): Chair of the Board 2005–2006, Liha ja Säilyke Oy: Chair of the Board 1998–2006, OKO: member of the Supervisory Board 1997–2006.
Board member since: 27 March 2006.
Kesko shares and share options held:
As at 31 December 2012: No shares. No share options.
As at 31 December 2013: a total of 1,000 B shares held by him. No share options.

ILPO KOKKILA

b. 1947, Master of Science (Technology) (Member of the Remuneration Committee)
Domicile: Helsinki, Finland

Principal occupation: SRV Group Plc: Chair of the Board.
Main employment history: SRV Group Plc: Chair of the Board 1987–, Pontos Oy: Chair of the Board 2002–, Perusyhtymä Oy: Director 1974–1987, A-Betoni Oy: constructor 1972–1974.
Main positions of trust: Confederation of Finnish Industries EK: Chair of the Board 2013–, Finnish-Russian Chamber of Commerce (FRCC): Deputy Chair of the Board 2006–2011, Chair of the Board 2012–, JTO School of Management: Chair of the Board 1999–2012, Central Chamber of Commerce: member of the Board 2002–2006, Council member 2001–2011.
Board member since: 27 March 2006.
Kesko shares and share options held:
As at 31 December 2012: a total of 16,100 B shares held by him. No share options.
As at 31 December 2013: a total of 16,100 B shares held by him. No share options.

TOMI KORPISAARI

b. 1968, retailer, Master of Science (Economics)
Domicile: Hausjärvi, Finland

Principal occupation: retailer, building and home improvement and agricultural trade.
Main employment history: K-retailer since 1995.
Main positions of trust: the Federation of Finnish Commerce: member of the Board 2012–, K-Retailers' Association: Chair of the Board 2012–, Deputy Chair of the Board 2008–2012, member of the Board 2005–2007, Vähittäiskaupan Tilipalvelu VTP Oy: Chair of the Board 2012–, member of the Board 2010–2012, the Foundation for Vocational Training in the Retail Trade: Chair of the Board 2012–, Deputy Chair 2008–2012, Etelä-Hämeen Osuuspankki: Chair of the Supervisory Board 2014–, Confederation of Finnish Industries EK: member of the Delegation for Entrepreneurs 2008–, Finnish Family Firms Association: member of the Board 2013–, member of the Delegation of Family Enterprises 2010–2012, Olavi Korpisaari Oy: member of the Board and Managing Director 2001–, OP-Pohjola Group Central Cooperative: member of the Supervisory Board 2009–2012, Riihimäen Seudun Osuuspankki: Chair of the Supervisory Board 2007–2013.
Board member since: 16 April 2012.
Kesko shares and share options held:
As at 31 December 2012: a total of 87,211 A shares and 500 B shares held by him or his company. No share options.
As at 31 December 2013: a total of 87,211 A shares and 500 B shares held by him or his company. No share options.

MAARIT NÄKYVÄ

b. 1953, Master of Science (Economics) (Chair of the Audit Committee)
Domicile: Kirkkonummi, Finland

Principal occupation: -
Main employment history: Sampo Fund Management Ltd: member of the Board 2007–2008, Sampo Bank plc: member of the Board 2001–2008, Executive Vice President 2007–2008, Sampo plc: Executive Vice President 2001–2006, Leonia Bank plc: member of the Board 1998–2000, Merita Fund Management Ltd: President 1996–1997, Merita Bank Ltd.: Director 1995–1996, Unitas Bank Ltd.: Director 1990–1995.
Main positions of trust: Luottokunta: member of the Board 2007–2008, Realty World Ltd: Chair of the Board 2004–2008.
Board member since: 1 January 2001.
Kesko shares and share options held:
As at 31 December 2012: No shares. No share options.
As at 31 December 2013: a total of 1,000 B shares held by her. No share options.

TONI POKELA

b. 1973, retailer, Secondary School Graduate
Domicile: Helsinki, Finland

Principal occupation: food retailer.
Main employment history: K-food retailer since 1997.
Main positions of trust: Pokela Oy Iso Omena: member of the Board and Managing Director 1998–, K-Retailers' Association: member of the Board 2008–2012, K-Food Retailers' Club: Chair of the Board 2010–2012, Deputy Chair of the Board 2008–2010, Finnish Grocery Trade Association: member of the Board 2010–2011.
Board member since: 16 April 2012.
Kesko shares and share options held:
As at 31 December 2012: a total of 179,400 A shares held by the company controlled by him. No share options.
As at 31 December 2013: a total of 179,400 A shares held by the company controlled by him. No share options.

VIRPI TUUNAINEN

b. 1967, Doctor of Science in Economics (Member of the Audit Committee)
Domicile: Helsinki, Finland

Principal occupation: Professor at the Department of Information and Service Economy at Aalto University and Director of Aalto Service Factory.
Main employment history: Helsinki School of Economics: Professor 2004–2009, University of Jyväskylä: Scientific Leader, INFORTE Programme 2008–2011. Since 1995, Visiting Researcher and Professor at Finnish and foreign universities and higher education institutions.
Main positions of trust: SFR-Scandinavian Financial Research Ltd: member of the Advisory Board 2000–, Cambridge Service Alliance: member of the Academic Advisory Board 2011–, Council member and Vice President of Publications for Association of Information Systems (AIS) 2013–, KP-Media Oy: member of the Board 2007–2012, Aalto University: Chair of Real-Time Economy Competence Center 2007–2012, First Vice Chair of Tenured Professors Council 2010, Helsinki School of Economics: Head of the GEBSI Graduate School 2001–2009, Deputy Head of the Department of Business Technology 2004–2009.
Board member since: 16 April 2012.
Kesko shares and share options held:
As at 31 December 2012: No shares. No share options.
As at 31 December 2013: a total of 500 B shares held by her. No share options.

READ MORE

www.kesko.fi/Board-of-Directors

The website provides up-to-date information on the main positions of trust and their terminations. The term of office of each Board member will expire at the close of the 2015 Annual General Meeting in accordance with the Articles of Association.

GROUP MANAGEMENT BOARD

MATTI HALMESMÄKI

b. 1952, Master of Science (Economics), Master of Laws.
President and CEO of Kesko Corporation, Chair of the Group Management Board
Domicile: Helsinki, Finland

Other major duties: Confederation of Finnish Industries EK: member of the Board 2005– and Deputy Chair of the Board 2005–2011, 2014–, the Finnish Fair Corporation: member of the Board 2005–, Federation of Finnish Commerce: member of the Board 2005– and Chair of the Board 2012–2013, Ilmarinen Mutual Pension Insurance Company: member of the Board 2010–, Foundation for Economic Education: member of the Board 2005–, Finnish Business and Policy Forum EVA: member 2005–, the Association for Promoting Voluntary National Defence of Finland: Delegation member 2005–, Savonlinna Opera Festival Patrons' Association, member of the Board of Trustees 2006–, the Central Chamber of Commerce in Finland: member of the Board 2006–2010, 2014–, East Office of Finnish Industries Oy: member of the Board 2008–, Luottokunta: member of the Supervisory Board 2005–2013 and Chair of the Supervisory Board 2007–2010, Varma Mutual Pension Insurance Company: member of the Supervisory Board 2005–2010.
Employment history: employed by Kesko Ltd since 1980. Kesko Corporation's Managing Director and Kesko Group's President and CEO since 1 March 2005.
Member of the Group Management Board since: 1 January 2001.
Kesko shares and share options held:
As at 31 December 2012: 2,000 A shares and 17,794 B shares. No share options.
As at 31 December 2013: 2,000 A shares and 31,401 B shares. No share options.

JORMA RAUHALA

b. 1965, Master of Science (Economics). President of Kesko Food Ltd
Domicile: Espoo, Finland

Other major duties: the Finnish Grocery Trade Association: Chair of the Board 2013–.
Employment history: employed by Kesko Ltd since 1992. President of Kesko Food Ltd since 5 February 2013. Vice President responsible for the K-citymarket chain's food trade 2012–2013, Managing Director of Kespro Ltd 2007–2012.
Member of the Group Management Board since: 5 February 2013.
Kesko shares and share options held:
As at 5 February 2013: 1,833 B shares and 8,000 C share options.
As at 31 December 2013: 3,161 B shares. No share options.

MINNA KURUNSAARI

b. 1965, Master of Laws.
Senior Vice President for the home and speciality goods trade
Domicile: Espoo, Finland

Other major duties: Pro Luomu ry: Vice Chair 2011–2012, Finfood - Finnish Food Information: member of the Board 2008–2011, the Finnish Grocery Trade Association: member of the Purchasing and Logistics Group 2008–2011.
Employment history: employed by Kesko Ltd since 1995. Senior Vice President for the home and speciality goods trade since 1 December 2011. Senior Vice President responsible for Kesko's customer information and e-commerce projects 2011–2013. Vice President for Kesko Food's Commerce 2008–2011.
Member of the Group Management Board since: 1 December 2011.
Kesko shares and share options held:
As at 31 December 2012: 12,532 B shares and 12,500 C share options.
As at 31 December 2013: 14,134 B shares. No share options.

TERHO KALLIOKOSKI

b. 1961, Master of Science (Economics). President of Rautakesko Ltd
Domicile: Kirkkonummi, Finland

Other major duties: Eurobuy GmbH: member of the Board 2013–, Eurogroup Far East Ltd: member of the Board 2013–, Helsinki Region Chamber of Commerce: member of the Board 2009–, Deputy Chair of the Board 2012–, the Association of Finnish Advertisers: member of the Board 2005–2013, the Finnish Grocery Trade Association: member of the Board 2006–2013, Deputy Chair of the Board 2006–2007, Chair of the Board 2008–2009 and 2013, the Finnish 4H Federation: member of the Supervisory Board 2009–2012, Association for the Finnish Work: Council member 2006–2009, member of the Board 2010.
Employment history: employed by Kesko Ltd since 1985. President of Rautakesko Ltd since 5 February 2013. President of Kesko Food Ltd 2005–2013.
Member of the Group Management Board since: 17 March 2005.
Kesko shares and share options held:
As at 31 December 2012: 9,464 B shares. No share options.
As at 31 December 2013: 15,000 B shares. No share options.

PEKKA LAHTI

b. 1955, Master of Science (Agriculture).
President of VV-Auto Group Oy
Domicile: Vantaa, Finland

Other major duties: the Association of Automobile Importers in Finland: member of the Board 2007–2012, Chair of the Board 2010–2012, Finnish Car Recycling Ltd: member of the Board 2007–2012, the Finnish Information Centre of Automobile Sector (AUT): member of the Board 2009–2012, Chair of the Board 2010–2012, Federation of Finnish Commerce: member of the Board 2010–2012.
Employment history: employed by Kesko Ltd since 1981. President of VV-Auto Group Oy since 1 February 2006.
Member of the Group Management Board since: 1 March 2005.
Kesko shares and share options held:
As at 31 December 2012: 2,615 B shares and 20,000 C share options.
As at 31 December 2013: 6,767 B shares. No share options.

ARJA TALMA

b. 1962, Master of Science (Economics), eMBA.
Senior Vice President, Store Sites and Investments
Domicile: Helsinki, Finland

Other major duties: Aktia Bank Plc: member of the Board 2013–, Varma Mutual Pension Insurance Company: member of the Supervisory Board 2013–, Sponda Plc: member of the Board 2007– and Chair of the Audit Committee 2007–, Association for the Finnish Work: Council member 2012–, Finnish Scout Foundation: member of the Supervisory Board 2010–, Eurobuy GmbH: member of the Board 2012–2013, Eurogroup Far East Ltd: member of the Board 2011–2013, VR-Group Ltd: member of the Board 2006–2012 and Chair of the Audit Committee 2006–2012, Luottokunta: member of the Board 2008–2012.
Employment history: employed by Kesko Corporation since 2004. Senior Vice President, Store Sites and Investments since 5 February 2013. President of Rautakesko Ltd 2011–2013. Senior Vice President, CFO 2005-2011.
Member of the Group Management Board since: 17 March 2005.
Kesko shares and share options held:
As at 31 December 2012: 4,598 B shares, 15,000 B share options and 25,000 C share options.
As at 31 December 2013: 10,500 B shares. No share options.

JUKKA ERLUND

b. 1974, Master of Science (Economics), eMBA.
Senior Vice President, CFO
Domicile: Helsinki, Finland

Other major duties: Federation of Finnish Commerce: Chair of the Tax and Economic Policy Committee 2011–, Confederation of Finnish Industries EK: member of the Finance and Taxation Committee 2012–, Suomen Luotto-osuuskunta: member of the Board 2012–, Luottokunta: member of the Board 2012.
Employment history: employed by Kesko Corporation since 2004. Senior Vice President, CFO since 1 November 2011. Kesko Food Ltd's Vice President for Finance 2010–2011.
Member of the Group Management Board since: 1 October 2011.
Kesko shares and share options held:
As at 31 December 2012: 1,576 B shares, 2,000 B share options and 8,000 C share options.
As at 31 December 2013: 3,738 B shares. No share options.

MATTI METTÄLÄ

b. 1963, Master of Laws.
Senior Vice President, Human Resources and Stakeholder Relations
Domicile: Helsinki, Finland

Other major duties: Finnish Business & Society ry: member of the Board 2013–, Huoltoupseeriyhdistys ry: member of delegation 2013–, Federation of Finnish Commerce: member of the Research Committee 2013–, Foundation for Vocational Training in the Retail Trade: member of the Board 2005–.
Employment history: employed by Kesko Ltd in 1990–2005 and since 2012. Senior Vice President, Human Resources and Stakeholder Relations since 1 October 2012. K-Retailers' Association: Managing Director 2005–2012.
Member of the Group Management Board since: 1 October 2012.
Kesko shares and share options held:
As at 31 December 2012: 280 B shares. No share options.
As at 31 December 2013: 280 B shares. No share options.

The numbers of shares held by the members of the Group Management Board, except for Mettälä, also include shares granted as share awards which are subject to restriction on transfer.

READ MORE

www.kesko.fi/group-management-board

The website provides up-to-date information on the main positions of trust and their terminations and more detailed employment history information.

REPORT BY THE BOARD OF DIRECTORS

FINANCIAL PERFORMANCE

NET SALES AND PROFIT FOR 2013

The Group's net sales were €9,315 million, which is 3.8% down on the corresponding period of the previous year (€9,686 million). Especially in Finland, the weakening of the general economic situation and consumer demand contributed to the decline of net sales in the home and speciality goods trade and the building and home improvement trade. In Finland, net sales decreased by 3.3% and in the other countries by 6.1%. Net sales performance in the other countries was materially impacted by exchange rate changes and the sales decline in the building and home improvement trade in Norway resulting from the retailer changes that took place in the Byggmakker chain in the previous year. International operations accounted for 17.8% (18.2%) of net sales. Net sales grew in the food trade and declined in the other divisions.

	Net sales	Change	Operating profit*	Change
1–12/2013	**€ million**	**%**	**€ million**	**€ million**
Food trade	4,387	+1.8	203.3	+35.8
Home and speciality goods trade	1,457	-9.1	-8.3	-27.9
Building and home improvement trade	2,607	-7.8	25.7	+12.4
Car and machinery trade	1,037	-6.9	33.9	-8.0
Common operations and eliminations	-173	-2.4	-15.8	-3.5
Total	**9,315**	**-3.8**	**238.8**	**+8.8**

** Excl. non-recurring items*

Operating profit excluding non-recurring items was €238.8 million (€230.0 million). The enhancement measures of the profitability programme had a significant positive impact on the Group's profit performance. Operating expenses decreased by €87 million regardless of store site network expansion and cost inflation. In the previous year, costs were reduced and operating profit excluding non-recurring items was improved by the €12 million amount recognised as revenue in connection with the transfer of the pension insurance portfolio. The operating expenses for the previous year included write-offs of €6 million related to personnel reductions and non-recurring expenses of €20.8 million.

Operating profit was €248.4 million (€212.0 million). The operating profit includes €9.6 million (€-18.0 million) of non-recurring items. The non-recurring items include gains on the disposals of properties in the amount of €9.4 million (€2.7 million). The non-recurring items for the previous year included an impairment of Anttila's goodwill, a reversal of the impairment of Indoor's brand and non-recurring expenses for restructuring Musta Pörssi's business operations.

The Group's profit before tax was €242.3 million (€210.5 million).

The Group's earnings per share were €1.75 (€1.26). The Group's equity per share was €22.96 (€22.48).

The K-Group's (i.e. Kesko's and the chain stores') retail and B2B sales (VAT 0%) were €11,575 million, down 4.4% compared to the previous year. The K-Plussa customer loyalty programme gained 74,317 new households. At the end of December, there was 2,251,311 K-Plussa households and 3.9 (3.8) million K-Plussa cardholders.

FINANCE

The cash flow from operating activities was €413.8 million (€381.7 million). The cash flow from investing activities was €-152.0 million (€-390.7 million) including a €21.8 million (€24.5 million) amount of proceeds from the sales of fixed assets.

The Group's liquidity remained at an excellent level. Liquid assets totalled €681 million (€489 million). Interest-bearing liabilities were €554 million (€624 million) and interest-bearing net debt €-126 million (€135 million) at the end of the year. Equity ratio was 54.5% (52.5%).

The Group's net finance costs were €5.8 million (€0.6 million). The increase in net finance costs was attributable to the low Euribor rates which reduced the return on liquid assets.

TAXES

The Group's taxes were €57.7 million (€74.6 million). The effective tax rate was 23.8% (35.5%), affected by loss-making foreign operations. The Group's tax rate was affected by the reduction of the corporate tax rate to 20% effective from 1 January 2014 in Finland, which is why deferred taxes of €14 million were recognised as income. The impact of the tax rate change in the Group's tax rate was 5.6 percentage points.

CAPITAL EXPENDITURE

The Group's capital expenditure totalled €171.5 million (€378.3 million), or 1.8% (3.9%) of net sales. Capital expenditure in store sites was €125.5 million (€310.0 million), in IT €22.9 million (€22.1 million) and other capital expenditure was €23.2 million (€46.1 million). Capital expenditure in foreign operations represented 41.3% (22.9%) of total capital expenditure.

KESKO'S STRATEGIC FOCUS AREAS AND PROFITABILITY PROGRAMME

The key focus areas in Kesko's business operations are to strengthen sales growth and the return on capital in all divisions, to exploit business opportunities in e-commerce and in Russia, and to maintain good solvency and dividend payment capacity.

As a result of a weakened general economic situation, tightened competition and an increase in the level of costs, Kesko is implementing the profitability programme announced previously, aimed to ensure price competitiveness and to improve profitability. The profitability programme includes significant measures aimed to increase sales, to enhance purchasing operations and to adjust costs, working capital and capital expenditure.

The Group level cost saving target of a total of around €100 million was achieved in 2013. In 2013, Kesko's operating expenses were €1,767 million, representing a net decrease of €87 million (-4.7%) from the previous year regardless of store site network expansion and cost inflation.

Measures for staff cost enhancement were implemented as announced previously. In addition to terminations, reductions included reduced working hours and retirement arrangements. Other significant savings were implemented by adjusting especially marketing and store site expenses and by centralising ICT purchases. In addition, special enhancement measures were targeted at operations with low profitability.

In the next few years, capital expenditure will be aligned with funds generated from operations to some €200-300 million per year.

IMPROVING ANTTILA'S PROFITABILITY

In the home and speciality goods trade, the increase of online shopping and increased competition have considerably weakened the profitability of Anttila and the home technology trade. In order to improve profitability, plans are made to close some rented store sites during the next two years. The closures are expected to cause non-recurring expenses amounting to approximately €20 to 30 million during the first quarter. Approximately one third of the current Anttila department store network is planned to be closed. At the same time, the selection of products in the NetAnttila and Musta Pörssi online stores will be considerably expanded, and the Anttila and Kodin1 department store concepts will be renewed.

KESKO LOOKS INTO SETTING UP A REAL ESTATE FUND

In 2013, Kesko reviewed the criteria on which store sites owned by it are classified as strategic and other properties. As at 31 December 2013, according to the new classification, 53% of store sites were strategic, compared to 78% in the old classification.

Kesko is looking into selling some of its store sites to a fund to be set up with Kesko as one of its major investors. Kesko Group would continue its operations in the store sites under long-term leases signed in connection with their sales to the fund.

Kesko's objective is to set up a fund of mainly Kesko-owned store sites and shopping centres in Finland, Sweden and Russia with a maximum fair value of approximately €750-950 million.

Launching the real estate investment fund depends, in addition to investor interest, on whether it is possible for Kesko to achieve such terms and conditions in the arrangement that are commercially viable for it, taking the Group's strong financial position into account. Moreover, starting a real estate investment fund is subject to the authorising of the Financial Supervisory Authority.

The possible fund is expected to be launched in the course of 2014.

PERSONNEL

The average number of employees in Kesko Group was 19,489 (19,747) converted into full-time employees. In Finland, the average decrease was 426 people, while outside Finland, there was an increase of 168 people.

At the end of 2013, the number of employees was 23,863 (24,080), of whom 12,776 (13,278) worked in Finland and 11,087 (10,802) outside Finland. Compared to the end of 2012, there was a decrease of 502 people in Finland and an increase of 285 people outside Finland.

The Group's staff cost was €611.1 million, showing a 0.6% increase compared to the previous year.

SEGMENT INFORMATION

SEASONAL NATURE OF OPERATIONS

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

FOOD TRADE

	1–12/2013	1–12/2012
Net sales, € million	4,387	4,311
Operating profit excl. non-recurring items, € million	203.3	167.5
Operating margin excl. non-recurring items, %	4.6	3.9
Capital expenditure, € million	91.6	200.0

Net sales, € million	1–12/2013	Change, %
Sales to K-food stores	3,330	+0.1
Kespro	803	+2.0
K-ruoka, Russia	71	-
Others	184	-5.1
Total	**4,387**	**+1.8**

In the food trade, net sales were €4,387 million (€4,311 million), up 1.8%. The grocery sales of K-food stores in Finland remained at the level of the previous year (VAT 0%). In the grocery market, retail prices are estimated to have changed by some +4% compared to the previous year (VAT 0%, Kesko's own estimate based on the Consumer Price Index of Statistics Finland), and the total market (VAT 0%) is estimated to have grown by some 2.5% compared to the previous year (Kesko's own estimate). The rise of consumer prices in the grocery trade has slowed towards the end of the reporting period. The sales and profitability of Kespro and the food stores in Russia were realised better than expected for the reporting period.

The operating profit excluding non-recurring items of the food trade was €203.3 million (€167.5 million), or €35.8 million up on the previous year. Profitability was improved by significant savings achieved from enhanced operations and by the adjustment of capital expenditure. Excluding the impact of expansion of Russian business operations, costs decreased by €31 million. Operating profit was €208.0 million (€170.2 million). Non-recurring income included €4.8 million (€2.7 million) of gains on the disposals of properties.

The capital expenditure of the food trade was €91.6 million (€200.0 million), of which €80.5 million (€187.1 million) in stores sites.

HOME AND SPECIALITY GOODS TRADE

	1–12/2013	1–12/2012
Net sales, € million	1,457	1,603
Operating profit excl. non-recurring items, € million	-8.3	19.6
Operating margin excl. non-recurring items, %	-0.6	1.2
Capital expenditure, € million	23.1	61.1

Net sales, € million	1–12/2013	Change, %
K-citymarket, home and speciality goods	628	-5.4
Anttila	391	-16.5
Intersport, Finland	190	+5.0
Intersport, Russia	18	-36.2
Indoor	182	-1.2
Musta Pörssi	29	-48.8
Kenkäkesko	21	-8.7
Total	**1,457**	**-9.1**

In the home and speciality goods trade, net sales were €1,457 million (€1,603 million), down 9.1%. Consumer demand weakened and the change in customer behaviour strengthened in the home and speciality goods trade during the reporting period. Sales declined especially in the department store trade. Net sales performance was also impacted by the ending of Musta Pörssi's retailer business and the closing of unprofitable stores of Intersport Russia. The profitability of K-citymarket home and speciality goods, Intersport Finland and Asko and Sotka remained at a good level.

The operating profit excluding non-recurring items of the home and speciality goods trade was €-8.3 million (€19.6 million), down €27.9 million compared to the previous year. The performance was affected by the increased losses caused by the decreased sales of Anttila. The operating profit excluding non-recurring items of the comparative period was improved by the €9 million amount recognised as revenue in connection with the transfer of the pension insurance portfolio. Cost savings from the implementation of the profitability programme as planned were €31 million. Operating profit was €-2.1 million (€0.0 million). Non-recurring items include gains on the disposals of properties in the amount of €4.1 million. In the previous year, non-recurring items (€-19.5 million) included the non-recurring costs related to the reorganisation of the Musta Pörssi business.

The capital expenditure of the home and speciality goods trade was €23.1 million (€61.1 million).

BUILDING AND HOME IMPROVEMENT TRADE

	1–12/2013	1–12/2012
Net sales, € million	2,607	2,827
Operating profit excl. non-recurring items, € million	25.7	13.3
Operating margin excl. non-recurring items, %	1.0	0.5
Capital expenditure, € million	37.8	63.1

Net sales, € million	1–12/2013	Change, %
Rautakesko, Finland	1,173	-4.6
K-rauta, Sweden	205	-4.0
Byggmakker, Norway	470	-26.0
K-rauta, Estonia	69	+8.1
K-rauta, Latvia	52	+1.1
Senukai, Lithuania	263	-1.1
K-rauta, Russia	272	-4.2
OMA, Belarus	106	+22.7
Total	**2,607**	**-7.8**

In the building and home improvement trade, net sales were €2,607 million (€2,827 million), down 7.8%. Excluding the impact of retailer changes in Norway, net sales performance in terms of local currencies was -0.5%. The trend in construction activity still remained weak in Rautakesko's operating area. Sales decrease was most significant in basic building materials.

In Finland, net sales were €1,173 million (€1,229 million), a decrease of 4.6%. The building and home improvement products contributed €794 million to the net sales in Finland, a decrease of 6.4%. The agricultural supplies trade contributed €379 million to net sales, down 0.5%.

The retail sales of the K-rauta and Rautia chains in Finland decreased by 4.6% to €1,025 million (VAT 0%). The sales of Rautakesko B2B Service were down 10.7%. The retail sales of the K-maatalous chain were €460 million (VAT 0%) at the previous year's level.

The net sales from the foreign operations of the building and home improvement trade were €1,435 million (€1,598 million), a decrease of 10.2%. In terms of local currencies and excluding the impact of retailer changes in Norway, the increase in the net sales from foreign operations was 2.8%. In Sweden, net sales in terms of kronas were down 4.6%. In Norway, net sales in terms of krones decreased by 22.7%, which was affected by the changes that took place in the Byggmakker chain last year. New chain agreements for the retailer business in Norway came into force on 1 January 2014 and the company restructuring was completed in January 2014. In Russia, net sales in terms of roubles increased by 1.6%. Foreign operations contributed 55.0% (56.5%) to the net sales of the building and home improvement trade.

The operating profit excluding non-recurring items of the building and home improvement trade was €25.7 million (€13.3 million), up €12.4 million compared to the previous year. Due to enhancement measures, profit performance was clearly positive regardless of the decline in sales. Costs decreased by €21 million. Operating profit was €24.8 million (€11.6 million).

The capital expenditure of the building and home improvement trade totalled €37.8 million (€63.1 million), of which 44.1% (51.4%) abroad. Capital expenditure in store sites represented 88.0% of total capital expenditure.

CAR AND MACHINERY TRADE

	1–12/2013	1–12/2012
Net sales, € million	1,037	1,114
Operating profit excl. non-recurring items, € million	33.9	41.9
Operating margin excl. non-recurring items, %	3.3	3.8
Capital expenditure, € million	15.1	26.6

Net sales, € million	1–12/2013	Change, %
VV-Auto	745	-5.7
Konekesko	293	-9.9
Total	**1,037**	**-6.9**

The net sales of the car and machinery trade were €1,037 million (€1,114 million), down 6.9%.

VV-Auto's net sales were €745 million (€790 million), a decrease of 5.7%. The combined market performance of first time registered passenger cars and vans was -7.2%.

The combined market share of passenger cars and vans imported by VV-Auto was 20.6% (20.2%). Volkswagen was the market leader in both passenger cars and vans.

Konekesko's net sales were €293 million (€325 million), down 9.9% compared to the previous year. Net sales in Finland were €178 million, down 15.7%. The net sales from Konekesko's foreign operations were €116 million, up 0.2%.

The operating profit excluding non-recurring items of the car and machinery trade was €33.9 million (€41.9 million), down €8.0 million compared to the previous year. Due to enhancement measures, profitability remained at a good level regardless of the decline in sales.

Operating profit was €33.9 million (€41.9 million).

The capital expenditure of the car and machinery trade was €15.1 million (€26.6 million).

CHANGES IN THE GROUP COMPOSITION

No significant changes took place in the Group composition during the reporting period.

SHARES, SECURITIES MARKET AND BOARD AUTHORISATIONS

At the end of December 2013, the total number of Kesko Corporation shares was 99,832,693, of which 31,737,007, or 31.8%, were A shares and 68,095,686, or 68.2%, were B shares. At 31 December 2013, Kesko Corporation held 548,984 own B shares as treasury shares. These treasury shares accounted for 0.81% of the number of B shares and 0.55% of the total number of shares, and 0.14% of votes carried by all shares of the company. The total number of votes carried by all shares was 385,465,756. Each A share carries ten (10) votes and each B share one (1) vote. The company cannot vote with own shares held as treasury shares and no dividend is paid on them. At the end of December 2013, Kesko Corporation's share capital was €197,282,584. During the financial year, the number of B shares was increased eight times to account for the shares subscribed for with the options based on the 2007 option scheme. The increases were made on 11 February 2013 (74,600 B shares), 2 May 2013 (135,861 B shares), 5 June 2013 (592,619 B shares), 30 July 2013 (116,773 B shares), 30 September 2013 (68,461 B shares), 30 October 2013 (6,100 B shares), 28 November 2013 (56,779 B shares) and on 27 December 2013 (69,160 B shares) and announced in a stock exchange notification on the same days. The shares subscribed for were listed for public trading on NASDAQ OMX Helsinki (Helsinki Stock Exchange) with the old B shares on 12 February 2013, 3 May 2013, 6 June 2013, 31 July 2013, 1 October 2013, 31 October 2013, 29 November 2013 and 30 December 2013. The subscription price of €19,554,663.12 received by the company was recorded in the reserve of invested non-restricted equity.

The price of a Kesko A share quoted on NASDAQ OMX Helsinki was €24.39 at the end of 2012, and €26.80 at the end of December 2013, representing an increase of 9.9%. Correspondingly, the price of a B share was €24.77 at the end of 2012, and €26.80 at the end of December 2013, representing an increase of 8.2%. In January-December, the highest A share price was €27.55 and the lowest was €22.48. For B share, they were €27.80 and €20.96 respectively. In January-December, the Helsinki stock exchange (OMX Helsinki) All-Share index was up 26.5% and the weighted OMX Helsinki CAP index was up 26.0%. Correspondingly, the Retail Index was down 0.6%.

At the end of December 2013, the market capitalisation of A shares was €851 million, while that of B shares was €1,810 million, excluding the shares held by the parent company. The combined market capitalisation of A and B shares was €2,661 million, an increase of €243 million from the end of 2012. In January-December 2013, a total of 1.1 million (2.3 million) A shares was traded on the Helsinki stock exchange, down 50.3%. The exchange value of A shares was €28 million. The total number of B shares traded was 51.3 million (68.5 million), down 25.0%. The exchange value of B shares was €1,238 million. In terms of volumes, the Helsinki stock exchange accounted for 68% of Kesko A and B share trading in 2013. Kesko shares were also traded on multilateral trading facilities, the most significant of which were BATS Chi-X with 22% and Turquoise with 9% of the trades (source: Fidessa).

The company operates the 2007 option scheme for management and other key personnel, under which the share subscription period of 2007B share options ran from 1 April 2011 to 30 April 2013 (subscription period has expired), and that of 2007C share options runs from 1 April 2012 to 30 April 2014. The share options have been included on the official list of the Helsinki stock exchange since the beginning of the share subscription periods. During the reporting period, a total of 381,332 2007B share options were traded at a total value of €923,801, and a total of 401,466 2007C share options were traded at a total value of €4,751,525. The share subscription period of 2007A share options under the option scheme expired and their trading on the official list ended in 2012.

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

In addition, the Board has the authority, granted by the Annual General Meeting of 8 April 2013 and valid until 30 September 2014, to decide on the acquisition of a maximum of 500,000 own B shares, and the authority, valid until 30 June 2017, to decide on the issuance of a maximum of 1,000,000 own B shares held as treasury shares by the company.

On 4 February 2013, based on the authority to issue own shares valid prior to the Annual General Meeting of 8 April 2013 and the fulfilment of the vesting criteria of the 2012 vesting period of Kesko's three-year share-based compensation plan, the Board decided to grant own B shares held as treasury shares by the company to people included in the target group of the 2012 vesting period. The issuance of the total of 66,331 own B shares, referred to above, was announced in a stock exchange release on 5 February 2013 and on 5 April 2013. The latter release also announced that 866 own B shares had been returned to the company without consideration. During the reporting period, a total of 6,724 shares granted based on the fulfilment of the vesting criteria of the 2011 and 2012 vesting periods were returned to the company in accordance with the terms and conditions of the share-based compensation plan. The shares returned during the reporting period were announced in the stock exchange release referred to above and in stock exchange notifications on 8 May 2013, 20 May 2013, 18 June 2013, 19 July 2013, 20 August 2013, 9 October 2013 and 20 December 2013. Further information on the Board's authorisations is available at www.kesko.fi.

At the end of December 2013, the number of shareholders was 42,809, which was 1,745 less than at the end of 2012. At the end of December, foreign ownership of all shares was 25%. At the end of December, foreign ownership of B shares was 36%.

FLAGGING NOTIFICATIONS

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

KEY EVENTS DURING THE REPORTING PERIOD

Changes, effective 5 February 2013, took place in Kesko's Group Management Board. Arja Talma, M.Sc. (Econ.), eMBA, 50, was appointed Senior Vice President responsible for Kesko Group's store sites and investments. Terho Kalliokoski, M.Sc. (Econ.), 51, was appointed Rautakesko Ltd's President. Jorma Rauhala, M.Sc. (Econ.), 47, was appointed Kesko Food Ltd's President. Starting from 5 February 2013, Kesko's Group Management Board is composed of Matti Halmesmäki, Chair; Jorma Rauhala, food trade; Minna Kurunsaari, home and speciality goods trade and Kesko's customer information and e-commerce projects; Terho Kalliokoski, building and home improvement trade; Pekka Lahti, car and machinery trade; Arja Talma, store sites and investments; Jukka Erlund, CFO, accounting, finance and IT management; and Matti Mettälä, human resources and stakeholder relations. (Stock exchange release on 5 February 2013)

On 5 April 2013, Kesko transferred a total of 66,331 own B shares (KESBV) held by the company as treasury shares to the about 150 Kesko management employees and other named key persons included in the target group of the 2012 vesting period of Kesko's three-year share-based compensation plan. In the same context, 866 B shares, originally transferred to a person included in the target group of the 2011 vesting period of the share-based compensation plan, were returned to Kesko without consideration. After the transfer and return of shares, Kesko held 543,126 own B shares as treasury shares. (Stock exchange release on 5 April 2013)

With effect from 1 January 2013, Kesko Group adopted the revised IAS 19 Employee benefits standard. The amendment had an impact on Kesko Group's pension costs and profit, as well as the pension assets and equity on the balance sheet. Resulting from the amendment, Kesko's consolidated income statement, consolidated statement of financial position and segment information for 2012 were updated in compliance with the requirements prescribed in the revised standard. (Stock exchange release on 11 April 2013)

Kesko announced that it was looking into selling some of the store sites it owns to a fund to be set up with Kesko as one of its significant investors. Kesko Group would continue its operations in the store sites under long-term leases signed in connection with their sales to the fund. The possible fund is expected to be launched in the course of 2014. (Stock exchange release on 29 November 2013)

RESOLUTIONS OF THE 2013 ANNUAL GENERAL MEETING AND DECISIONS OF THE BOARD'S ORGANISATIONAL MEETING

Kesko Corporation's Annual General Meeting, held on 8 April 2013, adopted the financial statements for 2012 and discharged the Board members and the Managing Director from liability. The General Meeting also resolved, as proposed by the Board, to distribute €1.20 per share, or a total of €117,892,576.80 as dividends. The dividend pay date was 18 April 2013. The General Meeting resolved that the number of Board members is unchanged at seven, elected PricewaterhouseCoopers Oy as the company's auditor, with APA Johan Kronberg as the auditor with principal responsibility, and approved the Board's proposals for amending Article 9 of the

Articles of Association concerning the delivery of the notice of a General Meeting, for authorising the Board to acquire a maximum of 500,000 own B shares and to issue a maximum of 1,000,000 own B shares held as treasury shares by the company. The General Meeting also approved the Board's proposal that it be authorised to decide on the donations in a total maximum of €300,000 for charitable or corresponding purposes until the Annual General Meeting to be held in 2014.

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

The resolutions of the Annual General Meeting and the decisions of the Board's organisational meeting were announced in more detail in stock exchange releases on 8 April 2013.

RESPONSIBILITY

In January, Kesko was included on 'The Global 100 Most Sustainable Corporations in the World' list for the ninth time. Kesko was classified into the bronze class in the Food & Drug Retailers sector in RobecoSAM's Sustainability Yearbook 2013.

Kesko published its updated responsibility programme, which sets both short- and long-term objectives for the operations of Kesko and the whole K-Group up to 2020.

Kesko and K-retailers joined the Youth Guarantee effort promoting employment and preventing social exclusion among young people. A tailored programme has been built for the K-Group to employ young people in K-stores and Kesko.

Kesko and K-stores took part in the Earth Hour 2013 event in March by turning off the illuminated signs and pylons in their remote controlled properties and stores across Finland for one hour.

In March, as in the two previous years, Kesko was awarded by World Finance Magazine for 'the Best Corporate Governance in Finland' in terms of corporate governance development and reporting.

Kesko's 13th Corporate Responsibility Report was published in May. The theme of report is Let's do good. Together. The 2012 report provides information on the objectives, actions and results of Kesko's responsibility programme and work.

Kesko Fair Play scholarships were granted to over 2,800 pupils who had promoted peace and tolerance, motivation in schoolwork and a positive atmosphere in their schools with their exemplary behaviour. The scholarship recipients were selected by comprehensive schools across Finland from among their grade nine pupils. The scholarship total amounted to nearly €150,000.

Kodin1 opened the first passive retail store building in Finland and the Nordic countries in Raisio. The department store saves energy with the help of lighting solutions, demand-controlled ventilation, building automation and airtight structures.

Kesko arranged a Mothers' Day event at Kaivopuisto in Helsinki, where 10,000 Pirkka Fairtrade roses were given to mothers and grandmothers. Another 10,000 were handed out at maternity wards in Hyvinkää, Turku, Tampere, Lahti, Seinäjoki, Jyväskylä, Kuopio, Oulu, Espoo and Helsinki.

Kesko's Board of Directors granted scholarships to talented young athletes and art students. The total scholarship amount was €40,000.

In September, Kesko was included in the Dow Jones Sustainability Indices DJSI World and DJSI Europe for the 11th time. Kesko's total score increased from the previous year and it received the highest score in its sector in the economic dimension.

Kesko was selected for the new UN Global Compact 100 stock index composed of 100 companies selected from among the Global Compact signatories on the basis of a global responsibility evaluation.

The Veturi shopping centre located in Kouvola achieved a BREEAM Very Good Certificate, receiving an especially high score in the energy category of the assessment. Veturi was opened in autumn 2012 and it is one of Kesko's largest shopping centre projects ever.

In October, Kesko scored highest in its sector in CDP's Nordic Climate Disclosure Leadership index rating. Kesko is featured at the top of the index for a third consecutive time and improved its previous score by 10 points (98/100).

Matti Kalervo, Master of Science in Technology, was appointed Vice President responsible for Kesko's responsibility and product safety starting from 1 November 2013.

In November, Kesko's Corporate Responsibility Report 2012 was chosen as Finland's best in the 2013 Sustainability Reporting Award Finland Competition. Kesko's report was also ranked the best by the media and non-governmental organisations.

Kesko and K-stores were the national partner of the Salvation Army's Christmas Kettle collection.

In December, K-stores, the Association for Finnish Work, food manufacturers and the home and speciality goods industry launched a cooperation campaign for Finnish work running throughout 2014.

INFORMATION CONTAINED IN THE NOTES TO THE FINANCIAL STATEMENTS

Information on the Group's personnel is disclosed in note 6 to the financial statements.

Information on options, shares under options and voting rights is disclosed in note 30 to the financial statements.

Related party transactions are disclosed in note 33 to the financial statements.

Kesko Group is not engaged in significant research and development activities.

In April 2014, 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

Kesko's risk management is proactive and an integral part of its management and day-to-day activities. The objective of risk management is to ensure the delivery of customer promises, profit performance, dividend payment capacity, shareholder value, the implementation of responsible operating practices and the continuity of operations in Kesko Group.

Risk management in Kesko Group is guided by the risk management policy confirmed by Kesko's Board of Directors. The policy defines the objectives and principles, organisation, responsibilities and practices of risk management in Kesko Group. The management of financial risks is based on the Group's finance policy, which is confirmed by Kesko's Board of Directors. The business division and Group managements are responsible for the execution of risk management.

Kesko Group applies a business-oriented and comprehensive approach to risk assessment and management. This means that key risks are systematically identified, assessed, managed, monitored and reported at the Group, division, company and unit levels in all operating countries.

Kesko has a uniform risk assessment and reporting system. Risk identification is based on business objectives and opportunities and the defined risk appetite. Risks are prioritised on the basis of their significance by assessing the impact and probability of their materialisation and the level of risk management. When assessing the impact of materialisation, the impacts on reputation, people's wellbeing and the environment are considered in addition to financial impacts.

In connection with the strategy process, the divisions assess the risks and opportunities concerning each strategic period. Near-future risks are identified and assessed in accordance with the rolling planning framework. Risk assessment also covers the risks concerning significant projects.

A division's risk assessment, which includes a risk map, risk management responses, responsible persons and schedules, is considered regularly by the division's management board or the division parent company's Board. The Group functions also assess the risks concerning their responsibility areas.

Risks and management responses are reported in accordance with Kesko's reporting responsibilities. The divisions report on risks and changes in risks to the Group's risk management function on a quarterly basis. Risks are discussed by the risk reporting team, which includes representatives of the divisions and the Group functions. On that basis, the Group's risk management function prepares the Group's risk map, which presents the most significant risks and uncertainties and their management.

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

The following describes the risks and uncertainties assessed as significant.

SIGNIFICANT RISKS AND UNCERTAINTIES

Slow economic growth, increases in taxes and public payments resulting from the indebtedness of the public sector, coupled with increasing unemployment, will weaken purchasing power and consumer confidence and may cause a long-term decline in the level of demand. This would negatively impact on the home and speciality goods trade, the building and home improvement trade and the car and machinery trade in particular. In the food trade, price is becoming increasingly important.

E-services and e-commerce are becoming increasingly popular in the retail trade. International e-commerce is increasing consumers' alternatives, while buying and marketing of products and services has become more personalised and increasingly take place online. Buying decisions are often made based on online information. The achievement of business objectives requires an active approach and solid competencies in the development of attractive e-services and retail websites, the utilisation of a multi-channel approach and electronic customer communications to support it. The risk is that the progress of our e-commerce and e-service development projects is outpaced by competitors, or that competing online stores and e-services are more attractive to customers.

Economic development in Russia has slowed. It is essential for the profitability and expansion of operations to succeed in the acquisition and building of well-located store sites, the development of the existing network and store concepts, purchasing and logistics operations, as well as the recruitment of personnel. The country risks in Russia, such as corruption, unpredictability of officials and rapid changes in laws and their application, coupled with unexpected changes in the operating environment can delay expansion and make business operations more difficult.

The implementation of changes in business operations requires efficient management and control systems and information systems to support them. Increasing Kesko Food's market share in Finland, implementing changes in Rautakesko's business operations and expanding in Russia and the integration of K-citymarket home and speciality goods with Anttila, along with related changes in business operations and concepts, for example, are long-term projects. Failures in choosing competitive advantages, in change management, technological choices and in the adoption of new operating models and systems would delay the implementation of changes in business operations.

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

Effective from the beginning of 2014, the Finnish competition legislation was amended to the effect that, unlike in the rest of the EU area, the prohibition of abuse of dominant position in the market can be applied to companies whose national market share in the groceries retail markets exceeds 30 percent. According to the new law, Kesko Food is in a dominant market position. Special obligations have been imposed on companies with dominant market position, which can weaken the trading sector's possibilities to serve customers and operate efficiently. The implications of a dominant market position are partly open to interpretation. An erroneous interpretation may result in monetary penalties, liability for damages and weakened reputation.

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

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

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

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

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

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

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

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

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

Accidents, natural phenomena and epidemics can cause damages or business interruptions which cannot be prevented. There is also the risk that insurances do not cover all unexpected accidents and damages.

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

FUTURE OUTLOOK

Estimates of the future outlook for Kesko Group's net sales and operating profit excluding non-recurring items are given for the 12 months following the reporting period (1/2014-12/2014) in comparison with the 12 months preceding the reporting period (1/2013-12/2013).

Future prospects for the general economic situation and consumer demand continue to be characterised by significant uncertainty. In consequence of weakened employment and consumers' purchasing power, the growth prospects for the trading sector still remain weak.

In the Finnish grocery trade, the market is expected to remain stable. As a result of the weakened economic situation, the demand in the home and speciality goods trade, the building and home improvement trade and the car and machinery trade is expected to remain weak.

Kesko Group's net sales and the operating profit excluding non-recurring items for the next twelve months are expected to remain at the level of the preceding twelve months, unless the overall consumer demand weakens significantly.

PROPOSAL FOR PROFIT DISTRIBUTION

The parent's distributable profits are €1,218,801,719.88, of which the profit for the financial year is €174,655,403.71.

The Board of Directors proposes to the Annual General Meeting to be held on 7 April 2014 that a dividend of €1.40 per share be paid on shares held outside the company at the date of dividend distribution. No dividend is paid on own shares held by the company as treasury shares at the record date of dividend distribution.

At the date of the proposal for distributions of profits, 3 February 2014, a total of 99,283,709 shares were held outside the Company, amounting to a total dividend of €138,997,192.60.

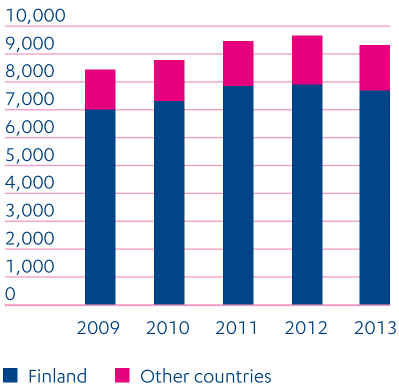
ANNUAL GENERAL MEETING

The Board of Directors decided to convene the Annual General Meeting at Messukeskus Helsinki on 7 April 2014 at 13.00. Kesko Corporation will publish a notice of the General Meeting at a later date.

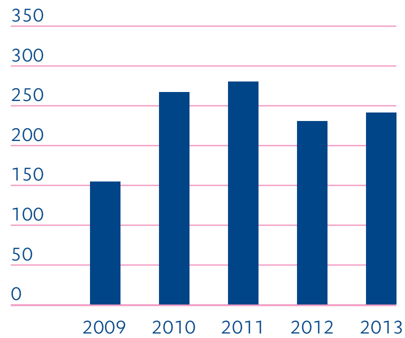
CORPORATE GOVERNANCE STATEMENT

Kesko will publish a separate Corporate Governance Statement on its website at www.kesko.fi.

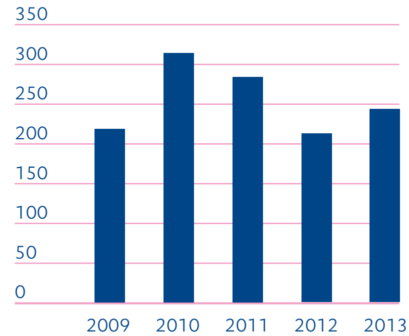
NET SALES*
€ million



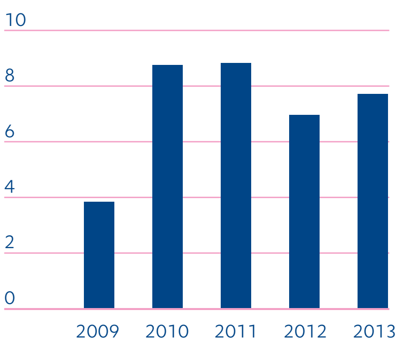
OPERATING PROFIT EXCL. NON-RECURRING ITEMS*
€ million



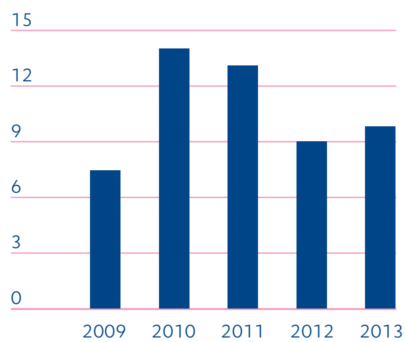
PROFIT BEFORE TAX*
€ million



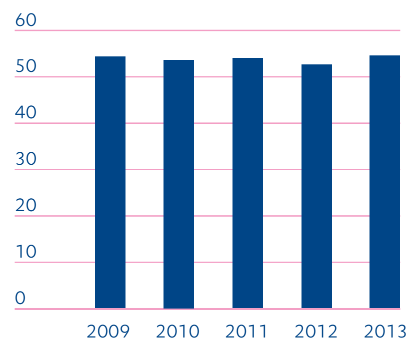
RETURN ON EQUITY EXCL. NON-RECURRING ITEMS
%



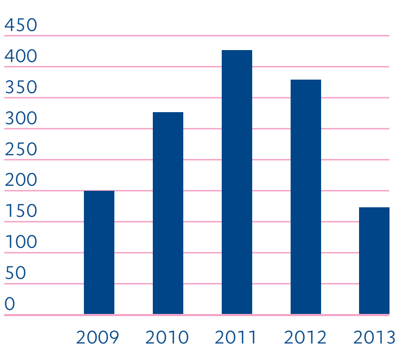
RETURN ON CAPITAL EMPLOYED EXCL. NON-RECURRING ITEMS
%



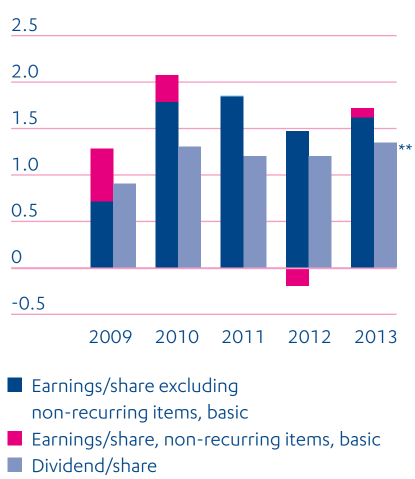
EQUITY RATIO
%



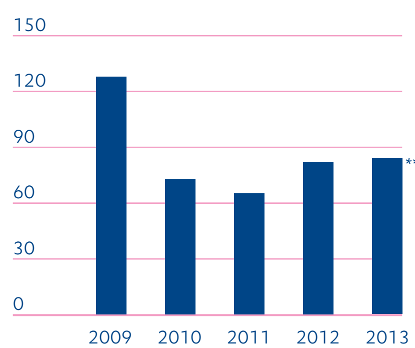
CAPITAL EXPENDITURE*
€ million



EARNINGS/SHARE AND DIVIDEND/SHARE
€



PAYOUT RATIO EXCL. NON-RECURRING ITEMS
%



** Continuing operations*
*** Proposal to the General Meeting*

GROUP'S KEY PERFORMANCE INDICATORS

		2009	2010	2011	2012	2013
Income statement						
Net sales	€ million	8,447	8,777	9,460	9,686	9,315
Change in net sales	%	-11.9	3.9	7.8	2.4	-3.8
Operating profit excl. non-recurring items	€ million	155	268	279	230	239
Operating profit excl. non-recurring items as percentage of net sales	%	1.8	3.1	2.9	2.4	2.6
Profit for the year (incl. non-controlling interests)	€ million	134	216	197	136	185
Profit for the year as percentage of net sales	%	1.6	2.5	2.1	1.4	2.0
Profitability						
Return on equity	%	6.6	10.1	8.8	6.0	8.0
Return on equity excl. non-recurring items	%	3.8	8.7	8.8	6.9	7.7
Return on capital employed	%	11.0	16.0	13.2	8.3	10.2
Return on capital employed excl. non-recurring items	%	7.4	14.0	13.1	9.0	9.8
Funding and financial position						
Interest-bearing net debt	€ million	-258.5	-370.5	32.8	135.3	-126.4
Gearing	%	-12.5	-16.8	1.5	6.0	-5.4
Equity ratio	%	54.2	53.5	53.9	52.5	54.5
Interest-bearing net debt/EBITDA		-0.7	-0.9	0.1	0.4	-0.3
Other performance indicators						
Capital expenditure	€ million	198	325	425	378	171
Capital expenditure as percentage of net sales	%	2.3	3.7	4.5	3.9	1.8
Cash flow from operating activities	€ million	379	438	216	382	414
Cash flow from investing activities	€ million	31	-240	-441	-391	-152
Personnel, average for the period		19,200	18,215	18,960	19,747	19,489
Personnel, as at 31 Dec.		22,207	22,124	23,375	24,080	23,863

		2009	2010	2011	2012	2013
Share performance indicators						
Earnings/share, diluted	€	1.27	2.06	1.84	1.26	1.75
Earnings/share, basic	€	1.28	2.08	1.85	1.27	1.75
Earnings/share excl. non-recurring items, basic	€	0.71	1.78	1.84	1.47	1.68
Equity/share	€	20.39	21.81	22.29	22.48	22.96
Dividend/share	€	0.90	1.30	1.20	1.20	1.40*
Payout ratio	%	70.5	62.6	64.9	94.5	79.9*
Payout ratio excl. non-recurring items	%	126.9	72.9	65.3	81.8	83.3*
Cash flow from operating activities/share, adjusted	€	3.86	4.45	2.20	3.88	4.17
Price/earnings ratio (P/E), A share, adjusted		18.55	16.82	13.55	19.30	15.35
Price/earnings ratio (P/E), B share, adjusted		18.14	16.93	14.14	19.60	15.35
Effective dividend yield, A share	%	3.8	3.7	4.8	4.9	5.2*
Effective dividend yield, B share	%	3.9	3.7	4.6	4.8	5.2*
Share price as at 31 Dec.						
A share	€	23.60	34.70	24.82	24.39	26.80
B share	€	23.08	34.93	25.96	24.77	26.80
Average share price						
A share	€	21.92	30.42	29.20	23.71	24.85
B share	€	19.18	29.83	29.36	22.75	24.11
Market capitalisation as at 31 Dec., A share	€ million	749	1,101	788	774	851
Market capitalisation as at 31 Dec., B share	€ million	1,537	2,337	1,719	1,644	1,810
Turnover						
A share	Million pcs	1	4	2	2	1
B share	Million pcs	78	53	63	68	51
Relative turnover rate						
A share	%	3.1	13.8	6.6	7.6	3.6
B share	%	117.4	78.8	94.6	102.0	77.0
Diluted number of shares as at 31 Dec.	Thousand pcs	98,382	99,121	98,919	98,472	99,136
Yield of A share for the last five periods	%	10.0	11.6	-5.0	-4.4	8.3
Yield of B share						
For the last five periods	%	12.4	12.0	-4.9	-3.8	13.3
For the last ten periods	%	13.3	17.1	13.5	12.4	11.9

** Proposal to the General Meeting*

Net sales by segment

€ million	1–12/2013	1–12/2012	Change, %
Food trade	4,316	4,308	0.2
Food trade, other countries*	71	3	(..)
Food trade total	**4,387**	**4,311**	**1.8**
- of which inter-segment sales	172	172	-0.2
Home and speciality goods trade, Finland	1,424	1,557	-8.6
Home and speciality goods trade, other countries*	33	45	-27.6
Home and speciality goods trade total	**1,457**	**1,603**	**-9.1**
- of which inter-segment sales	17	18	-5.5
Building and home improvement trade, Finland	1,173	1,229	-4.6
Building and home improvement trade, other countries*	1,435	1,598	-10.2
Building and home improvement trade total	**2,607**	**2,827**	**-7.8**
- of which inter-segment sales	-1	0	(..)
Car and machinery trade, Finland	921	998	-7.7
Car and machinery trade, other countries*	116	116	0.3
Car and machinery trade total	**1,037**	**1,114**	**-6.9**
- of which inter-segment sales	1	1	0.9
Common operations and eliminations	-173	-169	2.4
Finland total	**7,661**	**7,924**	**-3.3**
Other countries total*	**1,654**	**1,762**	**-6.1**
Group total	**9,315**	**9,686**	**-3.8**

** Net sales in countries other than Finland*

Operating profit by segment

€ million	1–12/2013	1–12/2012	Change
Food trade	208.0	170.2	37.8
Home and speciality goods trade	-2.1	0.0	-2.1
Building and home improvement trade	24.8	11.6	13.3
Car and machinery trade	33.9	41.9	-8.0
Common operations and eliminations	-16.3	-11.8	-4.5
Group total	**248.4**	**212.0**	**36.4**

Operating profit excl. non-recurring items by segment

€ million	1–12/2013	1–12/2012	Change
Food trade	203.3	167.5	35.8
Home and speciality goods trade	-8.3	19.6	-27.9
Building and home improvement trade	25.7	13.3	12.4
Car and machinery trade	33.9	41.9	-8.0
Common operations and eliminations	-15.8	-12.2	-3.5
Group total	**238.8**	**230.0**	**8.8**

Group's performance indicators by quarter

	1–3/2012	4–6/2012	7–9/2012	10–12/2012	1–3/2013	4–6/2013	7–9/2013	10–12/2013
Net sales, € million	2,318	2,460	2,449	2,459	2,159	2,420	2,374	2,362
Change in net sales, %	10.2	-0.5	1.9	-0.9	-6.9	-1.6	-3.1	-3.9
Operating profit, € million	25.1	57.7	77.4	51.8	19.2	77.0	84.1	68.0
Operating margin, %	1.1	2.3	3.2	2.1	0.9	3.2	3.5	2.9
Operating profit excl. non-recurring items, € million	22.3	59.4	77.4	70.9	18.6	69.8	83.6	66.8
Operating margin excl. non-recurring items, %	1.0	2.4	3.2	2.9	0.9	2.9	3.5	2.8
Finance income/costs, € million	-0.1	-0.3	-1.3	1.1	-3.3	0.4	-2.6	-0.4
Profit before tax, € million	25.0	57.3	76.1	52.1	15.8	77.2	81.5	67.9
Profit before tax, %	1.1	2.3	3.1	2.1	0.7	3.2	3.4	2.9
Return on capital employed, %	4.1	8.9	11.9	8.0	3.1	12.3	14.2	11.5
Return on capital employed excl. non-recurring items, %	3.6	9.2	11.9	10.9	3.0	11.1	14.1	11.3
Return on equity, %	3.1	7.1	9.6	4.4	1.9	9.5	10.2	10.8
Return on equity excl. non-recurring items, %	2.8	7.3	9.6	8.0	1.8	8.6	10.1	10.6
Equity ratio, %	52.8	51.2	51.3	52.5	51.7	50.5	52.9	54.5
Capital expenditure, € million	104.1	67.8	102.6	103.8	41.5	48.1	35.4	46.6
Earnings/share, diluted, €	0.16	0.37	0.50	0.23	0.11	0.50	0.53	0.60
Equity/share, €	22.56	21.72	22.33	22.48	22.62	21.79	22.39	22.96

Net sales by segment

€ million	1–3/2012	4–6/2012	7–9/2012	10–12/2012	1–3/2013	4–6/2013	7–9/2013	10–12/2013
Food trade	1,010	1,091	1,078	1,132	1,045	1,099	1,095	1,148
Home and speciality goods trade	369	352	395	487	345	322	351	439
Building and home improvement trade	629	782	759	657	562	740	710	596
Car and machinery trade	353	274	259	227	249	301	260	226
Common operations and eliminations	-42	-41	-41	-45	-42	-41	-43	-46
Group total	**2,318**	**2,460**	**2,449**	**2,459**	**2,159**	**2,420**	**2,374**	**2,362**

Operating profit by segment

€ million	1–3/2012	4–6/2012	7–9/2012	10–12/2012	1–3/2013	4–6/2013	7–9/2013	10–12/2013
Food trade	37.4	38.6	49.4	44.8	48.2	55.1	56.5	48.3
Home and speciality goods trade	-12.9	-0.7	0.9	12.8	-17.7	-5.6	-2.1	23.3
Building and home improvement trade	-9.0	13.5	17.9	-10.8	-16.1	18.0	23.9	-1.0
Car and machinery trade	15.5	10.3	11.4	4.7	7.8	13.0	9.8	3.3
Common operations and eliminations	-5.9	-4.0	-2.2	0.3	-3.0	-3.4	-4.0	-5.9
Group total	**25.1**	**57.7**	**77.4**	**51.8**	**19.2**	**77.0**	**84.1**	**68.0**

Operating profit excl. non-recurring items by segment

€ million	1–3/2012	4–6/2012	7–9/2012	10–12/2012	1–3/2013	4–6/2013	7–9/2013	10–12/2013
Food trade	34.7	38.6	49.4	44.8	48.2	50.8	56.0	48.3
Home and speciality goods trade	-12.9	-0.7	0.9	32.3	-17.8	-10.0	-2.2	21.6
Building and home improvement trade	-9.0	15.2	17.9	-10.8	-16.6	19.5	23.9	-1.1
Car and machinery trade	15.5	10.3	11.4	4.7	7.8	13.0	9.8	3.3
Common operations and eliminations	-5.9	-4.0	-2.2	-0.1	-3.0	-3.4	-4.0	-5.4
Group total	**22.3**	**59.4**	**77.4**	**70.9**	**18.6**	**69.8**	**83.6**	**66.8**

CALCULATION OF PERFORMANCE INDICATORS

Profitability

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

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

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

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

EBITDA = Operating profit + depreciation and amortisation + impairments

Funding and financial position

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

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

Interest-bearing net debt = Interest-bearing liabilities – money market investments – financial assets

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

Share performance indicators

$$\text{Earnings/share, diluted} = \frac{\text{Profit/loss – non-controlling interests}}{\text{Average number of shares adjusted for the dilutive effect of options}}$$

$$\text{Earnings/share, basic} = \frac{\text{Profit/loss – non-controlling interests}}{\text{Average number of shares}}$$

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

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

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

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

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

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

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

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

ANALYSIS OF SHAREHOLDING

ANALYSIS OF SHAREHOLDING BY SHAREHOLDER TYPE AS AT 31 DEC. 2013

All shares	Number of shares, pcs	Percentage of all shares, %
Non-financial corporations and housing corporations	30,140,191	30.19
Financial and insurance corporations	4,285,780	4.29
General government*	5,900,063	5.91
Households	28,696,254	28.74
Non-profit institutions**	6,220,119	6.23
Rest of the world	411,962	0.41
Nominee registered	24,178,324	24.22
Total	**99,832,693**	**100.00**

A shares	Number of shares, pcs	Percentage of A shares, %	Percentage of all shares, %
Non-financial corporations and housing corporations	21,489,460	67.71	21.53
Financial and insurance corporations	1,456,292	4.59	1.46
General government*	291,122	0.92	0.29
Households	6,486,430	20.44	6.50
Non-profit institutions**	1,600,372	5.04	1.60
Rest of the world	6,521	0.02	0.01
Nominee registered	406,810	1.28	0.41
Total	**31,737,007**	**100.00**	**31.79**

B shares	Number of shares, pcs	Percentage of B shares, %	Percentage of all shares, %
Non-financial corporations and housing corporations	8,650,731	12.70	8.67
Financial and insurance corporations	2,829,488	4.16	2.83
General government*	5,608,941	8.24	5.62
Households	22,209,824	32.62	22.25
Non-profit institutions**	4,619,747	6.78	4.63
Rest of the world	405,441	0.60	0.41
Nominee registered	23,771,514	34.91	23.81
Total	**68,095,686**	**100.00**	**68.21**

** General government, for example, municipalities, the provincial administration of Åland, authorised pension provider and social security funds*
*** Non-profit institutions, for example, foundations awarding scholarships, organisations safeguarding certain interests and various charitable associations*

ANALYSIS OF SHAREHOLDING BY NUMBER OF SHARES HELD AS AT 31 DEC. 2013

All shares	Number of shareholders, pcs	Percentage of shareholders, %	Share total, pcs	Percentage of shares, %
Number of shares				
1–100	13,715	32.04	780,839	0.78
101–500	15,960	37.28	4,336,103	4.34
501–1,000	5,639	13.17	4,438,854	4.45
1,001–5,000	5,783	13.51	12,760,982	12.78
5,001–10,000	921	2.15	6,570,692	6.58
10,001–50,000	644	1.50	13,178,287	13.20
50,001–100,000	84	0.20	5,957,643	5.97
100,001–500,000	46	0.11	9,510,318	9.53
500,001–999,999,999,999	17	0.04	42,298,975	42.37
Total	**42,809**	**100.00**	**99,832,693**	**100.00**

A shares	Number of shareholders, pcs	Percentage of holders of A shares, %	A share total, pcs	Percentage of A shares, %
Number of shares				
1–100	2,311	31.26	111,015	0.35
101–500	1,763	23.85	457,068	1.44
501–1,000	1,026	13.88	878,504	2.77
1,001–5,000	1,549	20.95	3,787,375	11.93
5,001–10,000	389	5.26	2,737,107	8.62
10,001–50,000	304	4.11	6,564,045	20.68
50,001–100,000	34	0.46	2,395,446	7.55
100,001–500,000	12	0.16	2,894,270	9.12
500,001–999,999,999,999	5	0.07	11,912,177	37.53
Total	**7,393**	**100.00**	**31,737,007**	**100.00**

B shares	Number of shareholders, pcs	Percentage of holders of B shares, %	B share total, pcs	Percentage of B shares, %
Number of shares				
1–100	12,367	32.63	720,484	1.06
101–500	15,064	39.74	4,100,398	6.02
501–1,000	4,901	12.93	3,799,253	5.58
1,001–5,000	4,589	12.11	9,754,809	14.33
5,001–10,000	541	1.43	3,875,931	5.69
10,001–50,000	356	0.94	7,084,038	10.40
50,001–100,000	44	0.12	3,209,592	4.71
100,001–500,000	27	0.07	6,012,899	8.83
500,001–999,999,999,999	13	0.03	29,538,282	43.38
Total	**37,902**	**100.00**	**68,095,686**	**100.00**

10 LARGEST SHAREHOLDERS BY NUMBER OF SHARES HELD AS AT 31 DEC. 2013

	Number of shares, pcs	Percentage of shares, %	Number of votes	Percentage of votes, %
1. K-Retailers' Association	3,627,904	3.63	36,279,040	9.41
2. Vähittäiskaupan Takaus Oy	3,491,771	3.50	27,148,568	7.04
3. Kruunuvuoren Satama Oy	3,438,885	3.44	34,388,850	8.92
4. Valluga-sijoitus Oy	1,340,439	1.34	13,404,390	3.48
5. Elo Mutual Pension Insurance Company	1,150,000	1.15	1,150,000	0.30
6. Varma Mutual Pension Insurance Company	1,130,986	1.13	1,130,986	0.29
7. Foundation for Vocational Training in the Retail Trade	1,028,744	1.03	8,916,488	2.31
8. Ilmarinen Mutual Pension Insurance Company	1,001,587	1.00	3,611,245	0.94
9. Oy The English Tearoom Ab	1,000,000	1.00	1,000,000	0.26
10. The State Pension Fund	608,000	0.61	608,000	0.16

10 LARGEST SHAREHOLDERS BY NUMBER OF VOTES AS AT 31 DEC. 2013

	Number of shares, pcs	Percentage of shares, %	Number of votes	Percentage of votes, %
1. K-Retailers' Association	3,627,904	3.63	36,279,040	9.41
2. Kruunuvuoren Satama Oy	3,438,885	3.44	34,388,850	8.92
3. Vähittäiskaupan Takaus Oy	3,491,771	3.50	27,148,568	7.04
4. Valluga-sijoitus Oy	1,340,439	1.34	13,404,390	3.48
5. Foundation for Vocational Training in the Retail Trade	1,028,744	1.03	8,916,488	2.31
6. Heimo Välinen Oy	430,000	0.43	4,300,000	1.12
7. K-Food Retailers' Club	420,473	0.42	4,204,730	1.09
8. Food Paradise Oy	389,541	0.39	3,895,410	1.01
9. Ilmarinen Mutual Pension Insurance Company	1,001,587	1.00	3,611,245	0.94
10. A. Toivakka Oy	211,450	0.21	1,934,500	0.50

MANAGEMENT'S SHAREHOLDINGS

At the end of December 2013, Kesko Corporation's Board members, the President and CEO and the corporations controlled by them held 375,961 Kesko Corporation A shares and 50,501 Kesko Corporation B shares, i.e. a total of 426,462 shares, which represents 0.43% of the company's total share capital and 0.11% of voting rights.

At 31 December 2013, the President and CEO held 2,000 Kesko Corporation A shares and 31,401 Kesko Corporation B shares, which represented 0.03% of the company's total share capital and 0.01% of votes. At 31 December 2013, the Group Management Board including the President and CEO held 2,000 Kesko Corporation A shares and 84,981 Kesko Corporation B shares, which represented 0.09% of the company's total share capital and 0.02% of votes. At 31 December 2013, the Group Management Board held no share options.

CONSOLIDATED INCOME STATEMENT

€ million	1 Jan.–31 Dec. 2013	%	1 Jan.–31 Dec. 2012	%
Net sales	**9,315.2**	100.0	**9,685.9**	100.0
Cost of sales	-8,033.8	-86.2	-8,366.9	-86.4
Gross profit	**1,281.4**	13.8	**1,319.0**	13.6
Other operating income	734.3	7.9	747.2	7.7
Staff cost	-611.1	-6.6	-607.6	-6.3
Lease expenditure	-421.7	-4.5	-433.6	-4.5
Marketing costs	-240.7	-2.6	-276.2	-2.9
Property and store site maintenance costs	-128.4	-1.4	-133.5	-1.4
Information system expenses	-81.0	-0.9	-97.9	-1.0
Other operating expenses	-131.4	-1.4	-147.0	-1.5
Depreciation, amortisation and impairment	-153.0	-1.6	-158.5	-1.6
Operating profit	**248.4**	2.7	**212.0**	2.2
Interest income and other finance income	19.8	0.2	21.1	0.2
Interest expense and other finance costs	-20.0	-0.2	-17.8	-0.2
Foreign exchange differences	-5.7	-0.1	-4.0	0.0
Total finance income and costs	-5.8	-0.1	-0.6	0.0
Share of profit from associates	-0.3	0.0	-0.9	0.0
Profit before tax	**242.3**	2.6	**210.5**	2.2
Income tax	-57.7	-0.6	-74.6	-0.8
Profit for the year	**184.6**	2.0	**135.8**	1.4
Profit for the year attributable to				
Owners of the parent	173.1		124.4	
Non-controlling interests	11.5		11.4	
Earnings per share for profit attributable to equity holders of the parent, €				
Basic, €	1.75		1.27	
Diluted, €	1.75		1.26	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Profit for the year	**184.6**	**135.8**
Items that will not be reclassified subsequently to profit and loss		
Actuarial gains and losses	12.2	0.8
Items that may be reclassified subsequently to profit or loss		
Currency translation differences related to a foreign operation	-13.9	-0.5
Adjustment for hyperinflation	2.8	3.8
Cash flow hedge revaluation	-3.8	-1.9
Revaluation of available-for-sale financial assets	-4.9	9.2
Others	-0.2	-0.2
Total comprehensive income for the year, net of tax	**-7.7**	**11.3**
Total comprehensive income for the year	**176.9**	**147.1**
Comprehensive income for the year attributable to		
Owners of the parent	165.9	133.3
Non-controlling interests	11.0	13.9

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

€ million	31 Dec. 2013	%	31 Dec. 2012*	%
ASSETS				
Non-current assets				
Property, plant and equipment	1,651.4		1,677.8	
Intangible assets	189.1		192.1	
Investments in associates	87.5		83.0	
Available-for-sale financial assets	16.9		22.3	
Non-current receivables	12.5		88.6	
Deferred tax assets	3.0		2.4	
Pension assets	170.2		153.8	
Total non-current assets	**2,130.5**	48.8	**2,220.0**	50.7
Current assets				
Inventories	797.5		814.2	
Interest-bearing receivables	11.8		25.0	
Trade receivables	616.7		703.0	
Current tax assets	2.2		2.4	
Other non-interest-bearing receivables	121.6		126.0	
Financial assets at fair value through profit or loss	170.7		137.2	
Available-for-sale financial assets	398.4		249.0	
Cash and cash equivalents	111.8		102.9	
Total current assets	2,230.6	51.1	2,159.7	49.3
Non-current assets held for sale	0.5	0.0	2.3	0.0
Total assets	**4,361.7**	100.0	**4,382.0**	100.0
EQUITY AND LIABILITIES				
Equity attributable to owners of the parent				
Share capital	197.3		197.3	
Share premium	197.8		197.8	
Other reserves	263.4		243.8	
Currency translation differences	-13.3		-2.1	
Revaluation reserve	1.2		9.9	
Retained earnings	1,632.9		1,558.9	
	2,279.4	52.3	**2,205.5**	50.3
Non-controlling interests	**73.1**	1.7	**66.6**	1.5
Total equity	**2,352.5**	53.9	**2,272.1**	51.8
Non-current liabilities				
Interest-bearing non-current liabilities	355.1		450.3	
Non-interest-bearing non-current liabilities	9.9		10.3	
Deferred tax liabilities	68.1		80.7	
Pension obligations	1.8		1.6	
Provisions	17.4		20.5	
Total non-current liabilities	**452.3**	10.4	**563.5**	12.9
Current liabilities				
Current interest-bearing liabilities	199.3		174.1	
Trade payables	825.4		803.6	
Other non-interest-bearing liabilities	235.2		241.9	
Current tax liabilities	10.7		16.2	
Accrued liabilities	248.6		271.0	
Provisions	37.7		39.5	
Total current liabilities	**1,556.9**	35.7	**1,546.3**	35.3
Total liabilities	**2,009.2**	46.1	**2,109.9**	48.2
Total equity and liabilities	**4,361.7**	100.0	**4,382.0**	100.0

** Comparatives for 2012 have been restated in accordance with the revised IAS 19, Employee benefits standard.*

CONSOLIDATED STATEMENT OF CASH FLOWS

€ million	1 Jan.–31 Dec. 2013	1 Jan.–31 Dec. 2012
Cash flows from operating activities		
Profit before tax	242.3	210.5
Adjustments		
Depreciation according to plan	151.6	154.7
Finance income and costs	5.8	0.6
Other adjustments	8.2	103.1
	165.6	258.4
Change in working capital		
Current non-interest-bearing receivables, increase (-)/decrease (+)	89.1	4.9
Inventories increase (-)/decrease (+)	2.9	56.9
Current non-interest-bearing liabilities, increase (+)/decrease (-)	-1.3	-70.2
	90.7	-8.4
Interest paid and other finance costs	-21.8	-18.9
Interest received	14.5	18.2
Dividends received	0.1	0.1
Income tax paid	-77.5	-78.2
Net cash generated from operating activities	**413.8**	**381.7**
Cash flows from investing activities		
Acquisition of associate	-0.1	-22.5
Purchases of tangible and intangible assets	-173.2	-387.4
Purchases of available-for-sale financial assets	-0.7	-1.2
Proceeds from disposal of tangible and intangible assets	21.8	24.4
Increase (-)/decrease (+) in non-current loan and receivables	0.2	-4.0
Net cash used in investing activities	**-152.0**	**-390.7**
Cash flows from financing activities		
Increase (+)/decrease (-) in interest-bearing liabilities	-46.8	232.1
Repayments of finance lease obligations	-0.5	-2.0
Increase (-)/decrease (+) interest-bearing receivables	77.6	37.3
Dividends paid	-122.4	-123.0
Proceeds from issuance of shares	19.6	1.0
Increase (-)/decrease (+) in short-term money market investments	-90.6	-1.5
Other items	4.6	-13.6
Net cash used in financing activities	**-158.6**	**130.3**
Change in cash and cash equivalents and current available-for-sale financial assets	**103.2**	**121.3**
Cash and cash equivalents and current available-for-sale financial assets at 1 Jan.	351.9	230.8
Currency translation difference adjustment and change in value	-2.1	-0.1
Cash and cash equivalents and current available-for-sale financial assets at 31 Dec.	**453.0**	**351.9**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the parent								
	Share capital	**Reserves**	**Currency transla-tion differ-ences**	**Revalua-tion reserve**	**Treasury shares**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
€ million									
Balance as at 1 January 2013	**197.3**	**441.6**	**-2.1**	**9.9**	**-19.4**	**1,578.3**	**2,205.5**	**66.6**	**2,272.1**
Shares subscribed for with options		19.6					19.6		**19.6**
Share-based payment					1.6		1.6	0.0	**1.6**
Dividends						-117.9	-117.9	-4.5	**-122.4**
Other changes		0.0	-0.3			5.0	4.7	0.0	**4.7**
Profit for the year						173.1	173.1	11.5	**184.6**
Other comprehensive income									
Actuarial gains/losses						14.6	14.6		**14.6**
Currency translation differences related to a foreign operation		0.0	-10.8				-10.8	-3.1	**-13.9**
Adjustments for hyperinflation						0.3	0.3	2.6	**2.8**
Cash flow hedge revaluation				-4.7			-4.7		**-4.7**
Revaluation of available-for-sale financial assets				-4.7			-4.7		**-4.7**
Others						-0.2	-0.2		**-0.2**
Tax related to other comprehensive income				0.8		-2.4	-1.6		**-1.6**
Total other comprehensive income		0.0	-10.8	-8.7		12.3	-7.2	-0.5	**-7.7**
Total comprehensive income for the period		0.0	-10.8	-8.7		185.4	165.9	11.0	**176.9**
Balance as at 31 December 2013	**197.3**	**461.2**	**-13.3**	**1.2**	**-17.8**	**1,650.7**	**2,279.4**	**73.1**	**2,352.5**
Balance as at 31 December 2011	**197.3**	**440.7**	**-3.4**	**2.6**	**-22.0**	**1,559.4**	**2,174.7**	**58.3**	**2,233.0**
Restated in accordance with the revised IAS 19, Employee benefits standard						8.0	8.0	-0.2	7.8
Balance as at 1 January 2012	**197.3**	**440.7**	**-3.4**	**2.6**	**-22.0**	**1,567.4**	**2,182.7**	**58.2**	**2,240.9**
Shares subscribed for with options		1.0					1.0		**1.0**
Share-based payment					2.5	0.5	3.0	0.0	**3.0**
Dividends						-117.6	-117.6	-5.3	**-123.0**
Other changes			0.7		0.0	2.6	3.3	-0.1	**3.1**
Profit for the year						124.4	124.4	11.4	**135.8**
Other comprehensive income									
Actuarial gains/losses						1.1	1.1		**1.1**
Currency translation differences related to a foreign operation		0.0	0.6				0.6	-1.0	**-0.5**
Adjustments for hyperinflation						0.3	0.3	3.5	**3.8**
Cash flow hedge revaluation				-2.6			-2.6		**-2.6**
Revaluation of available-for-sale financial assets				9.1			9.1		**9.1**
Others						-0.2	-0.2		**-0.2**
Tax related to other comprehensive income				0.7		-0.3	0.4		**0.4**
Total other comprehensive income		0.0	0.6	7.3		1.0	8.8	2.5	**11.3**
Total comprehensive income for the period		0.0	0.6	7.3		125.4	133.3	13.9	**147.1**
Balance as at 31 December 2012	**197.3**	**441.6**	**-2.1**	**9.9**	**-19.4**	**1,578.3**	**2,205.5**	**66.6**	**2,272.1**

SEGMENT INFORMATION

The Group's reportable segments are composed of the Group's divisions, namely the food trade, the home and speciality goods trade, the building and home improvement trade, and the car and machinery trade.

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 to the operating segments, has been identified as the Group Management Board. The reportable operating segments derive their net sales 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 Group Management Board assesses the performances of the segments in terms of operating profit, operating profit adjusted for non-recurring items, and return on capital employed. Exceptional transactions outside ordinary course of business are treated as non-recurring items and allocated to the segments. The Group identifies gains and losses on the disposal of real estate, shares and operating activities, impairments and costs of discontinuing significant operations as non-recurring items. Gains on disposals are presented in the income statement within other operating income, and losses on disposals within other operating expenses. In other respects, the Management Board's performance monitoring is in full compliance with IFRS reporting. Finance income and costs are not allocated to the segments, as the Group's cash and cash equivalents are managed by the Group Treasury. Changes in the fair values of forward foreign exchange contracts entered into inside the Group are reported as part of other operating income and expenses to the extent that they hedge the segments' operational foreign currency risk.

The assets and liabilities of a segment's capital employed consist of items which can be justifiably allocated to the segments. The assets of capital employed comprise property, plant and equipment and intangible fixed assets, investments in associates, pension assets, inventories, trade receivables and other non-interest-bearing receivables, interest-bearing receivables and available-for-sale assets. The liabilities of 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, except for fair value measurements of forward foreign exchange contracts recognised in the balance sheet, available-for-sale financial assets, cash and cash equivalents, or interest-bearing liabilities.

FOOD TRADE

The food trade comprises Kesko Food's grocery trade in Finland and Russia, as well as Kespro's grocery wholesale trade. In Finland, Kesko Food's operating activities are based on the K-retailer business model and in Russia, Kesko Food itself acts as a retail operator. The retail trade comprises nearly 1,000 K-food stores operated using the K-retailer business model. These stores form the K-citymarket, K-supermarket, K-market and K-extra retail chains of the food trade. Kesko Food manages the operations of the chains made up of the stores. Chain operations ensure higher competitiveness and a strong operational base for K-retailers in terms of sourcing, building selections, marketing and price competition. Kesko Food's subsidiary Kespro Ltd engages in wholesaling in the Finnish hotel, restaurant and catering (HoReCa) business.

HOME AND SPECIALITY GOODS TRADE

The home and speciality goods trade comprises K-citymarket's home and speciality goods, Anttila and Kodin1, Intersport and Budget Sport, Asko and Sotka, Musta Pörssi and Kookenkä. In addition to around 420 stores, the chains also serve customers online. Intersport engages in the sports equipment trade in Finland and Russia. Kesko's home and speciality goods trade offers customers products and services related to clothing, home, sports, leisure, home technology, entertainment as well as interior decoration and furniture. Efficient chain operations ensure that a wide and price competitive selection of well-known Finnish and foreign product brands are available to customers.

BUILDING AND HOME IMPROVEMENT TRADE

The building and home improvement trade comprises Rautakesko's building and home improvement trade and agricultural trade in Finland, and building and home improvement trade in 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 in all operating countries and retailer resources in Finland. Rautakesko itself is a retail operator in Sweden, Norway, the Baltic countries, Russia and Belarus. 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.

CAR AND MACHINERY TRADE

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 and the Baltic countries.

COMMON OPERATIONS

Common operations comprise Group support functions.

SEGMENT INFORMATION FOR 2013

€ million	Food trade	Home and speciality goods trade	Building and home improvement trade	Car and machinery trade	Common operations	Eliminations	Total
PROFIT							
Segment net sales	4,386.9	1,456.5	2,607.5	1,037.2	123.9		9,612.0
of which inter-segment sales	-172.0	-17.1	0.7	-1.0	-107.4		-296.8
Net sales from external customers	**4,214.9**	**1,439.4**	**2,608.2**	**1,036.2**	**16.5**		**9,315.2**
Other segment income	630.1	76.8	110.1	5.9	6.5		829.4
of which inter-segment income	-83.2	-6.8	-4.8	-0.1	0.4	-0.4	-95.1
Other operating income from external customers	**546.8**	**70.0**	**105.3**	**5.7**	**6.9**	**-0.4**	**734.3**
Depreciation and amortisation	-62.6	-26.7	-46.3	-11.5	-4.5	0.0	-151.6
Impairment			-1.4				-1.4
Operating profit	**208.0**	**-2.1**	**24.8**	**33.9**	**-15.1**	**-1.2**	**248.4**
Non-recurring items	4.8	6.2	-0.9	-	0.4	-1.0	9.6
Operating profit excluding non-recurring items	**203.3**	**-8.3**	**25.7**	**33.9**	**-15.5**	**-0.3**	**238.8**
Finance income and costs							-5.8
Share of profit from associates							-0.3
Profit before tax							**242.3**
ASSETS AND LIABILITIES							
Tangible and intangible assets	813.4	306.2	544.0	97.2	77.5	2.2	1,840.4
Investments in associates and other investments	4.6	0.1	0.3	0.0	100.1	-0.6	104.4
Pension assets	31.7	8.9	10.7	5.5	113.3		170.2
Inventories	106.6	241.4	262.5	188.0	-	-1.1	797.5
Trade receivables	309.8	99.0	175.4	56.8	13.4	-37.6	616.7
Other non-interest-bearing receivables	53.5	28.3	48.9	4.9	38.3	-49.3	124.7
Interest-bearing receivables	16.1	2.2	2.6	0.1	3.0	-0.7	23.3
Assets held for sale					0.5		0.5
Assets included in capital employed	**1,335.9**	**686.1**	**1,044.5**	**352.5**	**346.1**	**-87.2**	**3,677.9**
Unallocated items							
Deferred tax assets							3.0
Financial assets at fair value through profit or loss							170.7
Available-for-sale financial assets							398.4
Cash and cash equivalents							111.8
Total assets	**1,335.9**	**686.1**	**1,044.5**	**352.5**	**346.1**	**-87.2**	**4,361.7**
Trade payables	423.9	131.0	245.1	53.3	4.3	-32.1	825.4
Other non-interest-bearing liabilities	148.9	188.7	92.0	87.7	40.7	-51.9	506.2
Provisions	8.7	9.7	7.5	29.2	0.0		55.1
Liabilities included in capital employed	**581.5**	**329.4**	**344.6**	**170.2**	**45.0**	**-84.0**	**1,386.7**
Unallocated items							
Interest-bearing liabilities							554.4
Deferred tax liabilities							68.1
Total liabilities	**581.5**	**329.4**	**344.6**	**170.2**	**45.0**	**-84.0**	**2,009.2**
Total capital employed as at 31 Dec.	**754.4**	**356.7**	**699.9**	**182.3**	**301.1**	**-3.2**	**2,291.1**
Average capital employed	**821.0**	**445.3**	**732.1**	**161.0**	**286.3**	**-8.2**	**2,437.6**
Return on capital employed excl. non-recurring items, %	**24.8**	**-1.9**	**3.5**	**21.1**			**9.8**
Capital expenditure	**91.6**	**23.1**	**37.8**	**15.1**	**4.5**	**-0.6**	**171.5**
Number of personnel as at 31 Dec.	**3,570**	**8,483**	**10,066**	**1,261**	**483**		**23,863**
Average number of personnel	**3,143**	**5,751**	**8,910**	**1,252**	**433**		**19,489**

SEGMENT INFORMATION FOR 2012

€ million	Food trade	Home and speciality goods trade	Building and home improvement trade	Car and machinery trade	Common operations	Eliminations	Total
PROFIT							
Segment net sales	4,311.4	1,602.7	2,827.0	1,113.7	156.1		10,010.8
of which inter-segment sales	-172.3	-18.1	-0.4	-1.0	-133.2		-325.0
Net sales from external customers	**4,139.1**	**1,584.5**	**2,826.6**	**1,112.7**	**22.9**		**9,685.9**
Other segment income	625.0	82.7	117.0	5.0	7.3		837.0
of which inter-segment income	-81.5	-6.0	-3.2	-0.1	0.9		-89.9
Other operating income from external customers	**543.5**	**76.7**	**113.8**	**4.9**	**8.2**		**747.2**
Depreciation and amortisation	-57.3	-31.7	-50.3	-11.1	-4.3	0.1	-154.7
Impairment		-2.1	-1.7				-3.8
Operating profit	**170.2**	**0.0**	**11.6**	**41.9**	**-12.6**	**0.9**	**212.0**
Non-recurring items	2.7	-19.5	-1.7		-0.2	0.7	-18.0
Operating profit excluding non-recurring items	**167.5**	**19.6**	**13.3**	**41.9**	**-12.4**	**0.2**	**230.0**
Finance income and costs							-0.6
Share of profit from associates							-0.9
Profit before tax							**210.5**
ASSETS AND LIABILITIES							
Tangible and intangible assets	789.4	330.1	570.4	100.3	77.5	2.2	1,869.8
Investments in associates and other investments	3.5	0.1	0.2	0.0	102.2	-0.6	105.4
Pension assets	31.3	8.8	10.6	5.5	97.6		153.8
Inventories	107.0	251.6	276.5	180.0		-1.0	814.2
Trade receivables	309.4	142.9	204.1	58.5	16.1	-27.7	703.2
Other non-interest-bearing receivables	39.1	35.3	56.7	5.3	15.4	-21.6	130.2
Interest-bearing receivables	110.3	2.0	1.1	0.1	2.0	-4.0	111.5
Assets held for sale	1.6		0.2		0.5		2.3
Assets included in capital employed	**1,391.5**	**770.8**	**1,119.9**	**349.6**	**311.2**	**-52.7**	**3,890.4**
Unallocated items							
Deferred tax assets							2.4
Financial assets at fair value through profit or loss							137.2
Available-for-sale financial assets							249.0
Cash and cash equivalents							102.9
Total assets	**1,391.5**	**770.8**	**1,119.9**	**349.6**	**311.2**	**-52.7**	**4,382.0**
Trade payables	389.9	127.6	251.8	55.6	5.7	-27.0	803.6
Other non-interest-bearing liabilities	148.3	163.3	110.8	91.8	49.2	-22.5	541.0
Provisions	10.7	17.1	8.0	24.0	0.9	-0.7	60.0
Liabilities included in capital employed	**548.9**	**308.0**	**370.6**	**171.4**	**55.8**	**-50.1**	**1,404.7**
Unallocated items							
Interest-bearing liabilities							624.5
Deferred tax liabilities							80.7
Total liabilities	**548.9**	**308.0**	**370.6**	**171.4**	**55.8**	**-50.1**	**2,109.9**
Total capital employed as at 31 Dec.	**842.6**	**462.8**	**749.3**	**178.2**	**255.4**	**-2.6**	**2,485.7**
Average capital employed	**763.1**	**513.8**	**759.6**	**188.4**	**309.7**	**17.2**	**2,551.6**
Return on capital employed excl. non-recurring items, %	**21.9**	**3.8**	**1.7**	**22.3**			**9.0**
Capital expenditure	**200.0**	**61.1**	**63.1**	**26.6**	**27.6**	**-0.1**	**378.3**
Number of personnel as at 31 Dec.	**3,163**	**8,950**	**10,204**	**1,259**	**504**		**24,080**
Average number of personnel	**2,799**	**6,139**	**9,105**	**1,254**	**450**		**19,747**

GROUP-WIDE INFORMATION

The Group operates in Finland, Sweden, Norway, Estonia, Latvia, Lithuania, Russia and Belarus. The food trade and the home and speciality goods trade mainly take place in Finland and Russia, 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.

Net sales, assets, capital expenditures and personnel are disclosed by location.

2013

€ million	Finland	Other Nordic countries	Baltic countries	Russia and Belarus	Eliminations	Total
Net sales	7,678.4	675.5	511.9	467.9	-18.5	9,315.2
Assets	2,802.7	237.9	194.8	385.9	56.5	3,677.9
Capital expenditure	100.7	2.6	4.3	63.9		171.5
Average number of personnel	9,805	1,153	4,206	4,325		19,489

2012

€ million	Finland	Other Nordic countries	Baltic countries	Russia and Belarus	Eliminations	Total
Net sales	7,942.7	849.4	511.5	403.2	-20.9	9,685.9
Assets	3,014.0	290.6	188.2	353.9	43.6	3,890.4
Capital expenditure	291.6	7.8	3.1	75.8		378.3
Average number of personnel	10,231	1,440	4,254	3,822		19,747

Net sales are nearly completely derived from sales of goods. The amount derived from sales of services is immaterial.

Kesko Group had no income derived from a single customer amounting to more than 10% of Kesko Group's total income.

READ MORE

The full financial statements can be read in the online version of the Annual Report at annualreport2013.kesko.fi/

SHARES AND SHAREHOLDERS

DIVIDEND POLICY

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

The financial objectives are presented on page 6.

PROPOSED DIVIDENDS FOR 2013

Kesko Corporation's Board proposes to the General Meeting that a dividend of €1.40 per share be distributed on the basis of the adopted balance sheet for 2013, representing 80% of earnings per share and 83% of earnings per share excluding non-recurring items. In the five previous years, 83% of earnings per share excluding non-recurring items, on average, have been distributed as dividends.

BASIC SHARE INFORMATION AS AT 31 DECEMBER 2013

A share

- symbol: KESAV (OMX)
- ISIN code: FI0009007900
- voting rights per share: 10 votes
- number of shares: 31,737,007 pcs
- market capitalisation: €851 million

B share

- symbol: KESBV (OMX)
- ISIN code: FI0009000202
- voting rights per share: 1 vote
- number of shares: 68,095,686 pcs
- market capitalisation: €1,810 million

Trading unit of both share series: 1 share.
Total share capital: €197,282,584.
Total number of shares: 99,832,693 pcs.
Voting rights carried by all shares: 385,465,756.
Total market capitalisation: €2,661 million.

SHARE SERIES AND SHARE CAPITAL

Kesko Corporation's share capital is divided into A and B share series. As at 31 December 2013, the company's total share capital was €197,282,584.

The minimum number of A shares is one (1) and the maximum number is two hundred and fifty million (250,000,000), while the minimum number of B shares is one (1) and the maximum number is two hundred and fifty million (250,000,000), provided, however, that the minimum aggregate number of shares is two (2) and the maximum aggregate number is four hundred million (400,000,000). As at 31 December 2013, the total number of shares was 99,832,693, of which 31,737,007 (31.8%) were A shares and 68,095,686 (68.2%) were B shares.

Each A share carries 10 votes and each B share one vote. Both shares carry equal dividend rights. The number of votes carried by A shares represented 82% and the number of votes carried by B shares 18% of the total voting rights.

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

The right to receive funds distributed by the company and to subscribe for shares when shares are issued belongs only to those who are registered as company shareholders in the shareholder register as at the record date, whose right to receive payments is registered in the book-entry securities account of the shareholder registered in the shareholder register as at the record date and registered in the shareholder register, and if a share is registered in a nominee name, into whose book-entry securities account the share is registered as at the record date and whose custodian is registered in the shareholder register as the custodian of the shares as at the record date.

AUTHORISATIONS OF THE BOARD AND TREASURY SHARES

2013 SHARE ISSUE AUTHORISATION

The Annual General Meeting held on 8 April 2013 authorised the company's Board to decide on the issuance of a maximum of 1,000,000 own B shares held as treasury shares by the company. The B shares held as treasury shares by the company can be issued to shareholders for subscription in a directed issue in proportion to their existing holdings of the company shares, regardless of whether they own A or B shares. The shares can also be issued in a directed issue departing from the shareholder's pre-emptive right, for a weighty financial reason for the company, such as using the shares to develop the company's capital structure, to finance possible business acquisitions, capital expenditures or other arrangements within the scope of the company's business operations, and to implement the company's incentive plan.

The own B shares held as treasury shares by the company can be transferred either against or without consideration. According to the Limited Liability Companies Act, a directed share issue can only be without consideration, if the company, taking into account the best interests of all its shareholders, has a particularly weighty financial reason for it.

The authorisation also includes the Board's authorisation to make decisions concerning any other issues related to share issuances. The amount possibly paid for treasury shares is recognised in the reserve of invested non-restricted equity.

The authorisation is valid until 30 June 2017.

2013 AUTHORISATION TO ACQUIRE OWN SHARES

The Annual General Meeting held on 8 April 2013 authorised the company's Board to decide on the acquisition of a maximum of 500,000 own B shares. Based on the authorisation, own shares shall be acquired using the company's unrestricted equity not in proportion to shares held by shareholders but at the market price quoted in public trading organised by NASDAQ OMX Helsinki Ltd ("the stock exchange") at the time of acquisition. The shares shall be acquired and paid in accordance with the rules of the stock exchange.

The shares can be acquired to be used in the development of the company's capital structure, to finance possible business acquisitions, capital expenditures and/or other arrangements within the scope of the company's business operations, and to implement the company's incentive plan, or to be transferred otherwise, or cancelled.

The authorisation is valid until 30 September 2014. By 31 December 2013, more own shares had not been acquired based on the authorisation.

As at 31 December 2013, Kesko Corporation held a total of 548,984 own B shares as treasury shares. Subsidiaries do not hold Kesko Corporation shares. Treasury shares accounted for 0.81% of B shares and 0.55% of the total shares, and 0.14% of the total voting rights carried by the company shares.

2012 SHARE ISSUE AUTHORISATION

The Annual General Meeting held on 16 April 2012 authorised the company's Board to make decisions concerning the issuance of a total maximum of 20,000,000 new B shares. The shares can be issued against payment for subscription by shareholders in a directed issue in proportion to their existing shareholdings regardless of whether they consist of A or B shares. The shares can also be issued departing from the shareholder's pre-emptive right, in a directed issue, if there is a weighty financial reason for the company, such as using the shares to develop the company's capital structure, and financing possible acquisitions, capital expenditures or other arrangements within the scope of the company's business operations. The shares can only be transferred against payment.

The authorisation also includes the Board's authorisation to decide on the share subscription price, the right to issue shares against non-cash consideration and the right to make decisions on other matters concerning share issuances. The amount possibly paid for the share subscriptions is recognised in the reserve of invested non-restricted equity.

The authorisation is valid until 30 June 2015.

SHAREHOLDERS

According to the register of Kesko Corporation's shareholders held by Euroclear Finland Ltd, there were 42,809 shareholders at the end of 2013 (44,554 at the end of 2012). The total number of shares registered in a nominee name was 24,178,324, accounting for 24.22% of all shares (16,801,383 and 17.02% respectively at the end of 2012). These shares carried 27,839,614 votes, or 7.22% of the total voting rights (18,498,486 or 4.81% respectively at the end of 2012).

OTHER SPECIAL RIGHTS ENTITLING TO SHARES

The Board does not have other valid authorisations to issue shares, to increase the share capital, or to acquire or transfer own shares.

TRADING IN KESKO CORPORATION SHARES AND SHARE OPTIONS IN 2013

Kesko Corporation shares are listed on the Helsinki stock exchange. The price performance of both A and B shares lagged slightly behind the overall trend. The price of liquid B shares increased by 8.2% and those of less liquid A shares by 9.9%, while the NASDAQ OMX Helsinki All Share Index increased by 26.5%. The B share trading volume fell by 25.0% and the value by 20.7% on the Helsinki stock exchange. The A share trading volume fell by 50.3% and the value by 50.6% from the previous year. At the end of the year, the market capitalisation of A shares was €851 million and that of B shares €1,810 million. The total market capitalisation was €2,661 million, an increase of €243 million during the year.

READ MORE

Shares and share options held by the management, pages 58-61.
The 2007 share option plan and the share-based compensation plan, pages 52-53 and note 30 to the financial statements in the online Annual Report.

INFORMATION ABOUT KESKO FOR INVESTORS

COMMUNICATIONS POLICY AND PRINCIPLES

The purpose of Kesko's communications is to promote the business activities of the Group and its business partners by taking the initiative in providing stakeholders with correct information on the Group's objectives and operations. The general principles followed in providing communications also include openness, topicality and truthfulness. No comments are made on the company's confidential or unfinished business transactions, or on competitors' affairs.

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

HUMAN RESOURCES AND STAKEHOLDER RELATIONS

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INVESTOR RELATIONS

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

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

Kesko publishes an Annual Report in Finnish and English. The printed version includes a summary of the financial statements. The full financial statements can be read in the online version of the Annual Report at annualreport2013.kesko.fi/. The printed Annual Report can be ordered at www.kesko.fi/media.

The financial statements release and the three interim reports can be read on the company's website. Kesko's stock exchange and press releases, sent by e-mail, can be ordered at www.kesko.fi/media.

Kesko publishes an online Corporate Responsibility Report in Finnish and English.

Kesko arranges press conferences for analysts and the media at the time of publishing financial information or other significant news, and holds a Capital Market Day for analysts and institutional investors on various themes once a year.

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

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SHAREHOLDER INFORMATION

FINANCIAL REPORTING CALENDAR AND KEY DATES IN 2014

Year 2013 financial statements release	4 February 2014
Year 2013 Annual Report (including the financial statements and the report by the Board of Directors)	Week 10
Annual General Meeting	7 April 2014
Year 2014 3-month interim report	24 April 2014
Year 2014 6-month interim report	22 July 2014
Year 2014 9-month interim report	22 October 2014

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

GENERAL MEETING

Notice is given to Kesko Corporation's shareholders of the Annual General Meeting which will be held in Messukeskus Helsinki's Conference Centre, Messuaukio 1 (Conference Centre entrance), Helsinki, on 7 April 2014 at 13.00. The reception desks for those registered for the meeting are open, voting tickets are provided and coffee is served from 12.00 EET.

Shareholders have the right to participate in the General Meeting if they are registered as shareholders in the company's register of shareholders kept by Euroclear Finland Ltd on 26 March 2014 (General Meeting record date). Shareholders whose shares are registered on their personal Finnish book-entry accounts are registered in the company's register of shareholders.

A shareholder wishing to participate in the meeting should register for it no later than 2 April 2014 at 16.00 EET. The registration can be made either by post to Kesko Corporation, Legal Affairs, FI-00016 Kesko, by fax +358 105 323 421, by telephone +358 105 323 211, by e-mail to keskoyhtiokokous@kesko.fi, or through the website at www.kesko.fi/investors. The registration will have to be received at the company before the end of the registration period. Any proxies authorising the holders to participate in the General Meeting should be sent to the above postal address by the end of the registration period.

Holders of nominee registered shares are advised to request instructions for registering in the shareholder register, submitting their proxy documents and registering for the General Meeting from their custodian banks well in advance. The account management organisation of the custodian bank should request a holder of a nominee registered share wishing to participate in the General Meeting to be registered in the company's temporary shareholder register no later than 2 April 2014 at 10.00 EET.

More detailed information about the General Meeting, participation and decision-making is given in the Corporate Governance section on page 49.

The resolutions of the 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 General Meeting that a dividend of €1.40 per share be paid for the year 2013 on the basis of the adopted balance sheet. The dividend will be paid to shareholders registered in the register of Kesko Corporation's shareholders kept by Euroclear Finland Ltd on the record date for the payment of dividend, 10 April 2014. The registration takes three banking days, which means that the dividends are paid to those who hold the shares at the close of the date of the General Meeting, 7 April 2014. Consequently, dividends on shares traded on the date of the General Meeting are paid to buyers.

The payment of dividends will start on 17 April 2014, as proposed by the Board of Directors.

FINANCIAL PUBLICATIONS

Kesko publishes an Annual Report in Finnish and English. The printed version, which includes a summary of the financial statements, can be ordered via the internet at www.kesko.fi/media. The online version of the Annual Report, which includes the financial statements and their notes, can be read at annualreport2013.kesko.fi/. Printouts of financial statements can be ordered at www.kesko.fi/media.

The financial statements release and the three interim reports can be read on the company's website. Kesko's stock exchange and press releases, sent by e-mail, can be ordered at www.kesko.fi/media.

Kesko publishes an online Corporate Responsibility Report in Finnish and English.

CHANGES OF ADDRESS

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

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PHOTOS: Kaapo Kamu, Riitta Supperi, Mats Vuorenjuuri, Kesko's image banks
PRINTED BY: Libris Oy

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