KESKO

Financial Statements 2014

Kesko Corporation
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Report by the Board of Directors

Financial performance

Net sales and profit for 2014

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

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

* Excl. non-recurring items

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

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

The Group's profit before tax was €145.0 million (€242.3 million).

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

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

Finance

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

The Group's liquidity remained at an excellent level. At the end of the year, liquid assets totalled €598 million (€681 million). Interest-bearing liabilities were €499 million (€554 million) and interest-bearing net debt were €-99 million (€-126 million) at the end of 2014. Equity ratio was 54.5% (54.5%).

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

Taxes

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

Capital expenditure

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

Kesko’s strategy work progresses

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

Kesko changed its divisional structure and seeks more competitive multi-channel home and speciality goods trade

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

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

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

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

Improving Anttila’s profitability

In order to improve Anttila's profitability, a decision was made in March to close eight Anttila department stores operating in leased premises and four Kodin1 department stores and to implement enhancement measures in the central units of Anttila Oy and K-citymarket Oy. By the end of 2014, six Anttila department stores had been closed. In addition to the renewal of Anttila’s operating activities aimed at improving profitability, the option of selling Anttila Oy is also investigated.

Kesko continues preparations for real estate arrangement

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

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

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

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

Personnel

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

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

The Group's employee benefit expense was €614 million, showing a 0.5% 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

	1–12/2014	1–12/2013
Net sales, € million	4,316	4,387
Operating profit excl. non-recurring items, € million	202.4	203.3
Operating margin excl. non-recurring items, %	4.7	4.6
Capital expenditure, € million	91.4	91.6

Net sales, € million	**1–12/2014**	**Change, %**
Sales to K-food stores	3,233	-2.9
Kespro	789	-1.7
K-ruoka, Russia	103	+46.7
Others	191	+3.6
Total	**4,316**	**-1.6**

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

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

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

Home and speciality goods trade

	1–12/2014	1–12/2013
Net sales, € million	1,316	1,457
Operating profit excl. non-recurring items, € million	-37.4	-8.3
Operating margin excl. non-recurring items, %	-2.8	-0.6
Capital expenditure, € million	17.4	23.1

Net sales, € million	**1–12/2014**	**Change, %**
K-citymarket, home and speciality goods	593	-5.5
Anttila	324	-17.0
Intersport, Finland	171	-10.0
Intersport, Russia	15	-17.6
Indoor	176	-3.3
Musta Pörssi	20	-33.1
Kenkäkesko	20	-5.6
Total	**1,316**	**-9.6**

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

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

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

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

Building and home improvement trade

	1–12/2014	1–12/2013
Net sales, € million	2,598	2,607
Operating profit excl. non-recurring items, € million	57.7	25.7
Operating margin excl. non-recurring items, %	2.2	1.0
Capital expenditure, € million	60.0	37.8

Net sales, € million	**1–12/2014**	**Change, %**
Rautakesko, Finland	1,157	-1.3
K-rauta, Sweden	194	-5.3
Byggmakker, Norway	431	-8.4
K-rauta, Estonia	78	+14.0
K-rauta, Latvia	53	+2.7
Senukai, Lithuania	312	+18.6
K-rauta, Russia	250	-8.2
OMA, Belarus	125	+17.8
Total	**2,598**	**-0.4**

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

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

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

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

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

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

Car and machinery trade

	1–12/2014	1–12/2013
Net sales, € million	1,011	1,037
Operating profit excl. non-recurring items, € million	29.6	33.9
Operating margin excl. non-recurring items, %	2.9	3.3
Capital expenditure, € million	14.3	15.1

Net sales, € million	**1–12/2014**	**Change, %**
VV-Auto	756	+1.5
Konekesko	256	-12.6
Total	**1,011**	**-2.5**

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

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

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

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

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

The operating profit was €29.4 million (€33.9 million).

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

Changes in the Group composition

No significant changes took place in the Group composition during the financial year.

Shares, securities market and Board authorisations

At the end of 2014, the total number of Kesko Corporation shares was 100,019,752, of which 31,737,007, or 31.7%, were A shares and 68,282,745, or 68.3%, were B shares. At 31 December 2014, Kesko Corporation held 995,315 own B shares as treasury shares. These treasury shares accounted for 1.46% of the number of B shares, 1.00% of the total number of shares, and 0.26% of votes carried by all shares of the Company. The total number of votes carried by all shares was 385,652,815. Each A share carries ten (10) votes and each B share one (1) vote. The Company cannot vote with own shares held by the Company as treasury shares and no dividend is paid on them. At the end of 2014, Kesko Corporation's share capital was €197,282,584. During the financial year, the number of B shares was increased three times to account for the shares subscribed for with the options based on the 2007 option scheme. The increases were made on 10 February 2014 (85,067 B shares), 30 April 2014 (62,778 B shares) and 4 June 2014 (39,214 B shares) and announced in stock exchange notification on the same days. The shares subscribed for were listed for public trading on Nasdaq Helsinki (Helsinki Stock Exchange) with the old B shares on 11 February 2014, 2 May 2014 and 5 June 2014. The subscription price of €2,148,641.76 received by the Company was recorded in the Company's reserve of invested non-restricted equity.

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

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

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

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

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

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

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

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

Flagging notifications

Kesko Corporation did not receive flagging notifications during the financial year.

Key events during the financial year

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

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

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

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

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

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

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

Events after the financial year

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

Resolutions of the 2014 Annual General Meeting and decisions of the Board’s organisational meeting

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

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

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

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

Responsibility

In January, Kesko was again included on 'The Global 100 Most Sustainable Corporations in the World' list.

In RobecoSAM's Sustainability Yearbook 2014, published in January, Kesko received the Silver Class distinction in the Food & Staples Retailing Industry category.

In March, Kesko and K-stores took part in the global Earth Hour 2014 event by turning off the illuminated signs in their properties and stores.

Kesko gave out more than 16,000 Pirkka Fairtrade roses to mothers at the Mother's Day celebration in Helsinki and in maternity wards across Finland.

For the 27th time, Kesko's Board awarded scholarships to talented young athletes and art students. The total amount of the scholarships awarded in May was €42,000.

Kesko granted Fair Play scholarships to 3,000 young people ending their primary education as rewards for exemplary promotion of peace and tolerance at school.

In September, Kesko was included in the Dow Jones Sustainability Indices DJSI World and DJSI Europe for the 12th time. Kesko obtained its highest scores in risk and crisis management, codes of conduct and supply chain management.

The target of the Youth Guarantee in the K-Group programme, to employ 1,000 young people by the end of 2014, was achieved more thans six months ahead of the deadline. By the end of August, 1,500 young people had found employment in Kesko and K-stores with the help of the Youth Guarantee.

The Rehabilitation Foundation and Kesko are implementing a joint project for supporting working ability and learning at the beginning of career. One of its aims is to identify learning difficulties and increase awareness of them.

K-food stores introduced a bottle return raffle from which proceeds are directed to the Mannerheim League for Child Welfare or the Association of Friends of the University Children's hospitals every six months. The objective is to extend the raffle to some 260 K-food stores this year.

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

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

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

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

Information contained in the notes to the financial statements

Information on the Group's personnel is disclosed in note 6.
Information on options, shares under options and voting rights is disclosed in note 30.
Related party transactions are disclosed in note 33.

Kesko will publish an Integrated Annual Report for 2014. The report contains a business review, the Report by the Board of Directors and the financial statements for 2014, the responsibility reporting indicators (GRI), Kesko's Corporate Governance Statement and Remuneration Statement. Assurance for GRI indicators is provided by an independent external party.

Risk management

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

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

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

The following describes the risks and uncertainties assessed as significant.

Significant risks and uncertainties

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Accidents, natural phenomena and epidemics can cause damages or business interruptions which cannot be prevented. There is also the risk that insurance policies 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 (1–12/2015) in comparison with the 12 months preceding the reporting period (1–12/2014).

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

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

Proposal for profit distribution

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

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

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

Annual General Meeting

The Board of Directors decided to convene the Annual General Meeting at Messukeskus Helsinki, on 13 April 2015 at 13.00. Kesko Corporation will publish a notice of the General Meeting at a later date.

Annual Report 2014 and Corporate Governance Statement

Kesko will publish an Integrated Annual Report for 2014. The report contains a business review, the Report by the Board of Directors and the financial statements for 2014, the responsibility reporting indicators (GRI), Kesko’s Corporate Governance Statement and Remuneration Statement.

Group's key performance indicators

		2010	2011	2012	2013	2014
Income statement						
Net sales	€ million	8,777	9,460	9,686	9,315	9,071
Change in net sales	%	3.9	7.8	2.4	-3.8	-2.6
Operating profit excl. non-recurring items	€ million	268	279	230	239	233
Operating profit excl. non-recurring items as percentage of net sales	%	3.1	2.9	2.4	2.6	2.6
Profit for the year (incl. non-controlling interests)	€ million	216	197	136	185	108
Profit for the year as percentage of net sales	%	2.5	2.1	1.4	2.0	1.2
Profitability						
Return on equity	%	10.1	8.8	6.0	8.0	4.7
Return on equity excl. non-recurring items	%	8.7	8.8	6.9	7.7	7.6
Return on capital employed	%	16.0	13.2	8.3	10.2	6.4
Return on capital employed excl. non-recurring items	%	14.0	13.1	9.0	9.8	9.9
Funding and financial position						
Interest-bearing net debt	€ million	-370.5	32.8	135.3	-126.4	-99.2
Gearing	%	-16.8	1.5	6.0	-5.4	-4.4
Equity ratio	%	53.5	53.9	52.5	54.5	54.5
Interest-bearing net debt/EBITDA		-0.9	0.1	0.4	-0.3	-0.3
Other performance indicators						
Capital expenditure	€ million	325	425	378	171	194
Capital expenditure as percentage of net sales	%	3.7	4.5	3.9	1.8	2.1
Cash flow from operating activities	€ million	438	216	382	414	304
Cash flow from investing activities	€ million	-240	-441	-391	-152	-182
Personnel, average for the period		18,215	18,960	19,747	19,489	19,976
Personnel, as at 31 Dec.		22,124	23,375	24,080	23,863	23,794

		2010	2011	2012	2013	2014
Share performance indicators						
Earnings/share, diluted	€	2.06	1.84	1.26	1.75	0.97
Earnings/share, basic	€	2.08	1.85	1.27	1.75	0.97
Earnings/share excl. non-recurring items, basic	€	1.78	1.84	1.47	1.68	1.65
Equity/share	€	21.81	22.29	22.48	22.96	22.05
Dividend/share	€	1.30	1.20	1.20	1.40	1.50*
Payout ratio	%	62.6	64.9	94.5	79.9	154.7*
Payout ratio excl. non-recurring items	%	72.9	65.3	81.8	83.3	91.1*
Cash flow from operating activities/share, adjusted	€	4.45	2.20	3.88	4.17	3.07
Price/earnings ratio (P/E), A share, adjusted		16.82	13.55	19.30	15.35	29.49
Price/earnings ratio (P/E), B share, adjusted		16.93	14.14	19.60	15.35	31.16
Effective dividend yield, A share	%	3.7	4.8	4.9	5.2	5.3*
Effective dividend yield, B share	%	3.7	4.6	4.8	5.2	5.0*
Share price as at 31 Dec.						
A share	€	34.70	24.82	24.39	26.80	28.56
B share	€	34.93	25.96	24.77	26.80	30.18
Average share price						
A share	€	30.42	29.20	23.71	24.85	29.06
B share	€	29.83	29.36	22.75	24.11	29.82
Market capitalisation as at 31 Dec., A share	€ million	1,101	788	774	851	906
Market capitalisation as at 31 Dec., B share	€ million	2,337	1,719	1,644	1,810	2,031
Turnover						
A share	Million pcs	4	2	2	1	2
B share	Million pcs	53	63	68	51	47
Relative turnover rate						
A share	%	13.8	6.6	7.6	3.6	6.3
B share	%	78.8	94.6	102.0	77.0	69.5
Diluted number of shares as at 31 Dec.	Thousand pcs	99,121	98,919	98,472	99,136	99,161
Yield of A share for the last financial years	%	11.9	-4.6	-4.5	8.5	8.3
Yield of B share						
For the last five financial years	%	12.7	-4.2	-3.7	13.7	10.1
For the last ten financial years	%	21.3	17.1	14.6	13.4	10.2

* Proposal to the General Meeting

Net sales by segment

€ million	1–12/2014	1–12/2013	Change, %
Food trade Finland	4,213	4,316	-2.4
Food trade other countries*	103	71	46.7
Food trade total	**4,316**	**4,387**	**-1.6**
- of which inter-segment sales	173	172	0.4
Home and speciality goods trade Finland	1,287	1,424	-9.6
Home and speciality goods trade other countries*	29	33	-10.8
Home and speciality goods trade total	**1,316**	**1,457**	**-9.6**
- of which inter-segment sales	15	17	-12.6
Building and home improvement trade Finland	1,157	1,173	-1.3
Building and home improvement trade other countries*	1,441	1,435	0.4
Building and home improvement trade total	**2,598**	**2,607**	**-0.4**
- of which inter-segment sales	-1	-1	-18.1
Car and machinery trade Finland	916	921	-0.6
Car and machinery trade other countries*	96	116	-17.5
Car and machinery trade total	**1,011**	**1,037**	**-2.5**
- of which inter-segment sales	1	1	-34.4
Common operations and eliminations	-171	-173	-0.8
Finland total	**7,401**	**7,661**	**-3.4**
Other countries total*	**1,669**	**1,654**	**0.9**
Group total	**9,071**	**9,315**	**-2.6**

* Net sales in countries other than Finland

Operating profit by segment

€ million	1–12/2014	1–12/2013	Change
Food trade	196.0	208.0	-12.0
Home and speciality goods trade	-85.0	-2.1	-82.9
Building and home improvement trade	52.4	24.8	27.6
Car and machinery trade	29.4	33.9	-4.5
Common operations and eliminations	-41.5	-16.3	-25.2
Group total	**151.4**	**248.4**	**-97.1**

Operating profit excl. non-recurring items by segment

€ million	1–12/2014	1–12/2013	Change
Food trade	202.4	203.3	-0.8
Home and speciality goods trade	-37.4	-8.3	-29.0
Building and home improvement trade	57.7	25.7	32.0
Car and machinery trade	29.6	33.9	-4.3
Common operations and eliminations	-19.7	-15.8	-4.0
Group total	**232.6**	**238.8**	**-6.2**

Group's performance indicators by quarter

	1–3/ 2013	4–6/ 2013	7–9/ 2013	10–12/ 2013	1–3/ 2014	4–6/ 2014	7–9/ 2014	10–12/ 2014
Net sales, € million	2,159	2,420	2,374	2,362	2,129	2,371	2,304	2,267
Change in net sales, %	-6.9	-1.6	-3.1	-3.9	-1.4	-2.1	-2.9	-4.0
Operating profit, € million	19.2	77.0	84.1	68.0	-13.0	69.4	63.4	31.7
Operating margin, %	0.9	3.2	3.5	2.9	-0.6	2.9	2.7	1.4
Operating profit excl. non-recurring items, € million	18.6	69.8	83.6	66.8	19.1	67.6	84.0	61.9
Operating margin excl. non-recurring items, %	0.9	2.9	3.5	2.8	0.9	2.9	3.6	2.7
Finance income/costs, € million	-3.3	0.4	-2.6	-0.4	-1.6	2.2	-1.8	-5.0
Profit before tax, € million	15.8	77.2	81.5	67.9	-14.4	71.4	61.7	26.4
Profit before tax, %	0.7	3.2	3.4	2.9	-0.7	3.0	2.7	1.2
Return on capital employed, %	3.1	12.3	14.2	11.5	-2.2	11.5	10.9	5.5
Return on capital employed excl. non-recurring items, %	3.0	11.1	14.1	11.3	3.2	11.2	14.4	10.7
Return on equity, %	1.9	9.5	10.2	10.8	-2.0	9.4	8.1	3.7
Return on equity excl. non-recurring items, %	1.8	8.6	10.1	10.6	2.3	9.1	11.3	8.0
Equity ratio, %	51.7	50.5	52.9	54.5	53.2	52.3	54.2	54.5
Capital expenditure, € million	41.5	48.1	35.4	46.6	43.4	55.7	51.7	43.2
Earnings/share, diluted, €	0.11	0.50	0.53	0.60	-0.11	0.51	0.41	0.17
Equity/share, €	22.62	21.79	22.39	22.96	22.83	21.86	22.25	22.05

Net sales by segment

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

Operating profit by segment

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

Operating profit excl. non-recurring items by segment

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

Calculation of performance indicators

Profitability

Return on equity, %	$\frac{\text{(Profit/loss before tax − Income tax) x 100}}{\text{Shareholders' equity}}$
Return on equity excl. non-recurring items, %	$\frac{\text{(Profit/loss adjusted for non-recurring items before tax − Income tax adjusted for the tax effect of non-recurring items) x 100}}{\text{Shareholders' equity}}$
Return on capital employed, %	$\frac{\text{Operating profit x 100}}{\text{(Non-current assets + Inventories + Receivables + Other current assets − Non-interest-bearing liabilities) for a 12 month average}}$
Return on capital employed excl. non-recurring items, %	$\frac{\text{Operating profit excluding non-recurring items x 100}}{\text{(Non-current assets + Inventories + Receivables + Other current assets − Non-interest-bearing liabilities) for a 12 month average}}$
EBITDA	Operating profit + Depreciation and amortisation + Impairments

Funding and financial position

Equity ratio, %	$\frac{\text{Shareholders' equity x 100}}{\text{(Balance sheet total − Prepayments received)}}$
Gearing, %	$\frac{\text{Interest-bearing net debt x 100}}{\text{Shareholders' equity}}$
Interest-bearing net debt	Interest-bearing liabilities − Money market investments − Cash and cash equivalents
Interest-bearing net debt/EBITDA	$\frac{\text{Interest-bearing net debt}}{\text{EBITDA}}$

Share performance indicators

Earnings/share, diluted	$\dfrac{\text{Profit/loss − Non-controlling interests}}{\text{Average number of shares adjusted for the dilutive effect}}$
Earnings/share, basic	$\dfrac{\text{Profit/loss − Non-controlling interests}}{\text{Average number of shares}}$
Earnings/share excl. non-recurring items, basic	$\dfrac{\text{Profit/loss adjusted for non-recurring items − Non-controlling interests}}{\text{Average number of shares}}$
Equity/share	$\dfrac{\text{Equity attributable to equity holders of the parent}}{\text{Basic number of shares at balance sheet date}}$
Payout ratio, %	$\dfrac{\text{(Dividend/share) x 100}}{\text{(Earnings/share)}}$
Price/earnings ratio (P/E)	$\dfrac{\text{Share price at balance sheet date}}{\text{(Earnings/share)}}$
Effective dividend yield, %	$\dfrac{\text{(Dividend/share) x 100}}{\text{Share price at balance sheet date}}$
Market capitalisation	Share price at balance sheet date x Number of shares
Cash flow from operating activities/ share	$\dfrac{\text{Cash flow from operating activities}}{\text{Average number of shares}}$
Yields of A share and B share	Change in share price + Annual dividend yield

Analysis of shareholding

Analysis of shareholding by shareholder type as at 31 Dec. 2014

All shares	Number of shares, pcs	Percentage of all shares, %
Non-financial corporations and housing corporations	25,928,104	25.92
Financial and insurance corporations	8,224,194	8.22
General government*	5,871,859	5.87
Households	26,999,554	26.99
Non-profit institutions**	5,723,641	5.72
Rest of the world	229,155	0.23
Nominee registered	27,043,245	27.04
Total	**100,019,752**	**100.00**

A shares	Number of shares, pcs	Percentage of A shares, %	Percentage of all shares, %
Non-financial corporations and housing corporations	18,729,759	59.02	18.73
Financial and insurance corporations	4,069,348	12.82	4.07
General government*	301,502	0.95	0.30
Households	6,350,372	20.01	6.35
Non-profit institutions**	1,672,326	5.27	1.67
Rest of the world	6,059	0.02	0.01
Nominee registered	607,641	1.91	0.61
Total	**31,737,007**	**100.00**	**31.73**

B shares	Number of shares, pcs	Percentage of B shares, %	Percentage of all shares, %
Non-financial corporations and housing corporations	7,198,345	10.54	7.20
Financial and insurance corporations	4,154,846	6.08	4.15
General government*	5,570,357	8.16	5.57
Households	20,649,182	30.24	20.65
Non-profit institutions**	4,051,315	5.93	4.05
Rest of the world	223,096	0.33	0.22
Nominee registered	26,435,604	38.71	26.43
Total	**68,282,745**	**100.00**	**68.27**

* General government, for example, municipalities, the provincial administration of Åland, authorised pension providers 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. 2014

All shares Number of shares	Number of share-holders, pcs	Percentage of share-holders, %	Share total, pcs	Percentage of shares, %
1–100	12,820	32.16	722,450	0.72
101–500	14,778	37.07	3,995,989	4.00
501–1,000	5,205	13.06	4,101,827	4.10
1,001–5,000	5,453	13.68	12,049,088	12.05
5,001–10,000	873	2.19	6,190,300	6.19
10,001–50,000	606	1.52	12,475,179	12.47
50,001–100,000	78	0.20	5,588,455	5.59
100,001–500,000	40	0.10	8,655,794	8.65
500,001–999,999,999,999	16	0.04	46,240,670	46.23
Total	**39,869**	**100.00**	**100,019,752**	**100.00**

A shares Number of shares	Number of share-holders, pcs	Percentage of holders of A shares, %	A share total, pcs	Percentage of A shares, %
1–100	2,251	31.04	107,517	0.34
101–500	1,732	23.88	449,627	1.42
501–1,000	1,018	14.04	872,430	2.75
1,001–5,000	1,529	21.08	3,756,736	11.84
5,001–10,000	375	5.17	2,627,458	8.28
10,001–50,000	294	4.05	6,289,719	19.82
50,001–100,000	36	0.50	2,539,911	8.00
100,001–500,000	12	0.17	3,037,018	9.57
500,001–999,999,999,999	5	0.07	12,056,591	37.99
Total	**7,252**	**100.00**	**31,737,007**	**100.00**

B shares Number of shares	Number of share-holders, pcs	Percentage of holders of B shares, %	B share total, pcs	Percentage of B shares, %
1–100	11,486	32.79	663,239	0.97
101–500	13,898	39.68	3,758,156	5.50
501–1,000	4,472	12.77	3,462,549	5.07
1,001–5,000	4,284	12.23	9,092,838	13.32
5,001–10,000	490	1.40	3,501,019	5.13
10,001–50,000	320	0.91	6,341,226	9.29
50,001–100,000	44	0.13	3,233,716	4.74
100,001–500,000	22	0.06	5,568,154	8.15
500,001–999,999,999,999	11	0.03	32,661,848	47.83
Total	**35,027**	**100.00**	**68,282,745**	**100.00**

10 largest shareholders by number of shares held as at 31 Dec. 2014

	Number of shares, pcs	Percentage of shares, %	Number of votes	Percentage of votes, %
1. K-Retailers' Association	3,741,696	3.74	37,416,960	9.70
2. Vähittäiskaupan Takaus Oy	3,491,771	3.49	27,148,568	7.04
3. Kruunuvuoren Satama Oy	3,438,885	3.44	34,388,850	8.92
4. Ilmarinen Mutual Pension Insurance Company	1,878,708	1.88	4,584,396	1.19
5. Valluga-sijoitus Oy	1,340,439	1.34	13,404,390	3.48
6. Elo Mutual Pension Insurance Company	1,192,968	1.19	1,192,968	0.31
7. Varma Mutual Pension Insurance Company	1,130,986	1.13	1,130,986	0.29
8. Foundation for Vocational Training in the Retail Trade	1,059,366	1.06	9,222,708	2.39
9. Oy The English Tearoom Ab	1,000,000	1.00	1,000,000	0.26
10. Kesko Corporation	995,315	1.00	995,315	0.26

10 largest shareholders by number of votes as at 31 Dec. 2014

	Number of shares, pcs	Percentage of shares, %	Number of votes	Percentage of votes, %
1. K-Retailers' Association	3,741,696	3.74	37,416,960	9.70
2. Kruunuvuoren Satama Oy	3,438,885	3.44	34,388,850	8.92
3. Vähittäiskaupan Takaus Oy	3,491,771	3.49	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	1,059,366	1.06	9,222,708	2.39
6. Ilmarinen Mutual Pension Insurance Company	1,878,708	1.88	4,584,396	1.19
7. K-Food Retailers' Club	443,603	0.44	4,436,030	1.15
8. Heimo Välinen Oy	440,000	0.44	4,400,000	1.14
9. Food Paradise Oy	389,541	0.39	3,895,410	1.01
10. A. Toivakka Oy	211,450	0.21	1,934,500	0.50

Management's shareholdings

At the end of December 2014, Kesko Corporation's Board members, the President and CEO and the corporations controlled by them held 373,961 Kesko Corporation A shares and 39,701 Kesko Corporation B shares, i.e. a total of 413,662 shares, which represents 0.41% of the total number of shares and 0.98% of votes carried by all shares of the Company.

At 31 December 2014, the President and CEO held 20,601 Kesko Corporation B shares, which represented 0.02% of the total number of shares and 0.01% of votes carried by all shares of the Company. At 31 December 2014, the Group Management Board including the President and CEO held 79,672 Kesko Corporation B shares, which represented 0.08% of the total number of shares and 0.02% of votes carried by all shares of the Company.

Consolidated financial statements (IFRS)

Consolidated income statement

€ million	Note	1 Jan.–31 Dec. 2014	%	1 Jan.–31 Dec. 2013	%
Net sales	2	**9,070.6**	100.0	**9,315.2**	100.0
Cost of goods sold		-7,832.3	-86.3	-8,033.8	-86.2
Gross profit		**1,238.3**	13.7	**1,281.4**	13.8
Other operating income	4 5	729.3	8.0	734.3	7.9
Employee benefit expense	6 30	-614.2	-6.8	-611.1	-6.6
Lease expenditure		-438.4	-4.8	-421.7	-4.5
Marketing costs		-237.1	-2.6	-240.7	-2.6
Property and store site maintenance		-120.1	-1.3	-128.4	-1.4
Information system expenses		-84.6	-0.9	-81.0	-0.9
Other operating expenses	4	-126.7	-1.4	-131.4	-1.4
Depreciation, amortisation and impairment	11 12	-195.1	-2.2	-153.0	-1.6
Operating profit		**151.4**	1.7	**248.4**	2.7
Interest income and other finance income	7	13.8	0.2	20.3	0.2
Interest expense and other finance costs	7	-15.6	-0.2	-20.4	-0.2
Foreign exchange differences	7	-4.4	0.0	-5.7	-0.1
Total finance income and costs	7	-6.1	-0.1	-5.8	-0.1
Investments accounted for using the equity method		-0.2	0.0	-0.3	0.0
Profit before tax		**145.0**	1.6	**242.3**	2.6
Income tax	8	-36.6	-0.4	-57.7	-0.6
Profit for the year		**108.5**	1.2	**184.6**	2.0
Profit for the year attributable to					
Owners of the parent		96.0		173.1	
Non-controlling interests		12.4		11.5	
Earnings per share for profit attributable to owners of the parent					
Basic, €	10	0.97		1.75	
Diluted, €	10	0.97		1.75	

Consolidated statement of comprehensive income

€ million	Note	1 Jan.–31 Dec. 2014	1 Jan.–31 Dec. 2013
Profit for the year		**108.5**	**184.6**
Items that will not be reclassified subsequently to profit or loss			
Actuarial gains and losses	9 17	-19.6	12.2
Items that may be reclassified subsequently to profit or loss			
Currency translation differences related to a foreign operation	9	-27.9	-13.9
Adjustment for hyperinflation	9	4.5	2.8
Cash flow hedge revaluation	9	0.9	-3.8
Revaluation of available-for-sale financial assets	9	-3.0	-4.9
Others	9	-0.2	-0.2
Total comprehensive income for the year, net of tax		**-45.4**	**-7.7**
Total comprehensive income for the year		**63.1**	**176.9**
Comprehensive income for the year attributable to			
Owners of the parent		49.4	165.9
Non-controlling interests		13.6	11.0

Consolidated statement of financial position

€ million	Note	31 Dec. 2014	%	31 Dec. 2013	%
ASSETS					
Non-current assets					
Property, plant and equipment	11	1,624.1		1,651.4	
Intangible assets	12	177.9		189.1	
Equity accounted investments	13 35	92.2		87.5	
Available-for-sale financial assets	23 32	13.1		16.9	
Non-current receivables	14 15 23	7.1		12.5	
Deferred tax assets	16	4.2		3.0	
Pension assets	17	147.2		170.2	
Total non-current assets		**2,065.9**	49.2	**2,130.5**	48.8
Current assets					
Inventories	18	776.4		797.5	
Interest-bearing receivables	19 23	11.0		11.8	
Trade receivables	19 23 32	584.2		616.7	
Income tax assets	19 23	24.3		2.2	
Other non-interest-bearing receivables	19 23	137.3		121.6	
Financial assets at fair value through profit or loss	32	219.3		170.7	
Available-for-sale financial assets	20 32	271.7		398.4	
Cash and cash equivalents		107.0		111.8	
Total current assets		2,131.2	50.8	2,230.6	51.1
Non-current assets held for sale	21	0.5	0.0	0.5	0.0
Total assets		**4,197.7**	100.0	**4,361.7**	100.0

€ million	Note	31 Dec. 2014	%	31 Dec. 2013	%
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	22	197.3		197.3	
Share premium	22	197.8		197.8	
Other reserves	22	265.5		263.4	
Currency translation differences	22	-37.9		-13.3	
Revaluation reserve	22	-0.9		1.2	
Retained earnings		1,562.1		1,632.9	
		2,183.9	52.0	**2,279.4**	52.3
Non-controlling interests		**81.6**	1.9	**73.1**	1.7
Total equity		**2,265.5**	54.0	**2,352.5**	53.9
Non-current liabilities					
Interest-bearing non-current liabilities	23 24 32	319.3		355.1	
Non-interest-bearing non-current liabilities	23 32	10.5		9.9	
Deferred tax liabilities	16	67.4		68.1	
Pension obligations	17	2.0		1.8	
Provisions	25	26.7		17.4	
Total non-current liabilities		**425.9**	10.1	**452.3**	10.4
Current liabilities					
Current interest-bearing liabilities	23	179.6		199.3	
Trade payables	23 26	794.6		825.4	
Other non-interest-bearing liabilities	23 26	217.9		234.9	
Income tax liabilities	23 26	9.2		10.7	
Accrued liabilities	23 26	262.9		248.9	
Provisions	25	42.1		37.7	
Total current liabilities		**1,506.3**	35.9	**1,556.9**	35.7
Total liabilities		**1,932.2**	46.0	**2,009.2**	46.1
Total equity and liabilities		**4,197.7**	100.0	**4,361.7**	100.0

Consolidated statement of cash flows

€ million	Note	1 Jan.–31 Dec. 2014	1 Jan.–31 Dec. 2013
Cash flows from operating activities			
Profit before tax		145.0	242.3
Adjustments			
Depreciation according to plan		150.7	151.6
Finance income and costs		6.1	5.8
Other adjustments	31	63.3	8.2
		220.1	165.6
Change in working capital			
Current non-interest-bearing receivables, increase (-)/decrease (+)		31.7	89.1
Inventories increase (-)/decrease (+)		-6.9	2.9
Current non-interest-bearing liabilities, increase (+)/decrease (-)		-20.9	-1.3
		3.9	90.7
Interest paid and other finance costs		-16.1	-21.8
Interest received		13.0	14.5
Dividends received		0.1	0.1
Income tax paid		-61.6	-77.5
Net cash generated from operating activities		**304.4**	**413.8**
Cash flows from investing activities			
Acquisition of associate		0.0	-0.1
Purchases of tangible and intangible assets		-193.6	-173.2
Purchases of available-for-sale financial assets		0.0	-0.7
Sale of subsidiary, net of cash disposed of		0.3	-
Proceeds from disposal of tangible and intangible assets		10.8	21.8
Non-current loan and receivables, increase (-)/decrease (+)		0.3	0.2
Net cash used in investing activities		**-182.1**	**-152.0**
Cash flows from financing activities			
Interest-bearing liabilities, increase (+)/decrease (-)		-44.8	-46.8
Repayments of finance lease liabilities		-1.0	-0.5
Interest-bearing receivables, increase (-)/decrease (+)		-0.5	77.6
Dividends paid		-143.4	-122.4
Proceeds from issuance of shares		2.1	19.6
Purchase of treasury shares		-16.1	-
Short-term money market investments, increase (-)/decrease (+)		-56.8	-90.6
Other items		6.8	4.6
Net cash used in financing activities		**-253.6**	**-158.6**
Change in cash and cash equivalents and current available-for-sale financial assets		**-131.3**	**103.2**
Cash and cash equivalents and current available-for-sale financial assets as at 1 Jan.	31	453.0	351.9
Currency translation difference adjustment and change in value		-8.4	-2.1
Cash and cash equivalents and current available-for-sale financial assets as at 31 Dec.	31	**313.3**	**453.0**

Consolidated statement of changes in equity

€ million	Share capital	Reserves	Currency translation differences	Revaluation reserve	Treasury shares	Retained earnings	Total	Non-controlling interest	Total equity
	Attributable to owners of the parent								
Balance as at 1 January 2014	**197.3**	**461.2**	**-13.3**	**1.2**	**-17.8**	**1,650.7**	**2,279.4**	**73.1**	**2,352.5**
Shares subscribed for with options		2.1					2.1		**2.1**
Share-based payment					2.4		2.4	0.0	**2.4**
Purchase of treasury shares					-16.1		-16.1		**-16.1**
Dividends						-138.5	-138.5	-4.9	**-143.4**
Other changes		0.0	0.4			4.7	5.1	-0.2	**4.9**
Profit for the year						96.0	96.0	12.4	**108.5**
Other comprehensive income									
Actuarial gains/losses						-24.6	-24.6		**-24.6**
Currency translation differences related to a foreign operation		0.0	-25.0				-25.0	-2.8	**-27.9**
Adjustments for hyperinflation						0.4	0.4	4.1	**4.5**
Cash flow hedge revaluation				1.1			1.1		**1.1**
Revaluation of available-for-sale financial assets				-2.9			-2.9		**-2.9**
Others						-0.2	-0.2		**-0.2**
Tax related to other comprehensive income				-0.4		4.9	4.5		**4.5**
Total other comprehensive income		0.0	-25.0	-2.1		-19.4	-46.6	1.2	**-45.4**
Total comprehensive income for the period		0.0	-25.0	-2.1		76.6	49.4	13.6	**63.1**
Balance as at 31 December 2014	**197.3**	**463.3**	**-37.9**	**-0.9**	**-31.5**	**1,593.5**	**2,183.9**	**81.6**	**2,265.5**

€ million	Share capital	Reserves	Currency translation differences	Revaluation reserve	Treasury shares	Retained earnings	Total	Non-controlling interest	Total equity
	Attributable to owners of the parent								
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**
Purchase of treasury shares							-		**-**
Dividends						-117.9	-117.9	-4.5	**-122.4**
Other changes		0.0	-0.3			5.0	4.7		**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**

Further information on share capital and reserves is disclosed in note 22, on components of other comprehensive income in note 9 and on option schemes in note 30.

Notes to the consolidated financial statements

Note 1. Accounting policies for the consolidated financial statements

Basic information about the Company

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

Kesko Group's reportable segments consist of its business divisions, namely the food trade, the home and speciality goods trade, the building and home improvement trade, and the car and machinery trade.

The Group's parent company, Kesko Corporation, is a Finnish public limited company constituted in accordance with the laws of Finland. The Company's business ID is 0109862-8, it is domiciled in Helsinki, and its registered address is Satamakatu 3, FI-00016 KESKO. Copies of Kesko Corporation's financial statements and the consolidated financial statements are available from Kesko Corporation, Satamakatu 3, Helsinki, visiting address Kruunuvuorenkatu 4, Helsinki, and from the internet at www.kesko.fi.

Kesko's Board of Directors has approved these financial statements for disclosure on 9 February 2015.

General information

Kesko's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) approved for adoption by the European Union, and they comply with the IAS and IFRS standards and respective SIC and IFRIC Interpretations effective on 31 December 2014. The International Reporting Standards refer to standards and their interpretations approved for adoption within the EU in accordance with the procedure enacted in EU regulation (EC) 1606/2002, included in the Finnish Accounting Standards and regulations based on them. Accounting standards not yet effective have not been adopted voluntarily for the consolidated financial statements. The notes to the consolidated financial statements also include compliance with Finnish accounting and corporate legislation.

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

With effect from 1 January 2014, the Group has adopted the following new and revised standards:

IFRS 10 Consolidated Financial Statements

The standard establishes principles for the preparation and presentation of consolidated financial statements when an entity controls one or more other entities. The standard defines the principle of control, sets out how to apply the principle of control and establishes control as the basis for consolidation. The standard also provides the accounting requirements for the preparation of consolidated financial statements. The new standard has not had an impact on the preparation of the consolidated financial statements.

IFRS 11 Joint Arrangements

The new standard changes the accounting for joint arrangements to the effect that, instead of legal form, the emphasis is placed on the rights and obligations arising from the arrangement. There are two types of joint arrangements: joint operations and joint ventures. The parties to a joint operation (i.e. joint operators) have rights to the assets, and obligations for the liabilities relating to the arrangement. A joint operator shall account for the assets, liabilities, revenues and expenses relating to its interest in a joint operation. The parties to a joint venture (i.e. joint venturers) have rights to the net assets of the arrangement and they shall recognise their interest in a joint venture as an investment and account for that investment using the equity method. Proportionate consolidation of joint ventures is no longer allowed. The new standard has not had an impact on the consolidation of joint ventures.

IFRS 12 Disclosure of Interests in Other Entities

The standard provides disclosure requirements for all types of interests. It applies to joint arrangements, associates, special purpose investment vehicles and other unrecognised vehicles. The amendment has had an impact on the information presented in the notes.

Critical accounting estimates and assumptions

The preparation of consolidated financial statements in conformity with international accounting standards requires the use of certain estimates and assumptions about the future that affect the reported amounts of assets and liabilities, contingent liabilities, and income and expense. The actual results may differ from these estimates and assumptions. The most significant circumstances for which estimates have been required are described below.

The estimates and judgements made are continuously evaluated, and they are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Measurement of assets acquired and liabilities assumed

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

Impairment test

The recoverable amounts of cash generating units have been determined using calculations based on value in use. In the calculations, forecast cash flows are based on financial plans approved by management, covering a period of three years. (Note 12)

Employee benefits

The Group operates both defined contribution pension plans and defined benefit pension plans. Items relating to employee benefits are calculated using factors that require the application of judgement. Pension calculations under defined benefit plans in compliance with IAS 19 are based on, among others, the following factors that rely on management estimates (note 17):

- discount rate used in calculating pension expenses and obligations and net finance cost for the period
- future salary level trend
- employee service life

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

Measurement of inventories

The Group regularly reviews inventories for obsolescence and turnover, and for possible reduction of net realisable value below cost, and records an impairment as necessary. Such reviews require assessments of future demand for products. Possible changes in these estimates may cause changes in inventory measurement in future periods.

Trade receivables

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

Provisions

The existence of criteria for recognising provisions and the amounts of provisions are determined based on estimates of the existence and amount of the obligation. Estimates may differ from the actual future amount of the obligation and with respect to the existence of the obligation.

Critical judgements in applying accounting policies

The Group's management uses its judgement in the adoption and application of accounting policies in the financial statements. Management has exercised its judgement in the application of accounting policies when, for example, measuring receivables, determining provisions for restructuring and classifying leases.

Consolidation principles

Subsidiaries

The consolidated financial statements combine the financial statements of Kesko Corporation and subsidiaries controlled by the Group. Control exists when the Group has more than 50% of the voting rights of a subsidiary or otherwise exerts control. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Acquired subsidiaries are consolidated from the date on which the Group gains control until the date on which control ceases. The existence of potential voting rights has been considered when assessing the existence of control in the case that the instruments entitling to potential control are currently exercisable. Subsidiaries are listed in note 36.

Mutual shareholding is eliminated by using the acquisition cost method. The cost of assets acquired is determined on the basis of the fair value of the acquired assets as at the acquisition date, the issued equity instruments and liabilities resulting from or assumed on the date of the exchange transaction. The identifiable assets, liabilities and contingent liabilities acquired are measured at the fair value at the acquisition date, gross of non-controlling interest.

Intragroup transactions, receivables and payables, unrealised gains and internal distributions of profits are eliminated when preparing the consolidated financial statements. Unrealised losses are not eliminated if the loss is due to the impairment of an asset. Non-controlling interest in the profit for the period is disclosed in the income statement and the amount of equity attributable to the non-controlling interests is disclosed separately in equity.

The Group accounts for its real estate company acquisitions as acquisitions of assets.

Associates

Associates are companies over which the Group has significant influence but not control. In Kesko Group, significant influence accompanies a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method and are initially recognised at cost.

The Group’s share of post-acquisition profits or losses is recognised in the income statement. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group’s share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses.

Unrealised gains on transactions between the Group and the associates are eliminated to the extent of the Group’s interest in the associates. Unrealised losses are also eliminated, unless the transaction provides evidence of an impairment of the asset transferred. Dividends received from associates are deducted from the Group's result and the cost of the shares. An investment in an associate includes the goodwill generated by the acquisition. Goodwill is not amortised.

Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. Joint arrangements are arrangements in which sharing of control has been contractually agreed between two or more parties. Joint control exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Investments in joint ventures are accounted for using the equity method, and on initial recognition, they are recognised at cost.

The Group’s share of post-acquisition profits or losses is recognised in the income statement. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group’s share of losses in joint venture equals or exceeds its interest in the joint venture, the Group does not recognise further losses.

Unrealised gains on transactions between the Group and the joint ventures are eliminated to the extent of the Group’s interests in the joint ventures. Unrealised losses are also eliminated, unless the transaction provides evidence of an impairment of the asset transferred. Dividends received from joint ventures are deducted from the Group's result and the cost of the shares. An investment in a joint venture includes the goodwill generated by the acquisition. Goodwill is not amortised.

Mutual real estate companies

Mutual real estate companies are consolidated as assets under joint control on a line-by-line basis in proportion to ownership. The Group's share of mutual real estate companies' loans and reserves is accounted for separately in the consolidation.

Subsidiaries, equity accounted investments and proportionately consolidated mutual real estate companies are listed in note 36.

Foreign currency items

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

Foreign currency transactions are recorded in euros by applying the exchange rate at the date of the transaction. Receivables and liabilities denominated in foreign currency are translated into euros using the closing rate. Exchange rate gains and losses on foreign currency transactions and receivables and liabilities denominated in foreign currency are recognised in the income statement, with the exception of those loan exchange rate movements designated as hedges of foreign net investments and regarded as effective. These exchange differences are recognised in equity, in compliance with the rules of hedge accounting, and their changes are presented in other comprehensive income. Foreign exchange gains and losses resulting from operating activities are included in the respective items above operating profit. Foreign exchange gains and losses from foreign exchange forward contracts and options used for hedging financial transactions, and from foreign currency borrowings are included in financial income and costs.

The income statements of the Group companies operating outside the euro zone, and whose functional currency is not that of a hyperinflationary economy, have been translated into euros at the average rate of the financial year, and the balance sheets at the closing rate. The foreign exchange difference resulting from the use of different rates, and the translation differences arising from the elimination of the acquisition cost of subsidiaries outside the euro zone, and the hedging result of net investments in them are recognised in equity, and the changes are presented in other comprehensive income. In connection with the disposal of a subsidiary, translation differences are recognised in the income statement as part of the gains or losses on the disposal.

Goodwill arising on the acquisition of foreign operations and the fair value adjustments of assets and liabilities made upon their acquisition are treated as assets and liabilities of these foreign operations and translated into euros at the closing rate.

Assets and liabilities of operations in countries that have been identified as hyperinflationary economies are restated based on the change in purchasing power prior to foreign currency translation. The income statements and balance sheets of these operations have been translated into euros at the rate of the balance sheet date.

Financial assets

The Group classifies its financial assets into the following categories:

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

The classification at initial recognition depends on the purpose for which the financial assets were acquired.

Regular way purchases or sales of financial assets are recognised using settlement date accounting. Financial assets are classified as non-current if they have a maturity date greater than 12 months after the balance sheet date. If financial assets are expected to be settled within 12 months, they are classified as current. Financial assets at fair value through profit or loss are classified as current.

Financial assets are derecognised when the rights to receive cash flows from the financial asset have expired or have been transferred from the Group, and when the risks and rewards of ownership have been transferred from the Group.

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include instruments initially classified as financial assets at fair value through profit or loss (the fair value option). These instruments are managed based on fair value and they include investments in money market funds, as well as investments in other interest-bearing instruments with maturities of over three months, as defined by the Group's treasury policy. The interest income from these financial assets and changes in their fair values, as well as any commissions returned by the funds are presented on a net basis in the interest income of the relevant class in the income statement.

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

Available-for-sale financial assets

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

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

Loans and receivables

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

Cash and cash equivalents

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

Financial liabilities

Financial liabilities have initially been recognised at fair value, net of transaction costs. In the financial statements, financial liabilities are measured at amortised cost using the effective interest rate method. Arrangement fees paid on the establishment of loan facilities and financial liabilities are amortised over the period of the facility to which it relates. Financial liabilities having maturities greater than 12 months after the balance sheet date are classified as non-current liabilities. Those maturing within 12 months after the balance sheet date are classified as current liabilities.

Derivative financial instruments and hedge accounting

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

When a hedging arrangement is entered into, the relationship between the hedged item and the hedging instrument, as well as the objectives of the Group's risk management are documented. The effectiveness of the hedge relationship is tested regularly and the effective portion is recognised, according to the nature of the hedged item, against the change in the fair value of the hedged item, in translation differences in equity, or in the revaluation reserve. The ineffective portion is recognised, according to its nature, either in financial items or other operating income and expenses. The effective portion of changes in the fair value of instruments used for hedging cash flows, such as long-term credit facilities, is recognised in the revaluation reserve. A change in the fair value of foreign currency derivatives relating to the credit facility is recognised in borrowings, and a change in the fair value of interest rate derivatives in other non-interest-bearing receivables or liabilities.

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

Measurement principles

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

Hedging a net investment in foreign operations

During the financial year, the Group has not hedged net investments in foreign operations. If a hedge is initiated, the Group applies hedge accounting in accordance with IAS 39 to hedge foreign currency net investments in foreign operations. Foreign exchange forward contracts or foreign currency borrowings are used as hedging instruments. Spot price changes in foreign exchange forward contracts are recognised in translation differences under equity, and disclosed in other comprehensive income. The premiums of forward contracts are recognised as income under financial items. The exchange difference of foreign currency borrowings is recognised in translation differences under equity. When a foreign operation is partially or wholly disposed of or wound up, cumulative gains or losses from the hedging instruments are recognised in profit or loss.

Embedded derivatives

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

Property, plant and equipment

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

Subsequent costs relating to items of property, plant and equipment are included in the asset's carrying amount or recognised as a separate asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of a replaced asset is derecognised. The machinery and equipment of buildings are treated as separate assets and any significant expenditure related to their replacement is capitalised. All other repair, service and maintenance expenditures of items of property, plant and equipment are charged to the income statement during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method over their estimated useful lives. Land is not depreciated.

The most common estimated useful lives are:

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

The residual values and useful lives of property, plant and equipment are reviewed at least at the end of each financial year. If the estimates of useful life and the expected pattern of economic benefits are different from previous estimates, the change in the estimate is accounted for.

Depreciation of property, plant and equipment ceases when an item is classified as a non-current asset held for sale.

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

Intangible assets

Goodwill and trademarks

Goodwill is not amortised but is instead tested for impairment annually and whenever there is an indication of impairment. For testing purposes, goodwill is allocated to the cash generating units. Goodwill is measured at initial cost and that acquired prior to 1 January 2004, at deemed cost net of impairment. Any negative goodwill is immediately recognised as income. For goodwill, a recognised impairment loss is not reversed.

Intangible assets with indefinite useful lives are not amortised. They are tested for impairment annually and whenever there is an indication of impairment. These intangible assets include trademarks capitalised upon acquisition, recorded at their fair values at the acquisition date.

Other intangible assets

The cost of intangible assets with definite useful lives are recorded in the balance sheet and recognised as expenses during their useful lives. Such intangible assets include software licences, customer relationships and licences measured at the fair value at the date of acquisition, and leasehold interests that are amortised during their probable lease terms.

The estimated useful lives are:

Software and licences	3–5 years
Customer and supplier relationships	10 years
Licences	20 years

Research and development expenses

The costs of research and development activities have been expensed as incurred, because the Group does not have development costs eligible for capitalisation. Development costs previously recognised as an expense are not recognised as an asset in subsequent periods.

Software

The remuneration costs of the Group employees working on projects for developing new software and other directly attributable costs are capitalised as part of the software cost. On the balance sheet, software is included in intangible assets and its cost is amortised over the useful life of the software. Costs associated with maintaining the software are recognised as an expense as incurred.

Impairment of non-financial assets

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

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

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

Leases

The Group acts as both lessor and lessee of real estate and machines. Leases in which risks and rewards incidental to ownership are not transferred to the lessee are classified as operating leases. Lease payments related to them are recognised in the income statement on a straight-line basis over the lease term.

Leases that substantially transfer all risks and rewards incidental to ownership to the Group are classified as finance leases. An asset leased under a finance lease is recognised in the balance sheet at the lower of the fair value at the inception date and the present value of minimum lease payments. The lease obligations of finance leases are recorded in interest-bearing liabilities in the balance sheet. Lease payments are recognized as finance costs and a decrease in the liability. Assets acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

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

In sale and leaseback transactions, the selling price and the future lease payments are usually interdependent. If a sale and leaseback transaction results in a finance lease, any proceeds exceeding the carrying amount are not immediately recognised as income. Instead, the amount is recognised as a liability in the balance sheet and amortised over the period of the lease. If a sale and leaseback transaction results in an operating lease and the transaction was executed at fair value, any profit or loss is recognised immediately.

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

Inventories

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less direct costs necessary to make the sale. The cost is primarily assigned by using the weighted average cost formula. The cost of certain categories of inventory is assigned by using the FIFO method. The cost of finished goods comprises all costs of purchase including freight. The cost of self-constructed goods comprises all costs of conversion including direct costs and allocations of variable and fixed production overheads. The cost excludes borrowing costs.

Trade receivables

Trade receivables are recognised in the amounts of initial sale. Impairment is recognised when there is objective evidence of impairment loss. The Group has established uniform principles for the determination of impairment of trade receivables based on the time receivables have been overdue. In addition, impairment is recognised if there is other evidence of a debtor's insolvency, bankruptcy or liquidation. Impairment is recognised as an expense in ‘other operating expenses’. If an amount previously written off is subsequently settled, it is recognised as a reduction of other operating expenses.

Non-current assets held for sale and discontinued operations

Non-current assets (or a disposal group) are classified as held for sale if their carrying amount will be recovered principally through the disposal of the assets and the sale is highly probable. If their carrying amount will be recovered principally through their disposal rather than through their continuing use, they are measured at the lower rate of the carrying amount and fair value net of costs to sell.

The comparative information in the income statement is adjusted for operations classified as discontinued during the latest financial period being reported. Consequently, the result of discontinued operations is presented as a separate line item also for the comparatives. In the financial years 2014 and 2013, the Group had no discontinued operations.

Equity

The Group classifies the instruments it has issued either in equity or in financial liabilities based on their nature. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Expenses related to the issuance or acquisition of equity instruments are presented as an allowance for equity. If Kesko Corporation acquires equity instruments of its own, their cost is deducted from equity.

Provisions

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

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

Employee benefits

Pension plans

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

In defined benefit plans, the Group may incur obligations or assets after the payment of the contribution. The pension obligation represents the present value of future cash flows from the benefits payable. The present value of pension obligations has been calculated using the projected unit credit method. Pension costs are expensed during employees' service lives based on actuarial calculations. The discount rate assumed in calculating the present value of the pension obligation is the market yield of high-quality corporate bonds. Their maturity substantially corresponds to the maturity of the pension liability. The assets corresponding to the pension obligation of the retirement benefit plan are carried at fair values at the balance sheet date. Actuarial gains and losses are recognised in comprehensive income in the income statement.

Share-based payment

Share-based compensation

The costs relating to share-based payment are recorded in the income statement and the corresponding liability for share-based payment settled in cash is recognized in the balance sheet. The liability in the balance sheet is measured at fair value at each balance sheet date. For equity-settled share-based payment transactions, an increase corresponding to the expensed amount is recorded in equity.

The Company's Board of Directors has granted a share-based compensation plan for management under which an award in B series shares and an amount in cash is paid upon fulfilling the plan objectives. The fair value of the award paid in shares is the value of the share at the grant date and it is recognised as an expense on a straight-line basis over the vesting and commitment period. The expensed amount is based on the Group's estimate of the amount of award payable in shares at the end of the vesting period. The effects of non-market conditions are not included in the fair value of the awards. Instead, they are accounted for in the assumptions of the number of shares expected to vest at the end of the vesting period. A cash component is paid to cover the taxes and tax-like charges incurred under the award. The cash component is recognised as an expense during the vesting period. Changes in estimates are recorded in the income statement.

Options

Share options are measured at fair value at the grant date and expensed on a straight-line basis over the commitment period. The corresponding amount is recognised in retained earnings. The expenditure determined at the option grant date is based on the Group's estimate of the number of options expected to vest at the end of the commitment period. The Group updates the estimate of the final number of options at each balance sheet date. Changes in estimates are recorded in the income statement. The fair value of options has been calculated using the Black–Scholes option pricing model. The Group has not had share options since 30 April 2014.

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

Revenue recognition policies

Net sales comprise the sale of goods, services and energy. The contribution of the sales of services and energy to total net sales is not significant.

For net sales, sales revenue is adjusted for indirect taxes, sales adjustment items and the exchange differences of foreign currency sales. Sales adjustment items include loyalty award credits relating to the K-Plussa customer loyalty programme, which are recognised at fair value as part of sales transactions. Loyalty award credits affect the net sales of those segments which grant K-Plussa customer loyalty credits and are engaged in retailing.

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

Income from services is recognised after the service has been performed and when a flow of economic benefits associated with the service is probable.

Interest income is recognised on a time apportionment basis using the effective interest method. Dividend income is recognised when the right to receive payment is established.

Other operating income and expenses

Other operating income includes income other than that associated with the sale of goods or services, such as lease income, store site and chain fees and various other service fees and commissions. Gains and losses on the disposal of property, plant and equipment are recorded in other operating income and expenses. Other operating income and expenses also include realised and unrealised gains and losses from derivatives used for hedging foreign currency risks associated with commercial transactions.

Borrowing costs

The Group has not capitalised interest costs, because the Group does not have qualifying assets.

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

Income tax

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

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

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

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

Dividend distribution

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

New IFRS standards and IFRIC interpretations and amendments to the existing standards and interpretations

In addition to the standards and interpretations presented in the 2014 financial statements, the Group will adopt the following standards, interpretations and amendments to standards and interpretations issued for application in its 2015 or subsequent financial statements.

IFRS 9 Financial instruments

The standard addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 allows financial assets to be classified into three measurement categories: amortised cost, fair value through other comprehensive income and fair value through profit and loss. The classification depends on the business model for managing financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income, unless this creates an accounting mismatch. The Group's management assesses that the new standard will have a minor impact on the recognition and measurement of financial assets.

IFRS 15 Revenue from Contracts with Customer

The standard replaces IAS 11, 'Construction contracts,' IAS 18,'Revenue' and related interpretations. Revenue is recognised when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service. The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Management assesses that the new standard will not have a material impact on the consolidated financial statements.

Management estimates that the other new IFRS standards, IFRIC interpretations and amendments to the existing standards and interpretations will not have a material impact on the consolidated financial statements or their presentation.

Note 2. 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. As from 1 January 2015, the segments are composed of the grocery trade, the home improvement and speciality goods trade, and the car and machinery trade divisions.

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 segment performances based on 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 and restructurings 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 intra-Group foreign exchange forward contracts entered into are reported as part of other operating income and expenses to the extent that they hedge the segments' foreign exchange 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 assets, investments accounted for using the equity method and other investments, 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 foreign exchange forward 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 the wholesale and B2B trade of groceries in Finland and the grocery trade in Russia. 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 in Finland comprises around 900 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 basis for K-retailers in terms of sourcing, building selections, marketing and price competition. Kesko Food's subsidiary Kespro Ltd engages in grocery 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 Kodin Ykkönen, Intersport and Budget Sport, Asko and Sotka, Musta Pörssi and Kookenkä. In addition to around 400 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.

Building and home improvement trade

The building and home improvement trade comprises Rautakesko's wholesale and B2B sales in the building and home improvement and agricultural trade in Finland, and the building and home improvement trade in Sweden, Norway, the Baltic countries, Russia and Belarus. Rautakesko is responsible for the chains' concepts, marketing, sourcing and logistics services and the 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 2014

Profit

€ million	Food trade	Home and speciality goods trade	Building and home improve-ment trade	Car and machi-nery trade	Common operations	Elimi-nations	Total
Segment net sales	4,316.3	1,316.2	2,598.2	1,011.4	122.9		9,365.0
of which inter-segment sales	-172.7	-14.9	0.6	-0.7	-106.6		-294.4
Net sales from external customers	**4,143.6**	**1,301.3**	**2,598.7**	**1,010.7**	**16.3**		**9,070.6**
Other segment income	626.2	68.2	119.1	6.0	8.3		827.8
of which inter-segment income	-84.8	-7.9	-6.9	-0.2	1.3		-98.4
Other operating income from external customers	**541.4**	**60.3**	**112.2**	**5.8**	**9.6**	**0.0**	**729.3**
Depreciation and amortisation	-61.6	-29.0	-43.6	-10.7	-5.9	0.0	-150.7
Impairment	-4.3	-17.2	-1.9	-	-21.0		-44.4
Operating profit	**196.0**	**-85.0**	**52.4**	**29.4**	**-41.7**	**0.2**	**151.4**
Non-recurring items	-6.5	-47.6	-5.3	-0.2	-21.8		-81.3
Operating profit excluding non-recurring items	**202.4**	**-37.4**	**57.7**	**29.6**	**-19.9**	**0.2**	**232.6**
Finance income and costs							-6.1
Investments accounted for using the equity method							-0.2
Profit before tax							**145.0**

Assets and liabilities

€ million	Food trade	Home and speciality goods trade	Building and home improvement trade	Car and machinery trade	Common operations	Eliminations	Total
Tangible and intangible assets	836.5	276.5	533.8	92.7	59.9	2.7	1,802.1
Equity accounted investments and other investments	4.7	0.1	0.1	0.0	101.1	-0.6	105.3
Pension assets	31.4	9.2	10.6	5.6	90.4	-	147.2
Inventories	107.4	226.9	256.1	186.9	-	-1.0	776.4
Trade receivables	287.0	79.6	177.1	54.4	13.5	-27.4	584.2
Other non-interest-bearing receivables	50.6	27.1	51.6	4.6	57.8	-29.1	162.6
Interest-bearing receivables	9.0	1.5	2.0	0.1	4.9	-0.4	17.0
Assets held for sale					0.5		0.5
Assets included in capital employed	**1,326.7**	**620.8**	**1,031.3**	**344.5**	**328.1**	**-55.8**	**3,595.4**
Unallocated items							
Deferred tax assets							4.2
Financial assets at fair value through profit or loss							219.3
Available-for-sale financial assets							271.7
Cash and cash equivalents							107.0
Total assets	**1,326.7**	**620.8**	**1,031.3**	**344.5**	**328.1**	**-55.8**	**4,197.7**
Trade payables	405.2	107.8	244.0	53.7	4.7	-20.8	794.6
Other non-interest-bearing liabilities	150.7	141.5	101.1	81.6	56.6	-29.0	502.5
Provisions	9.0	22.2	5.9	31.5	0.2		68.8
Liabilities included in capital employed	**564.9**	**271.5**	**351.0**	**166.8**	**61.5**	**-49.8**	**1,365.9**
Unallocated items							
Interest-bearing liabilities							498.9
Deferred tax liabilities							67.4
Total liabilities	**564.9**	**271.5**	**351.0**	**166.8**	**61.5**	**-49.8**	**1,932.2**
Total capital employed as at 31 Dec.	**761.8**	**349.3**	**680.2**	**177.7**	**266.6**	**-6.0**	**2,229.5**
Average capital employed	**772.1**	**395.2**	**716.0**	**161.7**	**313.9**	**-4.6**	**2,354.2**
Return on capital employed excl. non-recurring items, %	**26.2**	**-9.5**	**8.1**	**18.3**			**9.9**
Capital expenditure	**91.4**	**17.4**	**60.0**	**14.3**	**12.2**	**-1.2**	**194.0**
Number of personnel as at 31 Dec.	**3,833**	**7,817**	**10,375**	**1,241**	**528**		**23,794**
Average number of personnel	**3,444**	**5,480**	**9,357**	**1,244**	**451**		**19,976**

Segment information for 2013

Profit

€ million	Food trade	Home and speciality goods trade	Building and home improve-ment trade	Car and machi-nery trade	Common operations	Elimi-nations	Total
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
Investments accounted for using the equity method							-0.3
Profit before tax							**242.3**

Assets and liabilities

€ million	Food trade	Home and speciality goods trade	Building and home improve-ment trade	Car and machi-nery trade	Common operations	Elimi-nations	Total
Tangible and intangible assets	813.4	306.2	544.0	97.2	77.5	2.2	1,840.4
Equity accounted investments 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**	**732.2**	**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**

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, Sweden, Norway, the Baltic countries, Russia and Belarus.

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

2014

€ million	Finland	Other Nordic countries	Baltic countries	Russia and Belarus	Elimi-nations	Total
Net sales	7,416.8	625.1	552.8	493.4	-17.5	9,070.6
Assets	2,726.4	212.4	219.8	436.8		3,595.4
Capital expenditure	115.5	6.4	6.2	65.9		194.0
Average number of personnel	9,580	1,124	4,468	4,804		19,976

2013

€ million	Finland	Other Nordic countries	Baltic countries	Russia and Belarus	Elimi-nations	Total
Net sales	7,678.4	675.5	511.9	467.9	-18.5	9,315.2
Assets	2,802.7	236.6	204.9	433.7		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

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.

Note 3. Business acquisitions and assets disposed of

Acquisitions

In 2014 and 2013, Kesko Group did not have acquisitions to be accounted for as business combinations.

Disposal of assets

In 2014 and 2013, Kesko Group did not make any significant disposals of assets.

Note 4. Other operating income and other operating expenses

Other operating income

€ million	2014	2013
Income from services	560.8	570.4
Lease income	42.7	43.6
Gains on the disposal of tangible and intangible assets	2.8	10.7
Realised gains on derivative contracts and changes in fair value	15.2	2.7
Others	107.8	106.9
Total	729.3	734.3

Income from services mainly comprises chain and store site fees paid by chain companies.

Other operating income includes €2.9 million (€9.4 million) of non-recurring items.

Other operating expenses

€ million	2014	2013
Other operating expenses	-123.6	-128.8
Losses on disposal of tangible assets	-0.3	-0.6
Realised losses on derivative contracts and changes in fair value*	-2.8	-2.0
Total	-126.7	-131.4

* Includes changes in fair values of embedded derivatives.

The losses on disposal of tangible assets include a total of €0.1 million (€0.4 million) of non-recurring losses on disposals.

Auditors' fees

€ million	2014	2013
PricewaterhouseCoopers, Authorised Public Accountants		
Audit	0.9	0.9
Tax consultation	0.1	0.0
Other services	0.3	0.2
Total	1.3	1.1
Other audit firms	0.3	0.2

Note 5. Non-recurring items

€ million	2014	2013
Gains on disposal of real estate and shares	2.9	9.4
Losses on disposal of real estate and shares	-0.1	-0.4
Impairment losses	-44.4	-1.4
Costs of discontinued operating activities and restructurings	-39.6	2.0
Total	-81.3	9.6

Exceptional transactions outside ordinary course of business are treated as non-recurring items and they have been allocated to segments. The Group identifies gains and losses on disposal of real estate, shares and business operations, impairments and significant costs of discontinuing business operations and restructurings as non-recurring items. Gains on disposals have been presented within other operating income, and losses on disposals within other operating expenses in the income statement. Impairments have been presented within depreciation, amortisation and impairment in the income statement. The non-recurring items for 2014 include a restructuring provision recognised for the reduction of the Anttila department store network and an impairment charge on fixed assets related to the integration of K-citymarket non-food with Anttila, a total of €46.8 million. In addition, the non-recurring items include a restructuring provision of €5.2 million related to changes in the retail business of Byggmakker in Norway, €4.2 million of personnel reduction costs related to the change in Kesko's divisional structure and a €21.0 million impairment charge on property related to the renovation of Kesko's main office building.

Note 6. Employee benefit expense, management compensation and number of personnel

€ million	2014	2013
Wages and salaries	-496.8	-495.3
Social security costs	-47.3	-49.3
Pension costs	-63.7	-63.8
Defined benefit plans	1.9	2.6
Defined contribution plans	-65.6	-66.4
Share-based payment	-6.4	-2.8
Total	-614.2	-611.1

Disclosures on the employee benefits of the Group's management personnel and other related party transactions are disclosed in note 33, and on share-based payment in note 30.

Remuneration of the Group companies' managing directors and board members

€ million	2014	2013
Salaries of managing directors (incl. fringe benefits)	6.3	6.2
Remuneration of Board members	0.4	0.4
Total	6.6	6.5

Average number of the Group personnel

	2014	2013
Food trade	3,444	3,143
Home and speciality goods trade	5,480	5,751
Building and home improvement trade	9,357	8,910
Car and machinery trade	1,244	1,252
Others	451	433
Total	19,976	19,489

Note 7. Finance income and costs

€ million	2014	2013
Interest income and other finance income		
Interest income on loans and receivables	5.4	11.8
Interest income on financial assets at fair value through income statement	1.4	0.9
Interest income on available-for-sale financial assets	6.9	7.5
Gains on disposal of available-for-sale financial assets	0.1	0.0
Other finance income	0.0	0.0
Total interest income and other finance income	13.8	20.3
Interest expense and other finance costs		
Interest expense on financial liabilities at amortised cost	-14.2	-18.5
Losses on disposal of available-for-sale financial assets	-0.4	-0.5
Other finance costs	-1.0	-1.5
Total interest expense and other finance costs	-15.6	-20.4
Exchange differences		
Exchange differences and changes in fair values of derivatives, borrowings denominated in foreign currencies not qualifying for hedge accounting, and cash at bank	-4.4	-5.7
Total exchange differences	-4.4	-5.7
Total finance income and costs	**-6.1**	**-5.8**

The interest expense includes €0.3 million (€2.7 million) of interests on finance leases recognised as expenses for the period. The interest income includes €0.2 million (€2.4 million) of interests on finance leases recognised as income for the period.

The realised result of interest rate derivatives used for hedging a USD-denominated Private Placement credit facility is recognised in net terms in interest expense with the loan interest.

Exchange differences recognised in the income statement

€ million	2014	2013
Sales	-0.1	-0.1
Other income	15.2	2.1
Purchases	-1.6	-1.1
Other expenses	-2.8	-2.0
Finance income and costs	-4.4	-5.7
Total	6.3	-6.7

Note 8. Income tax

€ million	2014	2013
Current tax	-43.8	-71.8
Tax for prior years	6.3	-0.5
Deferred tax	1.0	14.6
Total	-36.6	-57.7

Reconciliation between tax expense shown in the income statement and tax calculated at parent's rate

€ million	2014	2013
Profit before tax	145.0	242.3
Tax at parent's rate 20.0% (24.5%)	-29.0	-59.4
Effect of foreign subsidiaries' different tax rates	2.7	2.8
Effect of tax-free income	1.2	1.1
Effect of expenses not deductible for tax purposes	-8.1	-3.7
Effect of tax losses	-6.4	-9.3
Effect of consolidation	-2.5	-1.7
Tax for prior years	6.3	-0.5
Effect of change in tax rate	-	13.6
Others	-0.8	-0.5
Tax charge	-36.6	-57.7

The change in tax rate, which entered into force on 1 January 2014 in Finland and Norway, had a €13.6 million effect on deferred tax for the financial year 2013.

Note 9. Components of other comprehensive income

Components of other comprehensive income and related tax

€ million	2014 Before tax	2014 Tax charge/ credit	2014 After tax	2013 Before tax	2013 Tax charge/ credit	2013 After tax
Items that will not be reclassified subsequently to profit or loss						
Actuarial gains and losses	-24.6	4.9	-19.6	14.6	-2.4	12.2
Items that may be reclassified subsequently to profit or loss						
Currency translation differences relating to a foreign operation	-27.9		-27.9	-13.9		-13.9
Adjustments for hyperinflation	4.5		4.5	2.8		2.8
Cash flow hedge revaluation	1.1	-0.2	0.9	-4.7	0.9	-3.8
Revaluation of available-for-sale financial assets	-2.9	-0.2	-3.0	-4.7	-0.2	-4.9
Others	-0.2		-0.2	-0.2		-0.2
Total	-49.9	4.5	-45.4	-6.1	-1.6	-7.7

Hyperinflation

In December 2011, Belarus was identified as a hyperinflationary economy to which accounting in accordance with IAS 29 shall be applied. Hyperinflationary accounting requires the presentation of financial statements in the measurement units as at the end of the reporting period irrespective of their statement at original cost or current cost. The amounts recognised in the 2014 income statement and balance sheet have been restated using the general price index. As a result of the restatement, an amount of €4.5million (€2.8 million) including tax was recognised in equity, of which €0.4 million (€0.3 million) is attributable to the Group and €4.1 million (€2.6 million) to the non-controlling interest. The revaluations have been made using the Belarusian consumer price index.

Note 10. Earnings per share

Basic earnings per share are calculated by dividing the net profit for the period attributable to the parent's equity holders by the weighted average number of shares outstanding during the period. Diluted earnings per share are calculated by adjusting the weighted average number of all shares to assume conversion of all potentially dilutive shares. Until 30 April 2014, the Group operated a share option scheme with a dilutive effect, which increased the number of shares. The share options had a dilutive effect when their exercise price is lower than the fair value of a share. The dilutive effect was the number of shares which had to be issued without consideration, because the Group could not use the assets received from the exercise of the share options to issue an equal number of shares at fair value. The fair value of a share was based on the average share price during the period.

	2014	2013
Profit for the period attributable to equity holders of the parent, € million	96.0	173.1
Number of shares		
Weighted average number of shares outstanding	99,054,293	98,719,435
Effect of options issued	106,375	416,470
Diluted weighted average number of shares outstanding	99,160,668	99,135,905
Earnings per share from profit attributable to equity holders of the parent		
Basic, €	0.97	1.75
Diluted, €	0.97	1.75

Note 11. Property, plant and equipment

2014 € million	Land and waters	Buildings	Machinery and equipment	Other tangible assets	Prepayments and construction in progress	Total 2014
Cost						
Cost as at 1 Jan. 2014	416.3	1,502.2	559.6	95.1	30.5	2,603.6
Currency translation differences	-4.7	-17.2	-17.0	-3.8	-0.2	-42.8
Additions	14.9	60.9	35.5	11.8	48.5	171.5
Disposals	-0.5	-49.5	-32.9	-7.0	-0.5	-90.4
Transfers between items		16.6	1.9	1.0	-30.3	-10.8
Cost as at 31 Dec. 2014	426.0	1,513.0	547.0	97.1	48.0	2,631.1
Accumulated depreciation, amortisation and impairment						
Accumulated depreciation, amortisation and impairment charges as at 1 Jan. 2014	-5.2	-513.0	-397.1	-37.0		-952.2
Currency translation differences		4.9	9.5	1.4		15.8
Accumulated depreciation of disposals and transfers		45.8	28.0	6.7		80.5
Depreciation charge for the year and impairments	-6.6	-87.9	-49.0	-7.6		-151.1
Accumulated depreciation, amortisation and impairment charges as at 31 Dec. 2014	-11.7	-550.1	-408.7	-36.5		-1,007.0
Carrying amount as at 1 Jan. 2014	411.1	989.2	162.4	58.1	30.5	1,651.4
Carrying amount as at 31 Dec. 2014	**414.3**	**962.9**	**138.3**	**60.7**	**48.0**	**1,624.1**

2013 € million	Land and waters	Buildings	Machinery and equipment	Other tangible assets	Prepayments and construction in progress	Total 2013
Cost						
Cost as at 1 Jan. 2013	401.9	1,461.4	569.2	87.6	68.7	2,588.7
Currency translation differences	-2.9	-10.3	-8.1	-1.5	-0.7	-23.5
Additions	13.5	61.0	46.7	7.8	22.5	151.5
Disposals	-4.2	-55.7	-46.4	-2.9	-0.6	-109.9
Transfers between items	8.0	45.8	-1.7	4.1	-59.4	-3.2
Cost as at 31 Dec. 2013	416.3	1,502.2	559.6	95.1	30.5	2,603.6
Accumulated depreciation, amortisation and impairment						
Accumulated depreciation, amortisation and impairment charges as at 1 Jan. 2013	-4.8	-484.8	-388.4	-32.9		-911.0
Currency translation differences		2.5	5.0	0.5		8.1
Accumulated depreciation of disposals and transfers		40.4	38.9	2.7		82.0
Depreciation charge for the year and impairments	-0.3	-71.0	-52.7	-7.3		-131.4
Accumulated depreciation, amortisation and impairment charges as at 31 Dec. 2013	-5.2	-513.0	-397.1	-37.0		-952.2
Carrying amount as at 1 Jan. 2013	397.1	976.5	180.8	54.7	68.7	1,677.8
Carrying amount as at 31 Dec. 2013	**411.1**	**989.2**	**162.4**	**58.1**	**30.5**	**1,651.4**

Property, plant and equipment include the following amounts of machinery and equipment leased under finance leases:

€ million	2014	2013
Cost	24.9	23.5
Accumulated depreciation	-20.3	-19.0
Carrying amount	4.6	4.5

Note 12. Intangible assets

2014 € million	Goodwill	Trademarks	Other intangible assets	Prepayments	Total 2014
Cost					
Cost as at 1 Jan. 2014	148.7	75.6	198.1	22.2	444.6
Currency translation differences	-3.1	-2.7	-4.7		-10.6
Additions			23.6	9.3	32.8
Disposals	-0.4		-25.8	-1.8	-28.0
Transfers between items			22.0	-18.1	3.9
Cost as at 31 Dec. 2014	145.2	72.9	213.2	11.5	442.7
Accumulated amortisation and impairment					
Accumulated amortisation and impairment charges as at 1 Jan. 2014	-108.1	-8.4	-139.1		-255.5
Currency translation differences	3.4	0.6	3.4		7.5
Accumulated amortisation of disposals and transfers	0.4		26.9		27.3
Amortisation charge for the year and impairments			-44.1		-44.1
Accumulated amortisation and impairment charges as at 31 Dec. 2014	-104.2	-7.8	-152.9		-264.8
Carrying amount as at 1 Jan. 2014	40.7	67.2	59.0	22.2	189.1
Carrying amount as at 31 Dec. 2014	**41.0**	**65.1**	**60.4**	**11.5**	**177.9**

2013 € million	Goodwill	Trademarks	Other intangible assets	Prepayments	Total 2013
Cost					
Cost as at 1 Jan. 2013	154.9	80.7	193.2	9.9	438.6
Currency translation differences	-6.1	-5.1	-5.6		-16.8
Additions			8.4	14.6	23.0
Disposals			-2.2		-2.2
Transfers between items			4.3	-2.3	2.0
Cost as at 31 Dec. 2013	148.7	75.6	198.1	22.2	444.6
Accumulated amortisation and impairment					
Accumulated amortisation and impairment charges as at 1 Jan. 2013	-114.3	-9.6	-122.6		-246.6
Currency translation differences	6.2	1.2	4.5		11.9
Accumulated amortisation of disposals and transfers			0.7		0.8
Amortisation charge for the year and impairments			-21.6		-21.6
Accumulated amortisation and impairment charges as at 31 Dec. 2013	-108.1	-8.4	-139.1		-255.5
Carrying amount as at 1 Jan. 2013	40.5	71.1	70.6	9.9	192.1
Carrying amount as at 31 Dec. 2013	**40.7**	**67.2**	**59.0**	**22.2**	**189.1**

Other intangible assets include other long-term costs, of which €34.1 million (€30.1 million) are software and licence costs.

Goodwill and intangible rights by segment

€ million	Trademarks* 2014	Goodwill 2014	Discount rate (WACC)** 2014	Trademarks* 2013	Goodwill 2013	Discount rate (WACC)** 2013
Building and home improvement trade						
Byggmakker, Norway	26.0		6.0%	28.1		7.0%
Rautakesko, Estonia		1.1	7.0%		1.1	8.0%
Senukai, Lithuania		17.2	8.0%		17.2	10.0%
K-rauta Rus, Russia		14.5	14.0%		14.2	13.0%
Home and speciality goods trade						
Indoor, Finland	39.1	4.1	6.0%	39.1	4.1	6.0%
Car and machinery trade						
Machinery trade		3.8	6.0%		3.8	7.0%
Others		0.2			0.2	
Total	65.1	41.0		67.2	40.7	

* Intangible assets with indefinite useful lives

** After tax, rate used in impairment testing

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

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

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

Impairment test for goodwill and intangible assets

In impairment testing, the recoverable amount of a cash-generating unit is determined based on value-in-use calculations. These calculations use cash flow projections based on financial plans approved by management, covering a period of three years. The key assumptions used for the plans are total market growth and profitability trends, changes in store site network, product and service selection, pricing and movements in operating costs. Cash flows beyond this period have been extrapolated mainly based on 1.0–3.5% (1.5–3.5%) forecast growth rates, allowing for country-specific differences.

The discount rate used is the WACC, specified for each segment and country after tax, which is adjusted by tax effect in connection with the test. The WACC formula inputs are risk-free rate of return, market risk premium, industry-specific beta factor, target capital structure, borrowing cost and country risks. Compared to the previous year, the discount rate fell in all cash-generating units, except for the home and speciality goods trade in Finland and the building and home improvement trade in Russia. The changes were mainly due to the decline in the general level of interest rates and changes in country risks.

Impairment losses

There were no impairment charges recognised on goodwill or intangible assets in the financial years 2014 and 2013.

Sensitivity analysis

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

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

The most sensitive to movements in assumptions is the brand related to the Byggmakker business of the building and home improvement trade in Norway. If its residual EBITDA decreased by more than 0.4 percentage points, an impairment would be recognised. Regarding other cash generating-units, according to management's estimates, a foreseeable change in any key variable would not create a situation in which the unit's recoverable amount would be lower than its carrying amount.

Note 13. Equity accounted investments

€ million	2014	2013
Carrying amount as at 1 January	87.5	83.0
Share of the profit for the year	-0.2	-0.3
Additions	5.1	4.8
Impairments	-0.3	-
Carrying amount as at 31 December	92.2	87.5

The shares in associates and joint ventures are not quoted publicly.

Disclosures on equity accounted investments and the Group's ownership interest in their aggregated assets, liabilities, net sales and profits/losses:

€ million	Assets	Liabilities	Net sales	Profit/loss	Ownership interest, %
2014					
Kruunuvuoren Satama Oy, Helsinki	371.6	248.1	22.0	4.1	49.0
Valluga-sijoitus Oy, Helsinki	25.8	0.0	-	1.6	46.2
Vähittäiskaupan Takaus Oy, Helsinki	74.8	0.2	1.3	5.0	34.3
Vähittäiskaupan Tilipalvelu VTP Oy, Helsinki	7.0	1.7	10.6	0.4	30.0
Others	4.4	3.1	0.2	0.0	
Total	483.6	253.1	34.1	11.0	
2013					
Kruunuvuoren Satama Oy, Helsinki	380.2	260.8	21.9	2.6	49.0
Valluga-sijoitus Oy, Helsinki	24.1	-	-	1.3	46.2
Vähittäiskaupan Takaus Oy, Helsinki	69.8	0.2	1.2	5.8	34.3
Vähittäiskaupan Tilipalvelu VTP Oy, Helsinki	6.9	2.0	11.0	0.4	30.0
Others	5.2	3.6	2.0	0.0	
Total	486.3	266.6	36.1	10.1	

Note 14. Non-current receivables

Maturity analysis of non-current receivables as at 31 Dec. 2014

€ million	2016	2017	2018	2019	2020–	Total
Non-interest-bearing non-current receivables	0.6	0.0	0.0	0.0	0.4	1.0
Finance lease receivables	2.2	0.9				3.0
Loans and receivables from associates			1.5			1.5
Other non-current receivables	0.4	0.4	0.3	0.3	0.1	1.5
Total	3.1	1.2	1.9	0.3	0.6	7.1

The carrying amounts of non-interest-bearing non-current receivables and finance lease receivables equal their fair values.

Maturity analysis of non-current receivables as at 31 Dec. 2013

€ million	2015	2016	2017	2018	2019–	Total
Non-interest-bearing non-current receivables	0.5	0.0			0.5	1.0
Finance lease receivables	2.0	2.0	2.0	2.0		8.1
Loans and receivables from associates				1.5		1.5
Other non-current receivables	0.4	0.4	0.4	0.3	0.5	1.9
Total	2.8	2.4	2.4	3.9	0.9	12.5

Note 15. Finance lease receivables

€ million	2014 Minimum lease receivables	2014 Unearned finance income	2014 Present value of minimum lease receivables	2013 Minimum lease receivables	2013 Unearned finance income	2013 Present value of minimum lease receivables
Finance lease receivables are due as follows:						
No later than 1 year	5.0	0.1	4.9	6.9	0.7	6.2
Later than 1 year and no later than 5 years	3.0	0.0	3.0	8.3	0.2	8.1
Later than 5 years	-	-	-	-	-	-
Total finance lease receivables	**8.0**	**0.1**	**7.9**	**15.2**	**0.9**	**14.3**

Note 16. Deferred tax

Movements in deferred tax in 2014:

€ million	1 Jan. 2014	Income statement charge	Tax charged/ credited to equity	Exchange differences	Other changes	31 Dec. 2014
Deferred tax assets						
Provisions	10.3	2.9				13.2
Defined benefit pension plans	0.3	0.0				0.3
Tax loss carry-forwards	5.5	9.5		-4.7	-0.2	10.1
Other temporary differences	12.6	6.1	-0.2	-0.5		18.0
Total	28.7	18.6	-0.2	-5.2	-0.2	41.6
Deferred tax liabilities						
Difference between accounting depreciation and tax depreciation	32.6	16.4				49.1
Fair value allocation	17.6	-0.7		-0.6		16.3
Defined benefit pension plans	34.0	0.4	-4.9			29.5
Other temporary differences	9.5	0.8	0.2	-0.6	0.0	9.8
Total	93.7	16.9	-4.7	-1.2	0.0	104.7
Net deferred tax liability	65.1					63.2

Balance sheet division of net deferred tax liability

€ million	2014	2013
Deferred tax assets	4.2	3.0
Deferred tax liabilities	67.4	68.1
Total	63.2	65.1

'Other temporary differences' within tax assets includes €2.3 million of deferred tax assets arising from compliance with the Group's accounting principles and €7.5 million of deferred tax assets resulting from timing differences between local accounting principles and taxation.'

Movements in deferred tax in 2013:

€ million	1 Jan. 2013	Income statement charge	Tax charged/ credited to equity	Exchange differences	Other changes	31 Dec. 2013
Deferred tax assets						
Provisions	13.2	-2.9				10.3
Defined benefit pension plans	0.3	-0.1				0.3
Tax loss carry-forwards	5.0	1.3		-0.9		5.5
Other temporary differences	12.5	-0.3	0.7	-0.3		12.6
Total	31.1	-2.0	0.7	-1.2		28.7
Deferred tax liabilities						
Difference between accounting depreciation and tax depreciation	39.4	-6.8				32.6
Fair value allocation	16.8	2.0		-1.2		17.6
Defined benefit pension plans	37.7	-6.0	2.4			34.0
Other temporary differences	15.5	-5.9	-0.1	-0.1	0.0	9.5
Total	109.4	-16.7	2.3	-1.3	0.0	93.7
Net deferred tax liability	78.3					65.1

Tax loss carry-forwards

As at 31 December 2014, the Group's unused tax losses carried forward were €185.8 million, for which deferred tax assets have not been recognised, because at the balance sheet date, the realisation of the related tax benefit through future taxable profits is not probable.

Tax losses carried forwrd for which tax assets have not been recognised expire as follows:

€ million	2015	2016	2017	2018	2019	2020–	Total
	0.2	7.0	7.8	8.4	3.2	159.2	185.8

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

Note 17. Pension assets

The Group operates several pension plans in different operating countries. In Finland, the statutory pension provision of personnel is provided through pension insurance companies and the voluntary supplementary pension provision is mainly provided through Kesko Pension Fund. The statutory pension provision provided through pension insurance companies is a defined contribution plan. The supplementary pension provision provided through Kesko Pension Fund is a defined benefit plan.

As regards foreign subsidiaries, the plan operated in Norway is classified as a defined benefit plan. As at 31 December 2014, the net liability in respect of the defined benefit plan in Norway was €0.6 million (€0.4 million). The defined benefit plan in Norway is not included in the tables below, because its impact on the consolidated amounts is insignificant. Pension plans in the other foreign subsidiaries are managed in accordance with local regulations and practices in each country and they are defined contribution plans.

Kesko Pension Fund

Kesko Pension Fund is a pension provider of its members providing supplementary retirement benefits to employees who are beneficiaries of Pension Fund's department A. Department A was closed on 9 May 1998. As the conditions set out in the Fund's rules are met, beneficiaries are granted an old-age pension when they are between 60 and 65 years of age. The amount of retirement benefit granted by the Fund is the difference between the employee's retirement benefit based on his/her pensionable salary calculated in accordance with the Fund's rules and the statutory pension provision. In addition to the individually calculated pensionable salary, the retirement benefit amount of each beneficiary is impacted by the duration of his/her membership of Pension Fund. At the end of 2014, Pension Fund had 2,591 beneficiaries, of whom 486 were active employees and 2,105 were retired employees. Kesko Group's contribution to Pension Fund's obligation was 97.1% (97.2%). The notes present Kesko Group's interest in Pension Fund except for the analysis of assets by category and the maturity analysis of the obligation.

In addition to its rules, Pension Fund's operations are governed by the Employee Benefit Funds Act, decrees under the Act and official instructions, and the Fund's operations are controlled by the Financial Supervisory Authority. The regulations include stipulations on the calculation of pension obligation and its coverage, for example. The pension obligation shall be fully covered by the plan assets, any temporary deficit is only allowed exceptionally. In addition, the regulations include detailed stipulations on the acceptability of the covering assets and the diversification of investment risks.

Kesko Group does not expect to pay contributions to the Pension Fund in 2015.

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

€ million	2014	2013
Present value of defined benefit obligation	-289.3	-247.5
Fair value of plan assets	436.5	417.7
Net assets recognised in the balance sheet	**147.2**	**170.2**
Movement in the net assets recognised in the balance sheet:		
As at 1 January	**170.2**	**153.8**
Income/cost recognised in the income statement	1.9	2.6
Remeasurement	-24.6	14.6
Contributions to plan and plan costs	-0.2	-0.9
As at 31 December	**147.2**	**170.2**

€ million	Present value of defined benefit obligation	Fair value of plan assets	Total
As at 1 Jan. 2014	-247.5	417.7	170.2
Current service cost	-4.3		-4.3
Interest cost/income	-8.6	14.7	6.1
	-12.9	**14.7**	**1.9**
Remeasurement			
Return on plan assets		19.2	19.2
Gain/loss from changes in demographic assumptions			
Gain/loss from changes in financial assumptions	-48.4		-48.4
Experience gains/losses	4.5		4.5
	-43.9	**19.2**	**-24.6**
Contributions to plan and plan costs		-0.2	-0.2
Benefit payments	14.9	-14.9	0.0
As at 31 Dec. 2014	**-289.3**	**436.5**	**147.2**

€ million	Present value of defined benefit obligation	Fair value of plan assets	Total
As at 1 Jan. 2013	-243.1	397.0	153.9
Current service cost	-2.9		-2.9
Interest cost/income	-8.5	14.0	5.5
	-11.4	**14.0**	**2.6**
Remeasurement			
Return on plan assets		22.4	22.4
Gain/loss from changes in demographic assumptions	-5.5		-5.5
Gain/loss from changes in financial assumptions			
Experience gains/losses	-2.4		-2.4
	-7.8	**22.4**	**14.6**
Contributions to plan and plan costs	0.0	-0.9	-0.9
Benefit payments	14.8	-14.8	0.0
As at 31 Dec. 2013	**-247.5**	**417.7**	**170.2**

Plan assets were comprised as follows in 2014

€ million	Quoted	Unquoted	Total
Europe			
Equity instruments	90.5	33.5	124.0
Debt instruments	23.7	27.2	50.9
Investment funds	14.3	19.1	33.4
Properties	-	181.1	181.1
United States			
Equity instruments	11.2	-	11.2
Investment funds	26.6	-	26.6
Other countries			
Investment funds	21.7	-	21.7
Total	**188.0**	**260.9**	**448.9**

Plan assets were comprised as follows in 2013

€ million	Quoted	Unquoted	Total
Europe			
Equity instruments	89.7	38.9	128.6
Debt instruments	6.9	38.7	45.6
Investment funds	12.5	16.6	29.1
Properties	-	179.0	179.0
United States			
Equity instruments	10.8	-	10.8
Investment funds	16.3	-	16.3
Other countries			
Investment funds	19.9	-	19.9
Total	**156.1**	**273.2**	**429.3**

	2014	2013
Kesko Corporation shares included in fair value	14.6	13.0
Properties leased by Kesko Group included in fair value	181.1	179.0

Principal actuarial assumptions:	2014	2013
Discount rate	2.30%	3.60%
Salary growth rate	2.50%	2.50%
Inflation	2.00%	2.00%
Pension growth rate	2.10%	2.10%
Average service expectancy	11	12

Weighted average duration of pension obligations and expected maturity analysis of undiscounted pension obligations

	2014	2013
Weighted average duration of pension obligations, years	15	13
Expected maturity analysis of undiscounted pension obligations, € million		
Less than 1 year	15.5	15.7
Between 1–10 years	126.6	128.3
Between 10–20 years	122.7	125.7
Between 20–30 years	88.2	91.7
Over 30 years	84.2	88.3
Total	**437.3**	**449.7**

Risks related to the pension plan

Asset related risks

Pension Fund's investment assets comprise properties, shares and equity funds, private equity funds and both long-term and short-term money market investments. Pension Fund's investment policy defines the investment restrictions pertaining to classes of assets and the allowed investees. The investment plan, annually confirmed by Pension Fund board, sets the investment allocation and return targets for the year ahead. The objective of investing activity is to secure a return on the investments and their convertibility into cash, as well as ensuring appropriate diversity and diversification of investments. On an annual basis, the objective is to exceed Pension Fund's obligation expenses and costs so that contributions need not be charged to the members. The long-term target yield on the investments is 6.3%. The risks involved in investing activity are managed by continuously monitoring market developments and, whenever necessary, analysing the adequacy of the return and risk potential of the investments. The returns compared to chosen reference indices and the breakdown of investments are reported on a monthly basis. In 2014, the realised return on investing activity was 8.6%.

If the return on investment assets underperforms the discount rate applied to the calculation of the present value of defined obligation, a deficit in the plan may arise. The diversification of assets is aimed to reduce this risk in varying financial conditions. If a deficit is created in the pension plan, such that the pension obligation is not fully covered, Pension Fund members are obligated to pay contributions to the Fund in order to cover the obligation. Calculated in compliance with the IAS 19 standard, the amount of plan assets exceeded the plan obligation by €147.2 million as at 31 December 2014. Local rules concerning Pension Fund may also create a contribution obligation in situations in which the IAS 19 obligation is fully covered. In such a case, the amount of contributions charged increases the amount of pension assets according to IAS 19.

Obligation related risks

In addition to the general level of interest rates, the defined benefit obligation is impacted by changes in the statutory pension provision, future salary increases, index-based pension increases and changes in life expectancy. The pension promise made to the Fund beneficiaries is tied to the amount of pensionable salary and it is a lifelong benefit. The total pension amount consists of the statutory pension and the supplementary pension provided by the Fund. Salary increases will increase the future pension amount. Changes in statutory pension provision, such as an increase in the retirement age or a reduction of pension provision, which are compensated to pensioners by the supplementary pension and, consequently, the changes would increase the defined benefit obligation. The amount of future pensions is adjusted annually with an index-based increase in accordance with the terms and conditions of the plan. The extension of life expectancy will result in an increase in plan obligation.

Changes in the general level of interest rates and the market yield of high-quality bonds have an impact on the present value of the defined benefit obligation. If the level of interest rates falls, the present value of the defined benefit obligation rises. Because Pension Fund's investment assets are invested and their return targets are set for long terms, changes in the annual return on investments do not necessarily correlate in the short term with changes in the discount rate applied to the defined benefit obligation.

Sensitivity analysis

The sensitivity of the defined benefit obligation to changes in the principal assumptions is presented in the following table.

Actuarial assumption	Change in assumption	Impact on defined benefit obligation Increase	Decrease
2014			
Discount rate	0.50%	-6.90%	7.80%
Salary growth rate	0.50%	1.40%	-1.40%
Pension growth rate	0.50%	6.00%	-5.40%
2013			
Discount rate	0.50%	-6.10%	6.90%
Salary growth rate	0.50%	1.30%	-1.20%
Pension growth rate	0.50%	5.30%	-4.90%

The impacts of sensitivity analysis have been calculated based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may correlate. The sensitivity of the defined benefit obligation has been analysed using the same method as when calculating the pension obligation recognised within the statement of financial position.

Note 18. Inventories

€ million	2014	2013
Goods	770.2	793.9
Prepayments	6.1	3.5
Total	776.4	797.5
Write-down of inventories to net realisable value	50.9	48.1

Note 19. Trade and other current receivables

€ million	2014	2013
Interest-bearing receivables		
Finance lease receivables	4.9	6.2
Interest-bearing loans and receivables	6.1	5.6
Total interest-bearing receivables	11.0	11.8
Trade receivables	584.2	616.7
Income tax assets	24.3	2.2
Other non-interest-bearing receivables		
Non-interest-bearing loans and receivables	20.9	24.2
Prepayments and accruals	116.4	97.4
Total other non-interest-bearing receivables	137.3	121.6
Total	756.8	752.3

A total amount of €6.0 million (€7.0 million) of trade receivables has been recognised within credit losses in the income statement. Credit risk is described in more detail in note 32.

Prepayments and accruals mainly comprise accrued purchases and employee benefit expenses.

The fair values of current trade and loan receivables, and those of current interest-bearing receivables are estimated to equal the carrying amounts due to their short maturities.

Note 20. Current available-for-sale financial assets

€ million	2014	2013
Carrying amount as at 1 January	398.4	249.0
Changes	-126.9	149.1
Changes in fair value	0.3	0.3
Carrying amount as at 31 December	271.7	398.4

The available-for-sale financial assets include short-term investments in commercial papers, certificates of deposits and other interest rate instruments. An analysis of the assets is given in note 32.

Note 21. Non-current assets classified as held for sale and related liabilities

€ million	2014	2013
Land	0.4	0.4
Buildings and real estate shares	0.2	0.2
Total	0.5	0.5

The assets classified as held for sale did not include liabilities as at 31 December 2014 (31 December 2013).

Note 22. Shareholders' equity

Changes in share capital

Share capital	Number of shares A	B	Total	Share capital € million	Reserve of invested non-restricted equity € million	Share premium € million	Total € million
1 January 2013	31,737,007	66,366,742	98,103,749	197.3	1.1	197.8	396.1
Exercise of share options		1,120,353	1,120,353		19.6		19.6
Transfer of treasury shares		59,607	59,607				
31 December 2013	31,737,007	67,546,702	99,283,709*	197.3	20.6	197.8	415.7
Exercise of share options		187,059	187,059		2.1		2.1
Acquisition of treasury shares		-500,000	-500,000				
Transfer of treasury shares		53,669	53,669				
31 December 2014	**31,737,007**	**67,287,430**	**99,024,437***	**197.3**	**22.8**	**197.8**	**417.8**
Number of votes	**317,370,070**	**67,287,430**	**384,657,500**				

* Excluding treasury shares which totalled 995,315 (548,984) at the end of the financial year.

During the financial year, the number of B shares was increased three times corresponding to share subscriptions made with the options of the 2007 option scheme. The increases were made on 10 February 2014 (85,067 B shares, €1,041,220), 30 April 2014 (62,778 B shares, €682,342) and 4 June 2014 (39,214 B shares, €425,080). The subscribed shares were included on the main list of the Helsinki stock exchange for public trading with the old B shares on 11 February 2014, 2 May 2014 and 5 June 2014. The combined subscription price of €2,148,642 received by the Company for the shares was recorded in the Company's reserve of invested non-restricted equity.

All issued shares have been fully paid. The maximum number of A shares is 250 million and the maximum number of B shares is also 250 million so that the total number of shares is 400 million at maximum. One A share carries ten (10) votes and one B share one (1) vote.

An analysis of share-based payment is given in note 30.

Treasury shares

Authorised by the General Meeting, the Board acquired a total of 700,000 own B shares (purchase price €23.7 million) in the financial year 2011 and a total of 500,000 own B shares (purchase price €16.1 million) in the financial year 2014. The total prices paid for the shares have been deducted from retained earnings in equity. The shares are held by the Company as treasury shares and the Company Board is entitled to transfer them. Based on the authority to issue own shares and the fulfilment of the vesting criteria of the 2011 vesting period of Kesko's share-based compensation plans, the Board granted a total of 92,751 own shares held by the Company as treasury shares, based on the fulfilment of the vesting criteria of the 2012 vesting period, a total of 66,331 own shares held by the Company as treasury shares, and based on the fulfilment of the vesting criteria of the 2013 vesting period, a total of 50,520 own shares held by the Company as treasury shares to the persons included in the target groups of the vesting periods. In addition, Mikko Helander, the Company President and CEO as from 1 January 2015, was granted 8,791 shares held by the Company as treasury shares in December 2014. The transfers were announced in a stock exchange release on 12 April 2012, 5 April 2013, 24 March 2014, 25 March 2014 and 17 December 2014. After the vesting periods, a total of 5,642 shares already granted have been returned to the Company in accordance with the terms and conditions of the share-based compensation plan. At the end of the financial year, the Company held 995,315 own B shares (548,984 B shares) as treasury shares. The €31.5 million (€17.8 million) acquisition cost of these shares has been deducted from retained earnings in equity.

Dividends

After the balance sheet date, the Board has proposed that €1.50 per share be distributed as dividends. A dividend of €1.40 per share was distributed on the profit for 2013.

Equity and reserves

Equity consists of share capital, share premium, reserve of invested non-restricted equity, other reserves, revaluation reserve, currency translation differences and retained earnings including treasury shares. In addition, the portion of accumulated depreciation difference and optional provisions net of deferred tax liabilities are included in equity.

Share premium

The amount exceeding the par value of shares received by the Company in connection with share subscriptions was recorded in share premium in cases where options had been granted under the old Limited Liability Companies Act (29 Sept. 1978/734). As at the end of the financial year, the share premium was €197.8 million.

Reserve of invested non-restricted equity

The reserve of invested non-restricted equity, €22.8 million, includes the other equity-related investments and share subscription prices to the extent not designated to be included in share capital.

Other reserves

Other reserves, a total of €242.8 million, have mainly been created and increased as a result of resolutions by the General Meeting. Other reserves mainly comprise contingency reserves in a total amount of €242.3 million at the end of the financial year.

Currency translation differences

Currency translation differences arise from the translation of foreign operations’ financial statements. Gains and losses arising from net investment hedges in foreign operations are also included in currency translation differences, provided they qualify for hedge accounting. The change in currency translation differences is stated within comprehensive income.

Revaluation reserve

The revaluation reserve includes the change in the fair value of available-for-sale financial instruments and the effective portion of the change in the fair value of derivatives for which cash flow hedge accounting is applied. Cash flow hedges include electricity derivatives and interest rate derivatives hedging the Private Placement note interest. The change in the reserve is stated within comprehensive income.

Result of cash flow hedging

Hedge accounting is applied for hedging electricity price risk. As a result, an amount of €2.4 million (€-1.2 million) was removed from equity and included in the income statement as purchase cost adjustment, and €-1.0 million (€-5.0 million) was recognised in equity, respectively. Their combined effect on the revaluation reserve for the year was €1.4 million (€-3.8 million) before accounting for deferred tax assets.

A fair value change of €-0.3 million (€-1.0 million) was recognised in equity for the USD-denominated Private Placement facility before accounting for deferred taxes. In addition, a €0.6 million (€0.8 million) interest expense adjustment for interest rate derivatives has been recognised in the income statement.

Note 23. Carrying amounts of financial assets and liabilities by category

As at 31 December 2014

Balance, € million	Financial assets/ liabilities at fair value through profit or loss	Loans and receiv- ables	Available- for-sale financial assets	Financial liabilities at amortised cost	Derivatives used for hedging	Carrying amounts of assets as per balance sheet	Fair value
Non-current financial assets							
Available-for-sale financial assets			13.1			13.1	13.1
Non-current non-interest-bearing receivables		1.0				1.0	1.0
Non-current interest-bearing receivables		6.1				6.1	6.1
Total non-current financial assets		**7.1**	**13.1**			**20.2**	**20.2**
Current financial assets							
Trade and other non-interest-bearing receivables		714.3					
Derivatives	31.5					745.8	745.8
Interest-bearing receivables		11.0				11.0	11.0
Financial assets at fair value through profit or loss	219.3					219.3	219.3
Available-for-sale financial assets			271.7			271.7	271.7
Total current financial assets	**250.8**	**725.3**	**271.7**			**1,247.8**	**1,247.8**
Carrying amount by category	**250.8**	**732.4**	**284.8**			**1,268.0**	**1,268.0**

Balance, € million	Financial assets/ liabilities at fair value through profit or loss	Loans and receiv- ables	Available- for-sale financial assets	Financial liabilities at amortised cost	Derivatives used for hedging	Carrying amounts of assets as per balance sheet	Fair value
Non-current financial liabilities							
Non-current interest-bearing liabilities				318.5		318.5	336.5
Derivatives					0.8	0.8	0.8
Total non-current interest-bearing liabilities						**319.3**	**337.3**
Non-current non-interest-bearing liabilities				7.4		7.4	7.4
Derivatives					3.1	3.1	3.1
Total non-current non-interest-bearing liabilities						**10.5**	**10.5**
Total non-current financial liabilities				**325.9**	**3.9**	**329.8**	**347.8**
Current financial liabilities							
Current interest-bearing liabilities				179.1		179.1	180.0
Derivatives					0.5	0.5	0.5
Trade payables				794.6		794.6	794.6
Other non-interest-bearing liabilities				171.5		171.5	171.5
Derivatives					2.3	2.3	2.3
Total other non-interest-bearing liabilities						**173.8**	**173.8**
Accrued expenses				263.3		263.3	263.3
Derivatives	8.9					8.9	8.9
Total accrued expenses						**272.1**	**272.1**
Total current financial liabilities	**8.9**			**1,408.4**	**2.8**	**1,420.1**	**1,421.0**
Carrying amount by category	**8.9**			**1,734.3**	**6.7**	**1,749.8**	**1,768.7**

As at 31 December 2013

Balance, € million	Financial assets/ liabilities at fair value through profit or loss	Loans and receiv-ables	Available-for-sale financial assets	Financial liabilities at amortised cost	Derivatives used for hedging	Carrying amounts of assets as per balance sheet	Fair value
Non-current financial assets							
Available-for-sale financial assets			16.9			16.9	16.9
Non-current non-interest-bearing receivables		1.0				1.0	1.0
Non-current interest-bearing receivables		11.5				11.5	11.5
Total non-current financial assets		**12.5**	**16.9**			**29.4**	**29.4**
Current financial assets							
Trade and other non-interest-bearing receivables		737.3					
Derivatives	3.2					740.5	740.5
Interest-bearing receivables		11.8				11.8	11.8
Financial assets at fair value through profit or loss	170.7					170.7	170.7
Available-for-sale financial assets			398.4			398.4	398.4
Total current financial assets	**173.9**	**749.1**	**398.4**			**1,321.4**	**1,321.4**
Carrying amount by category	**173.9**	**761.6**	**415.3**			**1,350.7**	**1,350.7**

Balance, € million	Financial assets/ liabilities at fair value through profit or loss	Loans and receiv-ables	Available-for-sale financial assets	Financial liabilities at amortised cost	Derivatives used for hedging	Carrying amounts of assets as per balance sheet	Fair value
Non-current financial liabilities							
Non-current interest-bearing liabilities				348.4		348.4	350.2
Derivatives					6.7	6.7	6.7
Total non-current interest-bearing liabilities						**355.1**	**356.9**
Non-current non-interest-bearing liabilities				6.2		6.2	6.2
Derivatives					3.7	3.7	3.7
Total non-current non-interest-bearing liabilities						**9.9**	**9.9**
Total non-current financial liabilities				**354.6**	**10.4**	**365.0**	**366.8**
Current financial liabilities							
Current interest-bearing liabilities				192.6		192.6	187.3
Derivatives					6.7	6.7	6.7
Trade payables				825.3		825.3	825.3
Other non-interest-bearing liabilities				180.5		180.5	180.5
Derivatives					3.1	3.1	3.1
Total other non-interest-bearing liabilities						**183.6**	**183.6**
Accrued expenses				257.1		257.1	257.1
Derivatives	2.2					2.2	2.2
Total accrued expenses						**259.3**	**259.3**
Total current financial liabilities	**2.2**			**1,455.5**	**9.8**	**1,467.5**	**1,462.2**
Carrying amount by category	**2.2**			**1,810.2**	**20.2**	**1,832.6**	**1,829.1**

The fair values of borrowings have been calculated based on the present value of future cash flows using the 0.2%–1.5% market rates of interest of the balance sheet date. The fair value of current interest-bearing liabilities has been estimated to approximately equal their balance sheet value. The maturity analysis of non-current receivables is presented in note 14, and that of non-current borrowings in note 32.

Note 24. Finance lease liabilities

€ million	2014 Minimum lease payments	2014 Future finance charges	2014 Present value of minimum lease payments	2013 Minimum lease payments	2013 Future finance charges	2013 Present value of minimum lease payments
Minimum lease payments						
No later than 1 year	6.6	0.2	6.4	8.4	0.8	7.6
Later than 1 year and no later than 5 years	6.0	0.2	5.8	11.1	0.4	10.7
Later than 5 years	0.3	0.1	0.2	0.6	0.1	0.5
Total lease payments	**12.9**	**0.4**	**12.4**	**20.0**	**1.2**	**18.8**
Expected sublease rentals			**7.9**			**14.3**

The financial lease liabilities mainly comprise store fittings leased by Kesko Food Ltd from finance companies and subleased to chain companies.

Note 25. Provisions

€ million	Onerous leases	Warranty provisions	Other provisions	Total
Provisions as at 1 Jan. 2014	17.3	22.6	15.2	55.1
Foreign exchange effects	0.0	0.0	0.0	0.0
Additional provisions	19.3	1.4	9.6	30.4
Unused amounts reversed	-4.5	-1.7	-0.6	-6.9
Amounts charged against provision	-7.1	-0.7	-1.9	-9.8
Provisions as at 31 Dec. 2014	25.1	21.6	22.2	68.8
Analysis of total provisions				
Non-current	13.1	10.6	3.0	26.7
Current	12.0	11.0	19.1	42.1

Provisions for onerous leases relate to lease liabilities for premises vacated from the Group's operating activities, and to net rental losses on subleased premises. A provision has been recognised for warranties and care plans of vehicles and machines sold by the Group companies. The provision amount is based on experience of realised warranty obligations in previous years.

Note 26. Trade payables and other current non-interest-bearing liabilities

€ million	2014	2013
Trade payables	794.6	825.4
Other non-interest-bearing liabilities	217.9	234.9
Income tax liabilities	9.2	10.7
Accrued expenses	262.9	248.9
Total current non-interest-bearing liabilities	1,284.7	1,319.9

Accrued expenses are mainly due to the timing of purchases and employee benefit expenses.

Note 27. Jointly controlled assets

These figures represent the Group's interests in jointly controlled assets and liabilities and income and profit included in the consolidated statement of financial position and income statement. The jointly controlled assets comprise mutual real estate companies.

€ million	2014	2013
Non-current assets	68.8	63.2
Current assets	0.6	0.3
Total	69.4	63.5
Non-current liabilities	3.3	3.6
Current liabilities	12.2	12.7
Total	15.5	16.3
Net assets	53.8	47.2
Income	3.2	3.0
Costs	3.9	3.3
Profit	-0.7	-0.4

Note 28. Commitments

€ million	2014	2013
Collateral given for own commitments		
Pledges	90.9	86.8
Mortgages	24.3	14.5
Guarantees	14.6	14.6
Other commitments and contingent liabilities	72.2	81.7
Collateral given for associates and joint ventures		
Guarantees	65.0	65.0
Collateral given for others		
Guarantees	0.4	0.3
Other commitments and contingent liabilities	10.6	10.2

The financial guarantees given do not include guarantees related to the item presented within liabilities in the consolidated statement of financial position or as a lease liability in note 29.

Note 29. Operating leases

Group as lessee

Minimum lease payments under non-cancellable operating lease agreements:

€ million	2014	2013
No later than 1 year	348.9	371.4
Later than 1 year and no later than 5 years	1,073.9	1,102.1
Later than 5 years	868.2	920.2
Total	2,291.0	2,393.7
Expected future minimum lease payments under non-cancellable sublease agreements	40.8	45.3
Lease and sublease payments recognised for the financial year:		
Minimum lease payments	394.4	402.2
Sublease income	24.7	21.9

The 2014 income statement includes capital and maintenance rentals on real estate under operating leases, and other rentals in a total amount of €438.4 million (€421.7 million). Maintenance rentals are not included in minimum lease payments.

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

Group as lessor

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

€ million	2014	2013
No later than 1 year	14.2	15.1
Later than 1 year and no later than 5 years	20.6	23.9
Later than 5 years	7.3	9.3
Total	42.1	48.2
Aggregate contingent rents charged to the income statement	2.0	2.5

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

Note 30. Share-based payment

Share-based compensation plan

Kesko operates two share-based compensation plans, the 2011–2013 plan and the 2014–2016 plan, decided by the Company's Board and intended for members of the Group's management and selected other key persons. Under both plans, a total maximum of 600,000 own B shares held by the Company as treasury shares can be granted within a period of three years.

Both of the share-based compensation plans have three vesting periods, namely the calendar years 2011, 2012 and 2013, and 2014, 2015 and 2016 respectively. Kesko's Board decides the vesting criteria, the target group and the maximum amounts of the share award separately for each vesting period based on the Remuneration Committee's proposal. At the beginning of the year following the vesting period, Kesko's Board of Directors determines the final amounts of Kesko B shares to be granted based on the fulfilment of the vesting criteria. The criteria for the vesting periods 2011, 2012, 2013 and 2014 were, with equal weightings, the growth percentage of Kesko Group's sales exclusive of tax, Kesko's basic earnings per share (EPS) excluding non-recurring items and the percentage by which the total shareholder return of a Kesko B share exceeds the OMX Helsinki Benchmark Cap GI index.

The award possibly paid for a vesting period is paid in Kesko B shares. In addition, a cash component equalling at maximum the value of the shares, is paid to cover the taxes and tax-like charges incurred under the award.

A commitment period of three calendar years following each vesting period is attached to the shares granted, during which the shares must not be pledged or transferred, but the other rights attached to the shares remain in force. If a person's employment or service relationship terminates prior to the expiry of a commitment period, he/she must, as a rule, return the shares under transfer restriction to Kesko or its designate for no consideration. In individual cases, the Board may decide that the grantee can keep the shares under the return obligation, or some of them. If the grantee retires in the commitment period, he/she is entitled to keep the shares and other securities already received.

Based on the 2013 vesting period, 50,520 shares were assigned during the financial year ended 31 December 2014. Based on the 2012 vesting period, 66,331 shares were assigned during the financial year ended 31 December 2013. Based on the 2011 vesting period, 92,751 shares were assigned during the financial year ended 31 December 2012.

The assumptions used in accounting for the share-based compensation plan are presented in the following tables.

Share award grant dates and fair values, vesting period 2011

Grant dates	16 Feb. 2011	27 Apr. 2011	16 May 2011
Grant date fair value of share award, €	31.70	32.25	32.20
Share price at grant date, €	32.40	32.25	32.20
Share-based compensation plan duration			
Vesting period start date			1 Jan. 2011
Vesting period end date			31 Dec. 2011
Commitment period end date			31 Dec. 2014

Share award grant dates and fair values, vesting period 2012			
Grant dates	2 Feb. 2012	20 Feb. 2012	22 Mar. 2012
Grant date fair value of share award, €	23.76	25.04	23.44
Share price at grant date, €	24.96	26.24	24.64
Share-based compensation plan duration			
Vesting period start date			1 Jan. 2012
Vesting period end date			31 Dec. 2012
Commitment period end date			31 Dec. 2015

Share award grant dates and fair values, vesting period 2013	
Grant dates	5 Feb. 2013
Grant date fair value of share award, €	23.30
Share price at grant date, €	24.50
Share-based compensation plan duration	
Vesting period start date	1 Jan. 2013
Vesting period end date	31 Dec. 2013
Commitment period end date	31 Dec. 2016

Share award grant dates and fair values, vesting period 2014	
Grant dates	3 Feb. 2014
Grant date fair value of share award, €	25.66
Share price at grant date, €	27.06
Share-based compensation plan duration	
Vesting period start date	1 Jan. 2014
Vesting period end date	31 Dec. 2014
Commitment period end date	31 Dec. 2017

Assumptions applied in determining the fair value of share award	Vesting period 2014	Vesting period 2013	Vesting period 2012	Vesting period 2011
Number of share awards granted, maximum, pcs	278,400	263,600	257,400	239,000
Changes in the number of shares granted, pcs	-2,000	-9,500	-6,575	-13,242
Actual amount of share award, pcs	-	50,520	66,331	92,751
Number of plan participants at end of financial year	157	142	131	114
Share price at balance sheet date, €	30.18	26.80	24.77	25.96
Assumed fulfilment of vesting criteria, %	43.4	20.0	30.0	53.3
Estimated number of share awards returned prior to the end of commitment period, %	5.0	5.0	5.0	5.0

The impact of the above share-based compensation plans on the Group's profit for 2014 was €-5.9 million (€-2.8 million).

As at 31 December 2014, the amount to be recognised as expense for financial years 2015–2017 is estimated at a total of €3.6 million. The actual amount may differ from the estimate.

Options

The Group has operated share option schemes as part of management's incentive and commitment system. An option gave its holder the right to subscribe for Kesko Corporation B shares at the price and during the period specified in the terms and conditions of the option scheme. The options were forfeited if the employee left the Company before the end of the commitment period attached to the options, unless, in individual cases, the Board decided that the option recipient could keep all or some of his/her options.

2007 option scheme

On 26 March 2007, the Annual General Meeting decided to grant a total of 3,000,000 options for no consideration to the management of Kesko Group, other key personnel, and a subsidiary wholly owned by Kesko Corporation. The Company had a weighty financial reason for granting the options because they were intended to be part of Kesko's share-based incentive system. Each option entitled its holder to subscribe for one new Kesko Corporation B share. In addition, the option scheme included an obligation placed by Kesko Board to grantees to buy Company shares for permanent ownership for the value of 25% of the proceeds from the sale of options. The options were marked with the symbols 2007A, 2007B and 2007C in units of 1,000,000 options each. The option scheme expired in the financial year 2014.

The options were exercisable as follows:

- 2007A 1 April 2010–30 April 2012 (subscription period has expired)
- 2007B 1 April 2011–30 April 2013 (subscription period has expired)
- 2007C 1 April 2012–30 April 2014 (subscription period has expired)

The original price of a share subscribed for with option 2007A was the trade volume weighted average quotation of a Kesko Corporation B share on the Helsinki Stock Exchange between 1 April and 30 April 2007 (€45.82), with option 2007B, between 1 April and 30 April 2008 (€26.57), and with option 2007C, between 1 April and 30 April 2009 (€16.84). The prices of shares subscribed for with options were reduced by the amount decided after the beginning of the period for the determination of the subscription price but before the subscription, as at the record date for each distribution of profits or other assets. After the distribution of dividends for 2013, the price of a B share subscribed for with option 2007C was €10.84.

Share options in financial year 1 Jan.–31 Dec. 2014

Principal terms of the plans	2007 SHARE OPTIONS
Grant date	26 March 2007
Instrument	share option
Target group	management, other key persons
	2007C
Original number of options, pcs	1,000,000
Number of shares per option, pcs	1
Original exercise price	€16.84
Dividend adjustment	Yes
Exercise price at 31 Dec. 2011	€14.64
Exercise price at 31 Dec. 2012	€13.44
Exercise price at 31 Dec. 2013	€12.24
Fair value at grant date	
27 May 2009: 2007C	€20.12
13 Sep. 2010: 2007C	€32.57
First allocation, date	1 Apr. 2012
Expiry date	expired

Movements in the number of share options and their related exercise prices

	2014	Weighted average exercise price 2014	2013	Weighted average exercise price 2013
Options outstanding at beginning of period	193,559	€12.24	655,032	€12.24
Options available for grant at beginning of period	284,300	€12.24	284,300	€12.24
Options exercised during period	187,059	€10.84	461,473	-
Options expired during period	290,800	-	-	-
Options outstanding at end of period	0	-	193,559	€12.24
Options exercisable at end of period	0	-	477,859	€12.24
Average price weighted by grant date trading volume	€30.60		€24.45	
Kesko B share price at end of grant year				
2009	€23.08		€23.08	
2010	€34.93		€34.93	

The options did not have an impact on the Group's income statement for the financial year 2014 or 2013.

Note 31. Notes related to the statement of cash flows

Capital expenditure and non-cash financing transactions

€ million	2014	2013
Total purchases of fixed assets,	194.0	171.5
of which cash payments	193.6	174.4
Payments arising from prior period investing activities	-4.0	-4.2
Investments in assets held for rental to customers	0.0	-6.0
Capital expenditure financed with finance lease or other liability	4.4	7.3

Adjustments to cash flows from operating activities

€ million	2014	2013
Adjustment of non-cash transactions in the income statement and items presented elsewhere in the statement of cash flows:		
Change in provisions	15.5	-4.9
Investments accounted for using the equity method	0.2	0.3
Impairments	44.4	1.4
Credit losses	6.0	7.0
Non-recurring gains on disposal of fixed assets	-4.1	-10.9
Non-recurring losses on disposal of fixed assets	0.3	0.6
Share-based compensation	0.3	0.5
Defined benefit pensions	-1.4	-2.3
Others	2.0	16.5
Total	63.3	8.2

The group ‘Others’ within the adjustments to cash flows from operating activities includes the adjustment of unrealised foreign exchange gains and losses on purchases and sales, and the adjustment of other transactions of non-cash nature.

Cash and cash equivalents within the statement of cash flows

€ million	2014	2013
Available-for-sale financial assets (maturing in less than 3 months)	206.3	341.3
Cash and cash equivalents	107.0	111.8
Total	313.3	453.0

In the statement of cash flows, cash and cash equivalents includes those recognised in the balance sheet and portions of available-for-sale financial assets with maturities of less than three months from acquisition.

Note 32. Financial risk management

Financial risk management

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

Foreign exchange risks

Kesko Group operates in eight countries, in addition to which it makes purchases from numerous countries. In consequence, the Group is exposed to various foreign exchange risks arising from net investments in foreign operations (translation risks) and from assets, liabilities and forecast transactions (transaction risks) denominated in foreign currencies.

The Group companies' financial resources are arranged in their functional currencies. The parent company bears the ensuing foreign exchange risk and hedges the risk exposure using derivatives or borrowings denominated in the relevant foreign currencies. The Belarusian currency BYR is not a freely convertible currency and hedging the associated exposure to foreign exchange risk is not possible.

Translation risks

The Group's assets are exposed to foreign currency translation risks relating to net investments in subsidiaries outside the euro zone. This balance sheet exposure has not been hedged. The hedge is designated if equity is repatriated, or if a currency is expected to be exposed to a significant devaluation risk. The most significant translation exposures are the Swedish krona, Russian rouble, Lithuanian litas and Norwegian krone. On 1 January 2015, Lithuania adopted the euro as its official currency, and therefore translation risk no longer exists. The exposure does not include the non-controlling interest in equity. Relative to the Group's volume of operations and the balance sheet total, the foreign currency translation risk is low.

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

Group's translation exposure as at 31 Dec. 2014

€ million	LVL	NOK	SEK	RUB	LTL	BYR
Net investment	-	30.0	81.7	54.3	46.0	3.5

Group's translation exposure as at 31 Dec. 2013

€ million	LVL	NOK	SEK	RUB	LTL	BYR
Net investment	39.1	32.0	82.3	69.6	43.7	2.9

The following table shows how a 10% change in the Group companies' functional currencies would affect the Group's equity.

Sensitivity analysis, effect on equity as at 31 Dec. 2014

€ million	LVL	NOK	SEK	RUB	LTL	BYR
Change +/-10%	-	3.0	8.2	5.4	4.6	0.3

Sensitivity analysis, effect on equity as at 31 Dec. 2013

€ million	LVL	NOK	SEK	RUB	LTL	BYR
Change +/-10%	3.9	3.2	8.2	7.0	4.4	0.3

Transaction risks

International purchasing activities and foreign currency denominated financial resources arranged by the parent to subsidiaries expose the Group to transaction risks relating to several currencies. The currency-specific transaction risk exposure comprises foreign currency denominated receivables and liabilities in the balance sheet, forecast foreign currency cash flows, and foreign subsidiaries' liabilities and receivables with respect to the parent. The risk is commercially managed by, for example, transferring exchange rate changes to selling prices, or by replacing suppliers. The remaining exposures are hedged using foreign currency derivatives. The subsidiaries report their foreign exchange exposures to Group Treasury on a monthly basis.

In the main, the subsidiaries hedge their risk exposures with Group Treasury, which in turn hedges risk exposures using market transactions within the limits confirmed for each currency. Intra-Group derivative contracts are allocated to the segments in segment reporting.

The Group does not apply hedge accounting in accordance with IAS 39 to the hedging of transaction risks relating to purchases and sales. In initial measurement, derivative instruments are recognised at fair value and subsequently in the financial statements, they are remeasured at fair value. The change in fair value of foreign currency derivatives used for hedging purchases and sales is recognised in other operating income or expenses.

The Group monitors the transaction risk exposure in respect of existing balances and forecast cash flows. The following table analyses the transaction exposure excluding future cash flows. The presentation does not illustrate the Group's actual foreign exchange risk after hedgings. When forecast amounts are included in the transaction exposure, the most significant differences from the table below are in the USD and LTL exposures. As at 31 December 2014, the exposure with respect to USD was €-10.5 million, and with respect to RUB, it was €0.5 million. On 1 January 2015, Lithuania adopted the euro as its official currency, and therefore transaction risk no longer exists.

Group's transaction exposure as at 31 Dec. 2014

€ million	USD	SEK	NOK	LVL	LTL	RUB	BYR
Group's transaction risk	-5.0	29.0	28.1	-	13.6	11.4	0.4
Hedging derivatives	38.3	-24.5	2.8	-	0.0	-36.2	0.0
Hedging borrowings	0.0	0.0	-22.1	-	0.0	0.0	0.0
Open exposure	33.3	4.5	8.8	-	13.6	-24.8	0.4

Group's transaction exposure as at 31 Dec. 2013

€ million	USD	SEK	NOK	LVL	LTL	RUB	BYR
Group's transaction risk	-1.9	37.4	43.7	6.0	4.9	25.6	-0.1
Hedging derivatives	40.8	-37.8	-14.4	0.0	-11.6	-40.1	0.0
Hedging borrowings	0.0	0.0	-23.9	0.0	0.0	0.0	0.0
Open exposure	38.9	-0.4	5.4	6.0	-6.7	-14.5	-0.1

A sensitivity analysis of the transaction exposure shows the impact on profit or loss of a +/-10% exchange rate change in intra-Group receivables and liabilities denominated in foreign currencies and foreign currency derivatives and borrowings used for hedging.

Sensitivity analysis, impact on pre-tax profit as at 31 Dec. 2014

€ million	USD	SEK	NOK	LVL	LTL	RUB	BYR
Change +/-10%	3.3	0.5	0.9	-	1.4	-2.5	0.0

Sensitivity analysis, impact on pre-tax profit as at 31 Dec. 2013

€ million	USD	SEK	NOK	LVL	LTL	RUB	BYR
Change +/-10%	3.9	0.0	0.5	0.6	-0.7	-1.5	0.0

Liquidity risk

Liquidity risk management aims to maintain sufficient liquid assets and credit facilities in order to ensure the availability of sufficient financial resources for the Group's operating activities at all times.

The Group's solvency was excellent throughout the financial year 2014. As at 31 December 2014, liquid assets totalled €598 million (€681 million). Interest-bearing liabilities were €499 million (€554 million) and interest-bearing net debt €-99 million (€-126 million) as at 31 December 2014.

Maturities of financial liabilities and related finance costs as at 31 Dec. 2014

€ million	2015	2016	2017	2018	2019–	Total	Balance sheet value
Borrowings from financial institutions	**24.5**	**0.4**	**0.1**	**0.1**	**1.8**	**26.9**	**26.9**
finance costs	1.1	0.0	0.0	0.0	0.0	1.2	
Private Placement notes (USD)*		**29.6**			**19.8**	**49.4**	**50.2**
finance costs	3.1	2.2	1.3	1.3	0.6	8.5	
Bonds				**240.3**		**240.3**	**240.3**
finance costs	6.6	6.7	6.6	6.6		26.6	
Pension loans	**5.8**	**5.8**	**5.8**	**5.8**	**2.9**	**26.3**	**26.1**
finance costs	1.0	0.7	0.5	0.3	0.1	2.5	
Finance lease liabilities	**6.4**	**3.2**	**1.5**	**0.6**	**0.9**	**12.5**	**12.4**
finance costs	0.2	0.1	0.0	0.0	0.0	0.4	
Payables to K-retailers	**119.3**					**119.3**	**119.3**
finance costs						0.0	
Other interest-bearing liabilities	**23.3**					**23.3**	**23.3**
finance costs						0.0	
Non-current non-interest-bearing liabilities	**1.3**	**1.7**	**1.3**	**0.4**	**0.0**	**4.7**	**4.7**
Current non-interest-bearing liabilities							
Trade payables	**794.6**					**794.6**	**794.6**
Accrued expenses	**260.1**					**260.1**	**260.1**
Other non-interest-bearing liabilities	**173.8**					**173.8**	**173.8**

* The cash flows of Private Placement notes and related currency and interest rate derivatives are settled on a net basis. The interest rate derivative liability related to the arrangement is presented within other interest-bearing liabilities in the balance sheet. The amount of interest-bearing liability in the balance sheet arising from this credit facility totals €50.2 million (€100.3 million).

Guarantee maturities are €76.4 million in 2015 and €3.4 million in 2018–2019.

Maturities of financial liabilities and related finance costs as at 31 Dec. 2013

€ million	2014	2015	2016	2017	2018–	Total	Balance sheet value
Borrowings from financial institutions	**0.6**	**24.4**	**0.2**	**0.1**	**1.9**	**27.3**	**27.3**
finance costs	1.1	1.1	0.0	0.0	0.1	2.3	
Private Placement notes (USD)*	**43.5**		**26.1**		**17.4**	**87.0**	**100.3**
finance costs	4.1	2.8	1.9	1.1	1.7	11.6	
Bonds					**242.7**	**242.7**	**241.0**
finance costs	6.7	6.7	6.7	6.7	6.7	33.4	
Pension loans	**5.8**	**5.8**	**5.8**	**5.8**	**8.7**	**32.1**	**31.9**
finance costs	1.2	1.0	0.7	0.5	0.3	3.8	
Finance lease liabilities	**7.6**	**2.8**	**2.7**	**2.6**	**3.2**	**18.9**	**18.8**
finance costs	0.8	0.1	0.1	0.1	0.1	1.1	
Payables to K-retailers	**113.4**					**113.4**	**113.4**
finance costs						0.0	
Other interest-bearing liabilities	**21.6**					**21.6**	**21.6**
finance costs						0.0	
Non-current non-interest-bearing liabilities	**4.1**	**3.0**	**1.4**	**0.9**	**0.2**	**9.7**	**9.7**
Current non-interest-bearing liabilities							
Trade payables	**825.3**					**825.3**	**825.3**
Accrued expenses	**245.4**					**245.4**	**245.4**
Other non-interest-bearing liabilities	**183.6**					**183.6**	**183.9**

The terms and conditions of the Private Placement credit facility and the committed facilities include ordinary financial covenants. The requirements of these covenants have been met. The borrowing terms include a financial covenant defining the ratio between net debt and EBITDA, which remained far from the maximum throughout the financial year. At change of control, Kesko is obligated to offer a repayment of the whole loan capital to the note holders. According to the terms and conditions of the loan facility, the change of ownership to retailers or an association of retailers does not constitute a change of control.

Payables to K-retailers consist of two types of interest-bearing liabilities by Kesko to K-retailers: retailers' prepayments to Kesko and Kesko's chain rebate liabilities to retailers. Chain rebates are subsequent discounts given to retailers and the terms vary from one chain to another.

At the balance sheet date, the total equivalent of undrawn committed long-term credit facilities was €100.0 million (€100.0 million). According to the terms and conditions of loan agreements, at change of control, the lenders have the right to terminate the credit facility and loan amounts possibly drawn. According to the terms and conditions of the loan facility, the change of ownership to retailers or an association of retailers does not constitute a change of control. In addition, the Group's uncommitted financial resources available contained commercial paper programmes denominated in euros totalling an equivalent of €359 million (€359 million). In addition, in January 2015, the Group companies held a total of €437.7 million available for re-borrowing from a pension insurance company. Part of the pension insurance premiums paid annually by the Group companies are funded and the accumulated funds can be re-borrowed with a term of 1–10 years in accordance with regulations confirmed by the Ministry of Social Affairs and Health. Any amount of borrowing requires the posting of collateral.

Interest rate risk on borrowings and sensitivity analysis

Changes in interest rates have an impact on the Group's interest expense. The policy for hedging interest rate risk exposure is aimed at balancing the effects of changes in interest rates on the profits for different financial periods.

The interest rate risk is centrally managed by Group Treasury, which adjusts the duration by using interest rate contracts. The target duration is three years, which is allowed to vary between one and a half and four years. The actual duration during the financial year was 2.4 (2.8) years on average.

On 11 September 2012, Kesko Corporation issued a €250 million bond. The bond carries a fixed coupon interest at 2.75% and a maturity of six years from issuance.

On 10 June 2004, Kesko Corporation issued a USD Private Placement in a total amount of USD 120 million in the United States. The facility has three tranches with bullet repayments, of which USD 60 million was paid on 10 June 2014, USD 36 million will be due on 10 June 2016 and USD 24 million on 10 June 2019.

Kesko Corporation's USD Private Placement credit facility qualifies for hedge accounting against both foreign exchange and interest rate risk and it has been hedged by currency swaps and interest rate swaps with the same amounts and maturities as the borrowing. As a result, the borrowing is fully hedged against foreign exchange and interest rate risk. During the financial year, there was no ineffectiveness to be recorded in the income statement from this credit facility.

A sensitivity analysis for commercial paper liabilities realised during the financial year has used average balance values. At the balance sheet date of 31 December 2014, the effect of variable rate borrowings on the pre-tax profit would have been €-/+1.7million (€-/+1.9 million), if the interest rate level had risen or fallen by 1 percentage point.

The bond, Private Placement notes and some of the borrowings from financial institutions, €338.8 million in aggregate, have fixed rates, and their effective interest cost was 3.4%. At the end of the financial year, the average rate of variable-interest-rate borrowings from financial institutions, payables to retailers and other interest-bearing liabilities was 0.2%. Most of the borrowings are euro-denominated, the Private Placement notes are USD-denominated, and the borrowings from financial institutions include NOK-denominated borrowings totalling €22.1 million (€23.9 million).

Financial assets and liabilities recognised at fair value

The Group's liquid assets have mainly been invested in the debt instruments of major Finnish companies, in certificates of deposit and deposits with banks operating in Kesko's market area, in bonds of selected companies and in corporate bond funds with a weaker credit rating. The return on these investments for 2014 was 0.8% (0.7%) and the duration was 0.6 years at the end of the financial year. The maximum credit risk is the fair value of these investments in the balance sheet at the balance sheet date as presented below. The table below analyses financial instruments carried at fair value, by valuation method.

Fair value hierarchy of financial assets and liabilities

	Fair value as at 31 Dec. 2014			
€ million	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss				
Money market funds	14.4			14.4
Commercial papers		103.3		103.3
Certificates of deposit and deposits		92.2		92.2
Bonds	9.3			9.3
Total	23.7	195.6		219.3
Derivative financial instruments at fair value through profit or loss				
Derivative financial assets		31.5		31.5
Derivative financial liabilities		15.5		15.5
Available-for-sale financial assets				
Private equity funds and other shares and interests			13.1	13.1
Commercial papers (maturing in less than 3 months)		98.6		98.6
Certificates of deposit and deposits (maturing in less than 3 months)		107.6		107.6
Bonds and corporate bond funds	65.5			65.5
Total	65.5	206.3	13.1	284.8

Fair value hierarchy of financial assets and liabilities

€ million	Level 1	Level 2	Level 3	Total
	Fair value as at 31 Dec. 2013			
Financial assets at fair value through profit or loss				
Money market funds	14.1			14.1
Commercial papers		66.3		66.3
Certificates of deposit and deposits		90.3		90.3
Total	14.1	156.5		170.7
Derivative financial instruments at fair value through profit or loss				
Derivative financial assets		3.2		3.2
Derivative financial liabilities		22.4		22.4
Available-for-sale financial assets				
Private equity funds and other shares and interests			16.9	16.9
Commercial papers (maturing in less than 3 months)		105.9		105.9
Certificates of deposit and deposits (maturing in less than 3 months)		235.4		235.4
Bonds	57.1			57.1
Total	57.1	341.3	16.9	415.3

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

Changes in level 3 instruments

€ million	2014	2013
Private equity funds and other shares and interests as at 1 January	16.9	22.3
Purchases	0.6	1.2
Refunds received	-5.1	-7.3
Changes in fair values	0.6	0.7
Private equity funds and other shares and interests as at 31 December	13.1	16.9

Interest-bearing receivables and sensitivity analysis

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

Concerning floating rate receivables, average annual balances of invested assets have been used in the sensitivity analysis. The receivables include customer financing receivables, finance lease receivables, other interest-bearing receivables, and within investments, commercial papers and money market funds. The sensitivity of money market funds has been determined based on duration. If the interest rate level had changed by +/-1 percentage point, the effect of these items on the pre-tax profit would have been €+/-3.6 million (€+/-3.6 million) and €+/-1.1 million (€+/-0.5 million) on equity at the balance sheet date.

Credit and counterparty risk

The divisions' business entities are responsible for the management of the credit risk associated with amounts due from customers. The Group has a credit policy and its implementation is controlled. The aim is to ensure the collection of receivables by carefully assessing customers' creditworthiness, by specifying customer credit terms and collateral requirements, by effective credit control and credit insurances, as applicable. In Finland, the main part of the Group's business activities is carried out in cooperation with retailers. According to retailer agreements, retailers shall arrange overdraft facilities to be held as collateral for their trade payables by the relevant Kesko subsidiary.

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

Ageing analysis of trade receivables

€ million	2014	2013
Trade receivables fully performing	523.1	571.4
1–7 days past due trade receivables	12.3	15.9
8–30 days past due trade receivables	12.1	10.4
31–60 days past due trade receivables	4.3	3.5
over 60 days past due trade receivables	19.2	15.5
Total	571.1	616.7

Within trade receivables, €332.9 million (€350.6 million) were from chain retailers and €2.4 million (€7.7 million) were credit card receivables. The collateral for chain retailer receivables is an overdraft facility granted by a Kesko associate, Vähittäiskaupan Takaus Oy, with the maximum always limited to the realisable value of the countersecurity from the K-retail company and entrepreneur to Vähittäiskaupan Takaus. At the end of the financial year, the aggregate value of countersecurities was €160.1 million (€157.6 million). In addition, the collateral for receivables includes other collaterals, such as business mortgages and other pledged assets.

Trade receivables include an impairment charge in a total of €21.5 million (€18.3 million) monitored on a separate allowance account. The original balance sheet value of these trade recaivables was €28.2 million (€24.9 million). The aggregate amount of credit losses and impairments recognised in the profit for the financial year was €6.0 million (€7.0 million).

The amount of receivables with renegotiated terms totalled €2.7 million (€5.0 million).

Financial credit risk

Financial instruments involve the risk of non-performance by counterparties. Kesko enters into foreign currency and other derivative contracts only with creditworthy banks. Liquid funds are invested, in accordance with limits set annually for each counterparty, in instruments with good credit quality. Company and bank-specific euro and time limits are set for money market investments. These limits are reviewed during the year depending on the market situation.

Commodity risks and their sensitivity analysis

The Group uses electricity derivatives for the purpose of balancing out energy costs. The electricity price risk is assessed for five-year periods. The changes in the fair values of derivatives hedging the price of electricity supplied during the financial year are recognised within adjustments to purchases. Hedge accounting is applied to contracts hedging future purchases. The effective portion of derivatives that qualify for hedge accounting is recognised in the revaluation reserve of equity and the ineffective portion in the income statement within 'other operating income or expenses'. The change in the revaluation reserve recognised in equity is presented in the statement of comprehensive income under 'revaluation of cash flow hedge'.

At the end of the year, the ineffective portion of derivatives hedging the price risk of electricity was €-1.6 million (€-1.6 million).

As at the balance sheet date, a total quantity of 731,976 MWH (1,183,152 MWH) of electricity had been purchased with electricity derivatives and 254,280 MWH under fixed price purchase agreements. The 1–12 month hedging level was 87% (89%), the 13–24 month level was 65% (65%), the 25–36 month level was 45% (38%), the 37–48 month level was 24% (25%) and the 49–60 month rate was 0% (8%).

The sensitivity analysis for electricity derivatives assumed that derivatives maturing in less than 12 months have an impact on profit. If the market price of electricity derivatives changed by -/+20% from the balance sheet date 31 December 2014, it would contribute €-/+1.6 million (€-/+2.2 million) to the 2015 income statement and €-/+2.7 million (€-/+3.9 million) to equity. The impact has been calculated before tax.

Derivatives

Fair values of derivative contracts

€ million	31 Dec. 2014 Positive fair value (balance sheet value)	31 Dec. 2014 Negative fair value (balance sheet value)	31 Dec. 2013 Positive fair value (balance sheet value)	31 Dec. 2013 Negative fair value (balance sheet value)
Interest rate derivatives	0.0	-0.5	0.0	-0.2
Foreign currency derivatives	31.5	-9.6 *	3.2	-15.3 *
Electricity derivatives	0.1	-5.4	0.0	-6.8

Notional principal amounts of derivative contracts

€ million	31 Dec. 2014 Notional principal amount	31 Dec. 2013 Notional principal amount
Interest rate derivatives	101.1 *	202.2 *
Foreign currency derivatives	378.4 *	411.1 *
Electricity derivatives	21.4	31.3

* The derivative contracts include interest rate swaps relating to a foreign currency borrowing facility with a gross notional principal amount of €100.4 million and a fair value of €-0.5 million (€-0.2 million), and currency swaps with a notional principal amount of €50.2 million and a fair value of €-0.8 million (€-13.4 million).

The fair values of derivatives are presented as gross amounts. Kesko has entered into netting arrangements under ISDA contracts with all counterparties engaged in transactions with derivatives. All of these contracts provide for mutual posting of collateral. The threshold level for collateral posting was exceeded only once with one bank at the balance sheet date. Analysed by counterparty, derivative financial liabilities could be set off in a total of €11.9 million.

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

Cash flows from derivative contracts as at 31 Dec. 2014

€ million	2015	2016	2017	2018	2019	2020–	Total
Payables							
Foreign exchange forward contracts outside hedge accounting	325.0						325.0
Net settlement of payables							
Interest rate derivatives	0.0	0.0	0.0	0.0	0.0		0.0
Electricity derivatives	2.1	1.6	1.3	0.4	0.0		5.4
Derivatives relating to Private Placement notes*							
Foreign currency derivatives	0.1	0.5	0.0	0.0	0.3		0.9
Receivables							
Foreign exchange forward contracts outside hedge accounting	347.3						347.3
Net settlement of receivables							
Derivatives relating to Private Placement notes*							
Interest rate derivatives	0.4	0.3	0.2	0.2	0.1		1.2

* The cash flows from Private Placement notes and related foreign currency derivatives and interest rate derivatives are settled on a net basis. The debt on interest rate derivatives relating to the facility is presented in the balance sheet within 'other interest-bearing liabilities'. The balance sheet shows a total interest-bearing liability of €50.2 million (€100.3 million) relating to this credit facility.

Cash flows from derivative contracts as at 31 Dec. 2013

€ million	2014	2015	2016	2017	2018	2019–	Total
Payables							
Foreign exchange forward contracts outside hedge accounting	310.1						310.1
Net settlement of payables							
Interest rate derivatives	0.0	0.0	0.0	0.0	0.0		0.0
Electricity derivatives	2.8	1.7	1.1	0.9	0.2		6.8
Derivatives relating to Private Placement notes*							
Foreign currency derivatives	7.3	0.4	4.3	0.2	2.9	0.1	15.2
Receivables							
Foreign exchange forward contracts outside hedge accounting	311.2						311.2
Net settlement of receivables							
Derivatives relating to Private Placement notes*							
Interest rate derivatives	0.7	0.4	0.3	0.2	0.2	0.1	1.8

Capital structure management

Kesko Group’s objectives when managing capital include target rates set for the Group’s solvency and liquidity. The Group’s capital structure (equity-to-debt ratio) is optimised at the Group level. The targets for the Group’s solvency and liquidity are set with the purpose of securing the Group’s liquidity in all market situations, enabling the implementation of capital expenditure programmes based on the Group’s strategy, and maintaining the shareholder value. Target rates have been set for the indicators ‘equity ratio’ and ‘interest-bearing net debt/EBITDA’. Some of the Group’s interest-bearing liabilities include covenants, whose terms and conditions have been taken into account in the above target rates. The Group does not have a credit rating from any external credit rating institution.

The target levels for Kesko Group’s performance indicators are approved by the Board of Directors. On 4 February 2009, the Board approved, as a part of the Group's medium term targets, the following values for the indicators 'equity ratio' and 'interest-bearing net debt/EBITDA' :

	Target level	**Level achieved in 2014**	**Level achieved in 2013**
Equity ratio	40–50%	54.5%	54.5%
Interest-bearing net debt/EBITDA	< 3	-0.3	-0.3

€ million	**2014**	**2013**
Shareholders' equity	2,265.5	2,352.5
Balance sheet total	4,197.7	4,361.7
- Prepayments received	39.8	46.6
Total	4,157.9	4,315.1
Equity ratio	**54.5%**	**54.5%**
Interest-bearing liabilities	498.9	554.4
Liquid assets	598.0	680.8
Interest-bearing net debt	-99.2	-126.4
EBITDA	346.5	401.4
Interest-bearing net debt/EBITDA	**-0.3**	**-0.3**

Note 33. Related party transactions

The Group's related parties include its management personnel (the Board of Directors, the President and CEO and the Group Management Board), companies controlled by them, subsidiaries, associates, joint ventures and Kesko Pension Fund. The subsidiaries, associates and joint ventures are listed in a separate note (note 36).

The related party transactions disclosed consist of transactions carried out with related parties that are not eliminated in the consolidated financial statements.

Some members of the Kesko Board act as K-retailers. The Group companies sell goods and services to companies controlled by them. Goods and services have been sold to related parties on normal market terms and conditions and at market prices.

The associate consolidated using the equity method, Kruunuvuoren Satama Oy, owns properties which have been leased for use by the Group. Vähittäiskaupan Takaus Oy and Vähittäiskaupan Tilipalvelu Oy sell their services to Kesko's and K-retailers' retail companies. The other associates comprise mainly business property companies which have leased their premises and real estate for use by Kesko Group. Associates that operate as mutual real estate companies have been consolidated in the financial statements in proportion to their ownership interests.

Kesko Pension Fund is a stand-alone legal entity which manages the majority of the pension assets related to the voluntary pensions of the Group's employees in Finland. The pension assets include Kesko Corporation shares in the amount of €14.6 million (€13.0 million). Real estate and premises owned by Pension Fund have been leased to Kesko Group.

During the financial years 2014 and 2013, Kesko Group did not pay contributions to Pension Fund.

The following transactions were carried out with related parties:

Income statement

	Associates and joint ventures		Board and management		Pension Fund	
€ million	2014	2013	2014	2013	2014	2013
Sales of goods	0.0	0.0	75.6	79.2		
Sales of services	2.6	3.0	0.2	0.0	0.4	0.4
Purchases of goods			-18.2	-15.4		
Purchases of services	-2.7	-3.4	0.0	0.0		
Operating income	0.6	0.8	11.8	11.8	0.0	0.1
Operating costs	-17.7	-17.5	0.0	0.0	-13.0	-12.8

During the financial year 2013, the Group sold the business of Porvoon maatalouskauppa to a company controlled by a retailer member of the Kesko Corporation Board at a price of €0.4 million.

Balance sheet

€ million	Associates and joint ventures 2014	2013	Board and management 2014	2013	Pension Fund 2014	2013
Current receivables	0.2	0.1	6.2	5.9		0.0
Non-current receivables	1.5	1.5				
Current liabilities	17.6	16.1	2.0	2.9	0.4	0.3

At the balance sheet date, receivables arisen from Kesko's sales to companies controlled by Board members were €6.2 million (€5.9 million). The receivables are collateralised by a commercial credit granted by Vähittäiskaupan Takaus Oy, a Kesko associate, with the maximum amount always limited to the maximum realisable value of the countersecurity from the K-retailer company and entrepreneur to Vähittäiskaupan Takaus. At the end of the financial year, the countersecurity was valued at €4.6 million (€4.3 million).

Other current liabilities include, for example, chain rebate payables to companies controlled by the Kesko Board members. Chain rebates are paid retrospectively based on criteria for the amount of actual annual purchases and the quality of operations.

Kesko Group's joint venture, Kruunuvuoren Satama Oy, and its subsidiary have borrowings from external providers of finance, which are secured on mortgages on properties owned by the companies. Kesko has issued a conditional guarantee for the €65 million bank borrowing of the subsidiary of Kruunuvuoren Satama Oy.

In addition, Kesko has non-current receivables from a real estate associate in the amount of €1.5 million.

Management's employee benefits

The top management comprises the Board of Directors and the Group Management Board. The compensation for employee services paid to them is shown below:

Monetary salaries, fees and fringe benefits

€1,000		2014	2013
Matti Halmesmäki	President and CEO	1,281.3	1,282.6
Group Management Board	other members	2,251.4	2,113.8
Esa Kiiskinen	Board Chair	85.5	87.5
Seppo Paatelainen	Board Deputy Chair	58.0	60.0
Ilpo Kokkila	Board member	42.5	44.0
Tomi Korpisaari	Board member	41.0	42.5
Maarit Näkyvä	Board member	46.0	47.5
Toni Pokela	Board member	41.0	42.5
Virpi Tuunainen	Board member	43.5	44.0
Total		3,890.2	3,764.4

In the agreement to terminate the managing director's service contract signed with Matti Halmesmäki, who left his position as the President and CEO on 31 December 2014, it was agreed that his performance bonus for 2014 totals €576,000, and that his incentive and performance bonus paid for 2015 will total €288,000.

Retirement benefits

The statutory pension provision of the President and CEO and the other members of the Group Management Board is provided through a pension insurance company. The President and CEO and five Group Management Board members are members of Kesko Pension Fund's department A which was closed in 1998, and their supplementary pensions are determined based on its rules and their personal service contracts. Their retirement benefits are based on defined benefit plans. During the financial years 2014 and 2013, no cash flow based contribution payments incurred under the President and CEO's supplementary pension plan. The IFRS pension cost calculated on an accrual basis was positive by €0.1 million due to surplus. The pension cost incurred from the President and CEO's statutory pension provision was €0.2 million.

Share awards

The following share awards were granted to the Management Board members: under the 2011 plan 22,213 shares (maximum was 51,300 shares), under the 2012 plan 15,113 shares (maximum was 56,600 shares) and under the 2013 plan 13,500 shares (maximum was 67,500). The maximum under the 2014 plan is 69,000 shares. In addition, the taxes and tax-like charges incurred from the awards were paid in cash.

Termination benefits

If the service contract of the President and CEO or some other Group Management Board member is terminated by the Company, he/she is entitled to a monetary salary for the period of notice, fringe benefits and a separate non-recurring termination payment determined on the basis of the executive's monetary salary and fringe benefits for the month of notice. The termination benefit and share options granted, or income from them are not part of the executive's salary and they are not included in the determination of the salary for the period of notice, termination payment or, in case of retirement, pensionable salary. If an executive resigns, he/she is only entitled to a salary for the period of notice and fringe benefits. When a service relationship terminates due to retirement, the executive is paid a pension based on his/her service contract without other benefits.

Shareholdings

As at 31 December 2014, the President and CEO held 20,601 Kesko Corporation B shares, which represent 0.02% of the total number of shares and 0.01% of votes carried by all shares of the Company. As at 31 December 2014, the Group Management Board, including the President and CEO, held 79,672 Kesko Corporation B shares, which represent 0.08% of the total number of shares and 0.02% of votes carried by all shares of the Company.

Mikko Helander, President and CEO as from 1 January 2015

On 16 December 2014, Kesko Corporation's Board of Directors decided to transfer 8,791 own B shares held by the Company as treasury shares to Mikko Helander, who took office as the Company's President and CEO on 1 January 2015. The share transfer took place on 17 December 2014. The share transfer was based on the managing director's service contract signed with Mikko Helander and the transferred shares are part of the agreed total compensation partly covering the remuneration of his service contract preceding Kesko. The transfer is without consideration and, like the share-based compensation plan operated at Kesko, its purpose is to promote Kesko's business and increase Kesko's value by combining the objectives of the shareholders and the recipient of the shares. A commitment period expiring on 1 October 2016 is attached to the shares granted, during which the shares must not be transferred. The value of the transferred shares at the date of transfer, 17 December 2014, was €260,741.06. In addition, taxes and other statutory charges for the share transfer incurred by the recipient of the shares, in a total amount of €419,394.80, have been paid in cash. It has been agreed that Mikko Helander's old-age pension age is 63 and that the amount of his old-age pension is 60% of pensionable earnings in accordance with the Employees' Pensions Act (TyEL). The pensionable salary is determined based on his non-variable monetary salary, performance bonuses and fringe benefits for the last 10 years. The supplementary pension is based on a defined benefit plan and as at 31 December 2014, the pension obligation was €52,461.

Note 34. Other notes

Events after the balance sheet date

As from 1 January 2015, Kesko revised the Group's divisional structure by integrating K-citymarket Oy, the non-food part of the K-citymarket chain in the home and speciality goods division, into Kesko Food Ltd. Kesko's food trade division was changed to the grocery trade division. The divisions of the building and home improvement trade and the home and speciality goods trade, separate up to 31 December 2014, were combined into the home improvement and speciality goods trade division. As from 1 January 2015, Kesko Group's reportable segments are the grocery trade, the home improvement and and speciality goods trade, and the car and machinery trade.

Kesko Corporation's Board of Directors appointed Mikko Helander, Master of Science in Technology, as Kesko Corporation's Managing Director and Kesko Group's President and Chief Executive Officer as from 1 January 2015. Mikko Helander joined Kesko as the Executive Vice President and Member of the Group Management Board on 1 October 2014 and took office as the President and CEO on 1 January 2015.

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

Note 35. Group composition

Group composition

Kesko Group has 117 (119) subsidiaries. The Group has the majority of voting rights in all companies. Kesko Group's sub-group, Senukai, has a material non-controlling interest (see section Material non-controlling interest).

Information about the Group composition as at the balance sheet date:

Division	Country of incorporation	Most significant subsidiaries	Number of wholly-owned subsidiaries 2014	2013	Number of partly owned subsidiaries 2014	2013
Food trade	Finland, Russia	Kesko Food Ltd	28	26	-	-
Home and speciality goods trade	Finland, Estonia, Russia	K-citymarket Oy, Anttila Oy	13	13	-	-
Building and home improvement trade	Finland, Sweden, Norway, Estonia, Latvia, Lithuania, Russia, Belarus	Rautakesko Ltd	39	45	7	8
Car and machinery trade	Finland, Estonia, Latvia, Lithuania, Russia	VV-Auto Group Oy, Konekesko Ltd	13	13	-	-
Others	Finland, Estonia		11	9	1	1

In addition, the Group has partly owned mutual real estate companies. The Group's subsidiaries, equity-accounted investments and mutual real estate companies consolidated using the proportionate method are listed in note 36.

Material non-controlling interest

Senukai Group, which is part of Kesko Group, has a material non-controlling interest. The sub-group's parent, UAB Senuku Prekybos, is a subsidiary of Rautakesko Ltd and it is domiciled in Vilnius, Lithuania. Kesko Group's ownership interest in Senukai Group is 50.0% increased by one share (50.0 % increased by one share). Kesko Group has the right to nominate the majority of Board members and the Board Chair. The Board guides the company's operational activities and makes decisions on the use of resources. The share of non-controlling interests of the profit of Senukai Group was €12.4 million (€11.5 million) and in equity, the share was €79.5 million (€71.0 million).

Summarised financial information on subsidiaries with material non-controlling interests

€ million	Senukai Group 2014	2013
Current assets	166.1	157.9
Non-current assets	37.8	27.3
Current liabilities	80.5	73.9
Non-current liabilities	0.2	0.2
Net sales	436.0	368.5
Profit/loss	19.0	16.8
Parent company owners' share of profit/loss	6.6	5.3
Non-controlling interests' share of profit/loss	12.4	11.5
Comprehensive income for the period	21.0	17.0
Parent company owners' share of comprehensive income for the period	7.4	6.0
Non-controlling interests' share of comprehensive income for the period	13.6	11.0
Dividends paid to non-controlling interests	4.9	4.5
Net cash generated from operating activities	15.9	17.9
Net cash used in investing activities	-13.9	-5.8
Net cash used in financing activities	-6.9	-7.6

The amounts above are before intra-Group eliminations.

Note 36. Subsidiaries, equity accounted investments and proportionately consolidated mutual real estate companies as at 31 Dec. 2014

INTERESTS IN GROUP COMPANIES

Owned by the parent	Domicile	Group's ownership interest, %	Parent's ownership interest, %
Ankkurikadun Kiinteistöt Oy	Helsinki	100.00	100.00
Ankaregatans Fastigheter AB	Stockholm, Sweden	100.00	100.00
Ankkuri-Energia Oy	Helsinki	100.00	100.00
Anttila Oy	Helsinki	100.00	100.00
Asunto Oy Kirkkonummen Västeruddintie 33	Kirkkonummi	100.00	100.00
Indoor Group Ltd	Helsinki	100.00	100.00
Intersport Finland Ltd	Helsinki	100.00	100.00
Johaston Oy	Helsinki	100.00	100.00
Kenkäkesko Ltd	Helsinki	100.00	100.00
Kesko Food Ltd	Helsinki	100.00	100.00
Keslog Ltd	Helsinki	100.00	54.95
Kiinteistö Oy Helsingin Satamakatu 3	Helsinki	100.00	100.00
Kiinteistö Oy Sunan Hallitalo	Helsinki	100.00	100.00
Kiinteistö Oy Voisalmen Liiketalo	Helsinki	100.00	100.00
K-instituutti Oy	Helsinki	72.00	72.00
Klintcenter Ab	Maarianhamina	100.00	100.00
Konekesko Ltd	Helsinki	100.00	100.00
K-Plus Oy	Helsinki	100.00	100.00
K-talouspalvelukeskus Oy	Helsinki	100.00	51.02
Musta Pörssi Ltd	Helsinki	100.00	100.00
Plussa OÜ	Tallinn, Estonia	100.00	100.00
Rautakesko Ltd	Helsinki	100.00	100.00
Sincera Oy	Helsinki	100.00	100.00
VV-Auto Group Oy	Helsinki	100.00	100.00

Owned by other Group companies	Domicile	Group's ownership interest, %	Parent's ownership interest, %
Antti SIA	Riga, Latvia	100.00	
Anttila AS	Viljandi, Estonia	100.00	
App-Hallinta Oy	Helsinki	100.00	
Bansemko OOO	Moscow, Russia	100.00	
Barker-Littoinen Oy	Espoo	100.00	
Bonus OOO	St. Petersburg, Russia	100.00	
Byggmakker Handel AS	Ski, Norway	100.00	
Daugavkrasts M SIA	Riga, Latvia	100.00	
Fiesta Real Estate AS	Tallinn, Estonia	100.00	
Hasti-Ari AS	Ski, Norway	100.00	
Hauhon Kiinteistö- ja Kauppakeskus Oy	Hämeenlinna	100.00	
Ikosen OÜ	Tallinn, Estonia	100.00	
Indoor Group AS	Tallinn, Estonia	100.00	
Insofa Oy	Lahti	100.00	
Johaston OOO	Moscow, Russia	100.00	
K-citymarket Oy	Helsinki	100.00	

Keru Kiinteistöt Oy	Helsinki	100.00
Kesko Food Russia Holding Oy	Helsinki	100.00
Kesko Food Rus OOO	St. Petersburg, Russia	100.00
Kesko Real Estate Latvia SIA	Riga, Latvia	100.00
Kesko Real Estate OOO	St. Petersburg, Russia	100.00
Kespro Ltd	Helsinki	100.00
Kestra Kiinteistöpalvelut Oy	Helsinki	100.00
KFR Real Estate 1 OOO	St. Petersburg, Russia	100.00
Kiinteistö Mesta Oy	Helsinki	100.00
Kiinteistö Oy Furupuro	Vantaa	100.00
Kiinteistö Oy Hannunhelmi	Helsinki	100.00
Kiinteistö Oy Kankaanpään Liikekeskus	Kankaanpää	100.00
Kiinteistö Oy Keravan Alikeravantie 77	Helsinki	100.00
Kiinteistö Oy Kirkkonummen Sundetin kauppakortteli	Kirkkonummi	100.00
Kiinteistö Oy Kolmisopentie 3	Kuopio	100.00
Kiinteistö Oy Kuvernöörintie 8	Helsinki	100.00
Kiinteistö Oy Lahden Karisma	Helsinki	100.00
Kiinteistö Oy Lappeenrannan Oksasenkatu 4	Helsinki	100.00
Kiinteistö Oy Liike-Jaako	Rovaniemi	67.88
Kiinteistö Oy Mäntyharjun Liiketori	Mäntyharju	100.00
Kiinteistö Oy Pajalantie 19	Järvenpää	100.00
Kiinteistö Oy Piispansilta	Espoo	100.00
Kiinteistö Oy Sarviniitynkatu 4	Kerava	100.00
Kiinteistö Oy Tampuri	Helsinki	100.00
Kiinteistö Oy Tarkkaiikka	Oulu	100.00
Kiinteistö Oy Vantaan Kiitoradantie 2	Vantaa	100.00
Knuto AS	Ski, Norway	100.00
Konekesko Eesti AS	Tallinn, Estonia	100.00
Konekesko Holding Oy	Helsinki	100.00
Konekesko Latvija SIA	Riga, Latvia	100.00
Konekesko Lietuva UAB	Vilnius, Lithuania	100.00
Konekesko OOO	St. Petersburg, Russia	100.00
Konsoma JLLC	Minsk, Belarus	8.94
K Prof SIA	Riga, Latvia	100.00
K rauta SIA	Riga, Latvia	100.00
K-rauta AB	Stockholm, Sweden	100.00
K-rauta Rus OOO	St. Petersburg, Russia	100.00
K-rauta Russia Holding Oy	Helsinki	100.00
K-rauta Fastigheter i Malmö AB	Sollentuna, Sweden	100.00
KR Fastigheter AB	Sollentuna, Sweden	100.00
KR Fastigheter i Eskilstuna AB	Sollentuna, Sweden	100.00
KR Fastigheter i Halmstad AB	Sollentuna, Sweden	100.00
KR Fastigheter i Järfälla AB	Sollentuna, Sweden	100.00
KR Fastigheter i Linköping AB	Sollentuna, Sweden	100.00
KR Fastigheter i Norrbotten AB	Sollentuna, Sweden	100.00
KR Fastigheter i Sundsvall AB	Sollentuna, Sweden	100.00
KR Fastigheter i Täby AB	Sollentuna, Sweden	100.00
KR Fastigheter i Umeå AB	Sollentuna, Sweden	100.00
KR Fastigheter i Uppland AB	Sollentuna, Sweden	100.00
Limingan Portti 1 Oy	Liminka	100.00
Loimaan maatalous- ja rautakauppa Oy	Helsinki	100.00
Match-Point OOO	St. Petersburg, Russia	100.00
Mežciems Real Estate SIA	Riga, Latvia	100.00

Midgard OOO	St. Petersburg, Russia	100.00	
Norgros AS	Lilleström, Norway	100.00	
OMA OOO	Minsk, Belarus	8.94	
Olarin Autokiinteistö Oy	Espoo	100.00	
Polo LS SIA	Riga, Latvia	100.00	
Rake Bergen AS	Oslo, Norway	100.00	
Rake Eiendom AS	Oslo, Norway	100.00	
Rautakesko AS	Tallinn, Estonia	100.00	
Rautakesko A/S	Riga, Latvia	100.00	
Romos Holdingas UAB	Kaunas, Lithuania	8.94	
Senukai UAB	Kaunas, Lithuania	49.61	
Senuku Prekybos Centras UAB	Vilnius, Lithuania	50.00	
Senuku Tirdzniecibas Centrs SIA	Riga, Latvia	50.00	
SPC Holding UAB	Kaunas, Lithuania	50.00	
Suomenojan Kauppakeskus Oy	Espoo	100.00	
Tampereen Länsikeskus Oy	Tampere	100.00	
Tarondi Estate OOO	Moscow, Russia	100.00	
TP Real Estate SIA	Riga, Latvia	100.00	
Trøgstadveien 13 AS	Ski, Norway	100.00	
VV-Autotalot Oy	Helsinki	100.00	

EQUITY ACCOUNTED INVESTMENTS

Owned by the parent	Domicile	Group's ownership interest, %	Parent's ownership interest, %
Graanin Liikekeskus Oy	Mikkeli	50.00	50.00
Kiinteistö Oy Itäaukio	Lahti	26.20	26.20
Kiinteistö Oy Janakkalan Linnatuuli	Janakkala	29.86	29.86
Kiinteistö Oy Joensuun Kaupunginportti	Joensuu	22.77	22.77
Kiinteistö Oy Mellunmäen Liike- ja toimintakeskus	Helsinki	23.42	23.42
Kruunuvuoren Satama Oy	Helsinki	49.00	49.00
Valluga-sijoitus Oy	Helsinki	46.15	46.15
Vähittäiskaupan Takaus Oy	Helsinki	34.35	34.35
Vähittäiskaupan Tilipalvelu VTP Oy	Helsinki	30.00	30.00

Owned by other Group companies	Domicile	Group's ownership interest, %	Parent's ownership interest, %
Eurobuy GmbH	Germany	33.33	
Eurogroup Far East Ltd	Hong Kong	33.33	
Toomax Asia Ltd	Hong Kong	33.33	

PROPORTIONATELY CONSOLIDATED MUTUAL REAL ESTATE COMPANIES

Owned by the parent and others	Domicile	Group's ownership interest, %	Parent's ownership interest, %
Asunto Oy Soukan Itäinentorni	Espoo	46.60	19.31
Itäkeskuksen Pysäköintitalo Oy	Helsinki	36.16	36.16
Kiinteistö Oy Lahden Lyhytkatu 1	Lahti	50.00	50.00
Kiinteistö Oy Pälkäneen Liikekeskus	Pälkäne	84.14	
Kiinteistö Oy Ulvilan Hansa	Ulvila	42.41	42.41
Kiinteistö Oy Vantaanportin Liikekeskus	Vantaa	27.81	27.81
Laajasalon Liikekeskus Oy	Helsinki	50.53	
Malmintorin Pysäköintitalo Oy	Helsinki	99.91	
Munkkivuoren Ostoskeskus Oy	Helsinki	30.65	30.65
Talo Oy Kalevanpuisto	Kuopio	47.60	

Parent company's financial statements (FAS)

Parent company's income statement

€	1 Jan.–31 Dec. 2014	1 Jan.–31 Dec. 2013
Net sales	**33,814,541.60**	**33,996,581.83**
Other operating income	113,647,549.64	116,325,776.56
Materials and services	-373.71	1,006.64
Employee benefit expense	-18,424,961.84	-16,906,928.53
Depreciation, amortisation and impairment	-19,097,105.06	-18,336,576.80
Other operating expenses	-91,752,946.51	-91,739,380.63
Operating profit	**18,186,704.12**	**23,340,479.07**
Financial income and expenses	-89,151,921.73	1,652,336.37
Profit before extraordinary items	**-70,965,217.61**	**24,992,815.44**
Extraordinary items	112,474,513.37	201,265,788.19
Profit before appropriations and taxes	**41,509,295.76**	**226,258,603.63**
Appropriations	2,760,540.83	3,018,761.67
Profit before taxes	**44,269,836.59**	**229,277,365.30**
Income taxes	-28,000,549.33	-54,621,961.59
Profit for the financial year	**16,269,287.26**	**174,655,403.71**

Parent company's balance sheet

€	31 Dec. 2014	31 Dec. 2013
ASSETS		
NON-CURRENT ASSETS		
INTANGIBLE ASSETS		
Intangible rights	7,574,833.69	790,204.76
Other capitalised long-term expenses	9,251,121.45	9,853,807.57
Advance payments	3,582,088.68	4,028,388.56
	20,408,043.82	14,672,400.89
TANGIBLE ASSETS		
Land and waters	93,428,511.78	93,426,111.78
Buildings	187,577,319.92	198,786,092.33
Machinery and equipment	2,623,373.90	2,906,294.00
Other tangible assets	3,680,895.83	4,370,842.38
Advance payments and construction in progress	470,619.74	283,552.63
	287,780,721.17	299,772,893.12
INVESTMENTS		
Holdings in subsidiaries	253,990,607.63	269,137,901.02
Associates	76,701,603.69	76,701,603.69
Other investments	9,497,920.18	10,235,133.24
	340,190,131.50	356,074,637.95
CURRENT ASSETS		
RECEIVABLES		
Long-term		
Receivables from subsidiaries	227,250,017.35	305,761,762.45
Receivables from associates	1,660,896.28	1,672,896.28
Other receivables	2,363,643.66	2,276,815.23
	231,274,557.29	309,711,473.96
Short-term		
Trade receivables	1,354,239.76	1,305,513.46
Receivables from subsidiaries	825,118,144.16	872,444,217.96
Receivables from associates	1,391.55	41,363.80
Loan receivables	2,700,000.00	1,030,000.00
Other receivables	184.19	96,695.11
Prepayments and accrued income	51,877,753.58	8,005,650.64
	881,051,713.24	882,923,440.97
INVESTMENTS		
Other investments	482,187,377.84	553,261,839.37
CASH AND CASH EQUIVALENTS	33,634,690.48	33,189,359.79
TOTAL ASSETS	**2,276,527,235.34**	**2,449,606,046.05**

€	31 Dec. 2014	31 Dec. 2013
EQUITY AND LIABILITIES		
CAPITAL AND RESERVES		
Share capital	197,282,584.00	197,282,584.00
Share premium	197,498,010.90	197,498,010.90
Other reserves	266,169,102.95	264,020,461.19
Retained earnings	801,720,282.41	780,125,854.98
Profit for the financial year	16,269,287.26	174,655,403.71
	1,478,939,267.52	1,613,582,314.78
APPROPRIATIONS		
Depreciation reserve	72,389,337.00	75,149,877.83
PROVISIONS		
Other provisions	186,021.75	43,882.01
LIABILITIES		
Non-current		
Bonds	241,700,000.00	242,700,000.00
Private Placement notes	50,209,205.02	50,209,205.02
Loans from financial institutions	-	23,914,863.09
Other creditors	5,284,862.93	194,130.57
	297,194,067.95	317,018,198.68
Current		
Private placement notes	-	50,209,205.02
Loans from financial institutions	22,119,000.22	-
Advances received	21,283.97	20,069.60
Trade payables	2,846,816.78	3,073,023.17
Payables to subsidiaries	361,612,226.89	359,926,963.69
Payables to associates	17,522,094.78	16,047,817.11
Other payables	5,308,756.12	4,634,775.93
Accruals and deferred income	18,388,362.36	9,899,918.23
	427,818,541.12	443,811,772.75
TOTAL LIABILITIES	**2,276,527,235.34**	**2,449,606,046.05**

Parent company's cash flow statement

€	1 Jan.–31 Dec. 2014	1 Jan.–31 Dec. 2013
Cash flows from operating activities		
Profit before extraordinary items	-70,965,217.61	24,992,815.44
Adjustments		
Depreciation according to plan	19,097,105.06	18,336,576.80
Finance income and costs	89,151,921.73	-1,652,336.37
Other adjustments	127,709.81	-591,050.24
	37,411,518.99	**41,086,005.63**
Change in working capital		
Current non-interest-bearing receivables, increase (-)/decrease (+)	2,787,041.96	6,601,921.75
Current non-interest-bearing liabilities, increase (+)/decrease (-)	-16,346,632.07	-11,297,808.81
	-13,559,590.11	-4,695,887.06
Interests paid and other finance costs	-15,703,876.29	-16,798,861.09
Interests received	23,800,712.59	22,354,282.28
Dividends received	74,170.00	398,681.20
Income tax paid	-47,972,140.97	-54,828,279.70
	-39,801,134.67	-48,874,177.31
Net cash generated from operating activities	**-15,949,205.79**	**-12,484,058.74**
Cash flows from investing activities		
Purchases of tangible and intangible assets	-15,219,872.13	-6,185,423.71
Receivables, increase (-)/decrease (+)	25,736,916.67	-5,442,771.13
Acquisition of subsidiaries	-5,971,800.85	-7,702,748.00
Acquisition of associate	610,000.00	-
Proceeds from other investments	-	10,854.20
Proceeds from disposal of tangible and intangible assets	2,621,604.29	1,009,830.75
Net cash used in investing activities	**7,776,847.98**	**-18,310,257.89**
Cash flows from financing actitivites		
Interest-bearing liabilities, increase (+)/decrease (-)	-46,214,875.36	137,827,376.93
Short-term interest-bearing receivables, increase (+)/decrease (-)	20,137,411.98	-35,145,367.14
Short-term money market investments, increase (+)/decrease (-)	-56,808,357.03	-90,628,595.47
Dividends paid	-138,484,759.00	-117,891,130.30
Group contributions received and paid	112,474,513.37	201,265,788.19
Increase in reserve of invested non-restricted equity	2,148,641.76	19,554,663.12
Acquisition of treasury shares	-16,127,668.29	-
Other items	4,029,026.80	238,818.82
Net cash used in financing activities	**-118,846,065.77**	**115,221,554.15**
Change in liquid assets	**-127,018,423.64**	**84,427,237.52**
Liquid assets as at 1 January	**359,247,235.51**	**274,819,997.99**
Liquid assets as at 31 December	**232,228,811.87**	**359,247,235.51**

Notes to the parent company's financial statements

Note 1. Principles used for preparing the financial statements

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

Non-current assets

Intangible assets

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

Depreciation plan

Other capitalised expenditure	5–20 years
IT software and licences	3–5 years

Tangible assets

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

Depreciation plan

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

The estimated useful lives are:

Buildings	10–33 years
Fixtures and fittings	8 years
Machinery and equipment	25% reducing balance method
Transportation fleet	5 years
IT equipment	3–5 years
Other tangible assets	5–14 years

Land has not been depreciated. The total of depreciation according to plan and the change in depreciation reserve comply with the Finnish Business Tax Act. The change in depreciation reserve has been treated as appropriations.

Valuation of financial assets

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

Foreign currency items

Foreign currency transactions have been recorded in euros using the rate of exchange at the date of transaction. Foreign currency receivables and payables have been translated into euros using the rate of exchange at the balance sheet date. If a receivable or a payable is tied to a fixed rate of exchange, it has been used for translation. Exchange rate differences have been recognised in profit or loss.

Derivative contracts

Interest rate derivatives

Interest rate derivatives are used to modify the durations of borrowings. The target duration is three years and it is allowed to vary between one and a half and four years. Cash flows arising from interest rate derivatives are recognised during the financial year as interest income or expenses, according to the maturity date. In the financial statements, outstanding interest rate forward contracts, interest rate future contracts, interest rate option contracts and interets rate swap contracts are stated at market values, but unrealised revaluation is not stated as income. Any valuation losses are included in interest expenses.

Foreign currency derivatives

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

Commodity derivatives

Ankkuri-Energia Oy, a Kesko Corporation subsidiary, uses electricity derivatives to balance the energy costs of the Group and its retailers. Kesko Corporation is an external counterparty in electricity derivatives made with a bank, and enters into corresponding internal hedge with the subsidiary. At no stage does Kesko Corporation have derivative positions, and thus there are no effects on profit or loss. The electricity price risk is reviewed on a 5-year time span. With respect to derivatives hedging the price of electricity supplied during the financial year, change in fair value is recognised at Kesko under finance income and expenses. Unrealised gains and losses on contracts hedging future purchases are not recognised in profit or loss.

Pension plans

Personnel's statutory pension security is organised through a pension insurance company and the voluntary supplementary pension security is mainly organised through Kesko Pension Fund. Pension costs are recognised as expense in the income statement.

Provisions

Provisions stated in the balance sheet include items committed to under agreements or otherwise but not yet realised. Changes in provisions are included in the income statement. Rent liabilities for vacant rented premises no longer used for the Group's business operations, as well as losses resulting from renting the premises to third parties, are included in provisions.

Income tax

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

Notes to the income statement

Note 2. Other operating income

€ million	2014	2013
Gains on sales of real estate and shares	0.0	0.0
Rent income	113.0	115.2
Others	0.7	1.1
Total	113.6	116.3

Note 3. Average number of personnel

	2014	2013
Kesko Corporation	171	183
Total	171	183

Note 4. Employee benefit expense

€ million	2014	2013
Wages and salaries	-15.9	-14.4
Social security costs		
Pension costs	-1.8	-1.8
Other social security costs	-0.8	-0.7
Total	-18.4	-16.9

Salaries and fees to the management

€ million	2014	2013
Managing Director	1.3	1.3
Board members	0.4	0.4
Total	1.6	1.7

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

Note 5. Depreciation, amortisation and impairment

€ million	2014	2013
Depreciation according to plan	-19.0	-18.3
Impairment, non-current assets	-0.1	-
Total	-19.1	-18.3

Note 6. Other operating expenses

€ million	2014	2013
Rent expenses	-55.8	-56.6
Marketing expenses	-1.7	-1.5
Maintenance of real estate and store sites	-6.3	-6.3
Information system expenses	-18.6	-19.8
Other operating expenses	-9.4	-7.6
Total	-91.8	-91.7

Auditors' fees

€ million	2014	2013
PricewaterhouseCoopers, Authorised Public Accountants		
Audit	0.2	0.1
Tax consultation	0.1	0.0
Other services	0.1	0.1
Total	0.4	0.2

Note 7. Finance income and costs

€ million	2014	2013
Income from long-term investments		
Dividend income from subsidiaries	0.1	0.4
Gains on disposal of shares	0.1	0.0
Income from long-term investments, total	0.2	0.4
Other interest and finance income		
From subsidiaries	13.9	14.5
From others	48.7	16.7
Interest and finance income, total	62.6	31.2
Impairment of investments held as non-current assets		
Impairment of shares	-21.4	0.0
Impairment of other investments	-77.7	-0.5
Impairment of investments held as non-current assets, total	-99.1	-0.5
Interest and other finance costs		
To subsidiaries	-3.3	-2.3
To others	-49.5	-27.2
Interest and finance costs, total	-52.8	-29.5
Total	-89.2	1.7

Note 8. Items included in extraordinary income and expenses

€ million	2014	2013
Group contributions received	234.0	269.8
Group contributions paid	-121.5	-68.6
Total	112.5	201.3

Note 9. Appropriations

€ million	2014	2013
Difference between depreciation according to plan and depreciation in taxation	2.8	3.0
Total	2.8	3.0

Note 10. Changes in provisions

€ million	2014	2013
Other changes	0.1	-0.1
Total	0.1	-0.1

Note 11. Income taxes

€ million	2014	2013
Income taxes on extraordinary items	-22.5	-49.3
Income taxes on ordinary activities	-5.5	-5.3
Total	-28.0	-54.6

Deferred taxes

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

Notes to the balance sheet

Note 12. Intangible assets

€ million	2014	2013
Intangible assets		
Acquisition cost as at 1 January	39.1	37.6
Increases	8.3	1.2
Decreases	-24.0	-
Transfers between items	1.2	0.3
Acquisition cost as at 31 December	24.6	39.1
Accumulated depreciation as at 1 January	-28.4	-26.5
Accumulated depreciation on decreases and transfers	23.9	-
Depreciation for the financial year	-3.3	-1.9
Accumulated depreciation as at 31 December	-7.8	-28.4
Book value as at 31 December	16.8	10.6
Advance payments		
Acquisition cost as at 1 January	4.0	1.2
Increases	3.0	3.1
Decreases	-2.3	-
Transfers between items	-1.2	-0.3
Acquisition cost as at 31 December	3.6	4.0
Book value as at 31 December	3.6	4.0

Note 13. Tangible assets

€ million	2014	2013
Land and waters		
Acquisition cost as at 1 January	93.4	93.8
Increases	0.0	0.5
Decreases	-	-0.9
Acquisition cost as at 31 December	93.4	93.4
Book value as at 31 December	93.4	93.4
Buildings		
Acquisition cost as at 1 January	394.2	392.6
Increases	3.0	1.4
Decreases	-31.4	-
Transfers between items	0.0	0.2
Acquisition cost as at 31 December	365.8	394.2
Accumulated depreciation as at 1 January	-195.4	-180.9
Accumulated depreciation on decreases and transfers	31.4	-
Depreciation for the financial year	-14.2	-14.5
Accumulated depreciation as at 31 December	-178.2	-195.4
Book value as at 31 December	187.6	198.8
Machinery and equipment		
Acquisition cost as at 1 January	17.2	17.1
Increases	0.5	0.1
Decreases	-2.1	-
Transfers between items	0.0	0.0
Acquisition cost as at 31 December	15.6	17.2
Accumulated depreciation as at 1 January	-14.3	-13.4
Accumulated depreciation on decreases and transfers	2.1	-
Depreciation for the financial year	-0.8	-0.9
Accumulated depreciation as at 31 December	-13.0	-14.3
Book value as at 31 December	2.6	2.9

Other tangible assets		
Acquisition cost as at 1 January	14.0	14.0
Increases	0.1	-
Decreases	-6.0	-
Transfers between items	0.0	0.0
Acquisition cost as at 31 December	8.1	14.0
Accumulated depreciation as at 1 January	-9.6	-8.6
Accumulated depreciation on decreases and transfers	6.0	-
Depreciation for the financial year	-0.8	-1.0
Accumulated depreciation as at 31 December	-4.4	-9.6
Book value as at 31 December	3.7	4.4
Advance payments and construction in progress		
Acquisition cost as at 1 January	0.3	0.8
Increases	0.2	0.0
Decreases	-	-0.2
Transfers between items	0	-0.3
Acquisition cost as at 31 December	0.5	0.3
Book value as at 31 December	0.5	0.3

Note 14. Investments

€ million	2014	2013
Holdings in subsidiaries		
Acquisition cost as at 1 January	304.1	296.5
Increases	6.0	7.7
Decreases	-0.1	-0.2
Acquisition cost as at 31 December	309.9	304.1
Impairment as at 1 Jan.	-34.9	-34.9
Impairment for the period	-21.0	-
Impairment as at 31 Dec.	-55.9	-34.9
Book value as at 31 Dec.	254.0	234.3
Associates and joint ventures		
Acquisition cost as at 1 January	76.7	76.7
Book value as at 31 December	76.7	76.7
Other investments		
Acquisition cost as at 1 January	10.2	11.8
Increases	0.0	-
Decreases	-0.7	-1.6
Acquisition cost as at 31 December	9.5	10.2
Book value as at 31 December	9.5	10.2

An analysis of Kesko Corporation's ownership interests in other companies as at 31 December 2014 is given in the notes to the consolidated financial statements.

Note 15. Receivables

€ million	2014	2013
Receivables from subsidiaries		
Long-term		
Loan receivables	217.3	263.1
Subordinated loans	10.0	42.7
Long-term, total	227.3	305.8
Short-term		
Trade receivables	4.0	3.6
Loan receivables	820.6	842.2
Subordinated loans	-	25.0
Prepayments and accrued income	0.6	1.7
Short-term, total	825.1	872.4
Total	1,052.4	1,178.2

Kesko Corporation has advanced subordinated loan to Kiinteistö Mesta Oy, in the amount €10.0 million. The loan advanced to Kiinteistö Mesta Oy will be repaid only if the restricted shareholders' equity and other non-distributable items in the balance sheet confirmed for the debtor's financial year last ended are fully funded after loan repayment. The loan is interest free.

During the financial year, a total impairment of €77.7 million was recognised on the subordinated loans to Anttila Oy and Johaston Oy.

€ million	2014	2013
Receivables from associates and joint ventures		
Long-term		
Loan receivables	1.5	1.5
Other receivables	0.1	0.1
Long-term, total	1.7	1.7
Short-term receivables	0.0	0.0
Total	1.7	1.7

€ million	2014	2013
Prepayments and accrued income		
Taxes	21.4	1.4
Others	30.5	6.6
Total	51.9	8.0

Note 16. Shareholders' equity

€ million	Share capital	Share premium	Contingency fund	Reserve of invested non-restricted equity	Retained earnings	Total equity
Balance as at 1 January 2013	197.3	197.5	243.4	1.1	896.7	1,536.0
Increase				19.6	0.0	19.6
Dividends					-117.9	-117.9
Treasury shares					1.5	1.5
Transfer to donations					-0.2	-0.2
Profit for the year					174.7	174.7
Balance as at 31 December 2013	197.3	197.5	243.4	20.6	954.8	1,613.6
Increase				2.1		2.1
Dividends					-138.5	-138.5
Treasury shares					-14.4	-14.4
Transfer to donations					-0.2	-0.2
Profit for the year					16.3	16.3
Balance as at 31 December 2014	**197.3**	**197.5**	**243.4**	**22.8**	**818.0**	**1,478.9**

During the reporting period, the number of B shares was increased three times to account for the shares subscribed for with the options based on the 2007 option scheme. The increases were made on 10 February 2014 (85,067 B shares, €1,041,220), 30 April 2014 (62,778 B shares, €682,342) and 4 June 2014 (39,214 B shares,€ 425,080). The shares subscribed for were listed for public trading onthe official list of NASDAQ OMX Helsinki with the old B shares on 11 February 2014, 2 May 2014 and 5 June 2014. The total subscription price of €2,148,641.76 received by the company was recorded in the company's reserve of invested non-restricted equity.

Calculation of distributable profits	2014	2013
Other reserves	266.2	264.0
Retained earnings	801.7	780.1
Profit for the year	16.3	174.7
Total	1,084.2	1,218.8

Breakdown of the parent's share capital	Pcs
A shares	31,737,007
B shares	68,282,745
Total	100,019,752

Votes attached to shares	Number of votes
A share	10
B share	1

Board's authorisations to acquire and issue own shares

The Board has the authority, granted by the Annual General Meeting of 16 April 2012 and valid until 30 June 2015, to issue a maximum of 20,000,000 new B shares. In addition, the Board had the authority, granted by the Annual General Meeting of 4 April 2011, to decide on the acquisition of a maximum 500,000 own B shares of the company. The authority was exercised in full during the financial year. The Board also has the authority, granted by the Annual General Meeting of 8 April 2013, to decide on the issuance a maximum of 1,000,000 own B shares held by the company as treasury shares. The authority will expire on 30 June 2017.

Treasury shares

Authorised by the General Meeting, the Board acquired a total of 700,000 own B shares (acquisition price €23.7 million) in the financial year 2011 and a total of 500,000 own B shares (acquisition price €16.1 million) in the financial year 2014. The total prices paid for the shares have been deducted from retained earnings. The shares are held by the company as treasury shares and the company's Board has the authority to issue them. Based on its authority to issue own shares and the fulfilment of the vesting criteria of the 2011 vesting period of Kesko's share-based compensation plans, the Board granted a total of 92,751 own shares, based on the fulfilment of the vesting criteria of the 2012 vesting period a total of 66,331 own shares, and based of the fulfilment of the vesting criteria of the 2013 vesting period, and a total of 50,520 own shares to persons included in the target groups of the vesting periods. In addition in December 2014, 8,791 shares held by the company as treasury shares were transferred to Mikko Helander, who started as the company's President and CEO on 1 January 2015. These transactions were announced in a stock exchange release on 12 April 2012, 5 April 2013, 24 March 2014, 25 March 2014 and 16 December 2014. After the vesting periods, a total of 5,642 shares already granted have been returned to the company in accordance with the terms and conditions of the share-based compensation plan. At the end of the financial year, the company held 995,315 own B shares (548,984 B shares) as treasury shares. Their acquisition cost, €31.5 million (€17.8 million), has been deducted from retained earnings.

Options

The Group operated share option plans as part of management's incentive and commitment plan. Each option gave its holder the right to subscribe for one Kesko Corporation B share at the price and during the period specified in the terms and conditions of the option plan. The options were forfeited if the person left the company before the end of the commitment period, unless, in an individual case, the Board decided that the option recipient could keep all or some of the options under offering obligation.

2007 option scheme

On 26 March 2007, the Annual General Meeting decided to grant a total of 3,000,000 options for no consideration to the management of Kesko Group, other key personnel, and a subsidiary wholly owned by Kesko Corporation. The Company had a weighty financial reason for granting the options because they are intended to be part of Kesko's share-based incentive system. Each option entitled its holder to subscribe for one new Kesko Corporation B share. In addition, the option scheme included an obligation to buy company shares for permanent ownership for the value of 25% of the proceeds from the sale of options. The options were marked with the symbols 2007A, 2007B and 2007C in units of 1,000,000 options each. The option scheme expired during the financial year 2014.

The options were exercisable as follows:

- 2007A 1 April 2010–30 April 2012 (exercise period has expired)
- 2007B 1 April 2011–30 April 2013 (exercise period has expired)
- 2007C 1 April 2012–30 April 2014 (exercise period has expired)

The original price of a share subscribed for with option 2007A was the trade volume weighted average quotation of a Kesko Corporation B share on the Helsinki Stock Exchange between 1 April and 30 April 2007 (€45.82), with option 2007B, between 1 April and 30 April 2008 (€26.57), and with option 2007C, between 1 April and 30 April 2009 (€16.84). The prices of shares subscribed for with options were reduced by the amount decided after the beginning of the period for the determination of the subscription price but before the subscription, as at the record date for each distribution of profits or other assets. After the distribution of dividends for 2013, the price of a B share subscribed for with option 2007C was €10.84.

Note 17. Appropriations

€ million	2014	2013
Depreciation difference	72.4	75.1
Total	72.4	75.1

Note 18. Provisions

€ million	2014	2013
Other provisions	0.2	0.0
Total	0.2	0.0

Note 19. Non-current liabilities

€ million	2014	2013
Liabilities due later than within five years		
Private Placement notes	-	20.1
Total	-	20.1

On 10 June 2004, Kesko Corporation issued a Private Placement of USD 120 million in the US. The facility has three tranches with bullet repayments, of which the first tranch (USD 60 million) was due in 2014. The remaining two tranches will be due in 2016 (USD 36 million) and in 2019 (USD 24 million). Kesko has hedged the loan with currency and interest rate swaps, as a result of which the total loan capital is €50.2 million and the fixed capital-weighted average interest rate is 5.3%.

On 11 September 2012, Kesko Corporation issued a €250 million bond. The bond carries a fixed coupon rate of 2.75%. The bond matures after six years from issuance.

Note 20. Current liabilities

€ million	2014	2013
Liabilities to subsidiaries		
Trade payables	0.1	0.1
Other payables	358.6	359.1
Accruals and deferred income	2.8	0.7
Total	361.6	359.9
Liabilities to associates and joint ventures		
Trade payables	-	0.0
Accrued expenses	0.0	0.2
Other payables	17.5	15.8
Total	17.5	16.0
Accruals and deferred income		
Staff costs	4.1	3.4
Others	14.3	6.5
Total	18.4	9.9

Note 21. Interest-free liabilities

€ million	2014	2013
Current liabilities	27.1	16.7
Non-current liabilities	5.3	0.2
Total	32.4	16.9

Note 22. Guarantees, liability engagements and other liabilities

€ million	2014	2013
Real estate mortgages		
For own debt	-	6
For subsidiaries	4	4
Pledged shares	37	42
Guarantees		
For subsidiaries	87	41
For associates and joint ventures	65	65
Other liabilities and liability engagements		
For own debt	10	11
Rent liabilities on machinery and fixtures		
Falling due within a year	1	1
Falling due later	1	1
Rent liabilities on real estate		
Falling due within a year	47	47
Falling due later	198	230

€ million	2014	Fair value	2013	Fair value
Liabilities arising from				
derivative instruments				
Values of underlying instruments as at 31 December				
Interest rate derivatives				
Interest rate swaps	100	-0.5	201	-0.2
Foreign currency derivatives				
Forward and future contracts				
Outside the Group	310	17.8	296	1.2
Inside the Group	23	-2.0	23	0.5
Option agreements				
Bought, inside the Group	2	0.0	0	0.0
Written, outside the Group			1	0.0
Written, inside the Group	2	0.0	1	0.0
Currency swaps	50	-0.8	100	-13.4
Commodity derivatives				
Electricity derivatives				
Outside the Group	21	-4.4	31	-6.8
Inside the Group	21	5.4	31	6.8

Note 23. Cash and cash equivalents within the statement of cash flows

€ million	2014	2013
Available-for-sale financial assets	198.6	326.1
Cash and cash equivalents	33.6	33.2
Total	**232.2**	**359.2**

In the statement of cash flows, cash and cash equivalents includes those recognised in the balance sheet and portions of available-for-sale financial assets with maturities of less than three months from acquisition.

Signatures

Signatures

Helsinki, 9 February 2015

Esa Kiiskinen	Seppo Paatelainen	
Ilpo Kokkila	Tomi Korpisaari	Maarit Näkyvä
Toni Pokela	Virpi Tuunainen	Mikko Helander President and CEO

The Auditor's Note

Our auditor's report has been issued today.
Helsinki, 9 February 2015

PricewaterhouseCoopers Oy
Authorised Public Accountants

Johan Kronberg
APA

Auditor’s Report

(Translation from the Finnish Original)

To the Annual General Meeting of Kesko Corporation

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Kesko Corporation for the year ended 31 December, 2014. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company’s balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director

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

Auditor’s Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or whether they have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the Consolidated Financial Statements

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

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

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

Other Opinions

We support that the financial statements and the consolidated financial statements should be adopted. The proposal by the Board of Directors regarding the use of the profit shown in the balance sheet is in compliance with the Limited Liability Companies Act. We support that the Members of the Board of Directors and the Managing Director of the parent company should be discharged from liability for the financial period audited by us.

Helsinki, 9 February 2014

PricewaterhouseCoopers Oy
Authorised Public Accountants

Johan Kronberg
Authorised Public Accountant