ANNUAL REPORT 1999

KESKO

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KEY FIGURES AND CHANGES

KEY FIGURES	1995	1996	1997	1998	1999	1999
						FIM million
Net sales, EUR million	4,478	4,948	5,870	5,992	6,111	36,333
Change in net sales, %	-2.3	10.5	18.6	2.1	2.0	
Operating profit, EUR million	76	82	112	130	116	693
Operating profit as % of net sales	1.7	1.6	1.9	2.2	1.9	
Profit before extraordinary items, EUR million	116	125	115	133	128	764
Profit before extraordinary items as % of net sales	2.6	2.5	2.0	2.2	2.1	
Balance sheet total, EUR million	2,230	2,491	2,585	2,545	2,570	15,280
Return on investment, %	8.8	9.0	8.2	8.9	8.0	
Return on equity, %	7.1	7.3	6.6	6.5	6.1	
Investments, EUR million	87	179	155	132	202	1,201
Cash flow from operating activities, EUR million	182	147	244	191	263	1,565
Equity ratio, %	55.6	51.9	53.2	56.7	56.6	
Debt to equity ratio, %	44.4	48.1	46.8	43.3	43.4	
Number of personnel (average)	5,833	6,503	10,672	11,172	10,993	
Dividend per share, EUR	0.32	0.34	0.50	0.67	0.50*	
Additional dividend per share, EUR					1.00*	
Earnings per share, EUR	0.94	1.02	0.98	1.01	0.98	FIM 5.81
Price per earnings ratio (P/E), A share					13.88	
Price per earnings ratio (P/E), B share	9.7	10.7	14.8	12.7	12.86	
Equity per share, adjusted, EUR	13.57	14.17	14.83	15.59	15.87	FIM 94.38

* proposal to the Annual General Meeting

- Net sales increased by 2.0%.
- Operating profit, excl. profits from sale of fixed assets, increased by 6.8%.
- Return on investment was 8.0%.
- Dividend proposed is EUR 0.50 per share and additional dividend proposed is EUR 1.00 per share.

CHANGE BY FOUR MONTHS	I/1998	I/1999	II/1998	II/1999	III/1998	III/1999
Net sales, EUR million	1,900	1,959	2,045	2,052	2,047	2,099
Change in net sales, %	-4.5	3.1	6.7	0.4	4.2	2.5
Operating profit, EUR million	23	25	49	51	58	40
Operating profit as % of net sales	1.2	1.3	2.4	2.5	2.8	2.0
Profit before extraordinary items, EUR million	23	28	50	55	60	45
Equity ratio at the end of the financial year, %	51.8	54.8	54.3	56.6	56.7	56.6

EUR 1 = FIM 5.94573

More detailed information for 1995-1999 on pages 60-63.

KESKO'S DIVIDEND POLICY

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

Kesko is established on 16 October 1940, with operations starting on 1 January 1941.

The K-retailer group is formed. The K-emblem becomes the group's symbol in 1947.

1950

Speciality store networks are created, including the K-hardware and K-textile stores. Kesko has its own food and clothing industry, and a coffee roastery.

Listed on the Helsinki Stock Exchange in 1960.

1960

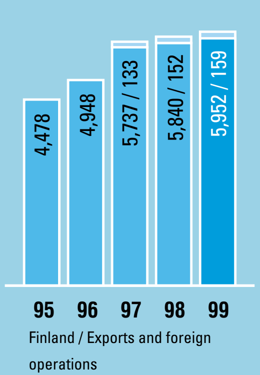
A central warehouse is opened at Hakkila, Vantaa. The divestiture of own industry starts. Self-service stores and K-supermarkets are established.

19

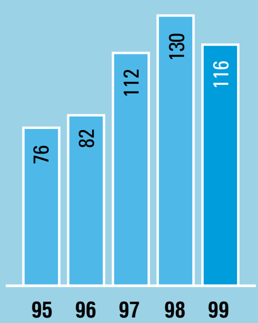
YEAR 1999 IN BRIEF

- The profit level of the Group remained steady.
- Kesko's Articles of Association were amended. The exclusive shares were converted into A shares and the ordinary shares into B shares. The A shares were also listed on the Helsinki Exchanges starting from 1 June 1999.
- The portal to the K-Alliance's web service www.k-netti.com was opened on 9 May 1999. On 14 November 1999, it was expanded to include Finland's most versatile online department store www.netanttila.com.
- Kesko reviewed its strategy for the clothing trade and sold the Aleksi 13 store operations. Kesko will also withdraw from the operations of the retailer-owned Vaatehuone fashionwear and Nicky&Nelly children's wear store chains.
- Concerning the co-operation between Kesko and the K-retailers, it was decided to adopt more tightly-knit chain operations by stages over a period of about two years.

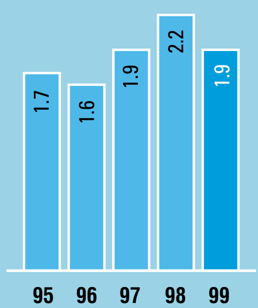
Group net sales, EUR million



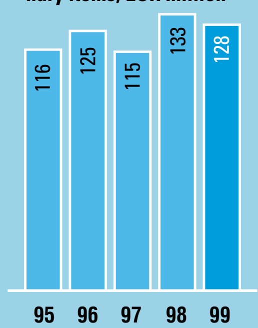
Group operating profit, EUR million



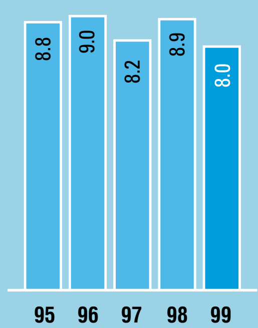
Group operating profit of net sales, %



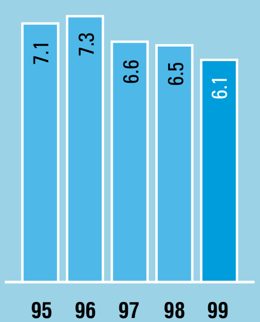
Group profit before extraordinary items, EUR million



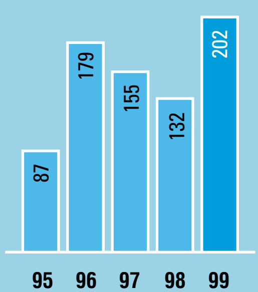
Group return on investment, %



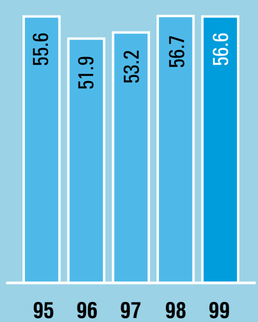
Group return on equity, %



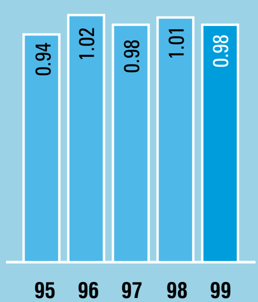
Group investments, EUR million



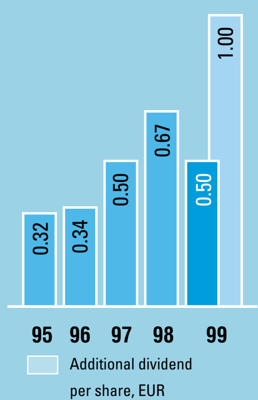
Group equity ratio, %



Earnings per share, EUR



Dividend per share, EUR



The first Citymarket hypermarket is established.

Heavy investments in store sites and warehouses. The share capital is increased by FIM 700 million - 20,000 new shareholders. Kesko's Pirkka label products are launched.

Chain operations and store format brands. Kaukomarkkinat Oy and Anttila Oy are acquired by Kesko.

The Plussa customer loyalty system is created.

70 1980 1990 2000

KESKO IN BRIEF

Kesko is a marketing and logistics company, which develops retail concepts and operating systems. The Foodstuffs Division, the Home and Speciality Goods Division and the Builders' and Agricultural Supplies Division are the profit divisions responsible for Kesko's commercial operations. Their customers include the K-retailers and other wholesale customers. The profit divisions are responsible in their business sectors for marketing, purchasing, logistics, store sites, and for carrying on retail trade in the areas of home and speciality goods, and builders' and agricultural supplies.

THE FOODSTUFFS DIVISION develops operating systems based on private enterprise for the retail and fast food trades in Finland and the neighbouring markets, and acts as a wholesaler.

THE HOME AND SPECIALITY GOODS DIVISION is responsible for the management of the retail chains of speciality stores and for the development of the store network, as well as for goods purchases, logistics and chain marketing. The Division's product lines include home technology, sports goods, shoes, clothing, home goods and interior decoration products.

THE BUILDERS' AND AGRICULTURAL SUPPLIES DIVISION purchases, sells and delivers goods and services in its lines of business, and develops retail concepts in this sector. In addition to the Finnish market, the Division also operates in Sweden, Estonia, Russia and Latvia.

KAUKOMARKKINAT is the biggest and most diversified Finnish trading house, with international operations and over 20 subsidiaries or representative offices abroad. In Finland, Kaukomarkkinat is one of the leading suppliers in the sports goods, watches and home electronics trade, and in the optical sector.

VV-AUTO is the importer of Volkswagen, Audi and Seat cars and Volkswagen commercial vehicles manufactured by the Volkswagen Group.

KESKO'S BASIC VALUES

Customer satisfaction is the result of successful service and high-quality products. It creates and ensures loyal customer relationships. Customer satisfaction is our key basic value. The other values are means of achieving it.

An enterprising spirit signifies confidence in entrepreneurship and one's own competence, diligence, the willingness to develop and the will to produce profit.

Profitability means good financial results and high-quality operations.

Cooperation - both internal and external - improves the competitiveness and results of all participants.

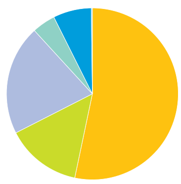
Continuous improvement is active response to customer needs, the utilisation of new opportunities, open and unprejudiced attitudes to new ideas and the continuous development of operations.

Responsibility and honest working methods allow one to make a full and active contribution in a changing society.

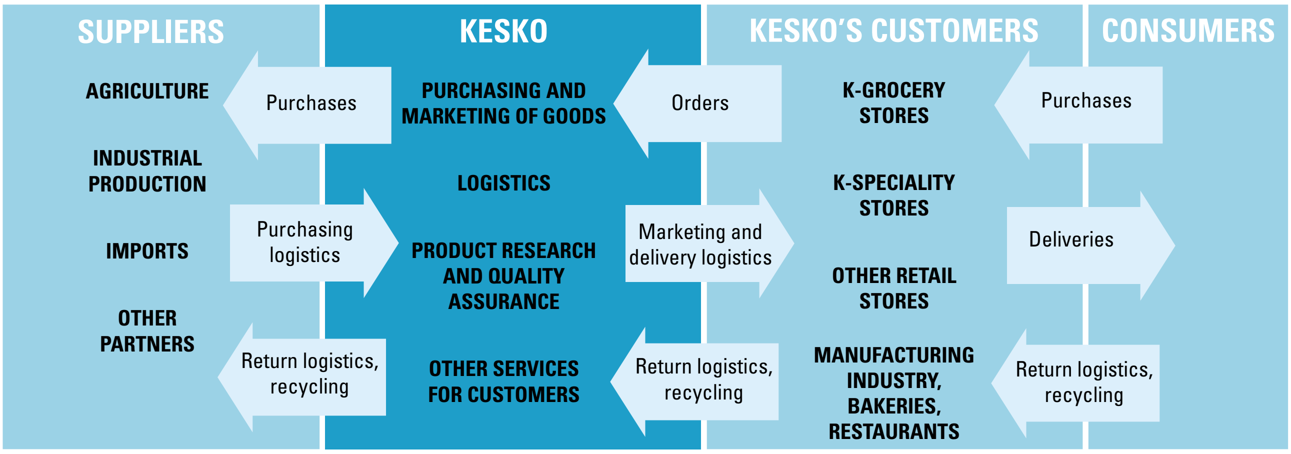
Respect for other people and solidarity create a good working environment.

BREAKDOWN OF NET SALES BY PROFIT DIVISION

- Foodstuffs Division 53.3%
- Home and Speciality Goods Division 14.2%
- Builders' and Agricultural Supplies Division.............................20.7%
- Kaukomarkkinat.................................4.4%
- VV-Auto...7.2%
- Others...0.2%



KESKO'S FUNCTIONS AND ROLE



KESKO'S FUNCTIONS Kesko provides added value for its customers by providing logistical services and developing trading operations. Its functions include the management and improvement of ordering and logistical systems, the development of store formats, the building of store premises and the training of retailers. Other key functions include the forming of product selections and the development of marketing co-operation between industry, Kesko and the K-retailers. Efficient corporate logistics is a key element in competitiveness. International alliances increase the efficiency of purchasing logistics by creating volume and synergy benefits.

Kesko develops retail store chain concepts. The work takes account of consumer needs and builds on the efficiency of the logistical chain. Kesko develops the retail store network as a whole and controls the store sites that are essential to business. This makes Kesko an interesting partner for both suppliers and retailers.

It has been decided to intensify co-operation between Kesko and the K-retailers in the chains by adopting more consistent modes of chain operation. Retailer enterprise will remain the special competitive asset of Kesko and the K-retailers, but this will be supplemented by the benefits of the reform in chain operations.

KESKO'S RETAIL OPERATIONS Kesko is also a significant retailer. Anttila Oy, which is engaged in the department store and mail order business, is the biggest retailer of home and speciality goods in Finland. Citymarket Oy is a retail company in charge of the non-food trade of the Citymarket hypermarkets. Other retail companies include K-maatalousyhtiöt Oy in agricultural products and hardware, and Carrols Oy in the fast food restaurant business. More details on these companies are given in the profit division reports, starting on page 12.

KESKO'S SUPPLIERS Kesko has about 32,000 suppliers in Finland and about 10,000 abroad. The major importing countries are Germany, Spain, Sweden, Japan and Italy.

In Finland, Kesko is the leading distribution and marketing channel for the suppliers in its lines of business. Kesko always aims at long-term co-operation.

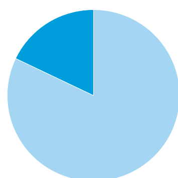
KESKO'S CUSTOMERS Kesko's customers include some 1,800 K-retailers, who account for about a half of Kesko's sales. Kesko also has about 30,000 other wholesale customers. About 15% of Kesko's sales are channelled through its own subsidiaries directly to consumers.

The K-retailers are independent entrepreneurs who are entitled to use the K-logo or other marketing symbols of the chains. Kesko offers the K-retailers a wide choice of services to support their businesses. The K-retailers are responsible, in their entrepreneurial capacity, for the customer satisfaction and profitable performance of their stores. The K-retailers are the most important stakeholders in Kesko, both as customers and shareholders. In recent years, however, the customer and shareholder base has expanded considerably.

KESKO'S PURCHASES

- from Finland 82.1%
- from abroad 17.9%

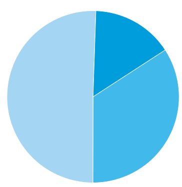
In 1999, Kesko's purchases totalled EUR 5,318 million.



KESKO'S CUSTOMERS

- K-retailers 50.5%
- Other corporate and wholesale customers 34.2%
- Consumers (retail trade) 15.3%

In 1999, Kesko's net sales totalled EUR 6,111 million.



KESKO'S LONG-TERM GOALS AND STRATEGIC DIRECTION
Kesko is a growing, profitable innovator in trading, whose goals are:
Good performance

- return on investment at least 12%
- return on equity at least 10%

The most satisfied customers and success on the market
Excellent practices, products and services
Competent and motivated personnel

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

Based on the Group's vision, Kesko has defined the strategies for its core commercial business areas. Group-level strategies covering key operations are also a fundamental means of attaining long-term goals. Kesko's Group-level strategies include:

PERSONNEL STRATEGY Kesko's personnel strategy defines the personnel management methods, systems and tools that will ensure Kesko's success. The personnel strategy aims to increase the speed and flexibility of decision-making. For more information on the personnel and the personnel strategy, see page 26.

LOGISTICAL STRATEGY Kesko's logistical strategy guides the entire flow of merchandise and related information. Information management is our key asset in logistics. The turnaround time of the delivery chain is improved by pruning and standardising logistical operating systems. Kesko's position as the best distribution channel for both suppliers and customers is reinforced by combining orders, cutting expenses and speeding up operations. For more information on logistics and the logistical strategy, see page 30.

INFORMATION MANAGEMENT STRATEGY Information management is a normal part of business planning and management. It ensures cost-effectiveness by means of overall solutions, while leaving sufficient room for individual solutions aimed at fast, flexible responses. It develops and maintains the Group's basic technical structure with the aim of ensuring interoperability and cost-effectiveness. For more details on information management and the information management strategy, see page 30.

REAL ESTATE STRATEGY Kesko acts to strengthen its competitive position by owning and renting store premises. The strategy is based on a continuous evaluation of the importance of various properties to the Group. The streamlining of the real estate balance sheet will be continued by selling buildings and business premises. For more information on real estate affairs and the real estate strategy, see page 29.

SECURITY STRATEGY The purpose of the security strategy is to support the achievement of business goals. The strategy aims at ensuring undisturbed operations and protecting people, property, data and the environment from accidents, damage and criminal activities in all circumstances. Kesko Group has a special executive board responsible for directing security affairs.

ENVIRONMENTAL STRATEGY The environmental strategy ensures the systematic progress of environmental activities in the various business areas. The strategy strengthens Kesko's competitive position as an environmental expert in Finnish and international trade. For more information on environmental affairs and the environmental strategy, see page 31.

"Kesko's vision is to be the best and most highly respected trading company."

REVIEW BY THE CHAIRMAN AND CEO

The last year of the millennium was the sixth successive year of growth for Finnish trade, although the aggregate growth remained slightly below expectations. According to preliminary statistics compiled by the Federation of Finnish Commerce and Trade, the value of retail trade increased last year by 4.2 percent and that of wholesale trade by 3.9 percent. According to Statistics Finland's advance information, the volume of private consumption grew by 2.8% and that of public consumption by 0.3% last year.

No single reason can be given for the weaker-than-expected sales development. It may be partly attributed to the fact that consumers spent proportionately more on services and less on goods. In the future, the behaviour of consumers will be increasingly guided by individual values and desires for new experiences. In order to compete successfully with other forms of consumption, the trading sector must enhance the quality of its services and the shopping environment, as well as raise the value added of its operations. For this reason, it is expected that the number of items in selections will grow and that the life-cycle of products will shorten.

For the Kesko Group, 1999 saw several important reforms. We responded to the changes in our operating environment by reviewing the strategies of our key functions and starting a complete redevelopment of retail store systems in order to create a more uniform chain operation.

We confirmed a new internationalisation strategy according to which the Group's growth areas will be the groceries, hardware and builders' supplies and sports equipment trade in the Nordic countries and the Baltic rim region.

The Annual General Meeting in spring 1999 approved the amendments to Kesko's Articles of Association, so that they correspond to the Group's present structure and operations. All of Kesko's shares and voting rights became subject to public trading, because the former exclusive shares, known as retailer shares, were converted to A shares and listed on the stock exchange. The reform gave greater equality to the different shareholder groups and boosted investor interest in Kesko.

The structural and operational rearrangements within the Kesko Group also generated costs, which were reflected in the Group's sales and results last year. We fell short of the targets we had set, but the company is now in better operational shape than before.

For five years in succession, we have made annual investments of around EUR 150 million to modernise Kesko's logistical and information systems, and the store sites. These investments have been made in all product lines and especially in the growth centres. They are a significant factor in strengthening our competitiveness as the most efficient distribution channel, and provide a sound basis for Kesko's growth.

In addition to improving our wholesale and retail operations, we have actively continued to minimise the environmental impact of our operations and have started the ethical auditing of the production conditions of the products we sell. Kesko was the first Finnish company to adopt the international SA 8000 standard in its purchasing operations, and was also one of the eight Finnish companies selected for inclusion in the Dow Jones Sustainability Group Index. We believe that discerning consumers appreciate these matters as adding significant value to our good products and services.

On behalf of Kesko's Board of Directors, I would like to thank the whole Group's personnel for their diligent work in the midst of change, as well as our customers, suppliers and other stakeholders for their very fair co-operation.

Matti Honkala

"Today Kesko as a whole is more efficient than ever before. This provides a good platform for continuing our efforts to improve our competitiveness in the future."

CHANGES IN THE OPERATING ENVIRONMENT OF TRADE

Kesko's operations are strongly affected by the economic development of Finland and our neighbouring countries, as well as by changes within the trading sector. Trade is undergoing a period of transformation characterised by new operating methods and structural and ownership arrangements. International chains are expanding into new markets, competition is becoming more varied and electronic commerce is spreading. Customer orientation, product quality and environmental friendliness, as well as information and logistics management are being emphasized as success factors.

ECONOMIC OUTLOOK FOR TRADE During the last few years, trade has been growing in step with the GDP of Finland. In most lines of business, the conditions for growth are still good. The challenge we face is that consumers will be using their income in other ways, too, in addition to the normal forms of consumption.

Private consumption expenditure increased by 4% in 1999, and is expected to accelerate to 4.5% in 2000. Growth in construction continued for the fourth year in succession after the recession. Construction investments increased by 5% in 1999 and a nearly equivalent growth is expected in 2000. Retail sales are estimated to be up by 4% in 2000. The future outlook for agriculture is also quite clear now, after the European Union's Agenda 2000 decision. The number of active farmers will decrease, but total output will remain at its current level. The volume of agricultural trade is forecast to remain as before.

CHANGING CONSUMPTION HABITS The number of households in Finland is growing, while their average size is becoming smaller - today around 2.1 persons. A high rate of internal migration is estimated to continue, and trading sector investments will be needed in growth centres, in particular. The need for new homes will boost the construction and interior decorating sectors.

In addition to purchasing power, the buying and consumption habits of consumers will also affect the operating conditions of trade. More than before, buying and consuming are affected by individual values and the desire for new experiences. In competition with other sectors, trade must improve its competitiveness and develop the quality of its services. The number of products in store selections is expected to expand further.

Kesko's objective in Finland is a nation-wide store network. Consumers want to shop in both small neighbourhood stores and large regional outlets. In addition, the store network must also include speciality stores. Kesko satisfied these needs by opening 38 new stores, and renovating around 80 grocery stores, 40 home and speciality goods stores and 15 builders' and agricultural supplies stores in 1999. The operating conditions of neighbourhood stores have been weakened by their unequal position compared with service station shops and kiosks in legislation concerning store opening hours.

Store site investments continue to be targeted at growth centres. In the grocery trade, the network of large stores is being complemented by new stores of less than 100 square metres in town centres and at petrol stations. New service functions must also be sought for neighbourhood stores. For example, a postal service point has been installed in over 80 K-neighbourhood stores.

In the speciality goods trade, large trading centres are being built at favourable locations with regard to traffic. Shopping centres are evolving into places where people come for entertainment and new experiences. The size of speciality goods stores is continuing to grow.

NETWORK CO-OPERATION AND CONCEPT COMPETITION The wholesaler-to-retailer operating model traditionally used in sales to consumers has been replaced by a chain model. In business-to-business trade, the traditional wholesale functions are still valid. But there, too, co-operation between wholesaler and customer is intensifying in many ways. Network co-operation between trading partners and keener competition between trading groups are gaining in importance.

Kesko aims to co-operate with its suppliers to satisfy consumer needs. One effective tool for this is ECR (Efficient Consumer Response).

Kesko participates in the pan-European purchasing alliance AMS (Associated Marketing Services) in the grocery sector, and a corresponding organisation for building materials known as Euromat. As regards the sports goods trade, we co-operate with Intersport International.

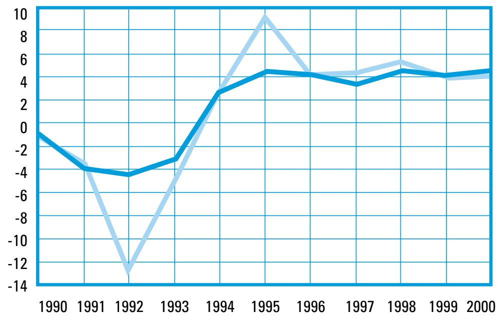
Another new phenomenon is concept competition. Store types have been transformed into brands which are utilised in marketing. This development has enabled a wider range of marketing tools to be used in addition to prices. In December 1999, Kesko decided to initiate an extensive reform of retail business methods, in which chain operations will be intensified and enhanced.

Anttila Oy will concentrate on the speciality goods trade with four store concepts - the normal Anttila department stores, the

Anttila Kodin Ykkönen department stores specialising in home goods and interior decoration, the Anttila mail order business and the new Anttila online department store, www.netanttila.com. The Ruoka-Anttila grocery departments will be changed into K-superstores and K-supermarkets. Store types for selling sports goods are being developed in co-operation with Intersport International, and they include large Intersport Megastores, middle-sized Intersport stores and smaller Kesport stores. Kesko will centralise its clothes trade in the Anttila, Citymarket and Intersport chains. The new operating concepts in the hardware and builders' supplies trade are K-rauta2000 and Rautia. The K-rauta stores will emphasize their wide product selections, featuring interior decoration items and gardening utensils in addition to hardware and builders' supplies.

Concept development will focus on achieving an efficient chain of operations from suppliers to retail customers. The chains' operational competitiveness will be based on the efficient management of information and goods flows.

CHANGES IN RETAIL TRADE SALES AND PRIVATE CONSUMPTION VOLUMES 1990-2000, %

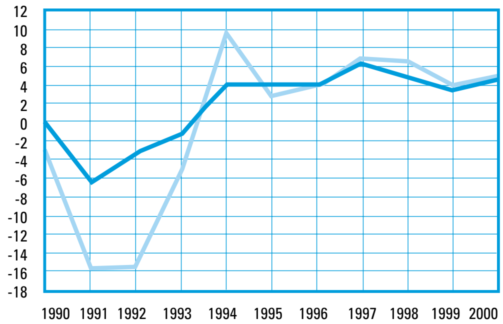


Private consumption

Retail trade sales

Estimate for 1999-2000 by the Research Institute of the Finnish Economy

CHANGES IN WHOLESALE TRADE SALES AND GDP VOLUMES 1990-2000, %



GDP

Wholesale trade sales

Estimate for 1999-2000 by the Research Institute of the Finnish Economy

No exact statistics are available for market shares in the Finnish wholesale trade, because the trading companies are active in different segments and their net sales or sales figures are therefore not comparable.

INTERNATIONAL COMPETITION International clothing and home technology chains have arrived in the Finnish market. German hardware chains are also looking for a foothold in the Nordic markets. Likewise, competition in the grocery trade is undergoing change, with for instance the world's biggest retail chain operator in terms of net sales rapidly gaining market share in Europe through acquisitions and lower prices. Chains emphasizing private enterprise have adopted more centralised control and uniform practices.

The desire to grow will lead, in a changing competitive environment, to a continuation of corporate acquisitions and the forming of alliances. These developments will be furthered by the limitations set on new trade investments, which will cause keener competition for good store locations.

Opportunities for growth in the grocery, hardware and builders' supplies and sports goods trade are being sought in the Nordic and Baltic countries. Kesko has expanded its hardware and builders' supplies trade to the Swedish market, and its agricultural trade to the Baltic markets. In the grocery trade, Kesko's objective in Estonia is around 25% of the market which totals approximately EUR 700 million. Kesko's strengths include its comprehensive expertise in the trading sector, its experience in several business areas, and purchasing and logistical competence.

REFORM OF THE LAND USE AND BUILDING ACT The most important single change in legislation affecting Kesko's operating environment is the new Land Use and Building Act, which entered into force in its entirety on 1 January 2000. According to the Act, large retailing units may not be located outside the area meant for town centre functions, unless the area has been zoned for that particular purpose.

The law means that Kesko will have to operate in a more interactive manner with all parties involved in construction, and with the authorities controlling land use, in particular. We aim at developing a balanced commercial network.

EURO When the decisions on Kesko's euro schedule were made, the crucial factor was that the majority of Kesko's customers operate in Finland. It was therefore felt that retail operations should be maintained in markkas until consumers have euro notes and coins available. The prices of stock items will remain in markkas until 31 December 2001.

In the short run, the adoption of the euro means extra costs for trade. But in the long run, costs will be saved, because it will reduce both foreign exchange costs and currency risks.

The euro will facilitate price comparisons by consumers and business customers, which will contribute to demands for price harmonisation and price competition. The euro is also expected to increase the use of online trading. Kesko and K-stores have prepared for the transition to the euro for several years.

CUSTOMER SATISFACTION AND MARKETING In sales to consumers, the emphasis is shifting to targeted marketing with the help of loyal customer programmes. In business-to-business trade, tailored operations will bring competitive advantages by utilising the communications and logistics opportunities offered by new information technology and cost advantages generated by centralised goods management.

Plussa points can be collected from nearly 3,000 shopping places. The K-Alliance offers the most versatile retail network in Finland. The Plussa system is complemented by our partners Neste, Scandic Hotels and Aleksi 13. The Pirkka magazine is sent to all Plussa customers. Pirkka is also the best known Kesko brand, with a nearly 100% recognition level in Finland.

Increased levels of education and living lead to more discriminating customers. Cultivating a customer relationship requires more competence than before, generating an increased need for well-educated and highly-motivated personnel. Competition for labour between companies will stiffen after 2005. Kesko has made considerable investments in the personnel's competence through its own training centre, K-instituutti Oy. In addition, the personnel have participated in extensive quality training given by leading Finnish quality experts.

The operations of Kesko and the K-retailers have focused on developing customer loyalty marketing. In November 1997, we introduced Finland's most popular customer loyalty programme, known as Plussa. There are over 2.2 million Plussa cards in 1.2 million households, which means that it covers 56% of all Finnish households. The Plussa programme has strengthened the cardholders' customer loyalty and enhanced the stores' cost efficiency. In 1999, the value of Plussa points given to customers totalled EUR 55.4 million. Future development will focus on the card's payment properties. In co-operation with the OKOBANK Group, Kesko will offer an interest-bearing advance payment account which will be linkable to the Plussa cards by the autumn of 2000. The purpose is to offer better customer service and to facilitate shopping in the stores of the K-Alliance. The interest paid on the funds in the Plussa accounts will be higher than that paid on normal current accounts.

ONLINE TRADING Kesko is keenly following the development of online trading. A portal service, www.k-netti.com, giving access to all of the K-Alliance's Internet services, was opened on 9 May 1999. The portal was complemented on 14 November 1999 by Finland's most versatile online department store at www.netanttila.com.

It is forecast that e-commerce will account for an increasing percentage of trade, and that in the grocery trade, for example, it will grow to a few percent within the next few years. The growth potential will materialise most rapidly in business-to-business trading, where e-commerce has been part of normal operations for a long time. Sales to consumers are undergoing a development phase to refine the most appropriate techniques and services.

PROFIT DIVISIONS IN BRIEF

THE FOODSTUFFS DIVISION'S net sales amounted to EUR 3,257 million and the operating profit was EUR 65 million. The growth of 4.1% in net sales fell a little short of target, but corresponded to the average development in the sector. The operating profit decreased on the previous year and did not quite meet the expectations. The drop resulted mainly from faster-than-expected development of the store network and initial costs of new store sites and premises. The Division's return on capital employed was 12% (13%). Investments amounted to EUR 103 million. For more information on the Foodstuffs Division, see pages 12-15.

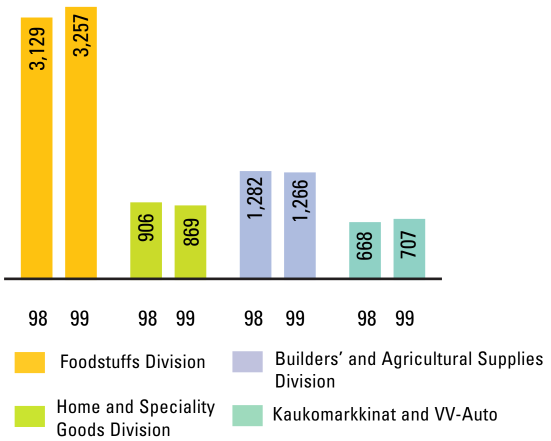
THE HOME AND SPECIALITY GOODS DIVISION'S net sales amounted to EUR 869 million and the operating loss was EUR 8 million. The decrease in net sales was 4.1%, which was contrary to expectations. The clear drop in operating profit was due to weak sales development and structural rearrangements within the Division. The operating profit in 1998 amounted to EUR 3 million. The Division's return on capital employed was -2% (1%). Investments totalled EUR 13 million. For more information on the Home and Speciality Goods Division, see pages 16-19.

THE BUILDERS' AND AGRICULTURAL SUPPLIES DIVISION'S net sales totalled EUR 1,266 million and the operating profit amounted to EUR 18 million. The drop of 1.3% in net sales resulted mainly from the poor grain harvest in 1998 and 1999, which decreased grain sales and affected other agricultural trade. The operating profit improved clearly over the previous year. The Division's return on capital employed increased to 8% (4%). Its investments amounted to EUR 20 million and mainly included store sites. For more information on the Builders' and Agricultural Supplies Division, see pages 20-23.

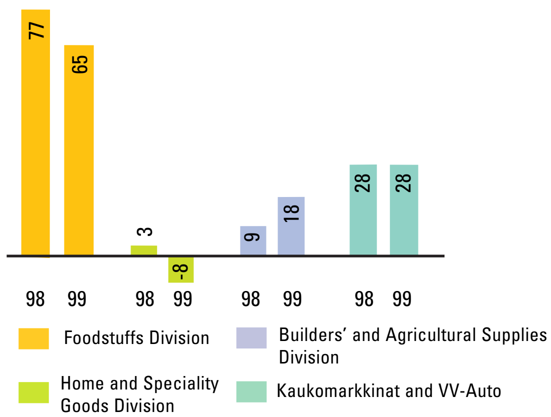
THE KAUKOMARKKINAT GROUP'S net sales amounted to EUR 268 million, a decrease of 3.2%. The total sales, which also included the value of the deals made on agency basis, were EUR 386 million, which represented a growth of 3.1%, which was mainly attributable to increased exports to China. Domestic sales accounted for 65.1% of the total sales. The Group's operating profit was EUR 11 million (EUR 13 million). For more information on Kaukomarkkinat, see pages 24-25.

THE VV-AUTO GROUP'S net sales totalled EUR 439 million, an increase of 12.2%. The operating profit was EUR 21 million (EUR 19 million). The market share of cars imported by the VV-Auto Group was 14.1%, a growth of 1 percentage point. The sales of Volkswagen cars developed well at the beginning of the year, in particular. In commercial vehicles, Volkswagen continued to be ranked second with a market share of 19%. For more information on the VV-Auto Group, see pages 24-25.

NET SALES BY PROFIT DIVISION, EUR MILLION 1.1.-31.12.



OPERATING PROFIT BY PROFIT DIVISION, EUR MILLION 1.1.-31.12.



FOODSTUFFS DIVISION

The Foodstuffs Division offers and develops retail and fast food operating systems based on private enterprise, and acts as a wholesaler in Finland and neighbouring areas. Kesko aims at being the best and highest-quality marketing company of food and other groceries in Finland. Efficiency is based on the good management and comprehensive development of the operations chain. The Division is responsible for the development of the K-grocery store network and retailer resources.

The net sales of the Division totalled EUR 3,257 million and the operating profit EUR 65 million. Although the growth of 4.1% in net sales fell a little short of target, it corresponded to the average growth in the sector and resulted from sales in entirely new product lines, the concentration of customers' purchases and the lively trading during the Christmas season. The operating profit decreased on the previous year and did not quite meet the expectations. The drop resulted mainly from faster-than-expected development of the store network and initial costs of new store sites and premises.

The Division's return on capital employed was 12% (13%). The main reason for the decrease was extensive investments in renovating retail outlets. Investments amounted to EUR 103 million. Among the Division's chain units, the sales of the Citymarket Chain Unit and the Superstore Chain Unit developed best. The transfer of fast food outlets to franchisee-entrepreneurs decreased the sales by Carrols Oy.

OPERATING ENVIRONMENT AND THE FUTURE

The operating environment of grocery trading has undergone great changes. The enlargement of the European Union and unrestricted movement of merchandise and services have changed growth and marketing area strategies in the trading sector. The number of company acquisitions reached a new high in 1999. The competitiveness of enterprises and chains depends not only on size, but



also on proper strategies, the continuous development of concepts, efficiency of business operations and consequent customer loyalty.

In 1999, the value of the Finnish grocery market was about EUR 17.8 billion, representing an increase of about 3%. The value of the retailing sector was about EUR 9.8 billion, a growth of 2.9%. 1999 was the second best year of growth during the whole decade, but month-to-month variations in consumer demand were considerable. The growth can be attributed almost solely to new product categories and merchandise. The products Kesko sells are more processed than ever before. At the beginning of the 1990's, Kesko's wholesale selection consisted of 9,000 stock-keeping units (SKUs), and by the end of the decade the number had increased to about 13,000. The product selections of the various K-chains have also grown considerably.

The role of large outlets will strengthen further. Hypermarkets and department stores already account for over 30 percent of the grocery market. Correspondingly, the market share of neighbourhood stores will continue to diminish. In 1999, 15 large grocery outlets were constructed in Finland (with a total area of over 2,000 m^2), 5 of which operate in the K-Alliance chains. A majority of these are situated in the growing areas of the country. Investments in new stores will continue in the near future. Kesko is aiming for its store network to cover the whole of Finland and consist of large outlets, neighbourhood stores and new store types for city centres.

Customers are nowadays more demanding as to both price and quality. The quality and safety of food, ethical questions and environmental issues all affect future success. On-line trading may offer opportunities of combining the advantages of a neighbourhood store with an extensive, high-quality selection. New product categories, such as wine and over-the-counter medicines, must also be taken into account when developing new store concepts.

By developing its logistical operating systems and working in co-operation with suppliers, Kesko aims to combine goods flows to retail stores and increase the efficiency of their replenishment systems. The recycling and return logistical systems built through co-operation have proved financially advantageous. The role of distribution centres is changing and they are starting to resemble terminals. Traditional order-picking in warehouses will be reduced with the exception of slow-moving imported products.

In the grocery trade, Kesko is seeking growth in Estonia. A logistical centre of about 10,000-12,000 m^2 will be built in Tallinn. The network of cash-and-carry outlets will also be expanded. Kesko aims at building a network of cash-and-carry outlets and stores throughout Estonia to serve local retailers and catering and consumer customers. Kesko has been operating in the Estonian market since 1994. Overall, Kesko is aiming at a 25% share of the approximately EUR 0.7 billion grocery market in Estonia. Kesko is also currently investigating entry to the Latvian and Lithuanian grocery markets.

BRANDS The K-grocery store chains have the best-known brands in the Finnish trading sector. The total product offering of the Rimi, K-extra, K-neighbourhood store, K-supermarket, K-superstore and Citymarket chains caters for various customer groups and different areas of the country. Carrols Oy's chain concepts include Carrols, Pan Pizza Express, Deli Express and the Drop - Coffee Shop. In addition, distinct subconcepts in terms of selection, display and operating methods have been developed. They include CM-Kotikeittiö meal solutions and Citymarket Oy's Fujitsu home computers.

Kesko's own brands are well-known throughout Finland. The most important of them is Pirkka, whose recognition level in Finland is nearly 100 percent. The Pirkka range, which now includes about 650 products, has a very positive price/quality image. Other Kesko brands include Rico and Star+ fruit and vegetables, Diva, Costarica and Euro Shopper. House brands already account for some 17 percent of the sales of K-chains, and the proportion keeps growing. The sales of house brands totalled EUR 272 million. The Menu brand for catering customers is undergoing strong development in co-operation with customers and suppliers.

FOODSTUFFS DIVISION

DEVELOPMENT OF STORE NETWORK During the year, new Citymarket hypermarkets were completed in the Jumbo shopping centre in Vantaa, in Riihimäki and in Joensuu. Major extensions were carried out to the Citymarkets in Turku, Rovaniemi, Järvenpää and Kotka. New K-superstores were opened in Pieksämäki, Espoo, Pudasjärvi, Vantaa and Ylöjärvi. Major extensions were made in the K-superstores in Vammala, Jämsä and Huittinen. The K-superstore in Joensuu was closed down and the K-superstore in Järvenpää was changed into a K-supermarket. During the first part of the year 2000, the grocery departments of the Anttila department stores will be reorganised as follows - 13 departments will be joined to the K-superstore chain, 4 to the K-supermarket chain and 3 to the Rimi chain.

17 new K-stores were opened to improve neighbourhood services. More new and renovated K-supermarkets were opened than in previous years. K-extra stores with long opening hours were opened in the major cities. The expansion of the Rimi chain accelerated, whereas 68 neighbourhood stores were closed down.

Carrols expanded vigorously in Finland, opening 17 new Carrols hamburger restaurants. At the end of the year, there were 65 of them in Finland, 4 in Tallinn and 5 in St. Petersburg.

ORGANISATIONAL CHANGES K-Cash & Carry Ltd was renamed Kespro Ltd, and Kespro Ltd and HoReCa Wholesale were reorganised into one unit, called Kespro. The purchasing operations of Kespro were transferred to the purchasing units of Kesko. Two regional sales units were established for the HoReCa delivery business. In November, the activities of Kesko Export Ltd were merged with those of Kespro Ltd, and the ZAO Kesfood company in Moscow was wound up at the beginning of 2000.

On 1 January 2000, the purchasing of non-food items for grocery chains was transferred from the Home and Speciality Goods Division to the Citymarket Chain Unit. The purchasing units of home goods and hobby items were transferred to the Citymarket Chain Unit and new purchasing units for shoes, clothing and leisure goods were established. Citymarkets account for the majority of the sales volume of home and speciality goods in the Foodstuffs Division.

FOODSTUFFS DIVISON	Net sales, EUR million	Change, %
Neighbourhood Chain Unit	1,096	1.8
Superstore Chain Unit	554	11.5
Citymarket Chain Unit	438	6.8
Citymarket Oy	339	11.5
Kespro	762	0.5
Carrols Group	36	-7.7
Other subsidiaries	92	-19.0
./. Group internal sales	-60	
Total	3,257	4.1

On 1 January 2000, K-Plus Oy and K-Luotto Oy were separated from the Foodstuffs Division and reorganised directly under the Deputy Chief Executive.

DEVELOPMENT OF BUSINESS UNITS The division has three chain units serving the retail trade: the Neighbourhood Chain Unit, the Superstore Chain Unit and the Citymarket Chain Unit. The K-stores operating outside the chains, as well as other wholesale customers, are served by Kespro Ltd.

THE NEIGHBOURHOOD CHAIN UNIT operates as the chain organisation and wholesaler for over 1,000 K-supermarkets, K-neighbourhood stores, K-extra stores and Rimi stores. The net sales of the Neighbourhood Chain Unit amounted to EUR 1,096 million, an increase of 1.8%. Taking into account the constant decrease in overall demand for services near consumers, the growth can be considered satisfactory. Efficiency in the operations of the Neighbourhood Chain Unit improved by centralising sales and marketing in Helsinki. Demand for services near consumers is expected to diminish further in 2000. According to estimates, both Rimi and K-extra stores have maintained their retail market shares, while the shares of K-neighbourhood stores and K-supermarkets have decreased.

THE SUPERSTORE CHAIN UNIT operates as the chain organisation and wholesaler of 88 K-superstores. The net sales of the Superstore Chain Unit were EUR 554 million, an increase of 11.5%, which exceeded expectations. The network was enhanced and stores were renovated extensively. The K-superstores shifted their focus more to food and increased the proportion of fresh foods. Efficient category management contributed to larger selections. Sales of fresh foods and groceries increased the most. Sales of non-food products decreased mainly due to the drop in clothing sales. Customer loyalty marketing increased.

The market share of K-superstores is estimated to have increased last year.

THE CITYMARKET CHAIN UNIT operates as the chain organisation and wholesaler for the grocery trade carried out by 39 Citymarket hypermarkets. The net sales of the unit amounted to EUR 438 million, an increase of 6.8%. The Citymarket concept has been actively developed for the past two years. The aim is easy shopping with the help of clear, comprehensive product categories. The centralisation of the purchasing of non-foods for grocery

store chains in the Citymarket Chain Unit aims at more efficiently guiding goods flows and achieving lower cost levels. The market share of Citymarkets in grocery retailing is estimated to have decreased last year.

CITYMARKET OY is responsible for the non-food trade in 38 Citymarket hypermarkets. The net sales amounted to EUR 339 million, an increase of 11.5%. Citymarket Oy focused on renovations and extensions of existing hypermarkets and increasing their number. The concepts of the major departments were extensively developed and the impact on sales was positive. The development of the Citymarket brand was one of the emphases in 1999. The process is expected to further strengthen the best-known Finnish retail chain brand.

KESPRO is responsible for selling groceries to catering customers in Finland, the Baltic countries and Russia. Other customers include service stations, kiosks, bakeries and industry. The net sales amounted to EUR 762 million, an increase of 0.5%. Deliveries to customers were up to expectations, but cash-and-carry outlets fell short of their targets. Sales of fresh foods and alcohol developed well. The emphasis will continue to be on increasing sales of fresh foods. The market position in key areas remained strong despite the modest growth in the net sales.

CARROLS OY produces and develops fast food and HMR (Home Meal Replacement) service concepts. The net sales amounted to EUR 36 million, a decrease of 7.7%. This was due to the rapid transfer to franchising. The net sales of the Carrols chain increased by 18%. In two years, the market share of Carrols on the hamburger market has grown from 19% to the present approximately 25%.

At the end of 1999, a total of 35 Carrols hamburger restaurants were franchisee-run. The transfer of restaurants has proceeded faster than expected and the sales of entrepreneur-run outlets already account for over a half of the total sales of the chain.

The importance of food service solution concepts in grocery retailing will also increase. Carrols Oy has developed the Deli fast food outlets. At the end of the year, there were two retailer-run Deli outlets. After the pilot phase, the new Drop - Coffee Shop chain will be expanded to the major Finnish cities, where they will be run by private entrepreneurs.

Vice President Harri Sivula, Foodstuffs Division

PURCHASING AND LOGISTICS OF FOODSTUFFS Purchases of retail and catering products have been centralised into three units: Fresh Foods, Groceries and Kesko Fruit and Vegetables. Kesko Fruit and Vegetables is responsible for the sale of fruit and vegetables to all customers.

The quality control developed by Kesko Fruit and Vegetables has become a clear competitive asset. Innovations in packaging, carefully selected suppliers and service packages arising from the needs of various customer groups increased customer satisfaction. The products supplied by Kesko Fruit and Vegetables strengthened much their market position, and the volume grew by over 8%.

Kesko works in close co-operation with European AMS (Associated Marketing Services) partners, and the number of Euro Shopper products has increased to over 100. Joint purchasing will extend to cover other house brands, too. Kesko has long traditions of co-operation in imports with Sweden's ICA and Norway's Hakon with emphasis on imports from outside Europe. An important part of joint Scandinavian purchasing consists of Diva and Rico products. The process of informing suppliers in the import trade about the control system for ethical quality based on the SA 8000 certification was started.

HOME AND SPECIALITY GOODS DIVISION

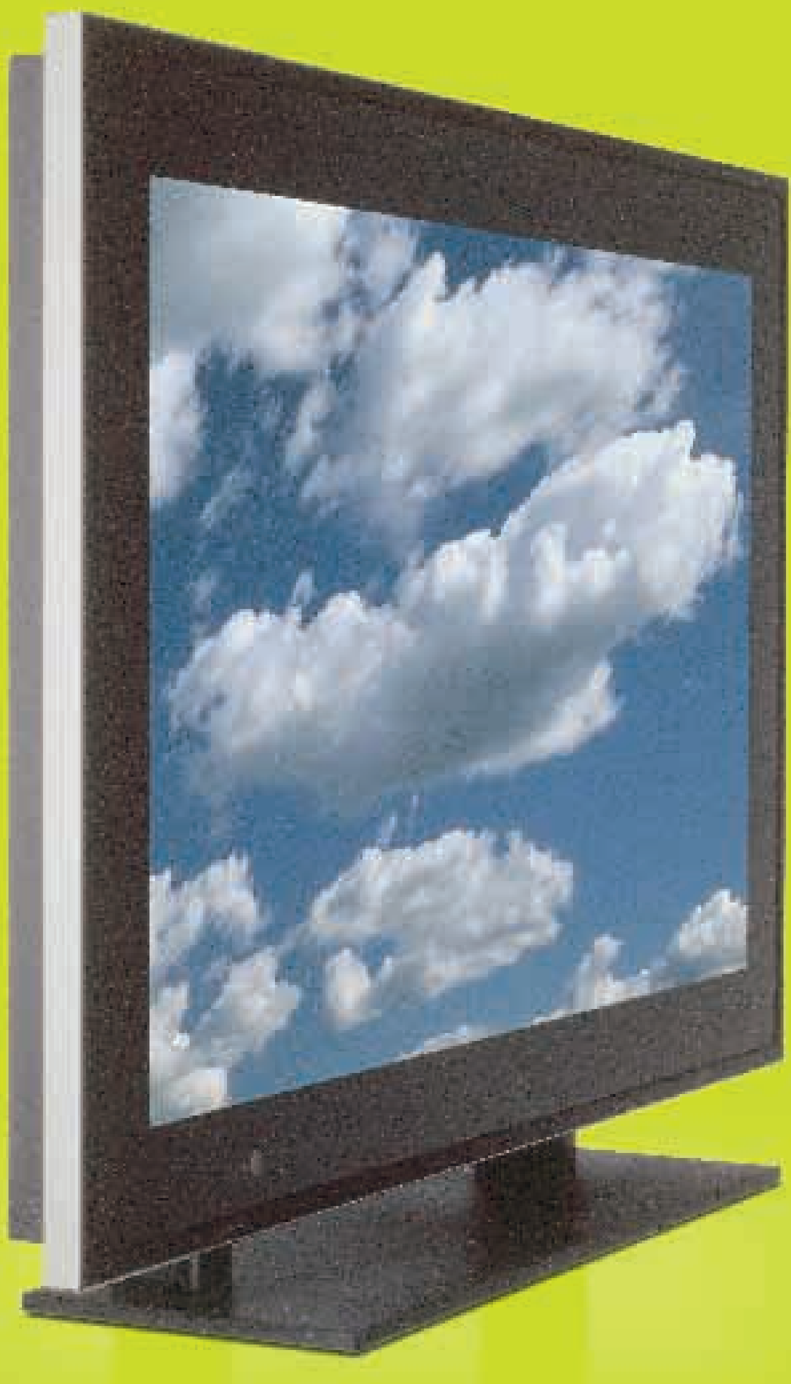
The Home and Speciality Goods Division is responsible for controlling the speciality goods retail chains, developing the store network, purchasing goods, carrying out logistical functions and chain marketing. The Division's product lines are home technology, sports goods, shoes, clothes, home goods and interior decoration items. Its biggest unit is Anttila Oy.

The net sales of the Division amounted to EUR 869 million and the operating loss was EUR 8 million. The decrease in net sales was 4.1%, which was contrary to expectations. The clear drop in operating profit was due to weak sales development and structural rearrangements within the Division, which also generated EUR 12 million in expenses included in the result. The operating profit in 1998 totalled EUR 3 million.

The Division's return on capital employed was -2% (1%). Investments totalled EUR 13 million.

OPERATING ENVIRONMENT AND THE FUTURE The home and speciality goods trade developed more slowly than expected in Finland despite the strengthening of consumer purchasing power. This phenomenon was true for the clothing and shoes trade, home technology and sports goods. However, sales of home goods and interior decoration items developed more favourably.

The radical changes in the operating environment of the home and speciality goods trade continued. The invasion of foreign chain operators into the Finnish market, which started from the clothes trade, has spread to other product lines, too. Swedish chains in particular see Finland as an attractive area for expansion. Within the next few years, competition in the home technology trade will be strongly affected by outlets with large product selections and floor area, as well as by new chain operators. In the sports goods and shoe trade, too, competition has become keener, but changes are likely to remain smaller than in the home technology sector.



The size of home and speciality goods outlets continues to increase, with the most intensive growth taking place in the home technology and sports goods trade. New home and speciality goods stores have increasingly been opened outside town centres at traffic junctions. The number of stores operated by well-known international brand owners is also increasing. Rents have gone up markedly at the best business locations in town centres, and the demand for business premises is constantly bigger than the supply.

Electronic trading is on the increase. But the share of trading on the Internet is still very small in relation to the total market. On-line trading is being developed by Kesko in an intensive manner. The most versatile on-line department store at www.netanttila.com was opened in November 1999.

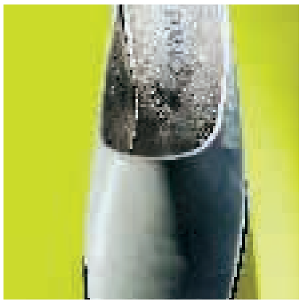
BRANDS Anttila will concentrate on the speciality goods trade with four concepts – the Anttila department stores, the Anttila Kodin Ykkönen department stores specialising in home goods and interior decoration, the Anttila mail order sales and the latest development, www.netanttila.com, which is the largest and most versatile on-line department store in Finland.

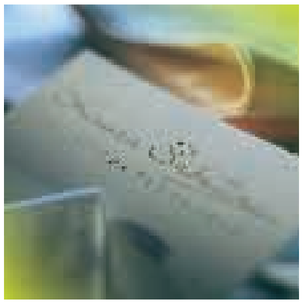
The store types for the sports goods trade are being developed in co-operation with Intersport International. The store types include large Intersport Megastores, middle-sized Intersport stores and smaller Kesport stores. The K-Alliance is the leading seller of sports goods in Finland.

Kesko's clothes trade will be centralised in the Anttila, Citymarket and Intersport chains. In the shoe trade, Kesko's store types include K-kenkä and Andiamo. Two Andiamo shoe stores – one opened in August in Turku and the other in October at the new Jumbo shopping centre in Vantaa – are pilot stores for the new Andiamo shoe store concept.

The Musta Pörssi chain of home technology stores celebrated its 20th anniversary in the year under review and organised a special marketing campaign. The chain strengthened its position as Finland's best known home technology chain. Musta Pörssi challenged the stiffening competition by introducing a new store type called Musta Pörssi Maailma with a wide selection and floor area.

DEVELOPMENT OF STORE NETWORK The biggest project was the Jumbo shopping centre in Vantaa, housing an Anttila department store, and Aleksi 13, Intersport Megastore, Musta Pörssi, Andiamo and K-kenkä stores. In April, the first Intersport





Megastore in Finland was opened in Helsinki and the first Musta Pörssi Maailma in Espoo. The fifth Anttila Kodin Ykkönen opened in October in Helsinki. In November, an Anttila department store was opened in Kotka. The department stores of Iisalmi and Rauma were closed down in February 2000.

During the year, 16 K-home and speciality goods stores were opened and 34 were closed down, most of which were small rural outlets.

In the home and speciality goods trade within the next few years, Kesko will focus its heaviest investments on developing those store types with the biggest floor areas, including Anttila Kodin Ykkönen, Intersport Megastore and Musta Pörssi Maailma. The main targets in 2000 are the Anttila Kodin Ykkönen department stores in Jyväskylä and Tampere.

ORGANISATIONAL CHANGES In September, Kesko reviewed its strategy for the clothing trade and decided to relinquish its clothing store chains. Kesko will withdraw from the operations of the retailer-owned Vaatehuone fashionwear store chain on 31 July 2000. Earlier in the summer of 1999, Kesko decided that it will withdraw from the chain operations of Nicky&Nelly stores for children's wear. In addition, Kesko sold its shares in Aleksi 13 Oy and the Vaatehuone emblem to L-Fashion Group Oy for the benefit of a company to be founded. A preagreement was made in December 1999 and the deal was completed in February 2000. The buyer also got the proprietary rights to 20 Vaatehuone premises. The business operations of Aleksi 13 in Sweden were discontinued. Aleksi 13 Oy and the Vaatehuone and Nicky&Nelly chains were responsible for around one fifth of the clothing retail sales of the K-Alliance.

Aleksi 13 Oy operates nine department stores for clothing and three separate stores specialising in shoes and bags. The net sales of the company amounted to EUR 39 million. The retail sales of the Vaatehuone chain totalled EUR 62 million.

In accordance with the decision made in October, Anttila will concentrate on the speciality goods trade. The Ruoka-Anttila grocery departments will be reorganised in the K-superstore, K-supermarket and Rimi chains during the first half of 2000.

It was decided that as of the beginning of 2000, Kesko Leisure Goods will be divided into two separate chain units - Kesko Sports and Kesko Home Technology.

As of 1 January 2000, the purchasing of home and speciality goods will be carried out by the chains, and the operations of the centralised purchasing units were decentralised to the chain units. The aim is to enhance competitiveness and to improve the efficiency of operations.

In December, the shares of Tremont Oy, a company wholesaling home and speciality goods to customers outside the K-chains, were sold to Kaukomarkkinat Oy.

As of 1 February 2000, Jukka Hienonen, M.Sc. (Econ.) was nominated as Vice President, Home and Speciality Goods Division.

HOME AND SPECIALITY GOODS DIVISION	Net sales, EUR million	Change, %
Kesko Clothing & Shoes	86	-11.8
Kesko Leisure Goods	204	0.7
Anttila Chain Unit	104	79.7
Anttila Group	444	-14.6
Aleksi 13 Oy	39	9.0
Other subsidiaries	33	55.0
./. Group internal sales	-41	
Total	869	-4.1

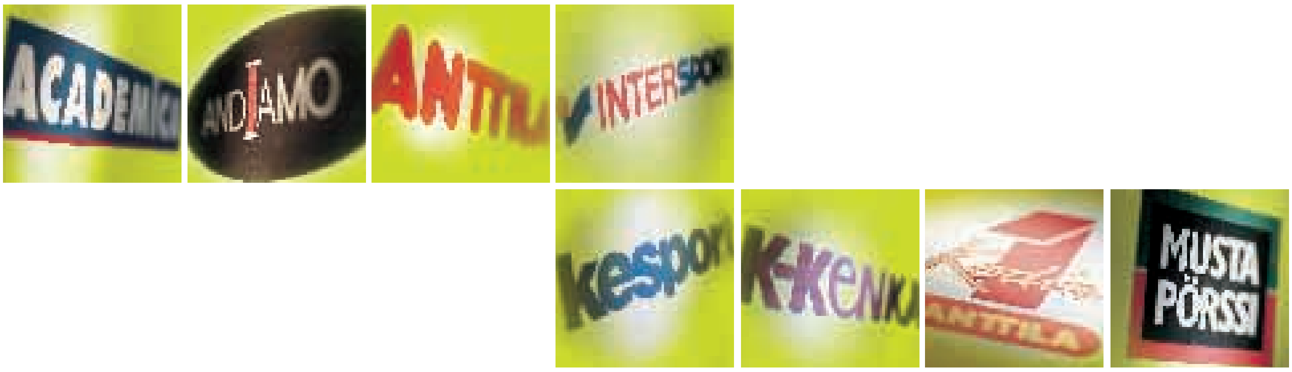
DEVELOPMENT OF BUSINESS UNITS In 1999, the Division had three departments serving retail operations - Kesko Clothing & Shoes, Kesko Leisure Goods and the Anttila Chain Unit. The reorganisations effected at the beginning of 2000 have been specified above.

KESKO CLOTHING & SHOES was responsible for the sales of clothing and shoes to 33 Andiamo shoe stores, 78 K-kenkä shoe stores, 57 Vaatehuone fashionwear stores and 23 Nicky&Nelly stores for children's wear. The net sales totalled EUR 86 million, a decrease of 11.8%. Kesko Clothing & Shoes was also responsible for purchasing products in its line for other K-Alliance chains.

The general development in shoe and clothes retailing was once again below the overall growth of the retail sector. During 2000, the retail trade of shoes is estimated to increase by 2-3%.

KESKO LEISURE GOODS was responsible for selling sports equipment and sportswear and home technology to 86 specialised Kesport-Intersport stores and to 71 Musta Pörssi stores. The net sales amounted to EUR 204 million, a growth of 0.7%. The sales growth of product lines remained smaller than expected, which was true for the whole branch. Kesko Leisure Goods was also responsible for purchasing products in its line for other K-Alliance chains. Sales by Kesko to the Kesport-Intersport chain amounted to EUR 101.1 million and to the Musta Pörssi chain to EUR 95.9 million.

The growth of sales of sports equipment from specialised stores, which had continued for a long time, slowed down during the year under review. The sales of sportswear and sports



shoes in particular developed more slowly than before. Also for home technology sales, 1999 was a year of weak performance with no growth recorded by retail or wholesale sales over the previous year. It is estimated that the sales of home technology and sports goods will increase by 2-3% in 2000.

ANTTILA CHAIN UNIT AND ANTTILA OY were jointly responsible for the home and speciality goods trade of the Anttila chain. As of the beginning of 2000, all Anttila-related operations were centralised in Anttila Oy. The net sales of the Anttila Chain Unit amounted to EUR 104 million, an increase of 79.7%. The net sales of the Anttila Group totalled EUR 444 million, a decrease of 14.6%, which can be partly attributed to the rearrangement of the Ruoka-Anttila grocery departments still in progress. At the end of the year, there were over 20 retailer-owned Ruoka-Anttilas and 4 owned by Anttila Oy. The sales of the home and speciality goods of Anttila amounted to EUR 417 million, corresponding to the level of the previous year. The operating loss was EUR 2 million (EUR -1 million). The performance was weakened by poor sales development and the costs from the opening of new department stores, as well as structural changes. In addition, the result was burdened by the development and opening costs of an on-line store site.

The Anttila department stores are being transformed from general department stores to specialised ones, with the main focus on product lines related to fashion, home and leisure. The total number of department stores is 29. During the year 2000, a new Anttila Kodin Ykkönen department store specialising in home goods and interior decoration will be opened in Jyväskylä and the construction of another will start in Tampere.

Mail order sales in Latvia started better than expected. Part of the mail order sales in Estonia were lost to the fixed store network. In Finland, mail order sales are being developed by expanding the selection further and by offering more payment alternatives. Anttila is a frontrunner in on-line trading where it utilises the normal mail order logistics.

Vice President
Jukka Hienonen,
Home and Speciality
Goods Division
(as of 1 February 2000)

BUILDERS' AND AGRICULTURAL SUPPLIES DIVISION

The Builders' and Agricultural Supplies Division purchases, sells and delivers goods and services in this field and develops retail store concepts for the product lines concerned. In addition to the Finnish market, the Division operates in Sweden, Estonia, Russia and Latvia.

The Division's net sales totalled EUR 1,266 million and the operating profit was EUR 18 million. The drop of 1.3% in net sales resulted mainly from the poor grain harvest in 1998 and 1999, which decreased grain sales and affected other agricultural trade. The operating profit improved clearly over the previous year.

The Division's return on capital employed also increased and was 8% (4%). Its investments amounted to EUR 20 million and mainly included store sites.

The trade in hardware and builders' supplies and recreational machinery recorded the best growth in the Division's line of business. The sale of the Rautia retail operations to independent retailers was completed. The business operations in Sweden were expanded by opening new K-rauta stores in Västerås and Linköping, and by extending and renovating the store in Sickla, Stockholm.

OPERATING ENVIRONMENT AND THE FUTURE

According to the statistics of the Rauta- ja sisustuskauppa (Hardware and Interior Decoration) Association, the overall market demand for hardware and builders' supplies decreased by 0.5% in 1999. The volume of new construction started in the first part of the year was lower than in the previous year, and although new construction increased towards the end of the year, the total demand did not meet expectations. In addition, the prices of building materials remained at the level of 1998, which also affected demand.

Purchasing power is forecast to develop favourably in 2000. The housing business continues to be lively, and repair and renovation operations will increase. The concentration of activities in population centres has resulted in a shortage of skilled labour, which may form a bottleneck in further development. According to estimates made together with the Technical Research Centre of Finland, new construction and renovation activities will grow by 5% in 2000.

In 1999, agricultural investments were focused more on dairy farming, while investments in buildings and equipment for pig raising decreased. As a whole, the sales of machinery and buildings for animal husbandry rose by about 10%.

Due to the Agenda 2000 decision made by the European Union, the operating environment is now steadier in the agricultural business. The trade in grain, animal feed and chemicals is expected to continue at the previous year's level at least. As strong structural changes will continue in the agricultural sector, the investments in construction will remain high. Sales of agricultural machines are expected to slightly decrease in 2000.

The overall market for investment machines is estimated to remain at the 1999 level.

The market for recreational machinery and garden products is expected to expand by 6-8% in 2000.

In Finland, the Builders' and Agricultural Supplies Division operates in different market sectors, with different operating environments and trading conditions. In the hardware market, the trend today is to establish new stores in the population centres, but in other sectors the type of store network will largely remain unchanged. The number of agricultural stores will decrease, with the major outlets continuing operations.

Kesko currently has 6 K-rauta stores operating in Sweden, and 3 new stores will be opened in 2000. Its objective is a network of 25 K-rauta outlets, which will be reached by opening mainly Kesko-run new stores. In Estonia, Kesko Eesti A/S /Agro obtained a strong position in the agricultural trade during its first year of operations. SIA Kesko Agro Latvia started operations in Riga in November 1999. The first store that offers agricultural products and machines on a full service principle will be opened in the first part of 2000. Kesthom Oy/ZAO Kestroy operates a wholesale outlet in Moscow for hardware and builders' supplies. The target is to increase the share of foreign business to over 10% of the Division's net sales in about five years.

BRANDS In the hardware business, Kesko has two business concepts - K-rauta and Rautia. The new K-rauta2000 stores are larger than the ordinary K-rauta stores. The new concept is based on customer-oriented category management. Customers can find products belonging to the same category in a single store area determined for them. Special attention has been paid to the in-store signs. All the K-rauta stores will be converted to the new format within the next few years. The Rautia stores operate in line with the basic hardware concept. The K-rauta stores operating in Sweden have already reached a good level of visibility in the market.

The brands of Kesko Agriculture and Machinery include K-Agriculture, Kesko Machinery and Kesmotors. K-Agriculture is a store format for agricultural products. Kesko Machinery is responsible for the sale and after-sales of investment machines. Kesmotors is a store format specialising in recreational machinery.

DEVELOPMENT OF STORE NETWORK New K-rauta stores operating in line with the K-rauta2000 concept were opened in Turku and Kotka. Extensions were made to the K-rauta stores in Kuopio and Imatra, the Rautia store in Tampere, and the K-rauta and K-maatalous store in Forssa. In 2000, new K-rauta2000 stores will be opened in Vantaa, Lappeenranta, Oulu and Seinäjoki. In addition, several K-rauta stores will be extended and converted to the K-rauta2000 concept.

New K-rauta2000 stores were opened in Västerås and Linköping in Sweden. The store in Sickla, Stockholm was extended and refurbished.

A speciality store for boats and light machinery was extended and opened in March in Vantaa. The store operating under the

Kesmotors Center marketing name is one of the biggest in Europe in this field. In addition, the Kesmotors stores in Joensuu and Kempele were moved to new premises.

ORGANISATIONAL CHANGES On 1 January 2000, the name of the K-Agriculture unit was changed to Kesko Agriculture. At the same time, the trade in tractors and combine harvesters, and the after-sales operations for agricultural machinery were transferred to this unit. Kesko Agriculture is responsible for all the business related to agricultural production.

The name of the Kesmotors/Kotipiha unit was changed to Recreational Machinery and Garden, starting from 1 January 2000.

DEVELOPMENT OF BUSINESS UNITS The Builders' and Agricultural Supplies Division is formed of Kesko Hardware and Builders' Supplies, Kesko Agriculture and Machinery, Industrial and Constructor Sales, and their supporting units, and the subsidiaries operating under the Division's management.

KESKO HARDWARE AND BUILDERS' SUPPLIES purchases, sells and delivers hardware and builders' supplies to all of the K-Alliance's store chains and to Industrial and Constructor Sales. It acts as the chain unit for the 125 K-rauta and the 104 Rautia stores. Its net sales amounted to EUR 502 million, a growth of 4.3%. The rate of increase in sales to the K-rauta and Rautia chains exceeded the average development in the market.

Kesko Hardware and Builders' Supplies improved its operations by launching a new store format, K-rauta2000, and by strengthening its purchasing activities. At the beginning of 1999, Kesko acquired the share capital of Norrwell Oy, an importer of wallpapers, and thus strengthened its position in this business. An import contract was signed on the products of Marazzi, one of the biggest tile manufacturers in the world, and a contract was also signed in the tool sector to import Mitsubishi generators. In addition, Kesko Hardware and Builders' Supplies is an importer of the Power air compressors, which are the leading make in the Finnish market. Kesko's own label bathroom products, Gent, increased their market share.

The overall retail trade in hardware and builders' supplies increased by about 5%. As the sales of the K-rauta and the Rautia chains exceeded this growth, their market shares expanded slightly.

BUILDERS' AND AGRICULTURAL SUPPLIES DIVISION	Net sales, EUR million	Change, %
Kesko Hardware and Builders' Supplies	502	4.3
Industrial and Constructor Sales	178	-6.9
Kesko Svenska AB/K-rauta	23	103.3
Kesko Agriculture and Machinery	542	-5.2
K-maatalousyhtiöt Oy	117	-7.3
Other subsidiaries	21	-52.9
./. Group internal sales	-117	
Total	1,266	-1.3

INDUSTRIAL AND CONSTRUCTOR SALES is responsible for the wholesaling of hardware and builders' supplies to professional customers in the building sector, to the building industry, and to municipalities and institutions. It is also responsible for exports to Russia and wholesale customers in the Baltic countries, as well as for the operations of Kesthom Oy/ZAO Kestroy in Russia. Its net sales amounted to EUR 178 million, a decrease of 6.9%. Sales to building firms and contractors increased, whereas sales to industrial and wholesale customers dropped.

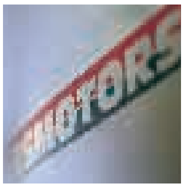
In autumn 1999, Industrial and Constructor Sales redefined its business policy. It will increasingly concentrate on the production of logistical services for professional customers in the building sector. The most important projects started include electronic network services and warehouse terminal operations. A warehouse terminal with showrooms operating in line with the new policy was opened in Helsinki in February 2000.

KESKO AGRICULTURE AND MACHINERY is formed of three units: K-Agriculture, Kesko Machinery and Kesmotors/Kotipiha. Its net sales totalled EUR 542 million, a drop of 5.2%. In addition to decreased grain sales, this mainly resulted from the contracted markets for tractors and combine harvesters.

K-AGRICULTURE purchases, sells and delivers animal feed and chemicals, and agricultural implements and machines for animal husbandry. It also carries on trade in grain, and functions as the chain unit for the 112 K-agricultural stores. Business operations are supported by the K-Alliance's experimental farm Hahkiala in Hauho.

Sales of the products of K-Agriculture totalled EUR 375 million, a decrease of 7.6%, which was mainly attributable to the poor grain trade. Due to the small volumes of grain harvested in 1998 and 1999, the amount of grain received for sale was a quarter smaller than in the previous year. However, the quality of the grain harvested in 1999 was high.

The quality system of Kesko Agriculture's grain trade was cer-

tified in accordance with the ISO 9002 standard in April. This application of the quality management system includes grain purchases and sales, and the activities supporting the grain trade. The certification was carried out by Lloyd's Register Quality Assurance.

The overall agricultural market contracted by about 5%. Although the sales of the K-agricultural chain decreased, its market share remained at the previous level.

KESKO MACHINERY purchases, sells and delivers tractors, combine harvesters and dryers in co-operation with the K-agricultural retailers. The products sold by Kesko Machinery directly to end users include lorries, materials handling equipment, construction and environmental maintenance machines, and warehouse equipment.

Kesko Machinery's sales totalled EUR 142 million, an increase of 1%. The market for heavy lorries diminished by 5%, while the market share of MAN lorries expanded to 7%. The forklift truck market contracted by over 10%, while Kesko Machinery strengthened its position with the Daewoo counterweight trucks. The market for construction and environmental maintenance machines grew by over 3%, and Kesko Machinery improved its position, thanks to the new models launched.

Vice President Paavo Moilanen, Builders' and Agricultural Supplies Division

The sales of tractors dropped by almost 14% and those of combine harvesters by over a quarter. Kesko Machinery's share of the tractor market decreased, which mainly resulted from the financial problems experienced at Zetor and the temporary uncertainty arising from the merger of Case and New Holland. The share of the Claas combine harvesters sold in the Finnish market was over a third, and Claas was the clear market leader in the class of large combines.

KESMOTORS/KOTIPIHA purchases, sells and delivers light machinery, Yamaha outboard motors, Yamarin boats, boating equipment, garden products, flowers, fuels and lubricants. The major customers include the Kesmotors stores, the K-maatalous stores, the K-rauta and Rautia stores, and speciality stores for light machinery and boating equipment, and all of the K-Alliance's grocery stores and department stores for flowers and garden products. Two thirds of the Yamarin boats sold are exported.

The market position of Kesko and the K-Alliance remained steady. Sales of the products purchased by Kesmotors/Kotipiha totalled EUR 136 million, a growth of 5.4%.

K-MAATALOUSYHTIÖT OY carries on trade in agricultural products, light machines, boats and hardware products at 18 locations in Southern and Eastern Finland. The company's net sales amounted to EUR 117 million, a decrease of 7.3%. A quality system for the grain trade was certified in accordance with the ISO 9002 standard. In 1999, all of the company's offices and outlets started to use the Profix information system.

KAUKOMARKKINAT AND VV-AUTO

Kaukomarkkinat is the biggest and most diversified Finnish trading house operating on an international scale. It has over 20 subsidiaries or representative offices abroad. VV-Auto is the importer of Volkswagen, Audi and Seat cars and Volkswagen commercial vehicles manufactured by the Volkswagen Group.

KAUKOMARKKINAT

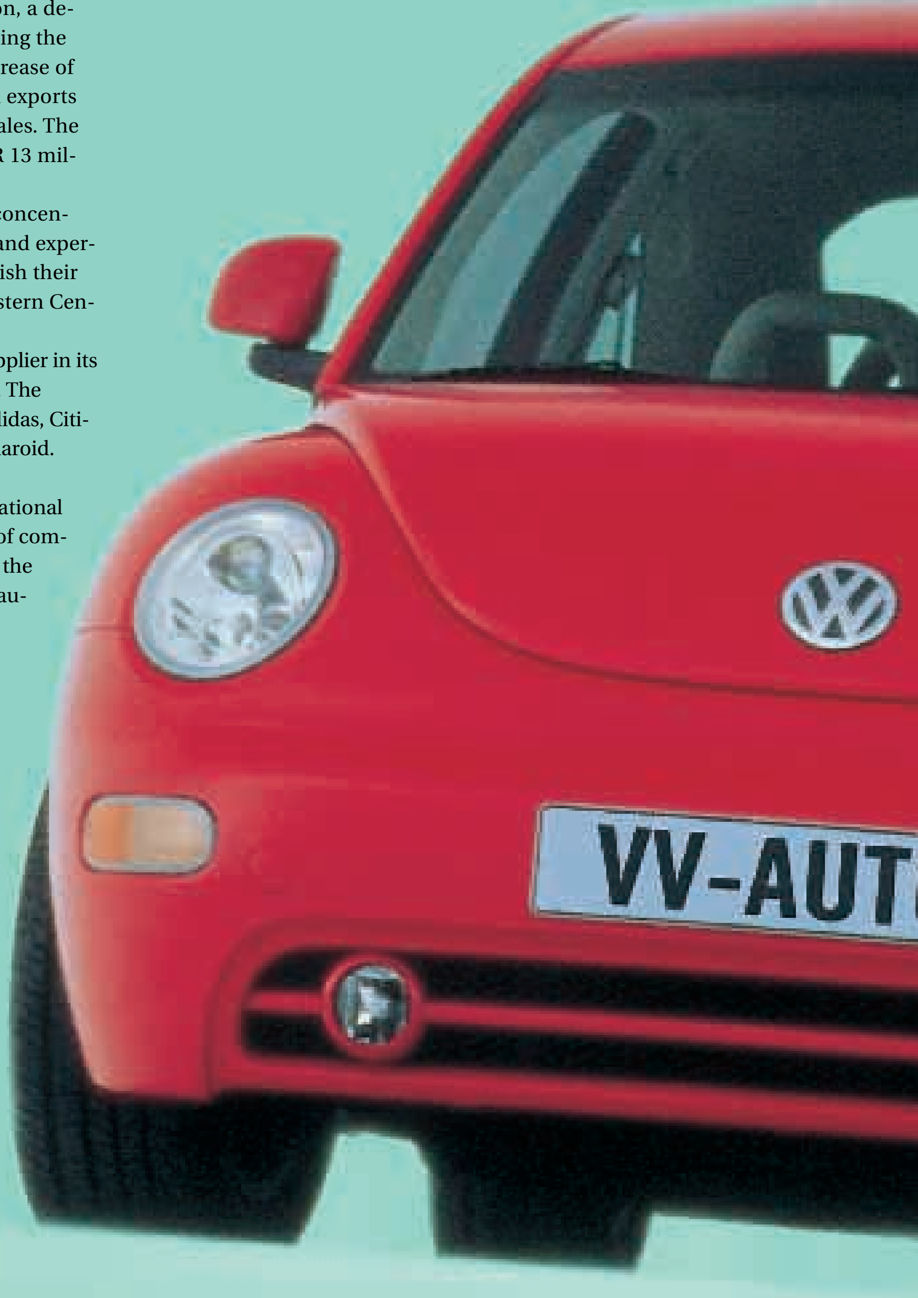
Kaukomarkkinat Group's net sales were EUR 268 million, a decrease of 3.2% on the previous year. Total sales, including the agency business, amounted to EUR 386 million, an increase of 3.1%. The growth can be attributed partly to the rise in exports to China. The domestic trade accounted for 65.1% of sales. The operating profit of the Group was EUR 11 million (EUR 13 million).

In international and export trade, Kaukomarkkinat concentrates on market areas which require local knowledge and expertise, and where manufacturers are not willing to establish their own sales companies. These include Russia, China, Eastern Central Europe and Africa.

In Finland, Kaukomarkkinat aims to be the leading supplier in its business areas and to serve all customers even-handedly. The brands Kaukomarkkinat represents in Finland include adidas, Citizen, Panasonic, Technics, Rodenstock, Silhouette and Polaroid.

KAUKO EAST-WEST TRADE DIVISION is in charge of international trade, exports, and imports of raw materials. The value of commission-based agency operations rose by 17%, whereas the value of business made in the name and at the risk of Kaukomarkkinat decreased by 10%. The emphasis was on exports of investment goods to China, exports of consumer goods to Russia and technical wholesaling in Poland. Changes in the operating environment in Russia complicated the trade of raw materials there.

BRANDED GOODS DIVISION engaged mainly in the wholesale trade of adidas and Citizen products. In eye optics, the main distribution channel is the Tähti Optikko chain. In the sports goods trade, adidas strengthened its position as the leader in the Finnish market. In autumn, Kaukomarkkinat and the principal established a joint venture, Adidas Suomi Oy, to deal with imports of adidas products. In watches, Citizen's market share in Finland is more than double that of its closest competitor. Kaukomarkkinat is also the representative of Citizen watches in Sweden. The sales of the Division's eye optics increased by 25%, which did not, however, quite meet the profit target. At the end of the year the chain comprised 113 retail outlets, of which 38 were owned by the Group.



PANASONIC DIVISION represents Panasonic and Technics brands in Finland. For the first time in six years, the sales of consumer electronics dropped in Finland. The sales of professional audio and video equipment and industrial electronics developed favourably. However, this was not sufficient to compensate for the decrease in the sales of consumer electronics, and the Division fell short of the target.

LEIPURIEN TUKKU DIVISION is the leading supplier of ingredients, machinery and equipment to Finnish bakers. The division has expanded its operations to the Baltic countries, Poland and St. Petersburg area, which are considered to offer significant potential for growth. The overall development was good.

FUTURE OUTLOOK Services are likely to account for an increasing proportion of consumers' expenditure. The outlook in international operations is good, as, for instance, the order-book for China is larger than last year. Estimates concerning the development of Russian trade are difficult to make. The Group's net sales and performance are expected to remain at the level of 1999. The average number of personnel in the Kaukomarkkinat Group was 779. The Group publishes its annual report in Finnish and English. The Managing Director is Kari Ansio.

VV-AUTO

The net sales of the VV-Auto Group totalled EUR 439 million, a rise of 12.2% compared with the previous year. The operating profit was EUR 21 million (EUR 19 million). VV-Auto Oy imports Volkswagen and Audi cars and Volkswagen commercial vehicles. Auto-Span Oy is responsible for importing and marketing Seat cars. In 1999, the Group supplied 22,906 vehicles .

PASSANGER CARS The total market for new cars grew by 8.4%. The total number of cars sold in Finland slightly exceeded 136,000. The market share of the brands imported by the VV-Auto Group was 14.1%, an increase of one percentage point on the previous year. The sales of Volkswagen cars developed well at the beginning of the year, in particular. This can be partly attributed to the revised Golf range and the success of the whole range in the growing diesel sector. The market share of Volkswagen reached 10.6%, whereas Audi's market share dropped to 1.1%. Towards the end of the year, the number of orders started to grow clearly. The adoption of a separate sales and service network for Seat was continued. Thanks to the new range, Seat increased its market share to 2.4%, representing a growth of 45%. The net sales of Auto-Span Oy were EUR 46 million.

COMMERCIAL VEHICLES The total market for new commercial vehicles grew by only 3.7%, which was partly due to revised technical regulations concerning small vans. Despite intensified competition, Volkswagen continued to be ranked second with a market share of 19%. Its most successful vehicles were minibuses, whose market share reached 59%.

AFTER-SALES OPERATIONS AND SALES NETWORK Thanks to increases in the repair shop capacity of authorised dealers and the number of relatively new cars, sales of spare parts and accessories were up by 14.2%. A new ordering system was introduced to support the standardisation of the manufacturer's stock management and logistics chain in Europe.

The sales network was further improved by investments made by authorised dealers in their premises, and by a separation of operations between Volkswagen and Audi in accordance with their concepts. There are now nine outlets designed according to these consepts, three of which were completed in 1999. The target is to expand this network to 12, located in the major towns. There are 63 authorised dealers and 37 authorised repair shops.

VOLKSWAGEN AG selected VV-Auto Oy as the Importer of the Year. Each year, Volkswagen awards one European importer. Here, the criteria were the long-term work for Volkswagen, and the store premises investments made by authorised dealers in accordance with brand concepts.

FUTURE OUTLOOK The car market is expected to continue to grow, although at a slower rate than in 1999. The Volkswagen Group's range will expand further. In investments, the focus will shift to increasing repair shop capacity. This will pave the way for sales growth and higher customer satisfaction.

The VV-Auto Group employed an average of 102 persons. The Managing Director of both companies is Erkki Sillantaka.

PERSONNEL

Kesko's goals are attainable only with a competent and motivated personnel. A management culture that values competence, co-operation and people is essential to achieve a leading position. Kesko wants to be the most attractive and stimulating employer in the trading sector.

PERSONNEL STRATEGY AND OUR WAY TO ACT Kesko's management culture rests on the Group's precisely defined personnel strategy. It defines the management methods, systems and tools that will ensure Kesko's success. The personnel and the organisation of personnel functions are important success factors. The personnel strategy aims to increase the speed and flexibility of decision-making. It supports the implementation of Kesko's basic values and promotes the attainment of Kesko's long-term goals and vision.

A competent and motivated personnel is a key long-term goal of the Group. The appreciation of each employee's competence provides the basis for leadership. Kesko wants to be the most attractive and stimulating employer in the trading sector and create the best practices in terms of personnel competence, too. Top performance is promoted by developing people management skills, working capabilities and job satisfaction.

The new personnel strategy of the Group will mainly be implemented in 2000. Key Group-level projects concern competence management, personnel expertise, manager development and Kesko's image as an employer. The profit divisions will draw up their personnel strategies - on the basis of the corporate strategy and their own business strategies. This way decisions can be made near each individual.

In 1999, a guidebook to Kesko's practices was prepared as a joint project of several employees. The ethical principles of this guide define the significance of Kesko's basic values. They illustrate how Kesko employees act with each other and with their customers and other stakeholders. The guide encourages open discussions on job values and affairs.

IMPROVING COMPETENCE Kesko aims at turning competence management into a continuous process, a part of the Group's management. This development of competence is based on the business strategy, the definition of core competence, the measurements of competence and the definition of key development actions. The basic principle is that the profit divisions are responsible for the development and training of their employees, whereas corporate administration is responsible for the development of executives and executive potential.

K-instituutti Oy is the training centre of the K-Alliance. It has a significant role in building the tools and methods needed for managing competence and development in the Group. The tools provided by the K-instituutti, and particularly the comprehensive system of development, indicate what is required of the personnel to help the company attain its goals and targets, and how to acquire the required competence. In 1999, comprehensive planning of personnel development started in the Neighbourhood Chain Unit, Kesko Hardware and Builders' Supplies, Anttila Oy and VV-Auto Oy, which together employ some 4,500 persons.

The goal of the K-instituutti is to be Finland's leading educational institute in retail trading. Tailor-made, customer-driven development projects accounted for over 50% of the institute's operations. The K-instituutti also provides courses leading to vocational qualifications as a sales person and entrepreneur, and as a store manager and food master. About 1,000 students, some 300 of whom were Kesko employees, participated in these training programmes in 1999.

The main general management development programmes are provided for Kesko's superiors, managers and executives. The goal is to extend the competence and outlook of management and to enhance their willingness to change. About 150 persons participated in these programmes. A number of employees of Kesko participated in the Master of Quality training programme arranged by the Helsinki University of Technology and special courses on trading arranged by the Helsinki School of Economics and Business Administration.

In 1999, all units arranged Financial Communications meetings for their personnel, focusing on the financial targets of Kesko and each unit and what they mean in each job. The purpose of these annual events is to increase the knowledge and understanding of financial matters. The KQ (Kesko Quality) training, extended now to management team training, will strengthen the quality expertise of managers. A total of 26 management teams (230 persons) attended this training.

IMPROVING QUALITY OF OPERATIONS Annually, all units of the Group make a self-evaluation according to criteria for the Finnish Quality Prize. The in-house quality prize competition encourages personnel to continuously improve their way of working, to develop their own and the organisation's competence and to achieve top performance. Last year, the competition was arranged for the third time.

JOB SATISFACTION, WORK CAPABILITIES AND IN-HOUSE CUSTOMER SATISFACTION Job satisfaction is measured annually in a survey made in the whole Kesko Group. Employees evaluate their own job satisfaction, their superior's performance and the operations of the unit they work for and Kesko. The survey was made for the fifth time in its present form in October 1999. The response rate was 66%. Satisfaction with the employees' own jobs, the superiors' performance and units' operations remained nearly unchanged, whereas satisfaction with Kesko's operations dropped. The key strengths identified were target-orientation and the commitment of the personnel, while points needing improvement were the incentive system and the giving of feedback.

OPERATIONS OF K-INSTITUUTTI 1995-1999

	1995	1996	1997	1998	1999
Net sales, EUR thousand	1,030	2,521	2,709	3,426	4,303
Number of personnel	37	45	48	47	57
Number of student work-days	32,634	22,324	20,156	23,236	25,372
Number of students	22,308	11,553	7,940	8,593	9,447

The occupational health service is still focusing on activities that maintain work capabilities. This accounts for some 40% of its operations. Each year, about 100 employees participate in the rehabilitation programmes initiated and controlled by Kesko's health care centre. This rehabilitation is implemented and paid for by the Social Insurance Institution. In addition, two pilot ”job attitude” courses for superiors, run by the Social Insurance Institution, have been held in Kesko Group. These courses prepare superiors to handle both their job pressures and the welfare and working capabilities of their subordinates. Kesko's office employees have had significantly fewer sick leaves and less absenteeism than corresponding employee categories in Finland on average. In warehousing, however, the figures are at the national average.

The Kesko Staff Club arranges recreational activities for the personnel, thus promoting a good company spirit and good working capabilities. The Club offers a wide range of sporting, cultural and other activities. The special nation-wide summer and winter events are the highlights of each year.

An in-house customer satisfaction survey is made annually with the purpose of promoting an in-house customer-oriented attitude and improving the service and co-operation of the units. The survey was made for the fifth time in its present form. The response rate was 41%. The increased response compared with the previous year (36%) indicates that co-operation is considered important for Kesko's success.

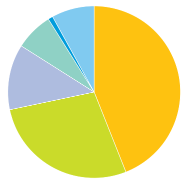
MOTIVATION AND COMMITMENT Open communication and commitment is supported by a management system that has increased the participation of the personnel in the planning and development of operations. As part of the annual plan, each unit draws up a personnel plan which covers human resources development, defines information flows and meeting procedures and provides for discussions between superiors and subordinates. These discussions are used to set targets, give feedback and plan individual development. Evaluations of these discussions are included in the job satisfaction surveys. During the year, a uniform practice was adopted for evaluating the duties of middle management.

The flow of information within the Group improved with the opening of the Keskonet network in 1999. The information needed for different jobs has been and will be centralised on the Keskonet. In-house job rotation is one of Kesko's strengths. It promotes human resources development, broadens competence and offers new challenges.

PROFIT-SHARING The present profit-sharing system involving the whole personnel was introduced in Kesko Corporation and in most subsidiaries in 1997. In addition to the total performance of the Group and the sales and performance of each unit, the key factor contributing to this bonus is customer satisfaction. For management, the job satisfaction of personnel is another contributing factor. For 1999, the sum paid under this scheme totalled EUR 7.4 million including social security expenses. The system is being improved further to give greater incentive and motivation.

KESKO GROUP PERSONNEL BY PROFIT DIVISION

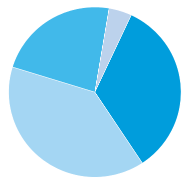
- Foodstuffs Division..........................44.0%
- Home and Speciality Goods Division................................27.7%
- Builders' and Agricultural Supplies Division.............................12.3%
- Kaukomarkkinat 7.1%
- VV-Auto..0.9%
- Other Group companies....................8.0%



The average number of personnel in the Group was 10,993.

BREAKDOWN OF GROUP PERSONNEL

- Kesko Corporation...........................33.8%
- Subsidiaries/retail trade..................39.1%
- Subsidiaries/others..........................22.9%
- Subsidiaries/abroad 4.3%



GROUP JOB SATISFACTION 1999, SCALE 1-5

Own job	3.66
Performance of superior	3.67
Operations of unit	3.49
Operations of Kesko	3.61

KESKO'S MANAGEMENT SYSTEM

Kesko's management system defines the organisation, and is the channel through which operations are planned and directed in order to attain the set goals. The management system is based on customer-orientation, interaction and retailer enterprise. Customer-orientation means that each customer is served by a nationwide chain unit as its partner at Kesko.

Kesko's management system facilitates co-operation between units by creating uniform concepts, tools and schedules. The management system also makes it easier for superiors and other employees moving from one unit to another to adapt to their new jobs.

QUALITY MANAGEMENT

The continuous improvement of customer satisfaction requires that the principles of quality management are adopted for all operations. The Group's quality management system has been rigorously applied for two years. This has involved the extensive quality training of management and other personnel, as well as regular annual training sessions. This system has also been used in environmental management.

The key principles of quality management include defining the purpose, goals, indicators and directions of operations, as well as planning and implementing the required measures with the whole personnel. Another essential part of the quality system is measuring and evaluating the results and, on this basis, continuously developing and improving operations.

REAL ESTATE

Kesko Real Estate is responsible for managing and maintaining the Group's properties, drawing up plans for various real estate and construction projects, and for managing the premises rented for the use of the Group. The units responsible for real estate operations are Kesko Real Estate, Kestra Kiinteistöpalvelut Oy and Hämeenkylän Kauppa Oy.

Kesko Group owns 1,168,000 m^2 (1,220,000 m^2 in 1998) of real estate, of which store premises account for 780,000 m^2, offices and warehouses for 307,000 m^2 and other premises for 81,000 m^2. Kesko uses 91.0% of the total floor area, while 7.4% of it is rented out. At the end of the year, 1.6% of the premises were unoccupied. The book value of the store premises was EUR 524 million (EUR 544 million), that of the offices and warehouses EUR 146 million (EUR 160 million), and that of the other premises EUR 48 million (EUR 58 million), totalling EUR 718 million (EUR 762 million). The market value of the properties exceeds the book value.

The total floor area of the premises rented for the use of the Kesko Group is 1,330,000 m^2, which is mainly used for retail stores.

RATING OF REAL ESTATE Kesko's real estate strategy aims at combining its user and owner roles in the optimal way. The properties owned by Kesko are rated on the basis of their significance to Kesko.

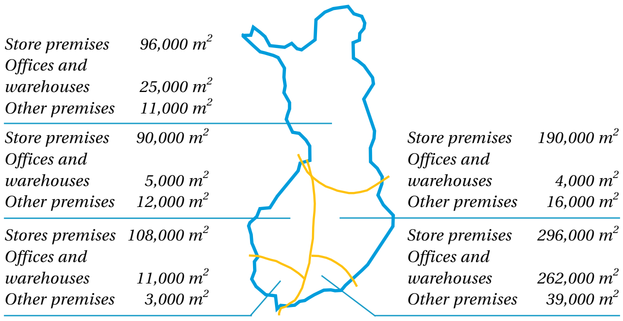
- Core properties are those which are strategically the most important, the ownership of which is aimed at securing good conditions for conducting core business activities.
- Properties for renting back refer to premises that can be sold, but which Kesko prefers to rent back for the use of companies in the Group by agreements that secure good conditions for business operations.
- Development properties refer to properties that need to be further developed for the planned use.
- Properties for sale are those for which Kesko has no further use.

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

REAL ESTATE INVESTMENTS The value of the premises acquired for the use of the Group in 1999, either by purchasing or renting, amounts to EUR 253 million (EUR 270 million). The Group's investment in real estate totalled EUR 90 million, of which the investment in new buildings accounted for EUR 83 million. The most important new projects were a Citymarket in Joensuu, a Citymarket in the Jumbo shopping centre in Vantaa, and K-superstores in Pieksämäki and Ylöjärvi. The major projects under construction include an extension to the Citymarkets in Pietarsaari, Tampere and Kouvola, the K-rauta stores in Vantaa and Oulu, and an extension to the K-rauta store in Tampere.

The most important rented store premises opened in 1999 were the Citymarkets in Riihimäki and Kotka, an Anttila department store and K-rauta store in Kotka, an Anttila department store and speciality stores in the Jumbo shopping centre in Vantaa, and the Anttila Kodin Ykkönen store at Kaisaniemi in Helsinki.

LOCATION OF PROPERTIES 12/1999



SALE OF REAL ESTATE The sale of the Group's real estate assets was continued in accordance with the targets set in the real estate strategy. The value of the properties sold in 1999 was EUR 136 million. Real estate assets declined by EUR 44 million. Some of the sold properties were rented back for business operations.

In 1999, an environmental strategy was prepared for Kesko's real estate operations. Kesko is involved as a pilot company in the ProGresS environmental programme introduced in the real estate and construction sector. The aim of this programme is to create a network of Finnish companies that have expertise in environmental issues.

REAL ESTATE MAINTENANCE Kestra Kiinteistöpalvelut Oy is responsible for the technical maintenance and electricity supply of real estate in the use of the Group, totalling 875 premises. A real estate and construction sector energy saving agreement, with targets in line with the Kyoto Agreement, was signed in May 1999. Kesko already leads the field among Finnish property owners in terms of low energy consumption.

LOGISTICS AND INFORMATION MANAGEMENT

The main objective of Kesko's logistical and information management strategies is, through precise information management and the efficient control of goods flows, to make Kesko and its retail store chains the best distribution channel for both suppliers and customers.

The chain of operations from supplier to customer is controlled according to product-specific sales data. The main tools used are the customer-oriented planning of the entire chain, the optimising of store space, category management, the control of product-specific goods flows, and efficient transport and warehousing activities. The objectives are the effective control of goods flows according to demand, shorter turn-around times, more rapid capital turnover and improved cost effectiveness.

Logistics, information management and the control of goods flows have been developed to an enormous extent in Kesko during recent years. The number of main logistical systems is being reduced to four in order to achieve more effective management. Warehousing space is being divided more efficiently between the product groups to better meet the requirements of business operations.

Kesko Group's Information and Logistics Management is responsible for guiding and supporting the implementation of Kesko's strategies for logistics and information management. In addition, there are separate logistics and information management units organised in each profit division.

WAREHOUSING, TRANSPORT AND FORWARDING 1,803 persons were employed by logistical operations in 1999. The total floor area of the warehouses used was about 330,000 m^2, and the number of stock items was 155,000. Kesko had about 32,000 suppliers in Finland and about 10,000 abroad. It also collaborated with 305 forwarding and transport companies. Products were delivered to about 32,000 customers.

The K-Alliance's transport and forwarding operations have been centralised on Kesped Ltd. Its net sales amounted to EUR 84 million, an increase of 6.4%. In addition to Sweden and Estonia, Kesped started regular traffic to Germany as well. The profitability of domestic traffic was improved by increasing the utilisation rate of the transportation fleet and by selling vacant transport space to outside carriers. Due to the network of depots covering the whole country, the opportunities to increase the volume of traffic are good.

The punctuality of transport continued to improve, particularly in the distribution of groceries. Higher fuel prices, which raised domestic transport costs by about 5%, caused pressures to increase freight rates. Transport fees in foreign traffic remained at approximately the previous year's level.

In line with the new environmental programme, a calculation model has been developed to assess the environmental impact throughout the logistical chain. The model is linked to an environmental management system under preparation, and will make it possible to choose operating practices that are the least damaging to the environment.

INFORMATION MANAGEMENT An important task within the next few years will be the reform of Kesko's basic operating systems in line with the new business system and the changes in the operating environment. Work was started by choosing an Enterprise Resource Planning (ERP) system. The project will be carried out during the period from 2001 to 2004.

At the end of 1999, a total of 337 persons were employed by the Group in duties relating to information management; 109 of them were working in business units or their information management units, and 176 in Tietokesko and 52 in K-linkki.

Tietokesko Oy is a Group company that produces services in the area of information technology and telecommunications. Its net sales amounted to EUR 36 million, an increase of 12.2%. Its operations focused on a data bank and the sales systems planned for the Foodstuffs Division, and on the Plussa card systems, data warehouse systems and the integration work relating to the renewal of the accounting and bookkeeping system.

K-linkki Oy is responsible for providing information technology solutions and services to the K-retailers. The company's net sales amounted to EUR 19 million. At the beginning of 1999, the grocery stores introduced dual price displays containing euros and markkas, integrated into the cash register systems. At the end of the year, the extranet www.pages for the K-retailers and the store personnel were opened. A total of 1,270 store systems and 1,260 cash registers for the Plussa customer loyalty system have been delivered to the K-retailers and Kesko's subsidiaries.

Kesko efficiently uses the technologies of electronic business operations. Most of the connections between business partners are electronically operated. At the end of the year, electronic data interchange had been established with 1,291 K-stores and 227 other business partners. Most of the functions between Kesko and its customers were performed electronically - 76% of orders, 70% of delivery notes and 100% of received payments. In addition, 70% of purchase orders, 60% of purchase invoices and 100% of payments remitted were handled electronically between Kesko and its suppliers.

The testing of Y2000 compliance employed people throughout the year. The emphasis was on electronic data interchange (EDI connections) with customers, suppliers and other business partners. It was possible to avoid high alteration expenses by making preparations for the year 2000 in good time. The additional expenses for the years 1997-1999 were about EUR 1.7 million.

ENVIRONMENTAL REVIEW

ENVIRONMENTAL AWARENESS IN ACTION For Kesko's environmental activities, 1999 was a year of reorganisation and standardisation of operations. In spring, Kesko's Board of Directors defined the targets for environmental actions, supported by a strategy based on our enviromental policy of 1996.

In mid-June 1999, Kesko published its second environmental report, in which the achievements and activities were now presented by profit division. The report showed Kesko's stakeholders and personnel what phase each profit division had reached in their environmental actions, and what measurable results had been achieved.

In late 1999, Kesko's systematic environmental work of one decade was recognised internationally, when Kesko and seven other large Finnish companies were selected for inclusion in the Dow Jones Sustainability Group Index.

ENVIRONMENTAL ORGANISATION The management of environmental affairs in the Kesko Group was reorganised in 1999, and more responsibility was shifted to the profit divisions and units. An environmental expert was appointed to each profit division, with the major task of helping business management promote environmental affairs, while taking into account the special features of each business sector.

The main responsibility for developing environmental logistics has been borne by the recycling unit, which is part of the Foodstuffs Division's Logistics. It has contributed to the increased re-utilisation of packaging throughout the Finnish trading sector. Finland is one of the leading countries in the EU in the recycling, reuse and recovery of packaging material.

Kesko's Corporate Planning unit was in charge of the management and co-ordination of environmental work, as well as stakeholder relations at the Group level. Corporate Planning assisted the profit divisions and units to link their environmental planning, implementation and follow-up to other business operations. To reflect the growing importance of environmental affairs, Kesko established the new post of Director of Quality and Environment. Torsten Michelsen was appointed as the first Director of the Group from the beginning of 2000.

ENVIRONMENTAL STRATEGY Kesko's environmental strategy guides and co-ordinates the environmental operations of the business units. This strategy provides the basis for the environmental programmes of the profit divisions and units for the years 2000-2004. The environmental strategy aims at ensuring the systematic progress of environmental work in the various business sectors. The strategy strengthens Kesko's competitive position as an environmental expert in Finnish and international trade.

The principles of the environmental strategy guiding business operations

- In our operations, we will cut down emissions that increase warming of the atmosphere.
- We will reduce the chemicalisation and acidification of the environment, the eutrophication of the waters and the impoverishment of the soil, insofar as it results from our operations.
- We will reduce the amount of waste resulting from our operations.
- We will, for our part, promote the socially, economically and ecologically sustainable development of society.

The strategy limits the environmental impact of Kesko's business operations and sets targets. The strategy covers marketing communications, business concepts, products, packaging, transportation, waste management, real estate, and management and personnel. Each business sector will adapt the strategy in its own operations and competitive situation, while ensuring that Kesko remains a frontrunner in environmental issues in the Finnish trading sector.

The results of the environmental programmes of the profit divisions and units will become visible during 2000. The installation of the environmental systems in compliance with the ISO 14001 standard has not yet been completed in Kesko's units. The basic assumption is that the systems will be built for all business sectors with significant environmental impact.

K-ENVIRONMENTAL STORE DIPLOMA The K-Retailers' Association, Kesko and the Finnish Association for Nature Conservation have developed a modus operandi by which stores can reduce their own environmental loads and help customers choose environmentally sound products. The involvement of the Finnish Association for Nature Conservation in setting the criteria, and the use of independent auditors in store assessments, guarantee the reliability of the system.

The K-environmental store diploma created in 1998 was awarded to nearly 100 grocery stores in 1999. By the end of the year, 139 retailers had earned this diploma, which is based on the ISO 14001 enviromental system with the documentation requirements removed, making it suitable even for the smallest stores.

The personnel in stores with this diploma are environmentally aware and competent. The stores' waste management and recycling have also been arranged effectively, and energy consumption is monitored systematically. This better-than-normal environmental expertise creates added value for the customer. In environmental stores, consumers can participate in working for the environment by their buying decisions and sorting of wastes.

The K-environmental store concept is being developed in the Builders' and Agricultural Supplies Division and will also be extended to home and speciliality goods chains.

ENVIRONMENTAL CALCULATION Life-cycle thinking is emphasized in Kesko's environmental work. For years, the recycling unit of the Foodstuffs Division's Logistics has worked to develop the monitoring and measurement of the environmental impact of the logistical chain. The unit has also actively participated in the development of nationwide systems for recycling and recovery. Today, consumers can easily contribute to reuse and recycling in connection with their shopping trips.

Development work has continued at Kesko and in co-operation with other trading companies. The use of reusable transport boxes and pallets will increase and replace the present disposable ones.

The environmental calculation model of the logistical chain (Kelo model) covering waste management was completed in 1999. The model helps Kesko to plan and optimise waste management in its own premises, and it can also be used to plan and monitor the waste management of large retail outlets. Pilot projects have already been started.

The development of the Kelo calculation model took place in collaboration by the National Technology Agency, EBI Oy and Tietokesko Oy. The aim is to produce calculation systems for other companies besides Kesko. In the future, product development will cover the whole logistical chain of both the product and the package.

K-ENVIRONMENTAL STORES

	Autum 1998	Spring 1999	Autum 1999	Total
Citymarket hypermarkets	3	5	25	33
K-superstores	8	6	11	25
K-supermarkets	10	1	14	25
K-neighbourhood stores	10 (-1)	10	7	26
K-extra stores	3	1	4	8
Rimi stores	1 (-1)	0	0	0
Anttila	1	2	19	22
Total	34	25	80	139

PRODUCTS Demand for organic foods is expected to grow vigorously during the next few years. Kesko and the K-stores have increased their selection of organic foods and environmentally sound products. The problem is that environmentally sound products are still more expensive than conventional products and their availability is limited. The price difference causes many consumers to choose lower-priced and often less environmentally friendly alternatives.

Kesko's Pirkka range has been complemented by 16 Pirkka organic food products. These high-quality organic foods are popular, as they have the same consumer-friendly prices as other Pirkka products.

The Green 2000 range was launched under the new name of Pirkka Green, which now consists of nine environmentally sound products, eight of which carry the Nordic environmental label. The organic Luomu range of Kesko Fruit and Vegetables now contains 20 products and accounts for about one percent of the total sales of fruit and vegetables. Throughout the year, Kesko offers a selection of at least 20 organic fruits and vegetables to its customers.

KESKO'S ENVIRONMENTAL REPORT Kesko will publish an environmental report for 1999 in Finnish and English in August-September 2000.

A SUMMARY OF KESKO'S ENVIRONMENTAL YEAR 1999

- Kesko was included in Dow Jones Sustainability Group Index
- Kesko's second environmental report was published in June
- The number of K-environmental store diplomas increased by 100
- The first product of the Kelo environmental calculation system, concerning waste management, was completed
- The environmental strategy helped to harmonise the environmental work of profit divisions and units, and increases its target-orientation

CONTROL SYSTEM FOR ETHICAL QUALITY

As social responsibility is one of Kesko's basic values, Kesko personnel are responsible for controlling the ethical basis of the products they purchase in the best possible manner. In this respect, the use of child and forced labour has been the most in the limelight. Working hours, wages, occupational health and safety at work are also among the key issues when corporate ethics and social conditions are evaluated and solutions for decreasing the use of child labour in a responsible and systematic manner are sought. Instead of preparing a code of conduct of its own, Kesko has sought a solution for ethical quality control which would bring the weight of international opinion to bear on suppliers and whose effectiveness could be trusted by customers.

CONTROL BASED ON AN INTERNATIONAL STANDARD In 1997, the US-based Council on Economic Priorities (CEP) published its Social Accountability SA8000 standard, which draws upon the International Labour Organisation Conventions, the United Nations Convention on the Rights of the Child and the Universal Declaration of Human Rights. Kesko considers this standard a functional and practical tool, and its implementation is expected to spread rapidly together with quality and environmental standards. In April 1999, Kesko's Board of Directors decided that the system to control ethical quality in purchasing will be based on the requirements of the SA8000 standard. Kesko was the first Nordic company to announce its commitment to the SA8000 standard.

TRAINING AND TESTING PUT INTO PRACTICE CEP's chief instructor gave Kesko's buyers a two-day basic training course, which was the first SA8000 training event ever arranged for a company. After training, the use of the standard was tested by written exercises and trial audits.

A questionnaire written in line with the basic requirements of the standard was sent to 80 companies chosen from among our suppliers of clothing and shoes, home goods and groceries. In March 2000, the questionnaire was adopted for regular use by Kesko's purchasing units in gathering basic information on the operational dimensions and social accountability of their suppliers.

NEUTRAL CERTIFICATION BODIES The questionnaires provide Kesko with useful information about its supplier companies, but the extent to which they meet the ethical requirements can only be verified through an audit carried out by a neutral certification institute and through constant monitoring. Kesko's buyers go through the standard requirements with their suppliers and direct them to a certification body. Initiation of a certification process and the completed certifications are registered in the supplier register of our purchasing units. In selecting new suppliers, Kesko's own auditing is complemented with an initial SA8000 survey carried out by a certification body.

In autumn 1999, Kesko made contact with the accredited certification companies, BVQI, DNV and SGS-ICS. With their assistance, trial audits were carried out in Indonesia, India and Vietnam, and the auditing possibilities were studied in the Philippines, Pakistan and Thailand. The conclusion was that the audits work, and that they provide buyers with sufficient certainty of the ethical standard of production.

KESKO HAS ESTIMATED THE CHILD LABOUR RISK The Finnish office of the Global March Against Child Labour organisation has published a report on Finnish imports from developing countries. The report gives estimates for each country on the amount of child labour used, and the value of imported products where there is evidence of production by child labour. In Kesko's estimate, the value of its imports that are related to a child labour risk amount to EUR 80 million, or about 7% of Kesko's imports and 1.5% of its sales. The high risk products include coffee, clothes, home textiles, shoes, leather goods and toys, of which Kesko has around 600 suppliers. When Kesko's purchases from other importers in Finland are added to this estimate, the risk may affect 2-3 percent of sales. Kesko's aim is to minimize this risk by audits carried out in accordance with the SA8000 standard.

Kesko's buyers know their suppliers well. The trading relations are long-established and no serious social problems related to child labour or other matters have been observed. However, the requirements of the SA8000 standard considerably improve Kesko's chances of verifying, with the help of neutral professional inspectors, that goods are produced in the way that consumers and other Kesko customers require.

A preliminary survey of Kesko's existing suppliers is due to be completed in spring 2001. After that it will be possible to set exact targets for proceeding with certification.

PREVENTIVE PROJECT WITH UNICEF IN INDIA Kesko also assists in preventing social problems by offering information and financial aid. At the beginning of 2000, Kesko started a joint project with UNICEF aimed at preventing the use of child labour in Bhiwandi, a town in the state of Maharasthra, India. Kesko will provide finance for a period of three years, totalling 60,000 US dollars. Bhiwandi is a centre of the weaving industry which employs around 25,000 children. The project will organise small group activities for mothers, find solutions for the economic problems of families, investigate the possibilities of children to attend school, and organise vocational training. Kesko will receive regular reports on the results of the project.

PRODUCT RESEARCH UNIT

Excellent working methods, products and services are among Kesko's key objectives. Kesko invests in product research and the development of its own brands. The sixteen employees and three hundred analysis methods of the Product Research unit enable Kesko to continuously control the quality and safety of all of its products. With respect to Kesko's own brands, the research unit contributes to the production of safe products, with its input extending from the product development idea to regular quality assurance analyses of the finished products. The unit also plays an active role in the development of food and consumer protection legislation. The continuous increase in the number of grocery products and shortening of their life-cycle make efficient product research a major competitive advantage.

THE K-ALLIANCE'S EXPERIMENTAL FARM

Finland's location in the far north sets special requirements for cultivation. The K-Alliance's experimental farm in Hauho is a research and development unit for strains and varieties of crops suited to Finnish conditions. A great deal of development work is carried out in co-operation with the Swedish company Svalöf Weibull AB, resulting ultimately in a range of products for sale by Kesko. The experimental farm is the only one of its kind in Finland to develop cultivation techniques suited to the needs of new strains of crops. The objective is to investigate the behaviour of crops under testing and to create an extensive database on the properties of new strains for use in commercial cultivation and industry. When necessary, the experimental farm also tests agricultural machinery and implements in co-operation with manufacturers.

PIRKKA CONSUMER SERVICE

The Pirkka Consumer Service is a freephone service for consumers, K-retailers and the K-stores' personnel. The service operators answer queries related to Kesko's and the K-stores' own brands (Pirkka, Diva, Euro Shopper) and exclusive brands in the selections. The Pirkka Consumer Service co-operates closely with Kesko's Product Research unit and manufacturers.

FINANCIAL RISK MANAGEMENT

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

INTEREST RISK In order to manage interest rate risks, the Group's borrowings and investments have been distributed in fixed and floating rate instruments by means of derivative contracts. The aim is to hedge against the negative effects of variations in interest rates. During the financial year, the average interest rate tying period for loans granted by financial institutions was two years and for liquid funds (cash, commercial papers and certificates of deposit) two months. The interest rate tying period for loans is allowed to vary between one (1) and three (3) years.

EXCHANGE RATE RISK The Group's exchange rate risks mainly include transaction risks that arise from trade debts.

Due to the fast product turnover that is typical of the groceries trade, the exchange rate risks relating to purchases cannot grow to a considerable level. The commercial units and subsidiaries make decisions on the extent of hedging their risks. The introduction of the euro eliminated a significant part of the Group's currency risks. The currencies mainly causing this risk today include the US dollar, the Japanise yen, the Swedish krona, the Norwegian krone, the Danish krone, the Estonian kroon and the Pound Sterling. Forward exchange contracts and option agreements are used to hedge exchange rate risks in these currencies. The business units carry out their hedging operations together with the Finance unit, which hedges risk positions by market transactions within the limits confirmed for each currency.

On 31 December 1999, the counter value of the foreign subsidiaries' equity and subordinated loans was EUR 12 million. The balance sheet risk related to them has been mainly hedged by loans and other financial instruments.

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

At the end of 1999, the Group's liquid funds and investments totalled EUR 271 million. On the balance sheet date, the counter value of the committed non-current credit limits available was EUR 185 million.

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

REPORT BY THE BOARD OF DIRECTORS

Kesko Group's net sales for 1999 amounted to EUR 6,111 million, which is 2.0% more than in the previous year (EUR 5,992 million). The Group's profit before extraordinary items was EUR 128 million (EUR 133 million), which is 2.1% of net sales (2.2%). Earnings per share were EUR 0.98 (EUR 1.01). Equity per share was EUR 15.87 (EUR 15.59). The dividend proposed by the Board of Directors is EUR 0.50 per share (EUR 0.67 per share). In addition, the Board of Directors proposes that an additional dividend of EUR 1.00 per share be distributed to improve the use of the company's capital.

MARKET REVIEW Although 1999 was the sixth successive year of growth for the trading sector, the growth was lower than projected. Although there is no single reason for this, one factor is that consumers' money is increasingly spent on various services rather than goods. According to Statistics Finland's advance information, the volume of wholesale sales, adjusted for the number of trading days, increased by 3.8% during the period January-November. The product groups recording the best results in wholesale trade were computer products, office supplies, motor vehicles and medicines.

According to the estimate of the Research Institute of the Finnish Economy, private consumption grew by about 4% and private investments increased by about 9%.

Consumer prices increased by 1.2% in Finland last year. Statistics Finland's consumer survey of December 1999 shows that the confidence of Finnish consumers in favourable economic growth continued to be strong and higher than a year earlier.

NET SALES Kesko Group's net sales for the period from 1 January to 31 December 1999 were EUR 6,111 million, which is 2.0% more than in 1998 (EUR 5,992 million). The product groups recording the best sales development were cars, groceries, hardware and builders' supplies, whereas the trade in agricultural products, machinery and leisure goods decreased.

At the end of 1999, there were over 1.2 million households included in the Plussa customer loyalty programme and about 2.2 million Plussa cardholders. The value of the Plussa points distributed by Kesko, the K-retailers and business partners to Plussa loyal customers in 1999 was about EUR 55.4 million.

PERFORMANCE The Group's profit before extraordinary items was EUR 128 million (EUR 133 million), which is 2.1% of net sales (2.2%). The Group's operating profit includes a total of EUR 22 million (EUR 42 million) from gains on the sale of shares and real estate, from the amortisation of the goodwill on consolidation returned and from the reduction in the value of shares. Pension costs decreased by EUR 8 million.

The structural rearrangements in the Home and Speciality Goods Division included the disposal of the Vaatehuone chain operations, the sale of Aleksi 13 Oy and the closing down of the Aleksi 13 business operations in Sweden. In addition, the food departments of the Anttila department stores are converted to stores operating in the K-superstore or the K-supermarket chains. The loss for the financial period of the operations closed down was EUR 17 million. The expenses arising from the structural changes in the Home and Speciality Goods Division amounted to EUR 12 million. EUR 4.5 million of these expenses, representing the finishing expenses caused by the disposal of the speciality store operations for clothing, have been entered as extraordinary expenses.

Anttila Group showed an operating loss of EUR 2 million, compared with the loss of EUR 1 million in 1998. The weakened performance resulted from the opening costs of two new Anttila department stores and one Kodin Ykkönen department store.

Citymarket Oy's operating profit amounted to EUR 9 million (EUR 15 million). The decrease in the operating profit mainly resulted from the opening costs of three new hypermarkets and the renovation costs of eight Citymarkets.

Kesko Svenska AB's chain of K-rauta stores for hardware and builders' supplies was extended in Sweden. New K-rauta department stores were opened in Västerås and Linköping in 1999. The company's operations continued to show a loss.

Kaukomarkkinat Group's operating profit was EUR 11 million (EUR 13 million). The result was affected by the starting costs of the Tähti Optikko chain.

VV-Auto Group's operating profit increased to EUR 21 million (EUR 19 million).

The Group's net financial income was EUR 12 million (EUR 3 million). The improvement was attributable to a decrease in the Group's net debt, resulting from the realisation of fixed assets in 1999 and 1998. In addition, the expenses relating to the hedging of the interest risk of loans affected the result in 1998, while

NET SALES BY PROFIT DIVISION

	1999 EUR million	1998 EUR million	Change, %
Foodstuffs Division	3,257	3,129	4.1
Home and Speciality Goods Division	869	906	-4.1
Builders' and Agricultural Supplies Division	1,266	1,282	-1.3
Kaukomarkkinat	268	276	-3.2
VV-Auto	439	392	12.2
Others	12	7	
Group total	6,111	5,992	2.0

such expenses did not arise in 1999.

The return on investment was 8.0% (8.9%) and the return on equity was 6.1% (6.5%).

The earnings per share were EUR 0.98 (EUR 1.01). The equity per share was EUR 15.87 (EUR 15.59).

OPERATING PROFIT BY PROFIT DIVISION

	1999 EUR million	1998 EUR million
Foodstuffs Division	65	77
Home and Speciality Goods Division	-8	3
Builders' and Agricultural Supplies Division	18	9
Kaukomarkkinat	7	9
VV-Auto	21	19
Total	103	117
Common divisions	13	13
Group's operating profit	116	130
Net financial income	11	3
Associated companies	1	0
Profit before extraordinary items	128	133

The common divisions include the Resource Management Division and the Finance and Administration Division. Their results, including the profits and losses on the sale of shares and real estate, have not been allocated to the profit divisions engaged in business operations. Other expenses resulting from corporate administration have been allocated to the profit divisions in the table.

INVESTMENTS The Group's investments totalled EUR 202 million (EUR 132 million), which is 3.3% (2.2%) of net sales. The investments in Kesko's wholesale operations and subsidiaries' real estate, information technology and fixtures totalled EUR 47 million, while investments in the buildings, fixtures and information technology of retail stores amounted to EUR 155 million.

FINANCE The Group's financial position remained good. Investments were financed by funds generated from operations and by the sale of fixed assets, with the cash flow from operations amounting to EUR 263 million and investments to EUR -129 million. The equity ratio was 56.6% (56.7%). At the end of the period, the interest-bearing net debt totalled EUR 18 million (EUR 71 million). The liquid funds totalled EUR 270 million (EUR 246 million) at the end of 1999.

GROUP STRUCTURE The regional operations of Kesko were strengthened. On 1 March 1999, the district centre of Southwestern Finland was established in Turku. The other district centres are Southern Finland (in Vantaa), Western Finland (in Tampere), Eastern Finland (in Kuopio) and Northern Finland (in Oulu).

On 11 May 1999, in accordance with the new Articles of Association, an Extraordinary General Meeting elected nine members to the Supervisory Board for a term starting on 1 June 1999 at which date the new Articles entered into force. The members are Mr. Matti Kallio, retailer; Dr. Eero Kasanen, Econ; Mr. Hannu Loukko, retailer; Ms. Hannele Näppi, retailer; Mr. Paavo Pitkänen, M.A.; Mr. Kalevi Sivonen, retailer; Mr. Keijo Suila, B.Sc.(Econ.); Mr. Heikki Takamäki, retailer; and Mr. Jukka Toivakka, retailer. Kesko's Supervisory Board elected Matti Kallio as its Chairman and Heikki Takamäki at its Vice Chairman at the Board meeting on 10 June 1999. In addition to them, Keijo Suila was elected to the Supervisory Board's Working Committee.

On 9 December 1999, Kesko's Supervisory Board made a decision to restructure Kesko Group's organisation with the aim of streamlining administration and improving the efficiency of business operations. At the same time, the division of responsibilities between Kesko Corporation's Board of Directors and profit divisions was redefined. The new organisation became effective on 1 January 2000.

PERSONNEL The average number of personnel in the Group was 10,993 (11,172), divided by profit division as follows:

PERSONNEL BY PROFIT DIVISION

	1999	1998
Foodstuffs Division	4,840	4,811
Home and Speciality Goods Division	3,049	3,260
Builders' and Agricultural Supplies Division	1,347	1,363
Kaukomarkkinat	779	757
VV-Auto	102	97
Others	876	884
Total	10,993	11,172

The number of Kesko Group personnel has decreased by 179 persons. The numbers of personnel grew both in Citymarket Oy and Anttila Oy as they opened new stores and in Kaukomarkkinat Oy due to the expansion of the Tähti Optikko chain. On the other hand, the number of personnel was reduced by the sale of Rautia stores and the food departments in the Anttila department stores to retailers and turning some of Carrols Oy's fast food outlets into franchise-run businesses. The Group employed 475 persons abroad.

A personnel strategy has been drawn up for the Kesko Group. Its emphasis is on the management of expertise, the well-being of personnel, and flexible and fast decision-making near employees. The measures for implementing the strategy are under way.

A job satisfaction survey was arranged for the fifth time.

DEVELOPMENT OF PROFIT DIVISIONS

Foodstuffs Division The Division's net sales totalled EUR 3,257 million. Although the 4.1% growth in net sales fell a little short of the target for the year, it corresponded to the average growth in the sector and resulted from sales in entirely new product lines, the concentration of customers' purchases and the lively trading during the Christmas season. The operating profit was EUR 65 million (EUR 77 million). The Division's return on capital employed was 12% (13%), and investments amounted to EUR 103 million.

Among the Division's chain units, the sales by the Citymarket Chain Unit and the Superstore Chain Unit developed the most favourably. The transfer of fast food outlets to franchise-run businesses decreased the sales by Carrols.

During the year, new Citymarket hypermarkets were completed in the Jumbo shopping centre in Vantaa, in Riihimäki and Joensuu. Major expansions were carried out to the Citymarkets in Turku, Rovaniemi, Järvenpää and Kotka. New K-superstores were opened in Pieksämäki, Espoo, Pudasjärvi and Ylöjärvi, and the most significant expansions were made in the K-superstores in Vammala, Jämsä and Huittinen. 17 new K-stores were opened to improve neighbourhood services. The extension of the Carrols chain has continued rapidly, with 17 new Carrols hamburger restaurants opened in Finland.

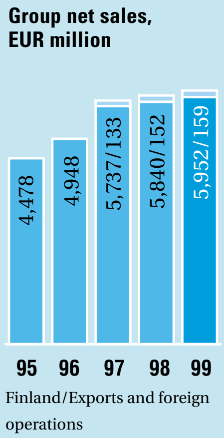
A decision was made to build a logistical centre near Tallinn to serve the present and future customers in the entire area of Estonia. At the same time, the expansion of Kesko Eesti A/S's network of cash-and-carry outlets was started with the construction of a unit in West Tallinn. These investments are valued at about EUR 8.5 million and are scheduled for completion during the year 2000. Kesko intends to build a network of cash-and-carry outlets and stores throughout Estonia to serve local retail stores and catering and consumer customers. Overall, Kesko is aiming at a 25% share of the approx. EUR 0.7 billion grocery market in Estonia. Kesko is currently investigating entry to the Latvian and Lithuanian grocery markets also.

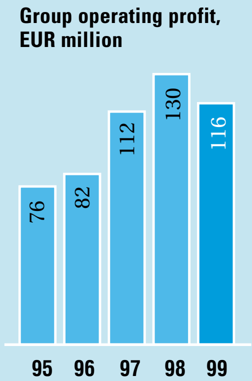
Home and Speciality Goods Division The Division's net sales totalled EUR 869 million, a decrease of 4.1%. The operating loss was EUR 8 million, compared with the operating profit of EUR 3 million in 1998. The return on the capital employed was -2% (1%), and the investments amounted to EUR 13 million.

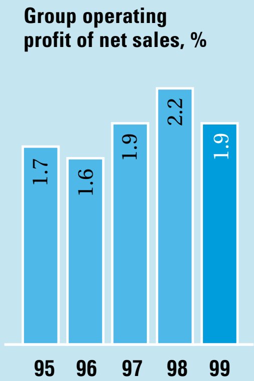
Anttila Group's net sales fell short of the target and were EUR 444 million, a decrease of 14.6%. The operating loss was EUR 2 million, while it was EUR 1 million in 1998.

The sales of Kesko Leisure Goods, a profit unit for leisure and home technology products, were lower than expected and remained at the level of 1998. Especially the sales of home technology fell short of expectations, as suggested by the general trend in this field. The unit's financial result was EUR 0.5 million weaker than in 1998, but continued to be clearly profitable.

In September 1999, Kesko Corporation redefined its strategy for the clothing business and decided to dispose of its speciality clothing store chains. On 20 December 1999, Kesko signed a preliminary agreement to sell the whole of Aleksi 13 Oy's share capital and the Vaatehuone chain logo to L-Fashion Group Oy, for account of a company to be established. The proprietary rights of the 20 Vaatehuone business premises were also transferred to the purchaser, starting from 1 August 2000. The final deal was concluded on 1 February 2000. The business operations of Aleksi 13 Oy comprise nine department stores for clothing and shoes







and three shoe and bag speciality stores. In 1999, the company's net sales amounted to EUR 39 million. This plan also included a decision to withdraw from the Nicky&Nelly chain cooperation, from 1 January 2000.

According to a decision made in October, Anttila will concentrate on the speciality goods trade. The K-superstore and K-supermarket chains will be strengthened when the Ruoka-Anttila food stores are mainly added to these chains. The stores will be changed to the new formats in the early part of 2000.

A decision was made to divide Kesko Leisure Goods into two separate chain units, starting from the beginning of 2000: Kesko Sports and Kesko Home Technology.

The biggest project for the K-speciality stores was the Jumbo shopping centre in Vantaa. The new stores opened there in October include an Anttila department store, an Intersport Megastore, a Musta Pörssi, an Andiamo and a K-shoe store. In April, Finland's first Intersport Megastore was opened in Helsinki and the first Musta Pörssi Maailma in Espoo. The fifth Anttila Kodin Ykkönen department store was opened at Kaisaniemenkatu in Helsinki in October. A new Anttila department store was opened in Kotka in November, while the Anttila department stores in Iisalmi and Rauma were closed down in February 2000 and the food department of the department store in Vaasa at the end of September 1999.

Builders' and Agricultural Supplies Division The Division's net sales totalled EUR 1,266 million, a decrease of 1.3%, attributable to the effects of the poor grain harvest in 1998 and 1999 on the grain and other agricultural supplies trade, and the sale of the Rautia retail operations to independent retailers. The operating profit amounted to EUR 18 million, a clear increase over the previous year. The Division's return on capital employed was 8% (4%), and investments amounted to EUR 20 million.

The trade in hardware and builders' supplies and recreational machines recorded the best growth in this line of business.

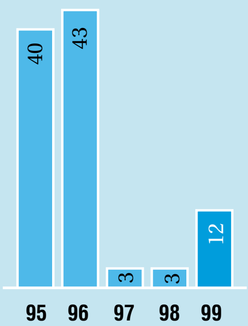
The net sales of Kesko Hardware and Builders' Supplies amounted to EUR 502 million, an increase of 4.3%. Sales to the K-rauta and Rautia chains grew more quickly than the market average. The net sales of the Industrial and Constructor Sales unit, which was separated from Kesko Hardware and Builders' Supplies and organised into an independent profit unit at the beginning of July 1998, were EUR 178 million. Sales to construction companies increased, whereas sales to industrial and wholesale customers decreased. The Industrial and Constructor Sales unit showed a loss.

The net sales of Kesko Agriculture and Machinery totalled EUR 542 million, a decrease of 5.2%. In addition to diminished grain sales, this mainly resulted from a contraction of the tractor and combine harvester market.

The business operations in Sweden were strongly extended by opening new K-rauta stores in Västerås and Linköping, and by expanding and renovating the store in Sickla, Stockholm. The net sales of the K-rauta stores operating in Sweden totalled EUR 23 million, a rise of 103.3%. The target is to build a chain of K-rauta stores in Sweden that will eventually include around 25 outlets. The sales of the hardware wholesale outlet, ZAO Kestroy, have dropped due to poor economic development in Russia. The wholesale outlet will be transferred to new premises in Moscow in spring 2000. The agricultural trade established in Estonia in 1998 has got under way as planned.

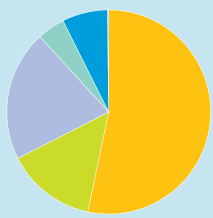
New stores in line with the K-rauta 2000 concept were opened in Turku and Kotka. The K-rauta stores in Kuopio and Imatra,

Group financial income and expenses, EUR million



Breakdown of Group net sales by profit division

- Foodstuffs Division.................53.3%
- Home and Speciality Goods Division........................14.2%
- Builders' and Agricultural Supplies Division....................20.7%
- Kaukomarkkinat........................4.4%
- VV-Auto.................................... 7.2%
- Others.......................................0.2%



the Rautia store in Tampere and the K-rauta and K-maatalous store in Forssa were expanded.

Kaukomarkkinat The net sales of the Kaukomarkkinat Group amounted to EUR 268 million, a decrease of 3.2%. The Group's total sales, which also includes the value of the deals made on an agency basis, were EUR 386 million. This represented a growth of 3.1%, which was mainly attributable to increased exports to China. Domestic sales accounted for 65.1% of the total sales. The Group's operating profit was EUR 11 million (EUR 13 million), and investments were EUR 4 million.

In most of the domestic lines of Kaukomarkkinat's business, a decrease in the overall demand decreased sales. In the optical field, the extended Tähti Optikko retail chain strengthened its market position with sales growth of 25%. On 31 December 1999, the chain consisted of 113 outlets.

The net sales recorded in the Kaukkomarkkinat Group's international trade decreased by 10% to EUR 43.9 million. This was due to the effect of several large, one-off transactions implemented in the Russian and Chinese trade in 1998. The total growth in international trade and exports was 6.8%, which was attributable to commission-based agency operations, the value of which rose by 17%.

Kaukomarkkinat established on an equal ownership basis with its principal a company named Adidas Suomi Oy, to be responsible for sales of adidas products from 1 January, 2000.

VV-Auto The net sales of the VV-Auto Group totalled EUR 439 million, a rise of 12.2%. The operating profit was EUR 21 million (EUR 19 million). The car trade continued to grow. The overall market for cars expanded by 8.4% and the market for commercial vehicles by 3.7%. The Group's investments were EUR 8 million.

The market share of cars imported by the VV-Auto Group was 14.1%, a growth of 1 percentage point. The sales of Volkswagen cars developed favourably at the beginning of the year in particular. Sales were boosted by the successfully revised range of the Golf models and the good demand for the entire range in the increasing diesel sector. The market share was 10.6%.

Audi's market share dropped to 1.1%. Towards the end of the year, the number of orders started to increase clearly. As for Seat, the transfer to a separate sales and service network continued. Due to the revised and expanded range of the Seat models, their market share expanded to 2.4%, with the growth being as high as 45%.

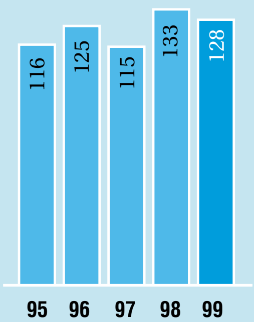
RESEARCH AND DEVELOPMENT Research and development activities are connected with the Group's ordinary business operations. Their costs have been included in expenses for the financial year.

SHARES AND EQUITY MARKETS Kesko's Annual General Meeting held on 12 April 1999 and an Extraordinary General Meeting held on 11 May 1999 approved a complete renewal of Kesko's Articles of Association. Accordingly, the company's exclusive shares were converted to A shares and ordinary shares to B shares. The A shares were also listed for trading on the Helsinki Exchanges. The exclusive shares, which represent roughly one third of Kesko's share capital, had not been available for public trading earlier. Listing started on 1 June 1999.

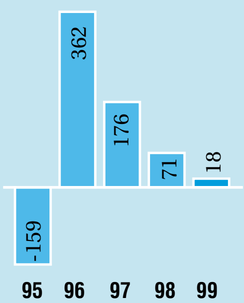
On 31 December 1999, Kesko Corporation's share capital was EUR 180,426,800, with 35.2% being represented by A shares and 64.8% by B shares.

The price of the company's current B share was EUR 12.78 at the end of 1998 and EUR 12.60 at the end of 1999, a drop of

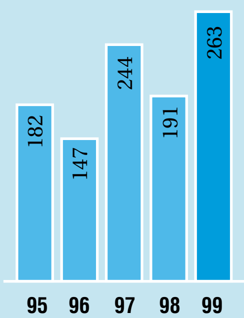
Group profit before extra-ordinary items, EUR million



Group net debt, EUR million



Cash flow from operating activities, EUR million



1.4%. During the year, the lowest price of the B share was EUR 10.50, while its highest price was EUR 15.45. The initial price of the A share listed on 1 June 1999 was EUR 12.50, being EUR 13.60 on 31 December 1999. The lowest price of the A share was EUR 12.50, while its highest price was EUR 16.00. During the year, the trading sector index dropped by 11.9%, while the HEX general index rose by 162.0%.

A total of 579,308 A shares were traded on the Helsinki Exchanges during the period from 1 June to 31 December 1999, to a total value of EUR 8.2 million. The number of B shares traded during the period from 1 January to 31 December 1999 was 20,357,522, to a total value of EUR 247.9 million.

KESKO AND THE EURO When the decisions on Kesko's euro schedule were made, they were based largely on the premise that the majority of Kesko's customers operate in Finland. Kesko prepares its financial statements for 1999 in markkas and they are then converted into euros. The financial statements will be prepared in markkas for the last time for the year 2001.

The majority of Kesko's purchases and sales will be made in markkas during the transition period. The prices of Kesko's stock items will remain in markkas until 31 December 2001. However, Kesko has also been prepared to deal in euros since 1 January 1999. The transfer to the use of euros has progressed according to plan.

KESKO AND THE YEAR 2000 Kesko's year 2000 project progressed according to plan. The turn of the millennium did not cause disturbances to the information systems. Some minor software errors were discovered, but could be corrected immediately. No failures occurred in the technical systems for real estate, and no problems were reported relating to the goods to be sold.

It was possible to avoid high alteration expenses by making preparations for the year 2000 in good time. The additional expenses for the years 1997-1999 were about EUR 1.7 million.

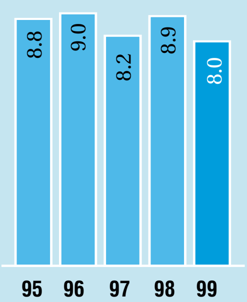
MAIN EVENTS IN 1999 On 1 March 1999, a new business operations unit called Kespro was established in the Foodstuffs Division. It is responsible for HoReCa wholesale and cash & carry operations, and for the foreign trade companies operating in the neighbouring areas. At the same time, K-Cash & Carry Ltd was renamed as Kespro Ltd.

On 12 April 1999, the Annual General Meeting of Kesko Corporation adopted the financial statements for 1998, discharged those accountable from their responsibilities and decided to pay a dividend of FIM 4.00 (EUR 0.67) per share. The total amount of dividends paid was FIM 361 million (EUR 60.7 million).

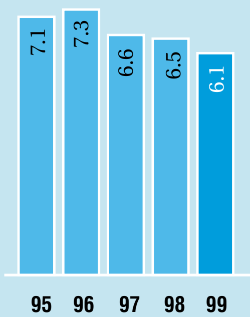
On 28 May 1999, Kesko Corporation and its subsidiaries Hämeenkylän Kauppa Oy and Kespro Ltd, Kesko's associated company Center-yhtiöt Oy and the Kesko Pension Fund signed a contract with Castrum Oyj on the sale of some warehousing and logistical premises to Castrum Oyj for EUR 42 million. As part of the sales price, Kesko subscribed for Castrum's shares to the value of EUR 21 million, at a subscription price of EUR 1.51 per share. These shares represent 17.94% of the total share capital of Castrum Oyj. The major properties sold were the district centre premises of Kuopio, Tampere and Turku. Kesko is leasing back the premises in its use under long-term agreements.

On 9 May 1999, the www.k-netti.com portal service was opened. This offers easy access to the Internet services of the units of the K-Alliance and Kesko. The most versatile network department store in Finland www.netanttila.com was added to

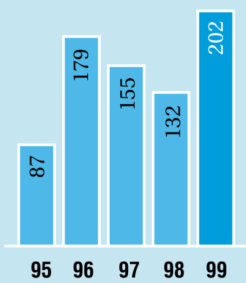
Group return on investment, %



Group return on equity, %



Group investments, EUR million



the portal service on 14 November 1999.

On 11 June 1999, Kesko Corporation, its subsidiary Hämeenkylän Kauppa Oy and the Kesko Pension Fund decided to sell with Merita Real Estate Ltd, Sampo Insurance Company plc, Sampo Enterprise Insurance Company Limited, Pohjola Life Insurance Company Ltd and Pohjola Non-Life Insurance Company Limited, shopping centre premises owned by them to Kiinteistösijoitus Oyj Citycon, a property investment company. The total sales price was approximately EUR 315 million, of which the Kesko Group and the Kesko Pension Fund received about EUR 94 million. The arrangement was based on a letter of intent signed by the selling parties on 17 December 1998.

Kesko's second environmental report was published on 21 June 1999.

On 22 August 1999, Citymarket Oy started cooperation with Fujitsu/Siemens by launching Fujitsu home computers in all its Citymarket hypermarkets.

On 21 September 1999, Kesko and the OKOBANK Group signed a letter of intent to develop customer loyalty services. As the first stage of this cooperation, all Plussa cardholders will be given the opportunity to link an interest-bearing advance payment account with the Plussa card. In the future, in addition to paying for their shopping, customers will be able to withdraw cash at the Plussa stores operating within the K-Alliance.

On 9 December 1999, Kesko's Supervisory Board decided that the cooperation between Kesko and the retailers belonging to the K-retailer chains will be further developed by adopting even more cohesive chain operations. Cooperation will be increased in the management of the entire operational chain; in the development of chain concepts, and in the area of category management, marketing, purchasing and logistics.

The transfer to the new operational model will be carried out gradually in about two years. It is expected to significantly improve the chains' efficiency and competitiveness. A total of about 1,650 K-retailers are today operating within the current sixteen K-retailer chains.

On 15 December 1999, the EC's Court of First Instance gave its decision on the appeal submitted by Kesko against the European Commission's decision of 20 November 1996 in the Tuko case. The Court dismissed this appeal of Kesko. Kesko considers the case closed for its part.

After the financial year, on 5 January 2000, Kesko purchased Rautakirja Oyj's shares. As a result of this deal, Kesko Corporation now helds 9.99% of Rautakirja Oyj's share capital and 11.87% of its voting rights.

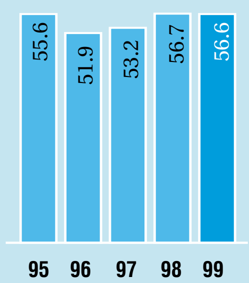
FUTURE OUTLOOK The structure and operations of Kesko's wholesale business and retail chains have been reformed during the past few years. The development of the operational models for retail trade has been started in accordance with the chain model.

During three years, Kesko has invested almost EUR 470 million in store sites and the renovation of stores, and in the reform of logistics and information systems. Investments have been made in all lines of business. This has significantly improved competitiveness, and it provides good opportunities for increasing Kesko's sales and profit.

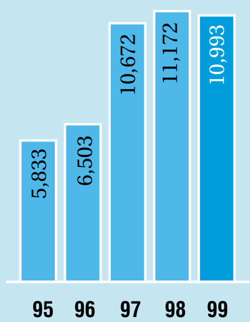
The lively domestic demand for investment and consumer goods and the optimism of consumers help to create a good basis for Kesko's growth.

Kesko Group's net sales are expected to exceed EUR 6.2 billion in 2000 and the operating profit, excluding profits from the sale of fixed assets, to grow clearly.

Group equity ratio, %



Group personnel, average



INCOME STATEMENT

Income statement 1.1.-31.12.		Consolidated				Kesko Corporation			
	Note	1999		1998		1999		1998	
		EUR million	%	EUR million	%	EUR million	%	EUR million	%
Net sales	**1**	**6,110.7**	100.0	**5,992.4**	100.0	**4,921.6**	100.0	**4,705.7**	100.0
Other operating income	**2**	**292.4**	4.8	**290.1**	4.8	**341.7**	6.9	**334.2**	7.1
Materials and services									
Materials and goods									
Purchases during the financial year		-5,318.9		-5,237.1		-4,512.0		-4,344.2	
Variation in stocks		14.6		34.2		-14.7		-0.9	
External services		-53.6		-67.0		-83.0		-80.0	
		-5,357.9	87.7	**-5,269.9**	87.7	**-4,609.7**	93.7	**-4,425.1**	94.0
Personnel expenses	**3,4**								
Wages and salaries		-260.5	4.3	-257.3	4.3	-106.0	2.2	-103.5	2.2
Social security expenses									
Pension expenses		-29.5	0.5	-37.7	0.6	-7.5	0.2	-14.9	0.3
Other social security expenses		-27.4	0.4	-26.4	0.4	-11.5	0.2	-10.5	0.2
		-317.4	5.2	**-321.4**	5.4	**-125.0**	2.5	**-128.9**	2.8
Depreciation and reduction in value	**5,11, 12,13**								
Depreciation according to plan		-101.7	1.7	-95.0	1.6	-38.0	0.8	-34.1	0.7
Reduction in value, non-current assets		-4.4	0.1			-3.4	0.1		
Amortisation on goodwill		-6.9	0.1	-6.4	0.1				
		-113.0	1.8	**-101.4**	1.7	**-41.4**	0.8	**-34.1**	0.7
Other operating expenses	**6**	**-498.3**	8.2	**-459.5**	7.7	**-430.7**	8.8	**-377.1**	8.0
Operating profit		**116.5**	1.9	**130.3**	2.2	**56.5**	1.1	**74.7**	1.6
Financial income and expenses									
Income from associated companies		1.1		0.4					
Dividend income									
From Group companies						13.1		13.9	
From others		0.8		0.5		0.5		0.4	
Interest income from investments held as non-current assets									
From others		0.7				0.7			
Other interest and financial income									
From Group companies						4.8		1.2	
From others		21.6		26.2		17.4		19.5	
Interest and other financial expenses									
To Group companies						-7.8		-5.4	
To others		-12.3		-24.4		-8.7		-18.5	
		11.9	0.2	**2.7**	0.0	**20.0**	0.4	**11.1**	0.2
Profit before extraordinary items		**128.4**	2.1	**133.0**	2.2	**76.5**	1.6	**85.8**	1.8
Extraordinary items	**7**								
Extraordinary income				22.7		209.9		19.3	
Extraordinary expenses		-4.5				-6.7		-5.4	
		-4.5	0.1	22.7	0.4	**203.2**	4.1	**13.9**	0.3
Profit before appropriations and taxes		**123.9**	2.0	**155.7**	2.6	**279.7**	5.7	**99.7**	2.1
Appropriations	**8**								
Change in depreciation reserve						**10.5**	0.2	**27.1**	0.6
Change in untaxed reserves						**-4.3**	0.1	**0.2**	0.0
Profit before taxes		**123.9**	2.0	**155.7**	2.6	**285.9**	5.8	**127.0**	2.7
Income taxes	**10**								
For the financial year		-41.7	0.7	-46.5	0.8	-34.5	0.7	-35.7	0.8
For previous financial years		0.2		0.2		0.3		0.1	
Change in deferred tax liability		2.5	0.1	4.0	0.1				
		-39.0	0.6	**-42.3**	0.7	**-34.2**	0.7	**-35.6**	0.7
Minority interest		**0.0**		**0.5**					
Net profit for the financial year		**84.9**	1.4	**113.9**	1.9	**251.7**	5.1	**91.4**	1.9

BALANCE SHEET

Balance sheet 31.12.	Note	Consolidated 1999 EUR million	%	1998 EUR million	%	Kesko Corporation 1999 EUR million	%	1998 EUR million	%
Assets									
Non-current assets									
Intangible assets	**11**								
Goodwill		61.4		66.7					
Other capitalised expenditure		71.6		76.6		35.6		28.1	
		133.0	5.2	**143.3**	5.6	**35.6**	1.4	**28.1**	1.3
Tangible assets	**12**								
Land and water		146.8		149.4		104.2		83.4	
Buildings		507.1		520.6		353.6		278.4	
Machinery and equipment		177.6		180.0		72.2		58.5	
Other tangible assets		4.4		3.7		3.7		1.9	
Advance payments and construction in progress		28.7		32.7		23.6		31.1	
		864.6	33.6	**886.4**	34.8	**557.3**	22.2	**453.3**	20.2
Investments	**13**								
Holdings in Group companies						551.7		517.9	
Receivables from Group companies						6.8			
Holdings in participating interest companies		33.7		53.5		25.0		50.6	
Other shares and similar rights of ownership		73.5		27.2		40.1		17.0	
Other receivables		19.2		1.2		19.2		2.1	
		126.4	4.9	**81.9**	3.2	**642.8**	25.6	**587.6**	26.2
Current assets									
Stocks									
Finished products/goods		**492.5**	19.2	**495.2**	19.5	**167.1**	6.7	**181.7**	8.1
Receivables									
Long-term receivables	**14**								
Trade receivables		0.2		0.2					
Receivables from participating interest companies		24.1		8.9		24.1		8.9	
Loan receivables		64.7		57.1		0.8		0.8	
		89.0	3.5	**66.2**	0.4	**24.9**	1.0	**9.7**	0.4
Short-term receivables	**14**								
Trade receivables		469.3		462.7		377.0		374.8	
Receivables from Group companies						367.9		246.2	
Receivables from participating interest companies		13.8		72.6		13.4		72.2	
Loan receivables		29.5		10.6		27.0		8.3	
Other receivables		9.2		7.7		3.3		1.9	
Prepayments and accrued income		72.2		71.7		47.5		51.5	
		594.0	23.1	**625.3**	26.8	**836.1**	33.4	**754.9**	33.7
Securities									
Other securities		**231.7**	9.0	**207.7**	8.2	**231.0**	9.2	**206.5**	9.2
Cash on hand and at bank		**38.8**	1.5	**38.5**	1.5	**12.8**	0.5	**20.4**	0.9
Assets		**2,570.0**	**100.0**	**2,544.5**	**100.0**	**2,507.6**	**100.0**	**2,242.2**	**100.0**

Balance sheet 31.12.	Note	Consolidated 1999 EUR million	%	1998 EUR million	%	Kesko Corporation 1999 EUR million	%	1998 EUR million	%
Liabilities									
Shareholders' equity	**15**								
Share capital		180.4		151.7		180.4		151.7	
Share premium account		142.7		171.7		142.7		171.5	
Revaluation reserve		1.4		1.6		1.2		1.4	
Other reserves									
Other reserves		237.8		303.2		243.4		243.4	
Retained earnings		784.9		664.7		312.4		281.9	
Profit for the financial year		84.9		113.9		251.7		91.4	
		1,432.1	55.8	**1,406.8**	55.2	**1,131.8**	45.1	**941.3**	42.0
Minority interest		**16.0**	0.6	**27.4**	1.1				
Appropriations									
Depreciation reserve	**11,12,13**					**260.8**	10.4	**229.2**	10.2
Untaxed reserves	**16**								
Other reserves						**4.4**	0.2		
Provisions									
Other provisions	**9,17**	**16.0**	0.6	**19.2**	0.8	**0.5**	0.0	**1.1**	0.1
Liabilities									
Deferred tax liability	**18**	**70.0**	2.7	**72.4**	2.9				
Non-current liabilities	**19**								
Bonds and notes									
Bonds with warrants		0.3		0.4		0.1		0.2	
Loans from financial institutions		62.5		10.0		4.5		7.8	
Other debt		6.5		104.2		6.1		45.3	
		69.3	2.7	**114.6**	4.5	**10.7**	0.4	**53.3**	2.4
Current liabilities	**20, 21**								
Loans from financial institutions		11.2		17.1		6.6		6.5	
Advances received		11.6		14.8		2.5		4.2	
Trade payables		544.8		501.2		485.3		441.8	
Debt to Group companies						291.9		297.5	
Debt to participating interest companies		10.0		4.5		10.0		4.5	
Other debt		263.2		241.1		239.5		197.8	
Accruals and deferred income		125.8		125.4		63.6		65.0	
		966.6	37.6	**904.1**	35.5	**1,099.4**	43.9	**1,017.3**	45.3
Liabilities		**2,570.0**	100.0	**2,544.5**	100.0	**2,507.6**	100.0	**2,242.2**	100.0

CASH FLOW STATEMENT

Cash flow statement 1.1.-31.12.	Consolidated 1999 EUR million	Consolidated 1998 EUR million	Kesko Corporation 1999 EUR million	Kesko Corporation 1998 EUR million
Cash flow from operating activities				
Operating profit	116.5	130.3	56.5	74.7
Adjustments to operating profit				
Depreciation according to plan	101.7	95.0	37.9	34.1
Other adjustments	-18.2	-37.5	-6.3	-24.2
Change in net working capital				
Short-term trade receivables, increase/decrease (-/+)	31.0	89.6	-26.9	-1.9
Stocks, increase/decrease (-/+)	2.7	-34.5	14.7	0.9
Interest-free short-term debt, increase/decrease (+/-)	51.8	-27.6	67.4	25.1
	85.5	27.5	55.2	24.1
Interests paid and other payments	-9.0	-13.9	-14.4	-16.7
Dividends received	0.8	0.5	9.8	10.3
Interests received	19.6	23.9	20.8	19.7
Taxes paid	-33.6	-34.5	-30.9	-31.7
Cash from operating activities	**263.3**	**191.3**	**128.6**	**90.3**
Cash flow from investing activities				
Group companies acquired	-12.4	-53.3	-6.4	-34.7
Associated companies acquired	-2.6	-27.6	-3.4	-19.7
Other investments	-29.1	-11.7	-24.6	-9.9
Investments in tangible and intangible assets	-199.3	-93.0	-120.8	-75.0
Group companies divested	32.1	43.9	1.7	39.6
Associated companies divested	46.4	31.8	45.2	30.8
Capital gains from other investments	11.0	70.2	5.5	54.3
Capital gains from tangible and intangible assets	44.4	56.6	20.3	28.6
Loans granted	-19.2	-0.1	-25.0	-0.6
Cash used in investing activities	**-128.7**	**16.8**	**-107.5**	**13.4**
Cash flow from financing activities				
Raising of long-term loans	52.4	23.9	2.5	
Repayment of long-term loans	-97.7	-22.8	-45.0	-22.7
Increase/decrease in long-term receivables	-22.8	-52.5	-15.2	3.6
Raising/repayment of short-term loans	17.2	-69.3	-40.5	-10.9
Dividends paid	-60.7	-45.5	-60.7	-45.5
Group contributions received and paid			34.5	13.9
Merger items			120.4	
Others	1.3	-5.3	-0.2	-6.4
Cash used in financing activities	**-110.3**	**-171.5**	**-4.2**	**-68.0**
Change in liquid funds	**24.3**	**36.6**	**16.9**	**35.7**
Liquid funds at 1 January	246.2	209.6	226.9	191.2
Liquid funds at 31 December	270.5	246.2	243.8	226.9

NOTES TO THE FINANCIAL STATEMENTS

PRINCIPLES USED FOR PREPARING FINANCIAL STATEMENTS

EXTENT OF CONSOLIDATED FINANCIAL STATEMENTS In addition to Kesko Corporation, the consolidated financial statements contain all subsidiaries, including 20 real estate companies. A copy of Kesko Corporation's financial statements and the consolidated financial statements is available from Kesko Corporation, Satamakatu 3, FIN-00016 Kesko, Finland.

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

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

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

Translation differences The income statements and balance sheets of foreign Group companies have been translated into Finnish markkas at the exchange rate current on the balance sheet date. Translation differences have been included in retained earnings.

Associated companies The associated companies in which Kesko's holding is 20-50% have been consolidated by using the equity method. The Group's share of profits/losses of real estate associated companies, based on the Group's share of ownership, is included in other operating income and expenses. The share of profits/losses of Vähittäiskaupan Takaus Oy and Valluga-sijoitus Group is included in financial items.

CHANGES IN THE GROUP STRUCTURE The companies Adidas Suomi Oy, SIA Kesko Agro Latvia, LT Polska Sp z o.o and SIA Ulkokaupat Latvia were established during the financial year. Norrwell Oy and one real estate company, and holdings in two real estate associated companies were acquired.

Aleksi 13 Oy, Kauko International Holding B.V. and S.J.Aalto Oy and 13 real estate companies were divested during the financial year. In addition, holdings in 18 real estate associated companies were sold. An associated company, Center-yhtiöt Oy, became a subsidiary, and the ownership in Golf Talma Oy decreased to below 20%. K-yhtiöt Oy and 39 real estate companies were merged with Kesko Corporation.

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

Depreciation plan Depreciation according to plan is calculated on a straight line basis so as to write off the cost of fixed assets over their estimated useful lives.
The periods adopted for depreciation are as follows:

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

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

The goodwill arising from the Kaukomarkkinat Group and Anttila Oy is amortised over fifteen years on a straight line basis, while the goodwill arising from Carrols Oy is amortised over seven years and that of Kauppiaitten Kustannus Oy over five years. The times for depreciation have been determined on the basis of the stability of business and the sector's future outlook. Depreciation according to plan and the depreciation reserve comply with Finnish tax legislation. The depreciation reserve has been treated as appropriations in the parent company and included in deferred tax liability and shareholders' equity in the Group.

VALUATION OF STOCKS The stocks are stated at lower of weighted average cost or net realisable value.

VALUATION OF FINANCIAL ASSETS Securities have been valued at lower of cost or net realisable value.

FOREIGN CURRENCIES Items denominated in foreign currencies have been translated into Finnish markkas and euros at the average exchange rate of the European Central Bank on the balance sheet date. If a receivable or a debt is tied to a fixed rate of exchange, it has been used for translation. Profits and losses arising from foreign currency transactions have been dealt with in the income statement.

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

Currency derivative contracts The forward exchange contracts are valued at the average exchange rate of the European Central Bank on the balance sheet date. The rate differences arising from forward exchange contracts are treated in the income statement as foreign exchange profit or loss, except for the interest difference of forward exchange contracts used to hedge interest-bearing financial items. This difference is stated as interest income or expenses, according to the term-to-maturity. In the financial statements, the open option contracts are stated at market value. The valuation items of option contracts, as well as the premiums and results of matured options, are included in the income statement as foreign exchange profit or loss.

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

PENSION COSTS Annual pensions costs are included in personnel expenses in the income statement. Contributions to the Kesko Pension Fund for pension benefits provided to Kesko Corporation's employees are included in personnel expenses in the income statement. The Fund's A Department, which provides supplementary pension benefits, was closed on 9 May 1998. The Pension Foundation for Trade was dissolved on 31 December 1997, and the payment of pensions to the employees of subsidiaries and the pension liabilities were transferred to pension insurance companies. The retirement age agreed for a number of directors in the Group is 60 or 62 years.

INCOME RELATING TO PREVIOUS FINANCIAL YEARS Extraordinary items for 1998 include a book income of EUR 23 million arising from a change in the calculation of deferred tax assets and liabilities.

NOTES TO THE INCOME STATEMENT	**Group**		**Kesko Corporation**	
EUR million	**1999**	**1998**	**1999**	**1998**
1. Net sales				
Net sales of profit divisions				
Foodstuffs Division	3,257	3,129	2,984	2,795
Home and Speciality Goods Division	869	906	711	664
Builders' and Agricultural Supplies Division	1,266	1,282	1,223	1,245
Kaukomarkkinat	268	276		
VV-Auto	439	392		
Others	12	7	4	2
Total	6,111	5,992	4,922	4,706
Foreign operations				
Foodstuffs Division	35	39	0	0
Home and Speciality Goods Division	17	19	1	1
Builders' and Agricultural Supplies Division	41	38	21	27
Kaukomarkkinat	55	44		
VV-Auto	11	12		
Others	0			
Total	159	152	22	28
2. Other operating income				
Services income	173.6	168.4	257.1	240.1
Profit from sales of real estate and shares	44.7	62.3	24.3	45.9
Income from associated companies	0.1	0.2		
Others	74.0	59.2	60.3	48.2
	292.4	290.1	341.7	334.2
3. Notes concerning employees and administrative body members				
Average number of personnel, by division				
Foodstuffs Division	4,840	4,811	1,728	1,714
Home and Speciality Goods Division	3,049	3,260	784	839
Builders' and Agricultural Supplies Division	1,347	1,363	907	911
Kaukomarkkinat	779	757		
VV-Auto	102	97		
Others	876	884	292	302
Total	10,993	11,172	3,711	3,766
4. Salaries and fees to the management				
Salaries to the Supervisory Board members	0.1	0.1	0.1	0.1

EUR million	Group 1999	Group 1998	Kesko Corporation 1999	Kesko Corporation 1998
Salaries to Managing Directors	3.4	3.5	0.4	0.5
Salaries to the Board of Directors' members	1.0	1.5	1.0	1.5
	4.5	5.0	1.5	2.1
Pension commitments to the management				
Retirement age of 60 or 62 years has been agreed for a number of directors.				
5. Depreciation and reduction in value				
Depreciation on intangible and tangible assets has been specified in the notes to the balance sheet.				
Reduction in value, non-current assets	4.4		3.4	
6. Other operating expenses				
Rent expenses	168.5	148.7	173.2	154.3
Marketing expenses	137.7	128.3	88.5	80.2
Maintenance of real estate and store sites	61.9	50.7	66.3	55.6
Other expenses from business operations	109.7	106.9	94.9	70.4
Losses from sales of real estate and shares	18.5	20.8	7.8	16.5
Profits/losses of associated companies	2.0	4.1		
	498.3	459.5	430.7	377.1
7. Items included in extraordinary income and expenses				
Expenses for discontinuing business operations	-4.5			
Merger profit, K-yhtiöt Oy			168.8	
Deferred tax assets		22.7		
Contributions from Group companies			41.2	19.3
Contributions to Group companies			-6.7	-5.4
	-4.5	22.7	203.3	13.9
8. Appropriations				
Difference between depreciation according to plan depreciation in taxation			10.5	27.1
Recognition of acquisition reserve			-4.3	0.2
			6.2	27.3
9. Changes in provisions				
Rent expenses against vacant business premises	3.2	0.3	0.2	0.3
Guarantee losses	-0.6	-0.1		
Guarantee provisions	-2.0	0.4	-0.7	0.1
Supplementary pension liabilities	0.0	0.0		
Expenses against discontinued business operations	-2.3	-3.6		
Other changes	-1.5	0.9		
	-3.2	-2.1	0.5	0.4
10. Income taxes				
Income taxes on extraordinary items	1.3	-6.4	-9.7	-3.9
Income taxes on operating activities	-42.8	-39.9	-24.5	-31.7
Change in deferred tax liability	2.5	4.0		
	-39.0	-42.3	-34.2	-35.6
NOTES TO THE BALANCE SHEET				
11. Intangible assets				
Goodwill				
Acquisition cost at 1 January	79.1	82.1	-	-
Increases	0.0	0.3	-	-
Decreases	0.0	-3.3	-	-
Acquisition cost at 31 December	79.1	79.1	-	-

EUR million	Group 1999	1998	Kesko Corporation 1999	1998
Accumulated depreciation at 1 January	12.4	10.4	-	-
Accumulated depreciation on decreases and transfers	0.0	-3.3	-	-
Depreciation during the financial year	5.3	5.3	-	-
Accumulated depreciation at 31 December	17.7	12.4	-	-
Book value at 31 December	61.4	66.7	-	-
Other capitalised expenditure				
Acquisition cost at 1 January	191.2	170.7	71.8	70.8
Increases	17.8	26.3	17.7	5.2
Decreases	-10.6	-5.0	-2.7	-3.4
Transfers between items		-0.7		-0.7
Acquisition cost at 31 December	198.4	191.2	86.8	71.8
Accumulated depreciation at 1 January	114.6	91.5	43.8	40.2
Accumulated depreciation on decreases and transfers	-8.1	4.8	0.9	-2.4
Depreciation during the financial year	20.3	18.3	6.5	5.9
Accumulated depreciation at 31 December	126.8	114.6	51.2	43.8
Book value at 31 December	71.6	76.6	35.6	28.1
12. Tangible assets				
Land and water				
Acquisition cost at 1 January	147.7	147.6	82.8	78.6
Increases	13.6	8.9	23.4	5.0
Decreases	-16.2	-10.1	-2.6	-2.2
Transfers between items		1.4		1.4
Acquisition cost at 31 December	145.1	147.7	103.6	82.8
Revaluation	1.7	1.7	0.6	0.6
Book value at 31 December	146.8	149.4	104.2	83.4
Buildings				
Acquisition cost at 1 January	716.4	760.7	378.1	389.4
Increases	70.0	28.8	113.2	23.5
Decreases	-59.6	-74.1	-20.6	-35.7
Transfers between items	-0.1	1.0		1.0
Acquisition cost at 31 December	726.7	716.4	470.7	378.1
Accumulated depreciation at 1 January	214.6	207.6	99.7	95.9
Accumulated depreciation on decreases and transfers	-4.5	-19.9	5.2	-8.4
Depreciation during the financial year	28.3	26.9	12.2	12.2
Accumulated depreciation at 31 December	238.4	214.6	117.1	99.7
Revaluation	18.8	18.7		0.0
Book value at 31 December	507.1	520.5	353.6	278.4
Machinery and equipment				
Acquisition cost at 1 January	588.1	541.5	231.3	208.2
Increases	56.7	69.0	32.1	23.0
Decreases	-51.2	-22.6		
Transfers between items		0.1		0.1
Acquisition cost at 31 December	593.6	588.1	263.4	231.3
Accumulated depreciation at 1 January	408.1	370.3	172.8	157.2
Accumulated depreciation on decreases and transfers	-49.3	-13.9		
Depreciation during the financial year	57.2	51.7	18.4	15.6

EUR million	Group 1999	1998	Kesko Corporation 1999	1998
Accumulated depreciation at 31 December	416.0	408.1	191.2	172.8
Book value at 31 December	177.6	180.0	72.2	58.5
Other tangible assets				
Acquisition cost at 1 January	7.9	7.6	4.9	4.3
Increases	3.0	0.7	2.8	0.7
Decreases	-1.9	-0.4	-0.4	-0.1
Acquisition cost at 31 December	9.0	7.9	7.3	4.9
Accumulated depreciation at 1 January	4.3	4.1	3.0	2.7
Accumulated depreciation on decreases and transfers	-0.4	-0.3	0.0	-0.1
Depreciation during the financial year	0.7	0.5	0.6	0.4
Accumulated depreciation at 31 December	4.6	4.3	3.6	3.0
Book value at 31 December	4.4	3.7	3.7	1.9
Advance payments and construction in progress				
Acquisition cost at 1 January	32.7	17.0	31.1	13.6
Increases	26.6	32.0	21.7	30.7
Decreases	-30.6	-14.6	-29.2	-11.4
Transfers between items	0.0	-1.7		-1.7
Acquisition cost at 31 December	28.7	32.7	23.6	31.1
Book value at 31 December	28.7	32.7	23.6	31.1
Revaluation of non-current assets				
Land and water	1.7	1.7	0.6	0.6
Buildings	18.8	18.7		
Shares and similar rights of ownership	0.6	0.8	0.6	0.8
	21.1	21.2	1.2	1.4

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

13. Investments

	Group 1999	1998	Kesko Corporation 1999	1998
Holdings in Group companies				
Acquisition cost at 1 January	-	-	585.1	583.6
Increases	-	-	67.6	34.7
Decreases	-	-	-32.9	-33.2
Transfers between items	-	-	-0.9	
Acquisition cost at 31 December	-	-	618.9	585.1
Accumulated depreciation at 1 January	-	-	67.3	67.3
Accumulated depreciation on decreases and transfers	-	-		
Accumulated depreciation at 31 December	-	-	67.3	67.3
Revaluation	-	-	0.1	0.1
Book value at 31 December	-	-	551.7	517.9
Participating interests				
Acquisition cost at 1 January	53.0	77.9	50.1	76.0
Increases	0.4	27.7	3.8	27.6
Share of profits/losses for the financial year	11.6	3.9		
Decreases	-32.1	-55.0	-29.3	-53.6
Transfers between items	0.4	-1.4		0.0
Acquisition cost at 31 December	33.3	53.0	24.6	50.1

EUR million	Group 1999	1998	Kesko Corporation 1999	1998
Accumulated depreciation at 1 January				
Accumulated depreciation on decreases and transfers				
Accumulated depreciation at 31 December				
Revaluation	0.4	0.5	0.4	0.5
Book value at 31 December	33.7	53.5	25.0	50.6
Other shares and similar rights of ownership				
Acquisition cost at 1 January	27.1	39.6	16.7	27.9
Increases	59.6	2.4	26.7	2.0
Decreases	-10.5	-16.4	-2.2	-13.1
Transfers between items	0.4	1.4	0.9	
Acquisition cost at 31 December	76.6	27.1	42.1	16.7
Reduction in value	-3.3	0.1	-2.2	
Accumulated depreciation at 31 December	0.1	0.1	-2.2	
Revaluation	0.3	0.3	0.2	0.3
Book value at 31 December	73.5	27.2	40.1	17.0

The shareholder register referred to in the Companies Act is annexed to the company's official financial statements.
In 1999, the shares in listed companies amounted to EUR 43.9 million (EUR 0.5 million in 1998), market value EUR 34.6 million.
Castrum Oyj and Citycon Oyj shares have been valued at 80% of each company's equity per share.
The book value of shares in housing and real estate companies (62 business premises) was EUR 36.8 million.

Group companies	Group's share-holding, %	parent company's share-holding, %	shares held by the parent company pcs	nominal value, EUR million	book value, EUR million
Academica Oy, Helsinki	100.0	100.0	700	0.1	0.9
Anttila Oy, Helsinki (Group)	100.0	100.0	20,324,844	17.1	72.9
Carrols Oy, Helsinki (Group)	100.0	100.0	1,000	1.7	1.7
Center-yhtiöt Oy, Helsinki (Group)	91.0	91.0	186,660	3.1	4.6
Citymarket Oy, Helsinki	100.0	100.0	10,000	16.8	16.8
Hämeenkylän Kauppa Oy, Helsinki (Group)	100.0	100.0	81,972,530	68.9	278.0
Kaukomarkkinat Oy, Espoo (Group)	100.0	100.0	2,085,320	35.1	83.9
Kauppiaiden Komedia Oy, Helsinki (Group)	98.5	87.6	340	0.1	2.5
Kauppiaitten Kustannus Oy, Helsinki	91.0	91.0	3,640	0.1	22.7
SIA Kesko Agro Latvia, Riga	100.0	100.0	110	0.1 LVL	0.2
Kesko Eesti A/S, Tallinn	100.0	100.0	3,645	36.5 EEK	5.2
Kesko Export Ltd, Helsinki (Group)	100.0	100.0	300	0.5	0.5
Kesko Svenska AB, Stockholm	100.0	100.0	800	8.0 SEK	0.9
Kesped Ltd, Helsinki	100.0	100.0	300	0.5	0.5
Kespro Ltd, Helsinki	100.0	100.0	10,000	16.8	16.8
Kesthom Oy, Helsinki (Group)	100.0	100.0	10,500	1.8	1.8
Kestra Kiinteistöpalvelut Oy, Helsinki	100.0	100.0	100	0.2	0.2
K-instituutti Oy, Helsinki	90.0	90.0	990	1.7	1.7
K-linkki Oy, Helsinki	100.0	100.0	2,000	3.4	3.4
K-Luotto Oy, Helsinki	100.0	100.0	12,000	2.0	2.0
K-maatalousyhtiöt Oy, Helsinki	100.0	100.0	500	0.8	0.8
K-Plus Oy, Helsinki	100.0	100.0	200	0.3	0.3
K-Rahoitus Oy, Helsinki	100.0	100.0	21,221,340	3.6	6.0
Seppo Levokoski Oy, Helsinki	90.0	90.0	90	0.2	0.2
MK-mainos Oy, Helsinki	90.0	90.0	216	0.4	0.4
Motorfeet Ltd, Helsinki (Group)	100.0	100.0	100	0.0	0.2
Norrwell Oy, Helsinki	100.0	100.0	300	0.0	0.6
Sincera Oy, Helsinki	100.0	100.0	2,000	3.4	3.4
Suneva Oy, Helsinki	99.9	99.9	1,799	0.0	0.0
Finnish Rich Coffee Ltd, Helsinki	100.0	100.0	1,000	0.2	0.2
Tietokesko Oy, Helsinki	100.0	100.0	1,000	1.7	1.7
Tremont Oy, Helsinki	100.0	100.0	500	0.8	0.8
Viking Coffee Ltd, Vantaa	100.0	100.0	3,000	5.0	6.6
VV-Auto Oy, Helsinki (Group)	100.0	100.0	8,398,640	7.1	7.3
Associated companies					
Valluga-sijoitus Oy, Helsinki	39.0	39.0	2,574	0.4	0.4
Viking Fruit AB, Stockholm (Group)	33.3	33.3	13,333	1.3 SEK	0.2
Vähittäiskaupan Takaus Oy, Helsinki	34.3	34.3	137,397	0.2	2.1

EUR million	Group 1999	Group 1998	Kesko Corporation 1999	Kesko Corporation 1998
Other receivables				
Other receivables	19.2	1.2	19.2	2.1
14. Receivables				
Receivables from Group companies				
Investments				
Receivables	-	-	6.8	
Total	-	-	6.8	
Short-term	-	-		
Trade receivables	-	-	74.1	63.2
Loan receivables	-	-	291.2	181.7
Other receivables	-	-	0.1	
Prepayments and accrued income	-	-	2.5	1.3
	-	-	367.9	246.2
Total	-	-	374.7	248.3
Receivables from participating interest companies				
Long-term				
Loan receivables	24.1	8.9	24.1	8.9
Total	24.1	8.9	24.1	8.9
Short-term				
Trade receivables	0.4	0.3	0.1	0.0
Loan receivables	13.1	72.3	13.1	72.2
Prepayments and accrued income	0.3		0.2	
	13.8	72.6	13.4	72.2
Total	37.9	81.5	37.5	81.1
Prepayments and accrued income				
Sales price receivables	0.7	8.9		8.9
Annual discounts	10.4	10.6	10.0	9.7
Receivables from advertising costs	11.6	14.8	9.5	12.8
Others	49.5	37.4	27.9	20.0
	72.2	71.7	47.4	51.5
15. Shareholders' equity				
Share capital at 1 January	151.7	151.8	151.7	151.8
Transfer from share premium account	28.7	-0.1	28.7	-0.1
Share capital at 31 December	180.4	151.7	180.4	151.7
Share premium account at 1 January	171.7	171.6	171.4	171.4
Transfer to share capital	-28.7	0.1	-28.7	0.1
Transfer to retained earnings	-0.2			
Share premium account at 31 December	142.7	171.7	142.7	171.4
Revaluation reserve at 1 January	1.6	1.8	1.4	1.4
Decrease in connection with sale of fixed assets	-0.2	-0.2	-0.2	
Revaluation reserve at 31 December	1.4	1.6	1.2	1.4
Other reserves at 1 January	303.2	303.4	243.4	243.4
Adjustment for associated companies	1.1	1.0		
Change in other reserves	-66.5	-1.2		
Other reserves at 31 December	237.8	303.2	243.4	243.4

EUR million	Group 1999	Group 1998	Kesko Corporation 1999	Kesko Corporation 1998
Retained earnings at 1 January	778.6	709.2	373.3	327.7
Distribution of dividends	-60.7	-45.5	-60.7	-45.5
Transfer to donations	-0.3	-0.3	-0.3	-0.3
Other changes		0.1		
Translation differences	0.4			
Transfer from share premium account	0.2			
Transfer from other reserves	66.5	1.2		
Retained earnings at 31 December	784.8	664.7	312.4	281.9
Profit for the financial year	84.9	113.9	251.7	91.4
Shareholders' equity, total	1,432.1	1,406.8	1,131.8	941.3
Distributable reserves				
Other reserves	237.8	303.2	243.4	243.4
Retained earnings	784.8	664.7	312.3	281.9
Profit for the financial year	84.9	113.9	251.7	91.4
Share of depreciation reserve and untaxed reserves included in shareholders' equity	-204.8	-219.4		
Group entries	-5.4	-5.4		
	897.3	857.0	807.5	616.7
Appropriations				
Depreciation reserve	290.4	315.4		
Untaxed reserves	6.4	1.1		
	296.8	316.5		

Breakdown of parent company's share capital

	pcs	counter value EUR	EUR million	FIM million
A shares	31,737,007	2	63.5	377.4
B shares	58,476,393	2	116.9	695.3
Total	90,213,400		180.4	1,072.7

Voting rights	votes
A share	10
B share	1

16. Untaxed reserves

	Group 1999	Group 1998	Kesko Corporation 1999	Kesko Corporation 1998
Acquisition reserve			4.4	

17. Provisions

	Group 1999	Group 1998	Kesko Corporation 1999	Kesko Corporation 1998
Rent expenses against vacant business premises	3.7	3.9	0.5	0.4
Guarantee losses	0.3	1.0		
Guarantee provisions	3.7	5.7	0.1	0.7
Supplementary pension liabilities	0.5	0.6		
Expenses against discontinued business operations	6.8	5.6		
Court proceedings	0.0	1.5		
Other provisions	1.0	0.9		
	16.0	19.2	0.6	1.1

EUR million		Group 1999	Group 1998	Kesko Corporation 1999	Kesko Corporation 1998
18. Deferred tax liabilities and assets					
Deferred tax assets caused					
by timing differences		19.4	21.8		
Deferred tax liabilities					
caused by appropriations		-86.1	-88.6		
caused by timing differences		-3.3	-5.6		
		-70.0	-72.4		
19. Non-current liabilities					
Debt falling due later than within five years					
Loans from financial institutions		54.3			
		54.3			
Bonds and notes	interest rate				
Bonds and notes 1993-2003					
Bonds with warrants 1996-2002	4%	0.1	0.2	0.1	0.2
The loan includes 1,325,000 warrants, each of which entitles to subscribe for one of Kesko's B shares during 1.12.1999-30.4.2002					
Bonds with warrants (Tuko Oy) 1994-2001		0.2	0.2		
Subordinated loan issued by Tuko Oy. Subscription period 3.6.1994-3.6.2001. Number of shares to be subscribed 37,644.					
20. Current liabilities					
Bonds and notes					
Debenture loan 1985-1995	12% fallen due	0.1	0.1	0.1	0.1
Convertible bonds					
Convertible bonds 1989-1994	5% fallen due	0.0	0.0	0.0	0.0
Debt to Group companies					
Advances received		-	-	18.2	4.9
Trade payables		-	-	15.9	13.9
Other debt		-	-	243.0	268.0
Accrued liabilities and deferred income		-	-	14.8	10.7
				291.9	297.5
Debt to participating interest companies					
Advances received		0.3	0.3	0.3	0.3
Trade payables		1.7		1.7	
Other debt		7.9	4.2	7.9	4.2
Accrued liabilities and deferred income		0.1		0.1	
		10.0	4.5	10.0	4.5
Accrued liabilities and deferred income					
Personnel expenses		50.0	49.0	20.5	22.7
Advertising expenses		8.1	18.3	8.1	13.5
Taxes		23.7	31.8	17.2	17.9
Others		44.0	26.3	17.8	10.9
		125.8	125.4	63.6	65.0
21. Interest-free debt					
Deferred tax liability		70.0	72.4	76.9	64.2
Short-term		747.0	701.7	630.9	559.6
Total		817.0	774.1	707.8	623.7

EUR million	Group 1999	Group 1998	Kesko Corporation 1999	Kesko Corporation 1998
OTHER NOTES TO THE FINANCIAL STATEMENTS				
22. Securities given and contingent liabilities				
Debt for the security of which mortgages have been given				
Loans from financial institutions	0.3	0.1		
Mortgages given	0.3	0.7		
Other long-term debt		45.1		
Mortgages given		55.4		
Trade payables	3.8	10.7	0.8	1.8
Other short-term debt	3.2	1.9	3.1	1.9
Total	7.0	12.6	3.9	3.7
Mortgages given	11.1	11.1	11.1	11.1
Other mortgages	3.9	18.1	1.7	4.4
Debt, total	7.3	57.8	3.9	3.7
Mortgages given, total	15.3	85.3	12.8	15.5
Debt for the security of which shares have been given				
Other long-term debt		13.8		
Pledged shares		17.0		
Trade payables	0.1	1.3	0.1	1.3
Other short-term debt	6.1	10.0	6.1	10.0
Pledged shares	73.0	73.0	73.0	73.0
Debt, total	6.2	25.1	6.2	11.3
Pledged shares, total	73.0	90.0	73.0	73.0
Mortgages				
For own debt	15	85	13	15
For Group companies				38
For associated companies				
For management				
For shareholders				
For others				
Pledges				
For own debt	73	92	73	74
For Group companies				17
For associated companies				
For management				
For shareholders				
For others				
Guarantees				
For own debt	19	15		
For Group companies			79	20
For associated companies				
For management				
For shareholders	1	1	1	1
For others	3	4	2	2

EUR million	Group 1999	Group 1998	Kesko Corporation 1999	Kesko Corporation 1998
Other contingent liabilities				
For own debt	9	4	1	1
For Group companies			57	49
For associated companies				
For management				
For shareholders				
For others				
Leasing liabilities				
Falling due within a year	7	0	0	0
Falling due later	9	1	0	0

23. Liabilities arising from derivative instruments

Value of underlying instruments at 31 Dec.	1999	Market value	1998	Market value	1999	Market value	1998	Market value
Interest rate derivatives								
Forward and future contracts	1	0.0			1	0.0		
Option agreements								
Bought								
Written								
Interest rate swaps								
Currency derivatives								
Forward and future contracts	28	-0.2	61	0.1	24	0.1	30	0.3
Option agreements								
Bought			3	0.0				
Written			2	0.0				
Currency swaps								
Equities derivatives								
Forward and future contracts								
Option agreements								
Bought			1	0.2				
Written			1	-0.1				

Provisions for the sale of real estate

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

CALCULATION OF KEY INDICATORS

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

GROUP IN FIGURES, EUR

Income statement	1995	1996	1997	1998	1999
Net sales, EUR million	4,478	4,948	5,870	5,992	6,111
Change in net sales, %	-2.3	10.5	18.6	2.1	2.0
Other operating income, EUR million	203	208	238	290	292
Materials and services, EUR million	4,116	4,530	5,204	5,270	5,359
Personnel expenses, EUR million	169	193	302	321	317
Personnel expenses as % of net sales	3.8	3.9	5.2	5.4	5.2
Depreciation and reduction in value, EUR million	58	64	99	101	113
Other operating expenses, EUR million	262	287	391	460	498
Operating profit, EUR million	76	82	112	130	116
Operating profit as % of net sales	1.7	1.6	1.9	2.2	1.9
Financial income and expenses, EUR million	40	43	3	3	12
Profit before extraordinary items, EUR million	116	125	115	133	128
Profit before extraordinary items as % of net sales	2.6	2.5	2.0	2.2	2.1
Profit before taxes, EUR million	126	110	115	156	124
Profit before taxes as % of net sales	2.8	2.2	2.0	2.6	2.0
Income taxes, EUR million	32	29	27	42	39
Minority interest, EUR million	0	0	0	0	0
Profit for the financial year, EUR million	94	81	89	114	85
Profit for the financial year as % of net sales	2.1	1.6	1.5	1.9	1.4
Balance sheet					
Intangible assets, EUR million	46	85	151	143	133
Tangible assets, EUR million	585	691	918	886	865
Investments, EUR million	117	472	119	82	126
Stocks, EUR million	290	404	461	495	492
Receivables, EUR million	728	728	726	692	683
Securities, EUR million	424	65	180	208	232
Cash on hand and at bank, EUR million	40	46	30	39	39
Share capital, EUR million	152	152	152	152	180
Shareholders' equity, total, EUR million	1,224	1,279	1,338	1,407	1,432
Minority interest, EUR million	6	8	30	27	16
Provisions, EUR million	5	9	21	19	16
Liabilities, EUR million	995	1,195	1,196	1,092	1,106
Balance sheet total, EUR million	2,230	2,491	2,585	2,545	2,570
Cash flow from operating activities, EUR million	182	147	244	191	263
Interest-bearing liabilities, EUR million	305	473	385	317	289
Interest-bearing net debt, EUR million	-159	362	176	71	18
Key indicators					
Return on equity, %	7.1	7.3	6.6	6.5	6.1
Return on investment, %	8.8	9.0	8.2	8.9	8.0
Equity ratio, %	55.6	51.9	53.2	56.7	56.6
Net debt to equity (gearing), %	-12.9	28.2	12.9	4.9	1.3
Investments, EUR million	87	179	155	132	202
Investments as % of net sales	2.0	3.6	2.6	2.2	3.3
Personnel					
Average number of personnel during the financial year	5,833	6,503	10,672	11,172	10,993
Number of personnel at 31 Dec., incl. part-time employees					12,968

Share capital and shares	1995	1996	1997	1998	1999
Share capital, EUR million	152	152	152	152	180
Number of shares at 31 Dec., million pcs	90	90	90	90	90
Adjusted number of shares at 31 Dec., million pcs	90	90	90	90	90
Adjusted average number of shares during the year, million pcs	90	90	90	90	90
of which exclusive/A shares, %	38	35	35	35	35
of which ordinary/B shares, %	62	65	65	65	65
Market capitalisation, EUR million, A shares					432
Market capitalisation, EUR million,B shares	507	636	849	748	736
Number of shareholders at 31 Dec. 1999	27,479	25,890	24,292	23,704	23,235
Share turnover, EUR million					
A share					8
B share	187	456	415	382	248
Share turnover, million pcs					
A share					1
B share	22	42	34	28	20
Turnover rate, %					
A share					1.2
B share	38.9	73.5	58.2	47.8	34.8
Change in share turnover, %					
A share					
B share	-7.0	87.4	-18.8	-17.7	-27.2
Share price at 31 Dec., EUR					
A share					13.60
B share	9.10	10.92	14.50	12.78	12.60
Average share price, EUR					
A share					14.22
B share	8.36	10.88	12.20	13.65	12.18
Highest share price during the year, EUR					
A share					16.00
B share	9.92	12.68	14.80	16.40	15.45
Lowest share price during the year, EUR					
A share					12.50
B share	6.93	8.91	10.68	10.09	10.50
Earnings per share, EUR	0.94	1.02	0.98	1.01	0.98
Equity per share, adjusted, EUR	13.57	14.17	14.83	15.59	15.87
Dividend per share, EUR	0.32	0.34	0.50	0.67	0.50*
Dividend of earnings, %	33.9	33.1	51.1	66.6	51.2
Additional dividend per share, EUR					1.00*
Cash flow from operating activities per share, EUR	2.01	1.63	2.71	2.12	2.92
Price per earnings ratio (P/E), A share					13.88
Price per earnings ratio (P/E), B share	9.7	10.7	14.8	12.7	12.86
Dividend yield, %, A share					3.7
Dividend yield, %, A share (incl. additional dividend)					11.0
Dividend yield, %, B share	3.5	3.1	3.5	5.3	4.0
Dividend yield, %, B share (incl. additional dividend)					11.9
* proposal to the Annual General Meeting					

GROUP IN FIGURES, FIM

Income statement	1995	1996	1997	1998	1999
Net sales, FIM million	26,256	29,419	34,902	35,629	36,333
Change in net sales, %	-2.3	10.5	18.6	2.1	2.0
Other operating income, FIM million	1,207	1,236	1,417	1,725	1,739
Materials and services, FIM million	24,470	26,936	30,939	31,333	31,857
Personnel expenses, FIM million	1,007	1,150	1,798	1,911	1,888
Personnel expenses as % of net sales	3.8	3.9	5.2	5.4	5.2
Depreciation and reduction in value, FIM million	342	379	587	603	671
Other operating expenses, FIM million	1,560	1,705	2,326	2,732	2,963
Operating profit, FIM million	453	485	667	775	693
Operating profit % of net sales	1.7	1.6	1.9	2.2	1.9
Financial income and expenses, FIM million	235	255	17	16	71
Profit before extraordinary items, FIM million	689	740	685	791	764
Profit before extraordinary items as % of net sales	2.6	2.5	2.0	2.2	2.1
Profit before taxes, FIM million	748	651	685	926	737
Profit before taxes as % of net sales	2.8	2.2	2.0	2.6	2.0
Income taxes, FIM million	187	171	161	251	232
Minority interest, FIM million	-1	1	2	2	0
Profit for the financial year, FIM million	560	481	526	677	505
Profit for the financial year as % of net sales	2.1	1.6	1.5	1.9	1.4
Balance sheet					
Intangible assets, FIM million	271	503	897	852	791
Tangible assets, FIM million	3,483	4,108	5,458	5,270	5,140
Investments, FIM million	693	2,805	710	487	752
Stocks, FIM million	1,727	2,403	2,739	2,944	2,928
Receivables, FIM million	4,327	4,330	4,320	4,112	4,061
Securities, FIM million	2,524	386	1,069	1,235	1,377
Cash on hand and at bank, FIM million	235	274	176	229	231
Share capital, FIM million	902	902	902	902	1,073
Shareholders' equity, total, FIM million	7,281	7,602	7,955	8,365	8,515
Minority interest, FIM million	38	45	179	163	95
Provisions, FIM million	27	53	127	114	95
Liabilities, FIM million	5,914	7,109	7,108	6,487	6,575
Balance sheet total, FIM million	13,260	14,809	15,369	15,129	15,280
Cash flow from operating activities, FIM million	1,080	873	1,453	1,138	1,565
Interest-bearing liabilities, FIM million	1,815	2,812	2,290	1,884	1,718
Interest-bearing net debt, FIM million	-943	2,153	1,045	421	110
Key indicators					
Return on equity, %	7.1	7.3	6.6	6.5	6.1
Return on investment, %	8.8	9.0	8.2	8.9	8.0
Equity ratio, %	55.6	51.9	53.2	56.7	56.6
Net debt to equity (gearing), %	-12.9	28.2	12.9	4.9	1.3
Investments, FIM million	519	1,067	923	787	1,201
Investments as % of net sales	2.0	3.6	2.6	2.2	3.3
Personnel					
Average number of personnel during the financial year	5,833	6,503	10,672	11,172	10,993
Number of personnel at 31 Dec., incl. part-time employees					12,968

Share capital and shares	1995	1996	1997	1998	1999
Share capital, FIM million	902	902	902	902	1,073
Number of shares at 31 Dec., million pcs	90	90	90	90	90
Adjusted number of shares during the year, million pcs	90	90	90	90	90
Adjusted average number of shares at 31 Dec., million pcs	90	90	90	90	90
of which exclusive/A shares, %	38	35	35	35	35
of which ordinary/B shares, %	62	65	65	65	65
Market capitalisation, FIM million, A shares					2,566
Market capitalisation, FIM million, B shares	3,014	3,782	5,048	4,448	4,381
Number of shareholders at 31 Dec. 1999	27,479	25,890	24,292	23,704	23,235
Share turnover, FIM million					
A share					49
B share	1,110	2,709	2,467	2,271	1,474
Share turnover, million pcs					
A share					1
B share	22	42	34	28	20
Turnover rate, %					
A share					1.2
B share	38.9	73.5	58.2	47.8	34.8
Change in share turnover, %					
A share					
B share	-7.0	87.4	-18.8	-17.7	-27.2
Share price at 31 Dec., FIM					
A share					80.86
B share	54.10	64.90	86.20	76.00	74.92
Average share price, FIM					
A share					84.53
B share	49.72	64.68	72.55	81.16	72.40
Highest share price during the year, FIM					
A share					95.13
B share	59.00	75.0	88.00	97.50	91.86
Lowest share price during the year, FIM					
A share					74.32
B share	41.20	53.00	63.50	60.00	62.43
Earnings per share, FIM	5.61	6.05	5.83	6.01	5.81
Equity per share, adjusted, FIM	80.70	84.26	88.18	92.72	94.38
Dividend per share, FIM	1.90	2.00	3.00	4.00	2.97*
Dividend of earnings, %	33.9	33.1	51.1	66.6	51.2
Additional dividend per share, FIM					5.95*
Cash flow from operating activities per share, FIM	11.97	9.67	16.10	12.61	17.35
Price per earnings ratio (P/E), A share					13.88
Price per earnings ratio (P/E), B share	9.7	10.7	14.8	12.7	12.86
Dividend yield, %, A share					3.7
Dividend yield, %, A share (incl. additional dividend)					11.0
Dividend yield, %, B share	3.5	3.1	3.5	5.3	4.0
Dividend yield, %, B share (incl. additional dividend)					11.9
* proposal to the Annual General Meeting					

PROPOSED DISTRIBUTION OF PROFIT

Net profit for the year shown in the income statement	EUR	251,688,196.49
Retained earnings brought forward from previous years	EUR	312,351,367.53
Total	EUR	564,039,564.02

The Board of Directors proposes that:

A dividend of EUR 0.50 per share be paid	EUR	45,106,700.00
and an additional dividend of EUR 1.00 per share be paid	EUR	90,213,400.00
An amount be reserved for donations at the discretion of the Board of Directors	EUR	252,281.89
An amount be carried forward as retained earnings	EUR	428,467,182.13
Total	EUR	564,039,564.02

Helsinki, 16 February 2000

Matti Honkala　　Kalervo Haapaniemi

Jouko Tuunainen　　Matti Halmesmäki　　Juhani Järvi

AUDITORS' REPORT AND
STATEMENT BY THE SUPERVISORY BOARD

AUDITORS' REPORT

To Kesko Corporation's shareholders

We have examined Kesko Corporation's accounting records, financial statements and administration for the financial period from 1 January to 31 December 1999. The statements prepared by the Board of Directors and the Managing Director include the Report by the Board of Directors, as well as the consolidated income statement and balance sheet, the parent company's income statement and balance sheet, and notes to the financial statements. On the basis of our examination, we give below a report on the financial statements and administration.

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

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

Helsinki, 2 March 2000

SVH Pricewaterhouse Coopers Oy
Certified Public Accountants

Pekka Nikula
CPA

Mauno Tervo
CPA

STATEMENT BY THE SUPERVISORY BOARD

The Supervisory Board has reviewed the Kesko Corporation's financial statements for 1999, including the consolidated financial statements, and proposes to the Annual General Meeting that the financial statements be adopted.

The Supervisory Board has also reviewed the Auditors' Report concerning the year of 1999 and has found out that no action is required by the Supervisory Board.

Helsinki, 2 March 2000

For the Supervisory Board

Matti Kallio
Chairman

Heikki Takamäki
Deputy Chairman

SHARES AND SHAREHOLDERS

SHARE SERIES AND SHARE CAPITAL Kesko Corporation's share capital is divided into A shares and B shares. The new division of shares was introduced on 1 June 1999, in connection with a complete renewal of Kesko's Articles of Association. The former exclusive shares were converted into A shares and the former ordinary shares into B shares. The listing of A shares started on 1 June 1999.

The reason for renewing the Articles of Association was the expansion of the Kesko Group's operations to new business lines and market areas. Finland's membership of the European Union and the coming into force of the EMU have removed operating barriers in both the trading sector and the financial markets, and have created new expectations for the international harmonisation of Finnish companies' operating practices and structures. These changes in the Group's activities and operating environment have also made it necessary to create new financing possibilities and to develop the parent company's system of corporate governance to meet future challenges.

The exclusive shares, which represented roughly one third of the company's share capital, were earlier available for private trading only. This weakened the chances of the holders of exclusive shares to actively trade their shares and restricted the company's possibilities to develop its financial structure in accordance with the Companies Act.

In connection with the reform of the Articles of Association, the rules governing the activities of the Supervisory Board were also revised. Kesko's principles of corporate governance are presented on pages 72-74.

On 31 December 1999, the company's share capital was EUR 180,426,800. The minimum share capital is EUR 100,000,000 and the maximum EUR 400,000,000, within which limits the share capital can be increased or decreased without amending the Articles of Association. The minimum number of A shares is one (1) and the maximum number two hundred and fifty million (250,000,000), while the minimum number of B shares is one (1) and the maximum number two hundred and fifty million (250,000,000), provided that the total number of shares is at minimum two (2) and at maximum four hundred million (400,000,000).

The Annual General Meeting of 12 April 1999 decided to redenominate the share capital in euros and to increase it by a bonus issue of EUR 28.7 million so that the book counter-value of a share would be EUR 2.00. The total number of shares is 90,213,400, of which 31,737,007 (35.2%) are A shares and 58,476,393 (64.8%) are B shares.

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

The company's shares are included in the book-entry securities system held by the Finnish Central Securities Depository Ltd. The right to receive funds distributed by the company and to subscribe to shares when the share capital is increased belongs only to those

1. who are registered as shareholders in the shareholder register on the record date,
2. whose right to receive funds has been a.) entered by the record date into the book-entry securities account of the shareholder registered in the shareholder register, and b.) registered in the shareholder register, or,
3. if a share has been registered in a nominee name, into whose book-entry securities account the share has been entered by the record date, and whose custodian has been registered in the shareholder register as the custodian of the shares by the record date.

SHARE TRADING Kesko Corporation's shares are listed on the HEX Helsinki Exchanges and traded in euros.

The initial price of the A share listed on 1 June 1999 was EUR 14.30 and the price on 31 December 1999 was EUR 13.60, a drop of 4.9%. In 1999, the lowest price of the A share was EUR 12.50, while its highest price was EUR 16.00. The price of the B share was EUR 12.78 at the end of 1998 and EUR 12.60 at the end of 1999, a decrease of 1.4% during the year. In 1999, the lowest price of the B share was EUR 10.50, while its highest price was EUR 15.45. The trading sector index dropped by 11.9% during the year, while the HEX general index rose by 162.0%.

At the end of 1999, the market value of the A shares was EUR 431.6 million and that of the B shares EUR 736.8 million, with the total market capitalisation of the company being EUR 1,168.4 million.

579,308 A shares were traded during the period from 1 June to 31 December to a total value of EUR 8.2 million, with the turnover rate being 1.2%. The number of B shares traded during the year was 20,357,522, the total value being EUR 247.9 million and the turnover rate 34.8%. Kesko's share prices and trading volumes can be monitored through the company's Internet pages at www.kesko.fi.

BONDS WITH WARRANTS The bonds with warrants totalling EUR 222,849 and issued to the company management in 1996 entitle them to subscribe to a maximum of 1,325,000 B shares of Kesko Corporation at a unit price of EUR 10.01. The subscription period for the shares is 1.12.1999-30.4.2002, and the holder of the

The symbol of the A share is KESAV
The symbol of the B share is KESBV
The trading unit of both share series is 100 shares
The share capital is EUR 180,426,800
The number of shares is 90,213,400
- 31,737,007 A shares
- 58,476,393 B shares
- The book counter-value of the shares is EUR 2.00
- The taxable value of an A share is EUR 9.80
- The taxable value of a B share is EUR 8.59

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

shares is entitled to dividends for the financial year during which the shares were subscribed and paid for. At the end of 1999, the members of Kesko Corporation's Board of Directors held a total of 150,000 warrants, which is 11.32% of the total number. The shares to be subscribed for on the basis of these warrants give entitlement to 0.16% of the share capital and 0.04% of the total voting rights.

During 1999, no shares were subscribed for on the basis of the warrants.

Kesko Corporation has no other convertible bonds or bonds with warrants in issue.

THE LATEST CHANGES IN SHARE CAPITAL

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

R = rights issue
C = conversion of bonds

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

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

PROPOSED DIVIDENDS Kesko Corporation's Board of Directors proposes to the Annual General Meeting that EUR 45.1 million be distributed as dividends from the net profit for 1999, or EUR 0.5 per share, representing 51.2% of earnings per share. In addition, it proposes that EUR 90.2 million be distributed as additional dividends, or EUR 1 per share.

SHAREHOLDERS According to the register of Kesko's shareholders kept by the Finnish Central Securities Depository Ltd, there were 23,235 shareholders on 31 December 1999. The total number of shares registered in a nominee name was 16,261,892, accounting for 18.03% of the share capital. The theoretical number of votes entitled by these shares was 16,373,492, or 4.36% of the total voting rights.

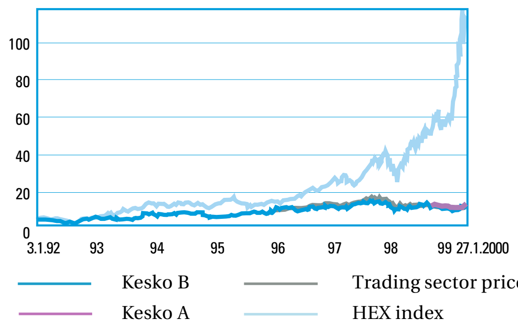
SHARES HELD BY KESKO'S MANAGEMENT On 31 December 1999, Kesko's Supervisory Board members and the organisations under their control held a total of 1,031,510 Kesko shares, which represented 1.14% of the company's share capital and 1.97% of its voting rights. The members of Kesko's Board of Directors, the Managing Director and the Managing Director's substitute did not hold any Kesko shares at the end of the year.

FLAGGING NOTIFICATIONS The Kesko Pension Fund, Vähittäiskaupan Takaus Oy and the K-Retailers' Association gave notification on 31 May 1999 that their respective shareholdings entitle each of them to more than one twentieth of Kesko Corporation's voting rights. The notification is based on the amended Article 9 in Chapter 2 of the Securities Market Act that became effective on 1 April 1999.

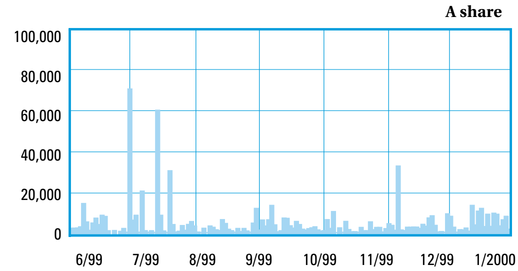
Silchester International Investors Limited notified on 7 December 1999 that the shares of Kesko Corporation administered by it as a custodian exceed one twentieth of the company's share capital.

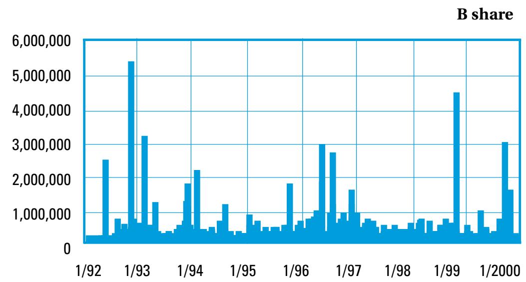
The company has not been informed of any agreements relating to its share ownership or the exercising of its voting rights.

TRENDS IN KESKO'S SHARE PRICES



NUMBER OF KESKO'S SHARES TRADED BY MONTH





20 LARGEST SHAREHOLDERS BY NUMBER OF SHARES AT 31 DECEMBER 1999

		Number of shares	% of shares	% of votes
1	Kesko Pension Fund	3,520,705	3.90	9.09
2	Vähittäiskaupan Takaus Oy	2,628,533	2.91	6.99
3	Ilmarinen Mutual Pension Insurance Company	2,545,700	2.82	0.68
4	The K-Retailers' Association	2,525,639	2.80	6.62
5	The Finnish Local Government Pensions Institution	1,604,600	1.78	0.43
6	Varma-Sampo Mutual Pension Insurance Company	1,508,000	1.67	0.40
7	Suomi Mutual Life Insurance Company	1,450,000	1.61	0.39
8	Pohjola Non-Life Insurance Company Limited	1,428,500	1.58	0.38
9	Valluga-sijoitus Oy	1,339,659	1.48	3.56
10	Sampo Life Insurance Company Limited	1,267,130	1.40	0.34
11	Tapiola Mutual Pension Insurance Company	1,091,300	1.21	0.29
12	Paulig Ltd	1,063,320	1.18	0.28
13	Pohjola Life Insurance Company Limited	874,100	0.97	0.23
14	Tapiola General Mutual Insurance Company	809,000	0.90	0.22
15	Foundation for Vocat. Training in the Retail Trade	775,235	0.86	1.68
16	Industrial Insurance Company Ltd	676,700	0.75	0.18
17	Pension Foundation Polaris	630,000	0.70	0.17
18	Sampo Insurance Company plc	494,000	0.55	0.13
19	Tapiola Mutual Life Insurance Company	400,200	0.44	0.11
20	Kaleva Mutual Insurance Company	394,000	0.44	0.10

20 LARGEST SHAREHOLDERS BY NUMBER OF VOTES AT 31 DECEMBER 1999

		Number of votes	% of votes	Number of shares	% of shares
1	Kesko Pension Fund	34,161,070	9.09	3,520,705	3.90
2	Vähittäiskaupan Takaus Oy	26,285,330	6.99	2,628,533	2.91
3	The K-Retailers' Association	24,888,740	6.62	2,525,639	2.80
4	Valluga-sijoitus Oy	13,396,590	3.56	1,339,659	1.48
5	Foundation for Vocat. Training in the Retail Trade	6,305,843	1.68	775,235	0.86
6	Lasse Aaltonen Oy	3,251,800	0.87	355,870	0.39
7	Ilmarinen Mutual Pension Insurance Company	2,545,700	0.68	2,545,700	2.82
8	A. Toivakka Oy	1,934,500	0.51	211, 450	0.23
9	Mauri ja Nina Penttinen Ky	1,931,600	0.51	198,020	0.22
10	Ruokajätti Kalevi Sivonen Oy	1,879,000	0.50	241,900	0.27
11	The Finnish Local Government Pensions Institution	1,604,600	0.43	1,604,600	1.78
12	Varma-Sampo Mutual Pension Insurance Company	1,508,000	0.40	1,508,000	1.67
13	Kotihalli Oy	1,469,500	0.39	246,400	0.27
14	Vesa Laakso Oy	1,456,000	0.39	145,600	0.16
15	Suomi Mutual Life Insurance Company	1,450,000	0.39	1,450,000	1.61
16	Pohjola Non-Life Insurance Company Limited	1,428,500	0.38	1,428,500	1.58
17	Jutor Oy	1,325,400	0.35	195,000	0.22
18	Sampo Life Insurance Company Limited	1,267,130	0.34	1,267,130	1.40
19	Sundman & Co - Holding Oy Ab	1,108,020	0.29	110,802	0.12
20	Tapiola Mutual Pension Insurance Company	1,091,300	0.29	1,091,300	1.21

OWNERSHIP STRUCTURE AT 31 DECEMBER 1999

All shares	Number of shares	% of all shares
Private enterprises	23,724,127	26.30
Public companies	19,280	0.02
Financial and insurance institutions	10,880,018	12.06
General government*	12,812,537	14.20
Non-profit institutions**	4,167,545	4.62
Households	22,177,425	24.58
Foreigners (incl. nominee registrations)	16,322,285	18.09
On waiting list	0	0.00
Not transferred to the book-entry securities system	110,183	0.12
Total	90,213,400	100.00

A shares	Number of shares	% of A shares	% of all shares
Private enterprises	18,063,894	56.92	20.02
Public companies	0	0.00	0.00
Financial and insurance institutions	1,341,659	4.23	1.49
General government*	3,407,825	10.74	3.78
Non-profit institutions**	898,543	2.83	1.00
Households	7,951,114	25.05	8.81
Foreigners (incl. nominee registrations)	16,253	0.05	0.02
On waiting list	0	0.00	0.00
Not transferred to the book-entry securities system	57,719	0.18	0.06
Total	31,737,007	100.00	35.18

B shares	Number of shares	% of B shares	% of all shares
Private enterprises	5,660,233	9.68	6.27
Public companies	19,280	0.03	0.02
Financial and insurance institutions	9,538,359	16.31	10.57
General government*	9,404,712	16.08	10.42
Non-profit institutions**	3,269,002	5.59	3.62
Households	14,226,311	24.33	15.77
Foreigners (incl. nominee registrations)	16,306,032	27.88	18.07
On waiting list	0	0.00	0.00
Not transferred to the book-entry securities system	52,464	0.09	0.06
Total	58,476,393	100.00	64.80

* General government includes municipalities, the provincial administration of Åland, employment pension institutions and social security funds.
** Non-profit institutions include foundations awarding scholarships, organisations safeguarding certain interests, charitable associations.

INVESTOR RELATIONS Kesko's Investor Relations aims to continuously produce correct and updated information for the markets, as a basis for the formation of Kesko's share price. Investor Relations also aims to increase the general level of awareness of Kesko's activities, the transparency of investor information and the attraction of Kesko as an investment target.

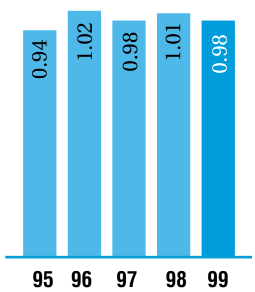
In order to keep its wide base of shareholders well-informed, Kesko distributed an annual report, interim reports and three issues of the Investor magazine to all shareholders during the year under review. In addition, the www.kesko.fi Internet pages were actively used to provide up-to-date investor information.

The company arranged two marketing events for investors - one in the spring for the Central European market and the other in the autumn for the USA market. The company's executives also met analysts and investors in special events arranged in Finland and at personal meetings.

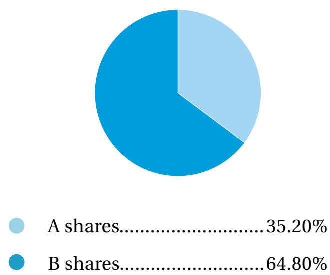
Contact details for securities firms that can give additional information on Kesko as an investment target, plus the schedule for publishing Kesko's financial results in 2000, and information relating to the Annual General Meeting may be found on the last page of the annual report and the inside of the back cover, pages 86 and 87.

Equity per share, EUR

Earnings per share, EUR



Breakdown of share capital A/B



DISTRIBUTION OF SHARE OWNERSHIP AT 31 DECEMBER 1999

All shares

Number of shares	Number of shareholders	% of shareholders	Total of shares	% of shares
1 - 100	4,930	21.23	255,043	0.28
101 - 500	7,960	34.28	2,168,266	2.40
501 - 1,000	3,749	16.15	2,880,975	3.19
1,001 - 5,000	4,962	21.37	11,148,560	12.36
5,001 - 50,000	1,490	6.42	19,178,084	21.26
50,001 -	129	0.56	54,472,289	60.38
Total	23,220	100.00	90,103,217	99.88
On waiting list			0	0.00
Not transferred to the book-entry securities system			110,183	0.12
Grand total			90,213,400	100.00

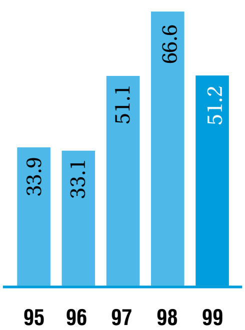
A shares

Shares	Number of shareholders	% of holders of A shares	Total of A shares	% of A shares
1 - 100	635	12.82	32,206	0.10
101 - 500	909	18.35	248,234	0.78
501 - 1,000	707	14.27	577,383	1.82
1,001 - 5,000	1,780	35.92	4,416,913	13.92
5,001 - 50,000	868	17.52	11,448,659	36.07
50,001 -	56	1.13	14,955,893	47.12
Total	4,955	100.00	31,679,288	99.82
On waiting list			0	0.00
Not transferred to the book-entry securities system			57,719	0.18
Grand total			31,737,007	100.00

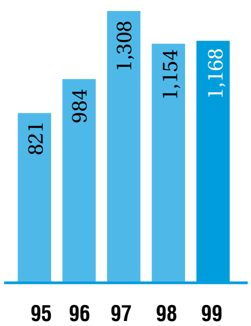
B shares

Shares	Number of shareholders	% of holders of B shares	Total of B shares	% of B shares
1 - 100	4,986	24.49	257,617	0.44
101 - 500	7,791	38.26	2,107,522	3.60
501 - 1,000	3,370	16.55	2,562,163	4.38
1,001 - 5,000	3,483	17.10	7,300,688	12.48
5,001 - 50,000	669	3.29	8,119,250	13.88
50,001 -	64	0.31	38,076,689	65.11
Total	20,363	100.00	58,423,929	99.91
On waiting list			0	0.00
Not transferred to the book-entry securities system			52,464	0.09
Grand total			58,476,393	100.00

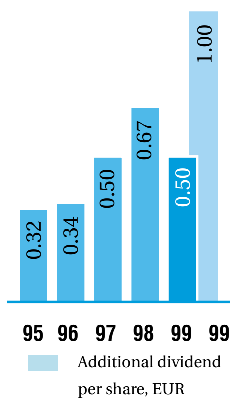
Dividend of earnings, %



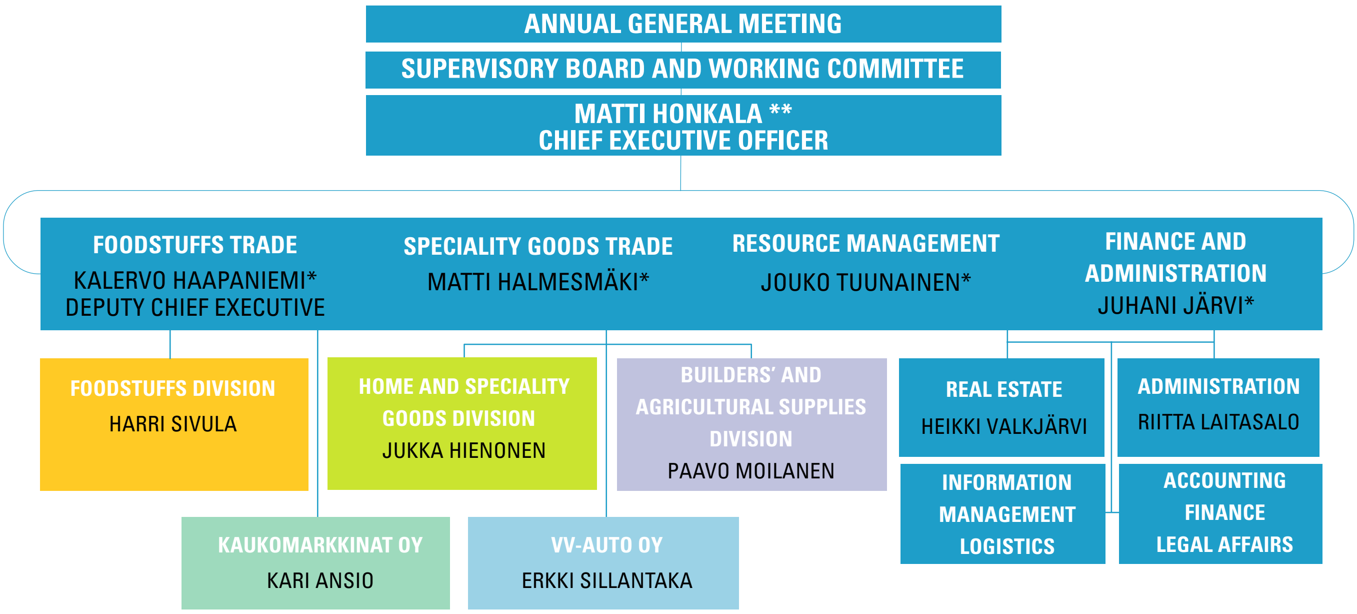
Market capitalisation, EUR million



Dividend per share, EUR



ORGANISATION



* CORPORATE BOARD MEMBER
** CHAIRMAN OF THE BOARD

CORPORATE GOVERNANCE

GROUP'S ADMINISTRATIVE STRUCTURE Kesko Group comprises the parent company, Kesko Corporation, and its subsidiaries. The most important decisions within Kesko Corporation are made by the company's shareholders in a General Meeting. The parent company's Supervisory Board and Board of Directors are responsible for the Group's strategic policies, business operations and management.

Kesko Group's business operations are divided into three main sectors, the corresponding profit divisions being the Foodstuffs Division, the Home and Speciality Goods Division and the Builders' and Agricultural Supplies Division. In addition, there is Group-level responsibility for Resource Management, and Finance and Administration. Kaukomarkkinat Oy and VV-Auto Oy are companies operating independently from the profit divisions. The Real Estate unit is responsible for the Group's real estate, including store premises.

Each profit division has a management board, chaired by a member of the Board of Directors who is responsible for the line of business concerned. A management team chaired by a Board member has also been formed for the Resource Management, and Finance and Administration functions. Each Board member is responsible for the development of his own area, and for the profitability of business operations.

The Articles of Association were completely renewed during the financial year. Information on this renewal is given in the Report by the Board of Directors on page 36, while information on the changes relating to shares is given on page 66. The duties of the bodies described here and the other information given correspond to what has been practised since the renewal.

GENERAL MEETING The General Meeting, which meets at least once a year, is the company's highest decision-making body. The company's Annual General Meeting is held by the end of June each year. According to the Companies Act and the Articles of Association, decisions on the amendment of the Articles of Association, the adoption of the financial statements and the amount of dividends, as well as the election of the members of the Supervisory Board and the auditors, are matters over which the General Meeting has exclusive jurisdiction.

SUPERVISORY BOARD AND ITS WORKING COMMITTEE The composition and functions of the Supervisory Board, and the terms of its members, are specified in Kesko Corporation's Articles of Association. According to these Articles, the Supervisory Board may annually elect a Working Committee from among its members. The Supervisory Board established a Working Committee and confirmed rules for its operation on 10 June 1999.

Composition and term The Supervisory Board consists of a minimum of seven and a maximum of nine members. The members are elected by a General Meeting. The term of a member expires at the close of the third Annual General Meeting after the General Meeting electing the member. A Supervisory Board member is obliged to resign from this position at the end of the term during which he or she reaches sixty-five years of age.

The Supervisory Board annually elects a Chairman and Deputy Chairman from among its members. According to the rules, the Supervisory Board's Working Committee is composed of the Supervisory Board's Chairman, Deputy Chairman and one member annually elected by the Supervisory Board from among its members. The Working Committee is chaired by the Supervisory Board's Chairman.

Supervisory Board's functions The function of Kesko Corporation's Supervisory Board is to supervise the management of the company by the Board of Directors and the Managing Director. According to the Articles of Association, the functions of the Supervisory Board also include:

1. the making of a statement to the Annual General Meeting on the financial statements and the auditors' report.
2. the making of decisions on matters concerning a considerable contraction or expansion of the company's operations, or a substantial change in the company's organisation
3. the making of decisions on instructions to be given to the Board of Directors in matters which are far-reaching or important in principle.
4. the making of decisions on the number of the Board of Directors' members.
5. the election of the members of the Board of Directors, and the determination of their salaries and benefits.
6. the election of the Managing Director and the Managing Director's substitute, and the determination of their salaries and benefits.
7. the making of decisions on calling a General Meeting.

Working Committee's functions According to the rules, the duty of the Supervisory Board's Working Committee is to prepare, when needed, major issues to be decided by the Supervisory Board. The Working Committee prepares the Supervisory Board's statements about the company's financial accounts, the Board of Directors' proposal for the expansion or contraction of operations and the Board of Directors' proposals concerning organisational changes. The Working Committee makes proposals to the Supervisory Board on the instructions to be given to the Board of Directors, on the composition of the Board of Directors and on the salaries and benefits of the Board of Directors' members.

The Working Committee collects such information on the company's operations as needed by the Supervisory Board and that is important for the company's supervision, by reading the Board of Directors' reports and asking, when necessary, the Board of Directors for further information on matters essentially relating to the management of the company's operations.

Meetings and fees The Supervisory Board usually meets four times a year. Decisions on the fees to be paid to the Supervisory

Board members and on the grounds for compensating the members for their expenses are made by a General Meeting.

Relating to the amended Articles of Association, the fees to be paid to the Supervisory Board members and the grounds for compensating them for expenses were changed by a decision made by an Extraordinary General Meeting in 1999. Before the change, the salary paid to the Supervisory Board's Chairman for 1999 was FIM 70,000 and that paid to the Board's Deputy Chairman was FIM 50,000. The fee paid to a Supervisory Board member for a meeting amounted to FIM 2,500, with the daily allowance and the compensation for travelling expenses being as specified in the general travelling rules applied by Kesko Corporation.

The annual fee paid to the present Supervisory Board's Chairman is FIM 70,000, that paid to its Deputy Chairman is FIM 25,000 and a Board member is paid FIM 10,000. The remuneration for a meeting of the Supervisory Board is FIM 2,000, and FIM 2,500 for a meeting of the Supervisory Board's Working Committee. The daily allowance is paid and the travelling expenses are compensated in accordance with the general travelling rules applied by Kesko Corporation.

In 1999, the total fees paid to the Supervisory Board members amounted to FIM 442,500.

The Supervisory Board's Working Committee normally meets 3-4 times a year at the Chairman's request. The Working Committee collects information needed for the company's supervision, and carries on discussions, necessary for the preparation of decisions, with the Board of Directors in its meetings. The Working Committee's Chairman gives a report on the Working Committee's activities to the Supervisory Board members in the Board's meetings.

The present composition Kesko's present Supervisory Board started work on 31 May 1999. The nine Supervisory Board members are presented on page 75. The Supervisory Board members whose term expired on that date are listed on page 75. Matti Kallio, Keijo Suila and Heikki Takamäki were elected to the Supervisory Board's Working Committee.

Details about the total number of Kesko Corporation shares held by Supervisory Board members can be found in the section "Shares and shareholders" on page 66. The Supervisory Board members Matti Kallio, Hannu Loukko, Hannele Näppi, Kalevi Sivonen, Jukka Toivakka and Heikki Takamäki are K-retailers, who have normal business relationships with the Kesko Group.

AUDITORS AND THE CONTROL SYSTEM The company has a minimum of one and a maximum of three auditors elected by the Annual General Meeting. The auditors shall be auditors or firms of auditors authorised by the Central Chamber of Commerce.

Auditors in 1999

- SVH PricewaterhouseCoopers Oy, a firm of Certified Public Accountants, Auditor with principal responsibility, Pekka Nikula, B.Sc.(Econ.), CPA
- Mauno Tervo, B.Sc.(Econ.), CPA

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

The company has an Internal Audit department, whose function is to evaluate whether the control system defined by the most senior executives of the company is sufficient, appropriate and efficient. Internal Audit reports to the Chairman and CEO. In addition, the company has an efficient and versatile reporting system for finance and accounting. The order in which investment decisions are made in the organisation is clearly defined.

BOARD OF DIRECTORS

Composition and term According to the Articles of Association, Kesko Corporation's Board of Directors is composed of the Managing Director and at least four but no more than six other members. The Managing Director acts as the Chairman of the Board of Directors and is also known as the Chief Executive Officer. Kesko Corporation's Board of Directors is composed of the company's most senior executives. There are no non-executive members from outside the company.

According to the Articles of Association, the Supervisory Board elects the Board of Directors. The term of the members of the Board of Directors begins at the close of the Supervisory Board meeting electing the members, and expires at the close of the Supervisory Board meeting electing new members. The term of the present members of the Board of Directors is four years, and expires on 31 December 2003 at the latest.

Functions The Board of Directors makes decisions that are fundamentally and financially significant to the Group's operations, and is responsible for the Group's strategic policies, major investments and the appointment of key executives. The Board of Directors is also responsible for:

- the Group's financial performance and the value of the company's share
- the Group's basic values
- the Group's goals, strategies and business plans
- the management system and organisation
- the lines of business and operating systems
- supervision of the profit divisions
- allocation of resources
- other duties belonging to a listed company's Board of Directors

Meetings, fees and other benefits The Board of Directors meets about once a month and at any time when needed, at the Chairman's request. The terms and conditions of the employment relationship of the Chairman and CEO as well as other members of the Board of Directors have been defined in writing. The Board of Directors' members receive from the company a salary based on the employment contract, and the benefits allowed to executives in accordance with Kesko Corporation's practice. No extra compensation for their membership in the Board of Directors is paid. Their salaries have also been linked with the company's financial performance in the form of a profit sharing system. The key measures of this system are the Group's financial result, and customer and job satisfaction. The maximum amount of this bonus is the same as four months' salary.

Some members of the Board of Directors have warrants entitling them to subscribe for Kesko Corporation's B shares. Details about the shares and warrants held by the Board of Directors' members can be found on page 66. The members have no loans from Kesko Corporation, nor do they have business relations with the company.

The Managing Director and other Board of Directors' members have entered into a service contract with the company. The retirement age of three members is 60 years, with their full pension being 66% of the annual salaries serving as the basis for calculating the pension. Another member's retirement age is 60 years, with his pension being 60% of the reference salary, due to a shorter time of employment in Kesko Corporation. The supplementary pension benefits provided for these four persons are arranged through Department A of the Kesko Pension Fund. The fifth member was appointed after the closing of Department A, so that his pension benefits are determined by statutory pension legislation. A six-month period of notice must be given for termination of the employment contracts of members of the Board of Directors.

In 1999, the salaries and benefits paid to the Managing Director amounted to FIM 2,225,800, while the salaries and benefits paid to the other members of the Board of Directors totalled FIM 6,054,900.

The present composition The Managing Director and the four other Board members are presented on page 76.

MANAGING DIRECTOR AND THE MANAGING DIRECTOR'S SUBSTITUTE
Kesko Corporation has a Managing Director whose duty is to carry on day-to-day management responsibilities in accordance with the Board of Directors' instructions and rules. According to the Articles of Association, Kesko Corporation's Managing Director acts as the Chairman of the Board of Directors and is also known as the Chief Executive Officer. Matti Honkala is the company's present Managing Director. Kalervo Haapaniemi is the Managing Director's substitute. The Supervisory Board is responsible for the election of the Managing Director and his substitute, and for the determination of their salaries and benefits.

PROFIT DIVISION BOARDS AND VICE PRESIDENTS
Profit Division Board A Profit Division Board is responsible for the strategic management and development of a profit division. It is chaired by the Board of Directors' member who is responsible for the business line concerned. The other members are the Vice President, the Financial Director, and other executives separately appointed by the Board of Directors.

The Profit Division Board is responsible for the profit division's goals, targets and strategies, plans for business operations, investments within the limits specified by the Board of Directors, and for issues relating to the organisation and personnel of the profit division, as well as the employment of persons.

Profit Division Vice President A Profit Division Vice President is responsible for the operational management and development of a profit division. The Vice President is also responsible for the development of the profit division's sales and market share, its profitability and efficiency, as well as its investments within the limits specified by the Board of Directors.

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

According to the Finnish Securities Act, the persons in the following positions are considered to be Kesko Corporation's permanent insiders:
- members of the Supervisory Board
- members of the Board of Directors
- auditors, including the auditor with principal responsibility of a firm of auditors.

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

Kesko Corporation's insider register is held by the Finnish Central Securities Depository Ltd. The up-to-date ownership information on insiders is available from the premises of the Finnish Central Securities Depository in Helsinki, address Eteläesplanadi 20, 5th floor.

On 31 December 1999, the following persons were the company's permanent insiders on the basis of their position:
Heikki Ala-Seppälä, Tapio Erme, Kalervo Haapaniemi, Matti Halmesmäki, Matti Honkala, Erkki Heikkinen, Juhani Järvi, Matti Kallio, Eero Kasanen, Riitta Laitasalo, Hannu Loukko, Paavo Moilanen, Pekka Nikula, Hannele Näppi, Paavo Pitkänen, Paavo Rönkkö, Raija Simolin, Kalevi Sivonen, Harri Sivula, Keijo Suila, Heikki Takamäki, Mauno Tervo, Jukka Toivakka, Jouko Tuunainen and Heikki Valkjärvi.

An updated list of the members of Kesko Corporation's Supervisory Board and Board of Directors and other permanent insiders is also available on Kesko's Internet pages at www.kesko.fi.

SUPERVISORY BOARD

Kesko's Supervisory Board members from left: Keijo Suila, Hannele Näppi, Matti Kallio, Heikki Takamäki, Hannu Loukko, Paavo Pitkänen, Eero Kasanen, Jukka Toivakka and Kalevi Sivonen.

KESKO CORPORATION'S SUPERVISORY BOARD FROM 31 MAY 1999

***Matti Kallio**, b. 1945,*
retailer, Chairman, and the Working Committee's Chairman (Helsinki)

***Eero Kasanen**, b. 1952,*
Dr.Sc.(Econ.) (Helsinki)

***Hannu Loukko**, b. 1954,*
retailer (Kauhajoki)

***Hannele Näppi**, b. 1947,*
retailer (Jyväskylä)

***Paavo Pitkänen**, b. 1942,*
M.A. (Helsinki)

***Kalevi Sivonen**, b. 1949,*
retailer (Vantaa)

***Keijo Suila**, b. 1945,*
B.Sc.(Econ.), Working Committee member (Helsinki)

***Heikki Takamäki**, b. 1947,*
retailer, Deputy Chairman and Working Committee member (Pirkkala)

***Jukka Toivakka**, b. 1962,*
retailer (Mikkeli)

More detailed information on the Supervisory Board members is available from Kesko Corporation's head office: Kesko Corporation/Board of Directors' Secretary, Satamakatu 3, FIN-00016 Kesko.

KESKO CORPORATION'S SUPERVISORY BOARD 1.1.-30.5.1999

Name and year of birth	Store/company
Chairman	
Kallio Matti (Work.Com.), 1945	Kotihalli Oy/Jättijako, Vantaa
Deputy Chairman	
Takamäki Heikki (Work.Com), 1947	Rauta-Otra/Heikki Takamäki Oy, Tampere
MEMBERS:	
Hiltunen Leena, 1955	Ruhtinansalmen kauppa Ky, Ruhtinansalmi
Hämäläinen Kari, 1952	Jutor Oy, Kuopio
Hämäläinen Veikko, 1949	K-Maatalous-rauta Hämäläinen Oy, Jämsä
Kalliala Pentti, 1948	K-Supermarket Kaarina Center, Kaarina
Kannos Ari, 1944	Kesport/Vaatehuone, Kouvola
Karppinen Eija, 1953	K-market Karppinen, Kittilä
Karvinen Matti, 1952	Aslakin kauppa Oy, Espoo
Keskinen Simo, 1946	K-Supermarket Manhattan, Turku
Martikainen Jukka, 1952	Sport Mart Oy, Kuopio
Mörk Christer (Work.Com), 1948	Citymarket, Kokkola
Peltokangas Risto (Work.Com), 1948	Vaatehuone Risto Peltokangas Oy, Seinäjoki
Pesälä Pertti, 1945	K-Rauta Espoon keskus, Espoo
Puhakka Matti, 1944	Ruoka-Anttila Ravattula, Turku
Rinne Jyrki, 1950	Lohjan Anttila, Lohja
Sivonen Kalevi (Work.Com), 1949	Ruokajätti Kalevi Sivonen Oy, Helsinki
Vuorenmaa Simo, 1948	K-Maatalous Simo Vuorenmaa Oy, Ilmajoki

(Work.Com.) = Working Committee member

DEPUTY MEMBERS:	
Aaltonen Hannu, 1962	Hannu Aaltonen Oy, Lahti
Hakala Jari, 1955	K-market Jarintori, Toijala
Heinola Pekka, 1949	K-Supermarket Onnipekka, Nakkila
Häggblom Dan, 1959	CM-Ruokacity, Vaasa
Korpisaari Olavi, 1940	K-maatalous Olavi Korpisaari Oy, Riihimäki
Lehtinen Pekka, 1945	K-market Turenki, Turenki
Maarala Eero, 1952	Eero´s Handel Kb, Parainen
Mäkinen Rauno, 1952	Kenkä Kohonen, Lappeenranta
Mämmelä Arja, 1948	K-Supermarket Ykkösetu, Raahe
Nyppeli Veijo, 1942	Musta Pörssi Veijo Nyppeli Oy, Tampere
Reijonen Kalle, 1946	K-Rauta Rauta-kalle Oy, Joensuu
Särkilahti Tapio, 1955	K-Rauta Oulu T & R Särkilahti Oy, Oulu
Toivakka Jukka, 1962	Citymarket Mikkeli, Mikkeli
Viinamäki Kalevi, 1962	Anttila Pori, Pori
Wallin Timo, 1959	K-Supermarket Ostopörssi, Mäntsälä

BOARD OF DIRECTORS

Kesko's Board of Directors from left: Matti Honkala, Kalervo Haapaniemi, Jouko Tuunainen, Matti Halmesmäki and Juhani Järvi.

KESKO CORPORATION'S BOARD OF DIRECTORS ON 1 JANUARY 2000

Matti Honkala, b. 1945, Chairman of the Board.
B.Sc.(Econ.). Employed by Kesko since 1966, Director of Kesko's central warehouse and district office 1978-1985, a member of the Board of Directors since 1986, appointed as Deputy Chief Executive in 1997 and Chairman and CEO in 1998. His responsibilities include the duties determined for a Managing Director in the Companies Act and chairmanship of the Board of Directors.
Other major duties: Merita Bank plc, a member of the Supervisory Board since 1998. Sampo Insurance Company plc, a member of the Supervisory Board since 1998. Varma-Sampo Mutual Pension Insurance Company, a member of the Supervisory Board since 1998. Helsinki Telephone Corporation, a member of the Supervisory Board since 1998. The Finnish Fair Corporation, a member of the Board of Directors since 1999. The Service Employers, Chairman of the Board of Directors since 1999. Sampo Life Insurance Company Limited, Supervisory Board's Chairman since 1999. Aleksia Plc, a member of the Board of Directors since 1999. Luottokunta, a member of the Supervisory Board since 1999.
Kesko Corporation's shares and warrants held on 31 December 1999: 50,000 warrants, which entitle to subscribe for a maximum of 50,000 Kesko Corporation B shares at a subscription price of EUR 10.01.

Kalervo Haapaniemi, b. 1947, Board member.
M.Sc.(Econ.). Employed by Kesko since 1996, appointed as Vice President responsible for the Foodstuffs Division in 1997, a member of the Board of Directors from 1998, and Deputy Chief Executive from 1998. Responsible for the foodstuffs trade. Tuko Oy's Executive Vice President 1996-1997. Managing Director of Suomen Spar Oy 1993-1996.
Other major duties: Luottokunta, a member of the Board of Directors since 1999.
Kesko Corporation's shares and warrants held on 31 December 1999: None.

Jouko Tuunainen, b. 1945, Board member.
B.Sc.(Econ.). Employed by Kesko since 1966, Director of the Hardware Department and central warehouse 1976-1983, a member of the Board of Directors since 1983. Responsible for resource management.
Other major duties: Radiolinja Oy, a member of the Board of Directors since 1998. Sato-Yhtymä Oyj, a member of the Board of Directors since 1998, Castrum Oyj, a member of the Board of Directors since 1999.
Kesko Corporation's shares and warrants held on 31 December 1999: 50,000 warrants, which entitle to subscribe for a maximum of 50,000 Kesko Corporation B shares at a subscription price of EUR 10.01.

Matti Halmesmäki, b. 1952, Board member.
M.Sc.(Econ.), LL.M. Employed by Kesko since 1980, appointed as Director of the Accounting and Office Administration Department in 1985, a member of the Board of Directors since 1989. Responsible for the speciality goods trade.
Kesko Corporation's shares and warrants held on 31 December 1999: 50,000 warrants, which entitle to subscribe for a maximum of 50,000 Kesko Corporation B shares at a subscription price of EUR 10.01.

Juhani Järvi, b. 1952, Board member.
M.Sc.(Econ.). Employed by Kesko and a member of the Board of Directors since 1998. Responsible for finance and administration. Chief Financial Officer of Patria Industries Oyj 1997-1998. Chief Financial Officer of Wartsila Diesel North America, Inc 1994-1997.
Kesko Corporation's shares and warrants held on 31 December 1999: None.

DIRECTORS

Kesko's Directors on 1 February 2000

FOODSTUFFS DIVISION

Vice President Harri Sivula, b. 1962, M.Sc.(Adm.)

Neighbourhood Chain Unit	Antti Puhakka
Superstore Chain Unit	Jaakko-Pekka Vehmas
Citymarket Chain Unit	Matti Kautto
Citymarket Oy	Matti Kautto, MD
Kesko Fruit and Vegetables	Antti Palomäki
Fresh Foods	Esko Pihlström
Groceries	Aila Hirvoila
Kespro Ltd	Ari Virnes
Kesko Eesti A/S	Timo Hämälä
Carrols Oy	Kari Kivikoski, MD
Finnish Rich Coffee Ltd	Aila Hirvoila, MD
Viking Coffee Ltd	Raimo Ilveskero, MD
Retail Services	Jukka Sipilä
Logistics	Timo Lehtinen
Office Administration	Aatos Kivelä

HOME AND SPECIALITY GOODS DIVISION

Vice President Jukka Hienonen, b. 1961, M.Sc.(Econ.)

Anttila Oy	Matti Leminen, MD
Motorfeet Ltd	Juha Mattila, MD
Kesko Sports	Jussi Mikkola
Kesko Home Technology	Martti Toivanen
Academica Oy	Jaakko Rytilä, MD
Retail Services and Office Administration	Pasi Mäkinen

BUILDERS' AND AGRICULTURAL SUPPLIES DIVISION

Vice President Paavo Moilanen, b. 1951, Business College Graduate

Kesko Hardware and Builders' Supplies	Simo Manner
Industrial and Constructor Sales	Jari Peltonen
Kesko Svenska AB	Juha Mustakangas, MD
Kesthom Oy/ZAO Kestroy	Jari Peltonen, MD
Norrwell Oy	Mikael Forss, MD
Kesko Agriculture and Machinery	Kimmo Vilppula
K-maatalousyhtiöt Oy	Janne Eriksson, MD
Office Administration and Logistics	Jouko Björkman
Retail Services	Matti Vatanen

RESOURCE MANAGEMENT

Vice President Heikki Valkjärvi, b. 1952, LL.M.

Kesko Real Estate	Heikki Valkjärvi
Hämeenkylän Kauppa Oy	Erkki Heikonen, MD.
Kestra Kiinteistöpalvelut Oy	Risto Lassila, MD
K-linkki Oy	Niila Rajala, MD
Tietokesko Oy	Osmo Kimmo, MD
Kesped Ltd	Timo Kortelainen, MD
Information and Logistics Management	Eero Vesterinen

FINANCE AND ADMINISTRATION

Vice President Riitta Laitasalo, b. 1955, M.Sc. (Econ.)

Human Resources	Kyösti Pärssinen
Quality and Environment	Torsten Michelsen
K-instituutti Oy	Timo Karkola, MD
Accounting	Paavo Rönkkö
Finance	Heikki Ala-Seppälä
K-Rahoitus Oy	Seppo Kettunen, MD
Sincera Oy	Heikki Ala-Seppälä, MD
Legal Affairs	Tapio Erme

KAUKOMARKKINAT OY Kari Ansio, MD

VV-AUTO OY/AUTO-SPAN OY Erkki Sillantaka, MD

OTHER SUBSIDIARIES

Kauppiaiden Komedia Oy	Ari Laitinen, MD
Kauppiaitten Kustannus Oy	Matti Laamanen, MD
MK-mainos Oy	Kari Soininen, MD
K-Plus Oy and K-Luotto Oy	Eija Jantunen, MD

OTHER UNITS OF CORPORATE ADMINISTRATION

Corporate Communications and External Relations	Erkki Heikkinen
Internal Audit	Asko Ihalainen

SUBSIDIARIES

Company	Managing Director	Personnel, average	Net sales, EUR million
FOODSTUFFS DIVISION			
Carrols Group	*Kari Kivikoski*	*511*	*36*
Produces and develops concepted fast food services for Finland and its neighbouring areas.			
Citymarket Oy	*Matti Kautto*	*1,946*	*339*
A retail company for non-food trade in 39 Citymarket hypermarkets.			
Kesko Eesti A/S	*Timo Hämälä*	*68*	*16*
An Estonian-based company for trade in groceries and agricultural and non-food products.			
Kespro Ltd	*Ari Virnes*	*437*	*302*
Engaged in wholesaling of groceries and non-food products.			
Finnish Rich Coffee Ltd	*Aila Hirvoila*	*14*	*3*
A marketing company for Kesko's coffee brands.			
Viking Coffee Ltd	*Raimo Ilveskero*	*45*	*34*
Coffee roastery.			
HOME AND SPECIALITY GOODS DIVISION			
Academica Oy	*Jaakko Rytilä*	*39*	*14*
Sells information technology products and services.			
Anttila Group	*Matti Leminen*	*1,940*	*444*
Carries on department store trade, e-commerce and the mail order business in Finland, Estonia and Latvia.			
Motorfeet Ltd	*Juha Mattila*	*11*	*6*
Represents and imports high-quality branded shoes.			
BUILDERS' AND AGRICULTURAL SUPPLIES DIVISION			
Kesko Eesti A/S Agro	*Timo Hämälä*	*23*	*4*
Engaged in agricultural trading in Estonia.			
Kesko Svenska AB	*Juha Mustakangas*	*162*	*23*
Engaged in the retailing of hardware and builders' supplies in Sweden.			
Kesthom Oy/ZAO Kestroy	*Jari Peltonen*	*27*	*2*
Engaged in the wholesale trade of hardware and builders' supplies in Russia.			
Norrwell Oy	*Mikael Forss*	*6*	*2*
Engaged in import, export and wholesale of interior decoration products.			
K-maatalousyhtiöt Oy	*Janne Eriksson*	*180*	*117*
Engaged in the retailing of agricultural products, light machinery and hardware items.			
KAUKOMARKKINAT GROUP			
Kaukomarkkinat Oy	*Kari Ansio*	*779*	*268*
The biggest and most diversified Finnish trading house, which has over 20 subsidiaries or representative offices abroad.			

Company	Managing Director	Personnel, average	Net sales, EUR million
VV-AUTO GROUP			
VV-Auto Oy/Auto-Span Oy	*Erkki Sillantaka*	102	439
Importer of cars and commercial vehicles manufactured by the Volkswagen Group.			
REAL ESTATE			
Hämeenkylän Kauppa Group	*Erkki Heikonen*	*4*	*14*
Management and leasing of properties.			
Kestra Kiinteistöpalvelut Oy	*Risto Lassila*	*31*	*32*
Technical maintenance of the properties owned and rented by Kesko and the sale of services to outside customers.			
ADMINISTRATION			
K-instituutti Oy	*Timo Karkola*	*54*	*4*
A training centre for the trading sector.			
OTHER SUBSIDIARIES			
Kauppiaiden Komedia Group	*Ari Laitinen*	*28*	*5*
Maintains and develops in-store TV media operations.			
Kauppiaitten Kustannus Oy	*Matti Laamanen*	*20*	*12*
Publishes the K-Alliance's customer magazines.			
Kesped Ltd	*Timo Kortelainen*	*171*	*84*
Domestic and foreign transport and forwarding operations for the Kesko Group and outside customers.			
K-linkki Oy	*Niila Rajala*	*48*	*19*
Produces information system services to the K-retailers.			
K-Luotto Oy	*Eija Jantunen*	*20*	*3*
A credit card company that manages the Plussa payment and credit cards and the K-cards.			
K-Plus Oy	*Eija Jantunen*	*54*	*52*
Responsible for the centralised implementation of the K-Alliance's customer loyalty programme.			
K-Rahoitus Oy	*Seppo Kettunen*	*6*	*2**
Provides financing alternatives for investments in agricultural and construction machinery, and seasonal finance for purchases of animal feed and chemicals.			
MK-mainos Oy	*Kari Soininen*	*54*	*29*
Authorised advertising and media agency.			
Sincera Oy	*Heikki Ala-Seppälä*	-	*18*
Security investment company.			
Tietokesko Oy	*Osmo Kimmo*	*167*	*36*
Produces information technology services to Kesko.			

* Net financial margin.

K-STORES

KESKO develops store concepts and operating models. Its profit divisions develop store types and the store network. The K-retailers are independent entrepreneurs who are entitled to use the K-logo or other marketing symbols of the K-Alliance. In their entrepreneurial capacity, the K-retailers are responsible for customer satisfaction and the profitable performance of their stores. K-retailers are members of the K-Retailers' Association.

At the end of the year, there were 1,824 (1,871) **K-RETAILERS**. Including the retailers, the K-stores employed a total of 23,295 persons, of whom 10,121 were part-time employees. The K-Retailers' Association is responsible, together with Kesko, for co-operation among the K-retailers and for the improvement of their operating environment.

At the end of 1999, there were 2,042 (2,119) stores in the **K-ALLIANCE**. K-retailers operated under co-operation agreements in 826 store sites and premises controlled by Kesko. 339 of these were owned by Kesko and 487 were leased by Kesko and rented on to the K-retailers.

The retail sales of the K-Alliance, Carrols and Tähti Optikko included, totalled EUR 6.7 billion. The sales of K-stores operating under co-operation agreements in store premises owned or held under lease by Kesko totalled EUR 4.6 billion. Purchases of the retail stores of the K-Alliance from the Kesko Group amounted to EUR 3.3 billion excluding VAT, an increase of 6.5% on the previous year.

K-STORES AND THEIR SALES IN 1999 (INCL. VAT)

K-stores	Number	% of total number	% of sales	Sales EUR million	Sales FIM million
Citymarket hypermarkets	39	1.9	17.2	1,134.89	6,747.73
K-superstores	89	4.2	14.0	919.77	5,468.73
K-supermarkets	232	11.1	13.6	897.36	5,335.46
K-neighbourhood stores	309	14.7	7.4	490.38	2,915.66
K-extra stores	397	18.9	4.5	298.60	1,775.38
K-mobile stores	56	2.7	0.4	23.58	140.20
Rimi stores	45	2.1	1.0	68.50	407.31
Other K-grocery stores	129	6.1	1.2	81.29	483.35
Grocery stores, total	1,296	61.8	59.4	3,914.38	23,273.82
Anttila department stores	31	1.5	8.3	550.22	3,271.47
Anttila Kodin Ykkönen department stores	5	0.2	1.2	79.96	475.44
Kesport-Intersport stores	86	4.1	3.0	198.75	1,181.70
Musta Pörssi stores for home technology	71	3.4	2.3	148.99	885.84
Vaatehuone fashionwear stores	57	2.7	0.9	61.90	368.03
K-kenkä shoe stores	78	3.7	0.7	43.04	255.90
Andiamo shoe stores	33	1.6	0.5	29.94	178.00
Aleksi 13 Finland	12	0.6	0.7	44.05	261.91
Aleksi 13 Sweden	3	0.1	0.1	3.96	23.56
Nicky & Nelly stores for children's wear	23	1.1	0.1	9.75	58.00
Academica stores	1	0.0	0.1	5.53	32.88
Other home and speciality goods stores	85	4.1	0.5	30.50	181.35
Home and speciality goods stores, total	485	23.1	18.3	1,206.59	7,174.08
K-rauta stores for hardware and builders' supplies	72	3.4	7.3	481.77	2,864.50
Rautia hardware stores	99	4.7	4.7	311.57	1,852.50
K-rauta-maatalous stores for hardware and agricultural products	48	2.3	4.4	290.86	1,729.36
K-maatalous stores for agricultural products	56	2.7	4.4	292.66	1,740.08
Other stores for hardware and agricultural products	36	1.7	1.0	65.41	388.90
K-rauta Sweden	6	0.3	0.4	29.23	173.82
Stores for hardware and agricultural products, total	317	15.1	22.3	1,471.50	8,749.16
All K-stores, total	2,098	100	100	6,592.47	39,197.06
Carrols	74			57.18	340.00
Tähti Optikko	113			23.55	140.00
Retail trade, total				6,773.20	39,677.06

ADDRESSES

KESKO CORPORATION
tel. +358 10 5311 (7.30-18.00 local time)
www.kesko.fi
E-mail: first name.surname@kesko.fi

CORPORATE ADMINISTRATION

Satamakatu 3, Helsinki
FIN-00016 Kesko

DISTRICT CENTRES

	Address	Telephone	Fax
Southern Finland	Jokiniementie 31, P.O.B. 152, FIN-01301 Vantaa	+358 10 5311	+358 10 532 8517
Southwestern Finland	Rydönnotko 1, P.O.B. 116, FIN-20101 Turku	+358 10 5311	+358 10 532 1309
Western Finland	Jokipohjantie 28, P.O.B. 330, FIN-33101 Tampere	+358 10 5311	+358 10 532 5448
Eastern Finland	Päivärannantie 18, P.O.B 46, FIN-70701 Kuopio	+358 10 5311	+358 10 532 9020
Northern Finland	Äimäkuja 2, P.O.B 16, FIN-90401 Oulu	+358 10 5311	+358 10 533 0572

CENTRAL WAREHOUSE

Central Warehouse 1 (home and speciality goods)	Tikkurilantie 5, P.O.B. 145, FIN-01301 Vantaa	+358 10 5311	+358 10 532 7505
Central Warehouse 2 (groceries)	Jokiniementie 31, P.O.B. 152, FIN-01301 Vantaa	+358 10 5311	+358 10 532 8517
Hämeenkylä Warehouse (Anttila)	Ainontie 5, FIN-01630 Vantaa	+358 10 5343	+358 10 533 9499

FOODSTUFFS DIVISION

Vice President Harri Sivula
Neighbourhood Chain Unit, Superstore Chain Unit, Citymarket Chain Unit
Fresh Foods, Groceries, Retail Services, Office Administration
Satamakatu 3 (Helsinki), FIN-00016 Kesko
Tel. +358 10 5311, Fax +358 10 532 3471
Kesko Fruit and Vegetables, Logistics
Jokiniementie 31, P.O.B. 152, FIN-01301 Vantaa
Tel. +358 10 5311, Fax +358 9 873 5544 Kesko Fruit and Vegetables, +358 10 532 8517 Logistics

SUBSIDIARIES	Address	Telephone	Fax
Carrols Oy www.carrols.fi	Atomitie 5 C, FIN-00370 Helsinki	+358 10 530 60	+358 10 532 4471
Citymarket Oy www.citymarket.fi	Satamakatu 3, (Helsinki) FIN-00016 Kesko	+358 10 5311	+358 9 175 571
Kesko Eesti A/S	Peterburi tee 63 A, P.O.B 3074, EE10504 Tallinn, Estonia	+372 6 652 935	+372 6 652 929
Kespro Ltd www.kespro.com	Kruunuvuorenkatu 5, (Helsinki) FIN-00016 Kesko	+358 10 5311	+358 9 634 169
Finnish Rich Coffee Ltd	Tikkurilantie 5, P.O.B. 269, FIN-01301 Vantaa	+358 10 5311	+358 10 532 8919
Viking Coffee Ltd	Tikkurilantie 5, P.O.B. 269, FIN-01301 Vantaa	+358 10 532 8901	+358 9 873 4034

HOME AND SPECIALITY GOODS DIVISION

Vice President Jukka Hienonen ((from 1 February 2000))
Kesko Shoes, Kesko Clothing, Retail Services and Office Administration
Valimotie 17, FIN-00380 Helsinki
Tel. +358 10 5311, Fax +358 10 533 9108
+358 9 568 0921 Kesko Shoes, +358 9 342 6854 Kesko Clothing

Kesko Sports, Kesko Home Technology
Satamakatu 3, (Helsinki) FIN-00016 Kesko
Tel. +358 10 5311
Fax +358 9 176 780 Kesko Sports, +358 10 532 3434 Kesko Home Technology

SUBSIDIARIES	Address	Telephone	Fax
Academica Oy	Isonniitynkuja 2, FIN-02270 Espoo	+358 10 534 6482	+358 10 534 6490
www.academica.fi			
Anttila Oy	Valimotie 17, (Helsinki) P.O.B. 1060,		
www.anttila.fi	FIN-00016 Kesko	+358 10 5343	+358 10 534 0109
Motorfeet Ltd	Fabianinkatu 7, FIN-00130 Helsinki	+358 9 668 9180	+358 9 628 188
www.motorfeet.fi			

BUILDERS' AND AGRICULTURAL SUPPLIES DIVISION

Vice President Paavo Moilanen
Kesko Agriculture and Machinery, Office Administration and Logistics
Tikkurilantie 10, P.O.B. 54, FIN-01301 Vantaa
Tel. +358 10 5311
Fax +358 10 532 0207
Kesko Hardware and Builders' Supplies, Retail Services
Vanha Porvoontie 229, P.O.B. 75, FIN-01301 Vantaa
Tel. +358 10 5311
Fax +358 9 857 1364
Industrial and Constructor Sales
Kankiraudantie 6, P.O.B. 54, FIN-01301 Vantaa
Tel. +358 10 5311
Fax +358 10 532 0630
K-Alliance's experimental farm
Hahkialantie 30, FIN-14700 Hauho
Tel. +358 10 5311
Fax +358 3 615 0230

SUBSIDIARIES	Address	Telephone	Fax
Kesko Eesti A/S/Agro	Peterburi tee 63 A, EE-0014 Tallinn, Estonia	+372 665 2965	+372 665 2995
Kesko Svenska AB	Bagarbyvägen 61, 19134 Sollentuna, Sweden	+46 8 625 6960	+46 8 625 6998
www.kesko.se			
Kesthom Oy / ZAO Kestroy	Kankiraudantie 6, (Helsinki) P.O.B. 54, FIN-01301 Vantaa	+358 10 5311	+358 10 532 0630
Norrwell Oy	Vanha Porvoontie 229, FIN-01380 Vantaa	+358 10 5311	+358 9 823 3764
K-maatalousyhtiöt Oy	Ainontie 5 A, FIN-01630 Vantaa	+358 10 5311	+358 10 533 9535
www.k-maatalous.fi			
SIA Kesko Agro Latvia	Vienibas Gatve 87, LV 1004 Riga, Latvia	+371 780 5420	+371 780 5421

KAUKOMARKKINAT OY

Kaukomarkkinat Oy	Kutojantie 4, P.O.B 40, FIN-02631 Espoo	+358 9 5211	+358 9 521 6641
www.kaukomarkkinat.fi			

VV-AUTO OY

VV-Auto Oy/Auto-Span Oy	Hitsaajankatu 7 B, P.O.B. 80, FIN-00811 Helsinki	+358 9 758 31	+358 9 758 3267

OTHER SUBSIDIARIES

Kauppiaiden Komedia Oy	Hiomotie 10, FIN-00380 Helsinki	+358 9 5492 8520	+358 9 553 061
Kauppiaitten Kustannus Oy	Kanavakatu 3, (Helsinki) FIN-00016 Kesko	+358 10 5311	+358 10 533 6235
Kesped Ltd	Jokiniementie 31, P.O.B. 47, FIN-01301 Vantaa	+358 10 530 50	+358 10 532 7021
www.kesped.fi			
K-linkki Oy	Ylä-malmintori 6 A, FIN-00700 Helsinki	+358 10 5311	+358 10 532 3443
K-Plus Oy/K-Luotto Oy	Satamakatu 3, (Helsinki) FIN-00016 Kesko	+358 10 530 20	+358 9 698 6952
www.k-plussa.fi			
K-Rahoitus Oy	Tikkurilantie 10, P.O.B. 54, FIN-01301 Vantaa	+358 10 5311	+358 10 532 0556
MK-mainos Oy	Kruunuvuorenkatu 4, (Helsinki) FIN-00016 Kesko	+358 10 5311	+358 9 657 243
www.mk-mainos.fi			
Sincera Oy	Satamakatu 3, (Helsinki) FIN-00016 Kesko	+358 10 5311	+358 9 666 131
Tietokesko Oy	Kruunuvuorenkatu 4, (Helsinki) FIN-00016 Kesko	+358 10 5311	+358 9 665 628
www.tietokesko.fi			

REAL ESTATE

Vice President Heikki Valkjärvi	Satamakatu 3, (Helsinki) FIN-00016 Kesko	+358 10 5311	+358 10 532 3481
Kesko Real Estate	Satamakatu 3, (Helsinki) FIN-00016 Kesko	+358 10 5311	+358 10 532 3432
www.kiinteistokesko.com			

SUBSIDIARIES

Kestra Kiinteistöpalvelut Oy	Satamakatu 3, (Helsinki) FIN-00016 Kesko	+358 10 5311	+358 10 532 3466
www.kestra.fi			
Hämeenkylän Kauppa Oy	Satamakatu 3, (Helsinki) FIN-00016 Kesko	+358 10 5311	+358 10 532 3425

ADMINISTRATION

Vice President Riitta Laitasalo
Human Resources, Quality and Environment, Pension Insurance and Occupational Health, Office Services, Security and Safety
Satamakatu 3, (Helsinki) FIN-00016 Kesko
Tel. +358 10 5311
Fax +358 10 532 3481,
+358 10 532 3479 Human Resources, +358 10 532 3457 Quality and Environment,
+358 9 179 630 Pension Insurance and Occupational Health,
+358 9 655 473 Office Services, +358 10 532 3402 Security and Safety

SUBSIDIARIES

K-instituutti Oy	Siikajärventie 88-90, FIN-02860 Espoo	+358 10 5311	+358 9 863 8571
www.k-instituutti.fi			

OTHER UNITS OF CORPORATE ADMINISTRATION

Corporate Communications, Investor Relations, Accounting, Finance, Information and Logistics Management, Legal Affairs, Internal Audit
Satamakatu 3, (Helsinki) FIN-00016 Kesko
Tel. +358 10 5311, Fax +358 9 174 398 Corporate Communications,
+358 10 532 3481 Investor Relations, +358 9 624 679 Accounting,
+358 9 666 131 Finance, +358 10 532 3460 Information and Logistics Management, +358 10 532 3135 Legal Affairs
+358 10 532 2126 Internal Audit

SERVICE NUMBERS

Plussa customer service 24 h	+358 800 1 55 818
Pirkka consumer service (Mo-Fri 9.00-13.00)	+358 800 1 1000

SPONSORSHIP AGREEMENTS

Kesko Group has made a three-year co-operation agreement with the Young Finland Organisation by which it will participate in the operations of over fifty sports associations and in afternoon activities arranged for school children. In addition, Kesko will organise a children's sports event dubbed the ”Children's Olympics” in fifteen cities and towns throughout Finland. Approximately 160,000 children participated in the event last summer. The Children's Olympics will be held in the summer of 2000, too, and are by far the biggest event arranged for children in Finland.

In addition to junior sports, Kesko supports Finnish cultural life through its sponsorship of the ”Raging Roses” Theatre, the Tampere Workers' Theatre, the Jyväskylä Arts Festival and the Järvenpää Sibelius Weeks.

Kesko's store chains, subsidiaries and the Plussa marketing unit also support many sports and cultural events, complementing the sponsorship agreements made by the Group.

ADDITIONAL INFORMATION ON KESKO FOR INVESTORS

KEY CONTACT PERSONS FOR INVESTOR RELATIONS

Juhani Järvi
Executive Vice President, CFO
Finance and Administration
Corporate Board Member
Tel: +358 1053 22209
Fax: +358 9 657 465
juhani.jarvi@kesko.fi

Jukka Pokki
Investor Relations Manager
Investor Relations
Tel: +358 1053 22645
Fax: +358 1053 23481
jukka.pokki@kesko.fi

ADDITIONAL INFORMATION ON KESKO FOR INVESTORS AVAILABLE AT THE FOLLOWING BANKS AND SECURITIES FIRMS

AKTIA SAVINGS BANK PLC,
HELSINKI
Tel: +358 102 475 000
Fax: +358 102 476 376
sabah.samaletdin@aktia.fi

ALFRED BERG FINLAND,
HELSINKI
Tel: +358 9 2283 2711
Fax: +358 9 2283 2283
tia.lehto@alfredberg.fi

AROS SECURITIES LTD,
HELSINKI
Tel: +358 9 17 337 336
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timo.syrjala@arossecurities.com

CAZENOVE & CO,
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Tel: +44 207 214 7663
Fax: +44 207 606 9205
githomassen@cazenove.com

CRÈDIT AGRICOLE INDOSUEZ
CHEUVREUX, LONDON
Tel: +44 207 621 5172
Fax: +44 207 621 5101
fhoyer@indocdv.com

CONVENTUM SECURITIES LTD,
HELSINKI
Tel: +358 9 549 930
Fax: +358 9 5499 3333
ritva.ojala@conventum.fi

CREDIT SUISSE FIRST BOSTON,
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Tel: +44 207 888 1199
Fax: +44 207 888 2894
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Tel: +358 9 618 711
Fax: +358 9 618 71 219
kim.nummelin@carnegie.fi

DANSKE SECURITIES,
HELSINKI
Tel: +358 9 7514 5344
Fax: +358 9 7514 5301
petri.arjama@danskesecurities.com

DRESDNER KLEINWORT BENSON
SECURITIES LTD, LONDON
Tel: +44 207 475 2347
Fax: +44 207 475 2695
simon.dunn@dresdnerkb.com

ENSKILDA SECURITIES AB,
HELSINKI
Tel: +358 9 6162 8900
Fax: +358 9 6162 8769
anders.antas@enskilda.se

IMPIVAARA SECURITIES LTD,
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Tel: +44 207 284 3937
Fax: +44 207 284 3938
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MANDATUM STOCKBROKERS LTD,
HELSINKI
Tel: +358 9 166 72 711
Fax: +358 9 651 093
janne.uski@mandatum.fi

MERITA SECURITIES LTD,
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Tel: +358 9 123 41
Fax: +358 9 612 1145
harri.laajala@merita.fi

OPSTOCK LTD,
HELSINKI
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Fax: +358 9 404 2703
rami.kinnala@oko.fi

EVLI SECURITIES PLC,
HELSINKI
Tel: +358 9 4766 9250
Fax: +358 9 4766 9350
outi.bengs@evli.fi

HANDELSBANKEN MARKETS,
HELSINKI
Tel: +358 10 444 2425
Fax: +358 10 444 2578
karita.meling@handelsbanken.se

INFORMATION FOR SHAREHOLDERS

KEY DATES IN 2000

Annual General Meeting record date	5 April 2000
Closing date for registering in the Annual General Meeting	5 April 2000
The Annual General Meeting	10 April 2000
Decisions by the Annual General Meeting published	10 April 2000
Dividend record date (proposal by the Board of Directors)	13 April 2000
Dividends payable from (proposal by the Board of Directors)	20 April 2000
Interim report for the first 4 months of the year	7 June 2000
Interim report for the first 8 months of the year	11 October 2000

The sales figures of the Group will be published monthly.

REGISTERING IN THE ANNUAL GENERAL MEETING

The Annual General Meeting of Kesko Corporation will be held in the Helsinki Fair Centre's congress wing, Rautatieläisenkatu 3, on 10 April 2000 at 13.00 hours. Shareholders wishing to attend the Annual General Meeting should notify Kesko Corporation/Legal Affairs by letter to Satamakatu 3, FIN-00016 Kesko, by fax to +358 1053 23480, by telephone to +358 1053 23211, by e-mail to taina.lepisto@kesko.fi, or through the web site at http://www.kesko.fi "Investor information", not later than 5 April 2000 at 16.00 hours.

FINANCIAL PUBLICATIONS

The annual report and interim reports are published in Finnish, Swedish and English.
The TradeMaker magazine is published in Finnish and English in March, June, September and December.
The annual report, interim reports, monthly sales figures and other key releases are also published in the Group's web site at http://www.kesko.fi

Kesko also publishes a separate environmental report in Finnish and English in August-September.

THE PUBLICATIONS MAY BE ORDERED FROM

Kesko Corporation/Corporate Communications
Satamakatu 3
FIN-00016 Kesko
Tel: +358 1053 22404
Fax: +358 9 174 398
Internet: http://www.kesko.fi

CHANGE OF ADDRESS

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

SPOKESMAN GROUP/FRENCKELL 2000