› KESKO › ANNUAL REPORT 2000






KESKO

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# › KEY FIGURES AND CHANGES

**KEY FIGURES**

| | 1996 | 1997 | 1998 | 1999 | 2000 | 2000 FIMm |
|---|---|---|---|---|---|---|
| Net sales, EUR million | 4,948 | 5,870 | 5,992 | 6,111 | 6,308 | 37,503 |
| Change in net sales, % | 10.5 | 18.6 | 2.1 | 2.0 | 3.2 | |
| Operating profit, EUR million | 82 | 112 | 130 | 116 | 117 | 694 |
| Operating profit as % of net sales | 1.6 | 1.9 | 2.2 | 1.9 | 1.9 | |
| Profit before extraordinary items, EUR million | 125 | 115 | 133 | 128 | 126 | 748 |
| Profit before extraordinary items as % of net sales | 2.5 | 2.0 | 2.2 | 2.1 | 2.0 | |
| Balance sheet total, EUR million | 2,491 | 2,585 | 2,545 | 2,570 | 2,570 | 15,282 |
| Return on invested capital, % | 9.0 | 8.2 | 8.9 | 8.0 | 8.5 | |
| Return on equity, % | 7.3 | 6.6 | 6.5 | 6.1 | 6.4 | |
| Investments, EUR million | 179 | 155 | 132 | 202 | 247 | 1,468 |
| Cash flow from operating activities, EUR million | 147 | 244 | 191 | 268 | 129 | 767 |
| Equity ratio, % | 51.9 | 53.2 | 56.7 | 56.6 | 54.7 | |
| Debt to equity ratio, % | 48.1 | 46.8 | 43.3 | 43.4 | 45.3 | |
| Number of personnel (average) | 6,503 | 10,672 | 11,172 | 10,993 | 11,099 | |
| Dividend per share, EUR | 0.34 | 0.50 | 0.67 | 1.50 | 1.00* | |
| Earnings per share, EUR | 1.02 | 0.98 | 1.01 | 0.98 | 1.00 | 5.97 |
| Price per earnings ratio (P/E), A share | | | | 13.88 | 16.95 | |
| Price per earnings ratio (P/E), B share | 10.74 | 14.78 | 12.65 | 12.86 | 10.75 | |
| Equity per share, adjusted, EUR | 14.17 | 14.83 | 15.59 | 15.87 | 15.31 | |

* proposal to the Annual General Meeting

**CHANGES BY FOUR MONTHS**

| | I/1999 | I/2000 | II/1999 | II/2000 | III/1999 | III/2000 |
|---|---|---|---|---|---|---|
| Net sales, EUR million | 1,959 | 1,976 | 2,052 | 2,190 | 2,100 | 2,142 |
| Change in net sales, % | 3.1 | 0.9 | 0.4 | 6.7 | 2.5 | 2.0 |
| Operating profit, EUR million | 25 | 24 | 51 | 55 | 40 | 38 |
| Operating profit as % of net sales | 1.3 | 1.2 | 2.5 | 2.5 | 2.0 | 1.8 |
| Profit before extraordinary items, EUR million | 28 | 32 | 55 | 57 | 45 | 37 |
| Equity ratio at the end of the financial year, % | 54.8 | 51.5 | 56.6 | 54.8 | 56.6 | 54.7 |

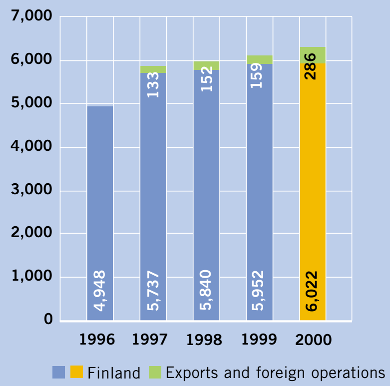
**CHANGES BY THREE MONTHS**

| | I/2000 | II/2000 | III/2000 | IV/2000 |
|---|---|---|---|---|
| Net sales, EUR million | 1,455 | 1,655 | 1,570 | 1,628 |
| Operating profit, EUR million | 12 | 34 | 35 | 36 |
| Operating profit as % of net sales | 0.8 | 2.1 | 2.2 | 2.2 |
| Profit before extraordinary items, EUR million | 15 | 40 | 35 | 36 |
| Equity ratio at the end of the financial year, % | 57.7 | 53.2 | 54.2 | 54.7 |

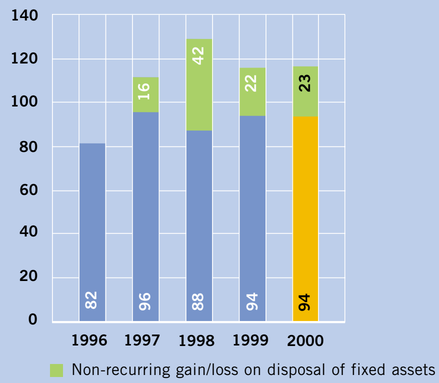
EUR 1 = FIM 5.94573

More detailed information for 1996-2000 on pages 68-71.

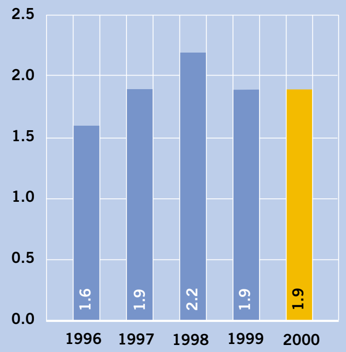
## Group net sales, EUR million



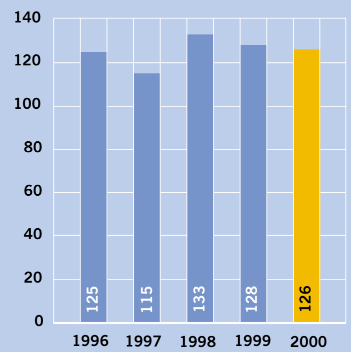

## Group operating profit, EUR million



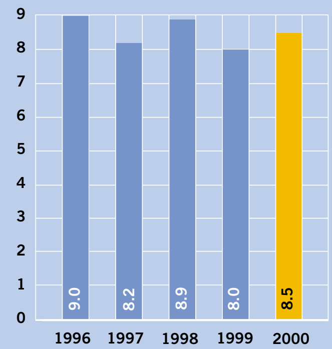

## Group operating profit as % of net sales



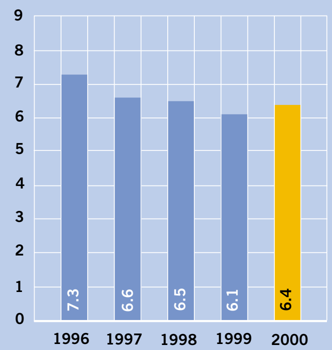

## Group profit before extraordinary items, EUR million



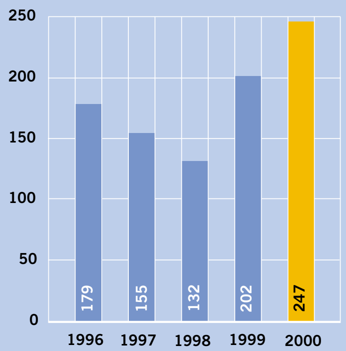

## Group return on invested capital, %



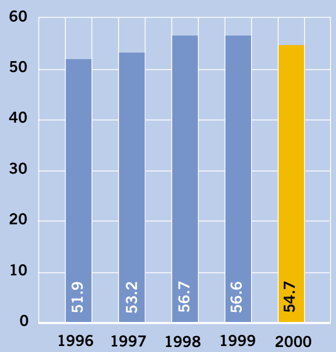

## Group return on equity, %



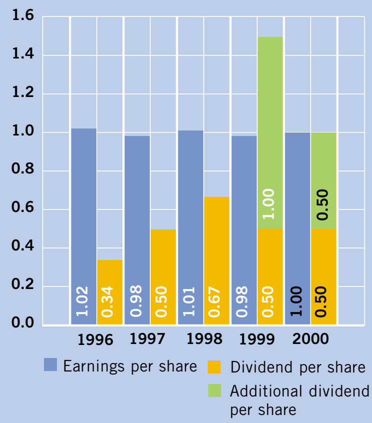

## Group investments, EUR million



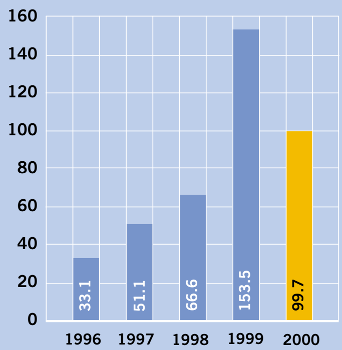

## Group equity ratio, %



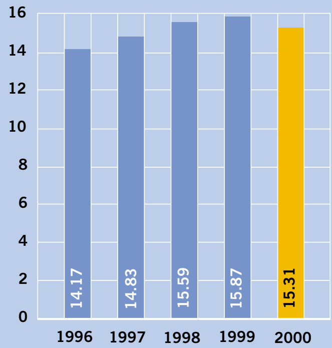

## Earnings and dividend per share, EUR




## Dividend of earnings, %




## Equity per share, EUR

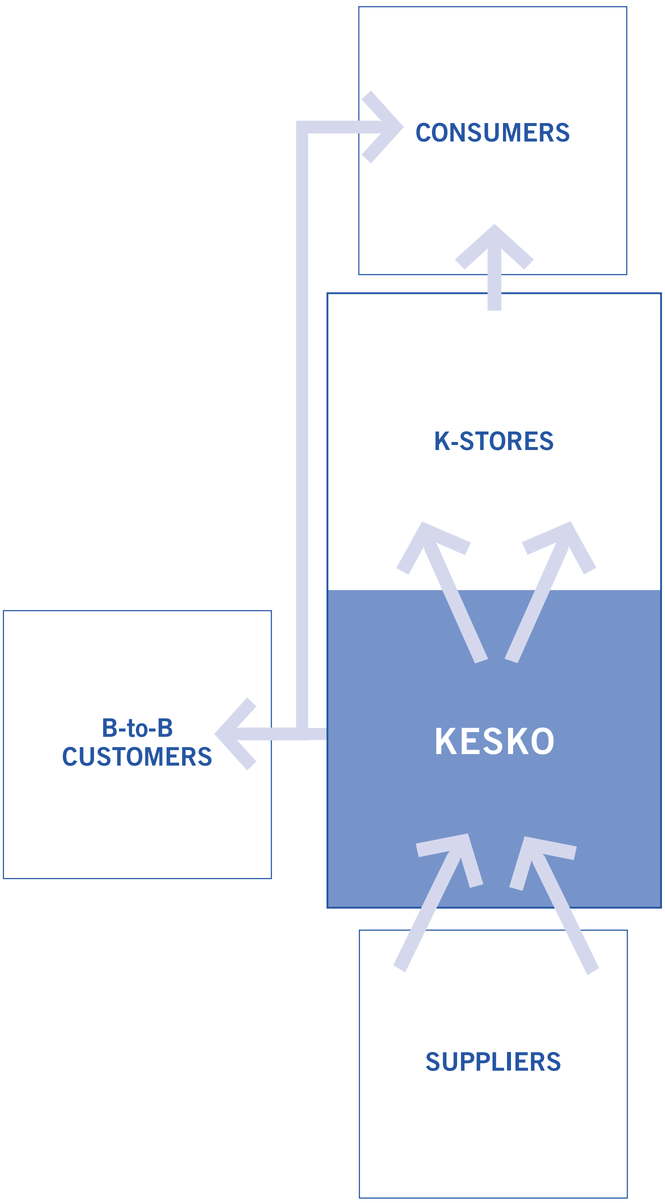


# › YEAR 2000 IN BRIEF

- The Group's net sales increased by 3.2 percent. The financial result and operating profit were at nearly the level of the previous year.
- A reformed chain operating system between Kesko and the K-retailers was introduced at the beginning of 2001. There will now be much closer joint operation in chain concept development, category management, marketing, purchasing and logistics. The new chain operating system will be gradually adopted over about two years.
- An active investment programme was continued to develop the retail store network. The total investments were EUR 247 million.
- Investments in the strategically important growth areas of the Baltic grocery and hardware trade and in the Swedish hardware trade were continued. A logistical centre providing services for the whole of Estonia and the first SuperNetto grocery store were built in Tallinn. Kesko purchased Ehitusmaailm, the largest hardware store chain in Estonia. Two new K-rauta stores were opened in Sweden, to bring the total up to eight K-rauta stores operating in that market.
- It is estimated that the K-Alliance's share of the Finnish grocery market slightly decreased compared with the previous year. In 1999, the market share was 37.8 percent.
- Kesko published the ethical principles for its purchasing operations. The tool used for ethical quality control is the international Social Accountability standard, the SA 8000.
- Kesko decided to make its business-to-business trading available on the Internet, too, within two years. The most extensive Internet service in the Finnish food trade is being built for catering customers, with its pilot phase starting in autumn 2000. Kesko opened its renewed extranet for business-to-business customers in the hardware and builders' supplies trade, and will further develop it to form the most significant channel for goods deliveries from the warehouse to the customer. Kesko Agriculture's new Viljaweb is a leading electronic marketplace for grain. In 2000, NetAnttila became the most popular consumer online store in Finland.
- International purchasing co-operation will be increased. Kesko joined the WorldWide Retail Exchange marketplace that operates on the Internet. This provides a new efficient channel for suppliers to sell groceries and home and speciality goods to over 50 trading companies.
- Kesko's Articles of Association were revised. The new corporate governance system is based on a Board of Directors and a Managing Director, without a Supervisory Board. A Corporate Management Board was formed in the Group, with its members representing active company management.
- A decision was made to incorporate Kesko's four profit divisions. Kesko Food Ltd, responsible for the foods trade, and Keswell Ltd, responsible for the home and speciality goods trade, will start business operations on 1 April 2001, while Rautakesko Ltd, responsible for the hardware and builders' supplies trade, and Kesko Agro Ltd, responsible for the agricultural and machinery trade, and its subsidiary Kesko Machinery Ltd, will start business operations on 1 October 2001.
- In line with its strategy, Kesko outsourced some of its service and support activities by selling its advertising agency, the publishing operations of its customer magazines, the film production, the in-store television operations, the real estate maintenance services and part of its office services.

# › KESKO – THE TRADE MAKER

***› Long-standing co-operation with stakeholders makes it possible to offer ecologically and ethically sustainable services ›***




**Kesko is the leading trading company in Finland and is expanding its operations to the neighbouring markets. Kesko is a marketing and logistics company which develops retail concepts and operating systems. It is engaged in retailing, in close chain co-operation with the K-retailers, and in wholesaling directly to industry, restaurants and other wholesale customers. Kesko's vision is to be the best and most highly respected trading company.**

### Chains combine the benefits of local enterprise and centralisation

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

- Kesko is responsible for purchasing the products included in the chain selection and for nation-wide and regional chain marketing. Kesko is also responsible for the continuous development of the chain business idea.
- The retailer-entrepreneurs are responsible for the chain operations in their own stores, for local marketing, for purchasing local products and for building up customer relations to meet local needs.

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

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

### Kesko is a versatile distribution channel

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

**Chains ensure customer promises are met**

The basic advantage of chain operations is standardised chain selections. Customers find uniform product ranges and services at all stores of the chain. Joint marketing brings cost savings and highlights chain brands. It also creates opportunities for developing customer loyalty. Plussa (www.plussa.com) is the leading customer loyalty programme in the Finnish trading sector, with a total of 2.5 million cardholders.

**Centralised purchasing gives competitive advantage**

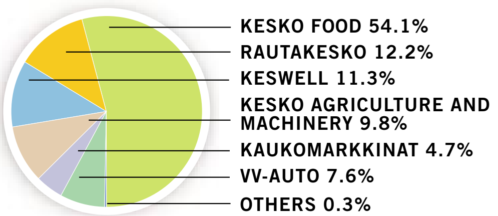
By centralising purchases Kesko lowers logistical costs and combines resources to achieve price competitiveness. Information management gives Kesko logistical superiority. International alliances, such as AMS, EP:International, EuroMat, Intersport and the World Wide Retail Exchange increase the efficiency of purchasing logistics by creating volume and synergy benefits. The centralisation of purchases benefits not only retailers and consumers but also Kesko's wholesale customers, such as restaurants and industry.

*Kesko's commercial operations are organised into four divisions which will be incorporated in 2001:*

- *Kesko Food (former Foodstuffs Division),*
- *Rautakesko (former Hardware and Builders' Supplies Division),*
- *Keswell (former Home and Speciality Goods Division) and*
- *Kesko Agriculture and Machinery (former Agriculture and Machinery Division).*

*The division parent companies will be responsible for marketing, purchases, logistics and store sites in their product lines.*

**Breakdown of net sales**




PIRKKA

Kesko develops in-house brands. In Finland, the recognition level of Pirkka products (www.pirkka.fi) is nearly 100%.

# › REVIEW BY THE PRESIDENT AND CEO

***› For Kesko, the coming years will be a time of challenging growth ›***

**Last year was the seventh successive year of growth for the Finnish trading sector. The volume of wholesale trade excluding cars grew by 4.6 percent and that of retail trade likewise by 4.6 percent. The net sales of the Kesko Group grew by 3.2 percent over the previous year. As about 95 percent of Kesko's sales are domestic, the strong growth of the Finnish economy and consumer optimism create a solid basis for increasing Kesko's business.**

For the Kesko Group, these are times of profound change. The Extraordinary General Meeting held in October amended Kesko's Articles of Association to correspond to the new Group structure and system of corporate governance. Earlier, a decision had been made to incorporate the profit divisions responsible for Kesko's commercial operations. This step and a leaner organisation will streamline corporate decision-making.

The markets, prospects and competitiveness of the product lines increasingly differ from each other. The incorporation of our businesses will give us greater flexibility to respond to rapid changes in the markets and the challenges of internationalisation. The new structure will also make it easier to evaluate the operations and profitability of the product lines. This will be important to Kesko's shareholders, too.

Besides streamlining our organisation we have, in line with Kesko's strategy, outsourced many service and support activities that have no direct connection to our core business.

These changes are an integral part of the ongoing overall reform of chain operations between Kesko and the K-retailers, which is expected to considerably improve the competitiveness and profitability of Kesko and the retailers participating in the chain operations. Consumers will see the benefit in clearer store concepts and lower prices. Over 1,400 K-retailers are using the more efficient chain system.

For Kesko, the coming years will be a time of challenging growth. The pressures for continuous reform have also been increased by international trading

chains that already operate in practically every product line in Finland.

Kesko has met the challenge by restructuring and adopting more cohesive business systems for co-operation inside the trading group. During the past five years, our investments in Finnish retail stores, logistics and information systems development have totalled nearly EUR 900 million. This will further improve our capacity to operate competitively and profitably in the future.

Our performance and competitiveness in Finland are good and they pave the way for sales growth.

Kesko is also seeking growth in the neighbouring areas. We have increased our investments in Sweden and the Baltic countries to ensure that our growth strategy will be implemented there, too. Our hardware stores have been well received by customers in Sweden, and so have our food stores in Estonia and our hardware and agricultural stores in Estonia and Latvia. New plans for extension have already been made for both the Baltic countries and Sweden. The chains will be actively expanded.

For Kesko, the reforms now implemented and underway are nearly as important as the establishment of the company six decades ago. These reforms have been necessitated by changing markets and consumption habits.

I would like to express my warm thanks to all employees of Kesko and its subsidiaries for their excellent work during the first year of the new millennium. The reforms are a great challenge for us all and major projects have been successfully carried out in addition to our daily routines.

I would also like to thank all our customers and partners, especially the K-retailers and suppliers, with whom we have been creating these new operating systems.

I believe that the strategy and development of the K-Alliance have now reached a point that will gradually lead us all to a successful path of growth.

Matti Honkala
President and CEO

# › CONTINUOUS DEVELOPMENT IN KESKO

**Kesko's operations are affected by economic developments in Finland and our neighbouring countries, the increase in consumer purchasing power and the way this changes regionally, as well as investments made by companies. The whole trading sector is characterised by intensifying international competition, the formation of chains and the growing importance of information and information technology. Customer relationship management, too, is ever more important and electronic commerce is increasingly widespread. Kesko is responding to the challenges of the operating environment by a major improvement of its activities through a chain reform, the biggest investments in the company history and a decision to incorporate its four commercial divisions into subsidiaries.**

### The target: To grow in neighbouring markets

Major company acquisitions have taken place in European retail trade over the last few years. Acquisitions have mainly been a tool for conquering new markets. In Finland, too, foreign chains are present in almost every trading sector. Kesko has geared up for competition by reforming its chain operations, continuously refining its store types and extending its operations into neighbouring countries. Grocery and hardware trade in the Baltics and hardware trade in Sweden are particularly important strategic areas of growth for Kesko.

Our international development also includes expanding and strengthening co-operation with other trading sector companies. Purchasing co-operation in different product lines is strengthened through several international organisations. Additionally, Kesko has widened the scope of its international management training.

### Chain reform to strengthen competitiveness

In order to adapt to the changes in the domestic competitive environment, Kesko and K-retailers have, together, prepared an operating system based on vertical co-operation between Kesko and each retailer-enterprise operating in a chain. Each chain has its own particular customer pledge and operating practices, which facilitate consumer choice.

Kesko is responsible for continuously developing the operating system and retail concepts, controlling chain operations and for purchasing the products included in the chain product selections. Retailers, as entrepreneurs, are responsible for the profit, personnel management and implementation of the chain concept in their stores.

Kesko takes charge of obtaining store sites, information systems, marketing channels and training for the chain. The companies operating in the chains pay Kesko for the right to use the chain concept and other services that Kesko provides.

The reform is clarifying the distribution of duties between Kesko and retailers. It is estimated that after the reform has been fully implemented, annual profits and cost savings for Kesko will total over 35 million euros.

### B-to-B business will be largely transferred to the Internet

In Finland, Kesko has been a pioneer in electronic data interchange (EDI), e-commerce and order systems. During the last few years, the use of electronic order systems capitalising on Internet and extranet technology has increased. The Internet and online trading complement trading services and supply. A major development alongside changes in consumer trading is networking between companies. In autumn 2000, Kesko decided to make its business-to-business trading available on the Internet, too, within two years.

Kespro Ltd is establishing the most comprehensive and innovative Internet service (www.kespro.com) on the Finnish market, which targets large-scale customers. Also in the hardware trade, a significant percentage of electronic business transactions between companies will take place via the Internet. Kesko Agriculture's Viljaweb is Finland's leading electronic market place (www.k-raitti.com) for the grain trade, and Kesko is also participating in international electronic market place projects.

In the near future, all of Kesko's four profit divisions to be incorporated into division parent companies will invest strongly in their online operations, targeting them to consumers and B-to-B customers alike. E-commerce operations will be organised into separate units and allocated considerably more personnel and financial resources than at present.

The consumer portal service www.k-netti.com providing access to the K-Alliance's online services has been further expanded. Limited demand and difficulty in finding the right logistical solutions have been so far the biggest hindrances to extensive electronic consumer trading. In some speciality goods product groups, the proportion of e-commerce is expected to rise to 10-15 percent by the year 2005, although the corresponding figure for the whole sector will remain much smaller.

**Knowledge of customers is ever more important**

A key area for the trading sector is improving customer relationship management and the knowledge of customers and customer satisfaction emphasising the importance of customer loyalty. Consumers with wide ranging values are a challenge for the retail sector and different stores target different consumers. In the business-to-business trade, long-term co-operation is the emphasis.

New business partners have been included in the Plussa loyal customer marketing range. Through Plussa (www.plussa.com) store selections and marketing can be shaped according to customer needs. Plussa has established its position as the leading Finnish customer loyalty programme in the trading sector with a total of 2.5 million cardholders in nearly 1.4 million households. Between 40 and 85 percent of all K-store purchases (depending on the product line) are made through Plussa cards. In 2000, Plussa customers were given a total of 55.5 million euros worth of Plussa vouchers.

The Banking Services Committee proposes that the trading sector be permitted to offer accounts, allowing for maximum deposits of 3,000 euros. Even today, Plussa cardholders can obtain an interest-bearing deposit account feature on their cards. These accounts allow customers to pay for their purchases directly from their accounts and to withdraw cash from Anttila department stores, Citymarket hypermarkets, K-superstores and K-supermarkets. The business partner for the Plussa account is the OKOBANK Group.

**Co-operation to improve logistics efficiency**

The main objective of Kesko's logistical and information management strategies is to make Kesko the best distribution channel for suppliers and customers alike, through efficient control of goods flows. Operations organised in chains and further development of information systems have created new opportunities for trade and industry co-operation. Kesko works in close co-operation with its suppliers in developing product design, category management and marketing.

Networking between companies is increasing and the international standardisation of business processes is progressing. Kesko has chosen the mySAP.com platform as the basis for its new information systems, which is to be used to implement the basic operational applications for Kesko's business sectors between 2001-2004. This decision, together with e-commerce technologies and strong EDI (Electronic Data Interchange) experience will enable Kesko to maintain its position on the cutting edge of information technology. In 2000, Kesko's investments in information technology amounted to EUR 12.5 million (14.3 million).

**Biggest ever investment programme underway**

Centres of growing population and major existing population centres are where purchasing power in Finland continues to concentrate. One way that Kesko has responded to this development is by investing in new store sites. Most of the new grocery stores are large superstores or small urban stores. In Finland, approximately one fourth of food sales are conducted through hypermarkets, although the proportion is higher in the equivalent stores in most European countries. In home and speciality goods and hardware trade, stores are also becoming larger. There is a particular and continuing need for store investments in centres of growing population.

As internal migration continues, consumption habits are changing. In response to this phenomenon, new shopping centres are being built to encourage customers to spend more time in them and to enjoy new experiences. One of Kesko's strengths is its variety of store types and product lines. Kesko's aim is for its store network to cover the whole of Finland. In 2000, 34 new stores were built and over 150 stores were renovated. During the last few years, people feel they have better access to services provided by the trading sector, although the general trend has been towards bigger but fewer stores.

In Finland, Kesko will continue to build new stores and to reform its store types. Growth will be focused on food, hardware and the home and speciality goods trade. Kodin Ykkönen department stores for interior decoration as well as Musta Pörssi Maailma and Intersport megastore chains will expand in centres of growing population.

**Corporate responsibility has become a major competitive factor**

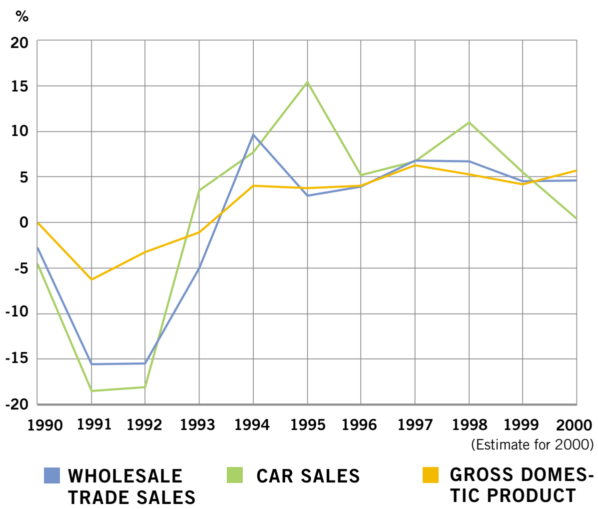
Company ethics is an increasingly important factor for financial success. Kesko's ethical guidelines emphasise responsibility inside and outside the company, corporate responsibility and environment-related values.

Kesko has been a pioneer in the ethical standardisation of its purchasing operations. Kesko's buyers know their suppliers well and have long-established business relationships, characterised by the complete lack of child labour issues or other serious social problems. Proof of this – in the form of neutral certification – is that Kesko was the first Nordic company to publish its compliance to the international SA 8000 standard in 2000. The requirements of the standard make it sign ificantly easier to verify, through professional certifiers, that the methods of product manufacture meet the requirements of consumers and other Kesko customers. Kesko will publish a separate report on its corporate responsibility for the year 2000.

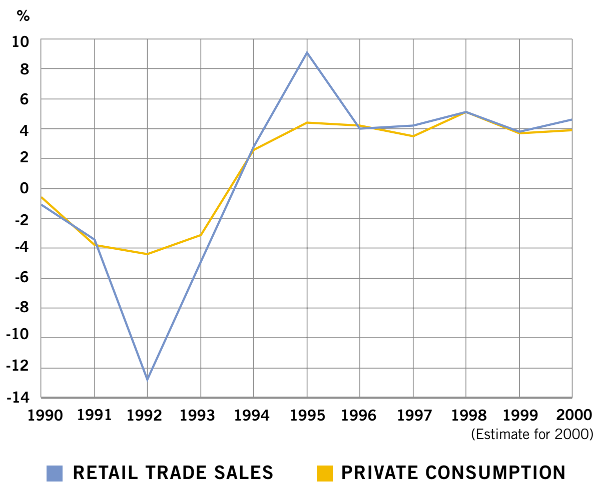
Environmental matters are part of our everyday life. For a decade, Kesko has worked systematically to raise environmental consciousness. A modus operandi called 'K-Environmental Store' has been developed with the Finnish Association for Nature Conservation. By the end of 2000, as many as 174 stores had been awarded the K-Environmental Store Diploma. For more information on environmental affairs, see pages 38-41.

Companies' competition for labour is becoming more intense in Finland, especially now that the baby boomers are retiring. The employment offered by Kesko is becoming ever more international, interesting and chal-

**Changes in gross domestic product, wholesale trade and car sales volumes in Finland, 1990-2000**




**Changes in private consumption and retail trade sales volumes in Finland, 1990-2000**



lenging. Among Kesko's traditional strengths are high-level training and career opportunities in a large group. Kesko considers its in-house employee market a real asset alongside employing people from the outside.

Kesko has invested considerably in staff expertise with the help of K-instituutti Oy and others. In Finland, Kesko employs some 13,000 people and some 1,000 abroad. Additionally, the K-stores have a total staff of around 25,000.

### Adopting the euro for price harmonisation

The euro will facilitate price comparison, which will put extra pressure on price harmonisation and price competition within the euro area. The euro is also expected to increase online trading. Kesko and the K-stores have, over several years, prepared for the transition to the euro.

The adoption of the euro will not raise retail prices in the K-Alliance. There will be a short-term increase in equipment and software expenses, but in the long term, cost savings will be made. Moreover, the euro will considerably reduce foreign exchange costs and currency risks.

### Favourable financial outlook for trade

In Finland, private consumption expenditure increased by about 3% in 2000, and almost equivalent growth is expected in 2001. Retail sales reflect the changes in private consumption, but there are sometimes major differences between business sectors.

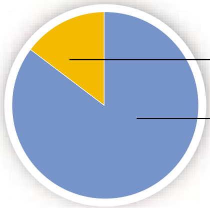
In 2001, the sales of the trading sector are expected to increase at the same speed as in 2000. In December 2000, Finnish households were more confident of favourable economic development following the dip in confidence of autumn 2000. The expectations concerning the Finnish economy improved in particular.

The hardware trade market is favourable in Sweden because K-rauta is the only hardware department store to offer all building, renovation and interior decoration supplies under one roof. The market is expected to develop positively in all Baltic countries, as these small markets are rapidly adopting the western trading culture.

### Dividend policy

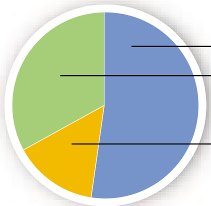
Kesko distributes as dividends at least a third of earnings per share, or half if the equity ratio exceeds 50%.

### Kesko's purchases




In 2000, Kesko's purchases totalled EUR 5,522 million. Kesko has some 32,000 suppliers in Finland and some 10,000 abroad.

### Kesko's customers




In 2000, Kesko's net sales amounted to EUR 6,308 million. In addition to consumer customers, Kesko has about 30,000 business customers. Approximately 14.7% of Kesko's sales are channelled through its own subsidiaries directly to consumers.

### Basis for Kesko's business operations

KESKO'S VISION

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

KESKO'S GOALS

- Good performance
  return on invested capital 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 people

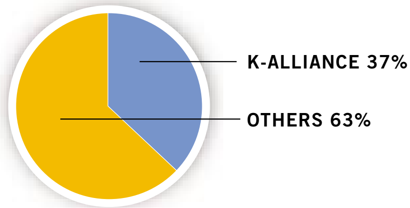
KESKO'S PURPOSE

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

KESKO'S BASIC VALUES

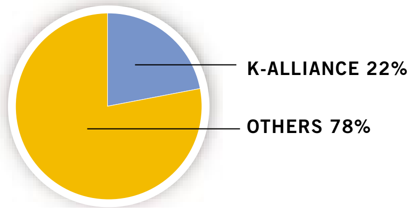
- Customer satisfaction is our key basic value. It is the result of successful service and high-quality products. It creates and ensures loyal customer relationships.
- An enterprising spirit means confidence in entrepreneurship and in one's own competence, diligence, the willingness to develop and the desire to produce profit.
- Profitability means good financial results and high-quality operations.
- Co-operation - both internal and external - improves the competitiveness and results of all participants.
- Continuous improvement is actively responding to customer needs, capitalising on new opportunities, open and unprejudiced attitudes to new ideas and the continuous development of operations.
- Responsibility and honest working methods allow people to fully and actively contribute in a changing society.
- Respect for other people and solidarity create a good working environment.


**Grocery retail trade in Finland 2000, estimate***

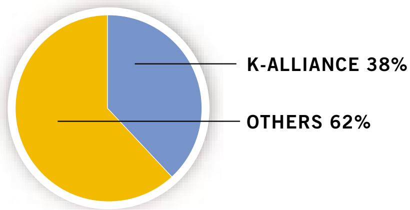



*Kesko's share of trade to the catering industry is around 24%.

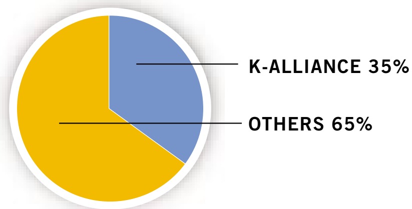
**Speciality goods retail trade in Finland 2000, estimate**




**Hardware retail trade in Finland 2000, estimate**




**Agricultural supplies retail trade in Finland 2000, estimate**




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.

# › DIVISIONS IN BRIEF

### Kesko Food

Kesko Food is a developer of retail grocery trade and fast food systems based on private enterprise and a wholesaler in Finland and the neighbouring countries.

- Net sales were EUR 3,453 million (EUR 3,228 million).
- Operating profit was EUR 65.4 million (EUR 64.9 million).

### Rautakesko

Rautakesko purchases and sells products and services for building, renovation and interior decoration. It develops concepts and operating systems for the hardware and builders' supplies trade. In addition to Finland, Rautakesko operates in Sweden, Estonia, Latvia and Russia.

- Net sales were EUR 786 million (EUR 702 million).
- Operating profit was EUR 10.5 million (EUR 10.0 million).

### Keswell

Keswell develops operating systems and the store network for home and speciality goods and manages the store chains. Keswell's product lines are home technology, sports goods, shoes, clothes, home goods and interior decoration items. Keswell's subsidiary Anttila Oy is one of the biggest retailers in Finland in this sector.

- Net sales were EUR 726 million (EUR 869 million).
- Operating profit was EUR 0.4 million (EUR -7.6 million).

### Kesko Agriculture and Machinery

Kesko Agriculture purchases and sells animal feed, chemicals and machinery, and is involved in the grain trade and acts as the chain unit of the K-agricultural stores. Kesko Machinery purchases and sells heavy machinery for professional and commercial use. Kesko Machinery also purchases and sells light machinery, boats and boating equipment for consumers. In addition to Finland, Kesko Agriculture and Machinery is also active in Estonia and Latvia.

- Net sales were EUR 625 million (EUR 564 million).
- Operating profit was EUR 5.2 million (EUR 7.7 million).

### Kaukomarkkinat

Kaukomarkkinat is the biggest and most diversified Finnish trading house operating internationally. It has over 20 subsidiaries or representative offices abroad. In Finland, Kaukomarkkinat is one of the leading suppliers of sports goods, watches and home electronics, eye optics and technical products.

- Net sales were EUR 294 million (EUR 268 million).
- Operating profit was EUR 4.5 million (EUR 11.0 million).

### VV-Auto

VV-Auto Oy imports Volkswagen and Audi cars and Volkswagen commercial vehicles. Its subsidiary, Auto-Span Oy, is responsible for importing and marketing Seat cars.

- Net sales were EUR 482 million (EUR 439 million).
- Operating profit was EUR 17.8 million (EUR 20.7 million).

# › KESKO FOOD

KALERVO HAAPANIEMI, PRESIDENT OF KESKO FOOD

**"Kesko Food's future growth prospects derive from its stronger position in the Finnish market and its expansion in the Baltic countries."**

**Kesko Food is a developer of retail grocery trade and fast food systems based on private enterprise and a wholesaler in Finland and the neighbouring countries.**

Kesko aims at being the leading marketer and specialist in food and other grocery trading in Finland. Kesko's efficiency derives from its customer-orientation, and the good management and continuous development of its logistics chain. Kesko Food is responsible for the development of the K-grocery store network and retailer resources.

The key businesses of Kesko Food are retail chain operations, catering sales to HoReCa customers, the fast food trade and wholesaling/retailing in the Baltic countries. A major strength of Kesko Food is its ability to exploit the synergy benefits of these businesses.

Kesko Food Ltd will start operating as an independent company from 1 April 2001. The average personnel of Kesko Food in 2000 was 4,896.

### Continuing structural change in the Finnish grocery market

Good economic growth in 2000 paved the way for an increase in the Finnish grocery market of about 4%, which was slightly lower than expected. The total market was about EUR 18.5 billion. The retail sales of chain stores and restaurant sales grew the fastest. Sales experienced big seasonal fluctuations, due to changes in liquid fuel prices, interest rates and the weather.

The retail trade is still undergoing strong structural change. Large retail outlets increased their market share in 2000, and the rivalry between trading groups for the largest retail premises in growth centres is continuing. Price competition is increasing. The extension of opening hours for stores of under 400 m$^2$ will considerably improve their sales potential.

Finnish grocery market growth is forecast to slow down to 2-2.5% annually. Potential new product categories, such as wine and medicines, will be important to future sales growth.

### K-Alliance has the biggest grocery store network in Finland

The K-grocery store chains are the best-known brands in Finnish retailing, supplying all customer groups and areas. The more uniform chain operations will maintain competitiveness and market share growth in the future.

Kesko invested EUR 73 million in its Finnish grocery store network in 2000. Kesko aims to have a nation-wide network of large outlets, neighbourhood stores and new urban-centre stores. Store construction projects take account of environmental aspects and the routes by which people move. New urban convenience stores will emphasise take-away meals in addition to the usual products.

18 new K-grocery stores were opened in 2000, including new Citymarket hypermarkets in Pirkkala and Lappeenranta, and K-superstores in Lahti, Nokia, Lempäälä, Turku and Kokemäki. 78 stores were closed down in rural and sparsely populated areas. In 2000, the sales of K-grocery stores totalled EUR 4,175 million (EUR 3,914 million) and their sales floor area was 787,387 m$^2$ (738,028 m$^2$) at the year-end. It is estimated that the market shares of K-extra, Rimi and Citymarket chains remained unchanged in 2000, while that of the K-superstore chain increased and that of the K-supermarket chain decreased slightly.

Kesko Food has two chain units that serve the retail trade: the Neighbourhood Chain Unit and the Supermarket Chain Unit. The Neighbourhood Chain Unit serves K-supermarkets (www.k-market.com), K-neighbourhood stores (www.k-lahikauppa.com), K-extra stores (www.k-extra.com), Rimi stores (www.rimi.fi) and Pikkolo stores. The Supermarket Chain Unit serves larger outlets, i.e. Citymarket hypermarkets (www.citymarket.fi) and K-superstores (www.k-supermarket.fi). Citymarket Oy is responsible for the non-food trade in Citymarket hypermarkets.


COCO POPS
Clusters
PIRKKA
Riisi-muroja
CORN FLAKES

| KESKO FOOD | NET SALES IN 2000 EUR MILLION | CHANGE % |
|---|---|---|
| NEIGHBOURHOOD CHAIN UNIT | 1,092 | -0.4 |
| SUPERMARKET CHAIN UNIT | 1,121 | 14.4 |
| CITYMARKET OY | 364 | 7.5 |
| KESPRO | 1,094 | 16.0 |
| CARROLS | 29 | -19.4 |
| OTHER SUBSIDIARIES | 36 | -3.0 |
| ./. GROUP INTERNAL SALES | -283 | |
| TOTAL | 3,453 | 7.0 |

KESKO FOOD IN 2000

- **Net sales were EUR 3,453 million (EUR 3,228 million).**
- **Operating profit was EUR 65.4 million (EUR 64.9 million).**
- **Return on net assets was 11% (12%).**
- **Investments were EUR 129.3 million (EUR 103.2 million).**

### Market for deliveries to customers expanded

Kespro Ltd (www.kespro.com) offers customer delivery and cash-and-carry services in Finland. Its customers include restaurants and other catering customers, service stations, kiosks, bakeries and industry. In 2000, the market for cash-and carry sales decreased, whereas the market for deliveries to customers expanded.

At the beginning of 2001, there were 21 cash-and-carry outlets. Their customers were mainly relatively small food retailers and catering outlets. Total market growth fell short of expectations and regional differences increased due to internal migration. Large catering customers were the key group in deliveries to customers. Chain operations and those organised under other concepts are increasing their share of the business-to-business market.

Kespro Ltd has made large investments in e-commerce and is currently building the most comprehensive and advanced Internet trading system on the Finnish food market. The results of a pilot project in Jyväskylä, started in November 2000, will be used to expand this service.

Kespro's market position in the sector was further strengthened.

### Carrols increased its share in the fast food market

Carrols Oy (www.carrols.fi) produces and develops fast food service concepts for Finland and neighbouring countries. The Finnish fast food market grew by only 1.1% in 2000. The Carrols chain did well in the hamburger market, however, increasing its market share to 29% (25%). The sales of the chain grew to EUR 62 million (EUR 55 million). At the end of 2000, there were 70 Carrols restaurants in Finland, of which 46 were entrepreneur-run. The franchise agreement between Carrols Oy and a St. Petersburg entrepreneur was terminated, which closed down the five Carrols restaurants there.

Carrols Oy entered the growing market for special coffee houses by launching the Drop Coffee Shop concept in four outlets in Helsinki and Oulu. After the pilot phase, the intention is to expand the chain to other major Finnish cities.

Home meal replacement solutions are part of new retail store concepts. These include the Deli and Kotikeittiö concepts developed for the Citymarket chain and take-away meal counters in Pikkolo stores.

### The Baltic countries are a growth area for Kesko Food

Kesko is building its own nation-wide retail store network and a modern logistics chain in Estonia. A new logistics centre has already started operations. The first of four or five hypermarkets planned to be built in Riga, Latvia, will be opened in June 2001. The Baltic countries have been selected as a strategic growth area for Kesko's food retailing.

The positive development has continued in the markets of all Baltic countries. Although the markets are still small, they are adopting a Western trading culture. Buying and selling in market squares is increasingly being replaced by trading in retail stores. The structure of the market is changing fast, as the number of people with cars, the number of new stores and the proportion of large units keep growing. Kesko's food retailing in the Baltic countries is based on large units, efficiency and competitiveness. Kesko has established a nation-wide, efficient logistics chain, the first of its kind in Estonia. Kesko is aiming at a 20-25% share of the EUR 3.4 billion Baltic grocery market.

### International co-operation in purchasing is increasing

Kesko Food has established a Category Management, Purchasing and Logistics unit in order to concentrate these functions and the necessary information systems with a view of increasing efficiency.

A number of significant acquisitions have been made in the international food trade. As grocery markets are no longer growing in most European countries, acquisitions, mergers and co-operation in purchasing

| K-ALLIANCE GROCERY STORES IN 2000 | NUMBER | SALES, (incl. VAT) EUR MILLION |
|---|---|---|
| CITYMARKET HYPERMARKETS | 40 | 1,210 |
| K-SUPERSTORES | 115 | 1,144 |
| K-SUPERMARKETS | 256 | 937 |
| K-NEIGHBOURHOOD STORES | 277 | 427 |
| K-EXTRA STORES | 356 | 272 |
| K-MOBILE STORES | 49 | 20 |
| RIMI STORES | 47 | 85 |
| PIKKOLO STORES | 2 | 3 |
| OTHER GROCERY STORES | 107 | 77 |
| FINLAND, TOTAL | 1,249 | 4,175 |
| SUPERNETTO, ESTONIA | 2 | 31 |
| GROCERY STORES, TOTAL | 1,251 | 4,206 |

| K-ALLIANCE FAST FOOD CHAINS AND THEIR SALES | NUMBER | SALES, (incl. VAT) EUR MILLION |
|---|---|---|
| CARROLS | 73 | 62 |
| DROP COFFEE SHOP | 4 | 1 |
| FAST FOOD OUTLETS, TOTAL | 77 | 63 |

have become widespread. The concentration of purchasing is also important for the grocery trade, because international suppliers are growing in size and decreasing in number.

A key area of development for Kesko Food is on-line trading. Kesko became a member in the international WorldWide Retail Exchange (www.worldwideretailexchange.org) in 2000. WWRE is a business-to-business marketplace that enables worldwide purchasing co-operation on the Internet. Kesko also works in co-operation with the leading European food chains in AMS (Associated Marketing Services) (www.ams-marketing.com). Joint purchasing for the Euro Shopper product family will increase further.

The process of informing suppliers abroad about Kesko's ethical quality control system continued. The recycling and return logistics systems built together with Finnish suppliers have proven good and economical.

### Share of Kesko's own brands grows

Kesko's own brands, and especially the Pirkka brand (www.pirkka.fi), are well-known in Finland. The Pirkka range includes about 700 products with a very positive price/quality image. Other house brands include Rico and Star+, Diva, Costarica (www.costarica.fi) and Euro Shopper products. House brands already account for some 8% of the K-chains' sales. The Menu range for catering customers is being developed in co-operation with customers and suppliers.

Customers are increasingly concerned about price and quality. In fact, the trading sector's future success will greatly depend on the quality, safety and ethical history of its food products. Kesko intends to lead the field in taking ethical issues into account. Kesko will also publish a report on its corporate responsibility for 2000.

### Profit development and future outlook

The net sales of Kesko Food amounted to EUR 3,453 million, representing a growth of 1.6% in comparable figures. The operating profit of EUR 65.4 million (EUR 64.9 million) remained at the previous year's level, even though the Neighbourhood Chain Unit and Kespro Ltd's cash-and-carry outlets experienced poor sales growth. Kesko Food's return on net assets was 11% (12%).

The new chain operating system will intensify the co-operation between Kesko Food and the K-grocery stores. It will increase the efficiency of the whole chain while improving competitiveness. All operations, from product development to final product sale to the customer, can be developed as a single process. Chain operations will be systematically improved in co-operation with customers, retailers and suppliers.

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

# › RAUTAKESKO

MATTI HALMESMÄKI,
PRESIDENT OF RAUTAKESKO

"Rautakesko's strategic areas of emphasis are growth in the neighbouring markets and the development of electronic trading, particularly in the professional customer market."

**Rautakesko purchases and sells products and services for building, renovation and interior decoration. Rautakesko is responsible for the marketing, purchasing, logistics services and network and retailer resources of the K-rauta and Rautia chains. Rautakesko develops concepts and operating systems for the hardware and builders' supplies trade. In addition to Finland, Rautakesko operates in Sweden, Estonia, Latvia and Russia.**

The hardware and builders' supplies trade is one of Kesko's focal areas. The strengths of Rautakesko include a comprehensive store network in Finland, store concepts adapted for different markets and direct domestic and international purchase connections. The K-rauta and Rautia chains had a Finnish market share of about 38% in 2000.

Rautakesko's aim is consistent growth in the neighbouring areas and maintenance of its existing market share in Finland. Its share of the Estonian building materials market is about 22%. There are eight K-rauta stores operating in Sweden at present.

The customers of the Industrial and Constructor Sales unit are building firms, industry and other professional customers. Electronic trading is an area of emphasis in the operations of Industrial and Constructor Sales.

Rautakesko will start operating as an independent company from 1 October 2001. It employed 1,040 persons at the end of 2000.

### Building decisions are increasingly being made by consumers

Good economic growth continued in Finland and the neighbouring areas, which increased the demand for hardware and builders' supplies and construction-related services. Migration and higher industrial production increased building activity. The volume of the Finnish hardware and builders' supplies trade is expected to grow at an annual rate of 3-4% in the next few years.

Families will be increasingly involved in making building decisions, which will raise the need for service. It will also lead to package solutions and more subcontracting. The aim of the K-rauta and Rautia stores is to organise the service and information networks so that they remain as places where building decisions are made. Consumers expect to receive ideas, options and competent service from hardware stores. At present, amateur builders and renovators account for 60% and professional builders for 40% of the hardware and builders' supplies market in Finland.

The number of building permits granted in Finland shows a clearly increasing trend. In Estonia and Latvia, there is a great need for residential building and renovation. The market continues to focus on professional customers, while the consumer trade is continuously increasing. In Sweden, the emphasis is on the renovation and interior decoration of dwellings.

### K-rauta and Rautia stores are market leaders in Finland

Rautakesko is responsible for two retail store chains for hardware and builders' supplies in Finland, namely K-rauta (www.k-rauta.com) and Rautia (www.rautia.fi). When the new chain operating system has been fully adopted, the sales volumes of the K-rauta and Rautia chains will be nearly equal. They differ from each other with respect to customer promises and operating concepts.

The number of Finnish K-rauta stores will be 45 after the chain reform has been implemented. The K-rauta stores have a wide choice of products, including products for interior decoration and gardening, in addition to hardware and builders' supplies. The role of service will be emphasized, and new overall service

| K-ALLIANCE HARDWARE STORES IN 2000 | NUMBER | SALES, (incl. VAT) EUR MILLION |
|---|---|---|
| K-RAUTA* | 117 | 643 |
| RAUTIA* | 105 | 312 |
| STORES OUTSIDE THE CHAINS ** | 36 | 37 |
| FINLAND, TOTAL | 258 | 992 |
| K-RAUTA, SWEDEN | 8 | 51 |
| EHITUSMAAILM (AS FANAAL), ESTONIA | 5 | 29 |
| BUVNIECIBAS PASAULE (A/S FANAAL), LATVIA | 1 | 1 |
| FOREIGN COUNTRIES, TOTAL | 14 | 91 |
| HARDWARE STORES, TOTAL | 272 | 1,083 |

* 41 K-RAUTA STORES AND 10 RAUTIA STORES ALSO OPERATE AS K-AGRICULTURAL STORES

** 36 STORES OUTSIDE THE CHAINS ARE ALSO INCLUDED IN THE TOTAL NUMBER OF AGRICULTURAL STORES

packages such as the provision of prefabricated houses on a turn-key basis will be continuously developed.

Product demonstrations and exhibitions are important elements in the K-rauta store concept. 10 ”new-format” K-rauta stores were opened in 2000, the largest being over 10,000 square metres. Nine Finnish K-rauta stores will be opened or renovated in 2001. All K-rauta stores will be changed to the new store format within the next few years.

Rautia will expand in 2001 to become the most comprehensive hardware store chain in Finland. After the chain reform has been implemented, it will include about 110 stores whose main competitive advantage is knowledge of local market conditions. The products offered by the Rautia stores are targeted at builders, renovators and professional customers.

Retail sales in the hardware and builders’ supplies sector grew by about 4.5% in 2000. The total sales of stores operating in the K-rauta chain were EUR 643 million and in the Rautia chain EUR 312 million. It is estimated that the K-rauta chain slightly expanded its market share in 2000.

Rautakesko has three purchasing units providing services for retail stores: Building materials and house technology, Interior decorating, furnishing and home appliances, and Tools, small hardware items, yard and garden.

### Industrial and Constructor Sales develops its electronic trading

Industrial and Constructor Sales is responsible for the wholesaling of hardware and builders’ supplies to professionals in the building sector and to industry, municipalities and institutions. Building materials form the main product group. Industrial and Constructor Sales and the retail store chains will tighten their co-operation.

Kesko is a significant partner in the BuildForum electronic marketplace established in autumn 2000. Its owners represent the major companies involved in construction in Finland. As BuildForum covers the whole value chain of construction from planning to real estate maintenance, it represents a new kind of operating system in Europe. It is expected that a remarkable part of the flow of goods and services in construction will be transferred to the Internet within the next few years (www.buildforum.com).

Electronic trading is the main area of strategic development in Rautakesko. About 4,500 products can be ordered from Industrial and Constructor Sales’ extranet service (www.k-yrityspalvelu.com). The electronic data on the products, orders and deliveries of Industrial and Constructor Sales will be integrated with the information systems of its customers.

### Growth sought from the Baltic countries and Sweden

There are at present eight K-rauta stores (www.k-rauta.a.se) operating in Sweden, and two new stores will be opened in Helsingborg and Göteborg in 2001. The aim is to build a network of 25 K-rauta stores.

In spring 2000, Rautakesko bought AS Fanaal, which owns Ehitusmaailm, the largest hardware store chain in Estonia (www.emaailm.ee). Rautakesko has five hardware stores in Estonia and one store in Latvia. The building of new stores will be started in Estonia and Latvia in 2001.

RAUTAKESKO IN 2000:

- Net sales were EUR 786 million (EUR 702 million).
- Operating profit was EUR 10.5 million (EUR 10.0 million).
- Return on net assets was 7% (7%).
- Investments were EUR 20.4 million (EUR 17.0 million).

| RAUTAKESKO | NET SALES IN 2000 EUR MILLION | CHANGE % |
|---|---|---|
| K-RAUTA | 364 | 5.4 |
| RAUTIA | 155 | 3.1 |
| INDUSTRIAL AND CONSTRUCTOR SALES | 173 | -2.7 |
| KESKO SVENSKA AB | 44 | 85.6 |
| AS FANAAL, ESTONIA | 29 | - |
| A/S FANAAL, LATVIA | 12 | - |
| ZAO KESTROY | 4 | 80.5 |
| OTHER SUBSIDIARIES | 4 | - |
| ./. GROUP INTERNAL SALES | 1 | |
| TOTAL | 786 | 12.0 |

## Customer and market knowledge are competitive advantages

There has been a clear process of concentration in the international hardware trade in recent years. In Europe, the largest companies have strengthened their position by forming alliances. One strength of Rautakesko is its knowledge of the markets and customers in Northern Europe. Kesko adapts its hardware concepts to the local market conditions in different countries.

Rautakesko is a partner in EuroMat, a European purchasing organisation for building and interior decoration products. 21 hardware trading companies in 16 countries belong to this organisation (www.euromat.com).

In 2000, the Master Assistant training arranged for hardware store employees focused on environmental issues. This training has been complemented by events organised by suppliers. A K-environmental store diploma was also developed for hardware stores, on the basis of the system adopted in the food trade. The diploma was awarded to the first three K-rauta stores in 2000.

## Profit performance and future outlook

Rautakesko's net sales totalled EUR 786 million (EUR 702 million), and its operating profit was EUR 10.5 million (EUR 10.0 million). The profit of Industrial and Constructor Sales improved, but the fast growing Kesko Svenska did not yet achieve its target and showed a loss. The performance of Fanaal AS in Estonia met expectations. Rautakesko's return on net assets was 7% (7%).

Rautakesko aims to obtain better sales growth than competitors in Finland and to increase sales and profits in the neighbouring areas.

The chain operating system intensifies co-operation between Kesko and the hardware store chains. The most important focal areas in the near future will be category management and the development of information systems. Other strategically important areas are internationalisation and the development of electronic trading, particularly in the professional customer market.

Rautakesko's net sales will grow strongly, in Sweden and the Baltic countries in particular. Its operating profit is expected to increase. Although the growth rate of construction will slacken in Europe in 2001, it is forecast to recover in the next few years.

K-RAUTA RAUTIA

# › KESWELL

MATTI LAAMANEN, PRESIDENT OF KESWELL

"In the next few years, Keswell will invest in the development of large Kodin Ykkönen department stores, Intersport megastore and Musta Pörssi Maailma store formats."

**Keswell develops operating systems and the store network for home and speciality goods, manages the store chains and is responsible for purchasing, logistics and chain marketing. Keswell's product lines are home technology, sports goods, shoes, clothes, home goods and interior decoration items. Keswell's chains are well-known retail store chains which have gained a strong position in the Finnish home and speciality goods trade. Keswell's subsidiary Anttila Oy is one of the biggest retailers in Finland in this sector.**

The sector is characterised by a great emphasis on chain operations and fast changes in operating methods and concepts. The reform under way will improve the competitiveness of Keswell's chains in the rapidly changing competitive environment. In the next few years, Keswell will invest most in the development of large outlets, such as the Kodin Ykkönen department stores (www.anttila.fi), Intersport megastore outlets (www.intersport.fi) and Musta Pörssi Maailma stores (www.mustaporssi.fi).

Anttila concentrates on the home and speciality goods trade with four concepts: the Anttila department stores, the Kodin Ykkönen department stores for home goods and interior decoration, the Anttila mail order business and the www.netanttila.com on-line department store. Anttila also carries out the mail order business in Estonia and Latvia. NetAnttila is the most popular on-line department store in Finland.

Keswell Ltd will start operating as an independent company from 1 April 2001. The average personnel of Keswell in 2000 was 2,639.

### Service growing in importance

It is estimated that the home and speciality goods trade will grow faster than the average retail trade in the next few years. Consumption is diversifying and quality is becoming more important as household incomes rise. Consumption patterns are internationalising and the proportion of intangible services is increasing. Success in the home and speciality goods trade will increasingly depend on interesting product selections, personal service and expert advice, all of which require more highly skilled employees.

Foreign chains have changed the competitive environment in the home and speciality goods trade in Finland. Home technology and sports stores in particular are growing larger, due to changes in consumption habits. For some product lines, the importance of e-commerce will also grow.

### More Kodin Ykkönen department stores

Anttila Oy is the biggest subsidiary of Keswell. In accordance with the new concept, Anttila department stores will be developed into speciality department stores which present their products in coherent groups. Key areas of emphasis will be fashion and entertainment. In 2001, four outlets will be renovated in the style of the store opened in the centre of Turku, while for other stores in the chain the renewal will mean wider selections. The total number of department stores is 29.

There are now seven Kodin Ykkönen department stores for home goods and interior decoration. They have been well received by customers and have experienced good sales growth. The present emphasis is on developing the selection of furniture.

Kesko's social and environmental responsibility will receive a new, concrete dimension when Anttila becomes the first Finnish retailer to adopt an environmental system based on the ISO 14000 standard within 2001.

### NetAnttila is Finland's most popular on-line store

Both the number of visitors on NetAnttila's site and its sales developed favourably towards the end of the year. The products most often bought on-line are CDs, DVD

| KESWELL | NET SALES IN 2000 EUR MILLION | CHANGE % |
|---|---|---|
| KESKO SPORTS | 99 | -1.9 |
| KESKO MUSTA PÖRSSI | 104 | 1.4 |
| KESKO SHOES | 29 | -13.8 |
| ANTTILA | 451 | 1.5 |
| OTHER SUBSIDIARIES | 43 | |
| ./. GROUP INTERNAL SALES | | |
| TOTAL | 726 | -16.4 |

KESWELL IN 2000

- Net sales were EUR 726 million (EUR 869 million).
- Operating profit was EUR 0.4 million (EUR -7.6 million).
- Return on net assets was 0% (-2%).
- Investments were EUR 13.6 million (EUR 13.1 million).

movies and electronics. Customer relationship management is becoming increasingly important in e-commerce, too. In a European-wide survey, NetAnttila was selected as the most reliable on-line business brand in Finland. Its strength, in addition to its carefully built on-line store, is its logistical expertise in the mail order business.

Anttila also carries out the mail order business in the Baltic countries. Last year, its mail order sales increased more than the sector average, developing particularly well in Latvia where the service was offered for the second year.

### Kesko is the market leader in the Finnish sports trade

Intersport and Kesport are now divided into two different store formats. The Intersport stores, 57 in all, are located in urban centres or shopping centres and have nation-wide marketing. The Kesport stores, 26 in all, are smaller, leading sports stores in rural centres and focus on local marketing. Keswell develops its sports store formats in co-operation with Intersport International (www.intersport.com).

Competition is increasing in the international sports goods trade. Kesko's strengths include its international co-operation in purchasing and store type development, its successful store site investments and its strong chain concepts. Intersport increased its market share in clothing, which accounts for over 50% of sales. Kesko Sports is the chain unit that serves the Intersport and Kesport stores in Keswell.

The combined market share of Intersport and Kesport is estimated to have remained at about 30% in 2000.

### Musta Pörssi joined EP:International purchasing organisation

Musta Pörssi is Finland's best known home technology chain, consisting of 71 stores. Musta Pörssi became a member of the ElectronicPartner:International purchasing organisation which benefits its members with joint purchases, framework agreements and harmonised information management. It has members in 14 European countries and nearly 6,000 member stores.

International purchasing co-operation is important, because large manufacturers place increasing value on large purchase commitments. This co-operation will strengthen Musta Pörssi's competitive position, as big international home technology chains increasingly show interest in the Finnish market.

Musta Pörssi will consolidate its position by establishing new Musta Pörssi Maailma department stores in markets with high purchasing power. The target is to open 3-4 of these stores in 2001. Kesko Musta Pörssi is the chain unit that serves the Musta Pörssi stores in Keswell.

Academica Oy offers business customers a total service in information technology, being a pioneer in this sector in Finland. In 2001, Academica Oy will continue its investment in on-line business-to-business commerce.

The market share of Musta Pörssi is estimated to have remained unchanged, reaching 15% in 2000.

### Business ideas of shoe store chains modified

In the shoe trade, Kesko's store formats are K-kenkä (www.k-kenka.com) and Andiamo (www.andiamo.fi). There are 71 K-kenkä stores and 30 Andiamo stores. A complete renewal of the Andiamo chain has started and will continue until the end of 2002. Service is emphasized in the strategy. In 2001, the smallest K-kenkä stores will turn into Kenkäexpertti stores. In this low-growth sector, much attention will be paid to the continuous improvement of basic operations.

Andiamo will focus on trendy consumers, while K-kenkä will mainly serve consumers who appreciate classic styles and comfort. K-kenkä also aims to be the

| K-ALLIANCE HOME AND SPECIALITY GOODS STORES IN 2000 | NUMBER | SALES, (incl. VAT) EUR MILLION |
|---|---|---|
| ANTTILA DEPARTMENT STORES | 29 | 379 |
| KODIN YKKÖNEN | 7 | 103 |
| ANTTILA MAIL ORDER BUSINESS AND NETANTTILA | | 64 |
| INTERSPORT AND KESPORT | 83 | 198 |
| MUSTA PÖRSSI | 71 | 159 |
| K-KENKÄ | 72 | 42 |
| ANDIAMO | 30 | 28 |
| ACADEMICA | 1 | 5 |
| VAATEHUONE FASHIONWEAR STORES (UNTIL 31 JULY 2000) | | 32 |
| OTHER HOME AND SPECIALITY GOODS STORES | 73 | 22 |
| HOME AND SPECIALITY GOODS STORES, TOTAL | 366 | 1,032 |

market leader in children's shoes. Kesko Shoes is the chain unit that serves the K-kenkä and Andiamo stores in Keswell.

The combined market share of the K-kenkä and Andiamo chains is estimated to have slightly decreased to 17% in 2000.

**Profit development and future outlook**

The net sales of Keswell amounted to EUR 726 million, a decrease of 0.2% in comparable figures. Keswell's operating profit was EUR 0.4 million (EUR -7.6 million). A structural reform of the Division was implemented at the beginning of 2000, and the related expenses were included in the result for 1999. Anttila's operating loss was greater than the previous year and the result fell clearly short of target. The performance was affected by the initiation costs of three new units, the unprofitable mail order business, the costs of developing e-commerce, and the poor sales of the Anttila department stores during the latter part of the year. Keswell's return on net assets was 0% (-2%).

In future, the growth areas for Keswell will mainly be interior decoration items, sports goods and home technology. E-commerce will also contribute to this growth. Keswell's operating profit is expected to improve clearly, although growing store sizes, the initiation of new Kodin Ykkönen department stores and store type reforms will increase costs. The chain reform will improve the competitiveness of Keswell's chains in the fast-changing competitive situation.

# › KESKO AGRICULTURE AND MACHINERY

MATTI HALMESMÄKI, PRESIDENT OF
KESKO AGRICULTURE AND MACHINERY

**"The Internet has become an important trading channel for the grain and trade-in machinery businesses. Tailored online solutions are one of the Division's strong points."**

**Kesko Agriculture purchases and sells animal feed, chemicals and machinery, and is involved in the grain trade. Kesko Agriculture and 110 agricultural stores form the K-agriculture chain. Through its own network, Kesko Machinery purchases and sells heavy machinery for professional and commercial use. Kesko Machinery also purchases and sells light machinery, boats and boating equipment for consumers. In addition to Finland, Kesko Agriculture and Machinery is also active in Estonia and Latvia.**

The K-agriculture chain's (www.k-maatalous.fi) customers are farmers, who are offered a full range of agricultural services. The strengths of Kesko Agriculture are its comprehensive product selection, services and after-sales operations.

Kesko Machinery (www.konekesko.com) purchases and sells heavy machinery for professional and commercial use, and light machinery and boating products for leisure and recreational purposes.

Kesko Agro Ltd and its subsidiary Kesko Machinery Ltd will start operating as separate companies on 1 October 2001. In 2000, Kesko Agriculture and Machinery had personnel of 664, on average.

### Agricultural trading to continue on present scale

The Finnish market for agricultural business has evened out at around 1.7 billion euros and the number of farms will continue to decrease over the next few years. Some farmers, however, are intensifying production, which is why agricultural production and investments are expected to remain at their present level.

The grain harvest of 2000 was the second best in Finland's history. The amount of grain expected for sale during the crop year 2000-2001 will grow considerably, which will add to agricultural sales.

### The K-agriculture chain aims for individualised customer relationships

The K-agriculture chain comprises over 90 retailer-owned stores and 19 stores owned by Kesko Agriculture's subsidiary, K-maatalousyhtiöt Oy. Their operations are supported by the K-Alliance's experimental farm Hahkiala in Hauho, which carries out plant breeding. The K-agriculture chain aims to establish, with farmers, customer relationships that correspond to the particular needs of farms. Within the next few years, a centralised information system for collecting online control data from stores will be set up for the chain. Retailers familiar with local and regional circumstances are considered to be the chain's strength. The market share of the K-agriculture chain is estimated to have remained at its previous level in 2000.

### Kesko's range incorporates Same tractors

In autumn 2000, Kesko Agriculture started to import and sell Italian Same tractors in Finland, Estonia and Latvia. The launch met the targets, and over 80 Same tractors were sold towards the end of the year. The Zetor factory delivery difficulties continued throughout the year, hindering tractor sales.

The market for agricultural implements remained at last year's level, with Kesko maintaining its strong market position in this product category.

### Target is leading position in Baltic agricultural and machinery trade

The trading activity of Kesko Agro Eesti AS in Estonia and SIA Kesko Agro Latvia is in agriculture and machinery (www.keskoagro.com). Kesko aims to run the leading agricultural and machinery store chain in the Baltic countries, where the value of the sector totals some 0.6 billion euros. In 2001, new agricultural and

| K-ALLIANCE AGRICULTURAL STORES IN 2000 | NUMBER | SALES, (incl. VAT) EUR MILLION |
|---|---|---|
| K-AGRICULTURAL STORES* | 108 | 485 |
| STORES OPERATING OUTSIDE CHAINS** | 36 | 27 |
| FINLAND, TOTAL | 144 | 512 |
| KESKO AGRO EESTI AS | 1 | 12 |
| AGRICULTURAL STORES, TOTAL | 145 | 524 |

* 41 K-AGRICULTURAL STORES ALSO OPERATE AS K-RAUTA STORES AND 10 AS RAUTIA STORES

** 36 STORES OPERATING OUTSIDE CHAINS ARE ALSO INCLUDED IN THE TOTAL NUMBER OF HARDWARE STORES

machinery store centres will be opened in Riga and Tallinn.

### Comprehensive service network is Kesko Machinery's forte

Kesko Machinery offers its customers a wide selection of brand products, a nationwide service network and a reliable maintenance and spare parts service. Lorries, construction and municipal machinery, trucks and warehousing equipment are all sold directly to end-users. Recreational products are marketed to consumers through the K-Alliance's retail store chains, the Kesmotors store network (www.kesmotors.com) and specialised boat stores.

In Estonia and Latvia, Kesko Machinery's local subsidiary is responsible for selling Kesko Machinery's products. 70% of Yamarin boat sales are in the form of exports mainly to other Nordic countries.

### Investments in machinery remain high

Kesko Machinery's market position was strengthened in most product lines. Kobelco construction machines and Mecalux storage fixture systems sold particularly well.

Lorry trade was the most problematic with the aggregate market going down by about 5%. The market share of MAN lorries dropped by nearly one percentage unit to 6.1%. The situation improved towards the end of the year as a result of operating environment improvements for haulage companies.

### Sales network of recreational machinery to be reinforced

The market share of Yamaha outboard motors (www.kesko-marine.com) exceeded 40% and the boat trade also grew vigorously. New Lynx and Ski-Doo snowmobile models raised the brands' market share over 50% towards the end of the year.

The K-retail store chains undergoing reform (K-maatalous, K-rauta and Rautia) will become larger players in light machinery trade. The network of specialised Kesmotors stores will expand and strengthen their position as comprehensive service-providing recreational machinery and boat stores.

### Viljaweb and trade-in machinery are Internet trading pioneers

In 2000, Kesko Agriculture and Machinery opened the www.k-raitti.com extranet service to various customer and stakeholder groups. The service also includes Viljaweb, Finland's leading online market place for the grain trade, providing grain trade management tools such as real time price and market information. Customers may do all their grain trading over the Viljaweb pages, buy grain or make counter-offers for special lots.

The Internet is very important to the trade-in machinery business. Kesko Agriculture provides a service at www.vaihtokone.com where customers can choose from a range of around 2,000 trade-in machines. The supply covers 60 product groups from snowmobiles to construction machines. Around 30% of customer contacts leading to a trade-in transaction take place via the Internet.

### Profit development and outlook for the future

The net sales of Kesko Agriculture and Machinery amounted to EUR 625 million (564 million) and the operating profit totalled EUR 5.2 million (EUR 7.7 million). Performance was affected by costs arising

KESKO AGRICULTURE AND MACHINERY IN 2000

- Net sales were EUR 625 million (EUR 564 million).
- Operating profit was EUR 5.2 million (EUR 7.7 million).
- Return on net assets was 5% (8%).
- Investments were EUR 4.1 million (EUR 2.7 million).

| KESKO AGRICULTURE AND MACHINERY | NET SALES IN 2000 EUR MILLION | CHANGE % |
|---|---|---|
| KESKO AGRICULTURE | 455 | 3.6 |
| KESKO MACHINERY | 126 | 21.5 |
| K-MAATALOUSYHTIÖT OY | 133 | 14.0 |
| KESKO AGRO EESTI AS | 10 | 131.4 |
| SIA KESKO AGRO LATVIA | 8 | 14.0 |
| ./. GROUP INTERNAL SALES | -107 | |
| TOTAL | 625 | 10.7 |

from the initiation of operations in the Baltic countries, a slowdown in the trade-in machinery business and investments made in information systems and electronic commerce. The Division's return on net assets was 5% (8%).

The market for agricultural machinery is expected to decrease by around 5% in 2001. The good harvest of 2000 will, however, increase agricultural sales. The market for heavy machinery is expected to remain at the present level. However, uncertainty over liquid fuel prices and interest rate development may restrain purchase decisions. Leasing of machinery and trucks in particular, continues to grow. Exports of Yamarin boats are also expected to increase in 2001.

The reformed chain operation system introduced at the beginning of 2001 will continue to provide a good foundation for competitive activities. The operating profit of Kesko Agriculture and Machinery is expected to grow as a result of more efficient operations.

K-MAATALOUS KESMOTORS KOTIPIHA

# › KAUKOMARKKINAT

HANNU NÄRHI, PRESIDENT OF KAUKOMARKKINAT

KAUKOMARKKINAT IN 2000

- Net sales were EUR 294 million (EUR 268 million).
- Operating profit was EUR 4.5 million (EUR 11.0 million).
- Return on net assets was 5% (12%).
- Investments were EUR 20.6 million (EUR 3.8 million).


**Kaukomarkkinat is the biggest and most diversified Finnish trading house operating internationally. It has over 20 subsidiaries or representative offices abroad. In Finland, Kaukomarkkinat is one of the leading suppliers of sports goods, watches and home electronics, eye optics and technical products.**

The aim of Kaukomarkkinat Oy (www.kaukomarkkinat.fi) is to be the leading supplier in its product lines and to serve all customers impartially. The consumer goods brands it represents in Finland include adidas, Citizen, Panasonic, Technics, Rodenstock, Silhouette and Polaroid. At the beginning of the year 2000, the sales operations of adidas products were moved to Adidas Suomi Oy, which is half owned by Kaukomarkkinat.

The strategy for international operations is to concentrate on market areas that require special expertise and local knowledge, where manufacturers are unwilling to establish their own sales companies.

In 2000, the average number of personnel in the Kaukomarkkinat Group was 799.

### Acquisition of Telko strengthened technical trading

In autumn 2000, Kaukomarkkinat acquired the business operations of Telko Oy, which sells plastics, packaging technology, tapes and chemicals. The Kaukomarkkinat network is enabling Telko to extend its operations beyond Finnish borders. Telko's net sales in September-December totalled EUR 23.6 million.

Telko significantly reinforces Kaukomarkkinat technical trading, which also includes the Leipurien Tukku Division and Panasonic industrial electronics. The Leipurien Tukku Division is the leading Finnish supplier of raw materials, machinery and equipment for bakeries. The Division is also active in the Baltic countries, in Poland and in St. Petersburg.

The sales of Panasonic industrial electronics have developed favourably. The growth of the electronics industry in Finland increases sales of production, testing and measuring systems. Sales of video surveillance systems are also expected to rise.

### Situation in Russia brightens outlook for international trading

The key product groups in international trading include oil and chemical industry goods, health care and environmental technology products, tapes and raw materials and machines for bakeries. Outside Finland, Kaukomarkkinat is active in China, Russia, Poland, Eastern Central Europe, the Baltic countries and Sweden. In the Baltic countries and Sweden, Kaukomarkkinat also sells consumer electronics and watches.

In the trading business, Kaukomarkkinat is concentrating on oil products and liquid chemicals. If the Russian economy continues to develop favourably, it will provide opportunities for the introduction of new products. China's membership in the World Trade Organisation will improve the operating environment in the country.

### Digital technology means higher consumer electronics sales

Digital pictures and sound are boosting the sales of consumer electronics. Matsushita/Panasonic is the world's largest manufacturer of consumer electronics and one of the leading manufacturers of wide screen televisions and DVD equipment. Their sales are forecast to double or even triple annually over the coming years.

According to estimates, Panasonic will be one of the brands with the biggest increases in market share of the mobile communication market.

### Tähti Optikko chain to be expanded

The main distribution channel for eye optics is the Tähti Optikko store chain (www.tahtioptikko.fi), with 118 outlets and total sales of EUR 26.9 million in 2000. The aim is to increase their market share through new partnerships and acquisitions of existing optical outlets.

### Profit development and future outlook

The net sales of Kaukomarkkinat totalled EUR 294 million (268 million) and the operating profit EUR 4.5 million (11.0 million). Changes in adidas representation and problems in Panasonic trade were the main reasons for the reduced operating profit. The net sales and profit are expected to grow in comparison to 2000 levels.

The Kaukomarkkinat Group will publish its own annual report in Finnish and English in April.

Tähti OPTIKKO

# › VV-AUTO

ERKKI SILLANTAKA, PRESIDENT OF VV-AUTO

VV-AUTO IN 2000

- Net sales were EUR 482 million (EUR 439 million).
- Operating profit was EUR 17.8 million (EUR 20.7 million).
- Return on net assets was 37% (32%).
- Investments were EUR 7.7 million (EUR 8.1 million).

**VV-Auto Oy imports Volkswagen and Audi cars and Volkswagen commercial vehicles. Its subsidiary, Auto-Span Oy, is responsible for importing and marketing Seat cars. In 2000, the VV-Auto Group supplied over 24,400 vehicles.**

All of the three brands imported by VV-Auto sold well in 2000. Their combined share of the Finnish passenger car market was 15.1%, an increase of one percentage point on the previous year. Volkswagen's (www.volkswagen.fi) strong product lines also include minibuses and vans, with a sector market share of 21.3%.

In 2000, the average number of personnel in the VV-Auto Group was 107.

### Increased market share for Audi and Seat

The total market for new passenger cars in Finland amounted to some 135,000 cars. In 2000, sales were down slightly (-1.1%) following an upward trend lasting six successive years. The situation at the end of the year was mainly responsible for the decrease. Diesel cars increased their share of the sales of Volkswagen passenger cars, which is VV-Auto's biggest brand. Volkswagen's market share remained at its previous level (10.7%).

Audi's (www.audi.fi) market share increased by 46% over the previous year to 1.6%. The sales were boosted by the improved competitiveness of the range and good publicity generated by successful sports sponsoring.

Thanks to its enhanced range and reformed network, Seat has gained an important foothold in the Finnish market within a few years. Its market share was 2.8% - an increase of 18%.

The total market for commercial vehicles shrank, but successful campaign models helped Volkswagen increase its sales and raise its market share to 21.3%.

### Each brand has its own sales and service network

In order to accelerate and improve customer service, authorised dealers' workshop capacity has been increased in several localities, particularly in the greater Helsinki area. One future aim is to increase capacity for carrying out body repairs.

The authorised dealers' store site investments for separating the Volkswagen and Audi brands have been completed in 12 localities. The establishment of a separate sales and service network for Seat cars continued. Customers can select financing alternatives tailored to each brand, and these are actively marketed in tandem with the car brand itself.

### Profit development and future outlook

The net sales of VV-Auto Group totalled EUR 482 million (439 million) and the operating profit EUR 17.8 million (20.7 million). As a result of more intense competition, VV-Auto's profit decreased from the previous year, but remained at a good level. The aggregate demand for new vehicles is expected to fall slightly in 2001. The car trade is burdened by several factors of uncertainty, including fuel price and changes in the taxation of imported cars, which, if implemented, will reduce the demand for new cars. The demand for diesel cars is expected to continue favourably and in this segment, the Volkswagen Group is in a particularly strong position.

Through the Internet more versatile and comprehensive information is made available for customers, which speeds up decision-making when they come to actually purchasing. Within the next few years, the Volkswagen range will be extended to include luxury and all terrain vehicles. They will be used in positioning the overall product line image in Finland. Audi's flagship bestseller, the new A4, was introduced on the market in January 2001.

The reduction in aggregate demand will reduce sales and tighten competition, which is expected to reduce VV-Auto's profit in 2001.


FINNHANSA
HELSINKI
FINNHANSA

# › COMPETENT AND MOTIVATED PERSONNEL

**A competent and motivated personnel is essential for Kesko's future. Management that values competence, co-operation and people creates leading performance. Kesko aims to be the most attractive and desirable employer in the trading sector.**

### Actions speak louder than words

Human resources and their development are important success factors for Kesko. The personnel strategy aims to support the achievement of business targets by ensuring a competent and motivated personnel. Employees' skills are systematically developed and managed. The aim is to adopt a competence management system in 2001 and 2002.

Systematic competence development plays a major role in Kesko's success. Kesko aims to be the most attractive and desirable employer in the trading sector and to create the best practices concerning personnel competence, too. Good results are achieved by developing leadership skills, working capabilities and job satisfaction.

### Basic values guide operations

The personnel and all operations are guided by Kesko's basic values, personnel principles, and management and profit-sharing systems. Kesko's Guidebook on Working Practices explains the significance of Kesko's basic values. It outlines Kesko's ethical principles that guide employees' behaviour with regard to customers, other stakeholders and other employees. The guide encourages open discussion of job values and affairs.

The personnel strategies made for the divisions in 2000 will be revised to meet new needs arising from the incorporation of these divisions. The goal is to delegate decision-making as far as possible. Corporate personnel functions will be co-ordinated by a corporate personnel team.

### Versatile jobs at Kesko

In recruiting new employees, the focus is on vocational competence, training and performance and the willingness for self-development. The size and versatility of the Group offer good opportunities to learn different jobs and move up the career ladder. In-house training by the K-instituutti, for instance, supports career development.

***› Quality management principles include planning targets with the whole personnel ›***

THE EMPLOYEE OF MAY
PÄIVI RAURAMO
OCCUPATIONAL HEALTH CARE CENTRE,
PITÄJÄNMÄKI, HELSINKI

THE EMPLOYEE OF SEPTEMBER
SIRPA LINNANMÄKI
ANTTILA OY

THE EMPLOYEE OF NOVEMBER
ORVOKKI NURMINEN
TIETOKESKO OY

In-house job rotation has long been one of Kesko's strengths. As Kesko renews itself, internal mobility and external recruitment are complementary. One career opportunity for Kesko employees is to start business as a K-retailer.

The divisions to be incorporated are responsible for the development and training of their employees, whereas the corporate administration is responsible for the development of managers and manager potential. All units of the Group annually make self-evaluations using the criteria of the Finnish Quality Prize. This in-house quality competition is an incentive for personnel to continuously improve their working practices.

**K-instituutti provides competence management tools**

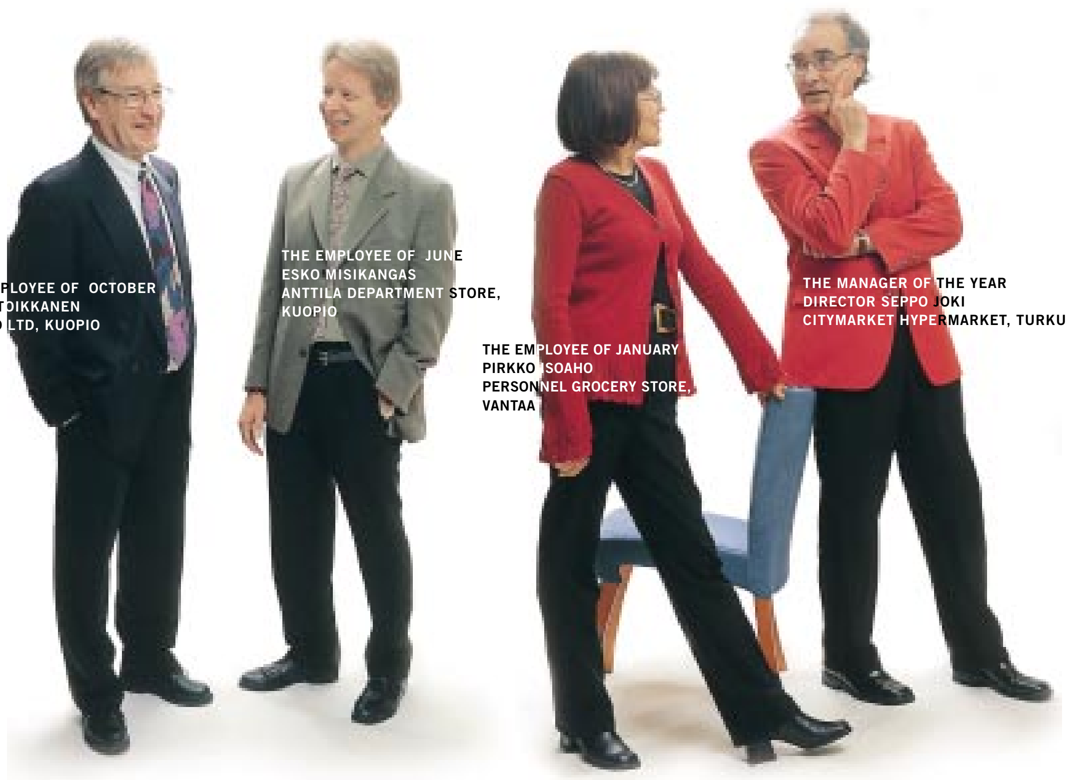
The K-instituutti is the training centre of the K-Alliance. Its key function is to improve the competitiveness of Kesko and the K-stores by enhancing the competence of their personnel. The K-instituutti has a significant role in building the tools and methods by which the Group's competence resources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

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

In 2000, about 7,000 employees of Kesko and the K-stores attended courses at the K-instituutti, which is one of the biggest Finnish institutes awarding qualifications in the trading sector. About 800 K-store employees studied with a view to gaining a vocational qualification. The emphasis in training shifted from short courses to long-term studies, which decreased the number of students compared with 1999.

**Continuous improvement in job satisfaction as a goal**

Job satisfaction is improved in many ways and measured regularly. A survey that covers the whole Group is carried out annually to evaluate employees' satisfaction with their own jobs, their superiors' performance and the operations of their own unit and of Kesko. The survey was made for the sixth time in its present form in November 2000. The response rate was 64%. Satis-



THE EMPLOYEE OF OCTOBER
PAAVO TOIKKANEN
KESPED LTD, KUOPIO

THE EMPLOYEE OF JUNE
ESKO MISIKANGAS
ANTTILA DEPARTMENT STORE, KUOPIO

THE EMPLOYEE OF JANUARY
PIRKKO ISOAHO
PERSONNEL GROCERY STORE, VANTAA

THE MANAGER OF THE YEAR
DIRECTOR SEPPO JOKI
CITYMARKET HYPERMARKET, TURKU

faction with their own jobs, their superiors' performance and the operations of the units improved (3.69), whereas satisfaction with Kesko's operations remained unchanged (3.61). The employees' ratings of their own jobs, the performance of superiors and the operations of units reached an all-time high. However, room for improvement was seen in Kesko's operations and in the performance of superiors.

A new departure in 2000 was the selection of "the Employee of the Month" and "the Manager of the Year". This is intended to highlight individuals who set a good example in promoting Kesko's basic values.

The occupational health service focuses on activities that maintain working 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, a "job attitude" course for superiors, run by the Social Insurance Institution, is held in the Kesko Group. This course prepares superiors to handle both their job pressures and the welfare and working capabilities of their subordinates.

The Kesko Staff Club arranges recreational activities for the personnel, thus promoting a good company spirit and working capabilities. The Club offers a wide range of sporting, cultural and other activities.

An in-house customer satisfaction survey is also made each year. The purpose is to promote an in-house customer-oriented attitude and improve the service and co-operation of the units. The survey was made for the sixth time in its present form in the autumn. Due to organisational changes, employees found answering difficult and the response rate was only 20%. The units will use the results in their own development projects.

**Every unit draws up a personnel plan**

The participation of the personnel in the planning and development of operations has increased openness and commitment. Each unit draws up a personnel plan which includes human resources development, information flows, meeting procedures and discussions between superiors and subordinates.

These discussions focus on setting targets, giving feedback and planning individual development. Evaluations of the discussions are included in the job


THE EMPLOYEE OF APRIL
ELVI ORDEN
SUPERMARKET CHAIN UNIT (RETIRED)

THE EMPLOYEE OF FEBRUARY
JARMO TIIRO
KESKO FOOD/LOGISTICS, OULU

THE EMPLOYEE OF JULY
IRMA JÄRVISALO
KESKO AGRICULTURE AND MACHINERY

THE EMPLOYEE OF DECEMBER
ELISE KORELIN
KESPED LTD, CENTRAL WAREHOUSE 2, VANTAA

THE EMPLOYEE OF AUGUST
HELENA WENDELIN
K-INSTITUUTTI OY

satisfaction surveys. Criteria for evaluating the level of difficulty of middle management responsibilities was established during the year.

The opportunities for interactive communication between Kesko's personnel have significantly improved, thanks to the "Keskonet" intranet. However, the main channel for internal communications remains the job organisation, as well as the open and efficient flow of information within and between the units.

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 the profit bonus is customer satisfaction. For management, the job satisfaction of personnel is another contributing factor. The total sum paid under this system in 2000 was about EUR 5.4 million (EUR 5.6 million). The system is being further improved to give greater incentive and motivation.

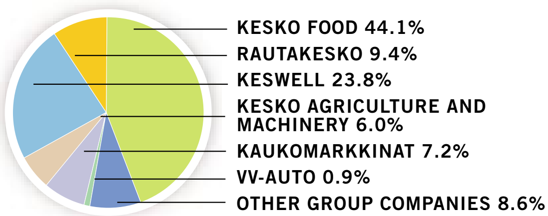
**Operations of K-instituutti 1996-2000**

| | 1996 | 1997 | 1998 | 1999 | 2000 |
|---|---|---|---|---|---|
| Net sales, EUR million | 2.5 | 2.7 | 3.4 | 4.3 | 4.4 |
| Number of personnel | 45 | 48 | 47 | 57 | 60 |
| Number of student work-days | 22,324 | 20,156 | 23,236 | 25,372 | 22,652 |
| Number of students | 11,553 | 7,940 | 8,593 | 9,447 | 6,665 |

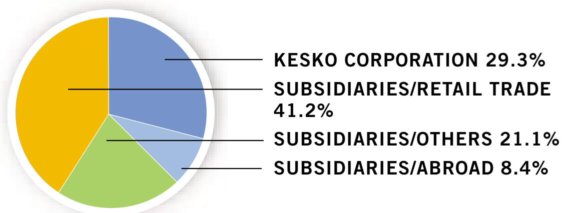
**Group job satisfaction, scale 1-5**

| | 1999 | 2000 |
|---|---|---|
| Own job | 3.66 | 3.71 |
| Performance of superior | 3.67 | 3.74 |
| Operations of unit | 3.49 | 3.63 |
| Operations of Kesko | 3.61 | 3.61 |

**Kesko Group personnel by profit division**




**Breakdown of Group personnel**




*During the year, 12 Employees of the Month and the Manager of the Year were selected in the Kesko Group. These honours were intended to highlight outstanding employees at Kesko. The photos of the Employees of the Month and the Manager of the Year are on pages 34-36. Kari Haapamäki, Building Manager from Kestra Kiinteistöpalvelut Oy who was selected as the Kesko Employee of March is absent as he was no longer employed at Kesko when the photos were taken.*

# › CORPORATE RESPONSIBILITY AT KESKO

**One of Kesko's basic values is its commitment to responsibility and honest working methods, which compels Kesko to maintain good relations with stakeholders and society. This winter, the content of corporate responsibility has been analysed in greater detail and given suitable indicators for target-setting and public reporting. The analysis has resulted in a threefold definition that is becoming increasingly widespread internationally: economic, environmental and social responsibility.**

This is a brief account of environmental performance and quality control in purchasing. Kesko will publish a separate report on corporate responsibility for 2000. This report, based on the threefold definition of economic, environmental and social responsibility, and drawn up according to the Global Reporting Initiative (GRI) model for corporate sustainability reporting, will be published in Finnish and English in April 2001. Through the report, Kesko aims to continue and strengthen discussion on corporate responsibility with its stakeholders.


*Environmental awareness in action*

Kesko has set high targets for the various sectors of corporate responsibility, with the aim of being a pioneer in environmental and social responsibility in particular. A long-term target is to gain a clear competitive advantage. Taking corporate responsibility into consideration will be included in the corporate strategy and in the operations of its units.

## Economic responsibility underpins everything else

A company must be efficient, profitable and competitive in order to help generate social well-being. Besides shareholders' profit expectations, good performance provides a foundation for developing operations, creating jobs, paying taxes and financing social security. The extent of the corporate social and environmental responsibility in practice depends on the profitability of operations.

Kesko's traditional corporate reporting provides information on financial performance, whereas the report on corporate responsibility will focus on the indicators essential for generating economic well-being.

## Long-standing environmental responsibility

Kesko's management system does not consider environmental affairs as separate issues, rather they are incorporated into the planning and management of business operations. Environmental management is based on the environmental policy approved in 1996. The Board of Directors has set the strategic goal for Kesko to be the leading environmental company in the Finnish trading sector.

The environmental strategy approved for the Group in 1999 provides a foundation for commercial divisions and units to carry out planning. Besides their annual policies, the divisions that will be incorporated in 2001 have prepared their own separate environmental programmes for 2000-2004. The plans are based on each sector's individual needs and competitive standing. Environmental aspects must be accounted for in all major business activities: store site and real estate solutions, retail concepts, logistics, products, packaging and marketing.

### Standards ensure systematic operations

Standards are used for the environmental management of the units that have the heaviest impact on the environment. At the end of 2000, environmental systems complying with the ISO 14001 standard were completed for the logistics of Kesko Food, the biggest division, and Kesped Ltd, the transport and forwarding company. The systems received certificates in March 2001 and became the first certified environmental system for logistics and transport in the whole of the Finnish trading sector, and one of the first in the whole world. Anttila Oy has also started building an environmental system that complies with the standard, and aims to receive certificates for the first five department stores by January 2002.

**Kesko awarded for environmental reporting**

Kesko's third environmental report was published in June 2000. It was given an honorary mention for corporate responsibility reporting by Elinkaari, the Finnish Association for Environmental Education. In the same evaluation, Kesko's environmental web pages were awarded for being the best in Finland.

In 1999, Kesko and seven other major Finnish companies were included in the Dow Jones Sustainability Group Index. In the index composition, only the biggest companies in the world by market value – in each sector – are eligible, which meant that Kesko and three other Finnish companies were dropped from the index in 2000. In the environmental analysis by a US company Innovest Strategic Value Advisors, Kesko was ranked first with a rating of AAA, from among the 23 companies under evaluation in the category of "Global Food Industry".

**Real estate and logistics are the key**

The functions in Kesko with the heaviest impact on the environment are logistics and transport and real estate construction and maintenance. In recent years, Kesko has systematically developed tools for measuring and monitoring major impact on the environment. In 1999 Kesko, for the first time, calculated the environmental profile for the electricity purchased, making it easier to use environmental criteria to compare electricity suppliers. This also made it possible to roughly compare the environmental impact of real estate operations and transport with one another. Monitoring of energy consumption at business premises is constantly being expanded and enhanced, as is fuel consumption in transport services. We expect to adopt vehicle-specific consumption measurements in 2001. So far, energy consumption and emissions have been calculated according to the average consumption for a particular type of lorry.

**KELO calculation model to be used more extensively**

The environmental calculation model KELO (short for 'sustainable logistics' in Finnish) has been successfully used for real estate waste monitoring and management. The KELO model will be introduced in its entirety in 2001. Waste management is incorporated into its terminal model, for monitoring material, energy and waste flows in warehousing and terminal operations as well as the financial data related to this. The packaging model is used to monitor the quantities and recovery of the packaging material of products packaged and transported by Kesko. The transport model is used for reporting on the environmental burden caused by transport and the costs of fleet, and, if necessary, for simulating potential alternatives to help decision making. The overall model combines the data collected and calculates the environmental burden and total costs of the entire logistical process. The indicators obtained are then used to evaluate the quality of operations and the implementation of the environmental strategy.

Kesko is also developing an environmental assessment calculation of the products it sells. Kesko Food is participating in the pilot project 'Factor X - ecological efficiency on the way to the market'. The target is to find solutions that enable production using the fewest possible natural resources. The resources and brains behind this project include the European Social Fund and several research institutes, and in Finland, the Dipoli training centre of the Helsinki University of Technology, the Finnish Association for Nature Conservation and the Finnish Environment Institute. The results will be presented at the Riihimäki Fair in autumn 2001.

**Ecological approach the focus in business construction**

Kesko applies the principles of ecologically efficient construction in all its major new business building projects. The buildings are planned so that the consumption of natural resources and energy during their life-cycles as well as the emissions that burden the environment, are kept to a minimum.

Kesko is participating in the Technical Research Centre of Finland's REKOS programme on ecological efficiency in the construction and real estate sector. The programme was started in 2000 and one of the

projects currently underway is to develop environmental labelling for business buildings.
Ecological efficiency can be defined as follows:

$$\text{Ecological efficiency} = \frac{\text{Value of services and products produced}}{\text{Burden on the environment}}$$

Kesko aims to create the most environmentally friendly merchandise chain possible, from producer to customer. A part of this will, in the future, incorporate providing customers with information on how ecologically efficient their local store building is.

Kesko is also involved in the real estate and construction sector environmental programme, ProGresS, which develops environmental expertise. Benchmarking surveys have shown Kesko to be a pioneer among Finnish property owners in reducing energy consumption. Kesko is striving to perform even better and has adopted the KRESS real estate and construction sector energy saving agreement. The targets of this agreement include reducing specific heat consumption by 15% of 1998 levels by the year 2010 and seeing a decreased, rather than an increased trend in specific electricity consumption before 2005.

### More K-environmental stores

The model developed by Kesko, the K-Retailers' Association and the Finnish Association for Nature Conservation helps the stores to reduce the environmental impact of store operations and to guide customers towards environmentally friendly consumption. The requirements of the K-environmental store model are reviewed annually. The K-Retailers' Association awards K-environmental store diplomas on the recommendation of an outside auditor. After that, subsequent audits are carried out every two years.

By the end of 2000, there were a total of 171 K-environmental stores, of which 168 were grocery stores and 3 were hardware stores. The list of environmental stores can be found at www.kesko.fi, Environment.

### Organic products gaining popularity

Demand for organic products is increasing strongly, and the supply is not sufficient in all product categories. Kesko has been able to consolidate the supply of organic foods and products with environmental labelling by complementing the domestic selection with imported products. There are now 45 types of organic fruit and vegetable available throughout the year.

The efforts of K-stores in the organic products trade were rewarded in "the Organic Store of the Year 2000" competition arranged by Finfood. Out of 20 stores chosen for the final, 15 were K-stores and the winners in both the small and medium-sized store categories were K-stores.

## Social responsibility gaining importance

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

### SA 8000 standard as a purchasing tool

In April 2000, Kesko published its principles of socially responsible trading, the effectiveness of which had been tested practically through questionnaires and trial audits. The principles are based on the United Nations Universal Declaration of Human Rights and Convention on the Rights of the Child and the International Labour Organisation Conventions regulating working-life. The target is to promote the compliance of internationally agreed minimum standards at the workplace if national legislation is lacking or insufficiently supervised.

Implementation of Kesko's principles are evaluated against the international Social Accountability SA 8000 standard. The target is to promote the adoption of the standard so that as many suppliers as possible can prove that they fulfil Kesko's ethical requirements. The basic survey of suppliers was started in 2000. The first stage involves carrying out quality control in 32 countries, which, according to international surveys, use child labour or have other similar social problems.

A more detailed account of the results of the basic supplier survey up to now will be given in Kesko's report on corporate responsibility. The first Kesko's supplier to receive the SA 8000 certificate was the Spanish supplier of fruit and vegetables, Dole Pasqual.

### Independent certification bodies

In March 2000, Kesko passed a co-operation agreement with Bureau Veritas Quality International on furthering SA 8000 audits. The basic survey is estimated to be completed by the end of 2001. The speed of progress will be wholly dependant on the extent to which awareness of the standard is increased and on requirements set by other customers. Many big companies have made their ethical principles public, but have not yet demanded certificates based on independent audits from their suppliers.

Kesko sees that only through audits by an independent certification body and continuous monitoring is it possible to fulfil the ethical requirements. Regular monitoring is also necessary.

A total of 92 Kesko employees have participated in the basic SA 8000 training by the Bureau Veritas Group on the ethical quality of purchasing. In 2000, a handbook on ethical quality control was produced for buyers. The book contains instructions on how to promote Kesko's principles and on introducing the standard in supplier relations.

**Kesko provides impetus for common rules**

Kesko also promotes the introduction of the SA 8000 standard through international purchasing groups and associations. In spring 2000, Kesko suggested to all importers operating in Finland that they draw up ethical principles for imports. The proposal for common principles has since been formulated by a working group with members from six companies, and the target is for this to be published during spring 2001.

The prevention of social problems is also important to Kesko. At the beginning of 2000, Kesko began co-operation with UNICEF to help prevent the use of child labour in the state of Maharashtra, in India. The town of Bhiwandi is a centre of the weaving industry, which employs about 25,000 children. Kesko is providing USD 60,000 towards a three-year project in the town to prevent child labour. The report on the first year of the project will be made in spring 2001. Kesko also contributed to the operations of Unicef Finland by sending 22,000 Unicef Christmas cards.

**Kesko is fully committed to product safety**

Kesko ensures the quality of the products purchased and develops its own brands. The Product Research unit has a regular staff of 16. Its operations are based on the quality system in accordance with the ISO 9000 standard.

Kesko can be assured of the quality of its purchases thanks to the in-house control system approved by the authorities. The Product Research unit assesses the safety and quality of products using sensory, chemical, physical and microbiological criteria. Measures also include checking the accuracy of product specifications and package label texts, as well as audits at suppliers.

The Product Research unit develops Kesko's own brands in co-operation with purchasing and marketing units. Brands are always developed in co-operation with the manufacturing industry. A 'ten-point programme' covers the entire life-cycle of the product from the first ideas to regular quality control on a finished product.

**Kesko encourages Finnish children to exercise**

In Finland, the Kesko Group encourages children and young people to get physical exercise. Kesko has a three-year co-operation agreement with the Young Finland organisation, and contributes to the activities of 50 sports associations and to arranging afternoon clubs for school children.

Kesko has traditionally organised the Children's Olympics. In summer 2000, the event took place in 15 cities and towns, and in 2001 will take place in 13. This light-hearted carnival for the whole family – the biggest of its kind in Finland – was attended by over 180,000 children and adults in 2000.

Issues related to corporate responsibility are also handled elsewhere in this Annual Report, e.g. in Personnel (p. 34-37), Real Estate (p. 42) and in division reports (p. 14-33).

**Kesko will publish a separate report on corporate responsibility for 2000. See inside back cover for details on ordering publications.**

# › REAL ESTATE

**The aim of Kesko's real estate strategy is to bring together the roles of user and owner successfully. The properties owned by the Group are classified according to how strategically significant each store site is to Kesko. Kesko Real Estate (www.kiinteistokesko.com) handles maintenance of the Group's properties and is responsible for drawing up plans for various real estate and construction projects.**

Real estate is rated and divided into four categories:

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

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

### Store premises make up majority of real estate

At the end of 2000, Kesko Group owned 1,121,000 m$^2$ (1,168,000 m$^2$ in 1999) of real estate and flats, of which store premises accounted for 750,000 m$^2$, offices and warehouses for 307,000 m$^2$ and other premises for 64,000 m$^2$. Kesko uses 90.5% of the total floor area, while 8.4% of it is rented out to K-retailers and outside tenants. At the end of the year, 1.1% of the premises were unoccupied.

The book value of the store premises was EUR 533 million (524 million), that of the offices and warehouses EUR 145 million (146 million), and that of other premises EUR 32 million (48 million), totalling EUR 710 million (718 million). The total floor area of the premises rented for use by Kesko Group and its store chain network is 1,445,000 m$^2$ (1,330,000 m$^2$), which is mainly used for retail stores. Rent liabilities determined in rental agreements total EUR 1,060 million.

### Real estate investments continued in Finland, Sweden and Estonia

In addition to store network investments in Finland, further investments were made in the K-rauta stores in Sweden and in the grocery trade network in Estonia.

The value of the premises acquired by purchasing for the use of the Group in 2000 amounted to EUR 20 million. The amount of rent liabilities for rented premises totalled EUR 321 million. The Group's investment in real estate totalled EUR 88 million, of which investment in new buildings accounted for EUR 46 million.

In 2000, the value of properties sold was EUR 79 million (136 million). Some of the sold properties were rented back for business operations.

### Core and shell concept enhancing ecological efficiency of construction

Kesko applies the core and shell concept in its construction activities. This means that a business building is made up of a real estate shell and a changeable business core, which both have different life cycles. This enables costs to be allocated either to real estate or to business operations, thus leading to better control and management of investments. Extended use of shell with modifiable HPAC systems, electrical installations and durable building elements are the key benefits. Kesko's business buildings are planned for easy, low-cost modification.

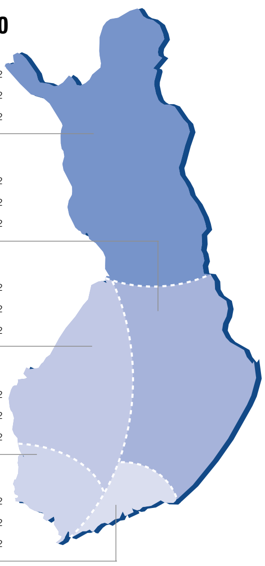
### Real estate management and maintenance outsourced

At the end of 2000, Kesko sold the business operations of Kestra Kiinteistöpalvelut Oy, a subsidiary responsible for the maintenance of real estate owned or rented by Kesko, to ABB Kiinteistöpalvelut Oy. At the same time, an agreement was signed with ABB Kiinteistöpalvelut Oy concerning maintenance services for Kesko's real estate. The co-operation will improve real estate maintenance and save costs. 22 employees were transferred under their previous conditions to ABB Kiinteistöpalvelut Oy.

For further information on real estate matters, see chapter 'Corporate Responsibility at Kesko', p. 38-41.

### Location of properties 12/2000

| | |
|---|---|
| **Northern Finland** | |
| Store premises | 84,000 m$^2$ |
| Office and warehouse premises | 25,000 m$^2$ |
| Other premises | 9,000 m$^2$ |
| **Eastern Finland** | |
| Store premises | 193,000 m$^2$ |
| Office and warehouse premises | 4,000 m$^2$ |
| Other premises | 14,000 m$^2$ |
| **Western Finland** | |
| Store premises | 86,000 m$^2$ |
| Office and warehouse premises | 5,000 m$^2$ |
| Other premises | 8,000 m$^2$ |
| **Southwestern Finland** | |
| Store premises | 111,000 m$^2$ |
| Office and warehouse premises | 11,000 m$^2$ |
| Other premises | 3,000 m$^2$ |
| **Southern Finland** | |
| Store premises | 276,000 m$^2$ |
| Office and warehouse premises | 262,000 m$^2$ |
| Other premises | 30,000 m$^2$ |



# › FINANCIAL RISK MANAGEMENT

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

### Interest risk

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

### Exchange rate risk

The Group's exchange rate risks 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 exposure relating to purchases cannot grow to a considerable level. The commercial units and subsidiaries make decisions on the extent of hedging their exposure. The 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 Swedish krona, the Danish krone, the Norwegian krone, the Estonian kroon, the Japanise yen and the Pound Sterling. Forward exchange contracts and option agreements are used to hedge exchange rate exposure in these currencies. The business units carry out their hedging operations together with Treasury, which hedges risk positions by market transactions within the limits confirmed for each currency.

On 31 December 2000, the counter value of the foreign subsidiaries' equity and subordinated loans was EUR 16 million. The balance sheet exposure 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 duration being not longer than two (2) months. If the liquid funds exceed EUR 50 million, a separate investment policy has been defined for them.

At the end of 2000, the Group's liquid funds and investments totalled EUR 77 million. On the balance sheet date, the counter value of the committed non-current credit limits available was EUR 208 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 2000 totalled EUR 6,308 million, which is 3.2% more than in the previous year (EUR 6,111 million). The Group's profit before extraordinary items and taxes was EUR 125.8 million (EUR 128.4 million). Earnings per share were EUR 1.00 (EUR 0.98). The Board of Directors proposes that a dividend of EUR 0.50 per share and an additional dividend of EUR 0.50 per share be paid (EUR 0.50 per share + additional dividend of EUR 1.00 per share).**

### Market review

This was the seventh successive year of growth in the Finnish trading sector. According to advance information, the volume of wholesale sales, excluding the car trade, increased by 4.6% from January to November 2000 compared with the previous year, and retail sales also grew by 4.6%. The car trade increased by 0.4%.

The product groups recording the best growth in the wholesale trade were machines, equipment and accessories. In the retail trade, sales of computers and data communication systems and furniture recorded the highest increases. The trade in footwear and sports goods remained at the level of the previous year.

According to the estimate of the Research Institute of the Finnish Economy, private consumption grew by 3.9% in 2000 and private investments increased by 8.4%. Building investments were up by about 6%.

In 2000, consumer prices were 3.4% higher on average than a year earlier, representing the greatest growth since 1991.

In Sweden, the construction market, which is important to Kesko, expanded by 6-7%. The growth of the retail trade was 5% and the increase in the gross domestic product slightly more than 4%.

The Estonian economy improved more than expected. The gross domestic product grew by over 6%. The growth was hastened by the government's decision to discontinue the collection of income taxes from companies, which increased foreign investments in the country. The number of importers and wholesalers decreased due to a strong trend to form chains in the retail trade.

### Net sales

Kesko Group's net sales for 2000 totalled EUR 6,308 million, which is 3.2% more than in the previous year (EUR 6,111 million). Sales of leisure goods, interior decoration products and cars and machinery developed best, whereas sales of clothing and shoes did not meet expectations. In 2000, Kesko withdraw from the speciality clothing business carried out by the Vaatehuone, Aleksi 13 and Nicky&Nelly store chains in accordance with the decisions made in 1999.

At the end of the year, there were over 1.4 million households and about 2.4 million cardholders included in the Plussa customer loyalty programme. Starting from 1 November 2000, the Plussa cardholders have been able to attach an interest-bearing deposit account feature to their cards. A Plussa account gives customers an opportunity to pay for their purchases directly from the account and to withdraw cash at the Plussa stores in question.

**NET SALES BY PROFIT DIVISION**

| | 1-12/2000 EUR million | 1-12/1999 EUR million | Change, % |
|---|---|---|---|
| Foodstuffs Division | 3,453 | 3,228 | 7.0 |
| Hardware and Builders' Supplies Division | 786 | 702 | 12.0 |
| Home and Speciality Goods Division | 726 | 869 | -16.4 |
| Agriculture and Machinery Division | 625 | 564 | 10.7 |
| Kaukomarkkinat | 294 | 268 | 10.0 |
| VV-Auto | 482 | 439 | 9.7 |
| Other units - eliminations | -58 | 41 | |
| Group total | 6,308 | 6,111 | 3.2 |

Kesko's sales of groceries to Anttila department store grocers were transferred from the Home and Speciality Goods Division to the Foodstuffs Division at the beginning of 2000. The transferred sales were EUR 120.5 million in 1999. Taking the transferred sales into account, the comparable change in net sales in the Foodstuffs Division was 1.6% and in the Home and Speciality Goods Division -7.5%.

### Performance

The Group's profit before extraordinary items and taxes was EUR 125.8 million (EUR 128.4 million), which is 2.0% of net sales (2.1%). The Group's operating profit was EUR 116.7 million (EUR 116.5 million). The operating profit includes a total of EUR 22.9 million from profits on the sale of shares and real estate, from value adjustment and from profits on the sale of business operations. In 1999, the corresponding income was EUR 21.8 million. Pension costs decreased by EUR 7.8 million over the previous year. The saving in pension costs resulted from the good income from investments by the Kesko Pension Fund during the past two years.

The parent company's profit before extraordinary items and taxes was EUR 80.8 million (EUR 76.5 million).

The Group's net financial income was EUR 9.1 million (EUR 11.9 million).

The earnings per share were EUR 1.00 (EUR 0.98). The equity per share was EUR 15.31 (EUR 15.87).

The return on equity was 6.4% (6.1%) and the return on invested capital was 8.5% (8.0%).

**OPERATING PROFIT BY PROFIT DIVISION**

| | 1-12/2000 EUR million | 1-12/1999 EUR million* |
|---|---|---|
| Foodstuffs Division | 65.4 | 64.9 |
| Hardware and Builders' Supplies Division | 10.5 | 10.0 |
| Home and Speciality Goods Division | 0.4 | -7.6 |
| Agriculture and Machinery Division | 5.2 | 7.7 |
| Kaukomarkkinat | 1.1 | 7.2 |
| VV-Auto | 17.6 | 20.5 |
| Common operations | 16.5 | 13.8 |
| Group's operating profit | 116.7 | 116.5 |
| Net financial income | 8.5 | 10.8 |
| Associated companies | 0.6 | 1.1 |
| Profit before extraordinary items | 125.8 | 128.4 |

*) The figures for 1999 have been converted to be fully comparable with the new organisation.

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

### Investments

In Finland, investments were made in the trade of foodstuffs, home and speciality goods and hardware and builders' supplies. In Estonia, investments mainly focused on the foodstuffs trade. In Sweden, investments in the K-rauta department stores continued. In Estonia, a majority shareholding was acquired in AS Fanaal, the largest company operating in the field of hardware and builders' supplies. Kaukomarkkinat Oy acquired the business operations of Telko Oy, a company that had carried on wholesale trade and importing.

The Group's investments totalled EUR 246.9 million (EUR 202.1 million), which is 3.9% (3.3%) of net sales. The investments in shares and in the real estate, information technology and fixtures of Kesko's wholesale operations and subsidiaries amounted to EUR 88.2 million, while investments in the buildings, fixtures and information technology of retail stores were EUR 158.7 million.

### Finance

Cash flow from operating activities amounted to EUR 128.9 million and the net cash used in investing activities to EUR 167.7 million. The dividend paid on 20 April 2000 was EUR 1.50 per share, making a total of EUR 135.3 million (FIM 804.6 million), including EUR 90.2 million paid as an additional dividend. The net investments and dividends were paid by funds generated from operations and by liquid assets. Interest-bearing debt increased by EUR 4.4 million. Liquid assets were EUR 77.4 million (EUR 270.5 million) at the end of the year. Due to the decrease in liquid assets, the interest-bearing net debt increased to EUR 227.3 million (EUR 18.4 million). The Group's financial position remained stable. On 31 December 2000, the equity ratio was 54.7% (56.6%).

### Group administration and structure

On 30 October 2000, Kesko's Extraordinary General Meeting decided to amend Kesko's Articles of Association to correspond to the new Group structure and corporate governance model, in which Kesko is governed by a Board of Directors and a Managing Director, without a Supervisory Board.

The General Meeting elected the following eight persons to Kesko's Board of Directors for a term starting on 1 January 2001, when the new Articles of Association became effective, and expiring at the close of the Annual General Meeting in 2003: Matti Honkala, B.Sc. (Econ.); Matti Kallio, retailer; Eero Kasanen, Dr.Sc. (Econ.); Maarit Näkyvä, M.Sc. (Econ.); Kalevi Sivonen, retailer; Keijo Suila, B.Sc. (Econ.); Heikki Takamäki, retailer; and Jukka Toivakka, retailer. The Board of Directors elected Matti Kallio as its Chairman and Keijo Suila as its Deputy Chairman at the Board meeting held on 3 January 2001.

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

On 24 August 2000, Kesko's Supervisory Board made a decision to incorporate Kesko's profit divisions that have responsibility for goods trade. On 8 December 2000, the Presidents and internal Boards of Directors were appointed for the companies to be established. According to the plan, Kesko Food Ltd, responsible for the foods trade, and Keswell Ltd, responsible for the home and speciality goods trade, will start business operations on 1 April 2001, while Rautakesko Ltd, responsible for the hardware and builders' supplies trade, and Kesko Agro Ltd, responsible for the agricultural and machinery trade, and its subsidiary Kesko Machinery Ltd, will start business operations on 1 October 2001.

## Personnel

The total number of Kesko Group personnel has remained at the level of the previous year. The opening of Kodin Ykkönen department stores for interior decoration by Anttila Oy and new hypermarkets by Citymarket Oy caused an increase in their personnel. The number of personnel also increased in the following companies and operations - in Kesko Svenska AB by 103 persons due to an expansion of the hardware trade in Sweden, in Kesko Eesti AS by 100 persons due to an expansion of cash & carry and retail operations in Estonia, and by 273 persons in Estonian hardware operations due to the acquisition of AS Fanaal. On the other hand, the number of personnel was reduced by 392 persons by the sale of Aleksi 13 Oy and the conversion of some of Carrols Oy's outlets into franchise-run businesses. On 31 December 2000, the Group employed 938 persons (475) abroad.

The average number of personnel in the Group was 11,099 (10,993) persons, divided by profit division as follows:

**PERSONNEL**

| | average 1-12/2000 | average 1-12/1999 | 31.12.2000 |
|---|---|---|---|
| Foodstuffs Division | 4,896 | 4,766 | 6,163 |
| Hardware and Builders' Supplies Division | 1,040 | 718 | 1,125 |
| Home and Speciality Goods Division | 2,639 | 3,049 | 3,493 |
| Agriculture and Machinery Division | 664 | 629 | 720 |
| Kaukomarkkinat | 799 | 779 | 857 |
| VV-Auto | 107 | 102 | 106 |
| Others | 954 | 950 | 897 |
| Total | 11,099 | 10,993 | 13,361 |

(The comparative figures have been converted to correspond to the new organisation)

## Development by profit division

*Foodstuffs Division*

The Division's net sales were EUR 3,453 million. The Foodstuffs Division's operating profit was EUR 65.4 million (EUR 64.9 million). The operating profit remained at the level of the previous year, although the poor sales development had an adverse effect on the performance of the Neighbourhood Chain Unit and the cash & carry outlets of Kespro. The Division's return on net assets was 11% (12%).

The increase of 7.0% in net sales was lower than expected. The larger retail stores have continued to draw more customers. With regard to the Division's chain units, the sales of the Supermarket Chain Unit to the K-superstores developed best. The sales of Kesko Eesti AS also exceeded expectations.

The operating profit of Citymarket Oy, which carries on non-food trade in the Citymarket hypermarkets, amounted to EUR 11.2 million (EUR 9.0 million). A heavy investment programme and the renovation of retail outlets affected the performance during the year under review.

The Division's investments were EUR 129.3 million. Investments in the retail store network amounted to EUR 83.6 million. The introduction of new business control systems in Carrols Oy and Kesko Eesti AS was started towards the end of the year. Kesko acquired a shareholding of 9.99% in Rautakirja Oy.

In 2000, ten new K-grocery stores were opened, with the Citymarkets in Pirkkala and Lappeenranta and the K-superstores in Lahti, Nokia, Turku, Kokemäki and Lempäälä being the most significant.

At the beginning of June, a new Pikkolo urban convenience store was opened in Helsinki. In this store, take away products have an important role. There are now three pilot stores operating, of which the latest, a store in Tampere, was opened in January 2001. The aim is to build a nationwide chain of around 100 stores within the next few years.

The expansion of the Foodstuffs Division's operations has progressed according to plan in the Baltic countries. A logistical centre of 15,000 square metres near Tallinn, Estonia, started operations in January 2001. It represents a total investment of about EUR 7.5 million. A new SuperNetto store of 4,000 square metres was opened in Western Tallinn in May. The next SuperNetto stores will be opened in Tartu next spring and in Pärnu next autumn. Kesko aims to build a retail network covering the whole of Estonia and to provide wholesale delivery and logistical services to other catering and retailing customers.

Next summer, a SuperNetto store of about 6,000 square metres will be opened in a large shopping centre of Riga, the capital of Latvia. The objective is to open 4-5 superstores and hypermarkets in Riga during the next two years. The overall target in the Baltic countries is to gain a share of about 20-25% of their total grocery market, which is about EUR 3.4 billion.

The sales of the Carrols hamburger chain in Finland amounted to EUR 62.2 million, representing an increase of 14%. In 2000, seven new Carrols restaurants were opened, and at the end of the year their total number was 70. The number of franchise-run restaurants increased to 46. In early autumn, a franchise agreement between Carrols Oy and a St. Petersburg entrepreneur was terminated, which ended the operations of the five Carrols restaurants in St. Petersburg.

Kesko's wholesale delivery operations were transferred in the Group to Kespro Ltd, starting from 1 October 2000. On 20 December 2000, an ISO 9002 quality certificate was awarded to the wholesale delivery operations of Kespro Ltd, which is the first Finnish grocery wholesaler to receive this internationally valued quality certificate.

*Hardware and Builders' Supplies Division*

On 1 September 2000, the Builders' and Agricultural Supplies Division was divided into the Hardware and Builders' Supplies Division and the Agriculture and Machinery Division. The Hardware and Builders' Supplies Division was formed of Kesko Hardware and Builders' Supplies and subsidiaries carrying on trade under its management in this product line.

The net sales of the Hardware and Builders' Supplies Division totalled EUR 786 million. The operating profit was EUR 10.5 million (EUR 10.0 million). The profit of the Industrial and Constructor Sales unit improved, whereas the result of the strongly growing Kesko Svenska did not yet achieve the target and showed a loss. The performance of AS Fanaal in Estonia met expectations. The Division's return on net assets was 7% (7%). Investments were EUR 20.4 million.

Net sales grew by 12.0%. Sales to the K-rauta chain increased by 5.2% and to the Rautia chain by 3.0%. Timber and products for landscaping recorded the best sales development.

The operations of the Industrial and Constructor Sales unit were joined to Kesko Hardware and Builders' Supplies at the end of the year.

In Sweden, the net sales of the eight K-rauta stores of Kesko Svenska AB were EUR 44 million, an increase of 85.6%. New K-rauta stores were opened in Örebro and Haninge, Stockholm. The aim is to build a network of around 25 K-rauta stores in Sweden.

In April, Kesko acquired the majority shareholding in AS Fanaal. This Estonian company has five hardware stores operating under the name Ehitusmaailm in Estonia. The chain also includes one store in Riga, Latvia. In Estonia, AS Fanaal is the market leader in the hardware trade with a market share of about 20%. AS Fanaal's net sales for May-December were EUR 29 million in Estonia and A/S Fanaal's net sales were EUR 12 million in Latvia.

New K-rauta stores were opened in Oulu, Seinäjoki, Lappeenranta and Pakkala, Vantaa. The K-rauta stores in Tampere, Espoo and Lahti were refurbished and extended. New K-rauta stores are under construction in Ruoholahti, Helsinki and in Helsingborg and Göteborg in Sweden.

*Home and Speciality Goods Division*

The Division's net sales were EUR 726 million. The Division's operating profit was EUR 0.4 million. In 1999, the operating loss was EUR 7.6 million. A structural reform of the Home and Speciality Goods Division was implemented at the beginning of 2000, and the related expenses were included in the result for 1999. Anttila Group's operating loss was EUR 6.3 million. The operating loss was greater than in the previous year and the result fell clearly short of target. The performance was affected by the initiation costs of three new units, the unprofitable mail order business and the costs of developing e-commerce, and the poor sales in the latter part of the year in the Anttila department stores. The Division's return on net assets was 0% (-2%). Investments were EUR 13.6 million.

The Division's net sales were 16.4% less than in the comparison year. Net sales were decreased by an organisational change in which sales to Anttila department store grocers were transferred from the Home and Speciality Goods Division to the Foodstuffs Division at the end of 1999, and by the disposal of the speciality clothing business operations. In accordance with a preliminary agreement signed in December 1999, Kesko sold the whole of Aleksi 13 Oy's share capital and the Vaatehuone chain logo to L-Fashion Group in February 2000. The actual withdrawal from the Vaatehuone chain operations took place on 31 July 2000.

The Division's net sales diminished by 0.2% in comparable figures.

Anttila concentrates as a chain company on speciality goods trading, with its concepts being the Anttila department store, the Kodin Ykkönen department store, the mail order business and e-commerce. Anttila Group's net sales were EUR 451 million, an increase of 1.5%. The sales of Kodin Ykkönen department stores increased by 31.0% and the mail order business by 8.8%, whereas the sales of Anttila department stores decreased by 1.6%.

Sports trade sales slightly decreased compared with the previous year, because clothing sales fell short of target. The new division of the sports trade by store format has proved successful. The stores are now divided into Intersport and Kesport stores according to their size and product selection.

The trade in home technology developed favourably. Mobile phones and wide screen television sets recorded the best sales increases.

Targets were not achieved in the shoe business and the sales did not reach the 1999 level. The overall shoe trade did not grow.

New Kodin Ykkönen department stores for interior decoration and new Musta Pörssi Maailma stores were opened in Tampere and Jyväskylä. Additionally, a new Anttila department store replacing the previous downtown store was opened in Turku. Finland's biggest Intersport megastore was opened in the centre of Helsinki. The Anttila department stores located in Iisalmi and Rauma were closed down in February 2000.

Kesko Corporation signed a preliminary agreement in May on the building of a Kodin Ykkönen store and a Musta Pörssi Maailma store in a business centre due to be opened in Roihupelto, Helsinki in autumn 2002. An agreement was also made in August to establish a Musta Pörssi Maailma store in Länsikeskus, Turku due to be opened in spring 2001.

*Agriculture and Machinery Division*

The Division's net sales were EUR 625 million, an increase of 10.7%, which was slightly better than expected. The operating profit was EUR 5.2 million (EUR 7.7 million). The performance was affected by costs arising from the initiation of operations in the Baltic countries, a slowdown in the trade-in machinery business and investments made in information systems and electronic commerce. The Division's return on net assets was 5% (8%). Investments were EUR 4.1 million.

With regard to the Division's units, the sales of Kesko Agriculture increased by 4.6%. Last autumn the grain harvest was the second best in Finland's history, which increased the volume of the grain trade towards the end of the year. Heavy investments in agricultural machinery and buildings continued. Kesko Agriculture started to import and market Same tractors in autumn 2000.

The sales of Kesko Machinery grew by 20%. Its market position strengthened in nearly all product lines. Construction machinery, boats and outboard motors were the product groups that recorded the best sales development. The market share of Yamaha outboard motors increased to over 40%. Towards the end of the year, the market share of Lynx and Ski-Doo snowmobiles increased to over 50%.

In Latvia, an agricultural store will be opened in Riga in spring 2001. It is also intended to open an agricultural store in newly constructed premises in Tallinn, Estonia during 2001.

The operating loss of K-Maatalousyhtiöt Oy was EUR 1.0 million (EUR -0.0 million). During the year, two stores that were previously operated by independent retailers in Orimattila and Lappeenranta were transferred to the company. The store in Rauma was disposed of.

*Kaukomarkkinat*

The net sales of the Kaukomarkkinat Group were EUR 294 million. The Group's operating profit was EUR 4.5 million (EUR 11.0 million). Changes in the adidas representation and problems with the Panasonic trade were the greatest reasons for the decrease in operating profit. Investments were EUR 20.6 million.

Net sales increased by 10.0%. The increase resulting from the acquisition of the Telko company and the decrease resulting from the changes in the adidas representation were of nearly equal value. The trade in adidas products was transferred, from 1 January 2000, to Adidas Suomi Oy, a company owned 50-50 by Kaukomarkkinat and the principal. Consequently, only 50% of the adidas sales are recorded in the Group's net sales.

The Panasonic Division suffered from the delivery problems of its suppliers, due to component shortages in their manufacturing plants, and from a contraction in the product range. The Division's net sales decreased by 6.3% compared with the previous year. The Leipurien Tukku Division's net sales increased by 11.1%.

The net sales of the Kauko East-West Trade Division, which is mainly engaged in international trade and export, increased by 25.5%. The areas where trading grew the most strongly were Russia and China.

In domestic trading, the Tähti Optikko chain continued to substantially strengthen its market position, since the Group's net sales in the optical sector grew by 17.2%. On 31 December 2000, a total of 117 stores operated in the chain. The chain's net sales were EUR 26.9 million.

Under an agreement signed in August, Kaukomarkkinat Oy purchased the business operations of Telko Oy, a technical wholesaler. The new Telko Oy started operations as Kaukomarkkinat Oy's subsidiary on 1 September 2000. As Telko Oy's net sales for 1999 were EUR 53 million, it will make a substantial addition to Kaukomarkkinat's operations. Telko's business lines are packaging technology, plastics, chemicals, industrial machinery, tapes and marking, safety products, raw materials for the food industry, and paper trading. Telko has a staff of 70 persons.

*VV-Auto*

The net sales of the VV-Auto Group were EUR 482 million. The operating profit was EUR 17.8 million (EUR 20.7 million). The operating profit decreased on the previous year due to tighter competition, but continued to remain at a good level. Investments were EUR 7.7 million.

The net sales of the VV-Auto Group increased by 9.7%. The overall car market started to decline towards the end of the year after several years of strong growth. The registration of new cars decreased by 1.1%.

The total market share of the cars imported by the VV-

Auto Group was 15.1%. All car makes expanded their market share, with Volkswagen's share being 10.7%. Audi recorded the highest sales increase of 52%, while sales of Seat also continued their favourable trend, growing by 24%. The trade in VW commercial vehicles, including vans and mini buses, was buoyant and their market share expanded to 21.3%, making VW the market leader.

The Volkswagen importing operations of VV-Auto were awarded an ISO 9002 quality certificate in June.

**Shares and equity market**

Kesko Corporation's share capital was EUR 180,426,800 on 31 December 2000, with 35.2% of the share capital consisting of A shares and 64.8% of B shares.

The price of Kesko's A share was EUR 13.60 at the end of 1999, and EUR 16.95 at the end of 2000, an increase of 24.6%. The price of Kesko's B share was EUR 12.60 at the end of 1999 and EUR 10.75 at the end of 2000, a decrease of 14.7%. During the year, the lowest price of the A share was EUR 13.50, while its highest price was EUR 19.90. The lowest price of the B share was EUR 9.61, while its highest price was EUR 14.99. During the year, the trade sector price index dropped by 19.2%, the HEX general index by 10.6%, and the HEX portfolio index by 24.9%.

The market value of A shares was EUR 538 million and that of B shares EUR 629 million, i.e. the total market value of all shares amounted to EUR 1,167 million.

During the year, 2.0 million of Kesko's A shares with a total value of EUR 33.2 million and 15.2 million of Kesko's B shares with a total value of EUR 176.6 million were traded on the Helsinki Exchanges.

**Kesko and the euro**

According to the transition plan, Kesko will prepare its financial statements for 2001 in markkas and will start to use the euro as its accounting currency from 1 January 2002. During the transition period, the markka-denominated figures will be converted into euros by using the conversion rate. When the decisions on Kesko's euro schedule were made, they were based on the premise that the majority of Kesko's customers operate in Finland. 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. Based on the agreements made with customers, some invoicing has been carried out in euros right from the beginning of the transition period.

The transfer to the euro has been managed by a special euro committee. The necessary information system changes have been scheduled. The Group is expected to be ready well before the changes are implemented in the early autumn of 2001.

**Main events in 2000**

On 5 January 2000, Kesko purchased some of the stock of Rautakirja Oyj. As a result of this deal, Kesko Corporation now holds 9.99% of Rautakirja Oyj's share capital and 11.87% of its voting rights.

On 5 April 2000, Kesko published ethical principles for its purchasing, based on the rules agreed by the International Labour Organisation and the United Nations. The tool used for ethical quality control is the international SA 8000 standard on Social Accountability.

On 28 April 2000, Kesko acquired 98.4% of AS Fanaal. AS Fanaal owns Estonia's largest hardware store chain that operates under the name Ehitusmaailm. AS Fanaal owns five hardware stores in Estonia and one in Latvia. Later Kesko purchased most of the remaining shares from the small shareholders.

On 26 May 2000, Kesko Musta Pörssi joined the international Electronic Partner:International purchasing and service organisation.

Kesko was the first Finnish company to join the international WorldWide Retail Exchange marketplace on 14 June 2000. WWRE is a business-to-business marketplace to be opened on the Internet, which already includes over 50 international trading companies. The aim is to start marketplace operations this year.

In accordance with an agreement signed on 4 August 2000, Kesko sold the business operations of its subsidiary, Kestra Kiinteistöpalvelut Oy, to ABB Kiinteistöpalvelut Oy, to take effect on 1 January 2001. A co-operation and service agreement has been signed between Kesko and ABB Kiinteistöpalvelut Oy concerning maintenance services for Kesko's real estate.

On 2 October 2000, Kesko sold the business operations of MK-mainos, a Kesko subsidiary, to Publicis International Oy. The net sales of MK-mainos for 1999 amounted to about EUR 29 million.

On 14 October 2000, sixty years had passed from the foundation of Kesko Ltd. Kesko's business operations were started at the beginning of 1941, with the company's head office and import warehouses being located in Kesko's present premises at Katajanokka, Helsinki.

By an agreement signed on 20 November 2000, Kespro Ltd sold the business operations of its cash & carry outlets in Kajaani, Kemi and Salo to Wihuri Oy from the beginning of 2001.

On 4 December 2000, Kesko chose the mySAP.com software as the platform for its new enterprise resource planning systems. The software will used to implement the basic applications for the business areas in 2001-2004.

On 15 December 2000, Kesko sold the business operations of its subsidiary Kauppiaiden Komedia and those of Kauppiaiden Komedia's subsidiary Proidea to Metronome Film & Television Oy. The K-chains will continue their in-store television operations as Metronome Film & Television Oy's customers.

On 28 December 2000, Kesko Corporation, its subsidiary Hämeenkylän Kauppa Oy and Kesko Pension Fund sold seven retail properties mainly used by Citymarket Oy and Anttila Oy to Nordisk Renting Oy. The value of the deal amounted to EUR 67.3 million. Kesko will rent the sold retail properties from Nordisk Renting and sub-let them for the use of K-retailers and external tenants.

On 29 December 2000, Kesko signed an agreement to transfer the publishing operations of its subsidiary Kauppiaitten Kustannus Oy to Kynämies Oy, a subsidiary of United Magazines Ltd. The deal transfers the publishing operations of the Pirkka, Birka, Maatilan Pirkka and Åker Birka magazines to Kynämies Oy. The net sales of Kauppiaitten Kustannus Oy for 2000 amounted to EUR 12 million.

The reformed chain operation between Kesko and the K-retailers was introduced at the beginning of 2001. Joint operation will be intensified throughout the entire chain - in the development of chain concepts, in category management, marketing, purchasing operations and logistics. The new operating system will be adopted gradually over about two years. The reformed chain operation will significantly strengthen Kesko's competitiveness and the K-stores' ability to meet customer requirements in the quickly changing markets. By the 31 January 2001 deadline, a total of 1,403 K-retailers had approved the new chain agreement or a customer agreement. This is more than 95% of the retailers to whom the agreement was offered. 71 retailers had not approved the agreement by 31 January 2001. Those retailers who felt that they were not able to approve the proposed agreement were notified of possible termination of their present agreements.

### Future outlook

According to Statistics Finland's consumer survey, the confidence of households in favourable economic development increased in December 2000, after the weaker confidence expressed in autumn 2000. In particular, the outlook for the Finnish economy has improved, which will provide a good basis for growth in domestic trade. According to an estimate of the Research Institute of the Finnish Economy, private consumption will increase by about 4% this year.

The favourable economic trends will also increase Kesko's sales opportunities to manufacturing and other companies.

Kesko will continue to invest actively in Finland, Sweden and the Baltic area.

In 2001, Kesko Group's net sales are expected to increase at least at the same rate as the market growth. The Group's operating profit target, excluding non-recurring items, is at the same level as for 2000, provided that overall demand remains as forecast and the chain reform will start according to plan. The chain reform, when fully implemented, will provide a good basis for the improvement of Kesko's profitability within the next few years.

## PROPOSED DISTRIBUTION OF PROFIT

The Group's distributable reserves are
**EUR 860,047,636.35**

The parent company's distributable reserves are
**EUR 752,221,942.93,**
of which the net profit for the year is
**EUR 80,338,965.25**

The Board of Directors proposes to the Annual General Meeting that the distributable reserves be used as follows:

A dividend of EUR 0.50 per share be paid
**EUR 45,106,700.00**
and an additional dividend of EUR 0.50
per share be paid
**EUR 45,106,700.00**

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 661,756,261.04**

Helsinki, 13 February 2001

KESKO CORPORATION
Board of Directors

# › INCOME STATEMENT

| INCOME STATEMENT | | CONSOLIDATED | | | | KESKO CORPORATION | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Note | **1.1.-31.12.2000** | | 1.1.-31.12.1999 | | **1.1.-31.12.2000** | | 1.1.-31.12.1999 | |
| | | EUR million | % | EUR million | % | EUR million | % | EUR million | % |
| **Net sales** | 1 | **6,307.6** | **100.0** | 6,110.7 | 100.0 | **4,956.2** | **100.0** | 4,921.6 | 100.0 |
| Other operating income | 2 | **335.5** | **5.3** | 292.4 | 4.8 | **388.4** | **7.8** | 341.7 | 7.0 |
| Materials and services | 3 | **-5,552.6** | **87.9** | -5,357.9 | 87.7 | **-4,670.5** | **94.2** | -4,609.7 | 93.8 |
| Personnel expenses | 4,5 | **-315.6** | **5.0** | -317.4 | 5.2 | **-105.6** | **2.1** | -125.0 | 2.5 |
| Depreciation and value adjustments | 6,13,14,15 | **-119.1** | **1.9** | -113.0 | 1.8 | **-47.9** | **1.0** | -41.4 | 0.8 |
| Other operating expenses | 7 | **-539.9** | **8.6** | -496.3 | 8.1 | **-452.6** | **9.1** | -430.7 | 8.8 |
| Share of profits/losses of associated companies | | **0.8** | **0.0** | -2.0 | 0.1 | | | | |
| **Operating profit** | | **116.7** | **1.9** | 116.5 | 1.9 | **68.0** | **1.4** | 56.5 | 1.1 |
| Share of profits/losses of associated companies | 8 | **0.6** | **0.0** | 1.1 | 0.0 | | | | |
| Financial income and expenses | 8 | **8.5** | **0.1** | 10.8 | 0.2 | **12.9** | **0.2** | 20.0 | 0.5 |
| **Profit before extraordinary items** | | **125.8** | **2.0** | 128.4 | 2.1 | **80.9** | **1.6** | 76.5 | 1.6 |
| Extraordinary items | 9 | | | -4.5 | 0.1 | **19.6** | **0.4** | 203.2 | 4.1 |
| **Profit before appropriations and taxes** | | **125.8** | **2.0** | 123.9 | 2.0 | **100.5** | **2.0** | 279.7 | 5.7 |
| Appropriations | 10 | | | | | **14.7** | **0.3** | 6.2 | 0.1 |
| **Profit before taxes** | | **125.8** | **2.0** | 123.9 | 2.0 | **115.2** | **2.3** | 285.9 | 5.8 |
| Income taxes | 12 | **-34.6** | **0.6** | -39.0 | 0.6 | **-34.9** | **0.7** | -34.2 | 0.7 |
| **Minority interest** | | **-0.7** | **0.0** | 0.0 | 0.0 | | | | |
| **Net profit for the financial year** | | **90.5** | **1.4** | 84.9 | 1.4 | **80.3** | **1.6** | 251.7 | 5.1 |

# › BALANCE SHEET

| BALANCE SHEET 31.12. | | CONSOLIDATED | | | | KESKO CORPORATION | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Note | 2000 EUR million | % | 1999 EUR million | % | 2000 EUR million | % | 1999 EUR million | % |
| **ASSETS** | | | | | | | | | |
| Non-current assets | | | | | | | | | |
| Intangible assets | 13 | | | | | | | | |
| Goodwill | | 61.7 | | 61.4 | | | | | |
| Other capitalised expenditure | | 85.6 | | 71.6 | | 42.8 | | 35.6 | |
| Advance payments and construction in progress | | 1.4 | | | | 1.3 | | | |
| | | **148.7** | 5.8 | **133.0** | 5.2 | **44.1** | 1.8 | **35.6** | 1.4 |
| Tangible assets | 14 | | | | | | | | |
| Land and water | | 150.9 | | 146.8 | | 109.1 | | 104.2 | |
| Buildings | | 530.3 | | 507.1 | | 372.4 | | 353.6 | |
| Machinery and equipment | | 182.1 | | 177.6 | | 76.8 | | 72.2 | |
| Other tangible assets | | 5.7 | | 4.4 | | 4.3 | | 3.7 | |
| Advance payments and construction in progress | | 13.8 | | 28.7 | | 10.1 | | 23.6 | |
| | | **882.8** | 34.3 | **864.6** | 33.6 | **572.7** | 23.1 | **557.3** | 22.2 |
| Investments | 15 | | | | | | | | |
| Holdings in Group companies | | | | | | 561.7 | | 551.7 | |
| Receivables from Group companies | | | | | | 6.3 | | 6.8 | |
| Holdings in participating interests | | 29.1 | | 33.7 | | 25.8 | | 25.0 | |
| Receivables from participating interests | | 0.2 | | | | | | | |
| Other shares and similar rights of ownership | | 105.4 | | 73.5 | | 70.9 | | 40.1 | |
| Other receivables | | 18.2 | | 19.2 | | 18.2 | | 19.2 | |
| | | **152.9** | 6.0 | **126.4** | 4.9 | **682.9** | 27.5 | **642.8** | 25.6 |
| Current assets | | | | | | | | | |
| Stocks | | | | | | | | | |
| Finished products/goods | | **536.2** | 20.9 | **492.4** | 19.2 | **166.2** | 6.7 | **167.1** | 6.7 |
| Receivables | | | | | | | | | |
| Long-term receivables | 16 | | | | | | | | |
| Trade receivables | | 0.1 | | 0.2 | | | | | |
| Receivables from participating interests | | 21.7 | | 24.1 | | 21.6 | | 24.1 | |
| Loan receivables | | 70.2 | | 64.7 | | 0.1 | | 0.8 | |
| | | **92.0** | 3.6 | **89.0** | 3.5 | **21.7** | 0.9 | **24.9** | 1.0 |
| Short-term receivables | 16 | | | | | | | | |
| Trade receivables | | 518.0 | | 469.3 | | 397.2 | | 377.0 | |
| Receivables from Group companies | | | | | | 437.4 | | 367.9 | |
| Receivables from participating interests | | 11.4 | | 13.8 | | 11.0 | | 13.4 | |
| Loan receivables | | 53.5 | | 29.5 | | 51.0 | | 27.0 | |
| Other receivables | | 17.7 | | 9.2 | | 5.1 | | 3.3 | |
| Prepayments and accrued income | | 79.6 | | 72.2 | | 40.5 | | 47.5 | |
| | | **680.2** | 26.5 | **594.0** | 23.1 | **942.2** | 38.0 | **836.1** | 33.4 |
| Marketable securities | | | | | | | | | |
| Other marketable securities | | **30.0** | 1.1 | **231.7** | 9.0 | **29.0** | 1.2 | **231.0** | 9.2 |
| Cash on hand and at bank | | **47.4** | 1.8 | **38.8** | 1.5 | **20.8** | 0.8 | **12.8** | 0.5 |
| **ASSETS** | | **2,570.2** | 100.0 | **2,569.9** | 100.0 | **2,479.6** | 100.0 | **2,507.6** | 100.0 |

| BALANCE SHEET 31.12. | | CONSOLIDATED | | | | KESKO CORPORATION | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Note | 2000 EUR million | % | 1999 EUR million | % | 2000 EUR million | % | 1999 EUR million | % |
| **LIABILITIES** | | | | | | | | | |
| Shareholders' equity | 17 | | | | | | | | |
| Share capital | | 180.4 | | 180.4 | | 180.4 | | 180.4 | |
| Share premium account | | 142.7 | | 142.7 | | 142.7 | | 142.7 | |
| Revaluation reserve | | 2.0 | | 1.4 | | 1.2 | | 1.2 | |
| Other reserves | | | | | | | | | |
| Other reserves | | 249.0 | | 237.8 | | 243.4 | | 243.4 | |
| Retained earnings | | 716.1 | | 784.8 | | 428.5 | | 312.4 | |
| Profit for the financial year | | 90.5 | | 84.9 | | 80.3 | | 251.7 | |
| | | **1,380.9** | 53.7 | **1,432.1** | 55.8 | **1,076.6** | 43.4 | **1,131.8** | 45.1 |
| Minority interest | | **16.0** | 0.6 | **16.0** | 0.6 | | | | |
| Appropriations | | | | | | | | | |
| Depreciation reserve | 13,14,15 | | | | | 246.0 | | 260.8 | |
| Untaxed reserves | 18 | | | | | | | | |
| Other reserves | | | | | | 4.4 | | 4.4 | |
| | | | | | | **250.4** | 10.1 | **265.2** | 10.6 |
| **Provisions** | | | | | | | | | |
| Other provisions | 11,19 | **12.0** | 0.5 | **16.0** | 0.6 | **1.8** | 0.1 | **0.6** | |
| Liabilities | | | | | | | | | |
| Deferred tax liability | 20,23 | **60.7** | 2.4 | **70.0** | 2.7 | | | | |
| Non-current liabilities | 21,23 | | | | | | | | |
| Bonds and notes | | | | | | | | | |
| Bonds with warrants | | 0.2 | | 0.3 | | | | 0.1 | |
| Loans from financial institutions | | 63.5 | | 62.5 | | 3.2 | | 4.5 | |
| Other debt | | 0.3 | | 6.5 | | 1.3 | | 3.6 | |
| | | **64.0** | 2.5 | **69.3** | 2.7 | **4.5** | 0.2 | **8.2** | 0.4 |
| Current liabilities | 22,23 | | | | | | | | |
| Loans from financial institutions | | 16.6 | | 11.2 | | 1.3 | | 6.6 | |
| Advances received | | 16.3 | | 11.6 | | 3.4 | | 2.5 | |
| Trade payables | | 584.1 | | 544.7 | | 501.2 | | 485.3 | |
| Debt to Group companies | | | | | | 324.8 | | 291.9 | |
| Debt to participating interests | | 13.6 | | 10.0 | | 13.6 | | 10.0 | |
| Other debt | | 289.6 | | 263.2 | | 251.6 | | 242.0 | |
| Accruals and deferred income | | 116.4 | | 125.8 | | 50.4 | | 63.6 | |
| | | **1,036.6** | 40.3 | **966.5** | 37.6 | **1,146.3** | 46.2 | **1,101.9** | 43.9 |
| **LIABILITIES** | | **2,570.2** | 100.0 | **2,569.9** | 100.0 | **2,479.6** | 100.0 | **2,507.6** | 100.0 |

# › CASH FLOW STATEMENT

| CASH FLOW STATEMENT 1.1.-31.12., EUR MILLION | CONSOLIDATED | | KESKO CORPORATION | |
|---|---|---|---|---|
| | 2000 | 1999 | 2000 | 1999 |
| **Cash flow from operating activities** | | | | |
| Operating profit | 116.7 | 116.5 | 68.0 | 56.5 |
| Adjustments to operating profit | | | | |
| Depreciation according to plan | 114.2 | 101.7 | 48.3 | 37.9 |
| Other adjustments | -8.9 | -13.8 | -7.6 | -6.3 |
| Change in net working capital | | | | |
| Short-term trade receivables, increase/decrease (-/+) | -66.3 | 31.0 | 1.9 | -26.9 |
| Stocks, increase/decrease (-/+) | -43.7 | 2.7 | 1.0 | 14.7 |
| Interest-free short-term debt, increase/decrease (+/-) | 57.4 | 51.8 | 4.4 | 67.4 |
| | -52.6 | 85.5 | 7.3 | 55.2 |
| Interests paid and other payments | -14.8 | -9.0 | -26.3 | -14.4 |
| Interests received | 17.9 | 19.6 | 30.5 | 9.8 |
| Dividends received | 4.1 | 0.8 | 6.1 | 20.8 |
| Taxes paid | -47.7 | -33.6 | -42.8 | -30.9 |
| **Cash flow from operating activities** | **128.9** | **267.7** | **83.5** | **128.6** |
| **Cash flow from investing activities** | | | | |
| Investments in tangible and intangible assets | -207.3 | -199.2 | -118.5 | -120.7 |
| Capital gains from tangible and intangible assets | 77.8 | 43.4 | 61.4 | 20.3 |
| Other investments | -36.4 | -29.1 | -36.4 | -24.6 |
| Capital gains from other investments | 5.8 | 11.0 | 4.9 | 5.5 |
| Loans granted | | -19.2 | -0.2 | -25.1 |
| Repayment of loan receivables | 1.0 | | 1.6 | |
| Subsidiaries acquired | -8.2 | -15.0 | -12.6 | -6.4 |
| Subsidiaries disposed | 0.3 | 32.1 | 0.3 | 1.7 |
| Associated companies acquired | -3.1 | -3.4 | -3.0 | -3.4 |
| Associated companies disposed | 2.4 | 46.3 | 1.1 | 45.2 |
| **Cash used in investing activities** | **-167.7** | **-133.1** | **-101.4** | **-107.5** |
| **Cash flow from financing activities** | | | | |
| Raising of short-term loans | 9.8 | 17.2 | 52.0 | 10.0 |
| Repayment of short-term loans | | | | |
| Raising of long-term loans | 1.1 | 52.4 | | 2.5 |
| Repayment of long-term loans | -6.4 | -97.7 | -3.7 | -45.1 |
| Increase (-)/decrease(+) of short-term receivables | -21.2 | | -107.6 | -50.5 |
| Increase (-)/decrease(+) of long-term receivables | -2.9 | -22.8 | 3.1 | -15.2 |
| Dividends paid | -135.3 | -60.7 | -135.3 | -60.7 |
| Group contributions received and paid | | | 19.6 | 34.5 |
| Merger items | | | -4.1 | 120.5 |
| Others | 0.6 | 1.3 | 0.0 | -0.2 |
| **Cash used in financing activities** | **-154.3** | **-110.3** | **-176.0** | **-4.2** |
| **Change in liquid funds** | **-193.1** | **24.3** | **-193.9** | **16.9** |
| **Liquid funds at 1 January** | **270.5** | **246.2** | **243.8** | **226.9** |
| **Liquid funds at 31 December** | **77.4** | **270.5** | **49.9** | **243.8** |

# › 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 24 real estate companies.

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

**Principles of consolidation**

*Internal shareholdings*

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

*Internal business transactions and margins*

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

*Minority interests*

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

*Translation differences*

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

*Associated companies*

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

The share of profits/losses of Vähittäiskaupan Takaus Oy and Valluga-sijoitus Group has been stated as a separate item after operating profit.

**Changes in the Group structure**

The companies Kesko Agro Eesti AS, SIA Kesko Food Latvia, Keswell Ltd, Kesko Agro Ltd, Rautakesko Ltd, Kesko Food Ltd, Telko Oy and four real estate companies were established during the financial year. The companies UAB Baltic Tape, AS Fanaal, A/S Fanaal, Löytis Oy, RK-TEK Oy, RK-TEK Service Oy, Uudenmaan Optiikka Oy and one real estate company were acquired.

Seppo Levokoski Oy and one real estate company were divested during the financial year. In addition, holdings in 11 real estate associated companies were sold. Kesko Export Ltd and Norrwell Oy and two real estate companies were merged with Kesko Corporation during the financial year.

Kauko-Hydro Oy and Oy SF Komfort Finland were merged with Kaukomarkkinat Oy. Oy Focus Estonia Ltd was merged with Kauko-Silhu Oy. Kauko Metex CZ, spol. s.r.o. was dissolved.

**Valuation of fixed assets**

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

*Depreciation plan*

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

The periods adopted for depreciation are as follows:

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

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

The goodwill arising from the Kaukomarkkinat Group and Anttila Oy is amortised over fifteen years on a straight line basis. Other goodwill is amortised over 5-10 years. The times for depreciation have been determined on the basis of the stability of business and the sector's future outlook. Depreciation according to plan and the depreciation reserve comply with Finnish tax legislation.

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

**Valuation of stocks**

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

**Valuation of financial assets**

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

**Foreign currencies**

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

**Derivative contracts**

*Interest rate derivative contracts*

Cash flows arising from 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 it not stated as income. Any valuation losses are included in interest expenses.

*Currency derivative contracts*

The forward exchange contracts are valued at the average exchange rate of the European Central Bank on the balance sheet date. The rate differences arising from forward exchange contracts 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 pension costs are included in personnel expenses in the income statement. Kesko Pension Fund provides Kesko Corporation's personnel with pension benefits. The Fund's A Department, which provides supplementary pension benefits, was closed on 9 May 1998.

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

| NOTES TO THE INCOME STATEMENT | GROUP | | KESKO CORPORATION | |
|---|---|---|---|---|
| | 2000 | 1999 | 2000 | 1999 |
| **1. Net sales** | | | | |
| Net sales of profit divisions | | | | |
| Foodstuffs Division | 3,453 | 3,228 | 3,139 | 2,984 |
| Hardware and Builders' Supplies Division | 786 | 702 | 693 | 680 |
| Home and Speciality Goods Division | 726 | 869 | 533 | 711 |
| Agriculture and Machinery Division | 625 | 564 | 581 | 542 |
| Kaukomarkkinat | 294 | 268 | | |
| VV-Auto | 482 | 439 | | |
| Others - eliminations | -58 | 41 | 10 | 5 |
| Total | 6,308 | 6,111 | 4,956 | 4,922 |
| Foreign operations | | | | |
| Foodstuffs Division | 50 | 35 | 1 | 0 |
| Hardware and Builders' Supplies Division | 88 | 25 | 9 | 6 |
| Home and Speciality Goods Division | 12 | 17 | 0 | 1 |
| Agriculture and Machinery Division | 37 | 16 | 27 | 15 |
| Kaukomarkkinat | 79 | 55 | | |
| VV-Auto | 20 | 11 | | |
| Others | 0 | 0 | | |
| Total | 286 | 159 | 37 | 22 |
| **2. Other operating income** | | | | |
| Services income | 179.6 | 173.6 | 257.0 | 257.1 |
| Gains on sales of real estate and shares | 20.7 | 44.7 | 14.1 | 24.3 |
| Rent income | 29.0 | 12.9 | 36.3 | 20.5 |
| Others | 106.2 | 61.2 | 81.0 | 39.8 |
| Total | 335.5 | 292.4 | 388.4 | 341.7 |
| **3. Materials and services** | | | | |
| Materials and goods | | | | |
| Purchases during the financial year | 5,522.1 | 5,318.9 | 4,584.0 | 4,512.0 |
| Variation in stocks | -41.6 | -14.6 | 1.0 | 14.7 |
| External services | 72.1 | 53.6 | 85.6 | 83.0 |
| Total | 5,552.6 | 5,357.9 | 4,670.6 | 4,609.7 |
| **4. Personnel** | | | | |
| Average number of personnel, by profit division | | | | |
| Foodstuffs Division | 4,896 | 4,766 | 1,786 | 1,728 |
| Hardware and Builders' Supplies Division | 1,040 | 718 | 457 | 486 |
| Home and Speciality Goods Division | 2,639 | 3,049 | 304 | 784 |
| Agriculture and Machinery Division | 664 | 629 | 429 | 421 |
| Kaukomarkkinat | 799 | 779 | | |
| VV-Auto | 107 | 102 | | |
| Others | 954 | 950 | 271 | 292 |
| Total | 11,099 | 10,993 | 3,247 | 3,711 |
| **5. Personnel expenses and information concerning administrative body members** | | | | |
| Salaries and fees | 267.6 | 260.5 | 99.0 | 106.0 |
| Social security expenses | | | | |
| Pension expenses | 21.6 | 29.5 | -2.6 | 7.5 |
| Other social security expenses | 26.4 | 27.4 | 9.2 | 11.5 |
| Total | 315.6 | 317.4 | 105.6 | 125.0 |
| **Salaries and fees to the management** | | | | |
| Salaries to the Supervisory Board members | 0.0 | 0.1 | 0.0 | 0.1 |
| Salaries to Managing Directors | 3.8 | 3.4 | 0.4 | 0.4 |
| Salaries to the members of Boards of Directors | 0.9 | 1.0 | 0.9 | 1.0 |
| Total | 4.7 | 4.5 | 1.3 | 1.5 |

| NOTES TO THE INCOME STATEMENT | GROUP | | KESKO CORPORATION | |
|---|---|---|---|---|
| | 2000 | 1999 | 2000 | 1999 |
| **6. Depreciation and value adjustments** | | | | |
| Depreciation according to plan | 114.2 | 101.7 | 48.3 | 38.0 |
| Value adjustments, non-current assets | -1.8 | 4.4 | -0.4 | 3.4 |
| Amortisation on goodwill | 6.7 | 6.9 | | |
| Total | 119.1 | 113.0 | 47.9 | 41.4 |
| **7. Other operating expenses** | | | | |
| Rent expenses | 190.8 | 168.5 | 181.2 | 173.2 |
| Marketing expenses | 149.7 | 137.7 | 117.8 | 88.5 |
| Maintenance of real estate and store sites | 50.9 | 61.9 | 59.5 | 66.3 |
| Data communications expenses | 39.6 | 109.7 | 38.8 | 38.6 |
| Losses on sales of real estate and shares | 10.1 | 18.5 | 5.4 | 7.8 |
| Other operating expenses | 98.8 | 2.0 | 49.9 | 56.3 |
| Total | 539.9 | 498.3 | 452.6 | 430.7 |
| **8. Financial income and expenses** | | | | |
| Share of profits/losses of associated companies | 0.6 | 1.1 | | |
| Dividend income | | | | |
| From Group companies | | | 4.9 | 13.1 |
| From others | 5.1 | 0.8 | 3.5 | 0.5 |
| Dividend income, total | 5.1 | 0.8 | 8.4 | 13.6 |
| Interest income from investments held as non-current assets | | | | |
| From others | 1.3 | 0.7 | 1.3 | 0.7 |
| Other interest and financial income | | | | |
| From Group companies | | | 20.2 | 4.8 |
| From others | 23.1 | 21.6 | 15.1 | 17.4 |
| Interest income, total | 24.4 | 22.3 | 36.6 | 22.9 |
| Interest and other financial expenses | | | | |
| To Group companies | | | -16.5 | -7.8 |
| To others | -21.0 | -12.3 | -15.5 | -8.7 |
| Interest expenses, total | -21.0 | -12.3 | -32.0 | -16.5 |
| Total | 9.1 | 11.9 | 13.0 | 20.0 |
| **9. Items included in extraordinary income and expenses** | | | | |
| Expenses for discontinuing business operations | - | -4.5 | - | - |
| Merger profit, K-yhtiöt Oy | - | - | - | 168.8 |
| Contributions from Group companies | - | - | 34.2 | 41.2 |
| Contributions to Group companies | - | - | -14.6 | -6.7 |
| Total | - | -4.5 | 19.6 | 203.3 |
| **10. Appropriations** | | | | |
| Difference between depreciation according to plan and depreciation in taxation | - | - | 14.7 | 10.5 |
| Recognition of acquisition reserve | - | - | | -4.3 |
| Total | - | - | 14.7 | 6.2 |
| **11. Changes in provisions** | | | | |
| Rent expenses for vacant business premises | -0.6 | 3.2 | 0.3 | 0.2 |
| Guarantee losses | | -0.6 | | |
| Guarantee provisions | 0.7 | -2.0 | 0.4 | -0.7 |
| Supplementary pension liabilities | -0.1 | 0.0 | | |
| Expenses for discontinued business operations | -6.7 | -2.3 | | |
| Other changes | 2.7 | -1.5 | 0.5 | |
| Total | -4.0 | -3.2 | 1.2 | -0.5 |
| **12. Income taxes** | | | | |
| Income taxes on extraordinary items | | 1.3 | -5.7 | -9.7 |
| Income taxes on operating activities | -43.9 | -42.8 | -29.2 | -24.5 |
| Change in deferred tax liability | 9.3 | 2.5 | | |
| Total | -34.6 | -39.0 | -34.9 | -34.2 |

| NOTES TO THE BALANCE SHEET | GROUP | | KESKO CORPORATION | |
|---|---|---|---|---|
| | 2000 | 1999 | 2000 | 1999 |
| **13. Intangible assets** | | | | |
| **Goodwill** | | | | |
| Acquisition cost at 1 January | 79.1 | 79.1 | - | - |
| Increases | 7.0 | 0.0 | - | - |
| Decreases | 4.4 | 0.0 | - | - |
| Acquisition cost at 31 December | 90.5 | 79.1 | - | - |
| Accumulated depreciation at 1 January | 17.7 | 12.4 | - | - |
| Accumulated depreciation on decreases and transfers | 4.4 | 0.0 | - | - |
| Depreciation during the financial year | 6.7 | 5.3 | - | - |
| Accumulated depreciation at 31 December | 28.8 | 17.7 | - | - |
| Book value at 31 December | 61.7 | 61.4 | - | - |
| **Other capitalised expenditure** | | | | |
| Acquisition cost at 1 January | 198.4 | 191.2 | 86.8 | 71.8 Inc- |
| reases | 39.3 | 17.8 | 12.8 | 17.7 |
| Decreases | -42.5 | -10.6 | -1.6 | -2.7 |
| Transfers between items | 1.4 | | 2.6 | |
| Acquisition cost at 31 December | 196.6 | 198.4 | 100.6 | 86.8 |
| Accumulated depreciation at 1 January | 126.8 | 114.6 | 51.2 | 43.8 Ac- |
| cumulated depreciation on decreases and transfers | -41.6 | -8.1 | -1.0 | 0.9 |
| Depreciation for the financial year | 25.8 | 20.3 | 7.6 | 6.5 |
| Accumulated depreciation at 31 December | 111.0 | 126.8 | 57.8 | 51.2 |
| Book value at 31 December | 85.6 | 71.6 | 42.8 | 35.6 |
| **Advance payments** | | | | |
| Acquisition cost at 1 January | - | - | - | - |
| Increases | 1.8 | - | 1.3 | - |
| Decreases | -0.4 | - | - | - |
| Acquisition cost at 31 December | 1.4 | - | 1.3 | - |
| Book value at 31 December | 1.4 | - | 1.3 | - |
| **14. Tangible assets** | | | | |
| **Land and water** | | | | |
| Acquisition cost at 1 January | 145.1 | 147.7 | 103.6 | 82.8 |
| Increases | 14.0 | 13.6 | 11.1 | 23.4 |
| Decreases | -13.5 | -16.2 | -7.2 | -2.6 |
| Transfers between items | 3.6 | | 1.0 | |
| Acquisition cost at 31 December | 149.2 | 145.1 | 108.5 | 103.6 |
| Revaluation | 1.7 | 1.7 | 0.6 | 0.6 |
| Book value at 31 December | 150.9 | 146.8 | 109.1 | 104.2 |
| **Buildings** | | | | |
| Acquisition cost at 1 January | 726.7 | 716.4 | 470.7 | 378.1 |
| Increases | 38.9 | 70.0 | 61.3 | 113.2 |
| Decreases | -112.0 | -59.6 | -44.7 | -20.6 |
| Transfers between items | 60.1 | -0.1 | 11.3 | |
| Acquisition cost at 31 December | 713.7 | 726.7 | 498.6 | 470.7 |
| Accumulated depreciation at 1 January | 238.4 | 214.6 | 117.1 | 99.7 |
| Accumulated depreciation on decreases and transfers | -64.0 | -4.5 | -7.7 | 5.2 |
| Depreciation during the financial year | 27.8 | 28.3 | 16.8 | 12.2 |
| Accumulated depreciation at 31 December | 202.2 | 238.4 | 126.2 | 117.1 |
| Revaluation | 18.8 | 18.8 | | |
| Book value at 31 December | 530.3 | 507.1 | 372.4 | 353.6 |

| NOTES TO THE BALANCE SHEET | GROUP | | KESKO CORPORATION | |
|---|---|---|---|---|
| | 2000 | 1999 | 2000 | 1999 |
| **Machinery and equipment** | | | | |
| Acquisition cost at 1 January | 593.6 | 588.1 | 263.4 | 231.3 |
| Increases | 64.2 | 56.7 | 29.6 | 32.1 |
| Decreases | -151.9 | -51.2 | -4.8 | |
| Transfers between items | 13.8 | | 2.0 | |
| Acquisition cost at 31 December | 519.7 | 593.6 | 290.2 | 263.4 |
| Accumulated depreciation at 1 January | 416.0 | 408.1 | 191.2 | 172.8 |
| Accumulated depreciation on decreases and transfers | -138.0 | -49.3 | -0.9 | |
| Depreciation during the financial year | 59.6 | 57.2 | 23.1 | 18.4 |
| Accumulated depreciation at 31 December | 337.6 | 416.0 | 213.4 | 191.2 |
| Book value at 31 December | 182.1 | 177.6 | 76.8 | 72.2 |
| **Other tangible assets** | | | | |
| Acquisition cost at 1 January | 9.0 | 7.9 | 7.3 | 4.9 |
| Increases | 2.8 | 3.0 | 1.2 | 2.8 |
| Decreases | -1.5 | | -1.2 | |
| Transfers between items | 1.8 | -1.9 | 1.0 | -0.4 |
| Acquisition cost at 31 December | 12.1 | 9.0 | 8.3 | 7.3 |
| Accumulated depreciation at 1 January | 4.5 | 4.3 | 3.6 | 3.0 |
| Accumulated depreciation on decreases and transfers | 1.0 | -0.4 | -0.3 | 0.0 |
| Depreciation during the financial year | 0.9 | 0.7 | 0.7 | 0.6 |
| Accumulated depreciation at 31 December | 6.4 | 4.6 | 4.0 | 3.6 |
| Book value at 31 December | 5.7 | 4.4 | 4.3 | 3.7 |
| **Advance payments and construction in progress** | | | | |
| Acquisition cost at 1 January | 28.7 | 32.7 | 23.6 | 31.1 |
| Increases | 8.8 | 26.6 | 4.5 | 21.7 |
| Decreases | -3.5 | -30.6 | -18.0 | -29.2 |
| Transfers between items | -20.2 | | | 0.0 |
| Acquisition cost at 31 December | 13.8 | 28.7 | 10.1 | 23.6 |
| Book value at 31 December | 13.8 | 28.7 | 10.1 | 23.6 |
| **Revaluation of non-current assets** | | | | |
| Land and water | 1.7 | 1.7 | 0.6 | 0.6 |
| Buildings | 18.8 | 18.8 | | |
| Shares and similar rights of ownership | 0.6 | 0.6 | 0.7 | 0.7 |
| | 21.1 | 21.1 | 1.3 | 1.3 |

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

| | | | | |
|---|---|---|---|---|
| **15. Investments** | | | | |
| **Holdings in Group companies** | | | | |
| Acquisition cost at 1 January | - | - | 618.9 | 585.1 |
| Increases | - | - | 12.6 | 67.6 |
| Decreases | - | - | -2.6 | -32.9 |
| Transfers between items | - | - | | -0.9 |
| Acquisition cost at 31 December | - | - | 628.9 | 618.9 |
| 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 | - | - | 561.7 | 551.7 |

| NOTES TO THE BALANCE SHEET | GROUP | | KESKO CORPORATION | |
|---|---|---|---|---|
| | 2000 | 1999 | 2000 | 1999 |
| **Participating interests** | | | | |
| Acquisition cost at 1 January | 33.3 | 53.0 | 24.6 | 50.1 |
| Increases | 1.1 | 0.4 | 3.0 | 3.8 |
| Share of profits/losses for the financial year | -0.3 | 11.6 | | |
| Decreases | -5.0 | -32.1 | -2.4 | -29.3 |
| Transfers between items | -0.4 | 0.4 | 0.2 | |
| Acquisition cost at 31 December | 28.7 | 33.3 | 25.4 | 24.6 |
| Accumulated depreciation at 1 January | | | | |
| Accumulated depreciation on decreases and transfers | | | | |
| Accumulated depreciation at 31 December | | | | |
| Revaluation | 0.4 | 0.4 | 0.4 | 0.4 |
| Book value at 31 December | 29.1 | 33.7 | 25.8 | 25.0 |
| **Other shares and similar rights of ownership** | | | | |
| Acquisition cost at 1 January | 76.6 | 27.1 | 42.1 | 16.7 |
| Increases | 50.7 | 59.6 | 49.6 | 26.7 |
| Decreases | -20.5 | -10.5 | -19.4 | -2.2 |
| Transfers between items | 0.5 | 0.4 | -0.2 | 0.9 |
| Acquisition cost at 31 December | 107.3 | 76.6 | 72.1 | 42.1 |
| Value adjustments | 1.3 | 3.2 | 0.8 | 2.2 |
| Accumulated depreciation at 31 December | 2.1 | 3.4 | 1.4 | 2.2 |
| Revaluation | 0.2 | 0.3 | 0.2 | 0.2 |
| Book value at 31 December | 105.4 | 73.5 | 70.9 | 40.1 |
| **Shares in listed companies** | book value EUR million | market value EUR million | book value EUR million | market value EUR million |
| Kiinteistösijoitus Oyj Citycon | 29.7 | 18.6 | 6.8 | 4.2 |
| Rautakirja Oyj A | 35.8 | 26.9 | 35.8 | 26.9 |
| Sponda Plc | 13.1 | 10.8 | 13.1 | 10.8 |
| Total | 78.6 | 56.3 | 55.7 | 41.9 |

The shareholder register referred to in the Accounting Act is annexed to the company's official financial statements. Citycon Oyj and Sponda Plc shares have been valued at 80% of each company's equity per share. Rautakirja Oyj shares have been stated at acquisition cost. Their acquisition value was EUR 55.25 and bid quotation at 31 December was EUR 41.50. The book value of shares in housing and real estate companies (62 business premises) was EUR 34.4 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 |
|---|---|---|---|---|---|
| A/S Fanaal, Riga | 99.97 | 99.97 | 39,488 | 0.4 LVL | 1.0 |
| 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 |
| AS Fanaal, Tallinn | 100.0 | 100.0 | 399,995 | 40.0 EEK | 6.4 |
| 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 |
| FIM-mainos Oy, Helsinki | 100.0 | 100.0 | 240 | 0.4 | 0.6 |
| Hämeenkylän Kauppa Oy, Helsinki (Group) | 100.0 | 100.0 | 81,972,530 | 68.9 | 278.0 |
| 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 | 2,122,134 | 3.6 | 6.0 |
| Kaukomarkkinat Oy, Espoo (Group) | 100.0 | 100.0 | 2,085,320 | 35.1 | 83.9 |
| Kauppiaiden Komedia Oy, Helsinki (Group) | 99.0 | 88.1 | 342 | 0.1 | 2.5 |
| Kauppiaitten Kustannus Oy, Helsinki | 91.0 | 91.0 | 3,640 | 0.1 | 22.7 |
| Kesko Agro Eesti AS, Tallinn | 100.0 | 100.0 | 520 | 5.2 EEK | 1.0 |
| Kesko Eesti AS, Tallinn | 100.0 | 100.0 | 3,645 | 36.5 EEK | 5.2 |
| 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 |
| Keswell Ltd, Helsinki | 100.0 | 100.0 | 10 | 0.0 | 0.0 |
| Löytis Oy, Helsinki | 100.0 | 100.0 | 1,500 | 0.1 | 3.4 |
| Kesko Agro Ltd, Helsinki | 100.0 | 100.0 | 10 | 0.0 | 0.0 |
| Motorfeet Ltd, Helsinki | 100.0 | 100.0 | 100 | 0.0 | 0.2 |
| Rautakesko Ltd, Helsinki | 100.0 | 100.0 | 10 | 0.0 | 0.0 |
| Kesko Food Ltd, Helsinki | 100.0 | 100.0 | 10 | 0.0 | 0.0 |
| SIA Kesko Agro Latvia, Riga | 100.0 | 100.0 | 110 | 0.1 LVL | 0.2 |
| SIA Kesko Food Latvia, Riga | 100.0 | 100.0 | 1,000 | 0.1 LVL | 0.2 |
| Sincera Oy, Helsinki | 100.0 | 100.0 | 2,000 | 3.4 | 3.4 |
| Suneva Oy, Helsinki | 100.0 | 100.0 | 1,800 | 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 |
| 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 (Group) | 39.0 | 39.0 | 2,574 | 0.4 | 0.4 |
| Viking Fruit AB, Stockholm (Group) | 33.3 | 33.3 | 13,333 | 1.3SEK | 0.2 |
| Vähittäiskaupan Takaus Oy, Helsinki | 34.3 | 34.3 | 137,397 | 0.2 | 2.1 |
| Vähittäiskaupan Tilipalvelu VTP Oy, Helsinki | 30.0 | 30.0 | 30 | 0.1 | 0.1 |

| NOTES TO THE BALANCE SHEET | GROUP | | KESKO CORPORATION | |
|---|---|---|---|---|
| | 2000 | 1999 | 2000 | 1999 |
| **Other receivables** | | | | |
| Kiinteistösijoitus Oyj Citycon, subordinated loan | 18.2 | 19.2 | 18.2 | 19.2 |
| **16. Receivables** | | | | |
| **Receivables from Group companies** | | | | |
| Investments | | | | |
| Receivables | - | - | 6.3 | 6.8 |
| Total | - | - | 6.3 | 6.8 |
| Short-term receivables | | | | |
| Trade receivables | - | - | 56.7 | 74.1 |
| Loan receivables | - | - | 377.5 | 291.2 |
| Other receivables | - | - | 0.0 | 0.1 |
| Prepayments and accrued income | - | - | 3.2 | 2.5 |
| | - | - | 437.4 | 367.9 |
| Total | - | - | 443.7 | 374.7 |
| **Receivables from participating interests** | | | | |
| Long-term receivables | | | | |
| Loan receivables | 21.7 | 24.1 | 21.6 | 24.1 |
| Total | 21.7 | 24.1 | 21.6 | 24.1 |
| Short-term receivables | | | | |
| Trade receivables | 0.7 | 0.4 | 0.5 | 0.1 |
| Loan receivables | 10.7 | 13.1 | 10.5 | 13.1 |
| Prepayments and accrued income | 0.0 | 0.3 | 0.0 | 0.2 |
| | 11.4 | 13.8 | 11.0 | 13.4 |
| Total | 33.1 | 37.9 | 32.6 | 37.5 |
| **Prepayments and accrued income** | | | | |
| Sales price receivables | 19.7 | 0.7 | | |
| Annual discounts | 11.4 | 10.4 | 10.2 | 10.0 |
| Receivables from advertising costs | 13.7 | 11.6 | 13.4 | 9.5 |
| Others | 34.8 | 49.5 | 16.9 | 28.0 |
| Total | 79.6 | 72.2 | 40.5 | 47.5 |
| **17. Shareholders' equity** | | | | |
| Share capital at 1 January | 180.4 | 151.7 | 180.4 | 151.7 |
| Transfer from share premium account | | 28.7 | | 28.7 |
| Share capital at 31 December | 180.4 | 180.4 | 180.4 | 180.4 |
| Share premium account at 1 January | 142.7 | 171.7 | 142.7 | 171.4 |
| Transfer to share capital | | -28.7 | | -28.7 |
| Transfer to retained earnings | | -0.3 | | |
| Share premium account at 31 December | 142.7 | 142.7 | 142.7 | 142.7 |
| Revaluation reserve at 1 January | 1.4 | 1.6 | 1.2 | 1.4 |
| Change in revaluation reserve | 0.6 | -0.2 | 0.0 | -0.2 |
| Revaluation reserve at 31 December | 2.0 | 1.4 | 1.2 | 1.2 |
| Other reserves at 1 January | 237.8 | 303.2 | 243.4 | 243.4 |
| Change in other reserves | 11.2 | -65.4 | | |
| Other reserves at 31 December | 249.0 | 237.8 | 243.4 | 243.4 |

| NOTES TO THE BALANCE SHEET | GROUP | | KESKO CORPORATION | |
|---|---|---|---|---|
| | **2000** | **1999** | **2000** | **1999** |
| Retained earnings at 1 January | 869.8 | 778.6 | 564.1 | 373.4 |
| Distribution of dividends | -135.3 | -60.7 | -135.3 | -60.7 |
| Transfer to donations | -0.3 | -0.3 | -0.3 | -0.3 |
| Adjustment for associated companies | -6.0 | | | |
| Translation differences | -0.9 | 0.5 | | |
| Transfer from share premium account | | 0.2 | | |
| Transfer from other reserves | -11.2 | 66.5 | | |
| Retained earnings at 31 December | 716.1 | 784.8 | 428.5 | 312.4 |
| Profit for the financial year | 90.5 | 84.9 | 80.3 | 251.7 |
| Shareholders' equity, total | 1,380.9 | 1,432.1 | 1,076.6 | 1,131.8 |
| **Distributable reserves** | | | | |
| Other reserves | 248.8 | 237.8 | 243.4 | 243.4 |
| Retained earnings | 716.1 | 784.8 | 428.5 | 312.4 |
| Profit for the financial year | 90.5 | 84.9 | 80.3 | 251.7 |
| Share of depreciation reserve and untaxed reserves included in shareholders' equity | -190.1 | -204.8 | | |
| Group entries | -5.4 | -5.4 | | |
| Total | 860.0 | 897.3 | 752.2 | 807.5 |
| Breakdown of parent company's share capital | | counter value | | |
| | pcs | 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 given by shares: | | | | |
| | votes | | | |
| A share | 10 | | | |
| B share | 1 | | | |
| **18. Appropriations** | | | | |
| Depreciation reserve | - | - | 246.0 | 260.8 |
| Untaxed reserves | - | - | 4.4 | 4.4 |
| Total | - | - | 250.4 | 265.2 |
| **19. Provisions** | | | | |
| Rent expenses for vacant business premises | 3.1 | 3.7 | 0.8 | 0.6 |
| Guarantee losses | 0.3 | 0.3 | | |
| Guarantee provisions | 4.5 | 3.7 | 0.4 | |
| Supplementary pension liabilities | 0.4 | 0.5 | | |
| Expenses for discontinued business operations | 0.1 | 6.8 | | |
| Other provisions | 3.6 | 1.0 | 0.6 | |
| Total | 12.0 | 16.0 | 1.8 | 0.6 |
| **20. Deferred tax liabilities and assets** | | | | |
| Deferred tax assets caused by timing differences | 23.5 | 19.4 | - | - |
| Deferred tax liabilities | | | - | - |
| caused by appropriations | -81.2 | -86.1 | - | - |
| caused by timing differences | -3.0 | -3.3 | - | - |
| Total | -60.7 | -70.0 | - | - |

| NOTES TO THE BALANCE SHEET | | GROUP | | KESKO CORPORATION | |
|---|---|---|---|---|---|
| | | 2000 | 1999 | 2000 | 1999 |
| **21. Non-current liabilities** | | | | | |
| Debt falling due later than within five years | | | | | |
| Loans from financial institutions | | - | 54.3 | - | - |
| Total | | - | 54.3 | - | - |
| 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. | | | | | |
| **22. Current liabilities** | interest rate | | | | |
| Bonds with warrants 1996-2002 | 4% | 0.1 | 0.1 | 0.1 | 0.1 |
| The bonds include 1,325,000 warrants, each of which entitles to subscribe for one of Kesko B shares during 1.12.1999-30.4.2002. | | | | | |
| Bonds and notes | interest rate | | | | |
| Debenture loan 1985-1995 | 12% fallen due | 0.0 | 0.1 | 0.0 | 0.1 |
| **Debt to Group companies** | | | | | |
| Advances received | | - | - | 14.8 | 18.2 |
| Trade payables | | - | - | 10.3 | 15.9 |
| Other debt | | - | - | 293.2 | 243.0 |
| Accrued liabilities and deferred income | | - | - | 6.5 | 14.8 |
| Total | | - | - | 324.8 | 291.9 |
| **Debt to participating interests** | | | | | |
| Advances received | | 0.5 | 0.3 | 0.5 | 0.3 |
| Trade payables | | 0.1 | 1.7 | 0.1 | 1.7 |
| Other debt | | 12.7 | 7.9 | 12.7 | 7.9 |
| Accrued liabilities and deferred income | | 0.3 | 0.1 | 0.3 | 0.1 |
| Total | | 13.6 | 10.0 | 13.6 | 10.0 |
| **Accrued liabilities and deferred income** | | | | | |
| Personnel expenses | | 52.3 | 50.0 | 20.6 | 20.5 |
| Advertising expenses | | 11.5 | 8.1 | 11.5 | 8.1 |
| Taxes | | 15.5 | 23.7 | 5.7 | 17.2 |
| Others | | 37.1 | 44.0 | 12.6 | 17.8 |
| Total | | 116.4 | 125.8 | 50.4 | 63.6 |
| **23. Interest-free debt** | | | | | |
| Deferred tax liability | | 60.7 | 70.0 | 72.6 | 76.9 |
| Long-term liabilities | | 0.3 | | | |
| Short-term liabilities | | 795.6 | 747.0 | 623.3 | 630.9 |
| Total | | 856.6 | 817.0 | 695.9 | 707.8 |

| OTHER NOTES TO THE FINANCIAL STATEMENTS | GROUP | | KESKO CORPORATION | |
|---|---|---|---|---|
| | 2000 | 1999 | 2000 | 1999 |
| **24. Securities given and contingent liabilities** | | | | |
| Debt for the security of which mortgages have been given | | | | |
| Loans from financial institutions | 0.3 | 0.3 | | |
| Mortgages given | 1.6 | 0.3 | | |
| Other long-term debt | | | | |
| Mortgages given | | | | |
| Trade payables | 10.7 | 3.8 | 0.9 | 0.8 |
| Other short-term debt | 3.4 | 3.2 | 3.3 | 3.1 |
| Total | 14.1 | 7.0 | 4.2 | 3.9 |
| Mortgages given | 11.7 | 11.1 | 11.7 | 11.1 |
| Other mortgages | 3.8 | 3.9 | 2.0 | 1.7 |
| Debt, total | 14.4 | 7.3 | 4.2 | 3.9 |
| Mortgages given, total | 17.1 | 15.3 | 13.7 | 12.8 |
| Debt for the security of which shares have been given | | | | |
| Other long-term debt | | | | |
| Pledged shares | | | | |
| Trade payables | 2.6 | 0.1 | 2.6 | 0.1 |
| Other short-term debt | 11.1 | 6.1 | 11.1 | 6.1 |
| Pledged shares | 73.0 | 73.0 | 73.0 | 73.0 |
| Debt, total | 13.7 | 6.2 | 13.7 | 6.2 |
| Pledged shares, total | 73.0 | 73.0 | 73.0 | 73.0 |
| **Real estate mortgages** | | | | |
| For own debt | 17 | 15 | 14 | 13 |
| For Group companies | | | | |
| For associated companies | | | | |
| For management | | | | |
| For shareholders | | | | |
| For others | | | | |
| **Chattel mortgages** | | | | |
| For own debt | | 1 | | |
| For Group companies | | | | |
| For associated companies | | | | |
| For management | | | | |
| For shareholders | | | | |
| For others | | | | |
| **Pledges** | | | | |
| For own debt | 77 | 73 | 73 | 73 |
| For Group companies | | | | |
| For associated companies | | | | |
| For management | | | | |
| For shareholders | | | | |
| For others | | | | |

| OTHER NOTES TO THE FINANCIAL STATEMENTS | GROUP 2000 | GROUP 1999 | KESKO CORPORATION 2000 | KESKO CORPORATION 1999 |
|---|---|---|---|---|
| **Guarantees** | | | | |
| For own debt | 22 | 19 | | |
| For Group companies | | | 92 | 79 |
| For associated companies | | | | |
| For management | | | | |
| For shareholders | 1 | 1 | 1 | 1 |
| For others | 2 | 3 | 2 | 2 |
| **Other contingent liabilities** | | | | |
| For own debt | 62 | 40 | 45 | 29 |
| For Group companies | | | 57 | 57 |
| For associated companies | | | | |
| For management | | | | |
| For shareholders | | | | |
| For others | | | | |
| **Leasing liabilities** | | | | |
| Falling due within a year | 9 | 6 | 0 | 0 |
| Falling due later | 14 | 9 | 1 | 0 |

| OTHER NOTES TO THE FINANCIAL STATEMENTS | GROUP | | | | KESKO CORPORATION | | | |
|---|---|---|---|---|---|---|---|---|
| **Liabilities arising from derivative instruments**<br>Value of underlying instruments at 31 Dec. | 2000 | market value | 1999 | market value | 2000 | market value | 1999 | market value |
| Interest rate derivatives | | | | | | | | |
| Forward and future contracts | 4 | 0.0 | 1 | 0.0 | 4 | 0.0 | 1 | 0.0 |
| Option agreements | | | | | | | | |
| Bought | | | | | | | | |
| Written | | | | | | | | |
| Interest rate swaps | | | | | | | | |
| Currency derivatives | | | | | | | | |
| Forward and future contracts | 57 | 0.4 | 28 | -0.2 | 57 | 0.4 | 24 | 0.1 |
| Option agreements | | | | | | | | |
| Bought | 10 | -0.2 | | | 10 | -0.2 | | |
| Written | 1 | 0.0 | | | 1 | 0.0 | | |
| Currency swaps | | | | | | | | |
| Equities derivatives | | | | | | | | |
| Forward and future contracts | | | | | | | | |
| Option agreements | | | | | | | | |
| Bought | 2 | -0.1 | | | | | | |
| Written | | | | | | | | |

**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.

# › GROUP IN FIGURES, EUR

| | 1996 | 1997 | 1998 | 1999 | 2000 |
|---|---|---|---|---|---|
| **Income statement** | | | | | |
| Net sales, EUR million | 4,948 | 5,870 | 5,992 | 6,111 | 6,308 |
| Change in net sales, % | 10.5 | 18.6 | 2.1 | 2.0 | 3.2 |
| Other operating income, EUR million | 208 | 238 | 290 | 292 | 336 |
| Materials and services, EUR million | 4,530 | 5,204 | 5,270 | 5,359 | 5,553 |
| Personnel expenses, EUR million | 193 | 302 | 321 | 317 | 316 |
| Personnel expenses as % of net sales | 3.9 | 5.2 | 5.4 | 5.2 | 5.0 |
| Depreciation and value adjustments, EUR million | 64 | 99 | 101 | 113 | 119 |
| Other operating expenses, EUR million | 287 | 391 | 460 | 496 | 540 |
| Share of profits/losses of associated companies, EUR million | | | | -2 | 1 |
| Operating profit, EUR million | 82 | 112 | 130 | 116 | 117 |
| Operating profit as % of net sales | 1.6 | 1.9 | 2.2 | 1.9 | 1.9 |
| Financial income and expenses, EUR million | 43 | 3 | 3 | 12 | 9 |
| Profit before extraordinary items, EUR million | 125 | 115 | 133 | 128 | 126 |
| Profit before extraordinary items as % of net sales | 2.5 | 2.0 | 2.2 | 2.1 | 2,0 |
| Profit before taxes, EUR million | 110 | 115 | 156 | 124 | 126 |
| Profit before taxes as % of net sales | 2.2 | 2.0 | 2.6 | 2.0 | 2.0 |
| Income taxes, EUR million | 29 | 27 | 42 | 39 | 34 |
| Minority interest, EUR million | 0 | 0 | 0 | 0 | -1 |
| Net profit for the financial year, EUR million | 81 | 89 | 114 | 85 | 91 |
| Net profit for the financial year as % of net sales | 1.6 | 1.5 | 1.9 | 1.4 | 1.4 |
| **Balance sheet** | | | | | |
| Intangible assets, EUR million | 85 | 151 | 143 | 133 | 149 |
| Tangible assets, EUR million | 691 | 918 | 886 | 865 | 883 |
| Investments, EUR million | 472 | 119 | 82 | 126 | 153 |
| Stocks, EUR million | 404 | 461 | 495 | 492 | 536 |
| Receivables, EUR million | 728 | 726 | 692 | 683 | 772 |
| Marketable securities, EUR million | 65 | 180 | 208 | 232 | 30 |
| Cash on hand and at bank, EUR million | 46 | 30 | 39 | 39 | 47 |
| Share capital, EUR million | 152 | 152 | 152 | 180 | 180 |
| Shareholders' equity, total, EUR million | 1,279 | 1,338 | 1,407 | 1,432 | 1,380 |
| Minority interest, EUR million | 8 | 30 | 27 | 16 | 16 |
| Provisions, EUR million | 9 | 21 | 19 | 16 | 12 |
| Liabilities, EUR million | 1,195 | 1,196 | 1,092 | 1,106 | 1,162 |
| Balance sheet total, EUR million | 2,491 | 2,585 | 2,545 | 2,570 | 2,570 |
| Cash flow from operating activities, EUR million | 147 | 244 | 191 | 268 | 129 |
| Interest-bearing liabilities, EUR million | 473 | 385 | 317 | 289 | 305 |
| Interest-bearing net debt, EUR million | 362 | 176 | 71 | 18 | 227 |
| **Key indicators** | | | | | |
| Return on equity, % | 7.3 | 6.6 | 6.5 | 6.1 | 6.4 |
| Return on invested capital, % | 9.0 | 8.2 | 8.9 | 8.0 | 8.5 |
| Equity ratio, % | 51.9 | 53.2 | 56.7 | 56.6 | 54.7 |
| Gearing ratio, % | 28.2 | 12.9 | 4.9 | 1.3 | 16.3 |
| **Investments, EUR million** | 179 | 155 | 132 | 202 | 247 |
| Investments as % of net sales | 3.6 | 2.6 | 2.2 | 3.3 | 3.9 |
| **Personnel** | | | | | |
| Average number of personnel during the year | 6,503 | 10,672 | 11,172 | 10,993 | 11,099 |
| Number of personnel at 31 Dec., incl. part-time employees | | | | 12,968 | 13,361 |

| | 1996 | 1997 | 1998 | 1999 | 2000 |
|---|---|---|---|---|---|
| **Share capital and shares** | | | | | |
| Share capital, EUR million | 152 | 152 | 152 | 180 | 180 |
| Number of shares at 31 Dec., million pcs | 90 | 90 | 90 | 90 | 90 |
| Adjusted number of shares at 31 Dec., million pcs | 90 | 90 | 90 | 90 | 90 |
| Adjusted average number of shares during the year, million pcs | 90 | 90 | 90 | 90 | 90 |
| of which exclusive/A shares, % | 35 | 35 | 35 | 35 | 35 |
| of which ordinary/B shares, % | 65 | 65 | 65 | 65 | 65 |
| Market capitalisation, EUR million, A shares | | | | 432 | 538 |
| Market capitalisation, EUR million, B shares | 636 | 849 | 748 | 736 | 629 |
| Number of shareholders at 31 Dec. | 25,890 | 24,292 | 23,704 | 23,235 | 24,496 |
| Share turnover, EUR million | | | | | |
| A share | | | | 8 | 33 |
| B share | 456 | 415 | 382 | 248 | 177 |
| Share turnover, million pcs | | | | | |
| A share | | | | 1 | 2 |
| B share | 42 | 34 | 28 | 20 | 15 |
| Turnover rate, % | | | | | |
| A share | | | | 1.8 | 6.2 |
| B share | 73.5 | 58.2 | 47.8 | 34.8 | 26.1 |
| Change in share turnover, % | | | | | |
| A share | | | | | 240.9 |
| B share | 87.4 | -18.8 | -17.7 | -27.2 | -25.1 |
| Share price at 31 Dec., EUR | | | | | |
| A share | | | | 13.60 | 16.95 |
| B share | 10.92 | 14.50 | 12.78 | 12.60 | 10.75 |
| Average share price, EUR | | | | | |
| A share | | | | 14.22 | 16.85 |
| B share | 10.88 | 12.20 | 13.65 | 12.18 | 11.59 |
| Highest share price during the year, EUR | | | | | |
| A share | | | | 16.00 | 19.90 |
| B share | 12.68 | 14.80 | 16.40 | 15.45 | 14.99 |
| Lowest share price during the year, EUR | | | | | |
| A share | | | | 12.50 | 13.50 |
| B share | 8.91 | 10.68 | 10.09 | 10.50 | 9.61 |
| Earnings per share, EUR | 1.02 | 0.98 | 1.01 | 0.98 | 1.00 |
| Equity per share, adjusted, EUR | 14.17 | 14.83 | 15.59 | 15.87 | 15.31 |
| Dividend per share, EUR | 0.34 | 0.50 | 0.67 | 1.50 | 1.00 * |
| Dividend of earnings, % | 33.1 | 51.1 | 66.6 | 153.5 | 99.7 |
| Cash flow from operating activities per share, EUR | 1.63 | 2.71 | 2.12 | 2.97 | 1.43 |
| Price per earnings ratio (P/E), A share | | | | 13.88 | 16.95 |
| Price per earnings ratio (P/E), B share | 10.74 | 14.78 | 12.65 | 12.86 | 10.75 |
| Dividend yield, %, A share | | | | 11.0 | 5.9 |
| Dividend yield, %, B share | 3.1 | 3.5 | 5.3 | 11.9 | 9.3 |
| Yield of A share (from 1 June 1999), % | | | | | 18.5 |
| Yield of B share | | | | | |
| For the last five financial years, % | 15.2 | 21.7 | 12.2 | 10.2 | 9.8 |
| For the last ten financial years, % | 13.8 | 12.3 | 8.1 | 5.7 | 8.2 |

* proposal to the Annual General Meeting

# › GROUP IN FIGURES, FIM

| | 1996 | 1997 | 1998 | 1999 | 2000 |
|---|---|---|---|---|---|
| **Income statement** | | | | | |
| Net Sales, FIM million | 29,419 | 34,902 | 35,629 | 36,333 | 37,503 |
| Change in net sales, % | 10.5 | 18.6 | 2.1 | 2.0 | 3.2 |
| Other operating income, FIM million | 1,236 | 1,417 | 1,725 | 1,738 | 1,995 |
| Materials and services, FIM million | 26,936 | 30,939 | 31,333 | 31,856 | 33,014 |
| Personnel expenses, FIM million | 1,150 | 1,798 | 1,911 | 1,887 | 1,877 |
| Personnel expenses as % of net sales | 3.9 | 5.2 | 5.4 | 5.2 | 5.0 |
| Depreciation and value adjustments, FIM million | 379 | 587 | 603 | 672 | 708 |
| Other operating expenses, FIM million | 1,705 | 2,326 | 2,732 | 2,951 | 3,210 |
| Share of profits/losses of associated companies, FIM million | | | | -12 | 5 |
| Operating profit, FIM million | 485 | 667 | 775 | 693 | 694 |
| Operating profit as % of net sales | 1.6 | 1.9 | 2.2 | 1.9 | 1.9 |
| Financial income and expenses, FIM million | 255 | 17 | 16 | 71 | 54 |
| Profit before extraordinary items, FIM million | 740 | 685 | 791 | 764 | 748 |
| Profit before extraordinary items as % of net sales | 2.5 | 2.0 | 2.2 | 2.1 | 2.0 |
| Profit before taxes, FIM million | 651 | 685 | 926 | 737 | 748 |
| Profit before taxes as % of net sales | 2.2 | 2.0 | 2.6 | 2.0 | 2.0 |
| Income taxes, FIM million | 171 | 161 | 251 | 232 | 206 |
| Minority interest, FIM million | 1 | 2 | 2 | 0 | -4 |
| Net profit for the financial year, FIM million | 481 | 526 | 677 | 505 | 538 |
| Net profit for the financial year as % of net sales | 1.6 | 1.5 | 1.9 | 1.4 | 1.4 |
| **Balance sheet** | | | | | |
| Intangible assets, FIM million | 503 | 897 | 852 | 791 | 884 |
| Tangible assets, FIM million | 4,108 | 5,458 | 5,270 | 5,140 | 5,248 |
| Investments, FIM million | 2,805 | 710 | 487 | 752 | 909 |
| Stocks, FIM million | 2,403 | 2,739 | 2,944 | 2,928 | 3,188 |
| Receivables, FIM million | 4,330 | 4,320 | 4,112 | 4,061 | 4,592 |
| Marketable securities, FIM million | 386 | 1,069 | 1,235 | 1,377 | 179 |
| Cash on hand and at bank, FIM million | 274 | 176 | 229 | 231 | 282 |
| Share capital, FIM million | 902 | 902 | 902 | 1,073 | 1,073 |
| Shareholders' equity, total, FIM million | 7,602 | 7,955 | 8,365 | 8,515 | 8,211 |
| Minority interest, FIM million | 45 | 179 | 163 | 95 | 95 |
| Provisions, FIM million | 53 | 127 | 114 | 95 | 71 |
| Liabilities, FIM million | 7,109 | 7,108 | 6,487 | 6,575 | 6,905 |
| Balance sheet total, FIM million | 14,809 | 15,369 | 15,129 | 15,280 | 15,282 |
| Cash flow from operating activities, FIM million | 873 | 1,453 | 1,138 | 1,592 | 767 |
| Interest-bearing liabilities, FIM million | 2,812 | 2,290 | 1,884 | 1,718 | 1,812 |
| Interest-bearing net debt, FIM million | 2,153 | 1,045 | 421 | 110 | 1,352 |
| **Key indicators** | | | | | |
| Return on equity, % | 7.3 | 6.6 | 6.5 | 6.1 | 6.4 |
| Return on invested capital, % | 9.0 | 8.2 | 8.9 | 8.0 | 8.5 |
| Equity ratio, % | 51.9 | 53.2 | 56.7 | 56.6 | 54.7 |
| Gearing ratio, % | 28.2 | 12.9 | 4.9 | 1.3 | 16.3 |
| **Investments, FIM million** | 1,067 | 923 | 787 | 1,201 | 1,468 |
| Investments as % of net sales | 3.6 | 2.6 | 2.2 | 3.3 | 3.9 |
| **Personnel** | | | | | |
| Average number of personnel during the year | 6,503 | 10,672 | 11,172 | 10,993 | 11,099 |
| Number of personnel at 31 Dec., incl. part-time employees | | | | 12,968 | 13,361 |

| | 1996 | 1997 | 1998 | 1999 | 2000 |
|---|---|---|---|---|---|
| **Share capital and shares** | | | | | |
| Share capital, FIM million | 902 | 902 | 902 | 1,073 | 1,073 |
| Number of shares at 31 Dec., million pcs | 90 | 90 | 90 | 90 | 90 |
| Adjusted number of shares at 31 Dec., million pcs | 90 | 90 | 90 | 90 | 90 |
| Adjusted average number of shares during the year, million pcs | 90 | 90 | 90 | 90 | 90 |
| of which exclusive/A shares, % | 35 | 35 | 35 | 35 | 35 |
| of which ordinary/B shares, % | 65 | 65 | 65 | 65 | 65 |
| Market capitalisation, FIM million, A shares | | | | 2,566 | 3,198 |
| Market capitalisation, FIM million, B shares | 3,782 | 5,048 | 4,448 | 4,381 | 3,738 |
| Number of shareholders at 31 Dec. | 25,890 | 24,292 | 23,704 | 23,235 | 24,496 |
| Share turnover, FIM million | | | | | |
| A share | | | | 49 | 198 |
| B share | 2,709 | 2,467 | 2,271 | 1,474 | 1,050 |
| Share turnover, million pcs | | | | | |
| A share | | | | 1 | 2 |
| B share | 42 | 34 | 28 | 20 | 15 |
| Turnover rate, % | | | | | |
| A share | | | | 1.8 | 6.2 |
| B share | 73.5 | 58.2 | 47.8 | 34.8 | 26.1 |
| Change in share turnover, % | | | | | |
| A share | | | | | 240.9 |
| B share | 87.4 | -18.8 | -17.7 | -27.2 | -25.1 |
| Share price at 31 Dec., FIM | | | | | |
| A share | | | | 80.86 | 100.78 |
| B share | 64.90 | 86.20 | 76.00 | 74.92 | 63.92 |
| Average share price, FIM | | | | | |
| A share | | | | 84.53 | 100.17 |
| B share | 64.68 | 72.55 | 81.16 | 72.40 | 68.91 |
| Highest share price during the year, FIM | | | | | |
| A share | | | | 95.13 | 118.32 |
| B share | 75.40 | 88.00 | 97.50 | 91.86 | 89.13 |
| Lowest share price during the year, FIM | | | | | |
| A share | | | | 74.32 | 80.27 |
| B share | 53.00 | 63.50 | 60.00 | 62.43 | 57.14 |
| Earnings per share, FIM | 6.05 | 5.83 | 6.01 | 5.81 | 5.97 |
| Equity per share, adjusted, FIM | 84.26 | 88.18 | 92.72 | 94.38 | 91.01 |
| Dividend per share, FIM | 2.00 | 3.00 | 4.00 | 8.92 | 5.95 * |
| Dividend of earnings, % | 33.1 | 51.1 | 66.6 | 153.5 | 99.7 |
| Cash flow from operating activities per share, FIM | 9.67 | 16.10 | 12.61 | 17.64 | 8.50 |
| Price per earnings ratio (P/E), A share | | | | 13.88 | 16.95 |
| Price per earnings ratio (P/E), B share | 10.74 | 14.78 | 12.65 | 12.86 | 10.75 |
| Dividend yield, %, A share | | | | 11.0 | 5.9 |
| Dividend yield, %, B share | 3.1 | 3.5 | 5.3 | 11.9 | 9.3 |
| Yield of A share (from 1 June 1999), % | | | | | 18.5 |
| Yield of B share | | | | | |
| For the last five financial years, % | 15.2 | 21.7 | 12.2 | 10.2 | 9.8 |
| For the last ten financial years, % | 13.8 | 12.3 | 8.1 | 5.7 | 8.2 |

* proposal to the Annual General Meeting

# › CALCULATION OF KEY INDICATORS

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

# › AUDITORS' REPORT

**To Kesko Corporation's shareholders**

We have examined Kesko Corporation's accounting records, financial statements and administration for the financial period from 1 January to 31 December 2000. 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, 1 March 2001

SVH Pricewaterhouse Coopers Oy
Certified Public Accountants

Pekka Nikula
CPA

Mauno Tervo
CPA

# › SHARES AND SHAREHOLDERS

### Share series and share capital

Kesko Corporation's share capital is divided into A shares and B shares. On 31 December 2000, 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 total number of shares is 90,213,400, of which 31,737,007 (35.2%) are A shares and 58,476,393 (64.8%) are B shares. The book counter-value of the shares is EUR 2.00. Each A share entitles the holder to 10 votes and each B share to 1 vote. Both shares give the same dividend rights.

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

- who are registered as shareholders in the shareholder register on the record date,
- whose right to receive funds has been entered by the record date into the book-entry securities account of the shareholder registered in the shareholder register, and registered in the shareholder register, or,
- 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. Key information about the Kesko share trading is given in the table below.

The trading sector index dropped by 19.2% during the year, while the HEX general index dropped by 10.6% and the HEX portfolio index by 24.9%.

At the end of 2000, the market value of the A shares was EUR 537.9 million and that of the B shares EUR 628.6 million, with the total market capitalisation of the company being EUR 1,166.6 million.

Kesko's share prices and trading volumes can be monitored through the company's Internet pages at www.kesko.fi.

### Bonds with warrants

In 1996, the company issued to the company management bonds with warrants totalling EUR 222,849 which entitle them to subscribe to a maximum of 1,325,000 B shares of Kesko Corporation at a unit price of EUR 10.01. The subscription period for the shares is 1.12.1999-30.4.2002, and they entitle to dividends for the financial year during which the shares were subscribed and paid for.

The Annual General Meeting of 10 April 2000 approved a warrant scheme for the top and middle management as part of the management's incentive programme. There were two classes of warrants issued, warrants B and warrants C, both without consideration. There were 3,825,000 warrants B issued and 2,015,000 warrants C issued, i.e. a total of 5,840,000 warrants. Each warrant B and C entitles to the subscription of one B share of Kesko. The share subscription period shall begin on 1 November 2002 for warrants B and on 1 November 2003 for warrants C, and shall end on 31 March 2006 for all warrants. The share subscription price for warrant B shall be the trade volume weighted average price of Kesko's B share on the Helsinki Exchanges during March 2000 with an addition of 15 percent (EUR 15.97), and for warrant C the corresponding average price of the B share during March 2001 with an addition of 15 percent. From the share subscription price shall be deducted the amount of the dividend per share distributed after the period for the determination of the share subscription price has ended but before the date of subscription for shares. The warrant scheme comprises about 450 persons. All warrants were subscribed for within the subscription period.

### Kesko's A and B share prices and share trading

| Share price, EUR | 31.12.1999 | 31.12.2000 | change, % | lowest | highest | Trading volume, pcs | Total value, EUR million | Turnover rate, % |
|---|---|---|---|---|---|---|---|---|
| A share | 13.60 | 16.95 | 24.6 | 13.50 | 19.90 | 1,974,821 | 33.2 | 6.2 |
| B share | 12.60 | 10.75 | - 14.7 | 9.61 | 14.99 | 15,237,935 | 176.6 | 26.1 |

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

At the end of 2000, the members of Kesko Corporation's Board of Directors held a total of 450,000 warrants, including 150,000 warrants issued in 1996, and 300,000 B warrants issued in 2000. Their ownership share is 11.32% of the total number of the 1996 warrants and 5.14% of the total number of the year 2000 B and C warrants. The shares to be subscribed on the basis of these warrants give the Board of Directors members entitlement to 0.46% of the share capital and 0.12% of the total voting rights, supposing that all subscription rights are used.

During 2000, no shares were subscribed for on the basis of the warrants. The company has no other convertible bonds or bonds with warrants in issue.

### Authorisations of Board of Directors

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

### Dividend policy

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

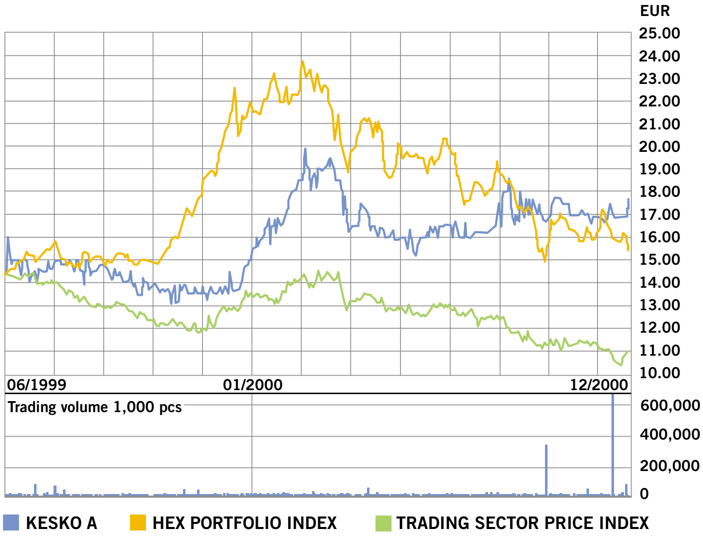
### Proposed dividends

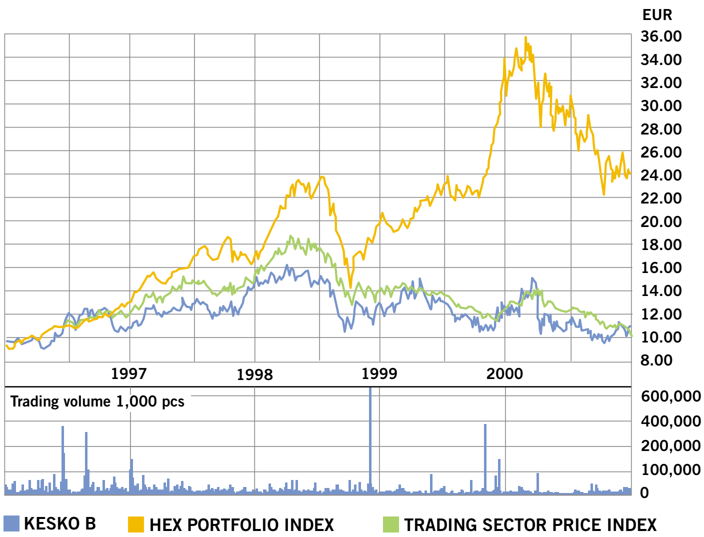
Kesko Corporation's Board of Directors proposes to the Annual General Meeting that EUR 45.1 million be distributed as dividends from the net profit for 2000, or EUR 0.50 per share, representing 50% of earnings per share. In addition, it proposes that EUR 0.50 per share be distributed as additional dividends. So it is proposed that a total of EUR 90.2 million, or EUR 1.00 per share be distributed as dividends.

### Shareholders

According to the register of Kesko's shareholders kept by the Finnish Central Securities Depository Ltd, there were 24,496 shareholders on 31 December 2000. The total number of shares registered in a nominee name was 15,757,595, accounting for 17.47% of the share capital. The number of votes entitled by these shares was 15,975,305, or 4.25% of the total voting rights. K-retailers owned a total of 18.84% of the shares, and had 38.59% of voting rights.

### Trends in Kesko's share prices and share trading




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 11.83
- The taxable value of a B share is EUR 7.35

Voting rights

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

### The latest changes in share capital

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

R = rights issue C = conversion of bonds

### Shares held by Kesko's management

On 31 December 2000, Kesko's Supervisory Board members and the organisations under their control held a total of 1,047,099 Kesko shares, which represented 1.16% of the company's share capital and 1.97% of its voting rights.

The members of Kesko's Board of Directors whose term expired on 31 December 2000, including the Managing Director and the Deputy Managing Director, held 1,000 Kesko shares at the end of the year, which represent 0.001% of the company's share capital and 0.0003% of its voting rights.

The members of Kesko's Board of Directors whose term began on 1 January 2001, including the Managing Director and the Deputy Managing Director and the organisations under their control, held at the end of January 2001 a total of 1,007,199 Kesko shares, which represented 1.12% of the company's share capital and 1.86% of its voting rights.

### Flagging notifications

During the year 2000, the company did not receive any flagging notifications. The company has not been informed of any agreements relating to its share ownership or the exercising of its voting rights.

### Investor relations

Accoding to its IR strategy, Kesko produces correct and updated information for the markets, as a basis for the formation of Kesko's share price. This 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 2000, Kesko distributed an Annual Report, interim reports and four issues of the TradeMaker magazine to all of its shareholders. The www.kesko.fi Internet pages provide information concerning Kesko's share trading, closing quotes, list of major shareholders updated on monthly basis, and a list of insiders.

In spring 2000, Kesko participated in the European CEO & Investors Forum in Edinburgh, and arranged in the autumn 2000 a meeting with analysts in London, and a Road Show for the U.S. market. In Finland, Kesko participated in three investor meetings arranged by The Finnish Foundation for Share Promotion. Additionally, the company's executives met Finnish and foreign analysts and investors in special events and at personal meetings.

Contact details for banks and securities firms that can give additional information on Kesko as an investment target, plus the schedule for publishing Kesko's financial results in 2001, 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 90 and 91.

### 20 largest shareholders by number of shares at 31 December 2000

| | | Number of shares | % of shares | % of votes |
|---|---|---|---|---|
| 1. | Kesko Pension Fund | 3,515,705 | 3.90 | 9.09 |
| 2. | Vähittäiskaupan Takaus Oy | 2,628,533 | 2.91 | 6.99 |
| 3. | The K-Retailers' Association | 2,560,639 | 2.84 | 6.72 |
| 4. | Ilmarinen Mutual Pension Insurance Company | 2,006,300 | 2.22 | 0.53 |
| 5. | The Finnish Local Government Pensions Institution | 1,604,600 | 1.78 | 0.43 |
| 6. | Valluga-sijoitus Oy | 1,340,439 | 1.49 | 3.57 |
| 7. | Varma-Sampo Mutual Pension Insurance Company | 1,318,353 | 1.46 | 0.35 |
| 8. | Pohjola Non-Life Insurance Company Limited | 1,280,000 | 1.42 | 0.34 |
| 9. | Sampo Life Insurance Company Limited | 1,267,130 | 1.40 | 0.34 |
| 10. | Suomi Mutual Life Insurance Company | 1,250,000 | 1.39 | 0.33 |
| 11. | Tapiola Mutual Pension Insurance Company | 1,066,300 | 1.18 | 0.28 |
| 12. | Oy The English Tearoom Ab | 1,008,400 | 1.12 | 0.27 |
| 13. | Tapiola General Mutual Insurance Company | 809,000 | 0.90 | 0.22 |
| 14. | Foundation for Vocat. Training in the Retail Trade | 794,225 | 0.88 | 1.69 |
| 15. | Industrial Insurance Company Ltd | 676,700 | 0.75 | 0.18 |
| 16. | Pohjola Life Insurance Company Limited | 503,000 | 0.56 | 0.13 |
| 17. | Pension Foundation Polaris | 434,100 | 0.48 | 0.12 |
| 18. | Hannu Aaltonen Oy | 418,480 | 0.46 | 1.11 |
| 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 2000

| | | Number of votes | % of votes | Number of shares | % of shares |
|---|---|---|---|---|---|
| 1. | Kesko Pension Fund | 34,156,070 | 9.09 | 3,515,705 | 3.90 |
| 2. | Vähittäiskaupan Takaus Oy | 26,285,330 | 6.99 | 2,628,533 | 2.91 |
| 3. | The K-Retailers' Association | 25,238,740 | 6.72 | 2,560,639 | 2.84 |
| 4. | Valluga-sijoitus Oy | 13,404,390 | 3.57 | 1,340,439 | 1.49 |
| 5. | Foundation for Vocat. Training in the Retail Trade | 6,340,943 | 1.69 | 794,225 | 0.88 |
| 6. | Hannu Aaltonen Oy | 4,184,800 | 1.11 | 418,480 | 0.46 |
| 7. | Ilmarinen Mutual Pension Insurance Company | 2,006,300 | 0.53 | 2,006,300 | 2.22 |
| 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. | Vesa Laakso Oy | 1,476,000 | 0.39 | 165,600 | 0.18 |
| 13. | Kotihalli Oy | 1,469,500 | 0.39 | 246,400 | 0.27 |
| 14. | Jutor Oy | 1,321,600 | 0.35 | 191,200 | 0.21 |
| 15. | Varma-Sampo Mutual Pension Insurance Company | 1,318,353 | 0.35 | 1,318,353 | 1.46 |
| 16. | Ruokacity Myyrmäki Oy | 1,310,000 | 0.35 | 140,000 | 0.16 |
| 17. | Pohjola Non-Life Insurance Company Limited | 1,280,000 | 0.34 | 1,280,000 | 1.42 |
| 18. | Sampo Life Insurance Company Limited | 1,267,130 | 0.34 | 1,267,130 | 1.40 |
| 19. | Suomi Mutual Life Insurance Company | 1,250,000 | 0.33 | 1,250,000 | 1.39 |
| 20. | The K-Grocers' Club of the K-Retailers' Association | 1,157,660 | 0.31 | 166,940 | 0.19 |

## Ownership structure at 31 December 2000

| All shares | Number of shares | % of all shares |
|---|---|---|
| Private enterprises | 24,664,544 | 27.34 |
| Public companies | 13,780 | 0.02 |
| Financial and insurance institutions | 9,872,213 | 10.94 |
| General government* | 11,602,197 | 12.86 |
| Non-profit institutions** | 4,329,109 | 4.80 |
| Households | 23,507,916 | 26.06 |
| Foreigners (incl. nominee registrations) | 16,123,358 | 17.87 |
| On waiting list | 0 | 0.00 |
| Not transferred to the book-entry securities system | 100,283 | 0.11 |
| Total | 90,213,400 | 100.00 |

| A shares | Number of shares | % of A shares | % of all shares |
|---|---|---|---|
| Private enterprises | 18,310,186 | 57.69 | 20.30 |
| Public companies | 0 | 0.00 | 0.00 |
| Financial and insurance institutions | 1,340,449 | 4.22 | 1.48 |
| General government* | 3,408,345 | 10.74 | 3.78 |
| Non-profit institutions** | 914,157 | 2.88 | 1.01 |
| Households | 7,682,598 | 24.21 | 8.52 |
| Foreigners (incl. nominee registrations) | 27,281 | 0.09 | 0.03 |
| On waiting list | 0 | 0.00 | 0.00 |
| Not transferred to the book-entry securities system | 53,991 | 0.17 | 0.06 |
| Total | 31,737,007 | 100.00 | 35.18 |

| B shares | Number of shares | % of B shares | % of all shares |
|---|---|---|---|
| Private enterprises | 6,354,358 | 10.87 | 7.04 |
| Public companies | 13,780 | 0.02 | 0.02 |
| Financial and insurance institutions | 8,531,764 | 14.59 | 9.46 |
| General government* | 8,193,852 | 14.01 | 9.08 |
| Non-profit institutions** | 3,414,952 | 5.84 | 3.79 |
| Households | 15,825,318 | 27.06 | 17.54 |
| Foreigners (incl. nominee registrations) | 16,096,077 | 27.53 | 17.84 |
| On waiting list | 0 | 0.00 | 0.00 |
| Not transferred to the book-entry securities system | 46,292 | 0.08 | 0.05 |
| Total | 58,476,393 | 100.00 | 64.82 |

* 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.

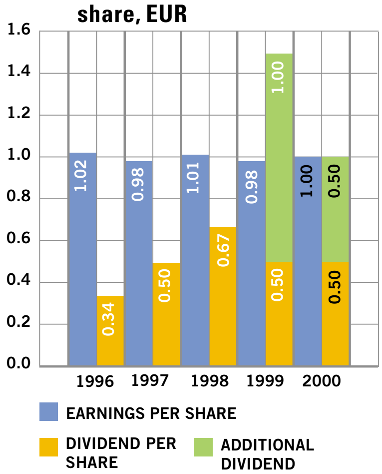
## Distribution of share ownership at 31 December 2000

| All shares<br>Number of shares | Number of shareholders | % of shareholders | Total of shares | % of shares |
|---|---|---|---|---|
| 1 - 100 | 5,130 | 20.96 | 277,129 | 0.31 |
| 101 - 500 | 8,501 | 34.73 | 2,358,061 | 2.61 |
| 501 - 1,000 | 4,031 | 16.47 | 3,133,226 | 3.47 |
| 1,001 - 5,000 | 5,154 | 21.05 | 11,642,912 | 12.91 |
| 5,001 - 50,000 | 1,525 | 6.23 | 19,676,033 | 21.81 |
| 50,001 - | 138 | 0.56 | 53,025,756 | 58.78 |
| Total | 24,479 | 100.00 | 90,113,117 | 99.89 |
| On waiting list | | | 0 | 0.00 |
| Not transferred to the book-entry securities system | | | 100,283 | 0.11 |
| Grand total | | | 90,213,400 | 100.00 |

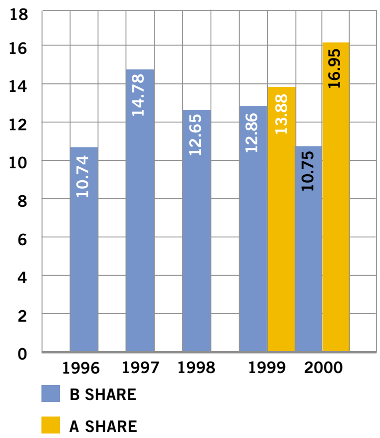
| A shares<br>Number of shares | Number of shareholders | % of holders of A shares | Total of A shares | % of A shares |
|---|---|---|---|---|
| 1 - 100 | 681 | 13.60 | 34,895 | 0.11 |
| 101 - 500 | 962 | 19.21 | 263,649 | 0.83 |
| 501 - 1,000 | 721 | 14.40 | 593,546 | 1.87 |
| 1,001 - 5,000 | 1,733 | 34.61 | 4,328,793 | 13.64 |
| 5,001 - 50,000 | 858 | 17.14 | 11,572,191 | 36.46 |
| 50,001 - | 52 | 1.04 | 14,889,942 | 46.92 |
| Total | 5,007 | 100.00 | 31,683,016 | 99.83 |
| On waiting list | | | 0 | 0.00 |
| Not transferred to the book-entry securities system | | | 53,991 | 0.17 |
| Grand total | | | 31,737,007 | 100.00 |

| B shares<br>Number of shares | Number of shareholders | % of holders of B shares | Total of B shares | % of B shares |
|---|---|---|---|---|
| 1 - 100 | 5,123 | 23.72 | 276,210 | 0.47 |
| 101 - 500 | 8,305 | 38.46 | 2,292,095 | 3.92 |
| 501 - 1,000 | 3,639 | 16.85 | 2,796,360 | 4.78 |
| 1,001 - 5,000 | 3,739 | 17.31 | 7,919,266 | 13.54 |
| 5,001 - 50,000 | 719 | 3.33 | 9,049,540 | 15.48 |
| 50,001 - | 69 | 0.32 | 36,096,630 | 61.73 |
| Total | 21,594 | 100.00 | 58,430,101 | 99.92 |
| On waiting list | | | 0 | 0.00 |
| Not transferred to the book-entry securities system | | | 46,292 | 0.08 |
| Grand total | | | 58,476,393 | 100.00 |

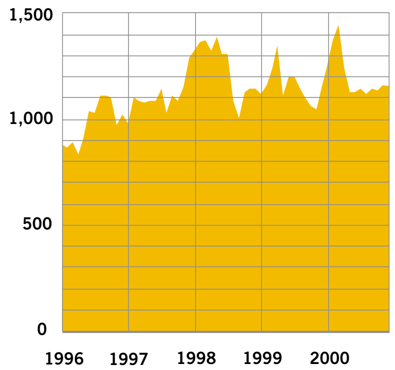
### Dividend and earnings per share, EUR




### Price per earnings ratio, P/E




### Market capitalisation, EUR million



# › CORPORATE GOVERNANCE

**Kesko Group comprises the parent company, Kesko Corporation, and its subsidiaries. The most important decisions within Kesko Corporation are made by the company's shareholders in a General Meeting. The parent company's Board of Directors is responsible for the Group's strategic policies, business operations and management. The operations of Kesko Corporation's Supervisory Board terminated when the new Articles of Association became effective on 1 January 2001.**

Kesko Group has four product lines: food, hardware and builders' supplies, home and speciality goods, and agriculture and machinery. The divisions responsible for Kesko Corporation's goods trading will be incorporated during 2001 into subsidiaries wholly owned by Kesko Corporation. Kesko Food Ltd and Keswell Ltd will start operations on 1 April 2001. Rautakesko Ltd and Kesko Agro Ltd, and its subsidiary Kesko Machinery Ltd, will start operations on 1 October 2001. Kaukomarkkinat Oy and VV-Auto Oy are companies operating independently of these division parent companies.

Kesko Corporation's Articles of Association were amended in 2000. Information on the amendments is available in the Report by the Board of Directors, page 44.

### General Meeting

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

### Supervisory Board

On 30 October 2000, Kesko Corporation's Extraordinary General Meeting approved the new Articles of Association from which the regulations concerning the Supervisory Board have been removed. The Articles of Association were entered in the Trade Register on 1 January 2001. The new corporate governance model is based on a Board of Directors and a Managing Director, without a Supervisory Board.

In 2000, the Supervisory Board had 4 meetings. The annual fee paid to the Supervisory Board's Chairman was about EUR 11,773 (FIM 70,000), to the Deputy Chairman about EUR 4,205 (FIM 25,000) and to other members about EUR 1,682 (FIM 10,000) each. The fee for a meeting was about EUR 336 (FIM 2,000) for a meeting of the Supervisory Board and about EUR 420 (FIM 2,500) for a meeting of the Supervisory Board's Working Committee. Daily allowances and compensation for travelling expenses were paid in accordance with the general travel rules applied by Kesko Corporation. The total fees of the Supervisory Board members for 2000 were EUR 39,271.88 (FIM 233,500). Information on the total quantities of Kesko Corporation shares held by the Supervisory Board members on 31 December 2000 is available in the section "Shares and shareholders" on page 76.

### Board of Directors

*Composition and term*

According to the Articles of Association that became effective on 1 January 2001, Kesko Corporation's Board of Directors consists of a minimum of five and a maximum of eight members. The Board of Directors' members are elected by a General Meeting for a term that starts at the close of the General Meeting electing the members and expires at the close of the third General Meeting after the election. The Board of Directors elects a Chairman and a Deputy Chairman from among its members.

*Functions*

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

- the making of decisions on the Group strategy and the confirmation of strategies for divisions,
- the confirmation of the Group's operational plan and budget,
- the handling and adoption of interim reports, consolidated financial statements and annual report,
- the confirmation of the Group's investment plan,
- the making of decisions on strategically or financially important individual investments, company acquisitions or disposals, and contingent liabilities,
- the approving of the Group's financial policy,

- the confirmation of the Group-level risk management and reporting practices,
- the making of decisions on reward and incentive schemes to the Group's management,
- the making of decisions on the Group structure and organisation,
- the formulation of a dividend policy and the responsibility for the development of the shareholder value,
- the appointment of the company's Managing Director and the determination of his employment benefits,
- the appointment of the Deputy Managing Director,
- the appointment of the Presidents of the division parent companies, and
- other duties that are determined for a Board of Directors in the Companies Act or that are otherwise specified.

*Meetings, fees and other benefits*

The Board of Directors meets 8-10 times a year, and at the Chairman's request when necessary. In the meetings, matters are mainly presented by Kesko's President and CEO. The following fees are paid to the members of the Board of Directors, with the exception of the persons employed by the company.

- the monthly fee paid to the Chairman is FIM 20,000 (EUR 3,363.76),
- the monthly fee paid to the Deputy Chairman is FIM 13,000 (EUR 2,186.44),
- the monthly fee paid to a Board member is FIM 10,000 (EUR 1,681.88),
- the fee paid to a participant, per meeting is FIM 2,500 (EUR 420.47).

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

Information on the shares and warrants held by the Board of Directors' members is available on pages 82-83. The Board of Directors' members have no loans from Kesko Corporation. The Board of Directors' members Matti Kallio, Kalevi Sivonen, Heikki Takamäki and Jukka Toivakka are K-retailers, who have normal business relationships with the Kesko Group.

*Board of Directors until 31 December 2000*

The Board of Directors that acted until the end of 2000 is presented on page 86. The salary and fringe benefits of Kesko Corporation's President and CEO, who acted as the Board of Directors' Chairman, for 2000 amounted to EUR 380,801.01, of which salary accounts for EUR 365,976.92 (FIM 2,176,000) and fringe benefits for EUR 14,824.08 (FIM 88,140). The salaries and fringe benefits of other Board members for 2000 totalled EUR 994,387.57 (FIM 5,912,360), of which salaries account for EUR 936,201.27 (FIM 5,566,400) and fringe benefits for EUR 58,186.29 (FIM 345,960).

**Managing Director and Deputy Managing Director**

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

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

**The Division Boards of Directors**

The function of the Boards of Directors of the division parent companies that will be incorporated during 2001 is to deal with and decide on matters that are fundamentally and financially significant for the division parent company. The most important functions are:

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

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

**President of a Division Parent Company**

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

**Corporate Management Board**

A Corporate Management Board was formed in the Kesko Group at the beginning of 2001, with its members broadly representing the Group's top management. The Corporate Management Board meets 6-10 times a year. It is responsible for dealing with Group-level development projects and Group-level principles and policies. In addition, the Corporate Management Board is informed about the Group's and the division parent companies' business plans, profit performance and the matters that are handled by Kesko's Board of Directors, and it also participates in the preparation of those matters.
The following persons belong on the Corporate Management Board:

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

**Auditors and the control system**

*Auditors*

The company has a minimum of one and a maximum of three auditors elected by the Annual General Meeting. The auditors shall be auditors or firms of auditors authorised by the Central Chamber of Commerce.
Auditors in 2000:

- 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

*Control system*

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

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

**Company insiders**

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

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

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

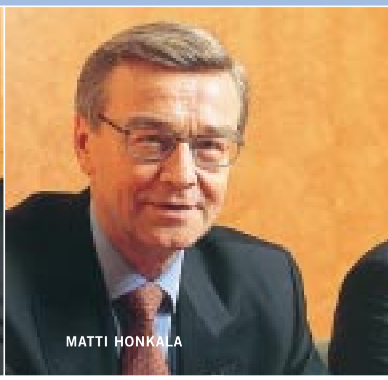
In addition, Kesko Corporation's permanent insiders include the persons who are working, at the time in question, in such duties as determined by the Board of Directors.

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

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

# › BOARD OF DIRECTORS ON 1 JANUARY 2001







**Matti Kallio, Chairman** b. 1945

Retailer, K-Supermarket Jättijako, domicile Helsinki.
Other major duties: the Foundation for Vocational Training in the Retail Sector: Board of Directors' member; Sampo Life Insurance Company Limited: Supervisory Board member.
Kesko Corporation's shares and warrants held on 1 January 2001: a total of 211,280 A shares and 223,900 B shares held by him and his company.

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

B.Sc. (Econ.).
Finnair Oyj's President and CEO, domicile Helsinki.
Other major duties: the Employers' Confederation of Service Industries: Board of Directors' member; Elisa Communications Corporation: Board of Directors' Chairman; the Finnish Cultural Foundation: Supervisory Board member; the Finnish Fair Corporation: Supervisory Board member.
Kesko Corporation's shares and warrants held on 1 January 2001: none.

**Matti Honkala,** b. 1945

B.Sc. (Econ.).
Kesko Corporation's President and CEO, domicile Kauniainen.
Other major duties: Merita Bank plc: Supervisory Board member; Varma-Sampo Mutual Pension Insurance Company: Supervisory Board member; the Finnish Fair Corporation: Board of Directors' member; the Employers' Confederation of Service Industries: Board of Directors' Chairman; Sampo Life Insurance Company Limited: Supervisory Board's Chairman; Luottokunta: Supervisory Board member; the Federation of Finnish Commerce and Trade: Board of Directors' member; the Central Chamber of Commerce: Board of Directors' member; the International Chamber of Commerce (ICC): World Council member; UGAL: Board of Directors' member.
Kesko Corporation's shares and warrants held on 1 January 2001: 1000 B shares and 150,000 warrants, which entitle to subscribe for a maximum of 150,000 Kesko Corporation B shares.

**Eero Kasanen,** b. 1952

Dr.Sc. (Econ.), Doctor of Business Administration.
Rector of the Helsinki School of Economics and Business Administration, domicile Helsinki.
Other major duties: Sampo Life Insurance Company Limited: Board of Directors' member; Finnish Fund for Industrial Cooperation Ltd. (Finnfund): Board of Directors' member; Holding Oy of Helsinki School of Economics and Business Administration: Board of Directors' Chairman; the OKOBANK Group Research Foundation: Board of Directors' member; the National Theatre of Finland: Board of Directors' member; the Emil Aaltonen Foundation: Board of Directors' member.
Kesko Corporations' shares and warrants held on 1 January 2001: none.


MAARIT NÄKYVÄ


KALEVI SIVONEN


HEIKKI TAKAMÄKI


JUKKA TOIVAKKA

**Maarit Näkyvä,** b. 1953

M.Sc. (Econ.).
Sampo-Leonia plc's Executive Vice President, Private Banking and Retail Distribution, domicile Espoo.
Other major duties: the Deposit Guarantee Fund: Board of Directors' member; Sampo-Leonia Asset Management Ltd and Sampo-Leonia Fund Management Ltd: Chairman of the Boards of Directors.
Kesko Corporation's shares and warrants held on 1 January 2001: none.

**Kalevi Sivonen,** b. 1949

Retailer, K-Citymarket Itäkeskus, domicile Vantaa.
Kesko Corporation's shares and warrants held on 1 January 2001: a total of 181,929 A shares and 60,400 B shares held by him, his minor child and his company.

**Heikki Takamäki,** b. 1947

Retailer, Rauta-Otra Nekala, domicile Tampere.
Other major duties: the Foundation for Vocational Training in the Retail Trade: Board of Directors' Chairman; SV-Kauppiaskanava Oy: Board of Directors' Chairman.
Kesko Corporation's shares and warrants held on 1 January 2001: a total of 81,470 A shares and 30,120 B shares held by him and his company.

**Jukka Toivakka,** b. 1962

M.Sc. (Econ.).
Retailer, K-Citymarket Mikkeli, domicile Mikkeli.
Kesko Corporation's shares and warrants held on 1 January 2001: a total of 192,100 A shares and 25,000 B shares held by him and his company.

# › CORPORATE MANAGEMENT BOARD ON 1 JANUARY 2001


MATTI HONKALA


KALERVO HAAPANIEMI


MATTI HALMESMÄKI


ERKKI HEIKKINEN

**Matti Honkala,** b. 1945

B.Sc. (Econ.).
See the presentation of the Board of Directors on page 82.

**Kalervo Haapaniemi,** b. 1947

M.Sc. (Econ.).
President, Kesko Food, Deputy Chief Executive, domicile Espoo.
Other major duties: Luottokunta: Board of Directors' member; Publicis International Oy: Board of Directors' member; Rautakirja Oyj: Board of Directors' member.
Kesko Corporation's shares and warrants held on 1 January 2001: 50,000 warrants, which entitle to subscribe for a maximum of 50,000 Kesko Corporation B shares.

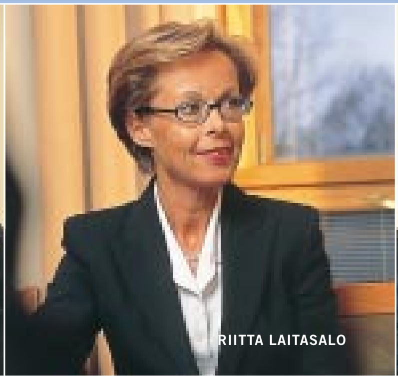
**Matti Halmesmäki,** b. 1952

M.Sc. (Econ.), LL.M.
President, Rautakesko and Kesko Agriculture and Machinery, domicile Helsinki.
Kesko Corporation's shares and warrants held on 1 January 2001: 100,000 warrants, which entitle to subscribe for a maximum of 100,000 Kesko Corporation B shares.

**Erkki Heikkinen,** b. 1949

M.A.
Senior Vice President, Corporate Communications, domicile Helsinki.
Kesko Corporation's shares and warrants held on 1 January 2001: 100 B shares and 45,000 warrants, which entitle to subscribe for a maximum of 45,000 Kesko Corporation B shares.







**Juhani Järvi,** b. 1952

M.Sc. (Econ.).
Corporate Executive Vice President, Finance and Administration, CFO, domicile Helsinki.
Kesko Corporation's shares and warrants held on 1 January 2001: 50,000 warrants, which entitle to subscribe for a maximum of 50,000 Kesko Corporation B shares.

**Matti Laamanen,** b. 1948

M.Sc. (Econ.), LL.M.
President, Keswell, domicile Kerava.
Kesko Corporation's shares and warrants held on 1 January 2001: 45,000 warrants, which entitle to subscribe for a maximum of 45,000 Kesko Corporation B shares.

**Riitta Laitasalo,** b. 1955

M.Sc. (Econ.).
Senior Vice President, Administration, domicile Espoo.
Other major duties: the Commercial Employers' Association in Finland: Board of Directors' member.
Kesko Corporation's shares and warrants held on 1 January 2001: 50,000 warrants, which entitle to subscribe for a maximum of 50,000 Kesko Corporation B shares.

**Jouko Tuunainen,** b. 1945

B.Sc. (Econ.).
Corporate Executive Vice President, Resource Management, domicile Helsinki.
Other major duties: Radiolinja Oy: Board of Directors' member; Sato-Yhtymä Oyj: Board of Directors' Chairman; Kiinteistösijoitus Oyj Citycon: Board of Directors' Deputy Chairman; the Helsinki Chamber of Commerce: Chairman.
Kesko Corporation's shares and warrants held on 1 January 2001: 100,000 warrants, which entitle to subscribe for a maximum of 100,000 Kesko Corporation B shares.

# › SUPERVISORY BOARD AND BOARD OF DIRECTORS UNTIL 31 DECEMBER 2000

## KESKO CORPORATION'S SUPERVISORY BOARD UNTIL 31 DECEMBER 2000

**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 BOARD OF DIRECTORS UNTIL 31 DECEMBER 2000

**Matti Honkala,** b. 1945
Chairman of the Board, President and CEO, B.Sc. (Econ.).
Kesko Corporation's shares and warrants held on 31 December 2000: 1,000 B shares and 150,000 warrants, which entitle to subscribe for a maximum of 150,000 Kesko Corporation B shares.

**Kalervo Haapaniemi,** b. 1947
Board member, Deputy Chief Executive, M.Sc. (Econ.).
Kesko Corporation's shares and warrants held on 31 December 2000: 50,000 warrants, which entitle to subscribe for a maximum of 50,000 Kesko Corporation B shares.

**Jouko Tuunainen,** b. 1945
Board member, B.Sc. (Econ.).
Kesko Corporation's shares and warrants held on 31 December 2000: 100,000 warrants, which entitle to subscribe for a maximum of 100,000 Kesko Corporation B shares.

**Matti Halmesmäki,** b. 1952
Board member, M.Sc. (Econ.), LL.M.
Kesko Corporation's shares and warrants held on 31 December 2000: 100,000 warrants, which entitle to subscribe for a maximum of 100,000 Kesko Corporation B shares.

**Juhani Järvi,** b. 1952
Board member, M.Sc. (Econ.).
Kesko Corporation's shares and warrants held on 31 December 2000: 50,000 warrants, which entitle to subscribe for a maximum of 50,000 Kesko Corporation B shares.

# › ADDRESSES AND SUBSIDIARY INFORMATION

## Addresses on 1 April 2001

### KESKO CORPORATION

**www.kesko.fi**

### CORPORATE MANAGEMENT

Satamakatu 3, Helsinki
FIN-00016 Kesko
Phone: +358 10 5311 (7.30-18.00 local time)
Fax: +358 9 657 465
E-mail: first name.surname@kesko.fi

### DISTRICT CENTRES

**Southern Finland**
Jokiniementie 31, P.O.B. 152,
FIN-01301 Vantaa
Phone +358 10 5311, Fax +358 10 532 8517

**Southwestern Finland**
Rydönnotko 1, P.O.B. 116,
FIN-20101 Turku
Phone +358 10 5311, Fax +358 10 532 1309

**Western Finland**
Jokipohjantie 28, P.O.B. 330,
FIN-33101 Tampere
Phone +358 10 5311, Fax +358 10 532 5448

**Eastern Finland**
Päivärannantie 18, P.O.B. 46,
FIN-70701 Kuopio
Phone +358 10 5311, Fax +358 10 532 9020

**Northern Finland**
Äimäkuja 2, P.O.B. 16,
FIN-90401 Oulu
Phone +358 10 5311, Fax +358 10 533 0572

### KESKO FOOD LTD

| | *average personnel in 2000* | *net sales, EUR million* |
|---|---|---|
| President Kalervo Haapaniemi<br>Satamakatu 3, (Helsinki)<br>FIN-00016 Kesko<br>Phone +358 10 53 030, Fax +358 10 532 3486 | *4,896* | *3,453* |

**SUBSIDIARIES**

| | | |
|---|---|---|
| **Carrols Oy**<br>Managing Director Kari Kivikoski<br>Atomitie 5 C<br>FIN-00370 Helsinki<br>Phone +358 10 53 060 , Fax +358 10 532 4471<br>www.carrols.fi | *326* | *29* |
| **Citymarket Oy**<br>Managing Director Antti Puhakka<br>Satamakatu 3<br>FIN-00016 Kesko<br>Phone +358 10 5311, Fax +358 9 175 571<br>www.citymarket.fi | *2,086* | *364* |
| **Kesko Eesti AS**<br>Managing Director Timo Hämälä<br>Põrguväljatee 3, Pildiküla,<br>Harjumaa EE 75301, Estonia<br>Phone +372 6 059 400, Fax +372 6 059 401 | *168* | *30* |
| **Kespro Ltd**<br>Managing Director Ari Virnes<br>Sähkötie 1, FIN-01510 Vantaa<br>P.O.B. 15, FIN-00016 Kesko<br>Phone +358 10 53 040 , Fax +358 9 634 169<br>www.kespro.com | *566* | *413* |
| **SIA Kesko Food Latvia**<br>Managing Director Ari Svensk<br>Vienibas Gatve 87 b<br>LV-1004 Riga, Latvia<br>Phone +371 7 860 235, Fax +371 7 860 234 | *6* | - |
| **Viking Coffee Ltd**<br>Managing Director Raimo Ilveskero<br>Tikkurilantie 5, P.O.B. 269,<br>FIN-01301 Vantaa<br>Phone +358 10 5311, Fax +358 9 873 4034<br>www.costarica.fi | *53* | *34* |

### RAUTAKESKO

| | *average personnel in 2000* | *net sales, EUR million* |
|---|---|---|
| President Matti Halmesmäki<br>Vanha Porvoontie 229, P.O.B. 75,<br>FIN-01301 Vantaa<br>Phone +358 10 53 032, Fax +358 9 857 4783 | *1,040* | *693* |

**SUBSIDIARIES**

| | | |
|---|---|---|
| **AS Fanaal**<br>Managing Director Peeter Raudsepp<br>Tähetorni 100 A<br>EE-11625 Tallinn, Estonia<br>Phone +372 6 257 501, Fax +372 6 257 563<br>E-mail: fanaal@mail.emaailm.ee<br>www.emaailm.ee | *273* | *29* |
| **A/S Fanaal**<br>Managing Director Artis Bitenieks<br>Rencenu iela 21<br>LV-1073 Riga, Latvia<br>Phone +371 7 139 006, Fax +371 7 810 091<br>E-mail: fanaal@mail.emaailm.ee<br>www.emaailm.ee | *111* | *12* |
| **Kesko Svenska AB**<br>Managing Director Juha Mustakangas<br>Bagarbyvägen 61<br>S-19134 Sollentuna, Sweden<br>Phone +46 8 625 6960, Fax +46 8 625 6998<br>E-mail: first name.surname@kesko.se<br>www.k-rauta.a.se | *265* | *44* |
| **ZAO Kestroy**<br>Managing Director Ilkka Sinkkonen<br>Ul Ryabinovaya 43 A<br>121471 Moscow, Russia<br>Phone +7095 447 1836, Fax +7095 764 0838<br>E-mail: sales@kestroy.ru<br>www.kestroy.com | *26* | *4* |

## KESWELL LTD

| | average personnel in 2000 | net sales, EUR million |
|---|---|---|
| President Matti Laamanen | 2,639 | 726 |

Valimotie 17
FIN-00380 Helsinki
Phone +358 10 53 031, Fax +358 10 533 9108

### SUBSIDIARIES

| | | |
|---|---|---|
| **Academica Oy** | 29 | 14 |

Managing Director Jaakko Rytilä
Isoniitynkuja 2
FIN-02270 Espoo
Phone +358 10 534 6482, Fax +358 10 534 6490
www.academica.fi

| | | |
|---|---|---|
| **Anttila Oy** | 2,280 | 451 |

Managing Director Matti Leminen
Valimotie 17, Helsinki, P.O.B. 1060,
FIN-00016 Kesko
Phone +358 10 5343, Fax +358 10 534 0109
www.anttila.fi

## KESKO AGRICULTURE AND MACHINERY

| | average personnel in 2000 | net sales, EUR million |
|---|---|---|
| President Matti Halmesmäki | 664 | 581 |

Tikkurilantie 10, P.O.B. 54,
FIN-01301 Vantaa
Phone +358 10 53 033, Fax +358 9 873 5975

**Kesko Agriculture**
Vice President Juha Nuutila
Tikkurilantie 10, P.O.B. 54,
FIN-01301 Vantaa
Phone +358 10 53 033, Fax +358 9 857 4729

**Kesko Machinery**
Vice President Pekka Lahti
Tikkurilantie 10, P.O.B. 54,
FIN-01301 Vantaa
Phone +358 10 53 034, Fax +358 9 857 4738

**K-Alliance's experimental farm**
Research Director Tapio Lahti
Hahkialantie 30
FIN-14700 Hauho
Phone +358 10 5303, Fax +358 3 615 0230
www.k-koetila.fi

### SUBSIDIARIES

| | | |
|---|---|---|
| **Kesko Agro Eesti AS** | 27 | 10 |

Managing Director Tõnu Kelder
Peterburi mnt 63 A
EE-0014 Tallinn, Estonia
Phone +372 6 652 965, Fax +372 6 652 995
www.keskoagro.com

| | | |
|---|---|---|
| **K-maatalousyhtiöt Oy** | 188 | 133 |

Managing Director Janne Eriksson
Tikkurilantie 10 (P.O.B. 54)
FIN-01380 Vantaa (FIN-01301 Vantaa)
Phone +358 10 53 033, Fax +358 9 857 4729
www.k-maatalous.fi

| | | |
|---|---|---|
| **SIA Kesko Agro Latvia** | 20 | 8 |

Managing Director Arttu Airiainen
Vienibas Gatve 87
LV-1004 Riga, Latvia
Phone +371 7 805 420, Fax +371 7 805 421
www.keskoagro.com

## KAUKOMARKKINAT OY

| | average personnel in 2000 | net sales, EUR million |
|---|---|---|
| President Hannu Närhi | 799 | 294 |

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

## VV-AUTO OY

| | average personnel in 2000 | net sales, EUR million |
|---|---|---|
| President Erkki Sillantaka | 107 | 482 |

VV-Auto Oy/Auto-Span Oy
Hitsaajankatu 7 B, P.O.B. 80,
FIN-00811 Helsinki
Phone +358 9 75 831, Fax +358 9 758 3267
www.volkswagen.fi, www.audi.fi

## OTHER SUBSIDIARIES

| | average personnel in 2000 | net sales, EUR million |
|---|---|---|
| **K-Plus Oy/K-Luotto Oy** | 60/26 | 24/4 |

Managing Director Eija Jantunen
Satamakatu 3, Helsinki
FIN-00016 Kesko
Phone +358 10 53 020, Fax +358 9 698 6952

## RESOURCE MANAGEMENT

| | average personnel in 2000 | net sales, EUR million |
|---|---|---|
| Corporate Executive Vice President Jouko Tuunainen | 484 | |

Satamakatu 3, (Helsinki)
FIN-00016 Kesko
Phone +358 10 5311, Fax +358 9 657 465

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

**Information and Logistics Management**
Vice President Eero Vesterinen
Satamakatu 3, (Helsinki)
FIN-00016 Kesko
Phone +358 10 5311, Fax +358 10 532 3460

## SUBSIDIARIES

| | average personnel in 2000 | net sales, EUR million |
|---|---|---|
| **Hämeenkylän Kauppa Oy**<br>Managing Director Erkki Heikonen<br>Satamakatu 3, Helsinki<br>FIN-00016 Kesko<br>Phone +358 10 5311, Fax +358 10 532 3425 | *2* | *11* |
| **Kesped Ltd**<br>Managing Director Timo Kortelainen<br>Jokiniementie 31, P.O.B. 47<br>FIN-01301 Vantaa<br>Phone +358 10 53 050, Fax +358 10 532 7021<br>www.kesped.fi | *191* | *94* |
| **K-linkki Oy**<br>Managing Director Niila Rajala<br>Ylä-malmintori 6 A<br>FIN-00700 Helsinki<br>Phone +358 10 5311, Fax +358 10 532 3443 | *49* | *21* |
| **Tietokesko Oy**<br>Managing Director Osmo Kimmo<br>Kruunuvuorenkatu 4, (Helsinki)<br>FIN-00016 Kesko<br>Phone +358 10 5311, Fax +358 9 665 628<br>www.tietokesko.fi | *173* | *39* |

### FINANCE AND ADMINISTRATION

| | *average personnel in 2000* | *net sales, EUR million* |
|---|---|---|
| Corporate Executive Vice President, CFO Juhani Järvi<br>Satamakatu 3, (Helsinki)<br>FIN-00016 Kesko<br>Phone +358 10 5311, Fax +358 9 657 465 | *269* | |

**Administration**
Senior Vice President Riitta Laitasalo
Satamakatu 3, (Helsinki), FIN-00016 Kesko
Phone +358 10 5311, Fax +358 9 657 465

**Human Resources**
Vice President Kyösti Pärssinen
Satamakatu 3, (Helsinki), FIN-00016 Kesko
Phone +358 10 5311, Fax +358 10 532 3479

**Accounting**
Vice President Paavo Rönkkö
Satamakatu 3, (Helsinki), FIN-00016 Kesko
Phone +358 10 5311, Fax +358 9 624 679

**Treasury**
Treasurer Heikki Ala-Seppälä
Satamakatu 3, (Helsinki), FIN-00016 Kesko
Phone +358 10 5311, Fax +358 9 666 131

**Legal Affairs**
General Counsel Anne Leppälä-Nilsson
Satamakatu 3, (Helsinki), FIN-00016 Kesko
Phone +358 10 5311, Fax +358 10 532 3421

## SUBSIDIARIES

| | average personnel in 2000 | net sales, EUR million |
|---|---|---|
| **K-instituutti Oy**<br>Managing Director Kari Heiskanen<br>Siikajärventie 88-90<br>FIN-02860 Espoo<br>Phone +358 10 5311, Fax +358 9 863 8571<br>www.k-instituutti.fi | *60* | *4* |
| **K-Rahoitus Oy**<br>Managing Director Jouni Järvinen<br>Tikkurilantie 10, P.O.B. 54,<br>FIN-01301 Vantaa<br>Phone +358 10 5311, Fax +358 10 532 0556 | *6* | - |
| **Sincera Oy**<br>Managing Director Heikki Ala-Seppälä<br>Satamakatu 3, Helsinki<br>FIN-00016 Kesko<br>Phone +358 10 5311, Fax +358 9 666 131 | - | *16* |

### OTHER UNITS OF CORPORATE ADMINISTRATION

**Corporate Communications and External Relations**
Senior Vice President Erkki Heikkinen
Satamakatu 3, (Helsinki)
FIN-00016 Kesko
Phone +358 10 5311, Fax +358 9 174 398

**Quality and Risk Management**
Vice President Asko Ihalainen
Satamakatu 3, (Helsinki)
FIN-00016 Kesko
Phone +358 10 5311, Fax +358 10 532 2126

### CENTRAL WAREHOUSE

**Central Warehouse1 (home and speciality goods)**
Tikkurilantie 5, P.O.B. 145
FIN-01301 Vantaa
Phone +358 10 5311, Fax +358 10 532 7505

**Central Warehouse 2 (foods)**
Jokiniementie 31, P.O.B. 152
FIN-01301 Vantaa
Phone +358 10 5311, Fax +358 10 532 8517

**Hämeenkylä Warehouse (Anttila)**
Ainontie 5
FIN-01630 Vantaa
Phone +358 10 5343, Fax +358 10 533 9499

### SERVICE NUMBERS

| | |
|---|---|
| Plussa customer service 24 h | +358 800 1 55 818 |
| www.plussa.com | |
| Pirkka consumer service | |
| (Mo-Fri 9.00-13.00 local time) | +358 800 0 1000 |
| www.pirkka.fi | |

# › ADDITIONAL INFORMATION ON KESKO FOR INVESTORS

## INVESTOR RELATIONS

Satamakatu 3,
FIN-00016 Kesko

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

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

## ADDITIONAL INFORMATION ON KESKO FOR INVESTORS 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

**ArosMaizels Plc, Helsinki**
Tel: +358 9 123 41
Fax: +358 9 612 1145
harri.laajala@arosmaizels.com

**Crédit Agricole Indosuez Cheuvreux, London**
Tel: +44 207 621 5172
Fax: +44 207 621 5101
fhoyer@indocdv.com

**Conventum Securities Ltd, Helsinki**
Tel: +358 9 5499 3314
Fax: +358 9 5499 3333
ritva.karling@conventum.fi

**Credit Suisse First Boston, London**
Tel: +44 207 888 1199
Fax: +44 207 888 2894
david.shriver@csfb.com

**D.Carnegie AB, Helsinki**
Tel: +358 9 6187 1235
Fax: +358 9 6187 1219
kim.nummelin@carnegie.fi

**Danske Securities, Helsinki**
Tel: +358 9 7514 5344
Fax: +358 9 7514 5301
petri.arjama@danskesecurities.com

**Enskilda Securities AB, Helsinki**
Tel: +358 9 6162 8723
Fax: +358 9 6162 8769
anders.antas@enskilda.se

**Impivaara Securities Ltd, London**
Tel: +44 207 284 3937
Fax: +44 207 284 3938
jrobertsa@cix.co.uk

**Mandatum Stockbrokers Ltd, Helsinki**
Tel: +358 9 166 72 711
Fax: +358 9 651 093
ari.laakso@mandatum.fi

**Opstock Ltd, Helsinki**
Tel: +358 9 404 2669
Fax: +358 9 404 2703
rami.kinnala@opstock.fi

**Evli Securities Plc, Helsinki**
Tel: +358 9 4766 9632
Fax: +358 9 4766 9350
antti.seppanen@evli.com

**Handelsbanken Markets, Helsinki**
Tel: +358 10 444 2425
Fax: +358 10 444 2578
karita.meling@handelsbanken.se

# › INFORMATION FOR SHAREHOLDERS

**Key dates in 2001**

| | |
|---|---|
| Annual General Meeting record date | 30 March 2001 |
| Closing date for registering in the Annual General Meeting | 4 April 2001 |
| The Annual General Meeting | 9 April 2001 |
| Decisions by the Annual General Meeting published | 9 April 2001 |
| Record date of proposed dividend | 17 April 2001 |
| Dividends payable from | 24 April 2001 |
| Interim report for the first 3 months of the year | 9 May 2001 |
| Interim report for the first 6 months of the year | 8 August 2001 |
| Interim report for the first 9 months of the year | 14 November 2001 |

The sales figures of the Group are published monthly.

**Registering in the Annual General Meeting**

The Annual General Meeting of Kesko Corporation will be held in the Helsinki Fair Centre's congress wing, Rautatieläisenkatu 3, on 9 April 2001 at 13.00 hours. Shareholders wishing to attend the Annual General Meeting should notify Kesko Corporation/Legal Affairs by letter to FIN-00016 Kesko, by fax to +358 1053 23421, by telephone to +358 1053 23211, by e-mail to taina.lepisto@kesko.fi, or through the web site at http://www.kesko.fi "Investor information", not later than 4 April 2001 at 16.00 hours.

**Financial publications**

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

The annual report, interim reports, monthly sales figures and other key releases are also published in the Group's web site at www.kesko.fi.

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

**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: 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/Frenckell 2001

KESKO
THE TRADE MAKER

Kesko Corporation, Satamakatu 3, FIN-00016 Kesko, Helsinki, Finland. Tel. + 358 10 5311, www.kesko.fi