

# ANNUAL REPORT 1995



# KESKO

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**KESKO is the leading wholesale company in Finland and the central company of the biggest trading group. Its business operations are divided among three commercial divi-**

**sions: the Foodstuffs Division, the Speciality Goods Division and the International Division. The Foodstuffs Division is responsible for the trading of food products and home goods. The Speciality Goods Division takes care of the trading of shoes, clothes, sports articles, home electronics and agricultural and builders' supplies. The function of the International Division is to survey and start new business operations and to develop the business of foreign trade companies.**

## Key figures

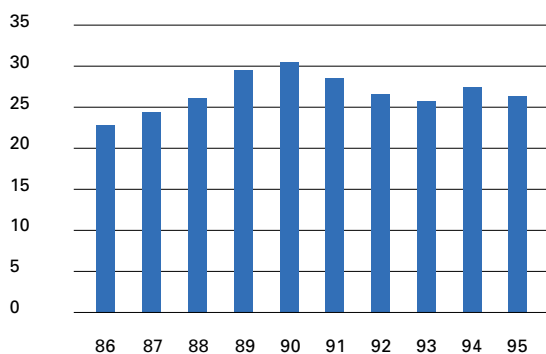
	1991	1992	1993	1994	1995
Net sales, FIM million	28,484	26,641	25,822	27,060	<b>26,438</b> (USD 6,065.71)
Profit before extraordinary items, reserves and taxes, FIM million	332	378	285	462	<b>689</b> (USD 158.08)
Cash flow, FIM million	423	630	609	724	<b>874</b> (USD 200.52)
Earnings per share, FIM	1.82	3.99	1.95	3.30	<b>5.23</b> (USD 1.20)
Dividend per share, FIM	1.20	1.30	1.10	1.40	<b>*1.90</b> (USD 0.44)
Net assets per share, FIM	81.91	81.28	81.14	84.82	<b>89.00</b> (USD 20.42)
P/E ratio	20.0	9.1	25.2	16.7	<b>10.4</b>
Balance sheet total, FIM million	14,376	14,848	15,589	13,312	<b>13,260</b> (USD 3,042.26)
Total equity to assets ratio, %	51.7	49.9	47.5	58.0	<b>61.3</b>
Investments, FIM million	801	725	640	654	<b>519</b> (USD 119.07)
Average number of personnel	7,983	6,816	6,227	5,701	<b>5,833</b>

\* Proposal to the Annual General Meeting

USD 1 = FIM 4.36 (31.12.1995)

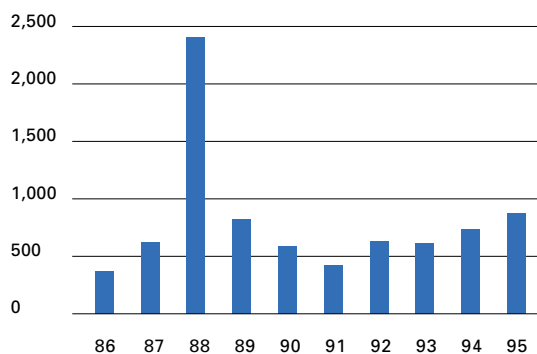
### Net sales

FIM billion



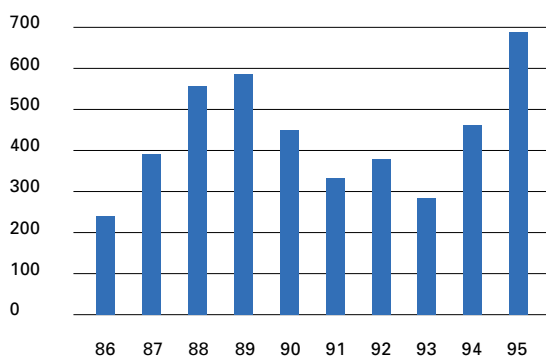
### Cash flow

FIM million



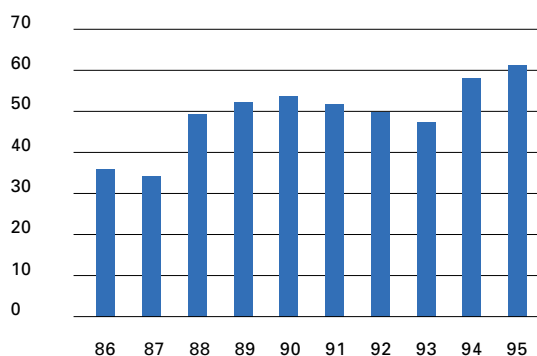
### Profit before extraordinary items

FIM million



### Total equity to assets ratio

%



## **Year 1995 in short**

### **March**

A reorganisation plan was published, according to which Kesko's wholesale-oriented functional organisation would be changed to a customer-oriented chain organisation.

Kesko Ltd and Thomesto Trading Companies Ltd established a joint company called Kesthom Oy, specializing in the wholesale trading of agricultural and builders' supplies and machines in Russia and the Baltic countries.

Kesko purchased from the UBF Group the share capital of the shoe and handbag chain, Alekski 13, and the business operations of the Alekski 13 department store.

### **September**

The new organisation took effect on 1 September.

Kesko decided to enter the Swedish speciality goods market. The establishment in Stockholm of a hardware store and a shoe store were scheduled to be the first steps.

### **November**

A plan concerning changes in the number of operating districts of the Foodstuffs Division was published, according to which the number of district centres would be reduced from seven to four from 1 April 1996.

## Basis for Kesko's operations

### Basic values

**Individual expertise and commitment form the basis for development.**



**Retailer entrepreneurship is the spiritual and economic basis of all operations.**

Customer satisfaction is the most important value within the K-Group.  
Other values are tools with which customer satisfaction can be achieved.

## **Purpose and functions**

### **The K-Group**

The K-Group is formed of the K-stores, the K-Retailers' Association, Kesko and its subsidiaries. The K-Group aims to be the best and most versatile trading group for its customers. Cooperation is the basic element for improving the K-Group's competitiveness and profitability.

### **The K-store**

The K-store aims to be the best store for its customers. The K-retailer, as an entrepreneur, is responsible for customer satisfaction and the profitable operation of his store. The K-retailer is a member of the K-Retailers' Association and a holder of Kesko's exclusive shares.

### **The K-Retailers' Association**

The K-Retailers' Association is responsible, together with Kesko, for cooperation among the K-retailers and for the improvement of their operational environment.

### **Kesko**

Kesko purchases goods and provides services for its customers on competitive terms and conditions to support their business operations. Kesko creates the best conditions for the K-retailer entrepreneurs to compete in the market. The capital invested in Kesko brings a good return to its owners.

## **The management system of Kesko and the K-Group's chain operations**

The organisation of the K-Group's operations in accordance with the chain principle means that each K-store chain works in cooperation with the respective nationwide chain unit of Kesko. The same principle of responsibility for customers is also applied to other customer relationships.

In order to develop a new management culture, a new management system has been established for Kesko and the K-Group's chain operations.

The management system covers Kesko's new organisation and the K-stores' chain operations. The purpose is to change the operational principles and the whole management culture in Kesko and in the chain operations. The new system aims at improving the competitiveness of the K-Group, the K-retailers and Kesko.

The management system is based on customer-orientation, interactive operation and retailer entrepreneurship. The system combines the profit, quality and process management. In addition to the financial result, emphasis is also put on the long-term development of business operations, the planning of operations, personnel management, employees' commitment, and the strengthening of cooperation. It is also important to use analysed information, conclusions and regular follow-up as a basis for management.

The management system includes the defined operational basis of the K-Group, its long-term planning, and quality assessments in accordance with the ProK quality system. The criteria adopted for quality assessments are the same as those applied in awarding Finnish quality prizes. The system also covers annual planning and budgeting, and the tools for the management of operations.



**Kesko's trading result reached an all-time high in 1995. The Corporation's profit before extraordinary items, reserves and taxes amounted to FIM 689 million, which was 49% higher than in the previous year.**

The growth of the Finnish economy was slightly slower than anticipated. Total production grew by over 4.4% during the year. The main area of growth could still be found in industrial production, which owes its success to the metal and engineering industry in particular. Nevertheless, it was not able to sufficiently alleviate unemployment, which remained above the official targets.

The real purchasing power of households is estimated to have been augmented by 7.5% during the year. Private consumption is estimated to have risen by 4.7%, and consumer prices to have changed by 1.0%. In addition to the low inflation rate, purchasing power was boosted by two tax refunds. Demand was especially focused on consumer durables, cars, household appliances and consumer electronics, as well as on clothes and leisure goods.

The value of wholesale and retail trade sales was considerably lowered by the transition to EU price levels in foodstuffs and agricultural products.

For the most part, restructuring of trading never materialised, and competition remained keen. Unprofitable businesses have been allowed to continue, and

in many respects, this has happened with the assistance of society.

In order to secure the services offered by neighbourhood stores and other small stores, the opening hours within retail trading should be liberalised as soon as possible. It would provide the trading sector with equal opportunities in the competition with kiosks and service stations. Otherwise local services will continue to diminish rapidly, without the trading sector itself having any means of reversing this trend.

The Kesko Corporation's trading result for 1995 was a record. The profit before reserves, extraordinary items and taxes totalled FIM 689 million, which was 49% more than in the previous year. The parent company's profit amounted to FIM 402 million, and the combined profit of subsidiaries was FIM 287 million. All major subsidiaries reached good results. The net financial income was FIM 230 million, which is FIM 149 million more than in the previous year. The net sales totalled FIM 26.4 billion, a decrease of 2.3%.

1995 was a year of change for the Kesko Corporation. The whole organisation underwent profound reform, and it was decided that the management



system would also be revised. The changes were made necessary by a customer-oriented store type reform of the K-stores.

The store type reform was rapidly implemented in the K-stores, and over 700 grocery stores plus 150 speciality stores have now been remodelled. Most of the project will be completed by the end of this year. It will improve the K-stores' competitiveness by reducing cost levels and improving efficiency. The reform will also enhance the marketing and purchasing operations of the K-stores, which was already apparent as the improvement of the K-retailers' profit level.

Structural changes continued in the store network. During the year, 197 K-stores were closed down and 71 new K-stores were opened. A similar trend will prevail in the near future. The pace of change will depend essentially on the growth of domestic demand and on the rate of migration to population centres.

In 1996 Kesko's net sales are expected to grow slightly, and the result is estimated to remain at a high level. We shall continue to trim our costs, with the objective of lowering wholesale costs further, and achieving even better competitiveness. New markets are being sought in Finland and in the neighbouring countries. We have already decided to extend operations to Sweden, where a hardware store and a shoe store will be opened in Stockholm in the spring of 1996. Growth in the domestic market will depend mainly on the government's ability to boost domestic demand and to alleviate unemployment.

I believe that we have convinced Kesko's shareholders, customers, financiers, suppliers and, above all, the K-store customers that the Kesko Corporation's good financial status and favourable profit outlook still form the basis for long-range cooperation.

I would like to thank the personnel of Kesko, the K-retailers and the personnel of the K-stores for their excellent performance in 1995.

Helsinki, 10 February 1996



Eero Kinnunen



**Product selections based on customer needs are a basic element in the store type reform of K-stores. K-stores' wide and more distinct selections brought greater customer satisfaction and lower costs.**

One of the central elements in Kesko's reorganisation was the expansion of the Foodstuffs Division to include home goods. The former regional matrix organisation of the foodstuffs trade was changed to a customer-oriented national line organisation based on chains of K-stores and other customer groups, which is also responsible for the decentralised operations of the former district offices.

The profit responsibility of the Foodstuffs Division is divided among the national chain units, which are Kesko Rimi Stores, Kesko Neighbourhood Stores, Kesko Supermarkets, Kesko Superstores, Kesko Citymarkets, HoReCa Wholesale and K-Cash & Carry Ltd. Each chain unit is in charge of marketing activities for its product lines. Kesko Neighbourhood Stores, Kesko Supermarkets, Kesko Superstores and Kesko Citymarkets were established as new units on 1 September 1995, and Kesko Rimi Stores on 15 January 1996.

In addition to the central unit situated in Helsinki, Kesko Neighbourhood Stores and Kesko Supermarkets include district units in those seven localities where Kesko has a district centre. According to plan, the number of district centres will be reduced from seven to four from 1 April 1996.

The national purchasing units of the Foodstuffs Division are responsible for groceries and home goods purchases. They are in charge of making centralised purchases of products in their own line to orders placed by the chain units. The purchasing units include Fruit and Vegetables, Fresh Foods, Groceries and Home Goods departments.

In the new organisation, marketing services, logistics, retail operations and office administration are arranged as supporting functions of the Foodstuffs Division.

For the grocery trade, the consequences of Finland's membership in the European Union appeared as increased import opportunities and particularly as lowered product prices. Throughout the year consumer prices fell steadily, so that towards the year end, the average drop was 11%, 1.5 percentage points more than predicted by public officials a year earlier.

The average decline in the wholesale prices of food products was 7%. It is estimated that prices will continue to fall in 1996, but clearly less than in 1995.

The net sales of the Foodstuffs Division totalled FIM 16,568 million, a decrease of 5.4% over the previous year, which can be attributed mainly to the reductions in the prices of food products.

### Kesko Neighbourhood Stores

Kesko Neighbourhood Stores operates as the chain and marketing organisation of the chain of K-neighbourhood stores. It is also responsible for marketing and selling to the other village and suburb stores of the K-Group. In 1995 Kesko Neighbourhood Stores was also responsible for marketing for the Rimi chain, but in the future this will be the responsibility of Kesko Rimi Stores, established on 15 January 1996.

During the initial year, key activities were the establishment of a product category structure and marketing cooperation.

The net sales of Kesko Neighbourhood Stores amounted to FIM 3,377 million. Its customers consisted of nearly 1,200 K-stores. The K-neighbourhood store chain was formed of about 450 stores. By the end of 1995, 330 of them had been changed according to the new store formats. About 700 village and suburb stores of the K-Group formed a customer group of their own. At the end of the year there were 19 Rimi stores. The aggregate sales by stores which buy from Kesko Neighbourhood Stores were FIM 6,414 million and represented about 13% of the retail sales of groceries and home goods in Finland.

### Kesko Supermarkets

Kesko Supermarkets operates as the chain and marketing organisation for the chain of K-supermarkets.

The net sales of Kesko Supermarkets totalled FIM 3,115 million. In 1995 there were 230 K-supermarkets cooperating within the K-supermarket chain, nearly all of them remodelled in line with the format. Retail sales by K-supermarkets in 1995 amounted to FIM 5,183 million, which was around 10% of the whole Finnish grocery and home goods market.

During the year, a total of about 400 remodelled stores started to operate under the new concepts of Rimi stores, K-neighbourhood stores, K-supermarkets, K-superstores and Citymarket hypermarkets. In all, the store type reform has been carried out in over 700 stores.







The prices of Pirkka products fell by an average of 10%. The 500th Pirkka product was launched. Other important own brands include Diva and Rico.



Emphasis was on the planning of category management for the chain and its implementation at the retail level. A major part of category management consisted of acquiring follow-up and research information. In November a new interoperable information system was brought into use in K-supermarkets.

### **Kesko Superstores**

Kesko Superstores operates as the chain unit of the stores of the K-superstore chain. In addition to the K-superstores, its customers include Stockmann and Sesto, together with other K-stores in the superstore size category not participating in chain cooperation. The launch of national chain marketing and the development of chain operations were among the main activities in 1995.

The net sales of Kesko Superstores totalled FIM 2,666 million. The K-superstore chain, customer of Kesko Superstores, consisted of 57 refurbished K-superstores. This figure will rise to over 70 by the end of 1996 after the store type reform has been completed. The K-superstore chain accounted for about 10% of all grocery and home goods trading in Finland.

**Bananas are the biggest single fresh food product traded in Finland. In 1995, Kesko delivered over 20 million kilos of bananas to K-stores.**



### **Kesko Citymarkets**

Kesko Citymarkets is a chain unit of the Foodstuffs Division, which deals in wholesale groceries and non-food articles, and cooperates with Citymarket retailers in the retailing of non-food articles through the Citymarket hypermarkets of Kesko's subsidiary K-yhtiöt Oy. The net sales of Kesko Citymarkets' wholesale trading totalled FIM 3,096 million. The net sales of retail trading by K-yhtiöt Oy amounted to FIM 1,477 million. Net sales increased by 17.3%, which was above average for department store sales. The sales of non-food articles were up in all product lines, but the greatest growths were in household goods, clothing and shoes.

There is a total of 32 Citymarket hypermarkets in 29 cities and towns. In addition, the chain includes six CM department stores where K-retailers are responsible for both foodstuffs and non-food trading. In 1995, three new Citymarket hypermarkets were opened and nine were refurbished.

### **HoReCa Wholesale**

HoReCa Wholesale is responsible for the formation of product categories of large-scale groceries and for purchasing and selling them nationwide to restaurants, the public catering sector, bakeries and industry.

The net sales of HoReCa Wholesale totalled FIM 2,126 million. At the beginning of 1995, Kesko was granted a wholesale licence for alcohol. HoReCa Wholesale's assortments include wines and spirits totalling around 350 items.

The branded product range Menu of HoReCa Wholesale comprised 175 products at the end of the year and the sales increased by 12% compared with the previous year.

### **K-Cash & Carry Ltd**

K-Cash & Carry Ltd sells groceries and non-food articles from 26 outlets to retailers and catering customers.

The net sales of K-Cash & Carry Ltd amounted to FIM 1,685 million, a decrease of 0.8%. Sales to cafés, restaurants, kiosks and service stations developed favourably.

Most of the information system used by K-Cash & Carry Ltd was revised during 1995. Two new outlets were opened and two were refurbished.

### **Fruit and Vegetables**

The Fruit and Vegetables department is responsible for purchasing and sales of fruit, vegetables and flowers to K-stores and other customers.

The sales of fruit and vegetables totalled FIM 719 million, a decline of 14.2%. The price levels in the product groups of fruit and vegetables changed dramatically during the year, as a consequence of Finland's EU membership. The market was in a constant state of excess supply.

Cooperation with Viking Fruit AB intensified. The own brand Rico was extended to new product groups. The range covers apples, pears, oranges and clementines. The marketing of domestic products was developed in cooperation with Kotimaiset Kasvikset r.y. (Finnish Garden Products).

### **Fresh Foods**

The Fresh Foods department is responsible for centralised purchases of dairy, meat and processed food products from Finland and abroad, according to the needs of chain units. It is also in charge of the product development of the brands in its own product line.

The sales of fresh foods totalled FIM 5,756 million, a decrease of 8.6%. In terms of the consumption of fresh foods, Finland's first year as an EU member nation can be considered positive. A fall of consumer prices combined with marketing by K-stores led to an increase in the aggregate consumption in all fresh food categories.

### **Groceries**

The Groceries department is responsible for centralised purchases of retail groceries to chain units. The sales of groceries totalled FIM 6,834 million, a decrease of 3.0%. The biggest growth took place in non-food items. A positive surprise was the demand for wines with an alcohol content of less than 4.7%, sold at retail outlets.



**The Product Research unit is responsible for ensuring the quality and conformity with regulations of the products Kesko offers to its customers. A special emphasis is placed on the development and quality assurance of the own-label products Pirkka, Diva, Rico and Menu.**

**In 1995, in-house inspection procedures, based on EU directives, were implemented at various levels of the K-Group. A total of about 6,700 samples were tested and over 20,000 separate analyses were made.**

The first EUROSHOPPER products were introduced to the Finnish market through AMS. AMS, Associated Marketing Services, is a partnership of 12 European grocery retailing groups, one of them Kesko.

### **Home Goods**

Kesko's reorganisation transferred the operations of the Home Goods department to the Foodstuffs Division. It purchases products in its own lines for all of Kesko's sales units. Most of the sales take place through the chain units of the Foodstuffs Division.

The sales of home goods amounted to FIM 539 million, an increase of 9.2%.



## Speciality Goods Division



**Strong chain marketing is an important support to retailers. "Simo from Vaatehuone" has been a visible part of the Vaatehuone chain's marketing for several years.**

The following units operate under the Speciality Goods Division: Kesko Shoes, Kesko Home Technology, Kesko Clothing, Kesko Sports, Kesko Agriculture and Machinery, and Kesko Hardware and Builders' Supplies. The division also includes subsidiaries, of which Keskometalli Oy and K-maatalousyhtiöt Oy have the biggest net sales. The business units are supported by retail, office administration and logistical operations.

The general economic recovery, a growth in disposable consumer income and expanded market shares increased Kesko's trade in shoes, home technology, sports goods and machines. Finland's entry into the European Union reduced sharply the price level of agricultural products, resulting in a marked drop in net sales of grain and animal feed. This development led to a decrease in net sales in the whole agricultural business. The net sales of the Speciality Goods Division amounted to FIM 8,240 million, a decrease of 2.4%.

### **Kesko Shoes**

Kesko Shoes is responsible for establishing assortments of shoes, gloves and handbags, and for purchasing these goods for the K-Group's chains of speciality and grocery stores, and for their sale to K-shoe and Andiamo stores. Each chain develops its own ranges in cooperation with the purchasing unit of Kesko Shoes.

The net sales of Kesko Shoes totalled FIM 216 million, a rise of 5.1%. Sales to Andiamo stores grew by 9% and to K-shoe stores by over 3%.

The combined retail sales of the K-shoe and Andiamo chains were FIM 436 million. There were 123 K-shoe stores and 26 Andiamo stores operating at the end of 1995.

### **Aleksi 13**

On 1 April 1995, Kesko purchased the share capital of the shoe and handbag chain Aleksi 13 and the business operations of the Aleksi 13 department store. From 1 April 1995, the company's net sales amounted to FIM 84.4 million.

Aleksi 13 consists of a department store in Helsinki and a chain of 9 shoe stores in the Helsinki area. The company's aim is to expand its operations to cover the whole country.

### **Kesko Home Technology**

Kesko Home Technology is responsible for purchasing and selling home electronics, household appliances, computer products and telephone sets to Musta Pörssi stores and other customers.

The net sales of Kesko Home Technology totalled FIM 386 million, an increase of 18.4%, which clearly exceeded the overall development in this trade. Sales of television sets, mobile phones and household appliances grew in particular.

Sales to Musta Pörssi stores increased by 25%.

At the end of 1995, a total of 76 stores were operating in the Musta Pörssi chain. Their combined sales amounted to FIM 672 million, an increase of 26%.

### **Kesko Clothing**

Kesko Clothing is responsible for developing the K-Group's expertise in the clothing business. Its purchasing organisation provides goods for the Vaatehuone and Aleksi 13 Citylook chains, and for other K-store chains offering clothing products for sale, by establishing collections in cooperation with the chains and by purchasing goods from Finland and abroad.

The net sales of Kesko Clothing totalled FIM 275 million, a growth of 3.7%. Clothing sales to Vaatehuone fashionwear stores recorded the greatest rise. Children's wear was the most rapidly increasing product group.

There were 67 Vaatehuone fashionwear stores operating at the end of 1995. Their sales totalled FIM 445 million, a growth of 8%.

### **Kesko Sports**

Kesko Sports is responsible for purchasing and selling sports and leisure goods to the Kesport-Intersport chain and to other stores offering such goods. Collections are developed in cooperation with domestic and foreign brand product suppliers, and with the international Intersport group. Brand products marketed by Kesko Sports include Brooks, Lotto, Frank Shorter, Browning, Etirel, Nakamura, Nopsa, Tecno pro and Canadien.

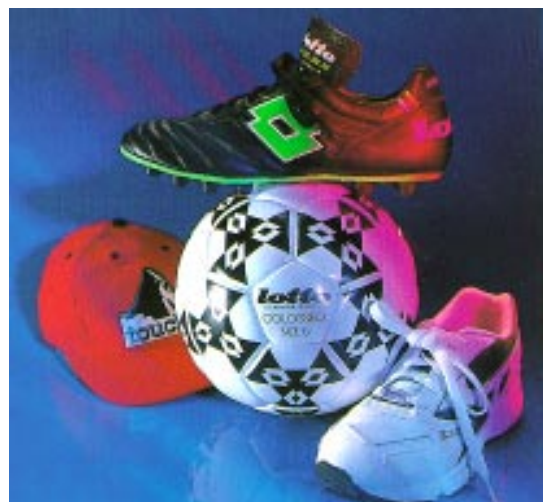
The net sales of Kesko Sports were FIM 418 million, an increase of 8.9%. Sales to the Kesport-Intersport chain grew by nearly 14%.

At the turn of the year, there were 93 Kesport-Intersport stores. The retail sales of the chain totalled FIM 798 million, a rise of 12%.



**Computers, mobile phones, entertainment electronics and household appliances were the best selling product groups in the home technology trade.**

**Jogging shoes, clothing, bicycle accessories, and equipment for ice sports and ball games were the best selling product categories in the sports trade.**



### Kesko Agriculture and Machinery

The units called K-Agriculture, Kesmotors-Kotipiha, and Kesko Machinery operate under Kesko Agriculture and Machinery. In addition, five retail companies included in the Corporation operate under this unit, and the biggest of them is K-maatalousyhtiöt Oy. The net sales of Kesko Agriculture and Machinery totalled FIM 3,039 million, a decrease of 23.7%.

**K-Agriculture** is responsible for the purchase and sale of agricultural implements and animal feed and chemicals to its customers, K-agricultural stores. It also trades in grain and functions as a marketing and chain management organisation for the retail chain of K-agricultural stores. Its business operations are supported by the K-Group's training and experimental farm Hahkiala.

The sales of K-Agriculture amounted to FIM 1,182 million, a decrease of 36.9%, which resulted from the effects of Finland's EU membership. The level of grain prices declined by over 50%, and the total amount of grain offered for trade fell to a half from the previous year. These decreased the value of the grain business by over 75%. As a result of reduced grain prices, the prices of industrial animal feed dropped by about 35%, which increased their demand. However, the increased volume did not entirely compensate for the decreased sales value resulting from lower prices.

The trade in agricultural implements grew more than expected, i.e. by nearly 30%. A change in the VAT taxation system increased deliveries towards the end of the year. The K-Group's position strengthened in the trade of animal feed, agricultural implements and machines for animal husbandry.

At the end of the year, there were 53 K-agriculture stores, with sales amounting to FIM 1,294 million. The number of K-hardware and agricultural stores was 77. Their total sales were FIM 1,821 million, of which agricultural sales accounted for about FIM 910 million.

**K-maatalousyhtiöt Oy** is an agricultural retail company operating eight full-service agricultural stores with ten outlets. The net sales of K-maatalousyhtiöt Oy were FIM 494 million, a decline of 27.1%.

**Kesmotors-Kotipiha** is responsible for purchasing and selling light machines, outboard motors, boats, garden supplies and fuels. Kesmotors-Kotipi-

The revising of operations models and the upgrading of stores were also started in the K-speciality stores, and by the end of 1995 about 150 stores had been renewed.

**K-KENKÄ**

**ANDIAMO**

**ALEKSI 13**

**kesport  
INTERSPORT**

**MUSTA PÖRSSI**

**vaatehuone**

**K-RAUTA**

**K-MAATALOUS**

In 1996, the volume of the grain trade is expected to rise to a normal level, which means a substantial growth. Machine sales are expected to decline from the exceptionally high level of 1995.





ha retail stores and departments form the main group of customers.

This unit's sales amounted to FIM 577 million, a rise of 1.7%. The position of Kesko and the K-Group improved in the market due to above-average sales increases.

**Kesko Machinery** purchases and sells Case-IH and Zetor agricultural tractors, Claas combine harvesters, MAN lorries, and several machines for materials handling, construction and the environmental maintenance. Tractors and combine harvesters are sold to farmers, in cooperation with the K-agricultural stores. Kesko Machinery is responsible for the sale of other machines directly to the end users.

Domestic demand continued to grow in all machinery sectors. The sales of Kesko Machinery amounted to FIM 683 million, a rise of 68%. The market position strengthened in several product lines, particularly in tractors and construction machinery. The import of Kobelco excavators was transferred to Kesko Machinery, contributing to increased construction machinery sales. The trade in BT materials handling machines grew substantially. Market leadership strengthened in sales of environmental maintenance machines, following the introduction of new Ville and Kubota models.

In 1995, total sales of agricultural machines reached an exceptionally high level. These are expected to settle at the 1993-1994 level within the next few years, whereas the trade in other machines is expected to remain much the same as in 1995.

#### **Kesko Hardware and Builders' Supplies**

Kesko Hardware and Builders' Supplies is responsible for purchasing products for sale in the K-hardware stores and other speciality stores in this business. It deals in builders' supplies, interior decoration products and furniture, Hepac products, tools, accessories and hardware.

In spite of positive expectations and good development at the beginning of the year, the overall market in this line did not start to grow. House construction decreased, while increased renovations were still unable to expand the total market. Price developments were moderate or declining in all sectors.

The net sales of Kesko Hardware and Builders' Supplies amounted to FIM 2,892 million, a drop of 3.4%. Sales to K-hardware stores increased, whereas



**The concentration of purchasing power and the establishment of product ranges in cooperation with retailers improve the K-Group's competitiveness and facilitate an increase in Kesko's own label products.**

sales to construction firms decreased. This clearly mirrors the changed market. Private households already account for more than a half of all purchases in this field.

A total of 97 K-hardware stores were operating at the end of the year. Their sales amounted to FIM 2,122 million. The number of K-hardware and agricultural stores was 77. Their total sales were FIM 1,821 million, with hardware sales accounting for FIM 910 million.

The disposal of K-yhtiöt Oy's K-hardware stores to the K-retailers was completed during the year.

#### **Keskometalli Oy**

Keskometalli Oy supplies steel, aluminium and other metals from its steel service centre to manufacturers in Finland and neighbouring countries.

The net sales of Keskometalli Oy amounted to FIM 950 million, a rise of 17.8%. Sales from the steel service centre and stock grew by 30%. The company's exports, mainly to Sweden and Estonia, also developed well, amounting to FIM 80 million.

In July, Det Norske Veritas awarded the ISO 9002 quality certificate to the company.

## International Division

The operating environment of the K-Group is experiencing a period of rapid internationalisation. Finland's membership in the European Union widens our home market to encompass almost all of Western Europe. During the next ten years, Russia and the Baltic region will constitute an important market for all product lines. The possibilities of expanding the K-Group's role in the saturated branches of the Finnish wholesale and retail trade are limited. Offers made to the neighbouring areas provide new opportunities.

Kesko's expansion abroad was a natural consequence of the long-term pursuit of internationalisation adopted within the K-Group. Imports have reached significant dimensions, and our various units have long maintained versatile professional relations with their counterparts in other countries. At the turn of last decade, most importation was organised into projects by product line to be carried out with the leading commercial enterprises of the Western world.

### New Business Operations

Kesko's International Division started operations on 1 September 1995. It is responsible for mapping out and starting new business operations for the Corporation, the Corporation's strategies in relations with international and cooperation organisations, and it also exercises a business controller function over subsidiaries and associated companies operating on an international scale.

In 1995 Kesko decided to establish a hardware store chain and a shoe store chain in Sweden, and a hardware wholesale store in Russia, in cooperation with Thomesto Trading Companies Ltd.

### International Cooperation

The purpose of internationalising Kesko's purchasing activities is to find the most competitive assortment for each product line in cooperation with international purchasing companies.

The objective of the International Division is to increase Kesko's professional contacts on an international level through active participation in the operations of international organisations, such as IFGA, UGAL, EuroCommerce, CIES and FMI.

The impact of EU membership on actual goods trading and on competition in general was felt more strongly than anticipated. Now that a significant part

of regulations concerning trading is enacted by the institutions of the European Union, interests too must be defended on an international level. The International Division plays an important role in guarding Finland's trading interests within the EU through, for instance, the Committee on Commerce and Distribution operating in connection with the EU Directorate-General XXIII and the EuroCommerce and Finnish preparatory committees for the EU.

### Environmental Affairs

Kesko's reorganisation made the coordination and development of environmental operations part of the responsibilities of the International Division.

The activities of the packaging council of groceries, formed in 1993 on Kesko's initiative, gave rise to an environmental agreement signed in March, which provides a framework for the packaging industry's voluntary furthering of the utilisation of packaging waste in accordance with the obligations laid down by the EU directive.

Recycling was furthered in many ways. The collection of corrugated board from the K-stores continued together with studies on the utilisation of packaging plastic as a material and source of energy. A manual called 'The K-Group's environmental responsibility in packaging' was published and dis-

**Kesko is one of the founder shareholders in the company Suomen Palautuspakkaus Oy, which is responsible for the recycling of aluminium cans started in March 1996.**



tributed among the packaging industry and suppliers, who were also provided with other instructions. New recycling points were constructed in K-stores for reusable waste returned by customers.

Experts from Kesko took part in the work of the Nordic environmental labelling board and the environmental board of EuroCommerce.

### VV-Auto Oy

The net sales of VV-Auto Oy totalled FIM 1,529 million, a rise of 41% compared with the previous year. The total market for new cars increased by 19%. For the second year in succession, Volkswagen was the best sold car make in Finland.

The total sales of new commercial vehicles nearly doubled compared with the previous year. In this group, Volkswagen retained its number one position on the market.

VV-Auto Oy's subsidiary, Auto-Span Oy, is responsible for the importing and marketing of Seat cars, which belong to the VW Group. Its net sales amounted to FIM 39 million, an increase of 44%.

### MK-mainos Oy

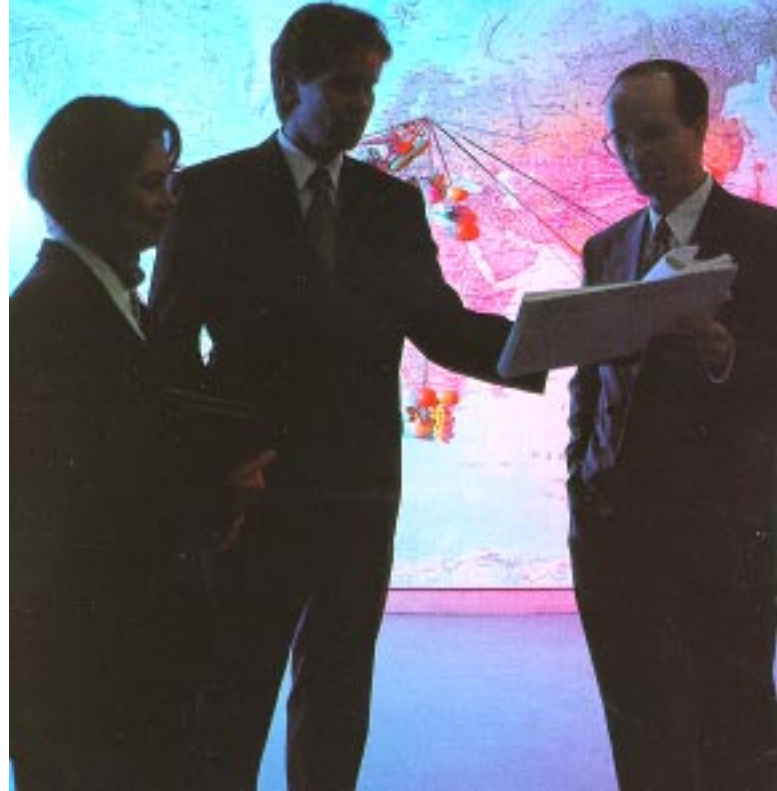
The net sales of MK-mainos Oy grew by 18.4% totalling FIM 129 million. A digital material service was started after long preparation. At the end of 1995, the service contained approximately 4,500 pictures, and the number of picture transfers amounted to over 15,000.

### Kesko Export Ltd.

Kesko Export Ltd. carries on an exporting business to Russia and the Baltic countries. Its net sales in 1995 totalled FIM 46 million. A dramatic decrease in net sales reflects rapid changes that have taken place in the principal market area.

At the beginning of July, Russia implemented considerable increases in the customs duties on food-stuffs, while many countries in Central Europe have been intensifying their exporting efforts. As a whole, the supply in the neighbouring markets has changed from a shortage of goods to excess supply.

Towards the year end, Kesko Eesti A/S was separated from Kesko Export Ltd., to become a subsidiary of Kesko Ltd. The net sales of Kesko Eesti A/S totalled FIM 46 million.



**Kesko's objective is the efficient utilisation of the emergent markets within the trading and service sectors in Finland and the neighbouring areas. The idea behind starting to offer goods to foreign countries is to strengthen the K-Group's competitiveness and to secure Kesko's position as a distribution channel of branded products in Finland's neighbouring areas.**

The most important purchasing companies or cooperation forums include Intersport (leisure articles), Viking Fruit (fruit and vegetables), EURO-MAT (builders' supplies), Associated Marketing Services (groceries and non-food articles) and Vesni (shoes).



## Corporate Administration

In connection with the reorganisation, a lean Corporate Administration was established to manage and control the Corporation's resources. The following units operate under Corporate Administration: Corporate Accounting and Office Management, Retail Support, Corporate Planning, Internal Auditing, and Corporate Communications.

### Finance and Administration

#### Corporate Accounting and Office Management

Bookkeeping, management accounting, invoicing and other similar operations are mainly decentralised to the commercial divisions and profit units. Corporate Accounting and Office Management is responsible for the preparation of the consolidated financial statements, for reporting the financial results of the profit units, and for the Corporation's centralised office services.

Kesko's telephone communications system was modernised during spring 1995. The system is based on a distributed PABX and business network services. Kesko has the same exchange number throughout Finland, and only a local call fee is charged for telephone calls to Kesko.

#### Training Operations

The K-institute's main emphasis was on store format training, and on support training related to Kesko's reorganisation. Both training programmes concentrated on team working and process development.

Training related to the introduction of a new management system, and the traditional Profit-Communication seminar, gave Kesko's employees information on the new corporate culture. A series of training events, designed for chain management, brought Kesko's employees and each chain's key retailers together, including the top management.

Starting from 1 September 1995, the K-institute was reorganised into a subsidiary of Kesko, and is now called K-instituutti Oy.

Training demand continued to grow strongly. The number of students was 22,300, a rise of 24%. The number of training days increased to 32,600. A total of 1,400 training events were arranged, and 9 retailer training programmes were completed during the year.

#### Kesped Ltd

The company started operations on 1 September 1995 when Kesko's personnel responsible for transporting and forwarding operations transferred to its services. Kesped Ltd purchased 42 trucks from Kesko, and a total of 142 contracted trucks were also made available. The main reasons for establishing this subsidiary were to increase customer-orientation, to reduce transport costs and to improve quality and cost-efficiency.

#### Retail Support

##### Property Investment

The Property Investment department is responsible for managing and controlling the profitability of the capital invested in properties within the Corporation. The unit acquires and upgrades properties, disposes and rents them out, as well as develops operations related to property maintenance.

The store-format based refurbishment of the retail store network was continued. A total of 35,500 square metres of new store premises were completed for use by the K-stores. The most important new projects under construction were Citymarket hypermarkets in Heinola, Pietarsaari and Kuopio, and a K-superstore in Raahe.

#### Credit Operations

The emphasis of the **Credit department's** operations was on the forecasting of credit risks. In respect of bad debts and overdue accounts, the credit situation improved substantially during 1995.

**The K-Accounting Service** provides comprehensive financial and administrative services for the K-stores. These include statutory accounting and consulting in matters related to budgeting, financial statements, taxation and profitability.

#### K-Luotto Oy

K-Luotto Oy is a credit card company which manages the K-card and the new K-advantage cards. In addition to the keeping of a customer register and card system for loyal customer marketing, K-Luotto offers K-retailers direct marketing services.

The total number of the K-Group's cards used within the loyal customer programme is more than 450,000, of which the K-advantage cards, which are used for cash payments, account for over 90%. The number of K-charge cards is about 90,000.



### Corporate Planning

Corporate Planning started operations on 1 September 1995. It is responsible for providing information to Kesko's management, and for developing the K-Group's management and quality systems and operational principles. The subsidiaries Tietokesko Oy and K-linkki Oy operate under Corporate Planning.

A management system for Kesko and the K-Group's chain operations was formulated and introduced during the year. An extensive management training programme and a study on basic values among the people working in the K-Group were started in the autumn. Kesko's units made their annual plans on the basis of the new objectives established in the company, and adopted for quality assessments the same criteria which are applied for awarding Finnish quality prizes. Kesko became a member of the Support Association for Quality Development.

### Tietokesko Oy

Tietokesko provides information technology services for Kesko's business operations. The company was established to carry out the functions of Kesko's former departments, Information Systems and Data Processing. It started operations on 1 September 1995.

The main responsibility of Tietokesko, and the former departments of Kesko, was to adapt information systems services to the new organisation and operations model. These adaptations were implemented according to plan and without disturbances.

By the end of 1995, a total of 436 stores were using EDI connections, a rise of 109% compared with the previous year. Cooperation through EDI connections was also expanded with other business partners. By the turn of the year, EDI production contacts had been established with 135 business partners, an increase of 17% over the previous year.

### K-linkki Oy

K-linkki Oy started operations on 1 September 1995. Its function is to provide the K-Group's retail stores with information technology services appropriate for chain operations. K-linkki Oy continues the operations of Retail Information Systems.

The most significant decision made in 1995 was the selection of Data Check Oy's POS/1 and POS/2 software and IBM hardware for use as information systems in the K-neighbourhood stores, K-supermar-

**In accordance with the sponsorship agreement between the Finnish Olympic Committee and Kesko, top athletes participated in about 500 merchandising events at K-stores. The Children's Olympics, arranged for the fifth time, attracted over 113,000 children and their parents in nine cities.**



kets and Rimi stores. During the autumn of 1995, a total of 101 POS/1 systems were delivered to stores.

A total of 34 new ICL Edacom CM90/K90 systems were installed in Citymarket hypermarkets and K-superstores.

### Corporate Communications

The debate about the effects of EU membership on trading and food prices continued. This unit participated actively in the debate by providing information to the mass media and other interest groups.

Background information on Kesko was provided to Finnish and foreign investors, analysts and brokers in various ways. The Investor magazine was published in November in Finnish and English, and the Annual Report in Finnish, Swedish and English. Summaries of it were also published in German and French.

Master Sales Assistant Training for Swedish-speaking sales personnel was arranged for the 18th time, and a total of 424 persons participated in this training. The Swedish-language magazine, K-Handelsnytt, celebrated its 50th anniversary, and 10 issues of this magazine were published in 1995.

The main themes in Kesko's corporate image advertising included entrepreneurship, environmental affairs and the cooperation with Olympic sports.

### Reorganisation

About two years ago, a program of radical reform was started in the K-retail stores offering groceries and home goods. This store format reform was based on the need to improve the K-stores' profitability and competitiveness. The formation of store chains for the different store formats led, in turn, to a need to reorganise Kesko's operations. Similar changes had already been made in the area of speciality goods, which helped in the implementation of the reform.

The new customer-oriented line organisation based on store formats and customer groups also needed an entirely different structure for purchasing and logistical operations. In addition, the emphasis at the local level had moved from wholesale operations to the serving of retail store chains.

This formed the basis for a reorganisation of Kesko which took effect from 1 September 1995. The aim of the reorganisation is to increase Kesko's sales and purchasing power, and to strengthen its competitiveness as a distribution channel in Finland and in the neighbouring countries. The new organisation means a transfer from a wholesale-based functional organisation to a customer-oriented chain organisation.

At the same time, an International Division was organised in Kesko. It is responsible for developing Kesko Corporation's new business operations, looking after relations with international organisations and matters related to the EU, and managing Kesko's international subsidiaries.

The Foodstuffs Division was expanded to include Kesko Rimi Stores, Kesko Neighbourhood Stores, Kesko Supermarkets, Kesko Superstores, Kesko Citymarkets, HoReCa Wholesale, and K-Cash & Carry Ltd, as well as the supporting activities related to these operations. The Fruit and Vegetables, Fresh Foods, Groceries, and Home Goods units are responsible for purchasing operations in this Division.

Kesko Neighbourhood Stores and Kesko Supermarkets have district units on the seven locations of the former district offices. At the end of November, a plan was proposed to decrease the number of district units from seven to four with effect from 1 April 1996. The four district centres will operate in Helsinki, Tampere, Kuopio and Oulu.

The Agricultural and Builders' Supplies Division and the main part of the Speciality and Home Goods Division were combined to form the Speciality Goods Division. This Division includes Kesko Shoes, Kesko Home Technology, Kesko Clothing, Kesko Sports, Kesko Agriculture and Machinery, Kesko Hardware and Builders' Supplies, and Keskometalli Oy, and the related supporting activities.

Kesko's supporting activities were chiefly transferred to the commercial divisions. The Foodstuffs Division and the Speciality Goods Division are responsible for the retail support activities of the K-stores belonging to their sectors, as well as for logistics and office administration. A lean Corporate Administration was established to manage Kesko Corporation's resources and to control their use. It consists of Finance and Administration, Retail Support, Corporate Planning, Internal Auditing and Corporate Communications. In addition to the units already operating under Finance and Administration, the following units were transferred to it: Risk Management, Kesped Ltd (a subsidiary established for forwarding and transporting operations), and K-instituutti Oy (the K-Group's training centre which has been organised into a subsidiary). The Property Investment and Credit departments, as well as the credit card company, K-Luotto Oy, are included in Retail Support. Tietokesko Oy and K-linkki Oy, which were organised into subsidiaries and are responsible for Kesko's and the K-stores' information technology, operate under the management of Corporate Planning.

### Highlights of the year 1995

In March, Kesko and Thomesto Trading Companies Ltd established a joint company called Kesthom Oy, whose purpose is to carry out wholesale trade in machines and agricultural and builders' supplies in Russia and the Baltic countries. Kesthom Oy will increase its founder companies' export trading by complementing deliveries from Finland with wholesale deliveries from warehouses to be established in various parts of the marketing area. The first warehouse for builders' supplies will be opened in Moscow in spring 1996.

At the end of March, Kesko purchased from the UBF Group the share capital of the shoe and handbag chain Alekski 13 and the business operations of the

Aleksi 13 department store. The purpose of this acquisition was to strengthen the K-Group's position in the clothing and leisure goods business in the Helsinki area.

At the Annual General Meeting held on 3 April 1995 the financial statements for 1994 were adopted and those accountable were discharged from their responsibilities. A decision was made to pay a dividend of FIM 1.40 per share for the year 1994.

Taking the company tax credit system into account, the taxable income for each share amounts to FIM 1.87.

The Annual General Meeting authorised the Board of Directors to increase the share capital by a maximum of FIM 100 million by issuing shares, convertible bonds and/or bonds with warrants. The authority remains unutilised.

At the end of September, a decision was made to enter the Swedish hardware and builders' supplies market. These operations will be based on the K-hardware store format, which offers a wide range of products. This format has proved to be competitive in Finland, but there are at present no stores operating under such format in the Swedish market. The first K-hardware store will be opened in Stockholm in spring 1996. A shoe store of the Aleksi 13 type will also be opened in the same business complex in spring 1996.

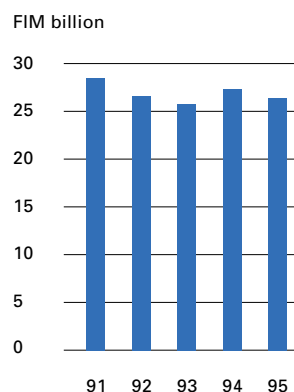
### Net sales

The net sales of the Corporation amounted to FIM 26,438 million, a decrease of 2.3%. The net sales by commercial division were as follows:

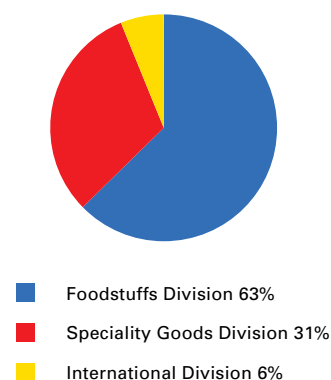
	FIM million	Change,%
Foodstuffs Division	16,568	- 5.4
Speciality Goods Division	8,240	- 2.4
International Division	1,616	46.2
Others	14	
<b>Total</b>	<b>26,438</b>	<b>- 2.3</b>

The retailing operations of the Corporation, and the majority of the supporting activities, are carried out through subsidiaries. Their sales and trading results are included in the figures for the respective commercial divisions.

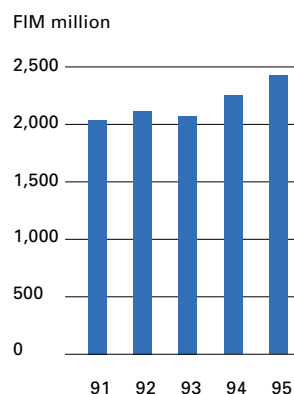
### Corporation's net sales



### Breakdown of net sales by division



### Corporation's gross profit



**Gross margin**

The Corporation's gross margin was 9.2%, compared with the previous year's 8.3%. Kesko's gross margin was 6.4%, compared with 5.6% for the previous year. The Corporation's bad debts were FIM 25.6 million, compared with FIM 57.2 million in the previous year, while Kesko's bad debts were FIM 16.1 million, compared with FIM 50.2 million in 1994.

**Costs**

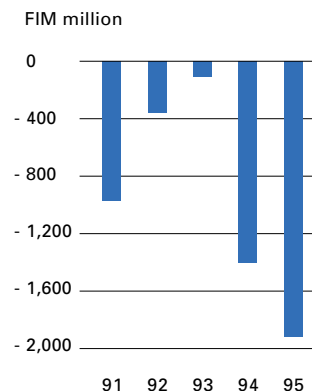
The Corporation's personnel costs increased from FIM 937 million to FIM 1,008 million, representing a rise of 7.5%. Kesko's personnel costs amounted to FIM 637 million, compared with FIM 607 million in the previous year, a growth of 5.0%. The total fixed costs of the Corporation increased by 5.6% and of Kesko by 4.9%. The most significant increases were in the expenses arising from store sites, advertising and telecommunications, while the rent expenses decreased.

**Financial income**

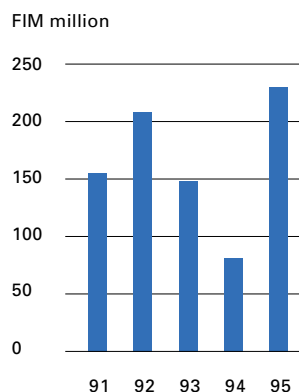
The net financial income of the Corporation was FIM 230 million, whereas the corresponding figure in the previous year was FIM 81 million. The increase in financial income can be attributed to the favourable trend in long-term interests, to an increased amount of money available for investment, and to the company's improved capital structure. At the end of the year, the Corporation's interest-free liabilities amounted to FIM 3,350 million, and interest-bearing liabilities to FIM 1,815 million. The total equity to assets ratio increased from 58% to 61% during the year. According to the loan repayment plan, a total of FIM 43 million will be repaid in 1996.

The cash flow from operations in the Corporation was FIM 863 million. As the working capital decreased by FIM 76 million, it was possible to finance both net investments (FIM 270 million) and loan repayments (FIM 192 million) from this cash flow. Cash on hand increased by FIM 345 million during the accounting period.

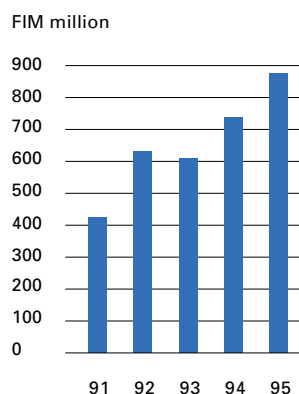
**Corporations' liabilities  
./ financial assets**



**Corporation's net financial income**



**Cash flow**





## Profit

The Corporation's profit before extraordinary items, reserves and taxes was FIM 689 million, compared with FIM 462 million in 1994. The corresponding figure for the parent company was FIM 402 million. The improved profit resulted from the improved trading results of subsidiaries, higher net financial income and lower bad debts. The combined profit of subsidiaries was FIM 287 million, compared with FIM 215 million in the previous year.

Taxes were FIM 215.7 million, and they increased by FIM 51.5 million.

The return on capital invested was 8.2%, compared with 7.0% in the previous year.

Earnings per share went up to FIM 5.23 from the previous year's figure of FIM 3.30.

The Board of Directors will propose to the Annual General Meeting that a dividend of FIM 1.90 per share be paid for 1995. The dividend for 1994 was FIM 1.40.

## Profitability of commercial divisions

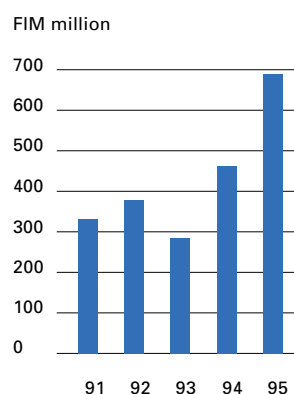
The profitability of the International Division and the Speciality Goods Division was good, while the profitability of the Foodstuffs Division was satisfactory.

This evaluation is based on the figures calculated for management accounting purposes. For these purposes, income and expenses attributable to wholesale and store site operations have been allocated to the commercial divisions. Fixed assets used by the divisions are stated at current values. Part of the overhead costs of the company, i.e. FIM 143 million, have not been allocated to the commercial divisions. The evaluation criteria applied to the return on capital invested were as follows: over 15% - good, 10-15% - satisfactory, 5-10% - fair, and below 5% - poor.

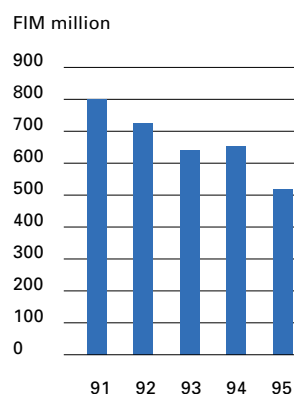
## Investments

The Corporation's investments in the wholesale and retail sectors amounted to FIM 519 million, of which investments in wholesale trade accounted for FIM 228 million, and investments in store sites and premises for FIM 291 million. FIM 242 million was invested in grocery stores and FIM 49 million in speciality stores. Decreased investments resulted from transient delays in construction projects.

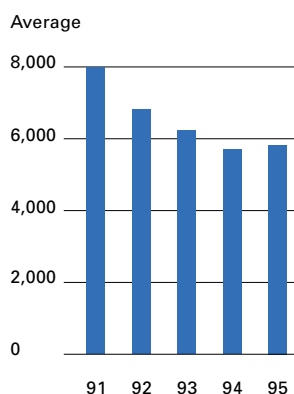
## Profit before extraordinary items



## Corporation's investments



## Corporations's personnel



### **Personnel**

During the year, the average number of personnel in the Corporation was 5,833, an increase of 132 persons, and in the parent company 3,088, a decrease of 31 persons.

The new Citymarket hypermarkets constructed for K-yhtiöt Oy and the acquisition of Aleksi 13 Oy increased the number of personnel in the Corporation, whereas the disposal of K-yhtiöt Oy's hardware stores to the K-hardware retailers decreased the number.

In the reorganisation effected from 1 September 1995, some operations of the parent company were reorganised into subsidiaries; they are K-instituutti Oy, K-linkki Oy, Kesped Ltd and Tietokesko Oy.

The turnover of personnel in the parent company was 6%. Kesko provided temporary employment during the summer for about 500 young people, of whom about 200 worked in the parent company. The vacancies in the Corporation were chiefly filled by internal transfers.

The personnel's participation in the planning of operations has been strengthened by introducing a new management system for Kesko and the K-Group's chain operations. The personnel also has a possibility to appoint a representative to the management team of each unit.

### **Prospects for 1996**

Various governmental actions, such as reducing income taxes and VAT taxes on foodstuffs, are of vital importance for increasing consumers' disposable income and purchasing power. Taken together with lower employer fees, they would increase employment, and would also have a significant effect on sales trends in trade this year.

In spite of the above-mentioned uncertainties related to purchasing power, Kesko's net sales are expected to increase slightly in 1996. The greater efficiency achieved by the reorganisation will allow the profit for 1996 to remain at a high level.

## Consolidated Income Statement

FIM million	1.1.-31.12.1995		1.1.-31.12.1994	
		%		%
<b>Net sales (1)</b>	<b>26,438.5</b>	<b>100.0</b>	27,060.5	100.0
<b>Other operating income (2)</b>	<b>306.7</b>	<b>1.2</b>	281.6	1.0
<b>Variable costs</b>				
Materials, supplies and products				
Purchases during the year	<b>24,203.8</b>		23,857.8	
Increase/decrease in inventories (-/+)	<b>70.3</b>		1,174.5	
Personnel costs (4)	<b>17.3</b>		13.6	
Other variable costs	<b>30.0</b>	<b>- 24,321.4</b>	43.3	<b>- 25,089.2</b>
<b>Gross profit</b>	<b>2,423.8</b>	<b>9.2</b>	2,252.9	8.3
<b>Services income (3)</b>	<b>902.1</b>	<b>3.4</b>	861.9	3.2
<b>Fixed costs</b>				
Personnel costs (4)	<b>990.2</b>		923.5	
Rents	<b>629.9</b>		658.0	
Other fixed costs	<b>904.9</b>	<b>- 2,525.0</b>	808.8	<b>- 2,390.3</b>
<b>Operating profit before depreciation</b>	<b>800.9</b>	<b>3.0</b>	724.5	2.7
<b>Depreciation on fixed assets and other capitalised expenditure (5)</b>	<b>- 342.2</b>	<b>1.3</b>	- 343.5	1.3
<b>Operating profit</b>	<b>458.7</b>	<b>1.7</b>	381.0	1.4
<b>Financial income and expenses (6)</b>				
Dividend income	<b>6.8</b>		4.1	
Interest income from non-current investments	<b>8.0</b>		13.4	
Other financial income	<b>336.0</b>		337.4	
Share of associated companies' profits/losses	<b>3.9</b>		- 1.0	
Interest expenses	<b>- 110.0</b>		- 248.1	
Other financial expenses	<b>- 14.9</b>	<b>229.8</b>	- 24.4	<b>81.4</b>
<b>Profit before extraordinary items, reserves and taxes</b>	<b>688.5</b>	<b>2.6</b>	462.4	1.7
<b>Extraordinary income and expenses (7)</b>				
Extraordinary income	<b>82.7</b>		93.1	
Extraordinary expenses	<b>- 23.4</b>	<b>59.3</b>	- 10.0	<b>83.1</b>
<b>Profit before reserves and taxes (8)</b>	<b>747.8</b>	<b>2.8</b>	545.5	2.0
<b>Increase/decrease (-/+ ) in accelerated depreciation</b>	<b>- 39.7</b>	<b>0.2</b>	- 127.2	0.5
<b>Increase/decrease (-/+ ) in voluntary reserves (9)</b>	<b>152.7</b>	<b>0.6</b>	212.0	0.8
<b>Direct taxes</b>	<b>- 215.7</b>	<b>0.8</b>	- 162.4	0.6
<b>Minority interest</b>	<b>- 0.6</b>	<b>0.0</b>	- 0.6	0.0
<b>Profit for the year</b>	<b>644.5</b>	<b>2.4</b>	465.5	1.7

## Consolidated Balance Sheet

FIM million	1.1.-31.12.1995		1.1.-31.12.1994	
		%		%
<b>ASSETS</b>				
<b>Fixed assets and other non-current investments (10)</b>				
Intangible assets				
Other capitalised expenditure (11)	270.9	2.1	252.3	1.9
Tangible assets				
Land and water (12)	556.4		559.0	
Buildings (13)	2,179.9		2,196.6	
Machinery and equipment (14)	674.5		732.2	
Other tangible assets (15)	21.9		24.0	
Advance payments and construction in progress (16)	50.7	3,483.4	29.4	3,541.3
		26.3		26.6
Financial assets and other non-current investments				
Bonds and shares (17)	693.1	5.2	725.1	5.4
<b>Current assets</b>				
Stocks				
Finished products/goods	1,726.9	13.0	1,782.8	13.4
Receivables				
Trade receivables	2,342.9		2,398.3	
Loan receivables	1,664.8		1,794.8	
Prepaid expenses and accrued income	299.3		379.1	
Other receivables	20.0	4,327.0	25.2	4,597.4
		32.6		34.5
Investments				
Other investments	108.5		112.9	
Money market investments	2,415.3	2,523.8	2,052.1	2,165.0
		19.0		16.3
Cash on hand and at bank	234.7	1.8	248.0	1.9
<b>ASSETS</b>	<b>13,259.8</b>	<b>100.0</b>	<b>13,311.9</b>	<b>100.0</b>

FIM million	1.1.-31.12.1995			1.1.-31.12.1994		
			%			%
<b>LIABILITIES</b>						
<b>Shareholders' equity (20)</b>						
Restricted equity						
Share capital	902.4			902.4		
Reserve fund	1,020.9			1,020.9		
Revaluation reserve	10.3			16.5		
Other restricted reserves	11.8	1,945.5	14.7	11.9	1,951.7	14.7
Unrestricted equity						
Other unrestricted equity	1,793.9			1,790.8		
Retained earnings	970.9			656.4		
Profit for the year	644.5	3,409.3	25.7	465.5	2,912.7	21.9
<b>Reserves (21)</b>						
Accelerated depreciation		1,796.9	13.6		1,757.2	13.2
Voluntary reserves						
Investment reserves	16.0			24.0		
Other reserves	861.8	877.8	6.6	1,006.5	1,030.5	7.7
Obligatory reserves						
		26.8	0.2		22.5	0.2
<b>Liabilities</b>						
Non-current liabilities (22)						
Bonds and notes	100.0			100.0		
Loans from financial institutions	181.9			219.3		
Pension loans	0.2			1.2		
Other non-current liabilities	413.9	696.0	5.2	553.2	873.7	6.6
Current liabilities (23)						
Loans from financial institutions	44.3			54.8		
Pension loans	0.4			4.2		
Advances received	102.3			70.2		
Trade payables	2,669.5			2,805.2		
Accrued liabilities and deferred income	502.8			576.5		
Other current liabilities	1,149.9	4,469.2	33.7	1,222.9	4,733.8	35.5
Minority interest						
		38.3	0.3		29.8	0.2
<b>LIABILITIES</b>		<b>13,259.8</b>	<b>100.0</b>		<b>13,311.9</b>	<b>100.0</b>

## Consolidated Statement of Cash Flows

FIM million	<u>1.1.-31.12.1995</u>	<u>1.1.-31.12.1994</u>
<b>Operations</b>		
Funds generated from operations		
Operating profit before depreciation	800.9	724.5
Financial income and expenses	229.8	81.4
Extraordinary items	59.3	83.1
Taxes	- 227.0	- 164.8
	<u>863.0</u>	<u>724.2</u>
<b>Change in working capital</b>		
Stocks, increase (-), decrease (+)	55.9	1,174.1
Short-term trade receivables, increase (-), decrease (+)	270.3	630.5
Interest-free short-term debt, increase (+), decrease (-)	- 250.2	- 1,435.4
	<u>76.0</u>	<u>369.2</u>
Cash flow from operations	939.0	1,093.4
<b>Investments</b>		
Investments in fixed assets	- 518.9	- 653.8
Profit on the sale of fixed assets	249.2	72.6
	<u>- 269.7</u>	<u>- 581.2</u>
Cash flow before financing	669.3	512.2
<b>Financing</b>		
Increase (-), decrease (+) in long-term receivables	4.5	302.3
Increase (+) in long-term loans	-	-
Decrease (-) in long-term loans	- 177.8	- 238.1
Increase (+), decrease (-) in short-term loans	- 14.3	- 936.1
Dividends, donations	- 127.6	- 100.4
Share issue	0.0	0.0
Other financial items	- 8.7	57.2
	<u>- 323.9</u>	<u>- 915.1</u>
According to calculation, increase (+), decrease (-) in cash on hand	345.4	- 402.9

## Kesko Ltd's Income Statement

FIM million	1.1.-31.12.1995		1.1.-31.12.1994	
		%		%
<b>Net sales (1)</b>	<b>22,550.9</b>	<b>100.0</b>	24,382.1	100.0
<b>Other operating income (2)</b>	<b>255.9</b>	<b>1.1</b>	251.2	1.0
<b>Variable costs</b>				
Materials, supplies and products				
Purchases during the year	<b>21,249.8</b>		22,030.0	
Increase/decrease in inventories (-/+)	<b>104.7</b>		1,229.4	
Personnel costs (4)	<b>7.7</b>	<b>- 21,362.2</b>	6.8	<b>- 23,266.2</b>
<b>Gross profit</b>	<b>1,444.6</b>	<b>6.4</b>	1,367.1	5.6
<b>Services income (3)</b>	<b>1,032.1</b>	<b>4.6</b>	999.1	4.1
<b>Fixed costs</b>				
Personnel costs (4)	<b>629.2</b>		599.8	
Rents	<b>606.0</b>		644.5	
Other fixed costs	<b>843.0</b>	<b>- 2,078.2</b>	736.2	<b>- 1,980.5</b>
<b>Operating profit before depreciation</b>	<b>398.5</b>	<b>1.8</b>	385.7	1.6
<b>Depreciation on fixed assets and other capitalised expenditure (5)</b>	<b>- 218.4</b>	<b>1.0</b>	- 230.7	1.0
<b>Operating profit</b>	<b>180.1</b>	<b>0.8</b>	155.0	0.6
<b>Financial income and expenses (6)</b>				
Dividend income	<b>25.8</b>		26.6	
Interest income from non-current investments	<b>8.0</b>		13.3	
Other financial income	<b>324.6</b>		327.9	
Interest expenses	<b>- 123.9</b>		- 253.5	
Other financial expenses	<b>- 13.0</b>	<b>221.5</b>	- 22.4	<b>91.9</b>
<b>Profit before extraordinary items, reserves and taxes</b>	<b>401.6</b>	<b>1.8</b>	246.8	1.0
<b>Extraordinary income and expenses (7)</b>				
Extraordinary income	<b>287.4</b>		92.9	
Extraordinary expenses	<b>- 70.8</b>	<b>216.6</b>	- 12.3	<b>80.6</b>
<b>Profit before reserves and taxes (8)</b>	<b>618.2</b>	<b>2.7</b>	327.4	1.3
<b>Increase/decrease in accelerated depreciation (-/+)</b>	<b>- 22.3</b>	<b>0.1</b>	- 86.1	0.3
<b>Increase/decrease in voluntary reserves (-/+ (9))</b>	<b>103.8</b>	<b>0.5</b>	142.5	0.6
<b>Direct taxes</b>	<b>- 173.9</b>	<b>0.8</b>	- 97.7	0.4
<b>Profit for the year</b>	<b>525.8</b>	<b>2.3</b>	286.1	1.2

## Kesko Ltd's Balance Sheet

FIM million	1.1.-31.12.1995		1.1.-31.12.1994	
		%		%
<b>ASSETS</b>				
<b>Fixed assets and other non-current investments (10)</b>				
Intangible assets				
Other capitalised expenditure (11)	203.1	1.7	218.9	1.8
Tangible assets				
Land and water (12)	379.7		388.3	
Buildings (13)	1,555.7		1,599.2	
Machinery and equipment (14)	293.6		345.7	
Other tangible assets (15)	11.9		13.4	
Advance payments and construction in progress (16)	32.1	2,273.0	23.3	2,369.9
		18.7		19.5
Financial assets and other non-current investments				
Bonds and shares (17, 18)	1,210.1	10.0	1,183.1	9.7
<b>Current assets</b>				
Stocks				
Finished products/goods	976.4	8.0	1,081.1	8.9
Receivables (19)				
Trade receivables	2,069.9		2,070.7	
Loan receivables	2,583.5		2,614.7	
Prepaid expenses and accrued income	160.4		270.8	
Other receivables	15.2	4,829.0	25.3	4,981.5
		39.8		41.0
Investments				
Other investments	100.4		100.9	
Money market investments	2,415.3	2,515.7	2,052.1	2,153.0
		20.7		17.7
Cash on hand and at bank	138.6	1.1	167.8	1.4
<b>ASSETS</b>	<b>12,145.9</b>	<b>100.0</b>	<b>12,155.3</b>	<b>100.0</b>



FIM million	1.1.-31.12.1995			1.1.-31.12.1994		
			%			%
<b>LIABILITIES</b>						
<b>Shareholders' equity (20)</b>						
Restricted equity						
Share capital	902.4			902.4		
Reserve fund	1,019.0			1,019.0		
Revaluation reserve	11.7	1,933.2	15.9	17.6	1,939.0	15.9
Unrestricted equity						
Contingency fund	1,447.3			1,448.6		
Retained earnings	771.3			612.7		
Profit for the year	525.8	2,744.4	22.6	286.1	2,347.4	19.3
<b>Reserves (21)</b>						
Accelerated depreciation		1,404.7	11.6		1,382.4	11.4
Voluntary reserves						
Other reserves		709.0	5.8		812.8	6.7
Obligatory reserves		4.2	0.0		8.0	0.1
<b>Liabilities</b>						
<b>Non-current liabilities (22)</b>						
Bonds and notes	100.0			100.0		
Loans from financial institutions	158.7			201.8		
Other non-current liabilities	418.4	677.1	5.6	557.4	859.2	7.1
<b>Current liabilities (23)</b>						
Loans from financial institutions	42.6			54.0		
Pension loans	-			4.0		
Advances received	47.3			57.0		
Trade payables	2,499.5			2,498.8		
Accrued liabilities and deferred income	294.7			371.3		
Other current liabilities	1,789.2	4,673.3	38.5	1,821.4	4,806.5	39.5
<b>LIABILITIES</b>		<b>12,145.9</b>	<b>100.0</b>		<b>12,155.3</b>	<b>100.0</b>

## Kesko Ltd's Statement of Cash Flows

FIM million	<u>1.1. - 31.12.1995</u>	<u>1.1. - 31.12.1994</u>
<b>Operations</b>		
Funds generated from operations		
Operating profit before depreciation	398.5	385.7
Financial income and expenses	221.6	91.9
Extraordinary items	216.5	80.6
Taxes	- 175.1	- 98.3
	<hr/> 661.5	<hr/> 459.9
<b>Change in working capital</b>		
Stocks, increase (-), decrease (+)	104.7	1,229.4
Short-term trade receivables, increase (-), decrease (+)	152.5	756.2
Interest-free short-term debt, increase (+), decrease (-)	- 117.8	- 1,471.2
	<hr/> 139.4	<hr/> 514.4
Cash flow from operations	800.9	974.2
<b>Investments</b>		
Investments in fixed assets	- 380.5	- 446.8
Profit on the sale of fixed assets	137.3	46.1
	<hr/> - 243.2	<hr/> - 400.7
Cash flow before financing	557.7	573.5
<b>Financing</b>		
Increase (-), decrease (+) in long term receivables	0.5	278.2
Increase (+) in long-term loans	-	-
Decrease (-) in long-term loans	- 182.0	- 238.7
Increase (+), decrease (-) in short-term loans	- 15.4	- 935.4
Dividends, donations	- 127.6	- 100.5
Share issue	0.0	0.0
	<hr/> - 324.5	<hr/> - 996.4
According to calculation, increase (+), decrease (-) in cash on hand	233.2	- 422.9

## Notes to the financial statements

### Accounting policies

#### Principles of consolidation

The consolidated financial statements include Kesko Ltd and all subsidiaries, including 54 property companies.

Shareholdings in subsidiary companies have been eliminated using the acquisition method. Goodwill on consolidation arising on acquisitions during the financial year amounting to FIM 10.2 million has been deducted from unrestricted equity. Minority interests have been deducted in arriving at the profit for the period attributable to the shareholders and have been disclosed separately from shareholders' equity in the balance sheet.

Associated companies in which Kesko's holding is 20-50% have been consolidated by using the equity method.

#### Changes within the Corporation

During the financial year, the following companies were established: Kesped Ltd, K-instituutti Oy, K-linkki Oy, Tietokesko Oy, Antti Pehkonen Oy and one property company. The whole share capital of Alekski 13 Oy was purchased. A former associated company, Roihuvuoren Liiketalo Oy, was reorganised into a subsidiary. In addition, shareholdings in one property company were acquired and shareholdings in two property companies were sold. Five business property companies were merged with Kesko Ltd.

#### Foreign currencies

Assets and liabilities denominated in foreign currencies have been translated into Finnish markkas at the average rates of exchange ruling at the balance sheet date. If a receivable or a debt is tied to a certain rate of exchange, it has been used for translation. Profits and losses arising on foreign currency transactions in 1995 have been dealt with in the income statement.

#### Pension costs

Statutory and supplementary pension benefits are provided to parent company employees by means of contributions to Kesko Pension Fund. Contributions equivalent to 17% of relevant salaries and wages are charged in the income statement. The difference between 17% and the actuarially advised rate is included in extraordinary items. Pension coverage for employees of subsidiaries is arranged mainly by the Pension Foundation for Trade. Annual contributions are charged in the income statement. In the Corporation, the retirement age agreed for Directors is 60 or 62 years.

#### Fixed assets

Fixed assets are capitalised at acquisition cost.

#### Depreciation

Plan depreciation is calculated so as to write off the cost of fixed assets over their expected useful lives.

The annual rates adopted are as follows:

Buildings	3%	33 years
Fixtures and fittings	12.5%	8 years
Machinery and equipment	12.5-33%	3-8 years
Transportation fleet	20%	5 years
Other tangible assets and other capitalised expenditure	7-20%	5-14 years

Vehicles leased and rented out are depreciated in equal annual instalments so as to write down the costs of the vehicles to their estimated residual values at the end of the lease term. Land is not depreciated.

In Finland companies are permitted to claim various tax deductions in respect of depreciation over and above the depreciation charged in line with normal depreciation plan. The changes in accelerated depreciation are treated as appropriations and classified as reserves.

#### Stocks

The stocks are stated at lower of cost or net realisable value.

#### Financial statements in accordance with IAS

The consolidated financial statements have been prepared in accordance with the rules specified in the Accounting Act. The notes to the financial statements have been completed with additional data previously included only in the financial statements in accordance with IAS.

### Notes to the Income Statement and the Balance Sheet

#### 1. Net sales

The net sales shown in the income statement included discounts on sales amounting to FIM 445.2 million in the Corporation, compared with FIM 465.4 million in the previous year. In the parent company, the corresponding figures were FIM 418.9 million and FIM 465.0 million. In the Corporation, the bad debt amounted to FIM 25.6 million, compared with FIM 57.2 million in 1994. In the parent company, the bad debt was FIM 16.1 million, FIM 50.2 million in the previous year. Other adjustments to sales, distributing expenses, commissions and excise taxes included in net sales amounted to FIM 230.6 million, FIM 163.6 million in 1994.

#### 2. Other operating income

Other operating income includes rent income, advertising support and other recurrent income, such as profits on the sale of retail premises. Profits on the sale of wholesale premises are included in extraordinary items.

#### 3. Services income

Services income includes compensations for services provided to K-retailers and subsidiaries in respect of the acquisition, financing and maintenance of their business premises, for joint marketing, accountancy and consulting services and the training of K-retailers and their personnel. The expenses incurred in providing these services are included within fixed costs, interest expenses and depreciation.

FIM million	Corporation		Kesko	
	1995	1994	1995	1994
<b>4. Personnel costs</b>				
Wages and salaries	782.0	720.4	483.0	459.0
Pension costs	119.2	117.6	81.9	77.2
Other indirect employee costs	106.3	99.1	72.0	70.4
	1,007.5	937.1	636.9	606.6
Fringe benefits	13.6	12.9	10.9	9.6
Total	1,021.1	950.0	647.8	616.2
Personnel costs of net sales, %	3.9	3.5	2.9	2.5
Remuneration of the Supervisory Board, the Boards of Directors and the Managing Directors, of which the share of profits	14.5	11.5	9.6	8.7
	0.5	0.2	0.5	0.2
<b>5. Plan depreciation</b>				
Other capitalised expenditure	52.4	54.0	39.0	45.4
Buildings	93.9	90.9	69.7	66.1
Machinery and equipment	192.4	195.4	107.0	116.3
Other tangible assets	3.5	3.2	2.7	2.9
Total	342.2	343.5	218.4	230.7
Change in accelerated depreciation				
Other capitalised expenditure	32.5	13.8	29.3	14.2
Buildings	51.6	172.7	15.3	104.0
Machinery and equipment	- 36.8	- 20.8	- 14.7	- 11.8
Other tangible assets	0.6	0.7	0.6	0.6
Advance payments and construction in progress	- 8.2	- 39.2	- 8.2	- 20.9
Total	39.7	127.2	22.3	86.1
Under Finnish tax legislation, the maximum depreciation	243.1	270.1	149.0	181.4
<b>6. Inter-Corporation financial income and expenses</b>				
Financial income received from subsidiaries				
Dividend income	-	-	21.6	23.4
Other financial income	-	-	15.6	31.9
Interest expenses	-	-	- 16.8	-
<b>7. Extraordinary income and expenses</b>				
Profits and losses on the sale of fixed assets	10.1	- 4.1	10.8	1.8
Difference between normal and actual pension contributions	67.8	87.2	67.8	87.2
Revaluation of investments included in fixed assets	- 18.6	-	- 18.6	- 8.4
Corporation contributions	-	-	156.5	-
Total	59.3	83.1	216.5	80.6
<b>8. Change in obligatory reserves</b>				
Rent expenses against empty business premises	- 3.3	1.2	- 3.3	1.2
Change in guarantee losses	1.7	-	-	-
Guarantee reserves	5.9	18.3	- 0.5	3.8
Total	4.3	19.5	- 3.8	5.0
<b>9. Change in voluntary reserves</b>				
Acquisitions reserve	97.7	31.3	97.7	31.3
Investment reserve	8.0	148.0	-	100.0
Bad debt reserve	- 0.6	- 0.5	-	-
Operating reserve	-	3.4	-	-
Transition reserve	47.6	29.8	6.1	11.2
Total	152.7	212.0	103.8	142.5

FIM million	Corporation		Kesko	
	1995	1994	1995	1994
<b>10. Revaluation amounts included in fixed assets</b>				
Revaluations on fixed assets included in revaluation reserve				
Land	5.1	6.5	5.1	6.5
Investments	5.2	10.0	6.6	11.1
<b>Total</b>	<b>10.3</b>	<b>16.5</b>	<b>11.7</b>	<b>17.6</b>
Tax values				
Land	272.7	259.5	211.3	206.5
Buildings	1,243.5	1,142.3	835.1	807.9
Investments	555.3	409.6	520.5	366.0
Investments in subsidiaries	–	–	530.8	775.6
<b>11. Other capitalised expenditure</b>				
Acquisition cost at 1.1.	469.0	415.1	389.2	338.3
Increases 1.1.-31.12.	72.9	70.8	47.4	52.7
Decreases 1.1.-31.12.	– 71.3	– 16.9	– 81.7	– 1.8
Acquisition cost at 31.12.	470.6	469.0	354.9	389.2
Accumulated depreciation at 31.12.	– 199.7	– 216.7	– 151.8	– 170.3
Net book value at 31.12.	270.9	252.3	203.1	218.9
<b>12. Land and water</b>				
Acquisition cost at 1.1.	559.0	484.1	388.3	311.7
Increases 1.1.-31.12.	15.1	90.2	8.6	84.6
Decreases 1.1.-31.12.	– 17.6	– 15.3	– 17.2	– 8.0
Net book value at 31.12.	556.5	559.0	379.7	388.3
<b>13. Buildings</b>				
Acquisition cost at 1.1.	2,760.0	2,606.0	2,008.5	1,901.9
Increases 1.1.-31.12.	112.5	219.8	60.2	134.8
Decreases 1.1.-31.12.	– 54.4	– 65.8	– 54.7	– 28.2
Acquisition cost at 31.12.	2,818.1	2,760.0	2,014.0	2,008.5
Accumulated depreciation at 31.12.	– 638.2	– 563.4	– 458.3	– 409.3
Net book value at 31.12.	2,179.9	2,196.6	1,555.7	1,599.2
Fire insurance value of buildings in the Corporation was FIM 3,163 million and in Kesko FIM 2,182 million.				
<b>14. Machinery and equipment</b>				
Acquisition cost at 1.1.	2,310.5	2,150.7	1,429.0	1,347.5
Increases 1.1.-31.12.	255.9	159.8	126.3	81.5
Decreases 1.1.-31.12.	– 774.2	–	519.3	–
Acquisition cost at 31.12.	1,792.2	2,310.5	1,036.0	1,429.0
Accumulated depreciation at 31.12.	– 1,117.7	– 1,578.3	– 742.4	– 1,083.3
Net book value at 31.12.	674.5	732.2	293.6	345.7
Share of machinery and equipment of net book value at 31.12.	21.0	26.1	–	–

FIM million	Corporation		Kesko	
	1995	1994	1995	1994
<b>15. Other tangible assets</b>				
Acquisition cost at 1.1.	51.6	48.4	35.0	33.1
Increases 1.1.-31.12.	1.3	3.8	1.2	2.0
Decreases 1.1.-31.12.	- 15.2	- 0.6	- 12.6	- 0.1
Acquisition cost at 31.12.	37.7	51.6	23.6	35.0
Accumulated depreciation at 31.12.	- 15.8	- 27.6	- 11.7	- 21.5
Net book value at 31.12.	21.9	24.0	11.9	13.5
<b>16. Advance payments and construction in progress</b>				
Acquisition cost at 1.1.	29.4	82.5	23.3	59.4
Increases 1.1.-31.12.	182.2	142.2	117.0	136.1
Decreases 1.1.-31.12.	- 161.0	- 195.3	- 108.2	- 172.2
Acquisition cost at 31.12.	50.6	29.4	32.1	23.3
<b>17. Bonds and shares</b>	693.1	725.1	1,210.1	1,183.1

The register of shareholdings required under § 11.8 of the Companies Act is annexed to the financial statements. In 1995 the shareholdings in listed companies amounted to FIM 112 million (FIM 95 million in 1994), their market value being FIM 146 million. Major shareholdings in listed companies were Merita Ltd, Oy Stockmann Ab, Neste Group, Rautaruukki Oy and YIT Corporation. The book value of the shareholdings in property companies (60 business premises) was FIM 442 million.

#### Companies owned by the Corporation and the parent company

	Corporation's shareholding %	Corporation's voting rights %	Corporation's share of share- holders' equity FIM million	Parent company's shareholding %	Shares held by the parent company			Profit/loss shown in the latest financial statements FIM million
					Quantity	Nominal value FIM million	Book value FIM million	
<b>Subsidiaries</b>								
S.J.Aalto Oy	90	90	1.3	90	90	0.9	0.9	0.4
Aleksi 13 Oy	100	100	10.8	100	10,000	10	17.6	0.8
Fennosale Oy	100	100	1.4	100	100	0	1.2	0.4
Golf Talma Oy	77.7	77.7	35.1	17.3	816	4.1	34.2	-1.1
Seppo Heikkinen Oy	100	100	2.1	100	100	1	1.3	-0.8
Pekka Kalmi Oy	90	90	4.5	90	180	1.8	1.8	1.1
Kankaanpään Rauta-Maatalous Oy	100	100	0.2	100	100	1	0.9	-0.8
Kesko Eesti A/S	100	100	0.9	100	144	1.4	3.8	-1.4
Kesko Export Ltd.	100	100	3.5	100	300	3	3	0.4
Keskometalli Oy	100	100	74.2	100	6,000	60	10	1
Kesped Ltd	100	100	3.3	100	300	3	3	0.3
K-instituutti Oy	90	90	10.7	90	990	9.9	9.9	0.9
K-konerahoitus Oy	99.9	99.9	52.5	-	2,121,386	21.2	35.6	0.4
K-liikki Oy	100	100	20.6	100	2,000	20	20	0.6
K-Luotto Oy	90	90	8.4	90	1,800	1.8	1.8	2
K-maatalousyhtiöt Oy	100	100	7.9	-	500	5	5	0.2
K-Cash & Carry Ltd	100	100	127.1	100	10,000	100	10	2
K-yhtiöt Oy	100	100	696.2	100	2,200	44	44	103.9
MK-mainos Oy	90	90	5.1	-	216	2.2	2.5	1.6
Antti Pehkonen Oy	90	90	1.7	90	900	0.9	0.9	0.9
Suneva Oy	99.8	99.8	0.2	99.8	1,796	0.2	0.1	-0.1
Finnish Rich Coffee Ltd	100	100	1.4	100	1,000	1	1	0.2
Suomen Väri Oy	100	100	5.7	-	500	5	5	0.3
Tietokesko Oy	100	100	10.2	100	1,000	10	10	0.2
Leena Turunen Oy	90	90	1.1	90	90	0.9	0.9	0.2
V.F.E. Co. Ltd	98	98	-0.1	-	49	0	0.2	-0.1
VV-Auto Oy (group)	99.9	99.9	171.6	-	8,395,577	41.9	43.3	18.4
<b>Associated companies</b>								
Center-yhtiöt Oy (group)	29.6	23.2	18.3	-	60,750	6.1	21.7	6.2
Finn-Match Oy	33.3	33.3	2.2	-	5	0.5	1.2	4.9
Kauppioiden Komedia Oy (group)	49	49.2	10.6	-	191	0.2	2.5	4.8
Kesthom Oy	40	40	0.8	40	1,200	1.2	1.2	-1.1
Kivinokka Oy	48	48	2.9	47	18,847	2.8	11.8	1.2
K-rahoitus Oy	39	39	6.9	-	2,574	2.6	2.6	1.4
Suomen Osakaskiinteistöt Oy (group)	30	30	1	30	450,000	0.4	1.9	-0.9
Vesni Italia S.R.L.	24.1	24.1	0.1	24.1	20,000	0.1	0.2	0.1
Viking Coffee Ltd	50	50	18.6	50	1,500	15	15	6.2
Viking Fruit AB (group)	33.3	33.3	4.1	33.3	13,333	0.9	1.3	1.0
Vähittäiskaupan Takaus Oy	30	30	14.2	30	120,088	1.2	3.4	10.5

FIM million	Corporation		Kesko	
	1995	1994	1995	1994
<b>18. Other non-current investments/subsidiaries and associated companies</b>				
Subsidiaries				
Investments			306.2	237.8
Associated companies				
Investments			396.1	403.9
<b>19. Receivables and debt/subsidiaries and associated companies</b>				
Trade receivables / subsidiaries			186.3	114.0
Trade receivables / associated companies			28.6	16.2
Loan receivables / subsidiaries			924.0	824.2
Loan receivables / associated companies			1,200.7	1,279.0
Prepaid expenses and accrued income / subsidiaries			2.8	2.0
Other receivables / subsidiaries			0.9	6.6
Other investments / associated companies				–
Other long-term debt / subsidiaries			5.5	26.1
Advances received / subsidiaries			16.9	11.0
Advances received / associated companies			19.3	20.7
Trade payables / subsidiaries			75.9	86.0
Accrued liabilities and deferred income / subsidiaries			21.5	2.1
Other current liabilities / subsidiaries			733.2	646.7
Other current liabilities / associated companies			152.3	135.1
<b>20. Shareholders' equity</b>				
Share capital at 1.1.	902.4	902.4	902.4	902.4
Rights issue	–	–	–	–
Share capital at 31.12.	902.4	902.4	902.4	902.4
Reserve fund at 1.1.	1,020.9	1,020.9	1,020.9	1,019.0
Change	–	–	–	–
Reserve fund at 31.12.	1,020.9	1,020.9	1,020.9	1,019.0
Revaluation reserve at 1.1.	16.5	19.9	17.6	21.0
Decrease in connection with sale of fixed assets	– 6.2	– 3.4	– 5.9	– 3.4
Revaluation reserve at 31.12.	10.3	16.5	11.7	17.6
Other reserves at 1.1.	11.9	13.5	–	–
Other change in reserves 1.1.	– 0.1	– 1.6	–	–
Other reserves at 31.12.	11.8	11.9	–	–
Restricted equity at 31.12.	1,945.5	1,951.7	1,933.2	1,939.0
Unrestricted equity at 1.1.	2,912.7	2,491.2	2,347.4	2,162.3
Dividends	– 126.3	– 99.2	– 126.3	– 99.2
Donations	– 1.2	– 1.2	– 1.2	– 1.2
Taxes for previous years	– 11.3	– 0.7	– 1.3	– 0.6
Goodwill written off	– 10.2	– 3.9	–	–
Adjustment for associated companies	4.9	58.8	–	–
Other changes	– 3.8	2.2	–	–
Profit for the year	644.5	465.5	525.8	286.1
Unrestricted equity at 31.12.	3,409.3	2,912.7	2,744.4	2,347.4
Distributable reserves	3,409.3	2,912.7	2,744.4	2,347.4

FIM million	Corporation		Kesko	
	1995	1994	1995	1994
<b>21. Reserves</b>				
Accelerated depreciation	1,796.9	1,757.2	1,404.7	1,382.4
Voluntary reserves				
Investment reserve	16.0	24.0	–	–
Acquisitions reserve	1.5	99.2	1.4	99.2
Bad debt reserve	2.6	2.0	–	–
Transition reserve	857.7	905.3	707.6	713.6
<b>Total</b>	<b>877.8</b>	<b>1,030.5</b>	<b>709.0</b>	<b>812.8</b>
Deferred tax corresponding to voluntary reserves	245.8	257.6	198.5	203.2
Obligatory reserves				
Rent expenses against business premises	0.9	4.2	0.9	4.2
Guarantee losses	1.7	–	–	–
Guarantee reserves	24.2	18.3	3.3	3.8
<b>Total</b>	<b>26.8</b>	<b>22.5</b>	<b>4.2</b>	<b>8.0</b>
<b>22. Non-current liabilities</b>				
Liabilities due to fall after five years				
Loans from financial institutions	6.6	47.8	–	38.7
Pension loans	–	0.5	–	–
Other non-current liabilities	100.0	100.0	100.0	100.0
<b>Total</b>	<b>106.6</b>	<b>148.3</b>	<b>100.0</b>	<b>138.7</b>
K-rebate liabilities				
Kesko's liabilities under the K-rebate scheme, of which current liabilities FIM 78.3 million (FIM 85.4 million in 1994)	414.9	541.6	414.9	541.6
Marketing discount liabilities, of which current liabilities FIM 31.4 million (FIM 66.2 million in 1994)	113.2	167.4	113.2	167.4
<b>Bonds and notes</b>				
	FIM million	Interest		
Debenture				
1985–1995	250.0	12%	–	–
of which FIM 1.1 million short-term (FIM 195.4 million in 1994)				
Bonds				
1993–2003	100.0	6.25%	100.0	100.0
Convertible bonds				
1989–1994	125.0	5%	–	–
of which FIM 0.1 million short-term (FIM 0.4 million in 1994)				
Currency loans, of which FIM 185.5 million short-term (FIM 178.1 million in 1994)	191.0		152.8	155.5



FIM million	Corporation		Kesko	
	1995	1994	1995	1994
<b>23. Current liabilities</b>				
Interest-free debt	3,349.9	3,500.2	2,794.7	2,902.4
<b>24. Contingent liabilities</b>				
Pledges given				
For own debt	89	30	82	24
For associated companies	71	71	71	71
For subsidiaries	-	-	20	20
For shareholders	-	-	-	-
For management	-	-	-	-
For others	0	3	-	3
Mortgages given as security for debt				
For own debt	133	54	97	26
For associated companies	-	-	-	-
For subsidiaries	-	-	34	-
For shareholders	-	-	-	-
For management	-	-	-	-
For others	-	-	-	-
Guarantees				
For own debt	-	-	-	-
For associated companies	20	17	20	17
For subsidiaries	-	-	240	236
For shareholders	2	2	2	2
For management	-	-	-	-
For others	10	12	2	3
Other contingent liabilities				
For own debt	2	22	-	-
For associated companies	-	-	-	-
For management	-	-	-	-
For others	-	-	-	-
Leasing liabilities	4	-	2	-
Liabilities arising from derivative contracts	-	-	-	-
<b>Total</b>	<b>331</b>	<b>211</b>	<b>570</b>	<b>402</b>

## 25. Pension Fund, Pension Foundation and Sickness Fund

The Kesko Pension Fund provides personnel with statutory and supplementary pensions. The Kesko Pension Fund paid FIM 118.4 million in statutory pension benefits, an increase of 7.9% over the previous year. Supplementary pensions totalled FIM 51.0 million, an increase of 1.0% compared with 1994. In addition, the Pension Fund paid FIM 0.9 million towards the pension benefits provided jointly with pension institutions, compared with FIM 0.6 million in the previous year. On 31 December 1995, the pension funds totalled FIM 1,813.5 million, of which the statutory liabilities deficit was FIM 11.7 million. All pension liabilities except the statutory liabilities deficit are fully covered. At the end of 1995, the number of retired employees was 2,527.

The statutory pension benefits of Kesko's subsidiaries are provided by the Pension Foundation for Trade, which paid out FIM 10.8 million in pension benefits, and FIM 18.9 million towards the pension benefits provided jointly with pension institutions. On 31 December 1995, the pension funds totalled FIM 128.9 million, of which the statutory liabilities deficit was FIM 4.4 million. All pension liabilities except the statutory liabilities deficit are fully covered. The number of pensioners at the end of the year was 206.

Kesko's Sickness Fund, which operates as an employer's fund, is responsible for paying out benefits to Kesko's and its subsidiaries' personnel under the Sickness Insurance Act. In 1995 these benefits amounted to FIM 18.9 million, which was 2.0% more than the previous year.

## Corporation in figures

	1991	1992	1993	1994	1995
<b>Income Statement</b>					
Net sales, FIM million	28,484	26,641	25,822	27,060	26,438
Change in net sales, %	- 6.7	- 6.5	- 3.1	4.8	- 2.3
Gross profit, FIM million	2,040	2,118	2,071	2,253	2,424
Gross margin, %	7.16	7.94	8.01	8.32	9.16
Personnel costs, FIM million	919	1,043	962	937	1,007
Personnel costs of net sales, %	3.23	3.91	3.72	3.46	3.81
Operating profit before depreciation, FIM million	478	504	500	725	801
Operating margin, %	1.67	1.89	1.93	2.67	3.02
Plan depreciation, FIM million	353	335	363	343	342
Operating profit, FIM million	125	144	137	381	459
Operating profit of net sales, %	0.43	0.53	0.53	1.40	1.73
Financial income, net, FIM million	155	208	148	81	230
Financial income of net sales, %	0.54	0.78	0.57	0.30	0.86
Profit before extraordinary items, FIM million	332	378	285	462	689
Profit before extraordinary items of net sales, %	1.16	1.42	1.10	1.70	2.60
Profit before reserves and taxes, FIM million	247	313	355	545	747
Profit before reserves and taxes of net sales, %	0.87	1.18	1.37	2.01	2.82
Direct taxes, FIM million	177	18	109	164	216
Profit for the year, FIM million	301	178	357	466	645
<b>Balance Sheet</b>					
Fixed assets, FIM million	4,278	4,135	4,286	4,519	4,447
Stocks, FIM million	2,143	2,870	2,957	1,783	1,727
Financial assets, FIM million	7,955	7,843	8,346	7,010	7,086
Shareholders' equity, FIM million	4,400	4,226	4,448	4,864	5,355
Share capital, FIM million	902	902	902	902	902
Unrestricted equity, FIM million	2,422	2,270	2,491	2,913	3,409
Reserves, FIM million	2,989	3,106	2,875	2,788	2,675
Liabilities, FIM million	6,987	7,488	8,237	5,607	5,165
Interest-bearing liabilities, FIM million	3,530	3,234	3,690	2,107	1,815
Net indebtedness, FIM million	*- 968	*- 358	*- 109	*- 1,403	*- 1,920
Balance sheet total, FIM million	14,376	14,848	15,589	13,312	13,260
<b>Key indicators</b>					
Return on capital invested, %	7.0	7.0	5.4	7.1	8.2
Return on equity, %	2.1	4.8	2.4	4.0	6.0
Cash flow, FIM million	423	630	609	724	874
Total equity to assets ratio, %	51.7	49.9	47.5	58.0	61.3
Interest-bearing net debt of equity, %	17.8	20.3	13.4	- 2.5	- 11.7
Investments, FIM million	801	725	640	654	519
Investments of net sales, %	2.8	2.7	2.5	2.4	2.0
Personnel (average)	7,983	6,816	6,227	5,701	5,833
<b>Parent company (Kesko Ltd)</b>					
Net sales, FIM million	26,325	24,410	23,595	24,382	22,551
Gross margin, %	5.13	5.79	5.27	5.61	6.41
Operating margin, %	1.41	1.37	1.27	1.58	1.77
Profit before extraordinary items, FIM million	409	375	254	247	402
Personnel (average)	4,561	3,952	3,229	3,119	3,088
<b>Share capital and shares</b>					
Share capital, FIM million	902	902	902	902	902
Number of shares at 31.12., million pcs	90	90	90	90	90
Adjusted number of shares at 31.12., million pcs	90	90	90	90	90
Adjusted average number of shares during the year, million pcs	90	90	90	90	90
Number of shareholders at 31.12.	44,531	44,231	28,285	28,486	27,479
Market capitalisation, FIM million	3,293	3,293	4,438	4,962	4,881
Share trading, FIM million	224	510	1,130	1,284	1,111
Change in the number of shares traded, million pcs	6	15	28	24	22
Change in share trading, %	27.8	160.4	85.5	- 14.5	- 7.0

\* Financial assets exceed liabilities

	1991	1992	1993	1994	1995
Exclusive shares, %	40	39	36	34	38
Ordinary shares, %	60	61	64	66	62
Nominal dividend per share, FIM	1.20	1.30	1.10	1.40	<b>**1.90</b>
Adjusted dividend per share, FIM	1.20	1.30	1.10	1.40	<b>**1.90</b>
Dividend of profit, %	65.8	32.5	56.4	42.4	<b>36.3</b>
Nominal value of share, FIM	10	10	10	10	<b>10</b>
Share price at 31.12., FIM	36.50	36.50	49.20	55.00	<b>54.10</b>
Adjusted share price at 31.12., FIM	36.50	36.50	49.20	55.00	<b>54.10</b>
Highest share price during the year, FIM	45.50	39.00	49.20	60.00	<b>59.00</b>
Lowest share price during the year, FIM	30.00	21.00	33.50	45.00	<b>41.20</b>
Adjusted earnings per share I, FIM	1.82	3.99	1.95	3.30	<b>5.23</b>
Adjusted earnings per share II, FIM	2.84	3.15	2.37	3.84	<b>5.72</b>
Cash flow per share, FIM	4.69	6.98	6.75	8.05	<b>9.68</b>
Price per earnings ratio (P/E)	20.0	9.1	25.2	16.7	<b>10.4</b>
Dividend yield, %	3.3	3.6	2.2	2.5	<b>3.5</b>
Net assets per share, adjusted, FIM	81.91	81.28	81.14	84.82	<b>89.00</b>

Yield of share (internal rate of return on share capital, %) financial years 1991-1995 **6.9**  
financial years 1986-1995 **16.4**

\*\* Proposal to the Annual General Meeting

Return on capital invested, % (ROI)	=	$\frac{\text{profit before extraordinary items} + \text{interest and other financial expenses}}{\text{balance sheet total} \cdot \text{interest-free liabilities (average during the financial year)}}$	x 100
Return on equity, % (ROE)	=	$\frac{\text{profit before extraordinary items} \cdot \text{taxes}}{\text{shareholders' equity} + \text{reserves} + \text{minority interest (average during the financial year)}}$	x 100
Total equity to assets ratio, %	=	$\frac{\text{shareholders' equity} + \text{reserves} + \text{minority interest}}{\text{balance sheet total} \cdot \text{advances received}}$	x 100
Net indebtedness	=	liabilities $\cdot$ financial assets	
Interest-bearing net debt of equity, %	=	$\frac{\text{interest-bearing liabilities} \cdot \text{short-term investments} \cdot \text{cash and bank}}{\text{shareholders' equity} + \text{reserves} + \text{minority interest}}$	x 100
Cash flow	=	operating profit + plan depreciation + financial income (net) + extraordinary income and expenses $\cdot$ taxes $\cdot$ minority interest	
Dividend per share	=	$\frac{\text{dividend for the financial year}}{\text{number of shares at 31.12. adjusted for the bonus element of share issues}}$	
Dividend of profit, %	=	$\frac{\text{dividend for the financial year}}{\text{profit before extraordinary items} \cdot \text{taxes for the financial year} \cdot \text{minority interest}}$	x 100
Earnings per share I	=	$\frac{\text{profit before extraordinary items} \cdot \text{taxes for the financial year} \cdot \text{minority interest}}{\text{average number of shares in issue during the year adjusted for the bonus element of share issues}}$	
Earnings per share II	=	$\frac{\text{profit before extraordinary items} \cdot \text{taxes 25\%} \cdot \text{minority interest}}{\text{average number of shares in issue during the year adjusted for the bonus element of share issues}}$	
Price/earnings ratio (P/E)	=	$\frac{\text{share price at the end of the year}}{\text{earnings per share}}$	
Net assets per share	=	$\frac{\text{shareholders' equity} + \text{reserves}}{\text{number of shares at 31.12. adjusted for the bonus element of share issues}}$	
Dividend yield, %	=	$\frac{\text{dividend per share}}{\text{share price at the end of the year}}$	x 100
Cash flow per share	=	$\frac{\text{cash flow}}{\text{average number of shares}}$	
Market capitalisation	=	share price at the end of the year x the number of shares	

## Share capital and shareholders

On 31 December 1995, Kesko's share capital was FIM 902,434,000.

The nominal value of each share is FIM 10. 30,000 shares have been redeemed by the company and cancelled. At the end of the year, the number of shares entitled to full dividend was 90,213,400.

The share capital is divided into exclusive and ordinary shares, which differ with respect to the votes they carry at the Annual General Meeting. A holder of exclusive shares is entitled to 6 votes on the first 100 shares held and one additional vote on each subsequent holding of 100 shares. A holder of ordinary shares is entitled to one vote on a holding of 1 to 10,000 shares and one additional vote on each subsequent holding of 10,000 shares.

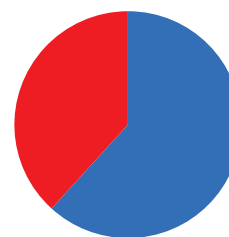
Exclusive shares are registered in the list of shareholders under the names of retailers and retailing businesses. The shares of other shareholders are registered in the list of shareholders as ordinary shares. At the end of the year, the issued share capital consisted of 34,498,514 exclusive shares and 55,714,886 ordinary shares. Ordinary shares are quoted on the Helsinki Stock Exchange.

The Annual General Meeting held on 3 April 1995 authorized the Board of Directors to increase the share capital by a maximum of FIM 100 million by issuing shares, convertible bonds or bonds with warrants. The authority, which was valid for one year from that date, has not been used and remained fully in force at 31 December 1995.

### Shareholders

According to the register of Kesko's shareholders kept by the Central Share Register of Finland Co-opera-

Analysis of share capital



■ Ordinary shares 62%  
■ Exclusive shares 38%

tive, there were 27,479 registered shareholders on 31 December 1995.

The total number of shares registered in a nominee name was 9,402,289, accounting for 10.42% of the share capital. The theoretical number of votes entitled by these shares was 940, or 0.24% of the total voting rights.

At 31 December 1995, the members and deputy members of Kesko's Supervisory Board, as well as the members of the Board of Directors held a total of 491,200 shares, representing 0.54% of the total share capital and 1.16% of the total voting rights.

### Shareholder register

Since the transfer of Kesko Ltd's shares to the book-entry securities system, the shareholder register has been kept by the Central Share Register of Finland Co-operative, telephone +358 0 8040 2200. At Kesko Ltd, shareholder information is taken care of by the Legal Affairs department. Address: Satamakatu 3, FIN-00160 Helsinki, telephone +358 1053 22437.

### Increases in share capital 1985-1995

Year	Subscription terms	Issue FIM thousand	New share capital FIM thousand	Dividend	Subscription period
1985	R 2 for 3 at FIM 12,50 each	200,000	500,000	1/1 1985	1.3.-15.4.85
1988	R 1 for 2 at FIM 26 each	250,000	750,000	1/1 1988	11.4.-27.5.88
1989	R 1 for 5 at FIM 45 each	150,000	900,000	1/1 1989	22.5.-30.6.89
1990	C 200 for 5,000 at FIM 68 each	2,434	902,434	1/1 1990	15.1.-20.2.90

R=rights issue

C=conversion of bonds

**The 20 major shareholders by number of shares at 31 December 1995**

	Number of shares	% of shares	% of votes
1. Merita Bank Ltd	6,391,000	7.08	0.16
2. Kesko Pension Fund	3,520,705	3.90	8.54
3. ICA Handlarnas AB	2,924,000	3.24	0.07
4. Center-yhtiöt Oy	2,404,974	2.67	6.03
5. Vähittäiskaupan Takaus Oy	2,378,533	2.64	5.96
6. K-rahoitus Oy	2,209,570	2.45	5.53
7. Pension Insurance Company Ilmarinen	1,750,000	1.94	0.04
8. Suomi Mutual Life Insurance Company	1,313,139	1.46	0.03
9. Kivinokka Oy	1,309,130	1.45	3.28
10. Oy Stockmann Ab	1,267,000	1.40	0.65
11. Pamart Oy	1,077,175	1.19	2.70
12. Paulig Ltd	1,063,320	1.18	0.03
13. Ingman Foods Oy Ab	1,000,000	1.11	0.03
14. Insurance Company Pohjola	837,346	0.93	0.02
15. The Finnish Local Government Pensions Institution	776,400	0.86	0.02
16. Pension Foundation Polaris Pensionsstiftelse sr	630,000	0.70	0.02
17. A. Ahlstrom Corporation	625,000	0.69	0.02
18. Sampo Insurance Company Limited	450,000	0.50	0.01
19. The Finnish K-Retailers' Association	377,839	0.42	0.94
20. YIT Corporation	376,520	0.42	0.01

**The 20 major shareholders by number of votes at 31 December 1995**

	% of votes	% of shares
1. Kesko Pension Fund	8.54	3.90
2. Center-yhtiöt Oy	6.03	2.67
3. Vähittäiskaupan Takaus Oy	5.96	2.64
4. K-rahoitus Oy	5.53	2.45
5. Kivinokka Oy	3.28	1.45
6. Pamart Oy	2.70	1.19
7. The Finnish K-Retailers' Association	0.94	0.42
8. Oy Stockmann Ab	0.65	1.40
9. Foundation for Voc. Tr. in the Retail Trade	0.64	0.39
10. Veli Penttinen Ky	0.57	0.26
11. Kauppiaitten Kustannus Oy	0.54	0.24
12. Lasse Aaltonen Oy	0.50	0.26
13. A. Toivakka Oy	0.48	0.25
14. Eho Oy	0.37	0.16
15. The Finnish K-Retailers' Ass., Southern Finland District	0.36	0.16
16. Jutor Oy	0.31	0.14
17. Sundman & Co - Holding Oy Ab	0.28	0.12
18. Lammela Oy	0.26	0.12
19. Hannu Aaltonen Oy	0.26	0.18
20. Järvenpään K-Tavaratalo Kauppamies Oy	0.26	0.11

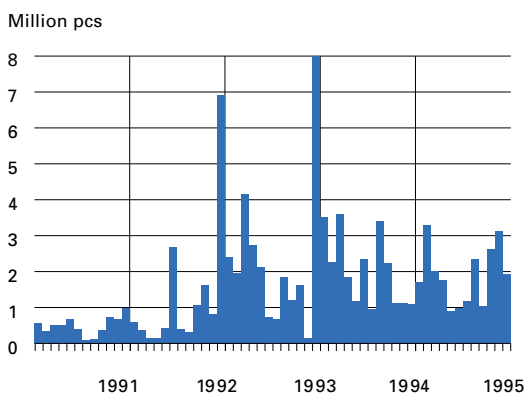
**Analysis of shareholders**

	Number of shares	% of shares
Financial institutions	29,248,977	32.42
Companies	26,076,772	28.91
Households	25,869,500	28.68
Non-profit institutions	3,723,801	4.13
Foreigners	3,043,134	3.37
General government	863,140	0.96
On waiting list	1,121,790	1.24
Shares not converted into book-entries	266,286	0.30
	90,213,400	100.00

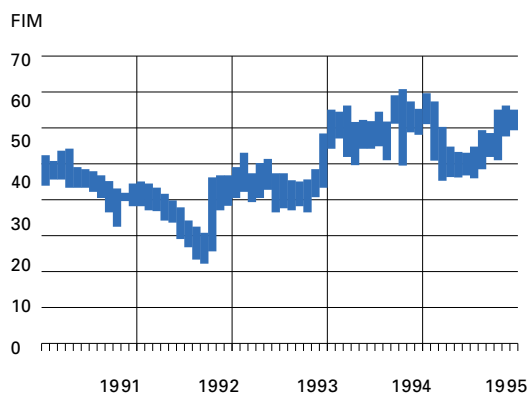
**Shareholders by size of holding**

Number of shares	% of shareholders	% of shares
1 - 100	21.38	0.34
101 - 500	35.33	2.90
501 - 1,000	16.32	3.79
1,001 - 5,000	21.46	14.35
5,001 - 50,000	5.09	19.11
50,001 -	0.41	57.98
On waiting list	-	1.24
Shares not converted into book-entries	-	0.30
	100.00	100.00

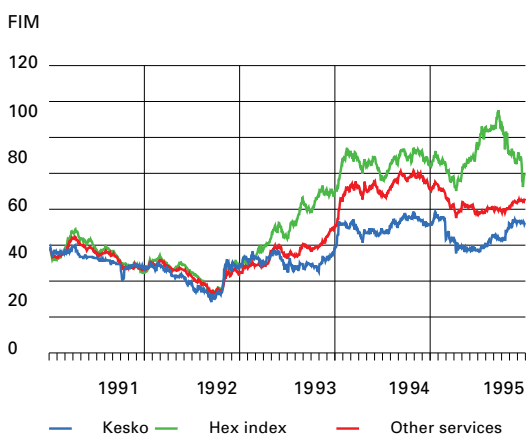
**Number of shares traded by month**



**Trends in share price by month**



**Trends in Kesko's share price**



Kesko's ordinary shares are quoted on the Helsinki Stock Exchange.

During 1995, 22 million Kesko shares were traded, compared with 24 million shares in the previous year.

The value of those shares was FIM 1,111 million, the corresponding figure being FIM 1,284 million in the previous year. Kesko's market capitalisation calculated on the basis of all shares was FIM 4,881 million at the end of the year, and the market capitalisation based on quoted ordinary shares was FIM 3,014 million.

## Proposed distribution of profit

Net profit for the year shown in the income statement	FIM 525,773,053.34
Retained profit forward from the previous years on 31 December 1995	<u>FIM 771,297,644.21</u>
	<u>FIM 1,297,070,697.55</u>

The Board of Directors proposes that a dividend of FIM 1.90 per share be declared on all shares, amounting to	FIM 171,405,460.00
an amount be reserved for donations at the discretion of the Board of Directors of	FIM 1,500,000.00
an amount be carried forward as retained profit of	<u>FIM 1,124,165,237.55</u>
	<u>FIM 1,297,070,697.55</u>

Helsinki, 1 March 1996

Eero Kinnunen

Timo Karake

Jouko Tuunainen

Heikki Huhtanen

Matti Honkala

Paavo Tanskanen

Matti Halmesmäki

## Auditors' report

### To Kesko Ltd's shareholders

We have examined Kesko Ltd's accounting records, financial statements and administration for the financial period from 1 January to 31 December 1995. The statements prepared by the Board of Directors and the Chief Executive include the Annual Report, 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 have been correctly prepared. Concerning administration, we have examined the legality of the actions of the Supervisory Board's and Board of Directors' members and the Chief Executive 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 corporation 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 Chief Executive can be discharged from their responsibilities for the financial period. The proposal of the Board of Directors for treating the unrestricted equity shown in the balance sheet conforms to law.

We have studied the Interim Reports published during the financial year. In our opinion they have been prepared in accordance with the standards concerning them.

Helsinki, 7 March 1996

SVH Coopers & Lybrand Oy  
Certified Public Accountants

Antti Helenius  
Certified Public Accountant

Mauno Tervo  
Certified Public Accountant

Liisa Mononen  
Certified Public Accountant



## **Statement by the Supervisory Board**

The Supervisory Board has reviewed the financial statements for 1995 for Kesko Ltd and for the Kesko Corporation and proposes that the financial statements be adopted.

The Supervisory Board has also reviewed the Auditors' Report; no action is required by the Supervisory Board.

The terms of the following members of the Supervisory Board are due to expire: Pertti Heino, Simo Keskinen, Veli Kukkonen, Vesa Lammela, Jukka Martikainen, Kauko Mattila, Tauno Pitkänen, Harry Roos and Keijo Toivanen, as well as the deputy members Antero Ahonen, Jouni Anttila, Veikko Heikkinen, Heimo Hietala, Jaakko Luomanen and Jukka Varis.

In addition, the members Hannu Hyvönen, Eero Luhtasaari and Erkki Veijanen have resigned from the Supervisory Board during their terms.

Helsinki, 7 March 1996

For the Supervisory Board

Vesa Lammela  
Chairman

Matti Kallio  
Deputy Chairman

### Subsidiaries

#### Aleksi 13 Oy

Aleksi 13 Oy is a retail company for shoes, bags and clothes, which Kesko acquired on 1 April 1995. Between 1.4.1995-31.12.1995 its net sales amounted to FIM 84 million. The Managing Director is Pekka Pietilä.

#### Fennosale Oy

Fennosale Oy is an importing and marketing company for branded shoes. Its net sales totalled FIM 21 million. The Managing Director is Pekka Pietilä.

#### Finnish Rich Coffee Ltd

Finnish Rich Coffee Ltd is a coffee marketing company. The Managing Director is Jaakko-Pekka Vehmas.

#### K-Cash & Carry Ltd

K-Cash & Carry Ltd offers, on the basis of a self-service wholesaler, a purchasing channel for groceries and non-food products to businesses and organisations engaged in retailing, catering and other food processing operations. Its net sales were FIM 1,685 million. The average number of personnel was 435. The Managing Director is Matti Hukka.

#### Kesko Eesti A/S

Kesko Export Ltd.'s subsidiary Kesko Eesti A/S became Kesko Ltd's subsidiary at the end of 1995. It operates a cash & carry outlet in Tallinn, Estonia. Its net sales amounted to FIM 46 million. The Managing Director is Matti Vatanen.

#### Kesko Export Ltd.

Kesko Export Ltd. operates in the tax free export business, and its principal market areas are Russia and Estonia. Its net sales totalled FIM 46 million. The Managing Director is Matti Vatanen.

#### Keskometalli Oy

Keskometalli Oy is a trading company specializing in steel and other metals. Its net sales amounted to FIM 950 million. The average number of personnel was 155. The Managing Director is Teemu Kuusijärvi.

#### Kesped Ltd

Kesped Ltd is a forwarding and transport company, which was formed by reorganising Kesko's forwarding and transport operations on 1 September 1995. The average number of personnel was 119. The Managing Director is Timo Kortelainen.

#### K-instituutti Oy

K-instituutti Oy is a company providing training services in the trading business, and it was formed by reorganising the operations of Kesko's training centre, K-institute on 1 September 1995. The average number of personnel was 43. The Managing Director is Kyösti Pärssinen.

#### K-konerahoitus Oy

The company provides hire purchase finance for agricultural and construction machinery and consumer goods. At the end of the year, the company had 3,457 agreements and financing receivables amounted to FIM 152 million. The Managing Director is Seppo Ketunen.

#### K-linkki Oy

K-linkki Oy is a company providing services in retail information systems, which was formed by reorganising the operations of Kesko's Retail Information Systems unit on 1 September 1995. The average number of personnel was 34. The Managing Director is Eero Vesterinen.

#### K-Luotto Oy

K-Luotto Oy manages the K-card and the new K-advantage cards. In addition to the keeping of a customer register and card system for customer loyalty marketing, K-Luotto offers K-retailers direct marketing services. The company's net sales amounted to FIM 34 million. The number of K-charge cards in use is about 90,000. The Managing Director is Eija Jantunen.

#### K-maatalousyhtiöt Oy

K-maatalousyhtiöt Oy is an agricultural retail company operating 8 K-agricultural centres. Its net sales amounted to FIM 494 million. The average number of personnel was 119. The Managing Director is Jouni Oksanen.

**MK-mainos Oy**

MK-mainos Oy is an authorised advertising agency, whose net sales totalled FIM 129 million and gross profit FIM 15 million. The average number of personnel was 43. The Managing Director is Kari Soininen.

**K-yhtiöt Oy**

K-yhtiöt Oy is a retail company including the non-food trade of 27 Citymarket hypermarkets. K-yhtiöt Oy's net sales amounted to FIM 1,565 million. The average number of personnel was 1,508. The Managing Director is Matti Honkala.

**Tietokesko Oy**

Tietokesko Oy is a company providing services in information technology. It was formed by reorganising the operations of Kesko's Information Systems and Data Processing units on 1 September 1995. The average number of personnel was 159. The Managing Director is Osmo Kimmo.

**VV-Auto Oy**

VV-Auto Oy is the importer of Volkswagen and Audi cars and Volkswagen commercial vehicles manufactured by the VW Group. Its net sales totalled FIM 1,529 million. The average number of personnel was 81. The Managing Director is Erkki Sillantaka.

VV-Auto Oy's subsidiary, Auto-Span Oy, is an importing and marketing company for Seat cars. Its net sales amounted to FIM 39 million. The Managing Director is Erkki Sillantaka.

**Associated companies****Center-yhtiöt Oy**

Center-yhtiöt Oy is a property investment company. Its subsidiary, Centeromistus Oy, is an investment company whose investment properties include business premises and shareholdings in property companies. Another subsidiary, Polke Oy, is a construction company which upgrades and markets properties mainly for retail stores' requirements. The Center-yhtiöt Group's balance sheet total was FIM 1,001 million.

**Kauppiaiden Komedio Oy**

Kauppiaiden Komedio Oy develops in-store TV media operations. Its subsidiary, Proidea Oy, is engaged in the production of commercials, company presentation videos and in-store TV programme services. The net sales of the Group totalled FIM 22 million.

**Kesthom Oy**

Kesthom Oy is a company established in March 1995 by Kesko and Thomesto Trading Companies Ltd, and it carries out wholesale trade in agricultural and builders' supplies in Russia. Its net sales in 1995 totalled FIM 2 million.

**Kivinokka Oy**

Kivinokka Oy is an investment company, which also operates in the retail trade. Its net sales were FIM 8 million and the balance sheet total amounted to FIM 124 million.

**K-rahoitus Oy**

K-rahoitus Oy is an investment company. Its balance sheet total was FIM 273 million.

**Viking Coffee Ltd**

Viking Coffee Ltd is a coffee roastery jointly and equally owned by Kesko and the Swedish central company ICA Handlarnas AB. It roasts coffee for the Finnish and Swedish markets. The company's net sales amounted to FIM 255 million.

**Viking Fruit AB**

Viking Fruit AB is based in Gothenburg, Sweden. It imports fresh fruit and vegetables in the name of the three Scandinavian companies which own it. Its net sales totalled FIM 976 million.

**Vähittäiskaupan Takaus Oy**

Vähittäiskaupan Takaus Oy is the K-retailers' mutual guarantee company. Its function is to support the K-retailers' financing arrangements. At the end of the year, the total value of guarantees granted to K-retailers amounted to FIM 1,124 million. The value of new guarantees granted in 1995 was FIM 473 million.

# Organisation chart of the Kesko Corporation 1 January 1996

## Annual General Meeting

### Supervisory Board Authorized Members of the Supervisory Board

#### Chairman and Chief Executive Eero Kinnunen

<p><b>Retail Support</b> Heikki Huhtanen</p> <p>Property Investment Credit Department K-Luotto Oy</p> <p>Corporate Communications</p>	<p><b>International Division</b> Timo Karake Deputy Chief Executive</p> <p>New Business Operations</p> <p>Business Controller Functions</p> <p>Relations with International and Cooperation Organisations</p> <p>Environmental Affairs</p> <p>VV-Auto Oy MK-mainos Oy Foreign trade companies</p>	<p><b>Foodstuffs Division</b> Jouko Tuunainen</p> <p>Kesko Rimi Stores Kesko Neighbourhood Stores</p> <p>Kesko Supermarkets Kesko Superstores Kesko Citymarkets</p> <p>HoReCa Wholesale Marketing Services Fruit and Vegetables Fresh Foods Groceries Home Goods Retail Operations Logistics Office Administration</p> <p>K-yhtiöt Oy Citymarkets K-Cash &amp; Carry Ltd Finnish Rich Coffee Ltd</p>	<p><b>Speciality Goods Division</b> Matti Halmesmäki</p> <p>Kesko Shoes Kesko Home Technology</p> <p>Kesko Clothing Kesko Sports Kesko Agriculture and Machinery Kesko Hardware and Builders' Supplies Retail Operations Logistics Office Administration</p> <p>Keskometalli Oy K-maatalousyhtiöt Oy</p>	<p><b>Corporate Planning</b> Paavo Tanskanen</p> <p>Research and Development Tietokesko Oy K-linkki Oy</p> <p>Internal Auditing</p> <p><b>Finance and Administration</b> Matti Honkala</p> <p>Corporate Accounting and Office Administration Finance Legal Affairs Personnel Risk Management</p> <p>Kesped Ltd K-instituutti Oy</p>
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#### K-stores and other customers

## Board of Directors



**Eero Kinnunen**  
Chairman and Chief Executive



**Timo Karake**  
Deputy Chief Executive;  
Executive Vice President,  
International Division



**Jouko Tuunainen**  
Executive Vice President,  
Foodstuffs Division



**Heikki Huhtanen**  
Executive Vice President,  
Retail Support



**Matti Honkala**  
Executive Vice President,  
Finance and Administration



**Paavo Tanskanen**  
Executive Vice President,  
Corporate Planning



**Matti Halmesmäki**  
Executive Vice President,  
Speciality Goods Division



**Kesko's Supervisory Board in 1995. In front, authorized members from left: Eero Luhtasaari, Eero Ahonen, Deputy Chairman Matti Kallio, Chairman Vesa Lammela, Heikki Takamäki and Keijo Toivanen.**

### **Supervisory Board**

Kesko's Supervisory Board is elected by the Annual General Meeting to supervise company administration. Members of the Supervisory Board must be either active retailers or directors of retailing companies.

In 1995, the Supervisory Board consisted of 27 members and 27 deputy members. Vesa Lammela acted as Chairman of the Supervisory Board with Matti Kallio as Deputy Chairman and Tapio Erme as Secretary.

There were six authorized members of the Supervisory Board.

### **Members**

Tapani Aalto, Raisio  
Eero Ahonen, Pudasjärvi  
Tarmo Aura, Ylöjärvi  
Ensio Hannukari, Oulu  
Pertti Heino, Imatra  
Hannu Hyvönen, Helsinki  
(up till 1.10.1995)  
Matti Kallio, Helsinki  
Simo Keskinen, Kaarina  
Antti Kivipelto, Orivesi  
Antti Kuivalainen, Kuusamo  
Veli Kukkonen, Kajaani  
Heimo Kupsu, Pihtipudas  
Heikki Kääpä, Lahti  
Vesa Lammela, Kiukainen  
Eero Luhtasaari, Järvenpää  
Jukka Martikainen, Kuopio  
Kauko Mattila, Parainen  
Pentti Miettinen, Joensuu  
Pentti Mononen, Jyväskylä

Martti Myller, Kotka  
Risto Peltokangas, Alajärvi  
Tauno Pitkänen, Kaavi  
Harry Roos, Pietarsaari  
Heikki Takamäki, Pirkkala  
Keijo Toivanen, Joensuu  
Erkki Veijanen, Mäntyharju  
Hannu Virkkala, Mustasaari

### **Deputy members**

Antero Ahonen, Jyväskylä  
Jouni Anttila, Ylivieska  
Reijo Anttila, Vaala  
Veikko Heikkinen, Kuhmo  
Urpo Heiskanen, Vehmersalmi  
Heimo Hietala, Säkyliä  
Pertti Hämäläinen, Imatra  
Harri Joensuu, Alajärvi  
Teppo Jylhä, Kaustinen  
Seppo Karppinen, Ylitornio  
(up till 11.3.1995)

Matti Karvinen, Vantaa  
Tuomo Kauhanen, Kerava  
(from 3.4.1995)  
Elina Kemppainen, Hyrynsalmi  
Paavo Kolehmainen, Joensuu  
(from 3.4.1995)  
Olli Laine, Luopioinen  
Matti Lappalainen, Kajaani  
Pekka Lehtinen, Riihimäki  
Timo Leppälä, Rovaniemi  
(from 3.4.1995)  
Jaakko Luomanen, Nurmo  
Jukka Mäkinen, Heinola  
(up till 13.3.1995)  
Hannu Nieminen, Kouvola  
(from 3.4.1995)  
Ilmo Ojakumpu, Oulu  
Reijo Peltola, Lahti  
Pertti Pesälä, Espoo  
Kalevi Sivonen, Vantaa  
Tua Storberg, Västanfjärd  
Olavi Särvä, Lieto  
Pekka Tolonen, Tampere  
Jukka Varis, Konnevesi

#### **Authorized members of the Supervisory Board**

Vesa Lammela  
Matti Kallio  
Eero Ahonen  
Heikki Takamäki  
Keijo Toivanen  
Eero Luhtasaari

#### **Auditors**

SVH Coopers & Lybrand Oy,  
Certified Public Accountants;  
Auditor with principal  
responsibility:  
Antti Helenius, M. Sc.(Econ.),  
Certified Public Accountant,  
Mauno Tervo, B.Sc. (Econ.),  
Certified Public Accountant,  
Liisa Mononen, M.Sc. (Econ.),  
Certified Public Accountant

#### **Deputy auditors**

Jari Miikkulainen, M.Sc. (Econ.),  
Certified Public Accountant,  
Jukka Ala-Mello, M.Sc. (Econ.),

Certified Public Accountant  
Mirja Tonteri, B.Sc. (Econ.),  
Certified Public Accountant

#### **Board of Directors**

Eero Kinnunen, Chairman and  
Chief Executive  
Timo Karake, Deputy Chief Execu-  
tive; Executive Vice President,  
International Division;  
Executive Vice President, Foodstuffs  
Division up till 10.3. 1995  
Jouko Tuunainen, Executive Vice  
President, Foodstuffs Division;  
Executive Vice President,  
Retail Development Division up  
till 10.3.1995  
Heikki Huhtanen, Executive Vice  
President, Retail Support;  
Executive Vice President,  
Speciality and Home Goods  
Division up till 10.3.1995  
Matti Honkala, Executive Vice Presi-  
dent, Finance and Administration;  
Managing Director, K-yhtiöt Oy  
Paavo Tanskanen, Executive Vice  
President, Corporate Planning;  
Executive Vice President, Logistics  
and Information Systems up till  
10.3.1995  
Matti Halmesmäki, Executive Vice  
President, Speciality Goods  
Division; Executive Vice President,  
Agricultural and Builders'  
Supplies Division up till 10.3.1995

#### **Kesko's Directors, and Directors of Subsidiaries**

##### **1.1.1996**

#### **Foodstuffs Division**

Sakari Finne, Retail Operations  
Markku Helin, Fruit and Vegetables  
Matti Hukka, K-Cash & Carry Ltd  
Matti Kautto, Kesko Supermarkets  
Aatos Kivelä, Office Administration  
Matti Kotola, Kesko Citymarkets  
Timo Lehtinen, Logistics  
Paavo Moilanen,  
Kesko Neighbourhood Stores

Reima Oinaanoja,  
HoReCa Wholesale  
Antti Palomäki, Groceries  
Esko Pihlström, Fresh Foods  
Antti Puhakka, Home Goods  
Heikki Valkjärvi, Kesko Superstores  
Jaakko-Pekka Vehmas, Marketing  
Services; Finnish Rich Coffee Ltd

#### **Speciality Goods Division**

Veijo Grönroos,  
Kesko Home Technology  
Erkki Kahila, Kesko Clothing  
Teemu Kuusijärvi, Keskometalli Oy  
Matti Leminen, Kesko Sports  
Simo Manner, Kesko Hardware and  
Builders' Supplies  
Jouni Oksanen,  
K-maatalousyhtiöt Oy  
Pekka Pietilä, Kesko Shoes; Aleksi 13  
Oy; Fennosale Oy  
Olli Rannisto, Office Administration  
and Logistics  
Kimmo Vilppula, Kesko Agriculture  
and Machinery

#### **International Division**

Erkki Sillantaka, VV-Auto Oy  
Kari Soininen, MK-mainos Oy  
Matti Vatanen, New Business  
Operations; Kesko Eesti A/S;  
Kesko Export Ltd.

#### **Corporate Administration**

Tapio Erme, Legal Affairs  
Taisto Hautajärvi, Finance  
Erkki Heikkinen, Corporate Com-  
munications  
Asko Ihalainen, Internal Auditing  
Eijja Jantunen, K-Luotto Oy  
Seppo Kettunen, Credit;  
K-konerahoitus Oy  
Osmo Kimmo, Tietokesko Oy  
Timo Kortelainen, Kesped Ltd  
Riitta Laitasalo, Personnel  
Risto Lassila, Property Investment  
Kyösti Pärssinen, K-instituutti Oy  
Paavo Rönkkö, Corporate Account-  
ing and Office Administration  
Eero Vesterinen, K-linkki Oy

## Consultative Committees

Consultative Committees have represented the K-retailers and acted as a link between K-retailers and Kesko's management. The aim of the Consultative Committees has been to improve cooperation within the K-Group.

As a result of reorganisation, the operations of the Consultative Committees were discontinued in 1995 and their functions were transferred to the K-Retailers' Association. In 1995, the Consultative Committees had the following members:

### Grocery Trade

#### Helsinki

Pauli Korvensyrjä, Vantaa  
Kari Lehikoinen, Helsinki  
Markku Lietolahti, Nurmijärvi  
Martti Lunden, Karjaa  
Olli Nenonen, Helsinki  
Matti Piekkala, Helsinki  
Reijo Riihimäki, Hämeenlinna  
Lasse Sjöberg, Espoo  
Jarkko Tuomi, Kotka  
Matti Vainio, Helsinki  
Eino Venho, Helsinki, Chm.  
Ole Öhman, Sipoo

#### Kuopio

Matti Hirvelä, Kajaani  
(up till 31.3.1995)  
Arttu Korolainen, Iisalmi  
Petri Mikonsaari, Nurmes  
Isto Molarius, Savonlinna, Chm.  
Kari Ovaska, Varkaus  
Jouni Paavilainen, Pieksämäki  
Aila Pihanurmi, Kuopio  
Irma Pöllänen, Paltamo  
Jukka Savinainen, Varpaisjärvi  
Heikki Savolainen, Siilinjärvi  
Matti Sokkanen, Pyhäselkä  
Taru Tiilikainen, Tohmajärvi

#### Lahti

Erik Eriksson, Laukaa  
Eija Hermaala, Joutsa  
Mikko Jalli, Nastola  
Esko Joronen, Heinola  
Eero Kontio, Savitaipale  
Matti Mehtonen, Korpilahti  
Arvo Mustonen, Lappeenranta

Hannu Nieminen, Nastola  
Matti Perälä, Toivakka, Chm.  
Kari Salminen, Orimattila  
Risto Suihko, Hollola  
Keijo Suokas, Puumala

#### Northern Finland

Sirkka-Liisa Holmberg, Ivalo  
Lauri Juotasiemi, Ranua  
Aimo Karppinen, Kittilä  
Raimo Lahti, Oulu  
Matti Mäkinen, Oulu  
Arja Mämmelä, Raahe, Chm.  
Reino Rinne, Rovaniemi  
Kalevi Schroderus, Oulu  
Tuomo Tapaninaho, Pyhäsalmi  
Erkki Viero, Rovaniemi  
Taisto Vähäheikki, Alatemmes

#### Tampere

Jari Hakala, Orivesi  
Pekka Heinola, Nakkila, Chm.  
Lasse Honkanen, Pomarkku  
Simo Järvinen, Tampere  
Jarmo Koskela, Jämijärvi  
Olli Lehtola, Kuru  
Martti Montonen, Huittinen  
Juha Viinikka, Nokia  
Keijo Vuotari, Kankaanpää

#### Turku

Merja Filppu, Kyrö  
Håkan Hanssen, Houtskär  
Pekka Huovila, Rauma  
Timo Lehtonen, Turku  
Mika Pukkila, Somero, Chm.  
Jouni Toivonen, Turku  
Pirkko Torkkel, Salo  
Carl-Johan Welander,  
Maarianhamina  
Tauno Ääri, Oripää  
(up till 15.10.1995)

#### Vaasa District

Henry Björkskog, Lapväärtti  
Markku Hangasluoma, Kauhajoki  
Dan Häggblom, Vaasa  
Tage Liljeqvist, Pedersöre  
Pirjo Mäntymäki, Vaasa  
Seppo Paavola, Vähäkyrö  
Olli Pollari, Kannus  
Tiina Poukka, Ähtäri  
Juha Saarnio, Jalasjärvi, Chm.

### Speciality and

#### Home Goods Trade

Mauno Hyttinen, Kontiolahti, Chm.  
Anneli Dammert, Järvenpää  
Anja Kaislo, Jämsä  
Raimo Kinnunen, Espoo  
Kyösti Leikoski, Kerava  
Timo Leporanta, Hollola  
Eero Marttila, Oulu  
Rauno Mäkinen, Taipalsaari  
Veijo Nyppeli, Tampere  
Seppo Tekoniemi, Kittilä  
Raimo Tirkkonen, Oulu  
Timo Vaskelainen, Muurame

### Agricultural and Builders'

#### Supplies Trade

Jussi Ellä, Laitila  
Pekka Halme, Helsinki  
Jaakko Hulmi, Forssa  
Pentti Hurri, Kitee  
Tapio Jantti, Hankasalmi  
Juhani Kangas, Lapua  
Olavi Korpisaari, Riihimäki, Chm.  
Armas Kristo, Pello  
Taito Kuosa, Lahti  
Tapio Lahtinen, Mikkeli  
Reijo Makkonen, Kotka  
Teuvo Mäkelä, Kauhajoki  
Veijo Niku, Nivala  
Matti Raisamo, Nokia  
Jouni Syrjälä, Urjala  
Bjarne Träsk, Kokkola



## K-stores

K-retailers are independent entrepreneurs who use the K-logo or other marketing names of the K-Group; they are also Kesko's shareholders.

At the end of the year, there were 1,988 K-retailers (in the previous year 2,119). The K-stores employed, the retailers included, 21,674 persons, of whom 8,618 were working part-time.

At the end of the year, there were 2,257 K-stores (2,368 in the previous year). In addition, there were 104 K-mobile stores (119 in the previous year).

The total sales of the K-stores amounted to FIM 32.0 billion, a decrease of 2.4% on the previous year.

The K-stores' purchases from Kesko totalled FIM 16.3 billion, the value added tax excluded, which was as much as in the previous year.

### The K-Retailers' Association

The K-Retailers' Association is a trade organisation of K-retailers of which all K-retailers are members.

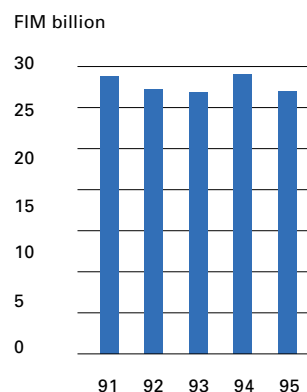
The K-Retailers' Association is in charge of improving the operating conditions and skills of K-retailers and cooperation among them.

An essential part of its functions is keeping retailers up to date on developments in the retail trade. Kauppiainen Kustannus Oy publishes several customer and trade magazines of the K-Group.

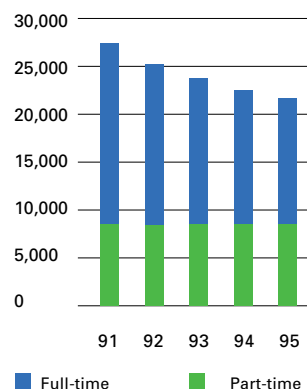
### K-stores in 1995

	Number	% of total number	% of sales
Citymarket hypermarkets and CM department stores	38	1.6	17.4
K-superstores	78	3.3	14.3
K-supermarkets	226	9.6	16.2
K-neighbourhood stores and K-village stores	1,134	48.0	20.0
K-mobile stores	104	4.4	0.8
Other grocery stores	37	1.6	4.1
<b>Grocery stores, total</b>	<b>1,617</b>	<b>68.5</b>	<b>72.2</b>
K-hardware stores	97	4.1	6.6
K-agricultural and builders' supplies stores	77	3.3	5.7
K-agricultural stores	70	3.0	6.3
Other agricultural and builders' supplies stores	29	1.2	0.6
<b>Agricultural and builders' supplies stores, total</b>	<b>273</b>	<b>11.6</b>	<b>19.1</b>
Kesport-Intersport stores	93	3.9	2.5
K-shoe stores	124	5.3	1.0
Andiamo shoe stores	26	1.1	0.4
Musta Pörssi stores for home technology	76	3.2	2.1
Vaatehuone fashionwear stores	67	2.8	1.4
Aleksi 13 shoe and handbag stores	11	0.5	0.3
Other speciality stores	74	3.1	0.5
<b>Speciality stores, total</b>	<b>471</b>	<b>19.9</b>	<b>8.1</b>
<b>All stores, total</b>	<b>2,361</b>	<b>100.0</b>	<b>100.0</b>
Change from 1994 to 1995	-126		

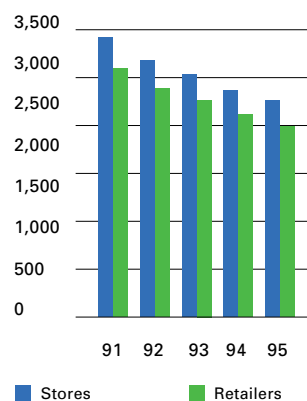
### Sales of K-stores



### Personnel of K-stores



### Number of K-stores and K-retailers



## Addresses

### **Kesko Ltd**

Satamakatu 3  
P.O.B. 135  
FIN-00161 Helsinki  
Tel. +358 10 5311  
Telex 124748 kpk fi  
Fax +358 0 655 473

### **Kesko Agriculture and Machinery Kesko Hardware and Builders' Supplies**

Kuriiritie 10-12  
P.O.B. 54  
FIN-01301 Vantaa  
Tel. +358 10 5311  
Fax +358 0 873 5700

### **Central warehouse 1**

Speciality and home goods, hardware  
and builders' supplies  
Kuriiritie 5  
P.O.B. 47  
FIN-01301 Vantaa  
Tel. +358 10 5311  
Fax +358 1053 27505

### **Central warehouse 2**

Groceries  
Jokiniementie 31  
P.O.B. 47  
FIN-01301 Vantaa  
Tel. +358 10 5311  
Fax +358 1053 27350

### **Training and experimental farm of the K-Group**

Hahkialantie 30  
FIN-14700 Hauho  
Tel. +358 17 61501  
Fax +358 17 615 0230

### **District Centres**

#### **Helsinki**

Jokiniementie 31  
P.O.B. 152  
FIN-01301 Vantaa  
Tel. +358 10 5311  
Fax +358 0 834 486

#### **Kuopio**

Päivärannantie 18  
P.O.B. 46  
FIN-70701 Kuopio  
Tel. +358 10 5311  
Fax +358 1053 29299

### **Oulu**

Äimäkuja 2  
P.O.B. 16  
FIN-90401 Oulu  
Tel. +358 10 5311  
Fax +358 1053 33339

### **Tampere**

Jokipohjantie 28  
P.O.B. 330  
FIN-33101 Tampere  
Tel. +358 10 5311  
Fax +358 1053 28448

### **Turku distribution centre**

Rydönnotko 1  
P.O.B. 116  
FIN-20101 Turku  
Tel. +358 10 5311  
Fax +358 1053 21664

### **Subsidiaries**

#### **Finnish Rich Coffee Ltd**

Kuriiritie 5  
P.O.B. 269  
FIN-01301 Vantaa  
Tel. +358 10 5311  
Fax +358 1053 28919

#### **K-Cash & Carry Ltd**

Kruunuvuorenkatu 5  
P.O.B. 135  
FIN-00161 Helsinki  
Tel. +358 10 5311  
Fax +358 0 634 169

#### **Kesko Export Ltd.**

Kanavakatu 3 A  
P.O.B. 135  
FIN-00161 Helsinki  
Tel. +358 10 5311  
Fax +358 1053 23411

#### **Keskometalli Oy**

Rydönnotko 1  
P.O.B. 431  
FIN-20101 Turku  
Tel. +358 1053 21100  
Fax +358 1053 21410

#### **Kesped Ltd**

Jokiniementie 31  
P.O.B. 47  
FIN-01301 Vantaa  
Tel. +358 10 5311  
Fax +358 0 851 4232

### **K-instituutti Oy**

Siikajärventie 88-90  
FIN-02860 Espoo  
Tel. +358 0 867 771  
Fax +358 0 868 571

### **K-linkki Oy**

Ylä-Malmintori 6 A  
FIN-00700 Helsinki  
Tel. +358 10 5311  
Fax +358 1053 23443

### **K-Luotto Oy**

Tammelan puistokatu 21 A  
P.O.B. 530  
FIN-33101 Tampere  
Tel. +358 31 259 5511  
Fax +358 31 259 5285

### **K-maatalousyhtiöt Oy**

Kuriiritie 10-12  
P.O.B. 54  
FIN-01301 Vantaa  
Tel. +358 10 5311  
Fax +358 0 873 5981

### **K-yhtiöt Oy**

Satamakatu 3  
P.O.B. 135  
FIN-00161 Helsinki  
Tel. +358 10 5311  
Fax +358 0 655 473

### **MK-mainos Oy**

Kruunuvuorenkatu 4  
P.O.B. 135  
FIN-00161 Helsinki  
Tel. +358 10 5311  
Fax +358 0 657 243

### **Tietokesko Oy**

Satamakatu 3  
P.O.B. 135  
FIN-00161 Helsinki  
Tel. +358 10 5311  
Fax +358 0 665 628

### **VV-Auto Oy/Auto-Span Oy**

Hitsaajankatu 7 B  
P.O.B. 80  
FIN-00811 Helsinki  
Tel. +358 0 758 31  
Fax +358 0 758 3330 (VV-Auto Oy)  
+358 0 758 3356 (Auto-Span Oy)

## **Financial publications**

Kesko publishes its Annual Report in Finnish, Swedish and English in March, and summaries of it in German and French in May. Interim Reports are published in Finnish, Swedish and English in June, week 24, and in October, week 41. The publications may be ordered by letter from

Kesko Ltd, Corporate Communications  
P.O.B. 135, FIN-00161 Helsinki,  
by telephone +358 1053 22404  
or by fax +358 0 174 398.

### **Annual General Meeting 1996**

The Annual General Meeting of Kesko Ltd will be held in the Helsinki Fair Centre's congress wing, at Rautatieläisenkatu 3, on Monday 15 April 1996 at 13.00 hours. Shareholders wishing to attend the Annual General Meeting should notify Kesko Ltd's Legal Affairs Department by letter to P.O.B. 135, FIN-00161 Helsinki, by fax +358 1053 23464, or by telephone +358 1053 23211, not later than 10 April 1996 at 16.00 hours.

Satamakatu 3, P.O.B. 135, FIN-00161 Helsinki, Finland, Telephone +358 10 5311