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**ANNUAL GENERAL MEETING**

*The Annual General Meeting of Kesko Ltd will be held in the Helsinki Fair Centre's congress wing, at Rautatieläisenkatu 3, on Monday 3 April 1995 at 13.00 hours. Shareholders wishing to attend the Annual General Meeting should notify Kesko Ltd's Legal Affairs Department by telephone +358 1053 22437, or by letter to P.O.B. 135, FIN-00161 Helsinki, Finland, or by telefax +358 1053 23442, not later than 29 March 1995 at 16.00 hours. A notice of the Annual General Meeting is on page 50.*

**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 telefax +358 0 174 398.*

**REGISTER OF SHAREHOLDERS**

*Since the transfer of Kesko Ltd's shares to the book-entry securities system, the register of shareholders has been kept by the Central Share Register of Finland Co-operative, telephone +358 0 8040 2200. The Legal Affairs Department is responsible in Kesko Ltd for matters related to the register of shareholders. Address: Satamakatu 3, FIN-00160 Helsinki, telephone +358 1053 22437.*

## KESKO CORPORATION IN BRIEF

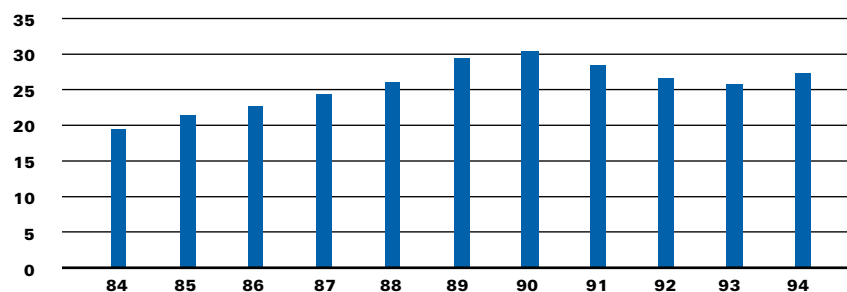
The Kesko Corporation consists of the parent company Kesko Ltd and its subsidiaries. The parent company Kesko Ltd is the K-Group's central company. Its commercial operations are organized into the Foodstuffs Division, the Agricultural and Builders' Supplies Division, and the Speciality and Home Goods Division. The basic operating framework is the head office with commercial divisions, 7 district offices, the central warehouse, and 6 regional distribution centres.

	1990	1991	1992	1993	1994
Net sales, FIM million	30,533	28,484	26,641	25,822	<b>27,060</b> <b>(USD 5,705.01)</b>
Profit before extraordinary items, reserves and taxes, FIM million	450	332	378	285	<b>462</b> <b>(USD 97.40)</b>
Cash flow, FIM million	591	423	630	609	<b>724</b> <b>(USD 152.64)</b>
Earnings per share, FIM	3.55	1.82	3.99	1.95	<b>3.30</b> <b>(USD 0.70)</b>
Dividend per share, FIM	1.40	1.20	1.30	1.10	<b>*1.40</b> <b>(USD 0.30)</b>
Net assets per share, FIM	82.56	81.91	81.28	81.14	<b>84.82</b> <b>(USD 17.88)</b>
P/E ratio	12.4	20.0	9.1	25.2	<b>16.7</b>
Balance sheet total, FIM million	13,919	14,376	14,848	15,589	<b>13,312</b> <b>(USD 2,806.54)</b>
Total equity to assets ratio %	53.7	51.7	49.9	47.5	<b>58.0</b>
Investments, FIM million	998	801	725	640	<b>654</b> <b>(USD 137.88)</b>
Average number of personnel	8,111	7,983	6,816	6,227	<b>5,701</b>

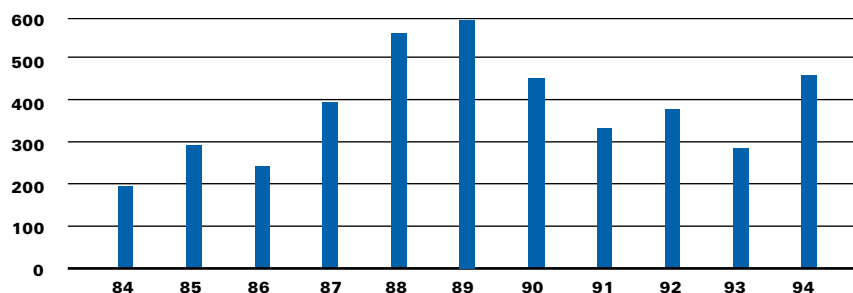
\* Proposal to the Annual General Meeting  
(31.12.1994)

FIM 1 = USD 4.74

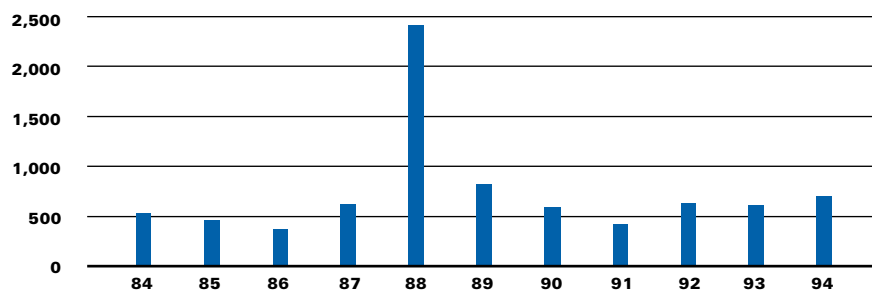
### CORPORATION'S NET SALES FIM BILLION



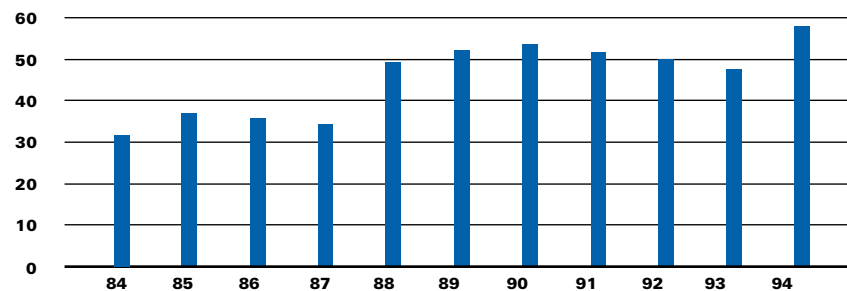
### PROFIT BEFORE EXTRAORDINARY ITEMS



### CASH FLOW, FIM MILLION



### TOTAL EQUITY TO ASSETS RATIO, %



During the year there were clear signs of the Finnish economic recession having bottomed out. It is true, however, that a high rate of unemployment and the increasing indebtedness of the State slowed recovery. The trading sector started to pick up during the second half of the year. Owing to several successive years of negative development the sales volume still remained at a modest level.

The net sales of Kesko Corporation in 1994 amounted to FIM 27.1 billion, representing a growth of 4.8% over the previous year. Despite the sluggishness of recovery all commercial divisions increased their net sales.

Kesko Corporation's profit before extraordinary items, reserves and taxes amounted to FIM 462 million, which was clearly better than in the previous year. In addition to increased sales, the improved result was due to good cost management and improved use of capital. The profit development was especially encouraging in the case of subsidiaries, which all reached good results. The bad debts of Kesko Corporation dropped to less than one third of the total of the previous year.

Kesko Corporation's financial position has remained exceptionally good. In November we repaid from cash reserves a multicurrency loan of USD 140 million. Moreover, all investments have been met by internally generated funds and other of our own assets.

It was gratifying to notice that the K-stores improved their profitability during the year. This became clearly manifest in the decrease in bad debts and in a considerable reduction in the amount of Kesko's receivables from K-retailers. Dramatic structural change continued. During 1994, 247 K-stores were closed down, and 61 new stores were opened. Investments in store sites totalled FIM 414 million. The closure of some K-stores has been compensated for by current and future investments in other K-stores.

The reform of the K-grocery store formats started off well and is being continued. In addition to customer-



oriented marketing realized through chain operations, the project aims at cost-efficiency and better capital management. By the end of the year, 318 K-grocery stores had been subjected to the reformation process. The store format reform has been extended to other commercial divisions, too.

Towards the end of the year, a very significant decision was made to provide the K-stores with up-to-date information systems suitable for use in the K-network. Kesko will invest about FIM 300 million in the K-stores' information systems, and lease the equipment to the K-retailers. This decision will result in perceptibly improved competitiveness within the next few years.

During the year, decisions were also made to adopt a customer-oriented working method in order to improve the quality of operations. Within Kesko, this new approach is called the ProK programme. The programme will be carried out over a span of several years, and it aims at a remodelling of all organizations within the K-Group, so as to emphasize customer orientation. Training will play an important role in this process, because almost the entire K-Group personnel will be trained within the next few years for the adoption of the new approach. Finland's membership in the European Union will provide the K-Group with increased purchasing opportunities. Negotiations with domestic suppliers have been in-

itiated in order to intensify cooperation and make savings in ordering and distribution costs.

Although the year 1995 will involve certain factors of uncertainty owing to the state the Finnish economy, the high rate of unemployment and EU membership, the near future looks encouraging. Net sales are expected to fall slightly due to the decreased price levels of foodstuffs, grain, animal feed and fertilizers. Cost adaptation, the maintenance of a low level of bad debts and better use of capital will maintain profit at the 1994 level.

The financial position of the Kesko Corporation will remain good. Special emphasis will be put on the sale of superfluous real estate, and on the transfer of discarded rental premises for use outside the Corporation.

Despite the difficulties of the Finnish economy we regard Kesko Corporation as having come through the recession safely. The proposed 14% dividend is in line with the improved corporate result, and increases the investor's yield from Kesko's shares.

The past year gives us reason to believe that we have convinced our clients, investors, suppliers and above all the K-store customers that the K-Group is a further developing, reliable and profitable trading group.

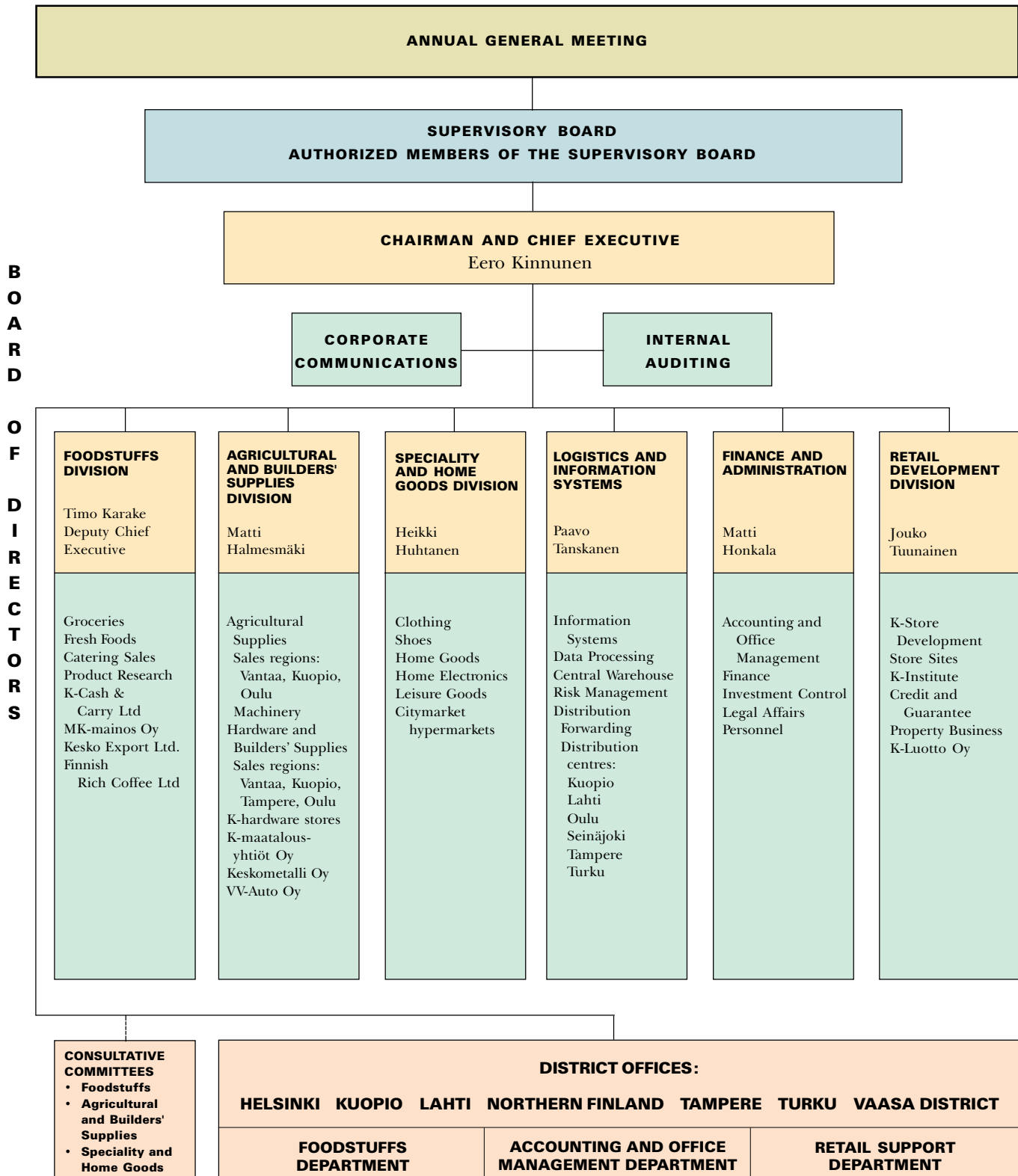
On behalf of Kesko's Board of Directors and myself, I would like to thank the personnel of Kesko, the K-retailers and the personnel of the K-stores for their good performance in 1994.

Helsinki, 9 February 1995

A handwritten signature in black ink, appearing to read 'Eero Kinnunen'. The signature is fluid and cursive, written over a white background.

Eero Kinnunen

**ORGANIZATION CHART OF THE KESKO CORPORATION  
1 JANUARY 1995**



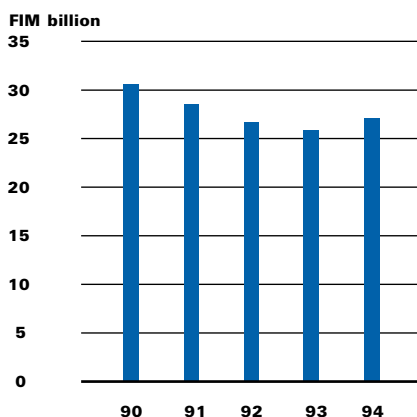
## BOARD OF DIRECTORS



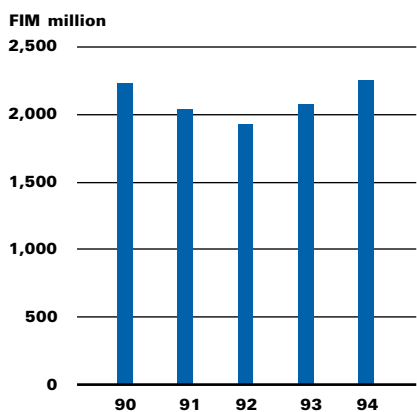
*Kesko's Board of Directors. Sitting from left are Executive Vice President Heikki Huhtanen, Deputy Chief Executive Timo Karake, Chairman and Chief Executive Eero Kinnunen, and Executive Vice President Jouko Tuunainen. Standing from left are Executive Vice Presidents Matti Honkala, Matti Halmesmäki and Paavo Tanskanen.*

# OPERATIONS OF THE KESKO CORPORATION

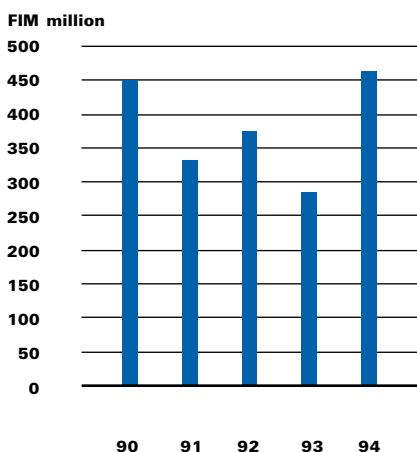
## CORPORATION'S NET SALES



## CORPORATION'S GROSS PROFIT



## PROFIT BEFORE EXTRAORDINARY ITEMS



From 1 January 1994, Kesko's operations were reorganized so that the Speciality and Home Goods Division, the logistical operations, and the grocery purchasing units started to operate as a line organization under nationwide management, after combining the local and national operations. The District Office of Joensuu was merged with the District Office of Kuopio, while the District Office of Jyväskylä and the district of Pohjois-Kymenlaakso were merged with the District Office of Lahti. National consultative committees were established for agricultural and builders' supplies stores and speciality stores.

Kesko Export Ltd., which operates in the export and ship chandling business, started operations at the beginning of 1994. Kesko Eesti A/S, which was established at the end of 1993, opened a cash & carry outlet in Tallinn at the beginning of May 1994.

In January 1994, Kesko acquired the share capital of Finnish Rich Coffee Ltd, which previously operated as a marketing company for Viking Coffee Ltd in Finland.

In March 1994, VV-Auto Oy, a Kesko subsidiary, sold the share capital of the car rental company, Interrent Oy.

At the Annual General Meeting held on 11 April 1994 the financial statements for 1993 were adopted and those accountable were discharged from their responsibilities. A decision was made to pay a dividend of FIM 1.10 per share, for the year 1993. Taking the company tax credit system into account, the taxable income for each share amounts to FIM 1.47.

The Annual General Meeting authorized 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 unutilized.

In August 1994, the authorized members of Kesko's Supervisory Board and the Board of Directors made a decision to give the K-retailers the right to directly use their K-rebate receivables and other discount receivables to pay for subscribed shares and to purchase Kesko Ltd's shares as recommended by the Finnish K-Retailers' Association. According to the recommendation concerning K-retailers' shareholdings in Kesko, a K-retailer shall, by the beginning of 1997 at the latest, own Kesko Ltd's exclusive shares to at least the value that equals the value of his purchases from Kesko during three weeks.

## NET SALES

The net sales of the Corporation amounted to FIM 27,060 million, an increase of 4.8%. The net sales by division were as follows:

	FIM million	Change %
Foodstuffs	15,228	0.5
Agricultural and Builders' Supplies	8,795	12.6
Speciality and Home Goods	2,756	5.5
Others	281	17.2
Kesko Corporation total	27,060	4.8

The retailing operations of the Corporation are carried out through subsidiaries. Their sales and trading results are included in the figures for the respective product divisions. The group "Others" comprises sales of store furniture and information technology equipment used in retail outlets, and these sales have grown due to the extensive upgrading programme affecting K-stores in 1994.

**GROSS MARGIN**

Kesko's gross margin was 5.6%, compared with 5.3% for the previous year. The Corporation's gross margin was 8.3%, compared with the previous year's 8.0%. The Corporation's bad debts decreased from the previous year's figure of FIM 201.7 million to FIM 57.2 million, and Kesko's bad debts from FIM 141.2 million to FIM 50.2 million.

**EXPENSES**

Kesko's personnel expenses amounted to FIM 607 million, compared with FIM 575 million in 1993, representing a rise of 2.5%. The Corporation's personnel expenses decreased from FIM 962 million to FIM 937 million, representing a drop of 2.5%. The total fixed expenses of Kesko increased by 2.2% and of the Corporation by 0.3%, which is clearly less than the growth in net sales.

**FINANCIAL INCOME**

The net financial income of the Corporation was FIM 81 million and of Kesko FIM 92 million. In the previous year, the corresponding figures were FIM 148 million and FIM 186 million. The rates of short-term interests dropped in 1994, which decreased the company's interest income in particular.

**PROFIT**

The Corporation's profit before extraordinary items, reserves and taxes was FIM 462 million, compared with FIM 285 million in 1993. The corresponding figure for the parent company was FIM 247 million. The rise in profit resulted from increased sales and reduced bad debts. The subsidiaries' trading results improved in particular. The

combined profit of subsidiaries was FIM 215 million, compared with FIM 31 million in the previous year. All subsidiaries were profit-making. Earnings per share went up to FIM 3.30 from the previous year's figure of FIM 1.95. Taxes increased by FIM 55.1 million. The return on capital invested was 7.1%, compared with 5.4% in the previous year.

**PROFITABILITY OF COMMERCIAL DIVISIONS**

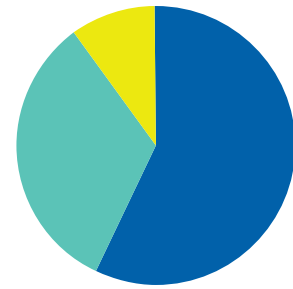
The commercial divisions' profitability improved 1993. The profitability of the Agricultural and Builders' Supplies Division was good, while the profitability of the Foodstuffs Division and the Speciality and Home Goods Division continued to be satisfactory.

This evaluation is based on return on capital as 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 are stated at current values. Part of the overhead costs of the company, i.e. FIM 250 million, FIM 265 million in 1993, have not been allocated to the commercial divisions.

Evaluation criteria:

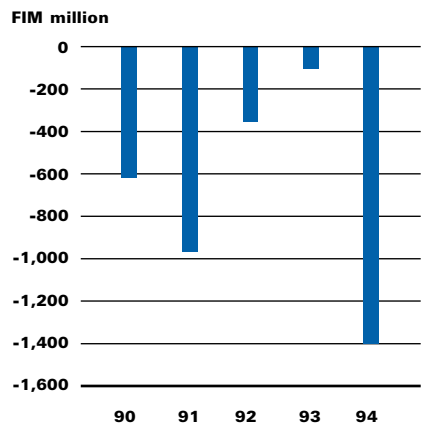
Return on capital, %	Evaluation
more than 15	good
10-15	satisfactory
5-10	fair
less than 5	poor

**BREAKDOWN OF NET SALES BY DIVISION**

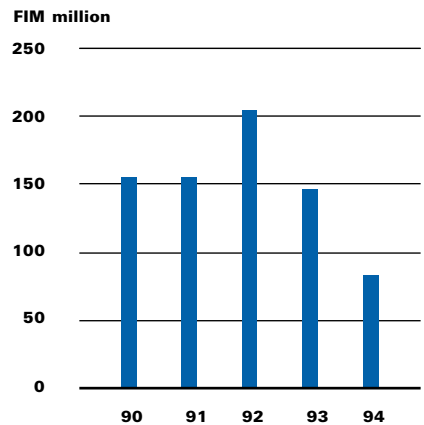


Foodstuffs 57%  
Agricultural and Builders' Supplies 33%  
Speciality and Home Goods 10%

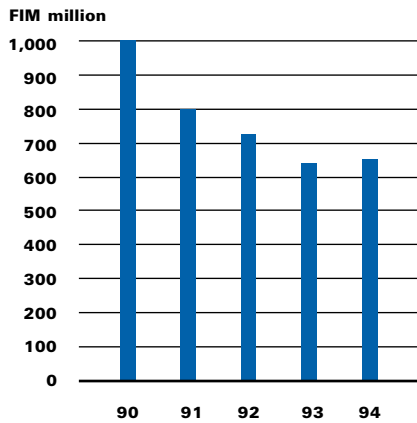
**CORPORATION'S LIABILITIES  
./. FINANCIAL ASSETS**



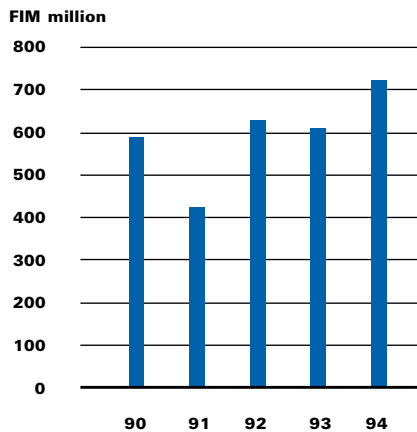
**CORPORATION'S NET FINANCIAL INCOME**



## CORPORATION'S INVESTMENTS



## CASH FLOW

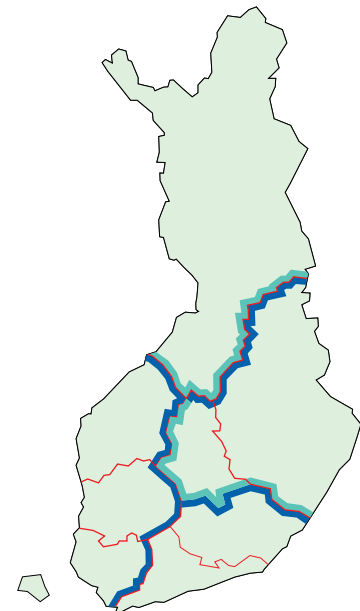


## KESKO CORPORATION'S NET SALES 1994 BY DISTRICT

	FIM million	Change %	Average number of personnel
Helsinki	3,926	- 1.0	129
Kuopio	1,594	- 4.2	90
Lahti	2,074	- 1.9	86
Northern Finland	1,629	1.4	84
Tampere	1,720	- 2.3	80
Turku	1,554	0.9	66
Vaasa District	1,085	3.1	58
<b>Total</b>	<b>13,582</b>	<b>- 0.9</b>	<b>593</b>
Other units of the parent company	10,800	9.2	2,526
Subsidiaries	2,678	20.3	2,582
<b>Total</b>	<b>27,060</b>	<b>4.8</b>	<b>5,701</b>

## 1995

Although the future involves many economic uncertainties related to Finland's financial affairs and high unemployment rate, and to the effects which Finnish membership of the European Union will have, consumer demand has started to increase slightly. In 1995, Kesko's net sales are expected to decline slightly, which can be attributed to reduced price levels of food, grain, animal feed and fertilizers. The continued adaptation of costs, the maintenance of a low level of bad debts and the more efficient use of capital will allow the profit for 1995 to remain at the level of 1994.



■ District Office  
■ Sales region of Agricultural Supplies Department  
■ Sales region of Hardware and Builders' Supplies Department



# SHARE CAPITAL

## ANALYSIS OF SHARE CAPITAL

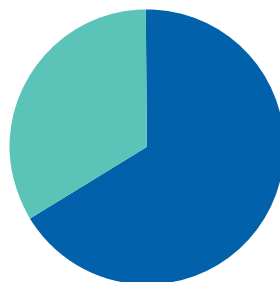
On 31 December 1994, Kesko's share capital was FIM 902,434,000.

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 30,931,796 exclusive shares and 59,281,604 ordinary shares. Ordinary shares are quoted on the Helsinki Stock Exchange.



■ Ordinary shares 66%  
■ Exclusive shares 34%

The Annual General Meeting held on 11 April 1994 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 1994.

The right to convert bonds under the terms of the FIM 125 million convertible bonds issued on 22 May 1989 terminated in 1994, and no bonds were converted into shares.

### INCREASE IN SHARE CAPITAL 1985-1994

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

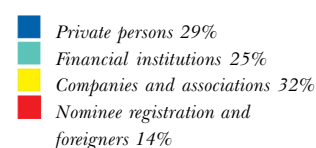
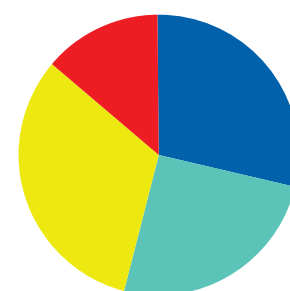
## SHAREHOLDERS

According to the register of Kesko's shareholders kept by the Central Share Register of Finland Co-operative, there were 28,486 registered shareholders on 31 December 1994.

Shareholdings were divided as follows: households and private persons 29%, financial institutions 25%, companies 28%, nominee registration and foreigners 14%, and others 4%. The total number of shares registered in a nominee name was 9,847,357, accounting for 11% of the share capital. The theoretical number of votes entitled by these shares was 984, or 0.27% of the total voting rights.

At 31 December 1994, the members and deputy members of Kesko's Supervisory Board, as well as the members of the Board of Directors held a total of 636,082 shares, representing 0.7% of the total share capital and 1.67% of the total voting rights.

### ANALYSIS OF SHAREHOLDERS

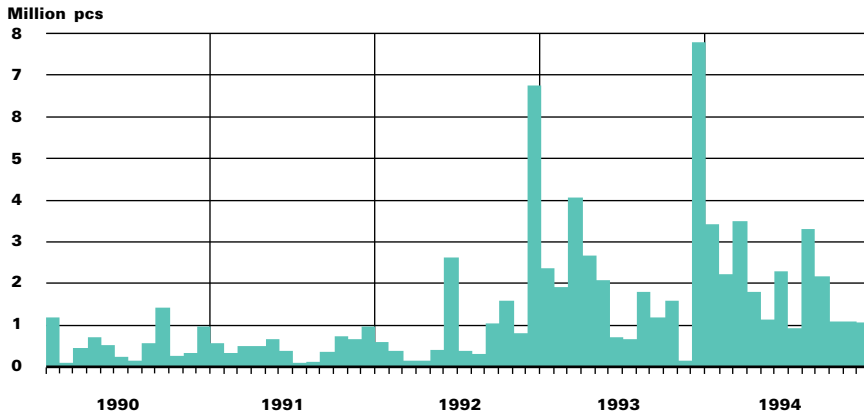


### THE 20 MAJOR SHAREHOLDERS ACCORDING TO THE CENTRAL SHARE REGISTER OF FINLAND AT 31 DECEMBER 1994

	% of shares	% of votes
1. Union Bank of Finland	7.64	0.19
2. Kesko Pension Fund	3.83	9.19
3. ICA Handlarnas AB	3.24	0.08
4. Center-yhtiöt Oy	2.67	6.61
5. Vähittäiskaupan Takaus Oy	2.64	6.53
6. K-rahoitus Oy	2.45	6.06
7. Ilmarinen Eläkevakuutus Oy	1.74	0.04
8. Ingman Foods Oy	1.55	0.04
9. Pension Insurance Company Ilmarinen	1.46	0.04
10. Kivinokka Oy	1.45	3.60
11. Oy Stockmann Ab	1.40	0.72
12. Pension-Varma Mutual Insurance Company	1.33	0.03
13. Pamart Oy	1.19	2.96
14. Paulig Ltd	1.18	0.03
15. The Finnish Local Government Pensions Institution	1.08	0.03
16. Insurance Company Pohjola	0.93	0.02
17. Pension Foundation Polaris Pensionsstiftelse sr	0.70	0.02
18. Sampo Insurance Company Limited	0.67	0.02
19. SYP-Invest Oy	0.44	0.01
20. Placeringsfonden Gyllenberg Industri	0.43	0.01

# SHARE TRADING IN 1994

## NUMBER OF SHARES TRADED BY MONTH

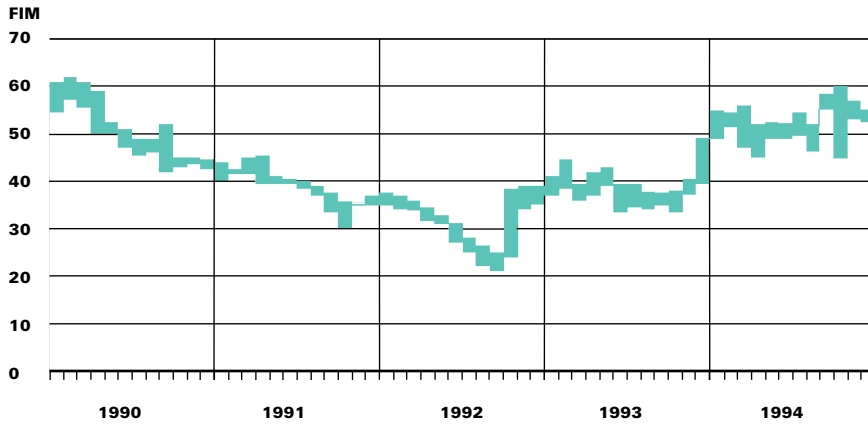


Kesko's ordinary shares are quoted on the Helsinki Stock Exchange.

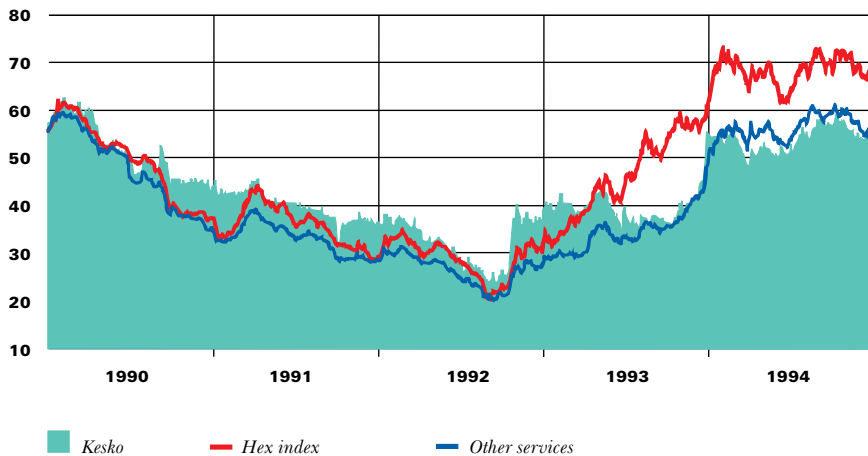
During 1994, 24.0 million Kesko shares were traded, compared with 28.1 million shares in the previous year.

The value of those shares was FIM 1,284 million, the corresponding figure being FIM 1,130 million in the previous year. Kesko's market capitalisation calculated on the basis of all shares was FIM 4,962 million at the end of the year, and the market capitalisation based on quoted ordinary shares was FIM 3,260 million.

## TRENDS IN SHARE PRICE BY MONTH



## TRENDS IN KESKO'S SHARE PRICE



■ Kesko    
 — Hex index    
 — Other services

# KESKO CORPORATION IN FIGURES

<b>SHARE CAPITAL AND SHARES</b>	1990	1991	1992	1993	<b>1994</b>
Share capital, FIM million	902	902	902	902	<b>902</b>
Number of shares at 31 Dec., million pcs	90	90	90	90	<b>90</b>
Adjusted number of shares at 31 Dec., million pcs	90	90	90	90	<b>90</b>
Adjusted average number of shares during the year, million pcs	90	90	90	90	<b>90</b>
Number of shareholders at 31 Dec.	44,185	44,531	44,231	28,285	<b>28,486</b>
Market capitalisation, FIM million	3,969	3,293	3,293	4,438	<b>4,962</b>
Shares traded, FIM million	347	224	510	1,130	<b>1,284</b>
Exclusive shares, %	42	40	39	36	<b>34</b>
Ordinary shares, %	58	60	61	64	<b>66</b>
Nominal dividend per share, FIM	1.40	1.20	1.30	1.10	<b>*1.40</b>
Adjusted dividend per share, FIM	1.40	1.20	1.30	1.10	<b>*1.40</b>
Nominal value of share, FIM	10	10	10	10	<b>10</b>
Share price at 31 Dec., FIM	44.00	36.50	36.50	49.20	<b>55.00</b>
Adjusted share price at 31 Dec., FIM	44.00	36.50	36.50	49.20	<b>55.00</b>
Highest share price during the year, FIM	62.00	45.50	39.00	49.20	<b>60.00</b>
Lowest share price during the year, FIM	42.00	30.00	21.00	33.50	<b>45.00</b>
Adjusted earnings per share I, FIM	3.55	1.82	3.99	1.95	<b>3.30</b>
Adjusted earnings per share II, FIM	3.72	2.84	3.15	2.37	<b>3.84</b>
Cash flow per share, FIM	6.55	4.69	6.98	6.75	<b>8.05</b>
Price/earnings ratio (P/E)	12.4	20.0	9.1	25.2	<b>16.7</b>
Dividend yield, %	3.2	3.3	3.6	2.2	<b>2.5</b>
Net assets per share, adjusted, FIM	82.56	81.91	81.28	81.14	<b>84.82</b>
Yield of share (internal rate of return on share capital %)				financial years 1990-1994	<b>1.9</b>
				financial years 1985-1994	<b>18.0</b>

\* Proposal to the Annual General Meeting

<b>INCOME STATEMENT:</b>	1990	1991	1992	1993	<b>1994</b>
Net sales, FIM million	30,533	28,484	26,641	25,822	<b>27,060</b>
Change in net sales, %	3.4	- 6.7	- 6.5	- 3.1	<b>4.8</b>
Gross profit, FIM million	2,231	2,040	2,118	2,071	<b>2,253</b>
Gross profit, %	7.31	7.16	7.94	8.01	<b>8.32</b>
Personnel expenses, FIM million	920	919	1,043	962	<b>937</b>
Personnel expenses of net sales, %	3.01	3.23	3.91	3.72	<b>3.46</b>
Operating profit before depreciation, FIM million	538	478	504	500	<b>725</b>
Operating profit before depreciation, %	1.76	1.67	1.89	1.93	<b>2.67</b>
Plan depreciation, FIM million	306	353	335	363	<b>343</b>
Financial income and expenses, net, FIM million	155	155	208	148	<b>81</b>
Financial income and expenses/net sales, %	0.51	0.54	0.78	0.57	<b>0.30</b>
Profit before extraordinary items, FIM million	450	332	378	285	<b>462</b>
Direct taxes, FIM million	127	177	18	109	<b>164</b>
Profit for the year, FIM million	254	301	178	357	<b>466</b>
<b>BALANCE SHEET:</b>					
Fixed assets, FIM million	4,252	4,278	4,135	4,286	<b>4,519</b>
Stocks, FIM million	2,687	2,143	2,870	2,957	<b>1,783</b>
Financial assets, FIM million	6,981	7,955	7,843	8,346	<b>7,010</b>
Shareholders' equity, FIM million	4,228	4,400	4,226	4,448	<b>4,864</b>
Share capital, FIM million	902	902	902	902	<b>902</b>
Unrestricted equity, FIM million	2,245	2,422	2,270	2,491	<b>2,913</b>
Untaxed reserves, FIM million	3,220	2,989	3,106	2,875	<b>2,788</b>
Liabilities, FIM million	6,472	6,987	7,488	8,237	<b>5,607</b>
Interest-bearing liabilities, FIM million	2,702	3,530	3,234	3,690	<b>2,107</b>
Net debt, FIM million	*- 510	*- 968	*- 358	*- 109	<b>*-1,403</b>
Balance sheet total, FIM million	13,919	14,376	14,848	15,589	<b>13,312</b>
<b>KEY INDICATORS:</b>					
Return on capital invested, %	6.5	7.0	7.0	5.4	<b>7.1</b>
Return on equity, %	4.4	2.1	4.8	2.4	<b>4.0</b>
Cash flow, FIM million	591	423	630	609	<b>724</b>
Total equity to assets ratio, %	53.7	51.7	49.9	47.5	<b>58.0</b>
Interest-bearing net debt/equity, %	26.2	17.8	20.3	13.4	<b>- 2.5</b>
<b>INVESTMENTS, FIM million</b>	998	801	725	640	<b>654</b>
<b>PERSONNEL (average)</b>	8,111	7,983	6,816	6,227	<b>5,701</b>
<b>PARENT COMPANY (Kesko Ltd)</b>					
Net sales, FIM million	27,997	26,325	24,410	23,595	<b>24,382</b>
Gross profit, %	5.18	5.13	5.79	5.27	<b>5.61</b>
Operating profit before depreciation, %	1.15	1.41	1.37	1.27	<b>1.58</b>
Profit before extraordinary items, FIM million	384	409	375	254	<b>247</b>
Personnel (average)	4,837	4,561	3,952	3,229	<b>3,119</b>

\* The financial assets exceed the liabilities.

## CALCULATION OF KEY INDICATORS

$$\text{Return on capital invested \% (ROI)} = \frac{\text{Profit before extraordinary items} + \text{interest and other financial expenses}}{\text{Balance sheet total} \text{ ./. interest-free liabilities} \text{ (average during the financial year)}} \times 100$$

$$\text{Return on equity \% (ROE)} = \frac{\text{Profit before extraordinary items} \text{ ./. taxes}}{\text{Shareholders' equity} + \text{untaxed reserves} + \text{minority interest} \text{ (average during the financial year)}} \times 100$$

$$\text{Total equity to assets ratio \%} = \frac{\text{Shareholders' equity} + \text{untaxed reserves} + \text{minority interest}}{\text{Balance sheet total} \text{ ./. payments received in advance}} \times 100$$

$$\text{Net debt} = \text{Liabilities} \text{ ./. financial assets}$$

$$\text{Interest-bearing net debt/equity \%} = \frac{\text{Interest-bearing liabilities} \text{ ./. money-market investments} \text{ ./. cash and bank}}{\text{Shareholders' equity} + \text{untaxed reserves} + \text{minority interest}} \times 100$$

$$\text{Cash flow} = \text{Operating profit} + \text{plan depreciation} + \text{financial income (net)} + \text{extraordinary income and expenses} \text{ ./. taxes} \text{ ./. minority interest}$$

$$\text{Dividend per share} = \frac{\text{Dividend for the financial year}}{\text{Number of shares at 31.12. adjusted for the bonus element of share issues}}$$

$$\text{Earnings per share I} = \frac{\text{Profit before extraordinary items} \text{ ./. taxes} \text{ ./. minority interest}}{\text{Average number of shares in issue during the year adjusted for the bonus element of share issues}}$$

$$\text{Earnings per share II} = \frac{\text{Profit before extraordinary items} \text{ ./. taxes } 25\% \text{ ./. minority interest}}{\text{Average number of shares in issue during the year adjusted for the bonus element of share issues}}$$

$$\text{Price/earnings ratio (P/E)} = \frac{\text{Share price at the end of the year}}{\text{Earnings per share}}$$

$$\text{Net assets per share} = \frac{\text{Shareholders' equity} + \text{untaxed reserves}}{\text{Number of shares at 31.12. adjusted for the bonus element of share issues}}$$

$$\text{Dividend yield \%} = \frac{\text{Dividend per share}}{\text{Share price at the end of the year}} \times 100$$

$$\text{Cash flow per share} = \frac{\text{Cash flow}}{\text{Average number of shares}}$$

$$\text{Market capitalisation} = \text{Share price at the end of the year multiplied by the number of shares}$$

# CONSOLIDATED INCOME STATEMENT

FIM million	1.1.–31.12.1994		%	1.1.–31.12.1993		%
<b>NET SALES (1.)</b>	<b>27,060.5</b>	<b>100.0</b>		25,821.9	100.0	
<b>OTHER OPERATING INCOME (2.)</b>	<b>281.6</b>	<b>1.0</b>		226.2	0.9	
<b>VARIABLE EXPENSES</b>						
Materials, supplies and products						
Purchases during the year	<b>23,857.8</b>			23,994.3		
Increase/decrease in stocks (-/+)	<b>1,174.5</b>			– 85.0		
Personnel expenses (4.)	<b>13.6</b>			36.1		
Other variable expenses	<b>43.3</b>	<b>– 25,089.2</b>	<b>92.7</b>	31.9	– 23,977.3	92.9
<b>GROSS PROFIT</b>	<b>2,252.9</b>	<b>8.3</b>		2,070.8	8.0	
<b>SERVICES INCOME (3.)</b>	<b>861.9</b>	<b>3.2</b>		813.2	3.1	
<b>FIXED EXPENSES</b>						
Personnel expenses (4.)	<b>923.5</b>			925.4		
Rents	<b>658.0</b>			656.4		
Other fixed expenses	<b>808.8</b>	<b>– 2,390.3</b>	<b>8.8</b>	802.0	– 2,383.8	9.2
<b>OPERATING PROFIT BEFORE DEPRECIATION</b>	<b>724.5</b>	<b>2.7</b>		500.2	1.9	
<b>DEPRECIATION ON FIXED ASSETS AND OTHER LONG-TERM EXPENDITURE (5.)</b>	<b>– 343.5</b>	<b>1.3</b>		– 363.3	1.4	
<b>OPERATING PROFIT</b>	<b>381.0</b>	<b>1.4</b>		136.9	0.5	
<b>FINANCIAL INCOME AND EXPENSES (6.)</b>						
Dividend income	<b>4.1</b>			0.9		
Interest income						
from long-term investments	<b>13.4</b>			65.0		
Other financial income	<b>337.4</b>			393.3		
Share of associated companies' profits/losses	<b>– 1.0</b>			– 9.0		
Interest expenses	<b>– 248.1</b>			– 295.1		
Other financial expenses	<b>– 24.4</b>	<b>81.4</b>	<b>0.3</b>	– 6.7	148.4	0.6
<b>PROFIT BEFORE EXTRAORDINARY ITEMS, RESERVES AND TAXES</b>	<b>462.4</b>	<b>1.7</b>		285.3	1.1	
<b>EXTRAORDINARY INCOME AND EXPENSES (7.)</b>						
Share of associated companies' profits/losses	<b>–</b>			– 9.3		
Extraordinary income	<b>93.1</b>			81.1		
Extraordinary expenses	<b>– 10.0</b>	<b>83.1</b>	<b>0.3</b>	– 2.1	69.7	0.3
<b>PROFIT BEFORE RESERVES AND TAXES (8.)</b>	<b>545.5</b>	<b>2.0</b>		355.0	1.4	
<b>INCREASE/DECREASE (-/+)</b>						
<b>IN ACCELERATED DEPRECIATION</b>	<b>– 127.2</b>	<b>0.5</b>		– 167.9	0.6	
<b>INCREASE/DECREASE (-/+)</b>						
<b>IN VOLUNTARY RESERVES (9.)</b>	<b>212.0</b>	<b>0.8</b>		278.7	1.0	
<b>DIRECT TAXES</b>	<b>– 164.2</b>	<b>0.6</b>		– 109.1	0.4	
<b>MINORITY INTEREST</b>	<b>– 0.6</b>	<b>0.0</b>		– 0.1	0.0	
<b>PROFIT FOR THE YEAR</b>	<b>465.5</b>	<b>1.7</b>		356.6	1.4	

## CONSOLIDATED BALANCE SHEET

ASSETS FIM million	31.12.1994	%	31.12.1993	%
<b>FIXED ASSETS AND OTHER</b>				
<b>LONG-TERM ASSETS (10.–11.)</b>				
Intangible assets				
Other capitalized expenditure (12.)	252.3	1.9	240.7	1.6
Tangible assets				
Land and water	559.0		484.1	
Buildings (13.)	2,196.6		2,119.4	
Machinery and equipmet (14.)	732.2		767.8	
Other tangible assets (15.)	24.0		24.0	
Advances paid and construction in progress (16.)	29.4	3,541.3	82.5	3,477.8
		26.6		22.3
Financial assets and other long-term assets				
Investments (17.)	725.1	5.4	567.9	3.6
<b>CURRENT ASSETS</b>				
Stocks				
Finished products/goods	1,782.8	13.4	2,956.9	19.0
Receivables				
Trade receivables	2,398.3		2,412.4	
Loan receivables	1,794.8		2,163.0	
Accrued income	379.1		638.1	
Other receivables	25.2	4,597.4	14.3	5,227.8
		34.5		33.5
Investments				
Other investments	112.9		415.2	
Money-market investments	2,052.1	2,165.0	2,099.4	2,514.6
		16.3		16.1
Cash and bank	248.0	1.9	603.3	3.9
<b>ASSETS</b>	<b>13,311.9</b>	<b>100.0</b>	<b>15,589.0</b>	<b>100.0</b>



<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>31.12.1994</b>	<b>%</b>	<b>31.12.1993</b>	<b>%</b>
FIM million				
<b>SHAREHOLDERS' EQUITY (20.)</b>				
Restricted equity				
Share capital	<b>902.4</b>		902.4	
Reserve fund	<b>1,020.9</b>		1,020.9	
Revaluation reserve	<b>16.5</b>		19.9	
Other restricted reserves	<b>11.9</b>	<b>1,951.7</b>	13.5	1,956.8
Unrestricted equity				
Other unrestricted equity	<b>1,790.8</b>		1,727.4	
Retained earnings	<b>656.4</b>		407.2	
Profit for the year	<b>465.5</b>	<b>2,912.7</b>	356.6	2,491.2
<b>UNTAXED RESERVES (21.)</b>				
Accelerated depreciation		<b>1,757.2</b>		1,630.0
Voluntary reserves				
Investment reserves	<b>24.0</b>		172.0	
Other reserves	<b>1,006.5</b>	<b>1,030.5</b>	1,070.4	1,242.4
Obligatory reserves		<b>22.5</b>		3.0
<b>LIABILITIES</b>				
Long-term liabilities (22.)				
Bonds and notes	<b>100.0</b>		295.6	
Loans from financial institutions	<b>219.3</b>		253.0	
Pension loans	<b>1.2</b>		3.4	
Other long-term debt	<b>553.2</b>	<b>873.7</b>	559.9	1,111.9
Current liabilities (23.)				
Loans from financial institutions	<b>54.8</b>		994.8	
Pension loans	<b>4.2</b>		0.3	
Advances received	<b>70.2</b>		114.5	
Trade payables	<b>2,805.2</b>		3,895.8	
Accrued liabilities	<b>576.5</b>		480.5	
Other current liabilities	<b>1,222.9</b>	<b>4,733.8</b>	1,639.4	7,125.3
<b>MINORITY INTEREST</b>	<b>29.8</b>	<b>0.2</b>	28.4	0.2
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>13,311.9</b>	<b>100.0</b>	15,589.0	100.0

## CONSOLIDATED SOURCE AND APPLICATION OF FUNDS

FIM million	1.1.-31.12.1994	1.1.-31.12.1993
<b>OPERATIONS</b>		
Funds generated from operations		
Operating profit before depreciation	<b>724.5</b>	500.2
Financial income and expenses	<b>81.4</b>	148.4
Extraordinary items	<b>83.1</b>	69.7
Taxes	- <b>164.8</b>	- 114.4
	<b>724.2</b>	603.9
<b>CHANGE IN WORKING CAPITAL</b>		
Stocks, increase (-), decrease (+)	<b>1,174.1</b>	- 86.4
Short-term trade receivables, increase (-), decrease (+)	<b>630.5</b>	- 23.8
Interest-free short-term debt, increase (+), decrease(-)	- <b>1,435.4</b>	966.5
	<b>369.2</b>	856.3
Cash flow in operations	<b>1,093.4</b>	1,460.2
<b>INVESTMENTS</b>		
Investments in fixed assets	- <b>653.8</b>	- 640.5
Profit on the sale of fixed assets	<b>72.6</b>	126.1
	- <b>581.2</b>	- 514.4
Cash flow before financing	<b>512.2</b>	945.8
<b>FINANCING</b>		
Increase (-), decrease (+) in long-term receivables	<b>302.3</b>	363.2
Increase (+) in long-term loans	-	322.5
Decrease (-) in long-term loans	- <b>238.1</b>	- 1,450.3
Increase (+), decrease (-) in short-term loans	- <b>936.1</b>	913.5
Dividends, donations	- <b>100.4</b>	- 118.6
Share issue	<b>0.0</b>	0.0
Other financial items	<b>57.2</b>	- 10.5
	- <b>915.1</b>	19.8
According to calculation, increase (+), decrease (-) in cash on hand	- <b>402.9</b>	965.6

# KESKO LTD'S INCOME STATEMENT

FIM million	1.1.-31.12.1994		%	1.1.-31.12.1993		%
<b>NET SALES (1.)</b>	<b>24,382.1</b>		<b>100.0</b>	23,594.6		100.0
<b>OTHER OPERATING INCOME (2.)</b>	<b>251.2</b>		<b>1.0</b>	210.1		0.9
<b>VARIABLE EXPENSES</b>						
Materials, supplies and products						
Purchases during the year	<b>22,030.0</b>			22,609.9		
Increase/decrease in stocks(-/+)	<b>1,229.4</b>			- 54.5		
Personnel expenses (4.)	<b>6.8</b>	<b>- 23,266.2</b>	<b>95.4</b>	5.8	- 22,561.2	95.6
<b>GROSS PROFIT</b>		<b>1,367.1</b>	<b>5.6</b>	1,243.6		5.3
<b>SERVICES INCOME (3.)</b>		<b>999.1</b>	<b>4.1</b>	993.3		4.2
<b>FIXED EXPENSES</b>						
Personnel expenses (4.)	<b>599.8</b>			569.5		
Rents	<b>644.5</b>			681.8		
Other fixed expenses	<b>736.2</b>	<b>- 1,980.5</b>	<b>8.1</b>	687.0	- 1,938.3	8.2
<b>OPERATING PROFIT BEFORE DEPRECIATION</b>		<b>385.7</b>	<b>1.6</b>	298.5		1.3
<b>DEPRECIATION ON FIXED ASSETS AND OTHER LONG-TERM EXPENDITURE (5.)</b>		<b>- 230.7</b>	<b>1.0</b>	- 230.7		1.0
<b>OPERATING PROFIT</b>		<b>155.0</b>	<b>0.6</b>	67.8		0.3
<b>FINANCIAL INCOME AND EXPENSES (6.)</b>						
Dividend income	<b>26.6</b>			12.6		
Interest income						
from long-term investments	<b>13.3</b>			65.0		
Other financial income	<b>327.9</b>			414.3		
Interest expenses	<b>- 253.5</b>			- 299.8		
Other financial expenses	<b>- 22.4</b>	<b>91.9</b>	<b>0.4</b>	- 5.6	186.5	0.8
<b>PROFIT BEFORE EXTRAORDINARY ITEMS, RESERVES AND TAXES</b>		<b>246.8</b>	<b>1.0</b>	254.3		1.1
<b>EXTRAORDINARY INCOME AND EXPENSES (7.)</b>						
Extraordinary income	<b>92.9</b>			81.1		
Extraordinary expenses	<b>- 12.3</b>	<b>80.6</b>	<b>0.3</b>	- 11.0	70.1	0.3
<b>PROFIT BEFORE RESERVES AND TAXES (8.)</b>		<b>327.4</b>	<b>1.3</b>	324.5		1.4
<b>INCREASE/DECREASE (-/+)</b>						
<b>IN ACCELERATED DEPRECIATION</b>		<b>- 86.1</b>	<b>0.3</b>	- 140.4		0.6
<b>INCREASE/DECREASE (-/+)</b>						
<b>IN VOLUNTARY RESERVES (9.)</b>		<b>142.5</b>	<b>0.6</b>	191.3		0.8
<b>DIRECT TAXES</b>		<b>- 97.7</b>	<b>0.4</b>	- 91.4		0.4
<b>PROFIT FOR THE YEAR</b>		<b>286.1</b>	<b>1.2</b>	284.0		1.2

# KESKO LTD'S BALANCE SHEET

ASSETS FIM million	31.12.1994	%	31.12.1993	%
<b>FIXED ASSETS AND OTHER LONG-TERM ASSETS (10.-11.)</b>				
Intangible assets				
Other capitalized expenditure (12.)	218.9	1.8	213.3	1.4
Tangible assets				
Land and water	388.3		311.7	
Buildings (13.)	1,599.2		1,547.7	
Machinery and equipment (14.)	345.7		380.5	
Other tangible assets (15.)	13.4		14.5	
Advances paid and construction in progress (16.)	23.3	2,369.9	59.4	2,313.8
Financial assets and other long-term assets				
Investments (17.-18.)	1,183.1	9.7	1,078.4	7.3
<b>CURRENT ASSETS</b>				
Stocks				
Finished products/goods	1,081.1	8.9	2,310.5	15.8
Receivables (19.)				
Trade receivables	2,070.7		2,097.4	
Loan receivables	2,614.7		3,079.9	
Accrued income	270.8		550.6	
Other receivables	25.3	4,981.5	9.8	5,737.7
Investments				
Other investments	100.9		379.1	
Money-market investments	2,052.1	2,153.0	2,099.4	2,478.5
Cash and bank	167.8	1.4	543.4	3.7
<b>ASSETS</b>	<b>12,155.3</b>	<b>100.0</b>	<b>14,675.6</b>	<b>100.0</b>

<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>31.12.1994</b>		<b>%</b>	<b>31.12.1993</b>		<b>%</b>
FIM million						
<b>SHAREHOLDERS' EQUITY (20.)</b>						
Restricted equity						
Share capital	<b>902.4</b>			902.4		
Reserve fund	<b>1,019.0</b>			1,019.0		
Revaluation reserve	<b>17.6</b>	<b>1,939.0</b>	<b>15.9</b>	21.0	1,942.5	13.3
Unrestricted equity						
Contingency reserve	<b>1,448.6</b>			1,449.2		
Retained earnings	<b>612.7</b>			429.2		
Profit for the year	<b>286.1</b>	<b>2,347.4</b>	<b>19.3</b>	284.0	2,162.4	14.7
<b>UNTAXED RESERVES (21.)</b>						
Accelerated depreciation		<b>1,382.4</b>	<b>11.4</b>		1,296.2	8.8
Voluntary reserves						
Investment reserve	–			100.0		
Other reserves	<b>812.8</b>	<b>812.8</b>	<b>6.7</b>	855.4	955.4	6.5
Obligatory reserves		<b>8.0</b>	<b>0.1</b>		3.0	0.0
<b>LIABILITIES</b>						
Long-term liabilities (22.)						
Bonds and notes	<b>100.0</b>			295.6		
Loans from financial institutions	<b>201.8</b>			249.8		
Other long-term debt	<b>557.4</b>	<b>859.2</b>	<b>7.1</b>	552.5	1,097.9	7.5
Current liabilities (23.)						
Loans from financial institutions	<b>54.0</b>			993.4		
Pension loans	<b>4.0</b>			–		
Advances received	<b>57.0</b>			151.9		
Trade payables	<b>2,498.8</b>			3,595.8		
Accrued liabilities	<b>371.3</b>			338.2		
Other current liabilities	<b>1,821.4</b>	<b>4,806.5</b>	<b>39.5</b>	2,138.9	7,218.2	49.2
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>12,155.3</b>	<b>100.0</b>		14,675.6	100.0

# KESKO LTD, SOURCE AND APPLICATION OF FUNDS

FIM million

	1.1. – 31.12.1994	1.1. --31.12.1993
<b>OPERATIONS</b>		
Funds generated from operations		
Operating profit before depreciation	<b>385.7</b>	298.5
Financial income and expenses	<b>91.9</b>	186.5
Extraordinary items	<b>80.6</b>	70.2
Taxes	- <b>98.3</b>	- 96.7
	<b>459.9</b>	458.5
<b>CHANGE IN WORKING CAPITAL</b>		
Stocks, increase (-), decrease (+)	<b>1,229.4</b>	- 54.5
Short-term trade receivables, increase (-), decrease (+)	<b>756.2</b>	- 181.0
Interest-free short-term debt, increase (+), decrease (-)	- <b>1,471.2</b>	1,167.6
	<b>514.4</b>	932.1
Cash flow in operations	<b>974.2</b>	1,390.6
<b>INVESTMENTS</b>		
Investments in fixed assets	- <b>446.8</b>	- 502.5
Profit on the sale of fixed assets	<b>46.1</b>	51.3
	- <b>400.7</b>	- 451.2
Cash flow before financing	<b>573.5</b>	939.4
<b>FINANCING</b>		
Increase (-), decrease (+) in long-term receivables	<b>278.2</b>	322.5
Increase (+) in long-term loans	-	475.1
Decrease (-) in long-term loans	- <b>238.7</b>	-1,572.8
Increase (+), decrease (-) in short-term loans	- <b>935.4</b>	912.3
Dividends, donations	- <b>100.5</b>	- 118.5
Share issue	<b>0.0</b>	0.0
	- <b>996.4</b>	18.6
According to calculation, increase (+), decrease (-) in cash on hand	- <b>422.9</b>	958.0

# NOTES TO FINANCIAL STATEMENTS

## ACCOUNTING POLICIES

### PRINCIPLE OF CONSOLIDATION

The consolidated financial statements include Kesko Ltd and all subsidiaries, including 58 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 3.9 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 between 20% and 50% have been consolidated by using the equity method.

### CHANGES WITHIN THE CORPORATION

During the financial year, the following companies were established: S.J. Aalto Oy, Leena Turunen Oy and two property companies. The former associated company, Finnish Rich Coffee Ltd, was reorganized into a subsidiary. Fennosale Oy purchased the majority shareholding in V.F.E.Co. Ltd, a shoe agency based in Hongkong. In addition, shareholdings in three property companies were acquired. One property company was 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 1994 have been dealt with in the income statement.

### STOCKS

The stocks are stated at lower of cost, calculated as variable expenses, or net realisable value. Price reductions arising from EU membership, amounting to FIM 36 million, were deducted from the value of stocks. Corresponding price difference compensation has been treated as accrued income.

## 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. Contributions are charged in the income statement. In the Corporation, the retirement age for Directors is 60 years.

## DEPRECIATION

Plan depreciation is calculated on a straight line basis 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%	8 years
Transportation fleet	20%	5 years
Other tangible assets and other capitalized 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 differences between them are treated as appropriations and classified as untaxed reserves.

## FINANCIAL STATEMENTS IN ACCORDANCE WITH IAS

The consolidated financial statements have been prepared for the second time in accordance with the new Accounting

Act. Now that the application and interpretations of the law have been established, the financial statements in accordance with the International Accounting Standards (IAS) have not been drawn up. 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 465.4 million in the Corporation, compared with FIM 430.1 million in the previous year. In the parent company the corresponding figures were FIM 465.0 million and FIM 440.5 million.

In the Corporation, the bad debt amounted to FIM 57.2 million, compared with FIM 201.7 million in 1993. In the parent company, the bad debt was FIM 50.2 million, FIM 141.2 million in the previous year.

### 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 the invoiced value of 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 expenses, interest expenses and depreciation.

## NOTES TO FINANCIAL STATEMENTS

FIM million	Corporation		Kesko	
	1994	1993	1994	1993
<b>4. PERSONNEL EXPENSES</b>				
Wages, salaries and fringe benefits	733.3	765.8	468.6	446.2
Pension costs	117.6	109.6	77.2	66.6
Other indirect employee costs	99.1	100.5	70.4	72.5
Total	950.0	975.9	616.2	585.3
Personnel expenses of net sales, %	3.5	3.8	2.5	2.5
Remuneration of the Supervisory Board, the Boards of Directors and the Managing Directors, of which the share of profits				
	11.5	10.6	8.7	8.3
	0.2	0.2	0.2	0.3
<b>5. PLAN DEPRECIATION</b>				
Other capitalized expenditure	54.0	60.4	45.4	44.4
Buildings	90.9	87.0	66.1	61.4
Machinery and equipment	195.4	212.5	116.3	121.9
Other tangible assets	3.2	3.4	2.9	3.0
Total	343.5	363.3	230.7	230.7
Change in accelerated depreciation				
Other capitalized expenditure	13.8	5.0	14.2	2.2
Buildings	172.7	210.0	104.0	161.5
Machinery and equipment	- 20.8	- 19.1	- 11.8	- 14.5
Other tangible assets	0.7	0.1	0.6	0.0
Advances paid and construction in progress	- 39.2	- 28.1	- 20.9	- 8.8
Total	127.2	167.9	86.1	140.4
Under Finnish tax legislation the maximum permitted depreciation	270.1	297.5	181.4	202.2
<b>6. INTER-CORPORATION FINANCIAL INCOME AND EXPENSES</b>				
Financial income received from corporate companies				
Dividend income	—	—	23.4	12.2
Other financial income	—	—	31.9	71.8
<b>7. EXTRAORDINARY INCOME AND EXPENSES</b>				
Profits and losses on the sale of fixed assets	- 4.1	- 1.7	1.8	- 2.1
Difference between normal and actual pension contributions	87.2	80.7	87.2	80.7
Revaluation of investments included in fixed assets	—	—	- 8.4	- 8.5
Share of associated companies' profits/losses	—	- 9.3	—	—
Total	83.1	69.7	80.6	70.1
<b>8. CHANGE IN OBLIGATORY RESERVES</b>				
Rent expenses against empty business premises	1.2	3.0	1.2	3.0
Guarantee reserves	18.3	—	3.8	—
Total	19.5	3.0	5.0	3.0
<b>9. CHANGE IN VOLUNTARY RESERVES</b>				
Acquisitions reserve	31.3	25.9	31.3	25.9
Investment reserve	148.0	213.2	100.0	147.3
Stock reserve	—	721.6	—	566.0
Bad debt reserve	- 0.5	—	—	—
Operating reserve	3.4	253.2	—	177.0
Transition reserve	29.8	- 935.1	11.2	- 724.9
Total	212.0	278.7	142.5	191.3



## NOTES TO FINANCIAL STATEMENTS

FIM million	Corporation		Kesko	
	1994	1993	1994	1993
<b>10. REVALUATION AMOUNTS INCLUDED IN FIXED ASSETS</b>				
Revaluations on fixed assets included in revaluation reserve				
Land	6.5	7.0	6.5	7.0
Investments	10.0	12.9	11.1	14.0
Total	16.5	19.9	17.6	21.0
<b>11. TAX VALUES</b>				
Land	259.5	245.0	206.5	196.3
Buildings	1,142.3	1,033.0	807.9	769.8
Investments	409.6	351.6	366.0	322.9
Investments in subsidiaries	—	—	775.6	524.4
<b>12. OTHER CAPITALIZED EXPENDITURE</b>				
Acquisition cost at 1.1.	415.1	380.8	338.3	300.0
Increases 1.1.–31.12.	70.8	46.6	52.7	39.0
Decreases 1.1.–31.12.	- 16.9	- 12.3	- 1.8	- 0.7
Acquisition cost at 31.12.	469.0	415.1	389.2	338.3
Accumulated plan depreciation at 1.1.	- 174.4	- 126.3	- 125.1	- 81.4
Accumulated plan depreciation on decreases 1.1.–31.12.	11.7	12.3	0.2	0.7
Plan depreciation 1.1.–31.12.	- 54.0	- 60.4	- 45.4	- 44.4
Net book value at 31.12.	252.3	240.7	218.9	213.4
Accumulated depreciation in excess of plan at 1.1.	19.9	14.9	16.6	14.4
Increase /decrease (+/-) in accelerated depreciation 1.1.–31.12.	13.8	5.0	14.2	2.2
Accumulated depreciation in excess of plan at 31.12.	33.7	19.9	30.8	16.6
<b>13. BUILDINGS</b>				
Acquisition cost at 1.1.	2,606.0	2,395.6	1,901.9	1,736.2
Increases 1.1.–31.12.	219.8	229.1	134.8	176.3
Decreases 1.1.–31.12.	- 65.8	- 18.8	- 28.2	- 10.6
Acquisition cost at 31.12.	2,760.0	2,606.0	2,008.5	1,901.9
Accumulated plan depreciation at 1.1.	- 488.5	- 405.8	- 354.2	- 295.2
Accumulated plan depreciation on decreases 1.1.–31.12.	16.0	6.2	10.9	2.4
Plan depreciation 1.1.–31.12.	- 90.9	- 87.0	- 66.1	- 61.4
Net book value at 31.12.	2,196.6	2,119.4	1,599.2	1,547.7
Accumulated depreciation in excess of plan at 1.1.	1,228.4	1,018.4	959.5	798.0
Increase in accelerated depreciation 1.1.–31.12.	199.1	215.0	111.1	164.3
Decrease in accelerated depreciation 1.1.–31.12.	- 26.4	- 5.0	- 7.1	- 2.8
Accumulated depreciation in excess of plan at 31.12.	1,401.1	1,228.4	1,063.5	959.5
Fire insurance value of buildings in the corporation FIM 3,094 million and in Kesko FIM 2,282 million.				
<b>14. MACHINERY AND EQUIPMENT</b>				
Acquisition cost at 1.1.	2,150.7	2,043.6	1,347.5	1,285.2
Increases 1.1.–31.12.	159.8	107.1	81.5	62.3
Acquisition cost at 31.12.	2,310.5	2,150.7	1,429.0	1,347.5
Accumulated plan depreciation at 1.1.	- 1,382.9	- 1,170.4	- 967.0	- 845.1
Plan depreciation 1.1.–31.12.	- 195.4	- 212.5	- 116.3	- 121.9
Net book value at 31.12.	732.2	767.8	345.7	380.5
Accumulated depreciation in excess of plan at 1.1.	331.6	350.7	148.3	162.8
Increase/decrease (+/-) in accelerated depreciation 1.1.–31.12.	- 20.8	- 19.1	- 11.8	- 14.5
Accumulated depreciation in excess of plan at 31.12.	310.8	331.6	136.5	148.3
Share of machinery and equipment of book value at 31.12.	26.1	28.0	—	—

# NOTES TO FINANCIAL STATEMENTS

FIM million	Corporation		Kesko	
	1994	1993	1994	1993
<b>15. OTHER TANGIBLE ASSETS</b>				
Acquisition cost at 1.1.	48.4	46.8	33.1	31.5
Increases 1.1.–31.12.	3.8	1.6	2.0	1.6
Decreases 1.1.–31.12.	- 0.6	0.0	- 0.1	0.0
Acquisition cost at 31.12.	51.6	48.4	35.0	33.1
Accumulated plan depreciation at 1.1.	- 24.4	- 21.0	- 18.6	- 15.6
Accumulated plan depreciation on decreases 1.1.–31.12.	0.0	0.0	0.0	0.0
Plan depreciation 1.1.–31.12.	- 3.2	- 3.4	- 2.9	- 3.0
Net book value at 31.12.	24.0	24.0	13.5	14.5
Accumulated depreciation in excess of plan at 1.1.	2.7	2.6	2.7	2.6
Increase/decrease (+/-) in accelerated depreciation 1.1.–31.12.	0.7	0.1	0.6	0.1
Accumulated depreciation in excess of plan at 31.12.	3.4	2.7	3.3	2.7
<b>16. ADVANCES PAID AND CONSTRUCTION IN PROGRESS</b>				
Acquisition cost at 1.1.	82.5	124.8	59.4	70.9
Increases 1.1.–31.12.	142.2	135.7	136.1	114.9
Decreases 1.1.–31.12.	- 195.3	- 178.0	- 172.2	- 126.4
Acquisition cost at 31.12.	29.4	82.5	23.3	59.4
Accumulated depreciation in excess of plan at 1.1.	47.3	75.4	29.1	37.9
Increase in accelerated depreciation 1.1.–31.12.	8.2	47.3	8.2	29.1
Decrease in accelerated depreciation 1.1.–31.12.	- 47.3	- 75.4	- 29.1	- 37.9
Accumulated depreciation in excess of plan at 31.12.	8.2	47.3	8.2	29.1
<b>17. SHAREHOLDINGS IN OTHER COMPANIES</b>	<b>725.1</b>	<b>567.9</b>	<b>1,183.1</b>	<b>1,078.4</b>

The register of shareholdings required under § 11.8 of the Companies Act is annexed to the financial statements. In 1994 the shareholdings in listed companies amounted to FIM 95 million (FIM 53 million in 1993). Major shareholdings in listed companies were Kansallis-Osake-Pankki, Oy Stockmann Ab, Unitas Oy and YIT Corporation. Shareholdings in property companies (68 business premises), book value FIM 439 million.

## COMPANIES OWNED BY THE CORPORATION AND THE PARENT COMPANY

Corporate companies	Corporation's shareholding %	Corporation's voting rights %	Corporation's share of shareholders' equity FIM million	Parent company's shareholding %	Shares held by the parent company			Profit/ loss shown in the latest financial statements FIM million
					Pcs	Nominal value FIM million	Book value FIM million	
S.J.Aalto Oy	90.0	90.0	1.0	90.0	90	0.9	0.9	0.1
Fennosale Oy	100.0	100.0	1.0	100.0	100	0.0	1.2	0.2
Golf Talma Oy	79.3	89.2	36.7	19.0	834	4.1	62.8	- 0.8
Seppo Heikkinen Oy	90.0	90.0	2.6	90.0	90	0.9	0.9	0.6
Pekka Kalmi Oy	90.0	90.0	3.7	90.0	180	1.8	1.8	2.1
Kankaanpään Rauta-Maatalous Oy	90.0	90.0	0.9	90.0	90	0.9	0.9	- 0.2
Kesko Eesti A/S	100.0	100.0	-1.5	-	134	0.5	0.6	- 2.0
Kesko Export Ltd.	100.0	100.0	3.0	100.0	300	3.0	3.0	0.0
Keskometalli Oy	100.0	100.0	79.3	100.0	6,000	60.0	10.0	16.7
K-konerahoitus Oy	99.9	99.9	54.2	-	2,121,386	21.2	35.6	12.0
K-Luotto Oy	90.0	90.0	6.6	90.0	1,800	1.8	1.8	3.0
K-maatalousyhtiöt Oy	100.0	100.0	8.1	-	500	5.0	5.0	2.4
K-Cash & Carry Ltd	100.0	100.0	135.1	100.0	10,000	100.0	10.0	23.4
K-yhtiöt Oy	100.0	100.0	602.7	100.0	2,200	44.0	44.0	91.6
MK-mainos Oy	90.0	90.0	3.9	-	216	2.2	2.5	0.9
Suneva Oy	99.8	99.8	0.4	99.8	1,796	0.2	0.1	0.1
Finnish Rich Coffee Ltd	100.0	100.0	1.2	100.0	1,000	1.0	1.0	0.2
Suomen Väri Oy	100.0	100.0	5.0	-	500	5.0	5.0	0.0
Leena Turunen Oy	90.0	90.0	0.7	90.0	90	0.9	0.9	- 0.2
V.F.E. Co. Ltd	52.0	52.0	0.1	-	26	0.2	0.2	- 0.1
VV-Auto Oy (group)	99.9	99.9	152.7	-	8,395,577	41.9	43.3	55.7
<b>Associated companies</b>								
Center-yhtiöt Oy (group)	29.6	23.2	19.2	-	60,750	6.1	21.7	- 8.0
Finn-Match Oy	33.3	33.3	0.6	-	5	0.5	1.2	0.1
Kauppiainien Komedia Oy (group)	49.0	49.2	8.4	-	191	0.2	2.5	3.1
Kivinkka Oy	48.0	48.0	2.3	47.0	18,847	2.8	11.8	1.0
K-rahoitus Oy	39.0	39.0	6.4	-	2,574	2.6	2.6	- 2.0
Suomen Osakaskiinteistöt Oy (group)	30.0	30.0	0.0	30.0	450,000	9.0	0.4	- 2.6
Viking Coffee Ltd	50.0	50.0	15.9	50.0	1,500	15.0	15.0	0.7
Viking Fruit AB (group)	33.3	33.3	3.7	33.3	13,333	0.8	1.3	1.3
Vähittäiskaupan Takaus Oy	30.0	30.0	11.9	30.0	120,088	1.2	3.4	6.6

## NOTES TO FINANCIAL STATEMENTS

FIM million	Corporation		Kesko	
	1994	1993	1994	1993
<b>18. LONG-TERM INVESTMENTS/CORPORATE COMPANIES AND ASSOCIATED COMPANIES</b>				
Corporate companies				
Investments			<b>237.8</b>	238.0
Associated companies				
Investments			<b>403.9</b>	346.7
<b>19. RECEIVABLES AND DEBT/CORPORATE COMPANIES AND ASSOCIATED COMPANIES</b>				
Trade receivables/corporate companies			<b>114.0</b>	115.4
Trade receivables/associated companies			<b>16.2</b>	100.0
Loan receivables/corporate companies			<b>824.2</b>	1,148.9
Loan receivables/associated companies			<b>1,279.0</b>	1,223.7
Accrued income/corporate companies			<b>2.0</b>	2.2
Other receivables/corporate companies			<b>6.6</b>	—
Other investments/associated companies			—	96.4
Other long-term debt/corporate companies			<b>26.1</b>	10.7
Payments received in advance/corporate companies			<b>11.0</b>	71.4
Payments received in advance/associated companies			<b>20.7</b>	32.0
Trade payables/corporate companies			<b>86.0</b>	28.8
Accrued liabilities/corporate companies			<b>2.1</b>	4.9
Other current liabilities/corporate companies			<b>646.7</b>	675.2
Other current liabilities/associated companies			<b>135.1</b>	410.7
<b>20. SHAREHOLDERS' EQUITY</b>				
Share capital at 1.1.	<b>902.4</b>	902.4	<b>902.4</b>	902.4
Rights issue	<b>0.0</b>	0.0	<b>0.0</b>	0.0
Share capital at 31.12.	<b>902.4</b>	902.4	<b>902.4</b>	902.4
Reserve fund at 1.1.	<b>1,020.9</b>	1,020.9	<b>1,019.0</b>	1,019.0
Change	<b>0.0</b>	0.0	—	—
Reserve fund at 31.12.	<b>1,020.9</b>	1,020.9	<b>1,019.0</b>	1,019.0
Revaluation reserve at 1.1.	<b>19.9</b>	20.1	<b>21.0</b>	21.2
Decrease in connection with sale of fixed assets	- <b>3.4</b>	- 0.2	- <b>3.4</b>	- 0.2
Revaluation reserve at 31.12.	<b>16.5</b>	19.9	<b>17.6</b>	21.0
Other reserves at 1.1.	<b>13.5</b>	12.5	—	—
Other change in reserves	- <b>1.6</b>	1.0	—	—
Other reserves at 31.12.	<b>11.9</b>	13.5	—	—
Restricted equity at 31.12.	<b>1,951.7</b>	1,956.8	<b>1,939.0</b>	1,942.5
Unrestricted equity at 1.1.	<b>2,491.2</b>	2,269.7	<b>2,162.3</b>	2,002.1
Dividends	- <b>99.2</b>	- 117.3	- <b>99.2</b>	- 117.3
Donations	- <b>1.2</b>	- 1.2	- <b>1.2</b>	- 1.2
Taxes from previous years	- <b>0.7</b>	- 5.2	- <b>0.6</b>	- 5.3
Change in goodwill on consolidation	- <b>3.9</b>	- 6.6	—	—
Adjustment for associated companies	<b>58.8</b>	—	—	—
Other changes	<b>2.2</b>	- 4.8	—	—
Profit for the year	<b>465.5</b>	356.6	<b>286.1</b>	284.0
Unrestricted equity at 31.12.	<b>2,912.7</b>	2,491.2	<b>2,347.4</b>	2,162.3
Distributable reserves	<b>2,912.7</b>	2,491.2	<b>2,347.4</b>	2,162.3

## NOTES TO FINANCIAL STATEMENTS

FIM million	Corporation		Kesko	
	1994	1993	1994	1993
<b>21. UNTAXED RESERVES</b>				
Accelerated depreciation	<b>1,757.2</b>	1,630.0	<b>1,382.4</b>	1,296.2
Voluntary reserves				
Investment reserve	<b>24.0</b>	172.0	—	100.0
Acquisitions reserve	<b>99.2</b>	130.5	<b>99.2</b>	130.5
Bad debt reserve	<b>2.0</b>	1.5	—	—
Operating reserve	—	3.4	—	—
Transition reserve	<b>905.3</b>	935.1	<b>713.6</b>	724.9
<b>Total</b>	<b>1,030.5</b>	1,242.4	<b>812.8</b>	955.4
Deferred tax against voluntary reserves	<b>257.6</b>	310.5	—	—
Obligatory reserves				
Rent expenses against empty business premises	<b>4.2</b>	3.0	<b>4.2</b>	3.0
Guarantee reserves	<b>18.3</b>	—	<b>3.8</b>	—
<b>Total</b>	<b>22.5</b>	3.0	<b>8.0</b>	3.0
<b>22. LONG-TERM LIABILITIES</b>				
Liabilities due to fall after five years				
Loans from financial institutions	<b>47.8</b>	78.7	<b>38.7</b>	77.5
Pension loans	<b>0.5</b>	2.0	—	—
Other long-term debt	<b>100.0</b>	278.4	<b>100.0</b>	100.0
<b>Total</b>	<b>148.3</b>	359.1	<b>138.7</b>	177.5
K-rebate liabilities				
Kesko's liabilities under the K-rebate scheme, of which current liabilities FIM 85.4million (FIM 70.5 million in 1993)	<b>541.6</b>	537.0	<b>541.6</b>	537.0
Marketing discount liabilities, of which current liabilities FIM 66.2 million (FIM 54.5 million in 1993)	<b>167.4</b>	86.1	<b>167.4</b>	86.1
<b>Bonds and notes</b>				
Debenture	FIM million	Interest		
1983–1991	100.0	12.5%	—	—
1985–1995	250.0	12%	—	195.6
of which FIM 195.4 million short-term (FIM 0.1 million in 1993)				
Bonds				
1993–2003	100.0	6.25%	<b>100.0</b>	100.0
Convertible bonds				
1989–1994	125.0	5%	—	—
of which FIM 0.4 million short-term (FIM 118.9 million in 1993)				
Currency loans, of which FIM 178.7 million short-term (FIM 1,178.1 million in 1993)	<b>178.7</b>	1,178.1	<b>155.5</b>	1,153.0

## NOTES TO FINANCIAL STATEMENTS

FIM million	Corporation		Kesko	
	1994	1993	1994	1993
<b>23. CURRENT LIABILITIES</b>				
Interest-free debt	<b>3,500.2</b>	4,547.6	<b>2,902.4</b>	3,962.8
<b>24. CONTINGENT LIABILITIES AND SECURED ASSETS</b>				
For own debt				
Pledged assets	<b>24</b>	189	<b>24</b>	187
Other pledges	<b>6</b>	—	—	—
Mortgages on land and buildings	<b>34</b>	41	<b>26</b>	34
Other mortgages	<b>20</b>	—	—	—
For corporate company debt				
Pledges	—	—	<b>20</b>	—
Guarantees	—	—	<b>236</b>	236
For company and corporate companies' management				
Guarantees	—	1	—	1
For others				
Pledges	<b>74</b>	2	<b>74</b>	2
Guarantees	<b>31</b>	38	<b>22</b>	28
Other own contingent liabilities				
Repurchase liabilities	<b>21</b>	47	—	—
Other contingent liabilities	<b>1</b>	2	—	—
Total				
Pledges	<b>104</b>	191	<b>118</b>	189
Mortgages	<b>54</b>	41	<b>26</b>	34
Guarantees	<b>31</b>	39	<b>258</b>	265
Other contingent liabilities	<b>22</b>	49	—	—
The corporation has no significant leasing liabilities				

# KESKO LTD, DISTRIBUTION OF PROFIT

Net profit for the year shown in the income statement	FIM 286,130,000.00
Retained profit brought forward from the previous years on 31 December 1994	<u>FIM 612,716,404.21</u>
	<u>FIM 898,846,404.21</u>
The Board of Directors proposes that a dividend of FIM 1.40 per share be declared on all shares, amounting to	
an amount be reserved for donations at the discretion of the Board of Directors of	FIM 126,298,760.00
an amount be carried forward as retained profit of	FIM 1,250,000.00
	<u>FIM 771,297,644.21</u>
	<u>FIM 898,846,404.21</u>

Helsinki, 3 March 1995

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 1994. The statements prepared by the Board of Directors and the Chief Executive include the Annual Report, as well as the consolidated and parent company financial statements, and the notes to the financial statements. On the basis of our examination, we can give the following report on the financial statements and administration.

The accounting records and the financial statements, including the principles used in their preparation, their contents and the method of disclosing the financial data, have been examined in accordance with generally accepted auditing standards. Concerning administration, we have examined the legality of the actions of the members of the Supervisory Board and the Board of Directors and of the Chief Executive.

The financial statements have been drawn up in accordance with Finland's 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 in accordance with the intentions of the Accounting Act.

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 audited by us.

The proposal of the Board of Directors concerning the treatment of 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 relevant standards.

Helsinki, 9 March 1995

Martti Kupiainen

Juha Paakkunainen

Pertti Laitinen

Hannu Vainio

Antti Helenius, *Certified Public Accountant*

## STATEMENT BY THE SUPERVISORY BOARD

The Supervisory Board has reviewed the financial statements for 1994 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: Tapani Aalto, Eero Ahonen, Antti Kivipelto, Antti Kuivalainen, Heimo Kupsu, Heikki Kääpä, Pentti Mononen and Martti Myller; and the deputy members Pertti Hämäläinen, Teppo Jylhä, Elina Kemppainen, Olli Laine and Pekka Lehtinen.

In addition, the deputy members Erkki Loukusa and Kyösti Painilainen have resigned from the Supervisory Board during their terms.

Helsinki, 9 March 1995

For the Supervisory Board

Vesa Lammela  
Chairman

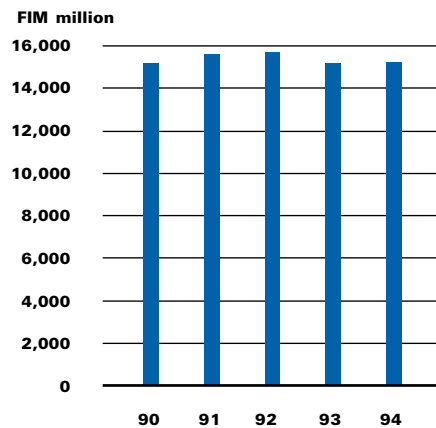
Matti Kallio  
Deputy Chairman

Reduction of packages is among the objectives of Kesko's environmental programme. Returnable plastic transport cases replace yearly a couple of million disposable cardboard boxes in the foodstuffs transports of the K-Group.



FOODSTUFFS DIVISION	Net sales FIM million	Change %
Groceries	5,191	0.2
Fresh foods	5,950	- 2.1
Catering sales	2,260	- 1.4
Cash & carry	1,698	7.7
<u>Kesko Export Ltd.</u>	<u>129</u>	<u>—</u>
Total	15,228	0.5

**NET SALES OF THE FOODSTUFFS DIVISION**





The net sales of the Foodstuffs Division amounted to FIM 15,228 million, an increase of 0.5% on the previous year. The K-stores accounted for 73% of net sales, i.e. FIM 11,139 million. This was composed of FIM 3,707 million from sales to the K-neighbourhood stores, FIM 3,301 million from sales to the K-supermarkets, and FIM 4,132 million from sales to the large retail units - the K-superstores and the Citymarket hypermarkets.

In 1995, net sales in terms of Finnish markka are expected to decrease by a small percentage when foodstuff prices are lowered to the EU level.

#### MARKETING

The K-store type reform started in 1993 brought about a change to more customer-oriented activities. The sales and marketing organization was adjusted to serve the new store types. In close cooperation with the K-retailers, new operating methods were developed in accordance with the new store formats, which help to improve efficiency and therefore also competitiveness. Each format was given a basic range of products, which forms the basis for that particular type. Environmental awareness was also manifested in the store type reform.

In the autumn a campaign for the new store formats was launched under the theme "Every K sign tells that all is well". The campaign introduced a new marketing approach in which the focus was shifted from joint marketing to marketing by store type.

The excellent sales trends experienced by *Pirkka* products in an economically difficult time proved the practicality of the *Pirkka* concept and its value for the K-Group. The good reception given to *Pirkka* fresh products in the autumn convinced us that the range still holds potential for growth and expansion. The sales of the other of the K-Group's own brands, *Rico* and *Diva*, developed favourably, too.

#### GROCERIES

Net sales of groceries amounted to FIM 5,191 million, an increase of 0.2% on the previous year. The best product groups were coffee, canned foods and beverages.

The share of sales from stock increased, especially in the non-food and canned food categories, in accordance with long-range planning. The K-retailers welcomed terminal deliveries by pallet from stock as a new

mode of operation.

During the year special emphasis was put on the implementation of centralized purchasing.

Capital was liberated by raising the turnover rate of stocks. Volume products and those with high turnover were warehoused at the district offices, whereas slow turnover products were centralized at the Central Warehouse.

#### Associated Marketing Services, AMS

AMS is a partnership composed of 12 European retail companies, one of them being Kesko. Their aim is to reduce consumer prices by developing cooperation between member companies and their suppliers. The advantages of AMS operations are expected to materialize in the foodstuffs sector in particular, now that Finland has become a member in the EU.

#### FRESH FOODS

The net sales of the Fresh Foods Department amounted to FIM 5,950 million, a decrease of 2.1% on the previous year. During the second half of the year, prices in the major fresh food categories decreased as a result of the industry gradually adopting the EU price level, and of competition within the trade.

Cooperation with *Kotimaiset Kasvikset ry.* (Finnish Garden Products) and participation in the *Hyvää Suomesta* project (Good food from Finland) was continued at all levels, which was most clearly visible in connection with the campaign for promoting domestic products.

During the second half of the year, Kesko's fresh food trading was affected by various kinds of preparations for EU membership, because fresh foods are facing the most important changes due to liberalized imports and decreased prices. These preparations were hindered by major developments outside Finland's control which were not resolved until the last few days of the year; some of them in the first days of 1995 only.

#### CATERING SALES

The year 1994 was a divided one for the catering business: the first half was difficult, but after summer a change for the better took place. Kesko's catering sales decreased during the first half, but increased during the second half, so that net sales for the year were FIM 2,260 million, a decrease of 1.4%.

The *Menu* product range was expanded to total 147 items. The first fresh food products were introduced in November. The sales of *Menu* products exceeded FIM 100 million, an increase of 28%.

Interactive ELTEL order systems were introduced in the premises of 32 restaurant customers.

#### K-CASH & CARRY LTD

The net sales of K-Cash & Carry Ltd were FIM 1,698 million, an increase of 7.7% on the previous year. The sales of the K-cash & carry outlets developed favourably especially in the summer.

Operations in 1995 will mainly be characterized by the opening up of the wholesale trade in alcoholic products and the decrease in the prices of several foodstuffs as a result of Finland's EU membership.

#### KESKO EXPORT LTD.

Kesko Export Ltd., which started operations at the beginning of 1994 as an exporting and ship chandling company, achieved net sales of FIM 129 million. Kesko Eesti A/S, founded towards the end of 1993, opened a cash & carry outlet in Tallinn at the beginning of May.

#### PRODUCT RESEARCH

The duties of the Product Research unit have included keeping track of the amendments to foodstuffs legislation brought about by Finland's EU membership, and the issuing of statements and information about them. All of the most important laws, with the exception of the Foodstuffs Act, were passed during the year. The focus of foodstuffs control concerning trading within the EU shifted from border control to control of production conditions and the whole foodstuffs chain. The change also requires own control from the trading sector, or in other words, documented control exerted by the company over itself. The basic instructions for performing own control in the K-stores were completed by the end of the year. The distribution unit and the K-cash & carry outlets have also received their own instructions.

The Product Research unit tested a total of 5,500 samples and made 23,500 separate analyses. Research focused on the development, selection and quality assurance of Kesko's own ranges *Pirkka*, *Diva*, *Menu* and *Rico*.

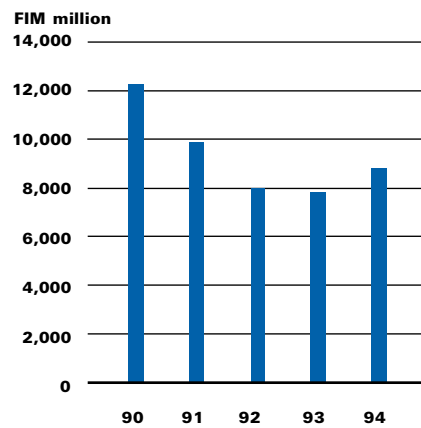
# AGRICULTURAL AND BUILDERS' SUPPLIES DIVISION

Product development combined with environmental thinking creates new opportunities. *Nas-ta* is a priming paint made of reusable materials for the K-Group's exclusive sales.



AGRICULTURAL AND BUILDERS' SUPPLIES DIVISION	Net sales FIM million	Change %
Agricultural machinery and supplies	3,535	10.1
Machines and cars	1,476	34.9
Hardware and builders' supplies	2,994	5.3
Metals	790	18.7
<b>Total</b>	<b>8,795</b>	<b>12.6</b>

## NET SALES OF THE AGRICULTURAL AND BUILDERS' SUPPLIES DIVISION



The net sales of the Agricultural and Builders' Supplies Division amounted to FIM 8,795 million, an increase of 12.6%.

Favourable development continued throughout the year, and sales increased in most of the Division's product categories. The trade in machines and agricultural supplies progressed well despite uncertainties related to the EU solution.

The profitability improved in both the wholesale and retail trade, which resulted from growing sales and reduced costs. This development can be attributed in particular to decreased bad debts and significant improvements in the subsidiaries' trading results.

The formats of the K-hardware store and the K-agricultural store were specified by the end of the year, and an extensive upgrading programme will be started in 1995.

EU-membership will have a clear impact on sales developments in this trading sector in the future. In terms of value, the agricultural business is expected to diminish by about a third. The operational basis for the hardware trade is improving due to the general economic recovery.

#### **AGRICULTURAL MACHINERY AND SUPPLIES**

The net sales of this product line totalled FIM 3,535 million, representing an increase of 10.1%.

Agricultural sales developed better than expected in spite of many uncertainties affecting agriculture, such as EU membership, the introduced VAT tax law, and declining price levels of fertilizers and animal feed.

The trade in grain and agricultural machinery developed particularly well. Sales of light and garden machinery also progressed favourably. In the spring of 1994, an agreement was signed giving Kesko exclusive marketing rights for *Ski-Doo* snowmobiles in Finland.

The net sales of K-maatalousyhtiöt Oy amounted to FIM 677 million, a rise of 12.3%. At the end of the year, the company operated nine full-service agricultural stores with nine branch outlets.

The K-Group's training and experimental farm, owned by the foundation called Kaupan Maatalous-säätiö, is situated in Hauho, in central Finland. It supports marketing activities

by conducting research and development on field and garden plants and on agricultural machinery and implements. At the beginning of 1994, a long-term cooperation agreement was signed with a Swedish plant breeder, *Svalöf Weibull AB*. This agreement added all of *Svalöf Weibull AB*'s plant breeding material, together with new Norwegian varieties, to the K-Group's marketing range.

#### **MACHINES AND CARS**

The net sales of the Machinery unit amounted to FIM 406 million, representing a growth of 32.5%. Sales increases were recorded in nearly all product categories. From 1 January 1994, the former Machinery Department was combined with the Agricultural Supplies Department in order to further intensify operations.

Domestic demand started to increase again, which was reflected in the trading of construction and material handling machinery in particular. The introduction of new excavator models contributed to an expanded market share in the construction machinery sector. Investment projects for providing warehouses with automated systems started, which increased sales of material handling machines. The demand for *Wille* municipal tractors continued to be good. The spare parts business also progressed well. During the year, the 30,000th *Zetor* tractor imported to Finland was delivered to a customer. In the tractor business, the market share contracted slightly due to the changed models of *Case IH*. New *MX* models were launched at the end of the year.

From 1 May 1994, the sale of *M.A.N* lorries was transferred from *VV-Auto Oy* to the Machinery unit.

The net sales of *VV-Auto Oy* totalled FIM 1,082 million, a rise of 43.5% compared with the previous year.

The market share of *Volkswagen* cars more than doubled during the year. *Volkswagen* was the second best sold passenger car and the best sold car make in Finland in 1994. In the commercial vehicle group, *Volkswagen* became the market leader, gaining a market share of about one third.

*Interrent Oy*, which is engaged in short-term car rental, was sold to the company's operating management in March.

*VV-Auto Oy*'s subsidiary *Auto-Span Oy* is responsible for importing and marketing *Seat* passenger cars

manufactured by the Volkswagen Corporation. The company's net sales totalled FIM 27 million, a drop of 45.5%.

#### **HARDWARE AND BUILDERS' SUPPLIES**

Despite the continued recession in the construction business, the sales of the Hardware and Builders' Supplies Department started to increase during the past year. The Department's net sales were FIM 2,994 million, a rise of 5.3%. Sales to K-hardware stores rose by 7%. Increased sales mainly resulted from renovations.

Construction of new houses continued to decrease sharply. However, the house sales of K-hardware stores retained their strong position in the house selling market. A total of 721 *Omatalo*, *Puutalo* and *Makrotalo* houses were sold.

The market shares of the own brands, *Power* and *Varma Valinta*, as well as those of tiles and wallpapers expanded significantly. A total of 100 new hand tools were added to the *Varma Valinta* range.

The international *Euro-Mat* cooperation started, and the first Finnish suppliers joined the cooperation.

The net sales of K-yhtiöt Oy's K-hardware stores amounted to FIM 445 million, a decrease of 21.1%. At the turn of the year, the number of the company's hardware stores was 16. During 1994, nine hardware stores were sold to K-retailers. The rest of K-yhtiöt Oy's K-hardware stores will be sold to K-retailers during 1995.

#### **KESKOMETALLI OY**

The net sales of *Keskometalli Oy* totalled FIM 806 million, an increase of 18% compared with the previous year. Sales from stock grew clearly more than average. The value of deliveries from the steel service centre in Naantali rose by about 40%. The company's own exports, mainly to Sweden and Estonia, continued to develop favourably and exceeded FIM 50 million. At the end of the year, the company made a decision to extend the steel service centre in Naantali by 3,500 square metres and to purchase a new cutting line for sheet metal plates. The investments amount to nearly FIM 20 million. In December, the company opened a new steel warehouse in Oulu.

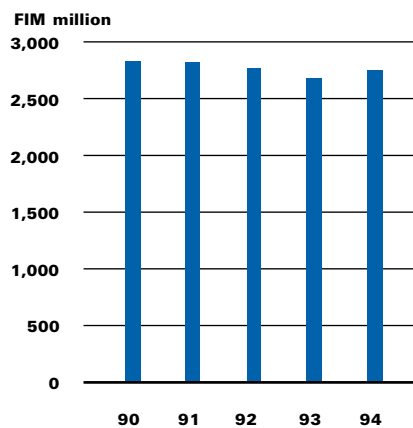
# SPECIALITY AND HOME GOODS DIVISION

Alternatives can be found for exercise in cities as well. The Kesport-Intersport stores offer you an extensive range of sports equipment for every use.



SPECIALITY AND HOME GOODS DIVISION	Net sales FIM million	Change %
Clothing and shoes	1,211	3.9
Home goods	566	0.0
Leisure goods	614	2.3
Home electronics	365	29.9
<b>Total</b>	<b>2,756</b>	<b>5.5</b>

**NET SALES OF THE SPECIALITY AND HOME GOODS DIVISION**



The net sales of the Speciality and Home Goods Division totalled FIM 2,756 million. At the beginning of the year, sales remained at the level of the previous year. In May sales started to rise, and the net sales for the whole year were up by 5.5%. Sales increased in all product categories more than expected. The highest increases were recorded in the trading of home technology, shoes, sports goods and clothing, and in sales to speciality stores in these sectors and to Citymarkets. Sales to grocery stores remained lower than the previous year, whereas exports and sales to large-scale customers continued to grow by more than 20%.

At the beginning of 1994, the retail support and invoicing operations in this trade were centralized to the head office. In addition, regional marketing and sales activities, and consultation related to the store format reform were carried out under the head office's management and control. The expenses for these activities dropped by about 7%. Increased sales, decreased expenses and bad debts improved the Division's profitability markedly.

Membership of the European Union from the beginning of 1995 led to the free movement of goods within the Union for Finland's trading as well, but also resulted in new quota restrictions and changes in customs duty rates for imports from outside the EU. The duties will rise e.g. on synthetic and textile footwear, porcelain products, bicycles and some camping products. The levels of customs duties on clothes and textiles will drop during a transition period of three years, but not yet in 1995 significantly. It seems that the quota procedure will reduce imports from the traditional cooperation countries outside the EU, and that the import prices for speciality and home goods will not drop markedly. In 1995, sales in this sector are expected to grow by about 5%.

#### **CLOTHING AND SHOES**

Net sales of clothing and shoes totalled FIM 1,211 million, a rise of 3.9% on the previous year. The net sales of the Clothing Department amounted to FIM 647 million, an increase of 6.9%. The trade in all clothing groups developed favourably, with sales to Vaatehuone fashionwear stores recording the highest increase. The vigorous new construction and renovation activities in the Citymarket chain also provided new sales

opportunities.

It is expected that in 1994 the overall wholesaling of clothing in Finland grew by about 6% and retailing by about 3%. Sales are expected to increase in both the wholesaling and retailing sectors in 1995 as well.

The warehousing of the Clothing Department's products was wholly concentrated in Central Warehouse 1, and the Vaatehuone chain's separate warehouse was closed down.

The net sales of the Shoe Department were FIM 345 million, a rise of 10.4%. All customer groups increased their purchases. International cooperation was expanded to improve the quality of products and the reliability of deliveries.

#### **HOME GOODS**

Net sales of home goods totalled FIM 566 million, the same as in the previous year. The net sales of the Home Department amounted to FIM 481 million, a growth of 4.2%. Sales of interior textiles, knitting yarn, tableware, toys, pet supplies and electrical accessories recorded the highest increases, whereas sales of cloths and some other home textile groups dropped. Sales from own stock remained at the level of the previous year. At the beginning of the year, the overall demand in this trade still decreased slightly, but after the summer demand started to increase again, and this trend is expected to continue in 1995. The K-Group's own labels *Pirkka*, *Fuji*, *Kokki* and *Pirta* increased their shares.

The reorganization of the Department implemented at the turn of the year improved operational efficiency. Due to the store format reform, the K-stores could increasingly concentrate on joint product ranges and joint marketing efforts. Sales to large-scale customers continued to grow, and new customers were gained in the municipal sector.

#### **LEISURE GOODS**

Net sales of leisure goods totalled FIM 614 million, a rise of 2.3%. The net sales of the Leisure Goods Department were FIM 524 million, an increase of 5.7%. The Department's sales to Kesport-Intersport stores grew by 19% and to Citymarkets by 22%. Sportswear, jogging shoes, winter sports equipment and bicycles recorded the best results in the sports goods trade. New successful imported brands were *Nakamura* bicycles

and *Lotto* sports shoes. Sales of the brands received through the *Intersport* cooperation, such as *Etirel*, *McKinley* and *TecnoPro*, showed good increases. The marketing teams formed of Kesport-Intersport dealers and grouped by product category participated in the establishment of their own product range and operating concepts to an increasing extent.

Sales of boats and outboard motors continued to decrease in Finland. The sales of the Marine Section declined by 12.6%. The *Yamaha* outboard motor retained its position as the market leader. The exports of *Yamarin* boats recorded a slight increase, and their market share in Finland remained good.

#### **HOME ELECTRONICS**

The demand for home technology products started to increase slightly, and net sales of these products amounted to FIM 365 million, a growth of 29.9%. The net sales of the Home Electronics Department amounted to FIM 360 million, a rise of 28.3%, which clearly exceeded the average increase in this sector. Sales of big domestic appliances and consumer electronics grew in particular. The trade in products imported by Kesko recorded an increase. New products added to the range were *Telefunken* audio products and *Packard Bell* computers. The Home Electronics Department moved to Hakkila, in Vantaa, in the autumn of 1994.

#### **CITYMARKETS**

The chain consists of 28 Citymarket hypermarkets in 25 cities and towns. In 27 Citymarkets, K-retailers are responsible for the foodstuffs trade and Kesko's subsidiary K-yhtiöt Oy for the non-food trade. In one Citymarket the K-retailer is responsible for all operations.

Net sales in the non-food trade of Citymarkets in K-yhtiöt Oy amounted to FIM 1,261 million. Net sales of non-food products rose by 5.8%, which was above average in hypermarket sales. The trade in household goods and textile product groups recorded the best results.

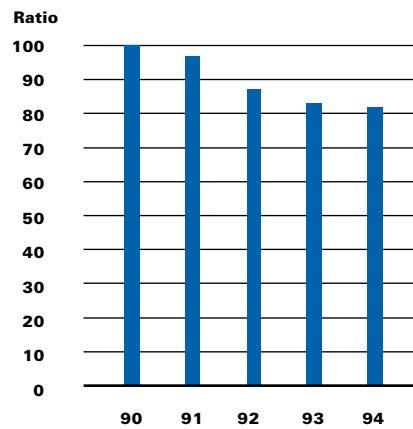
In 1994, a new outlet was opened in Vantaa, Mikkeli and Imatra. The Citymarkets in Rovaniemi and Jyväskylä moved into new premises and the outlets in Tampere Lielahdi, Tampere Turtola, Vaasa, Oulu and Salo were refurbished. Construction of new Citymarkets was started in Kuopio and Heinola, and they will be completed in 1995.

Cardboard is not waste but raw material. In return deliveries from K-stores, Kesko salvages used packaging cardboard for reuse.



DELIVERIES FROM KESKO'S WAREHOUSES	Quantity per year	Quantity per working day
Order lines, 1,000 pcs	30,316	120
Sales lots, 1,000 pcs	84,876	335
Weight, 1,000 kg	712,626	2,817
Volume, 1,000 m <sup>3</sup>	1,996	8

**GOODS HANDLING COSTS**



## DISTRIBUTION

The value of deliveries from stock went up in all commercial divisions, amounting to an increase of 6.3% on the previous year. The growth was most vigorous in the Agricultural and Builders' Supplies Division, showing an increase of 22.6%. The volume of goods delivered to the distribution centre areas was up by 3.1%. Transportation costs grew by 12.3%. This development resulted not only from increased volumes but from the combining of the distribution areas of Joensuu and Jyväskylä with those of Kuopio and Lahti, and from the increased centralization of grocery warehousing.

The order in which groceries are picked up in the distribution centre warehouses was changed to correspond to the shelf order of the stores. At the same time a system controlling order picking by shelf groupings in different store types was introduced. The changes were introduced in order to cut the goods handling costs of the stores.

At the distribution centre of Turku, purchasing terminal operations were started, with the distribution centre collecting from regional suppliers the goods coming to Kesko, and combining them into deliveries by distribution centre. The use of a purchasing terminal helps to decrease one-time purchase lots and the capital invested in stocks without compromising economies of scale gained from full truck loads.

In foreign transportation, the number of forwarding operations grew by 10%, and the volume by 20%. The number of exporting operations increased by nearly 80%, and the volume trebled. The share of exports of the total volume of foreign transportation was over 10%. Both the hardware and the software of the forwarding information systems were updated, in view of the requirements set by trading in the internal and external markets of the EU.

Operations from terminals continued to grow. The aggregate volume of the commercial divisions increased by 91% over the previous year, totalling 78 million litres. A pallet terminal for cutting handling expenses was introduced for volume products. The level of accuracy in deliveries was 99.7%, representing the level of the previous year.

## CENTRAL WAREHOUSE

Central Warehouse 1 was reorganized to meet the needs of the Speciality and Home Goods Division. The new warehouse for small goods comprises 8,000 compartments and 2,500 pallet places for articles with a slow turnover. The old small goods tiers were replaced by a shelf case of 5,000 pallet places. Altogether the renovated area offers about 8,000 m<sup>2</sup> of storage space that is as good as new.

The warehousing of all slow-turnover products was taken from the distribution centres and centralized in Central Warehouse 2. A basic selection of 700 - 1,000 articles was left in the distribution centres. For this reason, the order lines of the Central Warehouse increased during the year by about 19%.

Export operations were brisk. The new banana ripening plant operated at full capacity throughout the year. The warehouse personnel was put through a course in Russian in order to facilitate communication with customers. The number of working shifts in the warehouse was increased so as to keep the key areas manned at all hours on weekdays.

## INFORMATION SYSTEMS

An interactive customer system called *Eltel* was brought into productive use in foodstuffs trading as an addition to existing order methods. By the end of the year, the system was operative in about 100 K-stores. *Eltel* offers industry opportunities to cooperate in providing customers with uniform supply and order methods. The *Eltel* system was granted the *Telmo* trademark.

Other major development projects included the development of a system for use by Kesko Export Ltd., the introduction of a digital material service for the advertising agency MK-mainos Oy, the development of the K-Accounting Service's system in accordance with the changes in the Accounting Act, the introduction of a support system for store network planning, and supporting services for order picking by shelf grouping and for high rates of delivery.

With the expansion of data transfer connections to the K-stores the number of EDI contacts clearly increased; by the end of the year a total of 209 K-stores were using them.

Cooperation through EDI connections was also expanded with other business partners. By the turn of the year, EDI production contacts had been made with seven catering customers, and with 108 other partners representing suppliers, transport, banking, insurance services and customs clearance.

In order to cut the costs of voice communication and to modernize the operations with new technical equipment, Kesko's voice communication architecture was defined, and purchase agreements and an implementation plan were made accordingly. The system is based on a distributed PABX and business network services and will be introduced during spring 1995. After this, Kesko will have the same exchange number throughout Finland, and only a local call fee will be charged for telephone calls to Kesko.

## DATA PROCESSING

The average growth in the number of processed transactions was 4%. The principal services based on *Unisys 2200* technology continue to form the production core. Services based on open *Unix* and K-network technologies increased.

At the end of the year the user services of the Data Processing Department were responsible for five *Unix*-based applications. The number of applications is on a sharp increase. The *Unix* systems have not reduced the load of the traditional mainframe; instead they have helped to produce new services.

At the beginning of the year, the number of PC work stations exceeded the number of traditional buffered terminals. By the end of the year, the number of PC work stations totalled over 1,600, with more than one thousand units connected to the K-network. The number of traditional terminals is diminishing at an accelerating speed.

Despite increasing production volumes and new technologies the data processing costs decreased by over 10% compared with 1993.

## RISK MANAGEMENT

In November an extensive exercise in case of radiation accident was organized at Kesko's head office. Even in these exceptional circumstances, Kesko's operations went very well. Intensive robbery prevention training was carried out in the retail outlets.

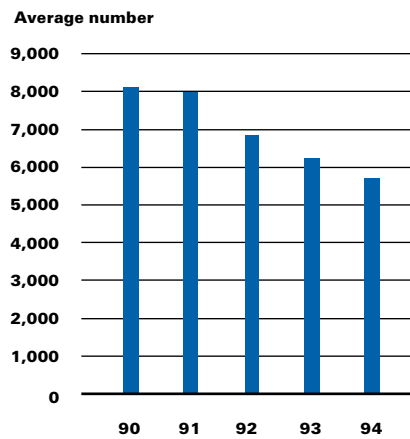
**FINANCE AND ADMINISTRATION  
CORPORATE COMMUNICATIONS**

As an official sponsor for Finnish olympic sports, Kesko supports the training of top athletes. Sari Essayah, a successful walker, is practising.



CORPORATION'S PERSONNEL	Average number	Change %
District offices	593	- 52.6
Other units		
of parent company	2,526	27.6
Subsidiaries	2,582	- 13.9
Corporation total	5,701	- 8.4

**CORPORATION'S PERSONNEL**





## **ACCOUNTING AND OFFICE MANAGEMENT**

The accounting and management reporting of the Kesko Corporation are mainly decentralized to the various profit centres. The Accounting and Office Management Department is responsible for preparing consolidated financial statements, for the reporting, coordination and development of management accounting, as well as for the office services at the head office.

The use of computerized inter-company connections in sales and purchase invoicing, and payments of invoices, wages and salaries continued to expand.

## **FINANCE**

The Corporation's total equity to assets ratio increased from 47.5% to 58.0% during the year. This was attributable to the repayment of a syndicated multi-currency loan of USD 140 million in November and the decreased need for working capital, as well as to the profit for the accounting period. Cash on hand exceeded the interest-bearing debt, with the net debt to equity ratio becoming negative. Liabilities included interest-bearing loans of FIM 2,107 million and interest-free loans of FIM 3,500 million. According to the repayment plan, loans of FIM 254 million will be repaid in 1995. During the accounting period, the cash flow was FIM 724 million in the Corporation and FIM 460 million in the parent company. The working capital decreased by FIM 369 million, and the investments totalled FIM 654 million.

## **PERSONNEL**

During the year, the average number of personnel in the Kesko Corporation was 5,701 of whom 3,119 worked for the parent company. In comparable figures, the decrease in personnel in the parent company was 110, which resulted mainly from the merger of the Joensuu District Office with the Kuopio District Office and that of the Jyväskylä District Office with the Lahti District Office. The number of the subsidiaries' personnel decreased by 420. The drop can be attributed to the sale of VV-Auto Oy's retail operations and Suomen Väri Oy's business operations outside the Corporation, as well as to the sale of seven Kyhtiöt Oy's K-hardware stores to K-retailers. The turnover of personnel in the parent company was 8%. Kesko provided temporary employment during the summer for 577 young people, of

whom 275 persons worked in the parent company. The vacancies in the Corporation were chiefly filled by internal transfers.

## **PENSION FUND, PENSION FOUNDATION AND SICKNESS FUND**

The Kesko Pension Fund provides personnel with statutory and supplementary pensions. The Kesko Pension Fund paid FIM 109.7 million in statutory pension benefits, an increase of 9.1% over the previous year. Supplementary pensions totalled FIM 50.5 million, a 7.0% increase on 1993. In addition, the Pension Fund paid FIM 0.6 million towards the pension benefits provided jointly with pension institutions, compared with FIM 3.8 million in the previous year. All pension liabilities except the statutory liabilities deficit are fully covered. At the end of 1994, the number of retired employees was 2,404.

The statutory pension benefits of Kesko's subsidiaries are provided by the Pension Foundation for Trade, which paid out FIM 9.2 million in pension benefits, and FIM 16.9 million towards the pension benefits provided jointly with pension institutions. All pension liabilities except the statutory liabilities deficit are fully covered. The number of pensioners at the end of the year was 169.

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 1994 these benefits amounted to FIM 18.5 million, which was 35.8% more than in the previous year. The rise resulted from an increased number of members.

## **LEGAL AFFAIRS**

The Legal Affairs Department is responsible for the management of legal affairs in the whole Corporation. It handles the legal matters in corporate, contractual and marketing activities as well as in store site operations.

A central function during the year was the development of the contractual system between Kesko and the K-retailers, and in particular the renewal of the agreements for chain operations. Another area of emphasis consisted of matters related to the EEA agreement which entered into force. The VAT tax reform required extensive studies and changes, and the legal matters related to

competition continued to be important.

## **CORPORATE COMMUNICATIONS AND EXTERNAL RELATIONS**

The name of Kesko's Public Relations Office was changed to Corporate Communications on 1 July 1994.

The debate on food prices continued and increased towards the end of the year due to Finnish entry into the EU at the beginning of 1995. Kesko participated in the debate actively 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. The *Investor* magazine was published in February and November in Finnish and English, and the Annual Report in Finnish, Swedish and English. Summaries of it were also published in German and French.

A total of about 400 Swedish-speaking sales personnel participated in the *Master Sales Assistant Training* arranged for the 17th time. During the year, there were 10 issues of the Swedish-language magazine *K-handelsnytt*.

In accordance with the sponsorship agreement between the Finnish Olympic Committee and Kesko, top athletes participated in about 430 merchandising events at K-stores. The *Children's Olympics*, arranged for the fourth time, attracted over 110,000 children and their parents in twelve towns.

## **ENVIRONMENTAL ISSUES**

A packaging data file on *Pirkka* products, completed at the end of 1993, and designed to reduce packaging and introduce packaging alternatives with diminished environmental effects was extended to cover *Menu* and *Diva* products as well. By using the packaging data file, the share of packaging in the total weight of *Pirkka* products could be decreased by over one percentage point, to less than 9%.

The collection of used packaging cardboard from the K-stores continued in all district office areas. A study was made on the potential benefits of used packaging plastic, and its collection for recycling purposes was initiated in the Central Warehouse and pilot stores.

The construction of recycling points for reusable waste returned by customers was started. Recycling points were completed in about 300 upgraded K-stores.

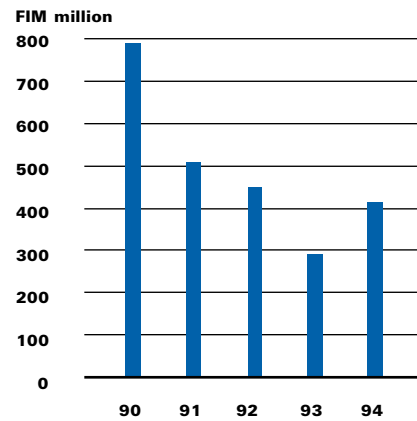
The *Environmental Store of the Year* contest was arranged for the K-retailers for the first time.

# RETAIL DEVELOPMENT DIVISION

Good selections of fruit and vegetables, clear price markings and collection points for the materials returned by customers for recycling purposes are all part of the upgraded stores' new appearance.

K-STORE SITES AND PREMISES BY OWNERSHIP	1993	1994
Total number of K-stores	2,671	2,485
In use of a K-retailer under cooperation agreement	807	769
Share of all K-stores, %	30	31
Total sales of K-stores, FIM million	31,754	33,048
Sales by K-stores operating under cooperation agreement, FIM million	19,404	19,927
Share of the sales of all K-stores, %	61	60
New K-stores provided by Kesko, total	37	32
– grocery stores	16	13
– agricultural and builders' supplies stores	4	8
– speciality stores	17	11

## CORPORATION'S INVESTMENTS IN STORE SITES AND PREMISES



## **K-STORE DEVELOPMENT**

### **Market Research**

Research operations aim to produce more thorough information for the development of business operations. During the past year, a market research data bank was introduced to facilitate the use of data on different store formats, at the store, regional and national levels.

Related to the reform of grocery stores, an increased number of studies was done on the business image of individual retail stores and on price levels in grocery stores, as well as on advertising.

### **Consultation for the Grocery Stores**

The main emphasis of the consultation for grocery stores was on the implementation of the K-grocery store type reform. A total of 318 stores operating under the new concept were opened during the year, including the *Rimi discount stores*, *K-neighbourhood stores*, *K-supermarkets*, *K-superstores* and *City-market hypermarkets*.

The upgraded stores have a new appearance and new operating methods, and special training has been provided for their personnel.

In 1994, the *Rimi* store format was adopted within the K-Group. Its introduction in Finland is part of the Nordic cooperation between Kesko, the Swedish ICA and the Norwegian Hakon Gruppen. Operations are based on cost-efficiency and uniformly inexpensive prices. The first *Rimi* stores were opened in Helsinki in May, and at the end of 1994 there were ten such stores operating in this country.

### **Consultation for the Speciality Stores, including the Agricultural and Builders' Supplies Stores**

The focus was on the development of store types in all speciality product categories.

Daily consultation work concerning single stores has focused on the improvement of store profitability by developing the use of capital, the range and budgeting and follow-up methods.

### **Store Planning and Store Technology**

Operations focused on visual planning and store solutions for the new store formats. The main emphasis of further development of store formats will be on the details related to the new appear-

ance and the display of goods.

### **Retail Information Systems**

Related to the store format reform, the K-stores' data transmission was improved by installing a K-store data connection to almost 200 stores. The work will be continued in all the stores to be upgraded under the store format programme.

Towards the end of the year, a decision was made to concentrate the purchasing of retail information systems in Kesko, and to lease the systems purchased further to the K-stores.

### **TRAINING**

In 1994, the K-Institute's main emphasis was on store format training, particularly in the area of the groceries trade. The personnel of the stores starting to operate under a new format participated in a 3-5 day training programme consisted of different topics.

A seminar or a one-day training event was arranged for those of Kesko's employees who did not take part in the retail store format training.

The retail training arranged in the field mainly included training events related to the store format reform. Extensive training was implemented in the autumn in order to prepare for any effects of EU membership after the turn of the year.

In both retail and wholesale training, demand increased from the previous record year. In 1994, the number of students participating in the K-Institute's training programmes was 18,000, an increase of 34% over the previous year.

The number of training days rose by 29%, and was 28,500, while the number of training events was 1,153. A total of 8 retailer training programmes were completed during the year. In August 1994, a celebratory seminar was arranged in connection with the closing of the 100th K-retailer training event.

### **STORE SITE OPERATIONS**

The Corporation's investments in the wholesale and retail sectors amounted to FIM 654 million, of which investments in the wholesale trade accounted for FIM 240 million, and investments in store sites and premises for FIM 414 million.

Significant investments were made in new store sites and premises, and in the upgrading of the store network due to

the store format reform. A total of 82,000 square metres of new K-store premises were completed. The most important new retail projects included five *Citymarket* hypermarkets, three *K-superstores* and five *K-hardware* stores. Major projects under extension and renovation were two *Citymarkets*. At the turn of the year, two *Citymarkets*, one *K-superstore* and one *K-supermarket* were under construction.

### **PROPERTY BUSINESS**

The store, office and warehouse properties and premises left empty due to changes in the retail store network, and no more used for the K-Group's active business operations, have been centralized under the management of the Property Business Department.

Premises have been rented out, sold or renovated for different purposes.

Special attention has been paid to future changes in the store network by adapting the existing network to investments consistently and with low adaptation costs.

### **CREDITS**

During 1994, the credit situation improved markedly, concerning the amount of both bad debts and outstanding receivables from customers.

The emphasis was on the identification of credit risks arising from structural changes in the retail trade, and on the keeping of bad debts at a steadily low level.

The parent company's bad debts amounted to FIM 50.2 million, or 0.21% of net sales. They decreased by FIM 91.0 million compared with the previous year. The Corporation's bad debts totalled FIM 57.2 million, and decreased by FIM 144.5 million.

### **K-ACCOUNTING SERVICE**

The K-Accounting Service provides statutory accounting services and looks after tax returns and other matters related to taxation. In addition, the K-Accounting Service gives K-retailers advice in all matters related to financial management. In 1994 the K-Accounting Service had about 1,750 customers, of whom about 1,600 were K-retailers. The K-Accounting Service employed almost 100 persons.

# INFORMATION ABOUT SUBSIDIARIES AND ASSOCIATED COMPANIES

## SUBSIDIARIES

### **K-YHTIÖT OY**

K-yhtiöt Oy is a retail company owned by Kesko Ltd. It includes the non-food trade of 27 Citymarkets and 7 speciality stores for hardware and interior decoration. K-yhtiöt Oy's net sales amounted to FIM 1,704 million, a decrease of 5.2%. The average number of personnel was 1,662. The Managing Director is Matti Honkala.

### **MK-MAINOS OY**

MK-mainos Oy is an authorized advertising agency, whose net sales totalled FIM 109 million and gross profit FIM 12 million. The average number of personnel was 41. The Managing Director is Kari Soininen.

### **KESKOMETALLI OY**

Keskometalli Oy is a trading company specializing in steel and other metals. Its net sales amounted to FIM 806 million, an increase of 18.0%. The average number of personnel was 122. The Managing Director is Teemu Kuusijärvi.

### **VV-AUTO OY**

VV-Auto Oy is the importer of Volkswagen and Audi cars and Volkswagen commercial vehicles manufactured by the Volkswagen Corporation. Its net sales totalled FIM 1,082 million, a rise of 43.5% compared with the previous year. The average number of personnel was 106. 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 27 million. The Managing Director is Erkki Sillantaka.

### **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 organizations engaged in retailing, catering and other processing operations.

Its net sales were FIM 1,698 million, a rise of 7.6%. The average number of personnel was 422. The Managing Director is Matti Hukka.

### **K-MAATALOUSYHTIÖT OY**

K-maatalousyhtiöt Oy is an agricultural retail company operating 9 full-service

agricultural stores with 9 branch outlets. Its net sales amounted to FIM 677 million, a growth of 12.3%. The Managing Director is Kimmo Vilppula.

### **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 4,504 agreements and financing receivables amounted to FIM 152 million. The Managing Director is Taisto Hautajärvi.

### **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 20 million. There were about 100,000 K-cards in use, and the sales from them during the accounting period totalled FIM 432 million. The Managing Director is Eija Jantunen.

### **KESKO EXPORT LTD.**

The company was formed by reorganizing the Foodstuffs Division's Export Section operating in exporting and ship chandling into a company called Kesko Export Ltd., starting from 1 January 1994. Kesko Export Oy's subsidiary, Kesko Eesti A/S, started cash & carry operations in Tallinn. The net sales of Kesko Export Ltd. were FIM 129 million. The Managing Director is Mauri Pylkkö.

### **FENNOALE OY**

Fennosale Oy is an importing and marketing company for branded shoes. Its net sales amounted to FIM 15 million. The Managing Director is Pekka Pietilä.

### **FINNISH RICH COFFEE LTD**

Finnish Rich Coffee Ltd is a coffee marketing company. Kesko acquired this former subsidiary of Viking Coffee Ltd at the beginning of 1994. The Managing Director is Kari Sjöman.

## 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. The Center-yhtiöt Group's balance sheet total was FIM 1,016 million.

### **KIVINOKKA OY**

Kivinokka Oy is an investment company, which also operates in the retail trade. Its net sales were FIM 19 million and the balance sheet total amounted to FIM 128 million.

### **K-RAHOITUS OY**

K-rahoitus Oy is an investment company. Its balance sheet total was FIM 271 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 896 million. The value of new guarantees granted in 1994 was FIM 270 million.

### **KAUPPIAIDEN KOMEDIA OY**

Kauppiaiden Komedia Oy develops in-store TV media operations. Its subsidiary, Proidea Oy, is engaged in the implementation of in-store TV programme services. The net sales of the Group totalled FIM 23 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 products are marketed by Kesko's subsidiary Finnish Rich Coffee Ltd in Finland and by ICA's subsidiary Luxus Kaffe AB in Sweden. The Company's net sales amounted to FIM 286 million.

### **VIKING FRUIT AB**

Viking Fruit AB is based in Gothenburg. It imports fresh fruit in the name of the three Scandinavian companies which own it. Its net sales totalled FIM 924 million.

**KESKO'S SUBSIDIARIES AND ASSOCIATED COMPANIES**  
1 January 1995

**Subsidiaries**

Ownership over 50%

**K-yhtiöt Oy, retail company**  
- 27 Citymarket hypermarkets  
- 7 K-hardware stores

**MK-mainos Oy**  
Advertising agency

**Keskometalli Oy**  
Company for metals trade

**VV-Auto Oy**  
Car importing company

**Auto-Span Oy**  
Car importing company

**K-Cash & Carry Ltd**  
Cash and carry company

**K-maatalousyhtiöt Oy**  
Retail company

**K-konerahoitus Oy**  
Finance company

**K-Luotto Oy**  
Credit card company

**Fennosale Oy**  
Importing and marketing company

**Kesko Export Ltd.**  
Export and ship handling company

**Kesko Eesti A/S**  
Cash and carry company

**Finnish Rich Coffee Ltd**  
Marketing company

**Seppo Heikkinen Oy**  
**Kankaanpään Rauta-Maatalous Oy**  
**Pekka Kalmi Oy, Leena Turunen Oy, S.J. Aalto Oy**  
Retail companies

**Golf Talma Oy**  
Golf company

**Associated companies**  
Ownership 20-50%

**Center-yhtiöt Oy**  
Property investment company

**Kivinokka Oy**  
Investment company

**K-rahoitus Oy**  
Investment company

**Vähittäiskaupan Takaus Oy**  
Guarantee company

**Kauppiain Komedian Oy**  
Media company

**Viking Coffee Ltd**  
Coffee roastery

**Viking Fruit AB**  
Import trading company

## SUPERVISORY BOARD, AUDITORS, BOARD OF DIRECTORS, AND DIRECTORS



*Kesko's Supervisory Board in 1994. Authorized members at the round table from left: Keijo Toivanen, Eero Luhtasaari, Heikki Takamäki and Eero Ahonen; standing behind them Deputy Chairman Matti Kallio and Chairman Vesa Lammela.*

### 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 1994, the Supervisory Board consisted of 29 members and 30 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*  
 Reijo Anttila, *Vaala*  
 Tarmo Aura, *Ylöjärvi*  
 Pertti Heino, *Imatra*  
 Hannu Hyvönen, *Helsinki*  
 Matti Kallio, *Helsinki*  
 Simo Keskinen, *Kaarina*  
*(from 11.4.1994)*  
 Antti Kivipelto, *Orivesi*  
 Pekka Koivuniemi, *Kemijärvi*

Antti Kuivalainen, *Kuusamo*  
 Veli Kukkonen, *Kajaani*  
*(from 11.4.1994)*  
 Heimo Kupsu, *Pihtiopudas*  
 Heikki Kääpä, *Lahti*  
 Vesa Lammela, *Kiukainen*  
 Simo Lignell, *Tampere*  
 Eero Luhtasaari, *Järvenpää*  
 Jukka Martikainen, *Kuopio*  
 Kauko Mattila, *Parainen*  
*(from 11.4.1994)*  
 Pentti Miettinen, *Joensuu*  
 Pentti Mononen, *Jyväskylä*  
 Martti Myller, *Kotka*  
 Tauno Pitkänen, *Kaavi*  
 Antti Puska, *Peräseinäjoki*  
 Harry Roos, *Pietarsaari*  
 Heikki Takamäki, *Pirkkala*  
 Keijo Toivanen, *Joensuu*  
 Heikki K. Tuominen, *Turku*  
*(up till 31.3.1994)*  
 Erkki Veijanen, *Mäntyharju*

### DEPUTY MEMBERS

Antero Ahonen, *Jyväskylä*  
 Jouni Anttila, *Ylivieska*  
 Ensio Hannukari, *Oulu*  
 Veikko Heikkinen, *Kuhmo*  
 Heimo Hietala, *Säkylä*  
*(from 11.4.1994)*  
 Pertti Hämäläinen, *Imatra*

Teppo Jylhä, *Kaustinen*  
 Iikka Kaikkonen, *Virrat*  
 Heikki Kalliala, *Salo*  
 Seppo Karppinen, *Ylitornio*  
 Matti Karvinen, *Vantaa*  
 Elina Kempainen, *Hyrynsalmi*  
 Olli Laine, *Luopioinen*  
 Matti Lappalainen, *Kajaani*  
 Pekka Lehtinen, *Riihimäki*  
 Erkki Loukusa, *Jyväskylä*  
*(from 11.4.1994)*  
 Jaakko Luomanen, *Nurmo*  
 Jukka Mäkinen, *Heinola*  
 Veikko Nordlund, *Pori*  
 Ilmo Ojakumpu, *Oulu*  
 Kyösti Painilainen, *Helsinki*  
 Risto Peltokangas, *Alajärvi*  
 Pertti Pesälä, *Espoo*  
 Pekka Salminen, *Vampula*  
 Kalevi Sivonen, *Vantaa*  
 Esko Solaranta, *Hollola*  
 Tua Storberg, *Västanfjärd*  
 Timo Tiilikainen, *Savonlinna*  
 Veijo Tuppuri, *Järvenpää*  
 Jukka Väris, *Konnevesi*

**AUTHORIZED MEMBERS  
OF THE SUPERVISORY BOARD**

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

**AUDITORS**

Martti Kupiainen, *Kitee*  
Juha Paakkunainen, *Nastola*  
Pertti Laitinen, *Jämsä*  
Hannu Vainio, *Kuusjoki*  
Antti Helenius, *Certified Public  
Accountant*

**DEPUTY AUDITORS**

Veijo Arffiman, *Kajaani*  
Matti Hannuniemi, *Raahe*  
Erkki Liukka, *Laihia*  
Mauri Itälänna, *Suodenniemi*  
Salmi, Virkkunen & Helenius Oy,  
*Certified Public Accountants*

**BOARD OF DIRECTORS**

Eero Kinnunen, *Chairman  
and Chief Executive*  
Timo Karake, *Deputy Chief  
Executive; Executive  
Vice President, Foodstuffs Division*  
Jouko Tuunainen, *Executive Vice  
President, Retail  
Development Division*  
Heikki Huhtanen, *Executive Vice  
President, Speciality and  
Home Goods Division*  
Matti Honkala, *Executive Vice  
President, Finance and  
Administration*  
Paavo Tanskanen, *Executive Vice  
President, Logistics and  
Information Systems*  
Matti Halmesmäki, *Executive  
Vice President, Agricultural and  
Builders' Supplies Division*

**DIRECTORS 1.1.1995**

**District Offices**

Urho Blomberg, *Northern Finland,  
Oulu*  
Risto Lassila, *Lahti*  
Paavo Moilanen, *Vaasa District,  
Seinäjoki*  
Lauri Mustonen, *Tampere*  
Kauko Ruotsalainen, *Kuopio*  
Vilho Rytönen, *Helsinki*  
Heikki Valkjärvi, *Turku*

**Foodstuffs Division**

Markku Helin, *International  
Cooperation*  
Matti Hukka, *K-Cash & Carry Ltd*  
Reima Oinaanoja, *Catering Sales*  
Antti Palomäki, *Groceries*  
Esko Pihlström, *Fresh Foods*  
Jaakko-Pekka Vehmas, *Marketing*

**Agricultural and Builders'  
Supplies Division**

Teemu Kuusijärvi, *Keskometalli Oy*  
Simo Manner, *Hardware  
and Builders' Supplies*  
Olli Rannisto, *Administration  
and Materials Handling*  
Erkki Sillantaka, *VV-Auto Oy*  
Matti Vatanen, *K-Hardware Stores*  
Kimmo Vilppula, *Agricultural  
Supplies*

**Speciality and Home  
Goods Division**

Veijo Grönroos, *Home Electronics*  
Erkki Kahila, *Clothing*  
Matti Kotola, *Citymarket  
hypermarkets*  
Matti Leminen, *Leisure Goods*  
Pekka Pietilä, *Shoes*  
Antti Puhakka, *Home Goods*

**Finance and Administration, Inter-  
nal Auditing and**

**Corporate Communications**

Tapio Erme, *Legal Affairs*  
Taisto Hautajärvi, *Finance*  
Erkki Heikkinen, *Corporate  
Communications*  
Jaakko Hirvonen, *Personnel*  
Asko Ihalainen, *Internal Auditing*  
Paavo Rönkkö, *Accounting  
and Office Management*

**Logistics and**

**Information Systems**

Osmo Kimmo, *Information Systems*  
Timo Kortelainen, *Central Warehouse*  
Timo Lehtinen, *Distribution*  
Eero Vesterinen, *Data Processing*

**Retail Development Division**

Sakari Finne, *Store Sites*  
Aatto Haapakangas,  
*Property Business*  
Matti Kautto, *K-Store Development*  
Seppo Kettunen, *Credit*  
Kyösti Pärssinen, *K-Institute*

Consultative Committees represent the K-retailers and act as a link between K-retailers and Kesko's management. The aim of the Consultative Committees is to improve cooperation within the K-Group.

The Supervisory Board confirmed new regulations for the operations of the Consultative Committees starting from 1 January 1994. The District Office Consultative Committees representing all product lines have been replaced by seven regional Committees representing groceries, complemented by two nationwide Committees, one representing the Agricultural and Builders' Supplies trade and the other the Speciality and Home Goods trade.

Members of the Consultative Committees are elected at a special meeting on the principle "one man, one vote". All K-retailers within a region are entitled to vote.

In 1994, the Consultative Committees had the following members:

**Grocery Trade**

**Helsinki**

Hans Böhling, *Porvoo*  
Eija Johansson, *Karhula*  
Veikko Koppanen, *Vantaa*  
Markku Lietolahti, *Nurmijärvi*  
Martti Lunden, *Karjaa*  
Olli Nenonen, *Helsinki*  
Matti Piekkala, *Helsinki*  
Markku Piironen, *Espoo*  
Reijo Riihimäki, *Hämeenlinna*  
Jarkko Tuomi, *Kotka*  
Eino Venho, *Helsinki, Chm.*  
Ole Öhman, *Sipoo*

**KUOPIO**

Urpo Heiskanen, *Vehmersalmi, Chm.*  
Matti Hirvelä, *Kajaani*  
Arttu Korolainen, *Isalmi*  
Petri Mikonsaari, *Nurmes*  
Isto Molarius, *Savonlinna*  
Kari Ovaska, *Värkaus*  
Jouni Paavilainen, *Pieksämäki*  
Irma Pöllänen, *Paltamo*  
Jukka Savinainen, *Värpöjärvi*  
Heikki Savolainen, *Suolinjärvi*  
Matti Sokkanen, *Pyhäselkä*  
Taru Tiilikainen, *Töhmajärvi*

**Lahti**

Erik Eriksson, *Laukaa*  
Eija Hermaala, *Joutsa*  
Mikko Jalli, *Nastola*  
Eero Kontio, *Savitaipale*  
Annikki Lindgren, *Petäjävesi*  
Matti Mehtonen, *Korpilahti*  
Arvo Mustonen, *Lappeenranta*  
Hannu Nieminen, *Nastola*  
Matti Perälä, *Toivakka*  
Kari Salminen, *Orimattila*  
Risto Suihko, *Hollola*  
Keijo Suokas, *Luumäki, Chm.*

**Northern Finland**

Juha Alakärppä, *Oulu*  
Rauno Aunio, *Ylivieska*  
Esa Heinäjärvi, *Savukoski*  
Sirkka-Liisa Holmberg, *Inari*  
Lauri Juotaniemi, *Ranua*  
Matti Mäkinen, *Oulu*  
Arja Mämmelä, *Raahe, Chm.*  
Alpo Saarela, *Haapajärvi*  
Kalervo Tyni, *Taivalkoski*  
Maili Vattu, *Piippola*  
Erkki Viero, *Rovaniemi*

**Tampere**

Jari Hakala, *Orivesi*  
Pekka Heinola, *Nakkila, Chm.*  
Lasse Honkanen, *Pomarkku*  
Simo Järvinen, *Tampere*  
Antti Kauppila, *Honkajoki*  
Olli Lehtola, *Kuru*  
Martti Montonen, *Huittinen*  
Juha Viinikka, *Nokia*  
Keijo Vuotari, *Kankaanpää*

**Turku**

Tom Eriksson, *Kemiö*  
Pekka Huovila, *Rauma*  
Jukka Juhajoki, *Aura*  
Simo Keskinen, *Turku, Chm.*  
Harri Kota-aho, *Turku*  
Mika Pukkila, *Somero*  
Pirkko Torkkel, *Salo*  
Carl-Johan Welander, *Mariehamn*  
Tauno Ääri, *Oripää*

**Vaasa District**

Henry Björkskog, *Kristiinankaupunki*  
Markku Hangasluoma, *Kauhajoki*  
Lars Hatt, *Pedersöre*  
Dan Häggblom, *Vaasa*  
Harri Joensuu, *Alajärvi*  
Kaisu Paularanta, *Vaasa*  
Olli Pollari, *Kannus*

Tiina Poukka, *Ahtäri*  
Hannu Virkkala, *Mustasaari, Chm.*

**Speciality and Home Goods Trade**

Mauno Hyttinen, *Joensuu*  
Anja Kaislo, *Jämsä*  
Raimo Kinnunen, *Espoo*  
Kyösti Leikoski, *Kerava*  
Timo Loporanta, *Hollola*  
Rauno Mäkinen, *Taipalsaari*  
Veijo Nyppeli, *Tampere*  
Seppo Tekoniemi, *Kittilä*  
Raimo Tirkkonen, *Oulu*  
Jouni Toivonen, *Raisio*  
Pekka Tolonen, *Tampere, Chm.*  
Timo Vaskelainen, *Muurame*

**Agricultural and Builders' Supplies Trade**

Jussi Ellä, *Laitila*  
Pekka Halme, *Karhula*  
Jaakko Hulmi, *Forssa*  
Pentti Hurri, *Kitee*  
Esko Härkönen, *Lammi*  
Tapio Jäntti, *Hankasalmi*  
Juhani Kangas, *Kitee*  
Olavi Korpisaari, *Riihimäki, Chm.*  
Armas Kristo, *Pello*  
Taito Kuosa, *Lahti*  
Tapio Lahtinen, *Mikkeli*  
Reijo Makkonen, *Kotka*  
Teuvo Mäkelä, *Kauhajoki*  
Veijo Niku, *Nivala*  
Reijo Pasanen, *Kuopio*  
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 2,119 K-retailers (in the previous year 2,267). The K-stores employed, the retailers included, 22,499 persons, of whom 8,600 were working part-time.

At the end of the year, there were 2,366 K-stores (2,532 in the previous year). In addition, there were 119 K-mobile stores (139 in the previous year).

The total sales of the K-stores amounted to FIM 33.0 billion, an increase of 4.1% on the previous year.

The K-stores' purchases from Kesko totalled FIM 16.3 billion, the

value added tax excluded, indicating an increase of 2.7%.

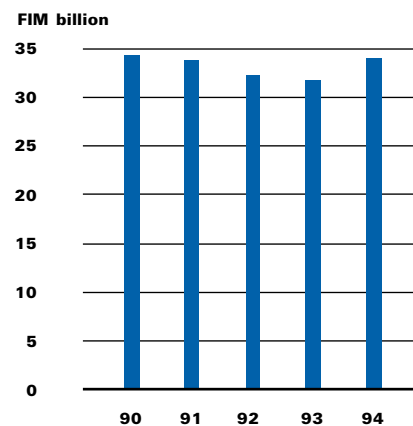
### THE FINNISH K-RETAILERS' ASSOCIATION

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

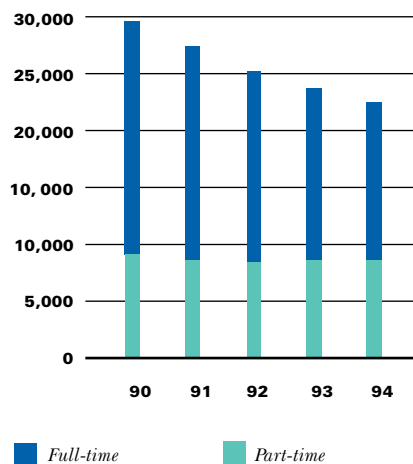
The Finnish K-Retailers' Association is in charge of improving the operating conditions and skills of K-retailers and cooperation among them.

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

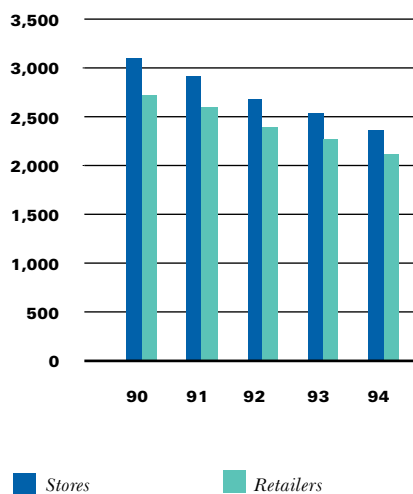
### SALES OF K-STORES 1990-1994



### PERSONNEL OF K-STORES



### NUMBER OF K-STORES AND K-RETAILERS



### K-STORES 1994

	Number	% of total number	% of sales
Citymarket hypermarkets and CM department stores	38	1.5	15.5
Superstores	63	2.5	12.1
Supermarkets	230	9.3	17.8
Neighbourhood stores and village stores	1,245	50.1	23.3
Mobile stores	119	4.8	0.9
Other grocery stores	33	1.3	3.8
<b>Grocery stores, total</b>	<b>1,728</b>	<b>69.5</b>	<b>73.3</b>
K-hardware stores	88	3.5	5.6
K-agricultural and builders' supplies stores	86	3.5	6.0
K-agricultural stores	69	2.8	7.6
Other agricultural and builders' supplies stores	27	1.1	0.5
<b>Agricultural and builders' supplies stores, total</b>	<b>270</b>	<b>10.9</b>	<b>19.7</b>
Kesport-Intersport stores	92	3.7	2.2
K-shoe stores	140	5.6	1.0
Andiamo shoe stores	23	0.9	0.3
Musta Pörssi stores for household appliances and home electronics	76	3.1	1.7
Vaatehuone fashionwear stores	68	2.7	1.3
Other speciality stores	88	3.5	0.5
<b>Speciality stores, total</b>	<b>487</b>	<b>19.6</b>	<b>7.0</b>
<b>All stores, total</b>	<b>2,485</b>	<b>100.0</b>	<b>100.0</b>
Change from 1993 to 1994	-186		

# NOTICE OF THE ANNUAL GENERAL MEETING

Notice is hereby given to Kesko Ltd's shareholders that the Annual General Meeting will be held in the Helsinki Fair Centre's congress wing, at Rautatietäisenkatu 3, on Monday 3 April 1994 at 13.00 hours.

The matters to be dealt with at the Annual General Meeting:

1. The matters stated in §16 of the Articles of Association
2. The proposal of the Board of Directors to amend § 3, 6, 9 and 12 of the Articles of Association as follows:

## § 3

The minimum share capital of the company is FIM 900 million and the maximum share capital FIM 3,600 million, within which limits the share capital can be increased or decreased without amending the Articles of Association.

The nominal value of each share is FIM 10.

The company's shares are included in the book-entry securities system.

The right to get dividends to be distributed by the company and to subscribe to shares when increasing the share capital belongs only to those

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

After transfer to the book-entry securities system, the register of shareholders replaces the share register.

## § 6

Removed.

## § 9

The company has a Supervisory Board, which consists of a minimum of 15 and a maximum of 24 members, and a corresponding number of deputy members. The term of the Supervisory Board's members is 3 accounting periods.

The members of the Supervisory Board shall be active retailers or directors of retailing companies.

A member of the Supervisory Board is obliged to resign from this position at the end of the accounting period during which he reaches 65 years of age.

## § 12

The company has a minimum of one and a maximum of three auditors. An auditor's term of duties expires after the first Annual General Meeting held after his election.

3. The proposal of the Board of Directors to authorize the Board of Directors to increase the share capital by issuing shares, convertible bonds and/or bonds with warrants.

The Board of Directors proposes that the Annual General Meeting should authorize the Board of Directors for one year from the date of the Annual General Meeting,

in one or more instalments, as an exception to the shareholders' privilege and/or otherwise on certain terms, for making domestic and foreign cooperation arrangements, for financing company acquisitions, or for other weighty economic reasons from the company's point of view

- a) to offer the company's exclusive and/or ordinary shares with a nominal value of FIM 10 to a selected group for subscription and to decide on all terms for subscription;
- b) to decide on taking out bond loans at such terms that the creditors have the right to convert their bonds either wholly or partly to the company's shares, or to subscribe for new shares at an additional price, as well as to decide on all loan, conversion and/or subscription terms.

The total quantity of shares offered by a rights issue or issues, by convertible bonds or bonds with warrants must not exceed 10 million pcs, with their maximum nominal value being FIM 100 million. However, such increase in the share capital must not represent more than a fifth of the share capital, and the total voting rights entitled by the shares, registered at the date of the authorization given by the Annual General Meeting and of the decision by the Board of Directors to increase the company's share capital.

The documents concerning the financial statements, as well as the Board of Directors' proposal, are available for inspection by the shareholders at the Legal Affairs Department in the company's head office at Satamakatu 3, Helsinki, from 20 March 1995.

According to § 3a:11 of the Companies Act, the shareholders who are registered, not later than 24 March 1995, in the company's register of shareholders kept by the Central Share Register of Finland Co-operative, or as specified in § 3a:4.2 of the Companies Act, have the right to attend the Annual General Meeting.

Shareholders wishing to attend the Annual General Meeting shall notify the company not later than Wednesday 29 March 1995 at 16.00 hours, either by letter to Kesko Ltd, Legal Affairs Department, P.O.B. 135, FIN-00161 Helsinki, Finland, or by telephone +358 1053 22437, or by telefax +358 1053 23442. Notifications shall be received by the end of the notification period. Shareholders shall also advise their identity codes or business codes. Participants are asked to send any proxies to the above address during the notification period. Voting slips will be given at the meeting place.

Helsinki, 9 March 1995

KESKO LTD

SUPERVISORY BOARD

## ANNOUNCEMENT TO KESKO LTD'S SHAREHOLDERS

As Kesko Ltd's shares have been entered to the book-entry securities system, the dividend to be decided at the Annual General Meeting will be paid to those shareholders who are registered on the record date in the register of shareholders kept by the Central Share Register of Finland Co-operative. Kesko's Board of Directors proposes to the Annual General Meeting that 7 April 1995 be the record date and that 12 April 1995 be the date from which dividends are payable.

## ADDRESSES

### HEAD OFFICE

#### KESKO LTD

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### AGRICULTURAL AND BUILDERS' SUPPLIES DIVISION

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FIN-01301 Vantaa  
Tel. +358 10 5311  
Telefax +358 0 873 5700

### CENTRAL WAREHOUSE 1

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

### CENTRAL WAREHOUSE 2

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Telefax +358 1053 27350

### K-INSTITUTE

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Telefax +358 0 868 571

### TRAINING AND EXPERIMENTAL

#### FARM OF THE K-GROUP

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Telefax +358 17 413 98

### DISTRICT OFFICES

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Tel. +358 10 5311  
Telefax +358 1053 21308

#### VAASA DISTRICT

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Tel. +358 10 5311  
Telefax +358 1053 27263

### SUBSIDIARIES

#### AUTO-SPAN OY

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FIN-00810 Helsinki  
Tel. +358 0 759 2210  
Telefax +358 0 758 3356

#### FINNISH RICH

COFFEE LTD  
Kuriiritie 5  
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FIN-01301 Vantaa  
Tel. +358 10 5311  
Telefax +358 1053 28919

#### K-CASH & CARRY LTD

Satamakatu 3  
P.O.B. 135  
FIN-00161 Helsinki  
Tel. +358 1053 23074  
Telefax +358 0 634 169

#### KESKO EXPORT LTD.

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Tel. +358 10 5311  
Telefax +358 1053 23411

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Rydönnotko 1  
P.O.B. 431  
FIN-20101 Turku  
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Telefax +358 1053 21410

#### K-LUOTTO OY

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Telefax +358 31 259 5285

#### K-MAATALOUSYHTIÖT OY

Kuriiritie 10-12  
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FIN-01301 Vantaa  
Tel. +358 10 5311  
Telefax +358 0 873 5981

#### K-YHTIÖT OY

See Kesko Ltd

#### MK-MAINOS OY

Kruunuvuorenkatu 4  
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FIN-00161 Helsinki  
Tel. +358 10 5311  
Telefax +358 0 657 243

#### VV-AUTO OY

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P.O.B. 80  
FIN-00811 Helsinki  
Tel. +358 0 758 31  
Telex 121998 vvsf fi  
Telefax +358 0 758 3330



From 1 June 1995, Kesko's new telephone number throughout Finland will be

**010 5311**

When phoning to this national exchange, no area code is dialled, and a local call fee only is charged.

The Kesko personnel also have their own extension numbers, by which they can be reached quickly, conveniently, and inexpensively.

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