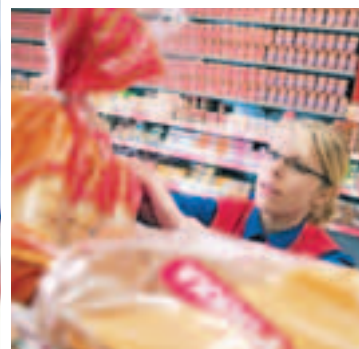


KESKO

KESKO'S YEAR 2004



Kesko's year 2004

Kesko in brief

Kesko is the leading provider of services in the Finnish trading sector and is also expanding its operations in the Nordic countries, the Baltic countries and Russia.

Our business divisions

- Kesko Food: groceries trade
- Rautakesko: building and interior decoration supplies trade
- Kesko Agro: agricultural and machinery trade
- Keswell: home and speciality goods trade
- Kaukomarkkinat: international technical trade, branded products trade
- VV-Auto: car and spare parts trade

Our core competence areas

- creation of new trading concepts and operating systems
- purchasing and logistics services and wholesale trade
- development of retail store network
- customer relationship management
- chain operations management and support services
- marketing and retail trade

Contents

GROUP'S OPERATIONS

Values	5
Review by the President and CEO	6
Strategy and financial targets	8
Vision 2015 project	12
Divisions in brief	13
Brands	14
Kesko outside Finland	15
Operating environment	16
Competitive environment and competitors	20
Intellectual capital	21
Human capital/personnel	
Structural capital	
Relationship capital	
Corporate responsibility in Kesko	30
Real estate	34

DIVISIONS

● Kesko Food	37
● Rautakesko	41
● Kesko Argo	44
● Keswell	47
● Kaukomarkkinat	50
● VV-Auto	52

ADMINISTRATION AND OWNERSHIP

Risk management	55
Corporate governance statement	57
Shares and shareholders	63
Board of Directors	70
Corporate Management Board	72
Management and organisation	74

FINANCIAL STATEMENTS

Report by the Board of Directors	76
Income statement	83
Balance sheet	84
Cash flow statement	86
Notes to the financial statements	87
Key indicators by quarter	99
Group in figures	100
Calculation of indicators	101
Auditors' report	102
Kesko and IFRS financial statements	103

FURTHER INFORMATION

Major stock exchange and press releases	105
Glossary	106
Contact information	108
Information for shareholders	110
Information about Kesko for investors	111

ON THE COVER

Large photo: Anu Pihlaja, Manager of the Year 2004 and Sales Director of Kodin Ykkönen (right) and Minna Laakkonen, Managing Director of Kespro Ltd pondering future visions at Kesko management's strategy event.

Small photos:

Top: Heta Hyytiäinen, Quality Director, Heini Haverinen, Research Chemist, and Arto Hyytiäinen, Managing Director.
Centre: Teemu Ilkka, Sales Assistant and Ulla-Maija Koppinen, customer.
Below: Miia Hartikka, Consulting Manager.

Year 2004 in brief

Net sales and profit continued to grow

The Group's net sales were EUR 7,517 million, representing a growth of 6.3%. The profit before extraordinary items and taxes was EUR 172.9 million, an increase of 7.0%.

Kesko distributed a total dividend of EUR 3.00 per share from the profit for the year 2003.

Intensive internationalisation continued

The Group's net sales outside Finland grew by 31.9% and exceeded one billion euros (EUR 1,095 million).

Rautakesko signed a letter of intent to acquire a majority holding in the St. Petersburg company which owns the Stroy-master DIY chain. Stroy-master's market share of total sales through all the chains in this sector in the St. Petersburg area is about 20%. The plan is to complete the acquisition by 15 March 2005 at the latest.

Kesko Food and the Swedish ICA Baltic AB agreed to establish a joint venture for the Baltic food market. Rimi Baltic AB started operations at the beginning of 2005. The joint venture has about 160 food stores and its market share is about 15%. The company's objective is to reach the leading position in the Baltic market. The total number of employees is around 8,300.

Sales in the Baltic agricultural and machinery trade increased well. Kesko Agro is the largest company engaged in the agricultural trade in the Baltic countries. In Lithuania, the largest agricultural and machinery trading and service centre in the country was opened near Kaunas in July.

Expansion also in Finland

In October, Keswell Ltd agreed to acquire Indoor Group Ltd's shares. The transaction was completed in January 2005. As a result, the chain concepts of Indoor Group Ltd, as well as Indoor's own Asko and Sotka furniture stores in Finland, Sweden, Estonia and Latvia, were transferred to Keswell Ltd's ownership. There is an appeal pending concerning the Finnish Competition Authority's approval of the acquisition.

In February, Kesko Food started testing Cassa discounters in various parts of Finland. Cassa stores are operated by Kesko Food. Their sales performance has so far exceeded expectations.

The total number of Plussa cardholders in the K-Alliance's customer loyalty system exceeded three million. At present, about 1.6 million households have Plussa cards.

VV-Auto has expanded operations to include the retail trade of cars. In June, VV-Auto acquired Volkswagen and Audi retail operations in Herttoniemi, Helsinki from Stockmann. A retail company in Turku started operations earlier.

Matti Halmesmäki was appointed Managing Director

In September, Kesko Corporation's Board of Directors appointed Matti Halmesmäki, M.Sc. (Econ.), LL.M. (b. 1952), President of Rautakesko Ltd and Kesko Agro Ltd, to the position of Kesko Corporation Managing Director and Kesko Group President and CEO, with effect from 1 March 2005. President and CEO Matti Honkala will retire on 28 February 2005.

Recognition for responsibility and quality work

Kesko's corporate responsibility report for 2003 was ranked best in the trading sector in the global comparison made for the United Nations Environmental Programme UNEP. In October, Kesko Corporation won an award for the best overall reporting of environmental and corporate responsibility in Finland.

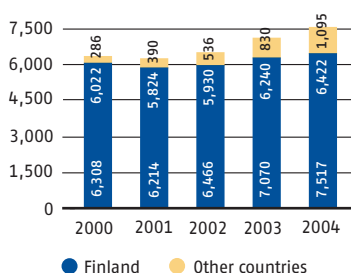
Anttila Ltd won the Finnish Quality Award in October. According to the jury, the award was evidence of business expertise which has enabled Anttila to attain excellent results and sustainable competitiveness in its sector. Anttila Ltd also completed the ISO 14001 certification of all its operations in Finland. At the beginning of 2002, Anttila became the first Finnish department store chain to adopt an environmental system based on the ISO 14001 standard.

Financial highlights

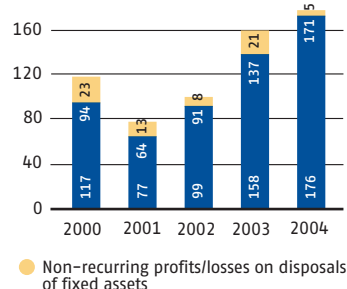
	2004	2003	Change, %
Net sales, EUR million	7,517	7,070	6.3
Operating profit, EUR million	176	158	11.4
Profit before extraordinary items, EUR million	173	162	7.0
Return on invested capital, %	11.9	10.9	8.9
Return on equity, %	9.3	7.4	25.9
Capital expenditure, EUR million	170	259	-34.3
Cash flow from operating activities, EUR million	192	165	16.8
Equity ratio, %	45.5	51.7	-12.0
Gearing ratio, %	28.8	16.2	78.1
Personnel (average)	17,528	15,219	15.2
Dividend per share, EUR	1.00*	3.00	-66.7
Earnings per share, adjusted, EUR	1.26	1.05	20.2
Equity per share, adjusted, EUR	13.34	15.07	-11.5

* proposal to the Annual General Meeting

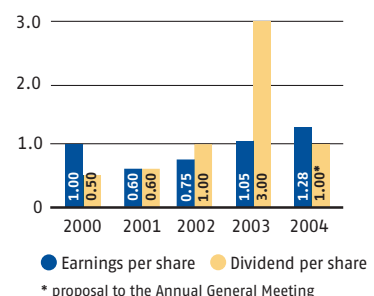
Group net sales, EUR million



Group operating profit, EUR million

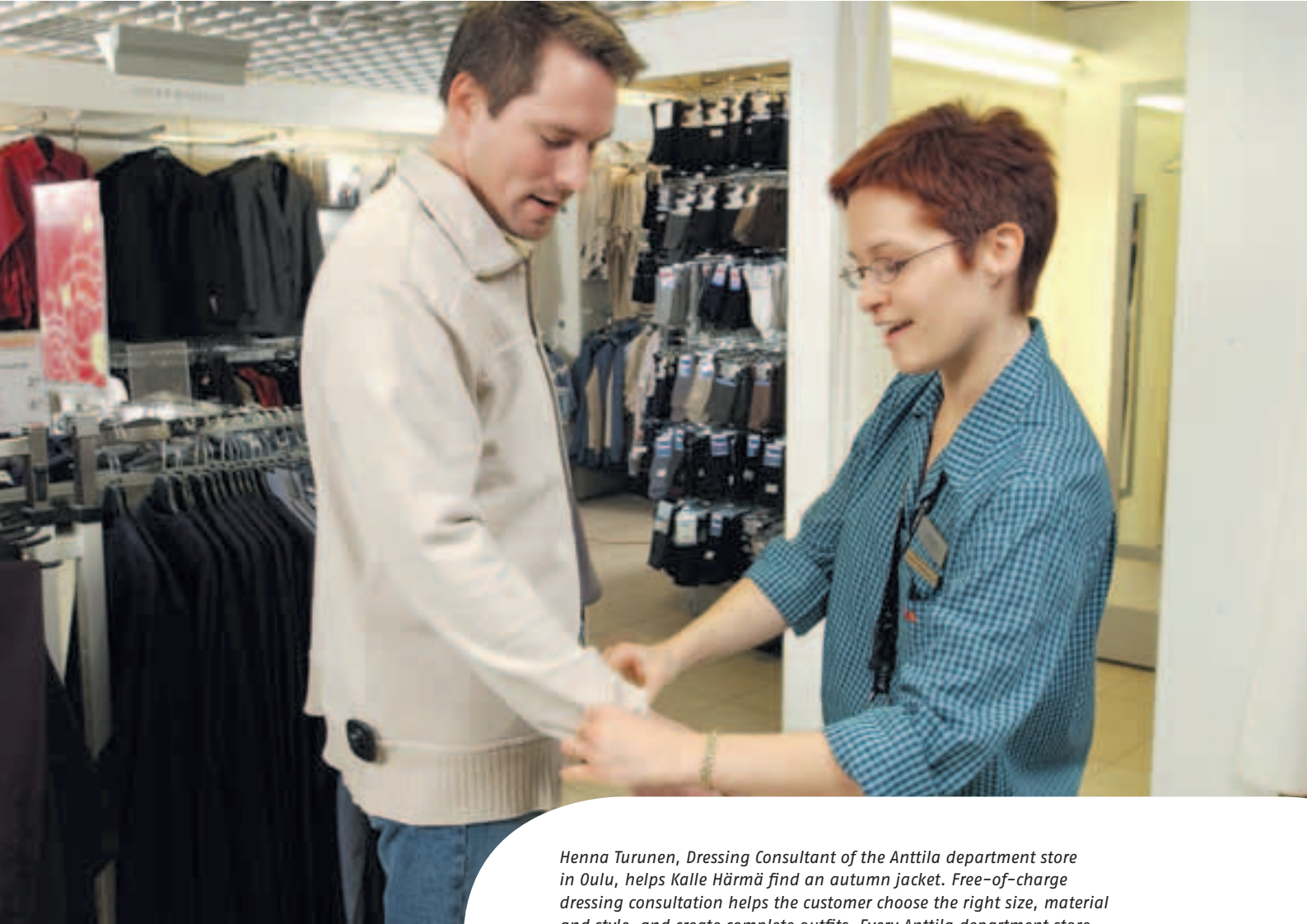


Earnings per share and dividend per share, EUR



* proposal to the Annual General Meeting

Group's operations ►



Henna Turunen, Dressing Consultant of the Anttila department store in Oulu, helps Kalle Härmä find an autumn jacket. Free-of-charge dressing consultation helps the customer choose the right size, material and style, and create complete outfits. Every Anttila department store in Finland has a skilled dressing consultant on its staff.

GROUP'S OPERATIONS

Values	5	Competitive environment	
Review by the President and CEO	6	and competitors	20
Strategy and financial targets	8	Intellectual capital	21
Vision 2015 project	12	Human capital/personnel	
Divisions in brief	13	Structural capital	
Brands	14	Relationship capital	
Kesko outside Finland	15	Corporate responsibility in Kesko	30
Operating environment	16	Real estate	34

Values

Kesko's four values address basic issues: the customers, the competitive situation, the working community and corporate responsibility.

Corporate responsibility is the foundation of Kesko's operations and the ability to exceed customers' expectations is at the core of its business. In the market, Kesko strives to be the best operator in its sector. The creation of a good working community is vital to the implementation of commercially and socially important values.

The values that guide Kesko's operations were defined in value discussions with various personnel groups in autumn 2001. The values and ethical principles form an essential part of the induction of all Kesko employees. They are continuously discussed in all training. From the very beginning, they have been integrated in Kesko's management system and working practices. The prevailing perceptions of these values and the practical adherence to them are studied in a Group-wide survey, most recently in November-December 2003. The results were presented in the 2003 Annual Report.

Our working practices

The 'Our Working Practices' booklet, compiled jointly by Kesko and the K-Retailers' Association, gives more detailed information on our values and how each employee can act according to them. The booklet gives practical guidelines on working practices that will promote the implementation of these values.

Kesko's values and working practices have also been translated from Finnish into other languages used in the Group: Swedish, Estonian, Latvian, Lithuanian, Russian and English. Special training material is available to support their adoption.

'Our working practices - ethical principles' can also be found on Kesko's Internet pages at kesko.fi.



1. We exceed our customers' expectations

We recognise our customers' needs and expectations. We strive to offer them positive experiences through the continual reform of our operations and emphasis on entrepreneurial activity.

2. We are the best operator in the trading sector

We offer our customers the best products and services in the market to ensure our competitiveness and success.

3. We create a good working community

We operate in an open, interactive working community where people are respected and every individual can contribute to the full and use his or her initiative.

4. We bear our corporate responsibility

Our operations are responsible and we follow ethically acceptable principles in all actions within our working community and in relations with our partners.

Review by the President and CEO

The year 2004 was very successful for Kesko Group in many ways. Our net sales increased considerably to EUR 7,517 million, our profit before taxes increased by 7.0% to EUR 173 million and we distributed a total dividend of three euros per share to our shareholders from our previous year's profit.

The good results owe much to the recently revised corporate strategy and related activities focusing on growth and profitability in Finland, Sweden and the Baltic countries.

At the same time we have clarified our corporate values and devoted much attention to making them part of the Group management's and employees' daily activities.

We have gone to great lengths to emphasise to our employees and shareholders the importance of responsibility in all our purchasing and marketing, and we have reported extensively on these efforts. Kesko's corporate responsibility report was ranked the best in the world in the trading sector and the 14th in the world among all companies last October in the comparison made for the UN Environmental Programme UNEP. Active and open communications in different corporate areas are an essential part of Kesko's responsible attitude towards society.

We have enhanced the operations of our store chains in Finland to meet the growing Finnish and international competition. Food price levels have been reduced extensively throughout the different chains, and tests with the discounter concept have been started in Finland.

In October 2004, Keswell signed an agreement to acquire the total stock of Indoor Group Ltd. The transaction was completed in January 2005, when approvals from the Finnish, Swedish, Estonian and Latvian competition authorities had been received and other conditions for the execution of the transaction had also been fulfilled. At the time of writing, there is an appeal pending concerning the Finnish Competition Authority's approval of the acquisition.

We have also actively expanded our service network in the Baltic countries and Sweden, both in the food trade and the hardware and builders' supplies trade. Our agricultural trade in the Baltic countries has undergone further improvements, which have made Kesko Agro the leader in the agricultural and machinery trade there. In the Baltic food trade, Kesko Food and the Swedish ICA Baltic AB have joined forces. The joint venture started operations at the beginning of this year.

The number of Plussa loyalty card customers exceeded three million in May, which I consider a major display of confidence in the K-Alliance.

In light of the keener competition in retailing, Kesko encourages all efforts to complement Finnish retail stores' selections with wines and over-the-counter medicines. The liberalisation of store opening hours should also finally be completed, as most consumers already make good use of extended hours during the summer months. These reforms would, above all, benefit Finnish consumers through increased offerings and competition.

I started my career at Kesko over 38 years ago and will retire from the post of Kesko Corporation's President and CEO on 28 February 2005. My years at Kesko have been highly rewarding and full of activity. Kesko has offered me versatile tasks, in which I have been able to contribute to trading sector progress over a period spanning five different decades.

I have been in a position to view and participate in many far-reaching changes in the trading industry, extending from rationing during the years of rebuilding to the international web trading of today.

The Kesko Group is - in terms of finances, expertise and reputation - in good shape. I want to extend my warmest thanks to all Kesko employees in Finland and other countries as well as all to our shareholders and partners for their profitable co-operation.

Matti Halmesmäki will become Kesko Corporation's President and CEO on 1 March 2005. I wish him every success in this demanding post. I am convinced that Kesko will continue to be the leading provider of services in its selected trading sector areas in the years and decades to come. K is a sign of something better.

Helsinki, 28 February 2005



MATTI HONKALA
President and CEO



Strategy and financial targets

Kesko's mission and vision

Mission

Kesko, working together with its partners, creates trading services that are highly valued by customers.

Vision

Kesko is the leading provider of services in the trading sector.

Strategy

Management of diversified channels

In marketing goods and services Kesko uses several different channels to reach consumers and professional customers. The key channel in Finland is the store network formed by the K-retailers, complemented by Kesko's own growing retail operations via both the store network and the Internet. Professional customers are also served by means of a modern wholesale company.

In Finland, Kesko operates and grows in various product lines, benefiting from their different development potential. Operating in many different markets also creates stability in the face of cyclical fluctuations and changes in demand. In a small market, different product lines are needed to achieve economies of scale. Extensive customer, supplier and other partner networks offer significant advantages, making it possible to benefit from market changes and to react flexibly to fluctuations in demand.

Kesko has achieved a strong position in Finland and now aims to win a leading position in selected international markets, namely the food trade, hardware and builders' supplies trade, and agricultural and machinery trade in the Baltic countries, and the hardware and builders' supplies trade in the Nordic countries and Russia. In the Baltic food trade, operations are being carried out by a joint venture with Sweden's ICA AB. Further growth is being sought in product lines that are related to present operations, supporting them and benefiting from them.

Centralised resources

The acquisition of economies of scale and synergies by a properly targeted centralisation of operations is the basic principle of Kesko's operations. In the present system, division parent companies are independently responsible for their businesses, but also benefit from the best practices of other divisions and the centralised resources of the Group. The key centrally managed areas include real estate, store site, financial control, finance, information system and executive training affairs, as well as the Plussa customer loyalty scheme in Finland.

The Group's core competencies and the main competence areas requiring development have also been defined. The latter includes the generation of superior customer benefits, the

productive integration of Kesko's and its partners' competencies and the creation of a motivating culture. These are applied in practice throughout the Group in different business development and training projects.

International purchasing co-operation can benefit from the global merchandise market. Kesko has important international partners in many product lines: in the food trade the leading European buying alliance AMS and the online trading site WorldWide Retail Exchange, in the hardware trade EuroMat, in the home technology trade EP:International and in the sports trade Intersport.

Kesko has outsourced many of its support services and concentrated instead on developing the core business and trading services appreciated by customers. This has improved the efficiency of operations by freeing resources and making available the services and expertise of specialised partners.

Stable listed company

Kesko's aim is controlled growth. It aims to offer investors a steadily growing return. Controlled risk-taking and diversified operations provide a basis for a stable cash flow and an ability to earn profits and pay dividends. An important target is to maintain the excellent creditworthiness of the Group.

A key factor in achieving these results is responsibility in business. Responsibility means, above all, achieving trust between the company and its stakeholders.

Kesko has made a profit and paid dividends in nearly every year of its operations. Good financial management has also enabled responsible operations in environmental and social issues. In this area Kesko has acted, and intends to continue to act, as a pioneer in Finland.

K-culture and values

The intention is to apply Kesko's uniform operating culture and systems in all units of the Group. The combination of Kesko's centralised operations and local K-retailer entrepreneurship is an essential feature of operations. As the market and operating base change, Kesko's own retail operations provide competitive advantages for the whole network.

Kesko is responsible for benefiting from economies of scale and developing and expanding store concepts and operating systems. Efficient operating systems are implemented in co-operation with retailers and other partners according to local customer needs.

Total customer relationship management

Working together with its partners, Kesko produces comprehensive trading services for its customers. Kesko is responsible for total customer relationship management in Finland by means of the Plussa customer loyalty system. The divisions and chains support customer and shopping loyalty with chain-specific customer relationship programmes, creating advantages for customers and stores. In the future, the contribution of the division parent companies and chains to customer relationship management and the rewarding of shopping loyalty will increase.

Financial targets

Net sales and growth

- Net sales growth in Finland will at least match market growth.
- Sales growth outside Finland, in the Baltic countries in particular, will exceed market growth.
- Operations outside Finland will account for over 20% of net sales.

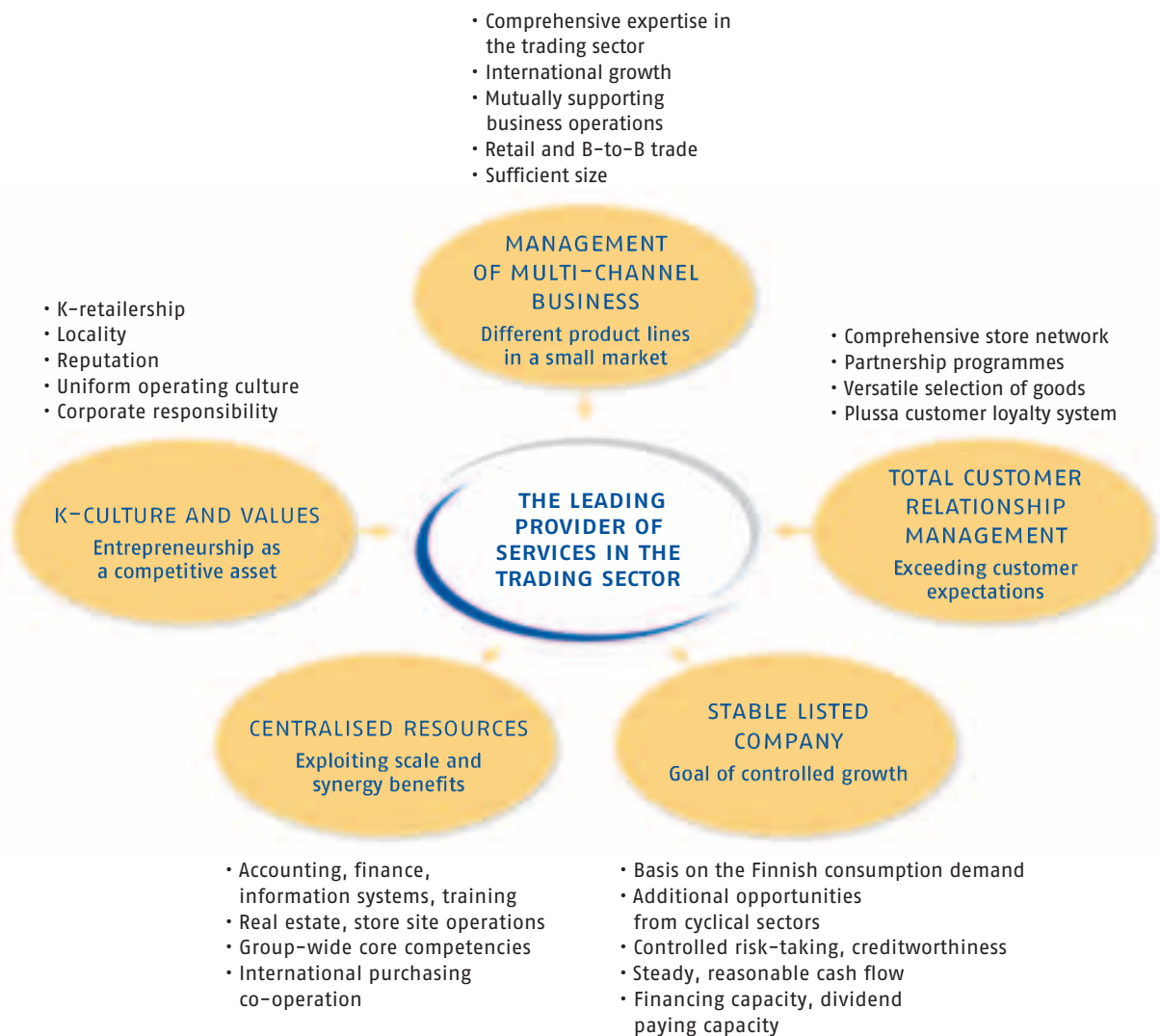
Performance and profitability

- Growth in positive economic value added
- Return on equity at least 10%

Dividend policy

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

Kesko – the leading provider of services in the trading sector



Implemented strategy

Kesko's strategies and achievements 2001-2004

In 2001-2004 Kesko has implemented the following strategies:

- Growth and internationalisation
- Efficiency
- Improving profitability and profit levels
- Multi-channel business
- Customer relationship and locality
- Responsibility

Strategy implementation has proceeded as follows:

Growth and internationalisation

In 2001-2004, the Group's net sales have grown at an average of 7% per year. At the same time, international net sales have grown by 60% and now account for about 15% of the Group's net sales.

Kesko Food's market share in Finland has slightly dropped. The number of Kesko's own branded products (there are now over 1,700 Pirkka and Euroshopper products) has increased considerably in Finland. They already account for more than 10% of the K-food stores' sales. In Estonia Kesko Food has become the market leader, and a joint venture has been established in the Baltic countries with Sweden's ICA to strengthen the competitive position. In 2004 Baltic operations accounted for about 9% of Kesko Food's net sales.

Rautakesko is the market leader in Finland and has also become the leading operator in its sector in the Baltic countries and expanded operations in Sweden to include 12 hardware and builders' supplies stores. About 36% of Rautakesko's net sales in 2004 came from abroad, with Senukai in Lithuania accounting for half of that. Expansion to the Russian market has been started by signing a letter of intent to acquire a majority holding in the St. Petersburg Stroymaster DIY chain.

In the agricultural and machinery trade Kesko has become the market leader throughout the Baltic countries.

The total number of stores outside Finland has grown vigorously, reaching about 140 at the end of 2004.

In the interior decoration and furniture trade Kesko has expanded by acquiring the Asko and Sotka chains as part of Keswell's operations.

Efficiency

The chain operations reform of the Finnish K-stores has been implemented systematically. New enterprise resource planning systems are being adopted in Kesko and the retail stores. The 'Pihvi' project to improve the efficiency of the whole operations chain is underway in Kesko Food, comprising the K-citymarket, K-supermarket and K-market chains. Well implemented, the project can generate operational savings for the stores equivalent to about 0.5-1.0% of net sales, as well as savings for Kesko.

The amount of non-core operations that have been outsourced is considerable. The majority shareholding in Tietokesko, an IT company, has been sold to TietoEnator, the coffee roastery to Paulig and the MK-mainos advertising agency to Publicis Marché. K-luotto, a customer financing company, has been sold to Nordea with whom there is a partnership agreement concerning customer loyalty card co-operation. Rautakesko's warehousing has been outsourced to the Finland Post Corporation, while the timber trade is conducted together with Puukeskus. Warehousing in the professional HEPAC trade has been outsourced to Onninen. Many administrative functions have also been outsourced, and real estate maintenance is carried out by YIT.

Kesko has systematically improved the quality of its operations. In the 'Heading for the Top' development projects, the aim has been to reach the level of the best quality companies in Finland. Proof of success came with Anttila Oy's victory in the Finnish Quality Award competition in the large companies and business units category. In addition, Kespro



The business idea of Cassa, Kesko Food's retail store chain that is being tested, is to offer low prices and a selection of home and speciality goods in addition to foods. Tarja Kiiveri, Shift Supervisor, and Henri Puromäki, Store Manager, started work at the Cassa store in Koivukylä, Vantaa as soon as it opened in February 2004.

Ltd and K-supermarket Länsitori of Tampere were given 'Recognized for Excellence in Europe' awards of merit.

A project to improve productivity has been started in the Group, in connection with which an international survey of the trading sector's productivity was made. Surveys of opportunities to improve productivity at the chain and store level are underway.

Improving profitability and profit levels

Kesko's operating profit as a percentage of net sales has grown from 1.2% to 2.3% in 2001-2004. Correspondingly, return on equity has more than doubled (4.1% and 9.3%). A contributing factor has been that the Group's equity ratio has been decreased in a controlled way, while correspondingly the gearing ratio has slightly increased. Earnings per share have grown from 0.60 euros to 1.26 euros. The total yield of Kesko's share has been excellent.

Multi-channel business

Kesko continues to trade to consumers in Finland mainly through retailers. Retailer operations are supported by Kesko's own growing retail operations and sales to professional customers. The proportion of Kesko's own retail operations has grown above all in foreign operations and in the home and speciality goods trade in Finland. Kesko's own retail business as a percentage of net sales has grown from 13% to nearly 25%. Traditional forms of retailing have been complemented by online trading - NetAnttila in the consumer business and specialised online stores in the various B-to-B sectors (e.g. Kespro, Viljajweb for grain trade).

Foreign operations and the hardware and builders' supplies trade, as well as the home and speciality goods trade, have grown in importance both in Kesko's net sales and profit.

Development plans for customer relationship management have been prepared for each division. The Plussa customer loyalty system has been enhanced by adding division-, chain- and store-specific properties. There are over 3 million Plussa cards in Finland at present.

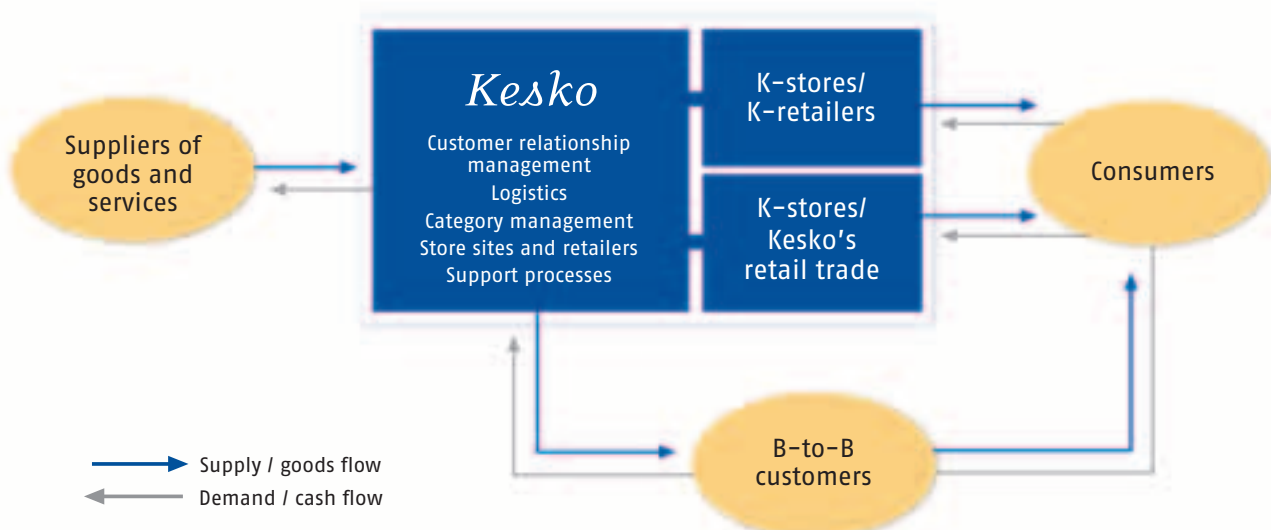
Store site network and store type concepts have been upgraded throughout Finland. Two new food store concepts - K-pikkolo and Cassa that is currently being tested - have been launched. The drop in the number of food stores in Finland has stopped, and correspondingly the number has grown fast in the Baltic countries.

Responsibility

Kesko has defined the content of its responsibility following the reporting guidelines published by the Global Reporting Initiative (GRI) in 2000. Starting from that year, Kesko has annually published a separate corporate responsibility report on its economic, social and environmental performance, for which PricewaterhouseCoopers has provided an assurance since 2002. The accuracy and reliability of reporting has continuously improved, and comparisons with other companies have become easier as the GRI reporting has gained more ground.

Kesko has received public recognition from the United Nations Environmental Programme UNEP, the International Chamber of Commerce, and in several reporting and other comparisons. In Finland, Kesko was awarded for the best corporate responsibility reporting in 2001, 2002 and 2004. In the international reporting comparison (UNEP/SustainAbility Ltd) Kesko was rated the best in the world in the trading sector in both 2002 and 2004, whereas in 2004 its total rank among all companies was 14th. As for responsibility performance, Kesko was rated the best in the sector in the Dow Jones European sustainability index and in the trading sector comparisons of Storebrand SRI of Norway and Ethibel Investment Register of Belgium.

Kesko in the value chain of trade



Vision 2015 project

- a look into the future of trade

In 2004 Kesko ran a project in which young Kesko employees assessed the future of Kesko and the entire trading sector in Finland and the neighbouring countries. The 'Our Kesko 2015' team consisted of 12 Kesko employees born in the 1970s and working in different areas of the Group.

The aim of the team, set up on the initiative of Matti Honkala, President and CEO, was to describe the kind of Kesko for which they would like to be working after a decade. Other tasks included envisaging what a successful Kesko would be like in the world of that time and what actions success would require. The project emerged from the Finland 2015 Programme run by the Finnish National Fund for Research and Development (Sitra).

High-flying ideas

The team gained background information by consulting various experts from research institutes, universities and the trading sector. The team made an assessment of the changes in Kesko's operating environment and estimated how Kesko should prepare for changes brought about by major development trends or megatrends. The young employees pondered how Kesko could best meet the challenges arising from the environment and what would make Kesko an increasingly attractive workplace for trading professionals.

Over 100-page report

After further innovative discussion in blue sky meetings, the team prepared an over 100-page report entitled 'Our Kesko 2015 - the young employees' view of Kesko in 2015'. The report presents alternative models for success in, for example, 'fast growing' and 'sluggish' operating environments.

Both Kesko's management and the team members were satisfied with the project outcome. The results were presented at the Kesko management's training event. The results will be used in strategic planning and in various training and blue sky meetings.

Customer-orientation is the key to success

Success will be best achieved in the future by being more customer-oriented. Regardless of the operating environment, we must ensure that concepts, products and services meet custom-

'Trading star'



ers' wishes. Customer groups will be more clearly differentiated from each other. The different needs of these groups must be taken into account in all business sectors.

In order to meet the needs of different customer groups, Kesko must also be a frontrunner in research and development and in the management of partnerships and the order-delivery chain. In the future, emphasis will also be on issues related to company reputation, communications and public relations.

It all depends on the personnel

The role of personnel will be further highlighted in the service industry. This was reflected in the team's slogan: 'It all depends on the personnel'. Many other competitive factors in the market are shared and available to all competitors, but a highly motivated, dedicated and competent personnel may well create a genuine competitive advantage and exceed customers' expectations time after time.

New means are needed to recruit top people and manage the network of competence. The reputation and responsibility of the company play an important role in the competition for competent people. People's willingness and ability to learn new things and perform their daily tasks are among the critical success factors of a company.

Creativity and ability are elements of the 'critical intellectual capital' whose influence will grow. The maintenance of creativity will necessitate continuous and systematic contributions to the wellbeing of personnel. A working environment that favours openness and multiculturalism will create a motivating and innovative corporate culture.

Frontrunner will succeed

A frontrunner position and differentiation from competitors will be key success factors. Kesko must open-mindedly apply new technologies that ease customers' daily lives. Technologies will also play an important role in managing and developing in-house operations.

However, new technologies, as such, give no decisive competitive advantage. It depends on how effectively they are used. A frontrunner can shape the competitive environment and the rules of the industry in the direction it wishes. As in the past, the desire and will to succeed will provide the decisive competitive advantage in the future, too.

The Vision 2015 team first analysed the operating environment and competitive factors in commerce in Finland and the neighbouring countries, and then adapted their conclusions for the trading sector with their 'Trading Star' model. The star model, based on the 'Retail Pentagon' (Tigert&Ring, Babson College), was created during the project. The model is a summary of those contributing factors in Kesko's operating environment and the specified areas of trading that will be of most importance to the future success of Kesko.

Divisions in brief

● Kesko Food

Kesko Food operates in the grocery market offering diverse services to consumers and business customers in Finland and the Baltic countries. The key businesses of Kesko Food are the K-food store chain operations in Finland, Kespro Ltd's catering sales to HoReCa customers, and grocery retailing in the Baltic countries. The food trade is the largest of Kesko's divisions, accounting for over a half of the Kesko Group's net sales. Pages 37-40.

● Rautakesko

Rautakesko, working in co-operation with customers, improves homes in the Nordic and Baltic countries and in Russia. It manages and develops the K-rauta and Rautia chains, its B-to-B Service and is responsible for their marketing, purchasing and logistics services, network and retailer resources. Rautakesko carries on retail trade in Sweden, Estonia, Latvia and Lithuania and wholesale trade in Russia. Pages 41-43.

● Kesko Agro

Kesko Agro purchases and sells animal feed, chemicals and agricultural machinery, and is involved in the grain trade. Kesko Agro is active in Finland and in all Baltic countries. Kesko Machinery Ltd, a subsidiary of Kesko Agro, purchases and sells through its own network heavy machines and lorries for professional and commercial use, as well as motorcycles, snowmobiles, marine engines, boats and boating equipment for consumers through the dealer network. Pages 44-46.

● Keswell

Keswell specialises in the home and speciality goods trade. Keswell develops operating systems and the store network, manages the store chains and is responsible for the purchasing of goods, logistics and chain marketing. Its store concepts are well-known retail concepts which have gained a strong position in Finland. Keswell's subsidiary, Anttila Oy, is one of the biggest retailers in the home and speciality goods trade in Finland. Pages 47-49.

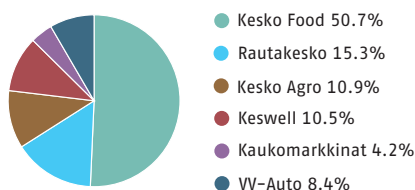
● Kaukomarkkinat

Kaukomarkkinat is the leading Finnish trading house operating internationally. It has over 20 subsidiaries or representative offices abroad. Kaukomarkkinat specialises in international technical trading, the import and wholesale of branded products as well as the import, manufacture and marketing of high-quality optics. Pages 50-51.

● VV-Auto

VV-Auto imports and markets Volkswagen and Audi passenger cars and Volkswagen commercial vehicles. Its subsidiary, Auto-Span Oy, is responsible for importing and marketing Seat passenger cars. VV-Auto imports original spare parts and accessories for the cars and arranges training, in its own training centre, for the personnel of the service and repair workshop network. Pages 52-53.

Breakdown of net sales by division in 2004



Net sales by division

	2004 EUR million	2003 EUR million	Change, %
Kesko Food	3,812	3,766	1.2
Rautakesko	1,150	995	15.7
Kesko Agro	817	768	6.3
Keswell	793	726	9.2
VV-Auto	632	558	13.3
Kaukomarkkinat	317	285	11.1
Other units - eliminations	-4	-28	-
Group total	7,517	7,070	6.3

Operating profit by division

	2004 EUR million	2003 EUR million	Change, EUR million
Kesko Food	49.8	56.3	-6.5
Rautakesko	33.7	28.0	5.7
Kesko Agro	7.7	7.4	0.3
Keswell	16.8	3.5	13.3
VV-Auto	26.1	22.3	3.8
Kaukomarkkinat	8.4	6.0	2.4
Common operations	33.1	34.1	-1.0
Group operating profit	175.6	157.6	18.0
Net financial income	-2.9	3.7	-6.6
Associated companies	0.2	0.3	-0.1
Profit before extraordinary items	172.9	161.6	11.3

Brands

Kesko focuses on strong brands and on marketing and developing store concepts and trading systems. Strong brands increase consumer confidence, help us differentiate from our competitors and ensure future competitiveness.

Well-known brands

Some of Kesko's chain brands in Finland are clearly linked to the K-sign and Kesko, thus exploiting the Kesko image of traditional, reliable Finnish trade operator. Some chains, such as Intersport and Kodin Ykkönen, are marketed independently, with their own brands. This is particularly true of the speciality goods trade, where store images must be profiled more closely in line with specific customer groups.

Positioning is aimed at ensuring chains' competitiveness and creating brands that are as strong as possible and that support the set objectives. In Finland, Kesko and the K-Alliance's chains share a strong, positive image of retailer enterprise, good customer service, local operations and customer satisfaction. More information on the chains is given by respective division on pages 37-53.

In 2004, brand valuation was started as part of Kesko's systematic brand management. It is first applied to the 'K' and 'Kesko' brands. The purpose is to identify the elements that constitute brand value and to establish a solid and systematic model for value measurement while producing a measurable value for each brand. Subsequent valuation can be used for measuring relative value changes and for increasing brand value by focusing on the right constituents during brand creation.

Benefiting from division expertise

Each chain handles its marketing operations independently. This makes the best use of division expertise and allows a rapid response to competitive requirements. Actual marketing and brand operations use all modern channels and media depending on which best suit each case and target group.

In Finland, Kesko Food has five store chain brands: K-city-market, K-supermarket, K-market, K-extra and K-pikkolo. The objective is to further enhance the K-food stores' recognition level and to strengthen the K-brand's positive image.

The K-food store chains campaign under a common slogan 'K - a sign of something better'. The purpose of the three-year marketing programme is to tell consumers about the services and product selection offered by the most extensive food store network in Finland. The new slogan crystallises the uniform values attached to the K-brand by the chains.

Plussa and Pirkka

The success of the Plussa brand has relied on effective, long-term marketing and a well-functioning and versatile customer loyalty system. Plussa is the K-Alliance's supporting brand, which rewards customers for concentrating their purchases and unites the products and services offered by the Alliance's chains and partners. Plussa acts as a unifying element throughout the Alliance's marketing, and it is used to deepen the relationship between stores and consumers.

According to an annual survey of customers carried out by Consumer Compass Kuluttajatieto Oy, Plussa is Finland's best known customer loyalty programme scoring 89% in the 'top of mind' category and 99% in 'aided recognition'.

In addition to the chain brands and Plussa, Kesko has its own product brands of which the best known is Pirkka. There are over 1,300 Pirkka products, and their customer benefit is based on a good price/quality ratio.

The Pirkka brand's recognition rate in Finland is about 94%. The brand is being systematically developed further and there are around 200 new items introduced in the range every year. Kesko Food's own product research unit is in charge of the quality assurance of Pirkka products. In 2004, Pirkka ranked sixth in the top of mind survey conducted by Kampanja magazine among marketing professionals in Finland.

Kesko's role as a brand maker and marketing company is highlighted by the fact that it sells, markets and imports thousands of branded products through its division parent companies.

KESKO

Kesko has been a brand maker for a long time. Kesko and the K-sign have become familiar to everybody in Finland over Kesko's 60-plus years of existence. Kesko's store chains, organised by division, are brands in themselves and the Group's strength. Each chain has its own image and target group. Chain brands are built on a long-term basis and are, without exception, strong, highly valued and well-known factors in each product line.



The K-emblem was born over 70 years ago. In March 1947, this quality symbol was introduced in about 2,500 K-store windows.



The first Pirkka products were introduced in K-stores in 1986.



The Plussa customer loyalty programme was launched in November 1997.

Kesko outside Finland

Expansion in Finland's neighbouring areas has been an essential part of Kesko's strategy in recent years.

Kesko operates in the Baltic food trade, hardware and builders' supplies trade, and agricultural and machinery trade. Rautakesko also operates in Sweden and Russia. Internationalisation has been rapid and Kesko has increased its net sales by over one billion euros, gaining a significant foothold in the market within a few years. The objective is to increase international operations to account for over 20% of the Group's net sales.

● Kesko Food

Kesko Food and ICA Baltic AB, a company belonging in Sweden's ICA Group, each have a 50 percent holding in Rimi Baltic AB which started operating in the Baltic food market at the beginning of 2005. The joint venture has about 160 food stores operating under hypermarket, supermarket and discounter concepts in Estonia, Latvia and Lithuania and it aims to expand its store network in all of the Baltic countries.

The joint venture currently has about 15% of a total Baltic food market that is annually worth approximately 5.2 billion euros. The company's objective is to achieve market leadership in the Baltic countries. The total number of personnel is about 8,300.

In the future, all of the joint venture's hypermarkets will be based on the Rimi store type. The existing Citymarkets in Estonia and Latvia will be remodelled on the Rimi Hypermarket concept. The supermarkets will represent the Rimi Supermarket concept, whereas the discount stores will be modelled on the Estonian Säästumarket and the Latvian SuperNetto concepts. The plan is to expand the SuperNetto chain to Lithuania where the parties have not operated discounters earlier. The company's central logistics unit is located in Riga, Latvia and it has local units near Tallinn, Estonia and near Vilnius, Lithuania.

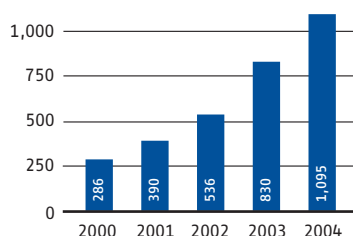
● Rautakesko

At present, there are 12 K-rauta stores operating in Sweden. Private customers account for some 85% of all customers. As elsewhere, the K-rauta stores' competitive advantage rests on their extensive, diversified product selection and service packages offered to customers. Rautakesko's market share is about 4%. The aim is to build a network of about 25 K-rauta stores and to achieve a share of about 10% in the hardware and builders' supplies market. Three K-rauta stores are planned to open during 2005.

In Estonia, Rautakesko has four retail outlets and a nationwide wholesale network. Private customers account for some 50% of all customers. Rautakesko is the leader of the Estonian hardware and builders' supplies trade with a market share of about 20%.

In Latvia, Rautakesko operates one K-rauta store in Riga and a wholesale network covering the whole country. In the summer, the first K-rauta partner store was opened in Guldiga. Rautakesko's market share is about 5%.

Group net sales outside Finland (+ exports), EUR million



Lithuania's largest hardware and building supplies company, UAB Senukai Prekybos centras, is the market leader in the Lithuanian building supplies and DIY trade with a market share of about 25%. Rautakesko has a majority holding in the company. Senukai has 13 outlets of its own and 77 Partnerships. Senukai's customers include both consumers and professional customers alike.

Rautakesko aims to strengthen its market leadership in the Baltic countries. In 2005, 2 K-rauta stores are planned to open in Latvia. In addition, Senukai will expand its operations in Lithuania.

In July, Rautakesko signed a letter of intent to acquire a majority holding in the St. Petersburg company which owns the Stroymaster DIY store chain. Stroymaster is one of the major DIY (Do-It-Yourself) store chains in the St. Petersburg area. Currently it has 4 stores in the St. Petersburg area and a fifth is under construction. The purchase of shares will be made by 15 March 2005 at the latest. In addition, Rautakesko has a wholesale outlet and warehouse in Moscow.

● Agricultural and machinery trade

Agricultural and machinery trade centres are located in Jüri, Estonia, in Riga, Latvia and in Vilnius and Kaunas, Lithuania. Kesko Agro's network also includes two district centres in both Estonia and Latvia and one in Lithuania, plus about a total of about 50 spare parts and accessory dealers throughout the Baltic countries.

In Estonia, Kesko Agro has a market share of about 30% of the agricultural and machinery trade. The corresponding figure for Latvia is about 23% and for Lithuania about 14%. Kesko Agro is the biggest company engaged in the agricultural trade in the Baltic countries.

● Keswell

Indoor Group Ltd, acquired by Keswell Ltd, has Asko and Sotka furniture stores in Sweden, Estonia and Latvia, in addition to Finland. Asko has two stores in the Greater Stockholm area in Sweden, one store in Estonia and one in Latvia. Sotka has three stores in Estonia and one in Latvia. Indoor Group also has a logistics centre in Tallinn.

Anttila carries on its mail order business in Finland, Estonia and Latvia. Additionally, there is an Anttila mail order store in Estonia.

● Kaukomarkkinat

Kaukomarkkinat's strategic focal area is the international technical trade in the machines, equipment, raw materials, supplies and services needed particularly in the professional production of manufacturing industries.

Kaukomarkkinat has offices in 12 countries. In addition to Finland, it has major operations in China, Russia, the Nordic countries, Poland and the Baltic countries.

Operating environment

Major developments in the trading sector

- Trade is concentrating and becoming increasingly international.
- Price competition is continuing to intensify.
- Competition for customer loyalty is becoming keener.
- The trading sector's role as a producer of services is strengthening.
- Corporate responsibility and company ethics are becoming increasingly important.
- New enterprise resource planning systems are improving efficiency within trade.

Market areas

Kesko Group's main market area is Finland. In accordance with its strategy, the Group has expanded its operations to the neighbouring countries of Sweden, Estonia, Latvia, Lithuania and Russia. In addition, Kaukomarkkinat Oy's operating areas also include Denmark, Germany, Poland, Hungary, China and Vietnam.

While Finland and Sweden are considerably larger market areas than Estonia, Latvia and Lithuania, they are still small by European standards. What is common to all these countries is their relatively sparse population, concentrated in the largest towns.

Strong domestic demand has maintained economic growth in all of Kesko's market areas in recent years. Low inflation, tax reductions and low interest rates have boosted the growth of consumption in Finland. Private consumption is forecast to grow in Finland by slightly less than 3% annually during the next few years. In the future, private consumption in Finland will be influenced by a slowdown in the increase of households' disposable real income and by an anticipated rise in interest rates.

Private consumption is expected to increase by over 2% in Sweden, while the growth of consumption in the Baltic countries is estimated to stabilise at about 4% in the next few years. Wage and salary rises, low inflation, improved employment rates and the increase in loans have contributed to the very rapid growth of private consumption in the Baltic countries.

Trading trends

Customer relationship

Consumers' shopping behaviour is characterised by strong fragmentation. Shopping behaviour varies depending on the situation and need, and the final buying decision is a result of many factors. A variety of store types have emerged in the retail market to serve the increasingly varied needs of increasingly discerning customers. Some consumers like to shop in hypermarkets that offer a wide range of products, while others prefer speciality stores that focus on expert service. An example of a growing store type is the stores that operate at service stations. Kesko established a joint venture (Pikoil Oy) with Fortum, which aims at establishing a chain of about 200 service station stores in Finland.

Competition between trading groups for customer loyalty is fierce. Trade operators' customer loyalty programmes have developed into comprehensive partnership schemes with an increasing number of auxiliary services offered in connection with shopping. The key medium in Kesko Group's customer strategy is the Plussa customer loyalty system. There are over 3 million Plussa cardholders in 1.6 million Finnish households (about 65% of households).

Moreover, the role of wholesaling is continuing to change fast. Customers expect a comprehensive service, in which the store is responsible for the entire provision of goods.

Price competition

The internationalised competitive environment has changed the price structure of the Finnish retail market. New international operators often concentrate on certain, very narrow operating systems and uniform store concepts, and use low prices in order to attract customers.

In Finland, as in many other countries, some consumers make their buying decisions strictly on the basis of low prices. Currently, discount stores' share of, for example, the grocery trade in European countries varies from 5% to nearly 40%. Kesko Food is using Cassa discounters to test the new concept in the food discounter market.





Kesko Machinery opened a new MAN Truck & Bus Center in Niipperi, Espoo in spring 2004. Jarmo Liimatta, MAN Mechanic, is happy with the new working conditions, as the service and repair shop equipment is the most modern in Finland. Kesko Machinery imports and sells German MAN trucks and MAN and Neoplan buses.

Private labels

The number and market share of trading companies' own branded products are continuing to grow. The trend is global particularly in the grocery trade. Private labels allow store chains to cut costs, improve profitability and keep the entire operating process in their hands, from product planning all the way to the customer. Consumers' convictions about the reliability and good quality of private labels also enable trading companies to increase customer loyalty and better maintain equality with international operators.

Kesko Food has increased its number of private labels considerably. Kesko's own brands - Pirkka, Euro Shopper, Costa

Rica and Rico - are better displayed in the stores and have also been given more shelf space. Kesko's other private labels include the Menu product range for Kespro Ltd's wholesale customers, Kesko Agro's K-Agro, Rautakesko's K-Prof, Kesko Sports' Nopsa, Kesko Musta Pörssi's Ahma, and Anttila's Twice and Alley products.

Suppliers

Suppliers to the retail industry are increasingly bigger and more international. Staying up with the competition requires that retail operators join in partnerships and comprehensive purchasing co-operation with both domestic and foreign store chains.

Kesko's net sales by division and market area in 2004, EUR million

	Finland	Sweden	Estonia	Latvia	Lithuania	Russia	Other
Grocery trade*	3,468		254	85		5	
Hardware and builders' supplies trade	731	92	51	22	249	5	
Agricultural trade	477	0	51	52	63		9
Machinery trade	146	6	0	0	0	0	12
Home and speciality goods trade	770		10	12		1	
Car trade	619	0	5			4	4
Kaukomarkkinat	215	16	9	3	5	13	55
Total	6,426	114	380	174	317	28	81
Total, %	85.4	1.5	5.1	2.3	4.2	0.4	1.1

* incl. Kesko Food's home and speciality goods trade

Kesko Food works in co-operation with the leading European food chains in AMS (AMS Sourcing B.V.), and is a partner in the WorldWide Retail Exchange. The WWRE is a business-to-business web marketplace. Other examples of purchasing co-operation include Intersport International in sports goods and EP:International in home technology.

Corporate responsibility

Company ethics and corporate responsibility are also further emphasised in the trading sector. An increasing number of consumers are interested in what kind of conditions and on what kind of terms goods are produced across the world, and in what their life-cycle is like from the point of view of the environment. Investors also want more diverse information about company activities for their risk management. Kesko continues its work as a frontrunner in corporate responsibility. In the future, the principles of corporate responsibility will be extended to cover the Baltic countries and Sweden, too. Corporate responsibility is being widely implemented in the form of economic, social and environmental responsibility, and can be seen in practice in the following examples:

- 'Our working practices' - ethical principles for personnel
- the development and training of personnel: the K-instituutti is one of the most important providers of adult training in Finland

- emphasis on occupational safety and preventive occupational health care
- adoption of the social standard (SA 8000) in the quality control of purchases from developing countries
- versatile development of environmental issues in stores, e.g. K-environmental store diplomas
- further increasing the number of organic products
- improving the energy efficiency of business buildings
- using the core and shell concept in building, in which the business premises (core) can be flexibly modified during the life-cycle of the building (shell)
- a wide and versatile store network

New applications of information technology

Technological developments related to retail operations are changing store operations. The new enterprise resource planning systems of the store chains meet the needs of closer chain control. New store technical solutions and information system developments require learning by both trade operators and consumers. Information technology solutions will inevitably become part of the shopping process and consumers will become more willing to use them as their IT skills improve.

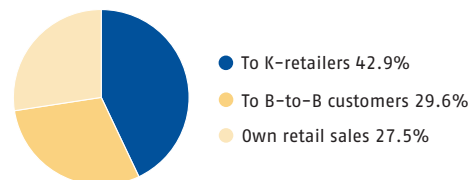
Future alternatives to the traditional shopping visit are electronic ordering tools and, if requested, home delivery services that are being developed for the needs of ageing people,

Market outlook for 2005

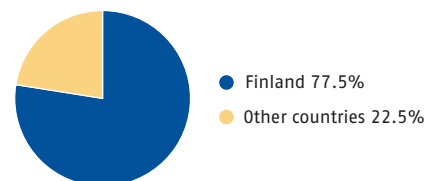
	Total market, EUR billion	Change,%, estimate
Kesko Food	26.0	
Finland*	21.0	+1-+2
Estonia	1.0	+5-+7
Latvia	1.5	+5-+7
Lithuania	2.5	+5-+7
Rautakesko	8.1	
Finland	3.3	+2-+3
Sweden	3.7	+4-+5
Estonia	0.4	+6-+8
Latvia	0.3	+6-+8
Lithuania	0.4	+6-+8
Kesko Agro	2.3	
Finland	1.7	+1
the Baltics	0.6	+5-+10
Kesko Machinery	1.4	
Finland	1.3	+/-0
the Baltics	0.1	+5-+10
Keswell	7.9	+2-+3

* incl. HoReCa market, other grocery distribution channels and Alko

Group sales in 2004



Group purchases in 2004



Kesko succeeded in sustainability comparison. In 2004, Kesko was selected for the second time in the Dow Jones sustainability Index for European companies (STOXX Sustainability Index or DJSI STOXX). The work done by Kesko in corporate responsibility was rated the best in the sector (Non-Cyclical Goods and Services). Compared with the previous assessment, Kesko's performance in economic responsibility, in particular, has improved.



RFID pilot project. Kesko Food will test radio frequency identification for roll-containers in 2005. The aim is to find out how the roll-containers should be marked, what kinds of readers are needed and where they should be placed. Pictured here is the Rafsec tag.

for example. Many Finnish consumers still have a negative attitude towards home deliveries and buying groceries on the web. They consider the service expensive and have doubts about the quality of the food.

The majority of Kesko's Internet trading consists of sales to K-retailers and other B-to-B customers. They include the food trade to catering customers developed by Kespro and the web trading sites developed by Rautakesko, Kesko Agro, Kesko Machinery and the Kodin Ykkönen department store for home goods and interior decoration. In addition, NetAnttila is the frontrunner in consumer web trading in Finland.

Legislation

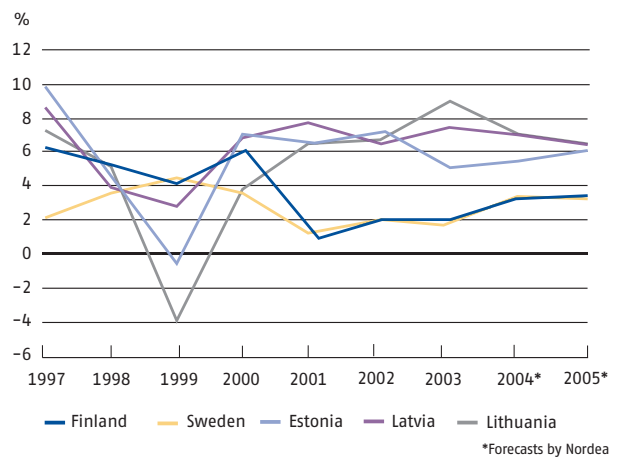
On 1 May 2004, an amendment to the Finnish competition legislation, which is vitally important for the trading sector, abolished the exemption system. Competition authorities no longer grant advance exemptions. Instead, companies themselves are responsible for assessing the legality of their operations.

Now that car and alcohol taxes have been reduced, many interest groups in Finland are also expecting more clear-cut provisions for store opening hours. There is also discussion going on about the reduction of value added tax on food.

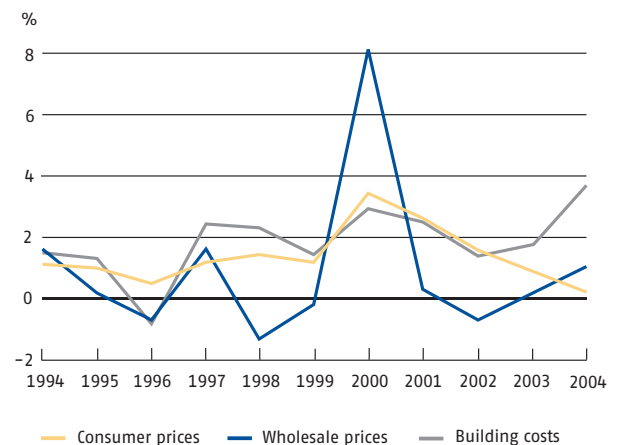
Financial market

All market areas in which Kesko is active enjoy a situation where interest rates are significantly low compared with the growth rate of real income, which has a stimulating effect on private consumption and investment. As Finnish interest rates are determined on the basis of the weaker economic situations prevailing in the large euro zone countries, the Finnish financial environment is expected to continue to be positive for Kesko's business operations. The accession of the Baltic countries to the European Union has caused their interest rates to come down towards the EURIBOR level, which has lead to promising growth prospects there also.

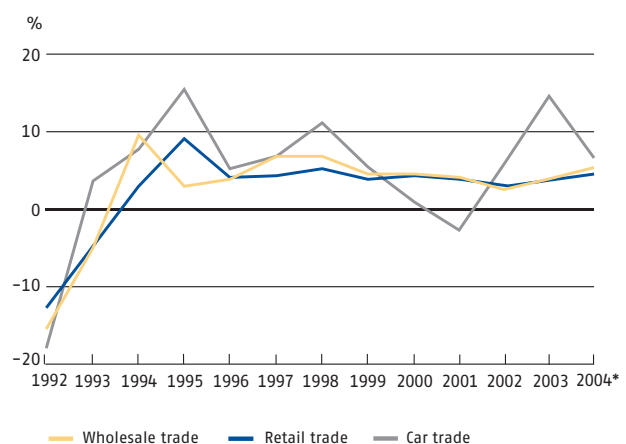
Annual changes in gross domestic product, 1997-2005



Changes in prices and building costs in Finland, 1994-2004



Changes in trade volume in Finland, 1992-2004



Source: Statistics Finland
*Forecast by ETLA, the Research Institute of the Finnish Economy

Competitive environment and competitors

Competitive environment

Significant structural and operational changes are taking place in all of Kesko's market areas in the trading sector. Trade is being concentrated, chains are being formed and internationalisation is continuing. The number of foreign players in the Finnish retail trade remains relatively small compared with Sweden, for instance. However, in the wholesale trade, foreign players account for a large proportion of the Finnish market.

Many international chains focus on a very narrow operating model and uniform store concepts, aiming to gain competitive advantage through cost-efficiency.

Internationalisation is reflected in greater price competition, particularly in the grocery trade. Kesko Food has responded to this trend by increasing the number of house brands, by improv-

ing operational efficiency with a new enterprise resource planning system, and by lowering the prices of products.

The tighter competitive situation highlights the importance of the management, control and enhancement of the entire operations chain. It is also important to create store-specific competitive advantages and to increase the opportunities for stores to adapt to local circumstances. Enhanced chain operations combined with retailer enterprise provide Kesko with a significant competitive edge in the Finnish market.

In the Baltic countries, trading continues to move from open-air markets to shopping centres and new food stores. The structural change underway in the trading sector there is creating new opportunities for both local and foreign players.

Market shares and main competitors

The market shares are Kesko's own estimates of the K-Alliance's retail trade for 2004, unless another source is given.

Markets and market shares always depend on definitions, those of product lines and geographical market areas, for instance, and on the data available. The market share estimates presented on this page are based on the best sources and research available.

● Food trade

FINLAND
Market share 35.5%
Competitors: S Group, Tradeka, Spar Group, Lidl, Stockmann, discounters
HoReCa market share 21%
Competitors: Meira Nova, Wihuri Metro, Heinoon Tukku, manufacturing industry

ESTONIA
Competitors: ETK, Kaubamaja/Selver, S Group, open air markets

LATVIA
Competitors: VP Market, Nelda, Mego, open air markets

Rimi Baltic AB, a 50-50 joint venture of Kesko Food Ltd and ICA Baltic AB (part of the Swedish ICA Group) started operations in all Baltic countries at the beginning of 2005. The Estonian, Latvian and Lithuanian grocery operations of both Kesko Food and ICA Baltic have been transferred to Rimi Baltic. The target is to gain market leadership in the area and a 25 percent market share within three years.

● Hardware and builders' supplies trade

FINLAND
Market share 35%* (includes sales to business customers)
Competitors: Starkki, Bauhaus,

Puukeskus, Puumerkki, S Group, speciality stores
* Finnish Hardware Association, Kehittyvä Kauppa magazine

SWEDEN
Market share 4%*
Competitors: Bauhaus, Coop, Hornbach, local chains and speciality stores
* Konjunkturinstitutet (KI), Handels Utredningsinstitut (HUI), Statistiska Centralbyrån (SCB)

ESTONIA
Market share 20%
Competitors: Ehituse ABC, Esraven, Espak, Ehitus Service

LATVIA
Market share 5%
Competitors: Tapeks, Nels, Aile, Elektrosistemas, Max Schon

LITHUANIA
Market share 25%
Competitors: local chains and speciality stores

● Agricultural trade and machinery trade

FINLAND
Agricultural trade
Market share 35%*
Competitors: S Group (Hankkija-Maatalous, Agrimarket), Yrittäjien maatalous Oy, Suomen Maataloustukku Oy
*Food and Farm Facts Ltd's market information and registration statistics

Machinery trade
Market share 8-22%*

Competitors: Otto Brandt (Honda, Polaris), Volvo, Rocla, Mercedes-Benz lorries

* registration statistics

ESTONIA

Agricultural trade

Market share 32%

Machinery trade

Market share 12%

Competitors:

- agricultural supplies: Kemira Grow How, Farm Plant, Agribalt
- agricultural machinery: Mecro, Tatoli, Sampo Group, Arvi Tammel
- animal husbandry machinery: De Laval
- Kesko Machinery: Wittractor, MTC, Thomesto Machine

LATVIA

Agricultural trade

Market share 25%

Machinery trade

Market share 10%

Competitors:

- agricultural supplies: Kemira Grow How, Agribalt
- agricultural machinery: Agribalt, Preiss
- animal husbandry machinery: De Laval
- Kesko Machinery: Wittractor, MTC, Thomesto Machine

LITHUANIA

Agricultural trade

Market share 15%

Machinery trade

Market share 11%

Competitors:

- agricultural supplies: Kemira Grow How, Agrokonzernas, Lit Agra
- agricultural machinery: Rovaltra, Olsen Baltic, LV Group, Lyt Agra
- animal husbandry machinery: De Laval
- Kesko Machinery: Wittractor, MTC, Thomesto Machine

● Home and speciality goods trade

FINLAND

Sports trade

Market share 36%*

Competitors: Sportia, Top Sport, Stadium, department stores and hypermarkets, other speciality stores

Home technology trade

Market share 20%*

Competitors: other speciality stores, department stores and hypermarkets, sports stores

Shoe trade

Market share 19%*

Competitors: other speciality stores, department stores and hypermarkets, sports stores

Department store trade*

Competitors: S Group, Tradeka, Stockmann, Ikea, furniture and interior decoration stores

* Market share estimates for the home and speciality goods trade include the sales of home and speciality goods through Keswell's chains only. The market share of the department store trade cannot be calculated.

● Car trade

FINLAND

Volkswagen passenger cars 10.6%*

Competitors: Toyota, Ford, Opel, Nissan, Peugeot

Audi passenger cars 3.0%*

Competitors: Mercedes-Benz, BMW, Volvo, Saab

Volkswagen vans 16.7%*

Competitors: Toyota, Ford, Mercedes-Benz, Fiat

Seat passenger cars 1.1%*

Competitors: Alfa Romeo, Skoda

* Statistics Finland/the Finnish Vehicle Administration AKE

Intellectual capital

These pages (21–29) provide information about Kesko's intellectual capital. The term refers to primarily immaterial components that, in addition to financial components, play an essential role in Kesko's profit making capacity and success. The categories of intellectual capital are human capital, structural capital and relationship capital.

Kesko has initiated an analysis of its intellectual capital. Initially, the aim is to identify the most significant components for Kesko's business operations and to establish their current status. In many areas, such as the development of the personnel's competence and processes, Kesko has already achieved important results, although these actions have not necessarily been examined from the point of view of intellectual capital as a whole.

Human capital comprises the competence, knowledge and innovation of the personnel and the management.

Structural capital comprises the company's structures, processes, brands, concepts, organisational culture and data warehouses.

Relationship capital comprises the relationships with customers, business partners, suppliers and other stakeholders.

Human capital/personnel

In line with its values, Kesko wants to exceed its customers' expectations, be the best operator in the trading sector, create a good working community and bear its corporate responsibility. Kesko's human resources (HR) policy includes the strategy-driven development of competence and value-based leadership. The policy aims to support the achievement of Kesko's goals and vision. Kesko strives to be the most attractive and stimulating employer in the trading sector.

The number of Kesko employees has increased substantially with the biggest growth being recorded in the Group's subsidiaries outside Finland. In 2004, the average total number of Kesko personnel (including the joint venture Pikoil Oy) was 17,528 (15,219) of whom 10,307 (9,859) worked in Finland and 7,221 (5,360) in other countries.

A more detailed review of personnel issues will be given in the 2004 corporate responsibility report, to be published in spring 2005, which examines human resources from the perspective of social responsibility. The report will include separate statistics for each country of operation, concerning types of employment, sickness absence, salaries and training.

Human resources policy sets the direction for human capital

Kesko's HR policy is based on Kesko's values and their purpose is to support the implementation of Kesko's vision and strategy, and to give direction for personnel activities. The values guiding Kesko's operations are presented on page 5.

The main objectives of the HR policy and human capital components are a situation in which:

- Kesko has the competence it needs to fulfil its vision
- Kesko's leadership is goal-oriented and in conformity with its values
- Kesko is a good and stimulating working community

The HR policy is common to the whole Group. It has been adapted and put into more concrete terms in the division parent companies' HR programmes.

Kesko's HR professionals act in close support of business operations. HR managers from the Group management and various divisions make up a team whose purpose is to promote the implementation of the policy, develop HR competencies and transfer best HR practices. In 2004, special emphasis was put on establishing joint HR processes and supporting managerial work.



Heidi Suominen, Picker at Kesko's Central Warehouse, Vantaa. Thanks to its awarded 'TOP' online training programme in work safety and ergonomics, all of Kesko Food's warehouse employees have learnt to avoid work-related strains causing back, neck and shoulder pains. Kesko Food is a pioneer in online training in Finland.

Human capital comprises leadership skills and their development methods, the educational level and competencies of the personnel, specialist and managerial reserves and the quantity and quality of development measures.

Competencies

The competence requirements of the personnel are derived from the business strategy. These requirements form a basis for defining what kind of competencies and competence combinations (core competencies and critical competencies) Kesko needs in order to ensure its competitive advantage. The division parent companies are responsible for the development and training of their employees, while managers and the manager reserve are developed at Group level.

Core and critical competencies support strategy implementation

In 2004, Kesko Group's core and critical competencies were defined. They will be used to ensure the successful implementation of strategy in the Kesko Group and the division parent companies by developing competencies that are essential for the future. The core competencies are the bedrock of Kesko's future success and they will help it to respond to customers' needs better than competitors can. The critical competencies support the core competencies and thereby strengthen the company's competitiveness.

The definition of the core and critical competencies was based on the Kesko Group's mission, vision, strategy and values. At the same time, the current status and future goals and benefits of the competencies were evaluated. Many people from different units of the Group participated in the definition. A participatory process was adopted in order to ensure the best possible correspondence between the core and critical competencies and the challenges faced by different parts of the Group. The core competencies are common to the whole Group. Competencies are implemented separately in each division.

Kesko's core competencies are:

- generating superior customer benefit
- productively combining Kesko's and its partners' competencies
- creating a motivating culture

Systematic development of personnel

The participation of the personnel in the planning and development of operations has increased transparency and commitment. Each unit draws up an annual personnel plan which covers human resources development, information flow, meeting practice and performance and development reviews.

These reviews focus on setting targets, evaluating the achievement of targets, giving feedback and planning individual development, and the objective is to conduct the review at least once a year with every employee. The degree of satisfaction with the performance and development reviews is monitored by job satisfaction surveys, for example.

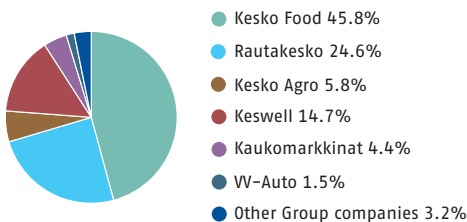
Versatile jobs

In selecting new employees, the criteria will be the professional and other skills related to the job, educational qualifications, experience and development potential. The size and versatility of the Kesko Group provide many opportunities for self-development and promotion to increasingly challenging tasks. There are about 650 different job titles in the Group.

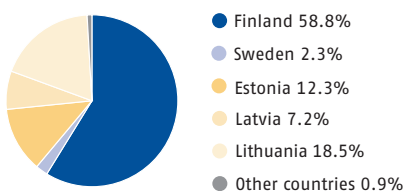
Internationalisation adds to the jobs opportunities in the Kesko Group. About one third of the personnel work outside Finland and there is a strong international element in the working environment of many other jobs (purchasing, logistics etc).

Kesko has an efficient in-house job market, as evidenced by the approximate 500 annual recruitments within the Group. External recruitment is mainly adopted for vacancies in retailing and logistics. Working at Kesko is also a good stepping stone towards a K-retailer career.

Kesko Group's personnel by division average in 2004



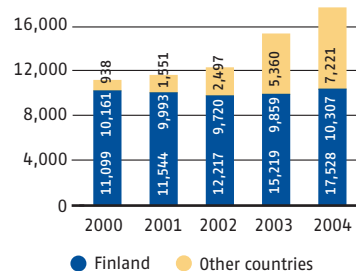
Kesko Group's personnel by country average in 2004



Group personnel structure, average in 2004



Number of Group personnel, average (converted into full-time employees)





Ari Virnes, Vice President of the K-supermarket Chain, records the results of team deliberations at the Kesko Management Strategy Seminar held at Haikko.

K-instituutti – transforming knowledge into competence

As the development centre of the K-Alliance, the K-instituutti eases the implementation of Kesko's strategies by improving the competencies of organisations and personnel and by supporting the change processes. The K-instituutti produces both open and tailored training services. Training programmes apply the latest information technology and online learning is widely used.

More than half of the K-instituutti's training is planned and implemented in response to specific customer needs. In 2004, the most extensive single training project was the introduction of a new enterprise resource planning system and related practices in the K-food stores.

Retailer training programmes preparing students for the 'Further Qualification in Entrepreneurship' have formed an essential part of the K-instituutti's operations since its estab-

lishment in 1952. The contents and emphasis of the programmes have been adapted to new requirements. In 2004, the retailer training programmes were revised in co-operation with the Kesko Food unit responsible for the retailer reserve. The open development programmes also include the K-JET 'Specialist Qualification in Management', courses for sales assistants and managers, and the 'Specialist Qualification for Foodstuffs Managers'.

In 2004, the K-instituutti trained about 9,000 Kesko employees, K-retailers and K-store employees.

Management and leadership

Management and leadership are being systematically developed at Kesko in order to produce management that is based on Kesko's values. This management model aims at the long-

Operations of the K-instituutti in 2000–2004

	2000	2001	2002	2003	2004
Net sales, EUR million	4.4	4.9	3.9	4.3	4.2
Number of personnel	60	63	48	42	48
Number of student days	22,652	22,349	19,096	20,556	18,106
Number of students	6,665	9,180	6,147	8,570	5,981

term, successful development of operations and uniform management practices.

Development of leadership and management

The K-instituutti training centre's manager programmes support career advancement and teach the basic skills of management and leadership. The K-instituutti's courses include training programmes for Kesko superiors and managers, retailers, store superiors and other personnel. Kesko superiors' competencies and readiness to change - crucial for the points of focus - are developed in an induction course and subsequent three-stage training programme. The whole package of training programmes for Kesko superiors and managers was revised during 2004.

The development of managers and superiors is complemented by other training and by the provision of important opportunities for job rotation. The systematic evaluation of management practices has been gradually expanded to other supervisory tasks.

The development programme of Kesko's management and manager reserve aims to ensure sufficient and qualified management resources for today and the future. In 2004, this area was strengthened by appointing a full-time management development officer. The development actions will emphasise both the personal aspects of management (i.e. making use of individual differences) and the organisational aspects (i.e. how results can be achieved).

Every year Kesko selects a Manager of the Year, with the purpose of highlighting the best managerial practices that promote Kesko's values. The Manager of the Year in 2004 was Anu Pihlaja, Sales Director of Kodin Ykkönen, Anttila Oy.

Good and stimulating working community

Enhancing working atmosphere

A good physical, mental and social working environment is a prerequisite for the well-being and good performance of employees. The most important and versatile personnel indicator is the job satisfaction survey. This annual survey measures the

- satisfaction with one's own job
- satisfaction with one's superior's performance
- satisfaction with one's own unit's operations
- satisfaction with Kesko's operations

In 2004, the response rate was 68.3%, representing a slight increase over the previous year. The year 2004 survey was redesigned in order to measure the factors contributing to a good working atmosphere even more accurately. Therefore the results are not fully comparable with those of the previous years.

The changes in job satisfaction in Finland are presented in the table below.

Group job satisfaction (scale 1-5)

	2001	2002	2003	2004
Own job	3.73	3.72	3.71	3.79
Superior's performance	3.82	3.82	3.79	3.80
Unit's operations	3.73	3.78	3.76	3.76
Kesko's operations	3.60	3.71	3.70	3.68

The employees' assessments remained roughly the same as in the previous years. Awareness of the goals of one's own work and unit and of the importance of customer satisfaction were given the highest ratings. The most important areas for improvement included internal mobility opportunities, the flow of information and the emphasis on the personnel's welfare.

In 2004, the survey was carried out for the third time in all Kesko Group subsidiaries outside Finland, except in Senukai in Lithuania.

In 2004, the dangers of work were assessed for the first time in a uniform manner in all units in Finland. Kesko personnel filled in an online questionnaire about the physical and psychosocial adversities and dangers of their jobs in compliance with the Act on Labour Protection. Such a comprehensive survey will not be conducted annually, but Group companies and units may use the questionnaire as often as best serves their needs.

Operation in compliance with values

Implementation of Kesko's values is monitored in a Group-wide value survey, the latest being carried out near the end of 2003. Value-based activities include selecting Kesko Employees of the Month, preparing equality plans, monitoring customer satisfaction, acting on quality management principles and taking steps to ensure well-being at work.

Kesko and the K-Retailers' Association have jointly established ethical principles for the personnel, based on Kesko's common values. They are compiled in a booklet entitled 'Our Working Practices', which is discussed on page 5. The booklet has been distributed to all Kesko personnel and is included in the induction programme.

Kesko Employees of the Month in 2004

The selection of an 'Employee of the Month' continued in 2004. It is intended to highlight individuals who set a good example in promoting Kesko's values. During the year, the practice was also expanded to include personnel of subsidiaries outside Finland.

Employees of the Month in 2004 were:

January: Timo Metsäranta, Sales Manager, Kesko Food Ltd/Category Management, Vantaa

February: Mikko Akonniemi, Forklift Driver, Kesko Food Ltd/Purchasing and Logistics, Vantaa

March: Riitta Warteva, Marketing Assistant, Kesko Food Ltd/Neighbourhood Chain Unit, Tampere

April: Riitta Laakkonen, Mailing and Copy Centre Clerk, K-instituutti Oy, Espoo

May: Kirsi Kaarnais, Coordinator, Kesped Ltd, Turku

June: Mikko Puhakka, Department Store Director, Kesko Food Ltd/K-citymarket, Jyväskylä

July: Pirkko Lukkarila, Credit Secretary, Kesko Food Ltd/K-chain retailer process, Oulu

August: Maarit Tornberg, Project Coordinator, Kesko Food Ltd/K-citymarket, Helsinki

September: David Göthage, Sales Assistant, Rautakesko Ltd/K-rauta AB, Göteborg, Sweden

October: Antti Hämäläinen, Sales Consultant, Kesko Food Ltd/Kespro Ltd, Tampere

November: Pertti Vartia, District Manager, Kesko Food Ltd/K-supermarket, Tampere

December: Raija Silen, Complaints Settlement Clerk, Kesko Food Ltd/Purchasing and Logistics, Turku



The Kesko Staff Club offers employees hobby activities ranging from physical exercise to cultural pursuits. In autumn 2004, the Club arranged a cooking course entitled 'A culinary trip to Italy' led by Chef Sami Garam. The 16 Kesko participants prepared an antipasto table consisting of deep fried fish, shellfish and bruschetta bread, followed by parmesan-coated chicken breast with saffron risotto and tiramisu cake for dessert. Sami Garam is shown with Anne Mikkola, Kesko Food's Assistant Controller (left), and Kirsi-Marja Laulaja, Kesko Food's Controller (right).

Kesko personnel have many opportunities to give feedback, including direct feedback to the top management. The Keskonet intranet has a channel entitled 'mail to the President and CEO' and a 'direct channel' where employees may, anonymously or under their own name, comment on matters related to Kesko.

Equality plan

In 1996, Kesko Corporation prepared an equality plan, and since then its implementation has been evaluated annually. Its targets include encouraging women and men to apply equally for job vacancies, promoting equal opportunities for women and men in training and promotion, enhancing equality in salary levels and eliminating attitudes that work against equality.

The equality plan is available on Kesko's Internet pages at www.kesko.fi, under the heading 'Jobs'. More detailed statistics for 2004 can be found in the corporate responsibility report that will be published in spring 2005.

Occupational health service unit

The occupational health service unit mainly focuses on activities that maintain working capabilities. These account for some 40% of operations. The unit improves the well-being of personnel at work by influencing individual employees, the working community and the working environment. One area of focus is to support the working capacity of ageing and disabled employees. The occupational health service unit carries out an increasing number of working place assessments, guiding them towards the adoption of safe, ergonomic and healthy working methods, and enhancing safety at work.

The unit has participated in the preparation of induction programmes to teach ergonomic working methods to new and old employees, particularly those doing physical work. Each year about 100 employees participate in rehabilitation programmes initiated and controlled by Kesko's own occupational health service unit. The rehabilitation is implemented and paid for by the Social Insurance Institution. Additionally, Group superiors have participated in a 'job attitude' course run by the Social Insurance Institution. This course prepares superiors to handle the pressures of their job and to enhance the welfare and working capacities of their subordinates. The occupational health service unit also actively participates in labour protection and first aid activities. More detailed statistics for 2004 can be found in the corporate responsibility report that will be published in spring 2005.

Pension matters

In Finland, the Kesko Pension Fund and Varma Mutual Pension Insurance Company provide Kesko Group's personnel with pension benefits. In subsidiaries operating outside Finland retirement plans are designed in compliance with local legislation and practice.

The Kesko Pension Fund is responsible for the pension insurance policies of over 4,000 persons belonging to the Kesko Group. About 1,100 of these are members of the Pension Fund's department A - now closed - which provides them with extra benefits. There are about 3,200 Kesko pensioners. The Pension Fund grants 60-100 new pensions annually. The average retirement age of the Pension Fund pensioners has increased slightly since 1996 to 56.8 years at the end of 2004. In 2004, the average retirement age of Varma Mutual Pension Insurance Company pensioners was 57.4 years.

Kesko Sickness Fund

The Kesko Sickness Fund operating in Finland serves nearly 11,000 Kesko Group employees. The Sickness Fund is responsible for paying the benefits provided for in the Sickness Insurance Act.

Kesko Staff Club

The Kesko Staff Club arranges recreational activities for personnel in the Finnish units, thus promoting a good company spirit and working capacity.

The second physical fitness campaign targeted at all K-Alliance personnel was arranged in spring 2004. On the same occasion, a leaflet on the subject compiled by the Kesko Staff Club and the K-Team in co-operation, was distributed to Kesko superiors and K-retailers.

Structural capital

Kesko's structural capital comprises the company's organisation, processes and methods, concepts, data warehouses, product brands and marketing symbols, as well as other documented information and ideas.

Management system

Kesko Group's operations are planned and managed using the Kesko management model, in order to attain the objectives set by management. The model establishes a uniform set of concepts to be pursued consistently throughout the Kesko Group. Analogous operations that are in conformity with quality management create opportunities for steering the whole Group in line with the selected strategy. The aim is the long-term development of operations, ensuring future success.

The main points of focus of the management system are customer-orientation, people management, the promotion of participation and co-operation, greater efficiency and the development of competitiveness and economic value added (EVA). The model includes the regular monitoring of information, its analysis and the drawing of conclusions which serve as the basis for planning, decision-making and operation.

Kesko's strategy is implemented through long-term action plans and annual plans. Kesko's management system can be roughly divided into annual action plans and plan implementation. Kesko's long-term strategic planning is based on Kesko's mission, vision, values and corporate policies. In all parts of the Group, it starts with strategic analyses, which include analyses of the operating environment, customers, markets and resources. The strategy is updated to correspond with the views on the goals, competitive advantages and other key op-

erating factors of the Group, division parent companies and their units.

The definitions are summarised and described using scorecards, which also include indicators for monitoring strategy implementation and operations control. The units' operating plans, personnel plans and budgets are generated from the annual plans.

Kesko Corporation and some of its subsidiaries have adopted a performance-based bonus system which has been further developed to better take the scorecard indicators into account. Key factors contributing to the bonus are the total performance of the Group and the division, the sales and performance of individual units or their development, and customer satisfaction. In addition, various process indicators may be used. For management, the job satisfaction of personnel is another contributing factor. The bonuses payable for 2004 will be clarified as soon as the 2004 financial results have been verified in the spring of 2005. About EUR 10 million were paid in bonuses for 2003.

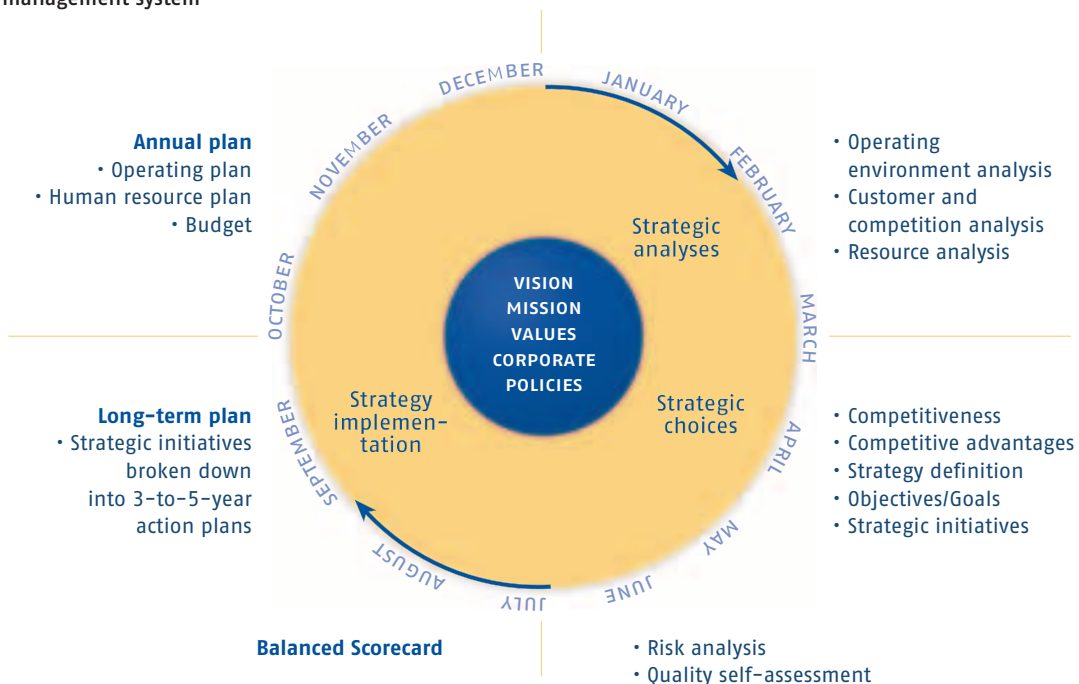
Quality management

All Group units carry out regular self-assessments on the basis of the criteria of the Finnish Quality Award. An internal quality prize competition stimulates the personnel to improve their performance. Representatives of Kesko's management and key personnel act as evaluators, which provides a wide opportunity to quality management training.

In 2004 Anttila Oy, a Keswell subsidiary, won the Finnish Quality Award competition. According to the jury, Anttila's success was proof of its business competence, which has enabled Anttila to achieve excellent results and sustainable competitiveness in its line of business. Anttila scored nearly 550 points in the competition.

In the same competition organised by Excellence Finland, ten organisations received the 'Recognized for Excellence in Europe' award of merit. Among them were as many as three

Kesko's management system



K-Alliance representatives: in addition to Anttila Oy, Kespro Ltd and K-supermarket Länsitori (Tampere) demonstrated the excellence of their operations.

Brands and immaterial rights

Strong brands and store concepts play a central role in Kesko's operations. They are used to improve customers' image of Kesko's products and services and to differentiate them from competing products and services. Kesko's own brands (private labels) are also important in profitability management. Creating private labels is long-term, responsible work, because any product flaws or poor service reflects directly on the brand and Kesko as a whole.

K, Kesko, Plussa and Pirkka have been determined as the Group's key brands, jointly used under agreement by the division parent companies. These Group-level brands are discussed in more detail on page 14. In addition, the division parent companies have own product and marketing brands.

Immaterial rights and the steps taken to secure them form a central part of brand management. Kesko has prepared instructions on the use of distinctive emblems in order to secure immaterial rights at different levels. In 2004, a project was initiated for surveying the brands, trademarks and models governed by the Group and the division parent companies.

K-culture and values

Kesko's uniform operating culture and models are adopted in all Group units. The basic functions and working practices are standardised.

Kesko considers retailer entrepreneurship to be one of its competitive strengths. The chain operating system combines

the creative independence inherent in entrepreneurship with the uniform operating system necessary to maintain a strong market position. Kesko has actively and persistently developed the structures of its K-retailer and other retail store chains, so as to join together the operations of Kesko and the chains as efficiently as possible.

The essential structures of Kesko's retail operations in Finland are currently based on unique and uniform chains, through which the competencies of retailer entrepreneurs are channelled under Kesko's guidance to serve consumer customers. The operating structures and processes of the retail store chains have been documented in chain manuals and operating instructions.

Information technology management

Kesko's information systems are developed making use of synergy benefits generated by joint Group-level operations so that the needs of each business division are satisfied.

During the last ten years, Kesko has evolved from a national wholesaler into an international retail operator. In this transformation, information management has played a central role. Responsibility for application development and maintenance has been decentralised to the division parent companies for the purpose of independent business unit control. The Group's information technology management coordinates application development, enabling synergy benefits in system acquisition and development.

The systems Kesko has chosen are largely based on the SAP enterprise resource planning system. Tietokesko, a joint venture of TietoEnator and Kesko, has held principal responsibility for the implementation. In 2004, the enterprise resource planning system reform initiated in 2001 was completed to replace Kesko's own corporate information system.

The development and maintenance of the infrastructure of the Group's information and communications technology is centralised in the IT Management unit. The infrastructure includes communications and work station solutions with basic software, information security and applications integration technology.

Most information and communications technology services are acquired from the market while the capability to manage and control the development of Kesko's services is retained in the company.



The enthusiasm of Jari Toppinen and Heidi Jokelainen, Intersport retailers at Itäkeskus, Helsinki, rubs off on their customers. The Intersport personnel keep up with the times and are expert in a wide range of sports and equipment.

Relationship capital

Kesko's relationship capital comprises the relationships with customers, stakeholders, business partners and suppliers of goods and services.

Kesko's stakeholder surveys

Kesko measures the quality of its operations with a variety of stakeholder surveys. These include consumer-customer satisfaction, store satisfaction and personnel satisfaction surveys, and satisfaction surveys of supplier-customer relationships within the Kesko Group. Stakeholder surveys are used in the continuous development of operations.

In-house customer satisfaction

The annual in-house customer satisfaction survey has been targeted particularly at units which receive no direct feedback from consumer customers. Segmenting respondents on the basis of the depth of co-operation often helps in analysing results and determining development actions.

Variety of customer groups

Kesko's key customer groups include K-retailers, other wholesale customers engaged in business operations, and consumers. In addition to their role as customers, the K-retailers are an important co-operation network for Kesko because, together with them, Kesko engages in chain-organised retailing to customers. There is a total of over 1,300 K-retailers. Over 40% of Kesko's sales go to the K-retailers.

In addition, Kesko has B-to-B (business to business) wholesale customers, such as restaurants, institutional kitchens, industrial establishments, building companies and agricultural entrepreneurs. These account for some 30% of Kesko's sales.

Kesko also engages in independent retailing to consumers. In Finland, the amount of Kesko's own retail operations depends on the line of business, the most important being the home and speciality goods trade of the K-citymarkets and the trade of Anttila department stores. Outside Finland, nearly all retailing is carried on by Kesko. The consumer-customer segment accounts for over 25%, and the figure has increased in recent years, particularly due to the growth of foreign operations.

Customer loyalty systems

Kesko's Plussa system is the most comprehensive and diversified customer loyalty system in Finland. It offers Plussa benefits in the K-Alliance stores and in co-operation with a number of partners. The system is run by a Kesko subsidiary, K-Plus Oy. The system contains customer information on more than three million Finnish people. The customer information of the Plussa cardholders plus 220 million annual card transactions constitute a customer register at Kesko, the maintenance of which is governed by the Personal Data Act.

The information in the Plussa customer register is used, with the customers' permission, in customer relationship management and customer contacts, and for marketing purposes. The shopping behaviour data collected in the register is in the form of receipt totals, unless the customer has forbidden it.

In compliance with the Finnish Personal Data Act, K-Plus Oy ensures that customer data are only used in the way described in the official file description (plussa.com). Data collection and handling is carried out in absolute confidentiality and every Plussa employee is under a secrecy obligation. In 2004, the management process of Plussa customer information received a QWEB quality certificate.

Customer information is used in analysing and monitoring the development of customer relationships separately for Kesko, each division, chain and store. Customer relationships are organised in segments that best serve business purposes. The Plussa customer data is complemented with information from outside sources in order to have sufficiently comprehensive descriptions of the relationships. The analysed data is used in the development of business concepts and product selections and in marketing.

Safeguarding of interests

Kesko's representatives are active in several national and international organisations. A list of their positions is updated on Kesko's Internet pages under the heading 'Responsibility'. These representations are part of Kesko's work for the development of the trading sector and business life.

Relations with public authorities

Kesko maintains relations with the public authorities mainly through industry organisations and central organisations in co-operation with other trading companies. Kesko has its own direct relations with the public authorities in areas such as construction (mainly at the regional or municipal level) or competition issues (with national competition authorities). In addition, Kesko's representatives are members in certain government commissions and committees.

Corporate responsibility

Kesko annually publishes a separate corporate responsibility report. Kesko evaluates its responsibility with regard to direct and indirect impact (Kesko's own operations cause direct impact, while suppliers and other subcontractors cause indirect impact). The indicators used are those suggested by the Global



Quality certificate for Plussa.com.

The consumer portal Plussa.com became the first consumer web service in Finland to receive the worldwide Qweb certificate signifying reliability and high quality. Both technical aspects and content were taken into account in assessing its reliability and quality. The most important technical aspect is that the service is safe to use. In terms of content, receipt of the certificate requires, for example, that the pages contain no outdated or otherwise misleading information.



Kesko scholarships given to young artists and athletes. In May 2004 Kesko rewarded talented athletes and students of fine arts for the 17th time. Scholarships were presented to 17 young artists and 24 promising athletes. Grants were also given to the Tammenlehvän perinneliitto reservist association, the Kuusikoti housing service association for war veterans and the Foundation for Pediatric Research. The total value of the scholarships and grants given was about EUR 200,000. The picture shows Matti Honkala, Kesko's President and CEO, Heikki Takamäki, Kesko's Chairman of the Board, with Kiira Korpi, a figure skater from Tampere representing the Finnish Figure Skating Association.

Reporting Initiative (GRI) in its international guidelines for reporting on sustainable development. Corporate responsibility is also discussed in this annual report on pages 30-33.

Kesko is listed in a number of sustainable development indexes (the Dow Jones STOXX Sustainability Index, the Nordic Sustainability Index and the Kempen/SNS Smaller Europe SRI Index) and has ranked high in several trading sector comparisons (Storebrand SRI and Ethibel Investment Register).

In autumn 2004, Kesko's corporate responsibility report for 2003 was ranked the best in the trading sector category in a worldwide comparison. Kesko's overall placement was 14th among all entries. Kesko's economic reporting ranked the best in the whole comparison. Kesko Corporation was also awarded as the best environmental and corporate responsibility reporter in Finland in 2003.

Category management

Category management combines the customer orientation of the various chains and product categories into efficient purchasing operations and well-functioning chain selections.

Category management and ECR (Efficient Consumer Response) are tools in the development of the delivery chain from the supplier to the customer's shopping bag. Established methods and practices form the basis for continuous improvement.

Suppliers and purchasing

In Kesko's current chain operations, purchasing plays an important role. In the division parent companies and subsidiaries, purchase of goods and services has been organised in ways that support the selection, pricing and quality needs derived from each store chain's customer promises. Specialised purchasing units work in close co-operation with the chains' marketing units.

International suppliers to the retail trade are increasingly bigger and more international. Combining purchasing volumes is a critical basic requirement for efficient purchasing. Kesko participates in international purchasing co-operation in different product lines. The purpose of these co-operation organisations is to build up purchasing volume, select suppliers and negotiate on behalf of the partner companies.

On the other hand, local knowledge is another strength of the K-Alliance. The K-retailers represent local purchasing expertise. In the Finnish food trade, in particular, the retailer plays an important part in complementing the store selection with local products. In 2004, the K-retailers concentrated nearly 90% of their purchases in Kesko.

In 2004, Kesko's purchases from Finnish suppliers totalled about EUR 5 billion, while purchases from foreign suppliers totalled about EUR 1.5 billion. Products and services were purchased from about 100 countries. The total number of Kesko Group's purchasing personnel is about 500.

The total product selections of all of Kesko's product lines embrace over one million items and the total number of suppliers is 19,700.

Selections are developed continuously in close co-operation with suppliers for improved chain of operations and customer orientation. Purchasing and closely related logistics operations are treated as a continuous process, starting from production by suppliers and ending with delivery to customers. The renewed enterprise resource planning systems of Kesko and its divisions provide efficient tools for its development.

Product development

Trading companies' own brands are important in many sectors - in the food trade as well as in the hardware and builders' supplies trade. The product research unit participates in the development of Kesko's private labels, together with the purchasing and marketing units. Kesko's private labels are developed in co-operation with manufacturing industry. The development process always follows the so-called ten-point programme (see www.kesko.fi/responsibility), which covers the product's whole life cycle from the initial idea to the monitoring and quality assurance of a finished product.

Kesko Food's product information management

Kesko Food's product research unit has detailed specifications for every private label product (LIMS = Laboratory Information Management System). This quality and safety information is continuously updated in co-operation with suppliers as part of the ten-point programme of private label products. More general product information is registered in the product information section of the SAP enterprise resource planning system, which in Finland is connected with the national product databank of suppliers and the trading sector (Sinfos).

Corporate responsibility in Kesko

Kesko's responsibility is valued in Finland and other countries.

Kesko's values highlight the importance of acting responsibly towards all stakeholders. Thus, corporate responsibility includes good corporate governance, economic, environmental and social responsibility, and the work done on behalf of product safety and consumer protection. The objectives are to minimise environmental and social risks, to gain competitive advantage in retailing, investor relations and employee recruitment, and to improve profitability.

According to surveys, Kesko employees feel that corporate responsibility is well implemented in practice, thanks to the clear and concrete policies and systems. The success of this work is also reflected in the fact that Kesko is ranked best in its sector in international comparisons of listed companies. Moreover, in a global comparison of corporate responsibility reporting, Kesko was ranked number one in the trading sector.

Corporate responsibility is integrated into Kesko's normal management system and daily work. Kesko uses the indicators proposed by the Global Reporting Initiative for reporting on sustainable development. The results are presented in a separate annual corporate responsibility report. The diversity of the Group and the need to assess subcontractors' operations present considerable challenges for the comprehensiveness and reliability of Kesko's reporting. Since 2002, PricewaterhouseCoopers Oy has provided a statement of assurance for the data contents of Kesko's reporting. An independent assurance increases the reliability of information and contributes to the continuous development of indicators and measuring systems.

Sector leader in sustainability indexes

In 2003 Kesko made a breakthrough by being selected for sustainability indexes. In 2004 the assessments continued to improve, with Kesko being chosen as the best in its sector in the DJSI STOXX, the Dow Jones sustainability index for European companies. The Belgian Ethibel Investment Register and the Norwegian Storebrand SRI also ranked Kesko the best in international comparisons of trading sector companies.

Such indexes and assessments ease the work of investors who evaluate sustainability indicators. The companies listed in sustainability indexes are also usually included in the investment portfolios of the investment funds behind these indexes.

Active development and participation

Active participation in the national and international development of their own industries and the business sector as a whole is part of companies' corporate responsibility. In 2004, Kesko had representatives in the following national and international organisations and groups operating in this field:

- Employers' Confederation of Service Industries in Finland (chair, until integrated with the Confederation of Finnish Industries, EK)
- Confederation of Finnish Industries, EK (vice chair in Board)
- Federation of Finnish Commerce and Trade (vice chair in Board)

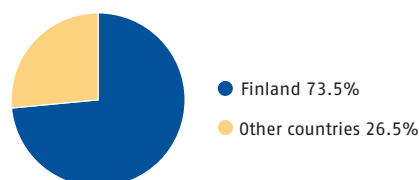
- Federation of Finnish Commerce (chair)
- Central Chamber of Commerce (vice chair in Board)
- Finnish Business and Policy Forum, EVA (vice chair)
- Association of Finnish Advertisers (vice chair in Board)
- Association for Finnish Work (Board)
- Finnish Business & Society network (Board)
- UGAL, EU organisation of groups of independent retailers (vice chair in Board)
- UNICE, the Union of Industrial and Employers' Confederations of Europe (Council of Presidents)
- Multi-Stakeholder Forum on CSR, EU Commission working group on corporate responsibility
- EuroCommerce, the retail, wholesale and international trade representation to the EU (environmental committee and CSR experts)
- International Chamber of Commerce, ICC (National Committee of Finland: chair, environmental committee, corporate responsibility committee)

Kesko's representatives are also active in the management of many pension insurance companies, industry organisations and recycling organisations. A more detailed list with links is available on Kesko's Internet pages at www.kesko.fi/Responsibility.

Economic responsibility

Good financial performance makes it easier to assume environmental and social responsibility, and correspondingly good environmental and social performance improves the profitability of operations. While traditional corporate reporting provides information on financial performance for the shareholders, the economic indicators in the corporate responsibility report evaluate company performance from the perspective of other stakeholders. These stakeholders include employees, suppliers of goods and services, customers, the state and municipalities, and institutions operating for the public good.

Group's active suppliers of goods and services in 2004





Liisa Myllylä, Product Manager from Kesko Food, inspects the roses with Joshua Macharia at the Sher rose garden in Kenya. The Sher garden also takes exemplary care of its employees, offering them safe working conditions, and free housing, healthcare and children's education. The attention paid to environmental issues also meets international standards. The roses sold by the K-food stores come from the Sher rose garden.

Manufacturing industry an important partner

Kesko has about 19,700 active suppliers of goods and services of which approximately 14,400 are Finnish. Purchases from these suppliers account for a majority of Kesko's net sales, nearly 87% or EUR 6.5 billion. About 78% of Kesko's purchases come from Finland. In 2004, capital expenditure totalled EUR 170 million, of which EUR 126 million were spent in Finland. Breakdowns of economic benefits from Kesko's operations in Finland and of imports by country are given in the corporate responsibility report.

The number of Group employees grew by 2,309 in 2004, and a total of EUR 354 million were paid in wages. More information on the personnel is given on pages 21-25.

Stable return for shareholders

Kesko has given a good annual return for its shareholders, even in hard times. The average dividend yield (B share) during the past five years has been 8.7%. More information on Kesko's shares and shareholders is given on pages 63-69.

Comprehensive store network for customers

Together with the K-retailers, Kesko is responsible for maintaining and developing a nation-wide store network in Finland. Its services are complemented by a mail order business and e-commerce. At the end of 2004, there were 1,084 K-food stores in 385 cities and municipalities, out of a total of 444 in Finland. There were 629 K-Alliance speciality stores in Finland. Kesko also had 18 hardware and builders' supplies stores in the Baltic countries, and 12 in Sweden. There were 13 agricultural stores in the Baltic countries.

Sales to the K-retailers accounted for 42.9% of Kesko's total sales. Kesko's own retail stores accounted for 27.5% of its total sales.

Support for the public good

Kesko and its subsidiaries give financial support amounting to over EUR 2 million annually to about one hundred organisations and institutions that operate for the public good. These activities are based on Kesko's values, and recipients are selected in line with the Group's vision and strategy. Support has been primarily directed at targets that are close to the everyday life of families with children. When co-operation targets are selected, the emphasis is on socially responsible activities and support for sustainable development.

Major recipients in Finland include the Young Finland Association and the Heureka Science Centre. New partners include WWF Finland, whose programme 'Operation Mermaid' for the protection of the Baltic Sea Kesko joined in spring 2004. More information on support for the public good is given in the corporate responsibility report.

Environmental responsibility

The main activities of Kesko that have a direct impact on the environment are the construction and use of real estate, the warehousing, handling and transportation of goods and the management of waste. Indirect environmental impact arises from the manufacture, use and disposal of the products sold by Kesko, including their packaging.



Kesko joined the Baltic Sea campaign of WWF Finland. The condition of the Baltic Sea is alarmingly poor. WWF Finland's 'Operation Mermaid' is a five-year (2001-2005) programme aimed at reducing the nutrient load in the Baltic Sea, thus preventing the growth of blue-green algae and protecting the biological diversity of nature. Timo Tanninen, Secretary General of WWF Finland (left), is shown presenting the campaign material to Kesko's Jaakko-Pekka Vehmas, Vice President, and Jouko Kuisma, Senior Advisor.

Environmental systems

All of Kesko's Finnish operations that have a major impact on the environment are certified by the ISO 14001 environmental system. They include:

- Kesko Food Ltd's logistics
- Kesped Ltd, a transport and forwarding company
- The operations of Anttila Oy's central unit, mail order business and NetAnttila
- The Anttila and Kodin Ykkönen department stores
- Real estate management and maintenance (certificate held by YIT Kiinteistötekniikka Oy, to whom the operations have been outsourced)

Kaukomarkkinat Oy uses an environmental system based on the ISO 14001 standard, but this has not been certified. The company's Hamina terminal is the only unit of the Kesko Group that is bound by an environmental permit and must submit reports on its operations to the authorities.

Kesko's head office building at Katajanokka, Helsinki and Kesko Food's central warehouses at Hakkila, Vantaa use office environmental programmes (dubbed ViherNokka and ViherHakkila respectively) which give guidance in the segregation and recycling of waste, in saving energy and paper and in making office purchases.

K-environmental stores

An operating model used since 1997 - the K-environmental store diploma - was renewed in 2004. This model has been incorporated into the chain concept - initially affecting the K-citymarket, K-supermarket and K-market chains - and the audit required for the diploma has become part of the chain concept test. The K-instituutti training centre is responsible for environmental store training, while the audits are carried out by Bureau Veritas Quality International Finland.

At the end of 2004, 247 K-food stores and 40 hardware and builders' supplies stores and agricultural stores held the K-environmental store diploma. The operating model aims at reducing energy consumption and the amount of waste, promoting the use of reusable transport packaging, improving environmental awareness and cutting costs.

Eco-efficient construction

In its building projects, Kesko uses the so-called 'core and shell' model that allows for flexible changes and eco-efficiency during the life cycle of buildings. More detailed information on eco-efficient construction is given in the corporate responsibility report.

Energy consumption and emissions

Electricity and heat consumption and the emissions arising from energy production are the key indicators in Kesko's environmental calculations.

The energy consumed in Kesko's properties is monitored by the EnerKey programme that works mainly on the basis of remote readings taken every hour, which makes it possible to react rapidly to any problems. In 2004, the combined energy consumption of Kesko and the K-retailers operating in Kesko's premises in Finland was 638 GWh, a decrease of 4.3% over the previous year. The total consumption of heat was 259 GWh, a decrease of 15.2%. Information about energy consumption in Kesko's companies operating outside Finland is given in the corporate responsibility report.

Kesko has signed up to the real estate and construction sector energy saving agreement (KRESS), whose objective is to halt the increase in specific electricity consumption and to reduce specific heat consumption. Energy saving was adopted as the theme for 2004 at Kesko. Several energy audits were carried out and the efficiency of consumption monitoring was improved.

In 2004, Kesko bought about 82% of the electricity used by the K-Alliance. Purchases in Finland were decentralised to eight suppliers, and the environmental profile of the purchased electricity was near the average in Finland. Country-specific environmental indicators of energy are presented in more detail in the corporate responsibility report.

The combined energy consumption of Kesko and the K-retailers was responsible for about 0.3% of the total greenhouse emissions in Finland.

Transport

Through the continuous rationalisation of purchasing transportation, warehousing and the distribution network, Kesko has succeeded in improving the volumetric efficiency of loads and reducing the kilometres driven per cubic metres delivered. At the same time, relative carbon dioxide emissions have decreased in terms of both tons and cubic metres. Since 2003, transport statistics and emission calculations have included outside transport companies used by Kesko, and also Kesko Food's operations in Estonia. In 2004, the distances driven in distribution in Finland totalled 17.4 million kilometres.

Waste management and recycling

In waste management the focus was on minimising the amount of mixed waste generated at the central warehouses and on

return logistics serving the recycling needs of both the K-retailers and other wholesale customers.

The relative amount of mixed waste has continuously decreased in recent years in the warehousing of all of Kesko's division parent companies, and Kesko Food and Keswell have managed to raise their waste recovery rates to 90%.

The amount of packaging from return logistics that can be recovered and reused is over 28 million, while the amount of corrugated paper collected at the K-food stores has stabilised at the level of 5,000 tons.

Environmentally sound products

Sales of organic foods continued to grow, although more slowly than in previous years. At the end of 2004, Kesko Food offered a selection of about 450 organic products and 200 products with environmental labelling. Individual K-retailers also sell local organic and other foods to meet their customers' wishes. The selection and marketing policies of the food store chain concepts concerning organic and Fair Trade products and products with environmental labelling were revised in November. The aim was to strengthen Kesko's market leadership in these product categories.

Rautakesko offers a wide selection of products with environmental, energy or emission category labelling. The proportion of certified timber out of total timber sales exceeded 90%. A total of 437 tons of impregnated timber was recycled through the K-rauta and Rautia stores.

Social responsibility

Kesko's social responsibility is divided into the **direct** responsibility that applies to its own personnel, and to the **indirect** responsibility that applies to the personnel participating in the production of the merchandise sold by Kesko.

The wellbeing and working conditions of Kesko's own personnel are reflected, for example, in the job satisfaction survey, the working conditions inquiry and the employee turnover, accident, sickness, training and equality statistics. Personnel issues are presented on pages 21-25 and in the corporate responsibility report.

Kesko supervises the social quality of its purchases above all in those developing countries where national working con-

dition legislation or its supervision is insufficient. In recent years, purchases from these countries have accounted for about 2% of Kesko's total purchases.

Co-operation in European trade

Since 2000, the social quality control of Kesko's purchases has been based on the SA (Social Accountability) 8000 standard. However, progress in the implementation of the SA 8000 has been too slow, both globally and among Kesko's suppliers. Companies in developing countries have no experience of the use of the standards, independent certification has been considered difficult and expensive, and as companies requiring certification have acted on their own accord, there have been insufficient market resources behind the requirements.

The joint project of European trade for implementing social quality control was launched in autumn 2004, by the Foreign Trade Association (FTA), Brussels. The joint approach known as the Business Social Compliance Initiative (BSCI) is based on the ILO's international labour standards. Independent auditors entitled to carry out SA 8000 certification are responsible for the audits of manufacturing companies. Audits are primarily ordered by manufacturers. For employees, there are no differences between the BSCI and the SA 8000 audits, but the management system and documentation required by the BSCI are not as demanding as for the SA 8000.

The results of the BSCI audits are collected in a common databank which members can check when they are seeking new suppliers. Thus, double audits and unnecessary costs can be avoided.

By the end of 2004, the BSCI had 33 well-known European trading chains as members, including Kesko which has a representative on the BSCI board. Currently underway is the transfer of completed audits and certifications to the BSCI database, the status survey of present suppliers and a gradual initiation of new audits. Because the same audit will now suffice for all BSCI members, the interest of suppliers in these audits is expected to exceed their interest in SA 8000 certification. Along with the BSCI audit, Kesko continues to encourage its suppliers to develop their management systems to reach the level required for SA 8000 certification.

More detailed information on the results in social quality control is given in Kesko's corporate responsibility report.

Prevention of child labour with UNICEF

Social problems with respect to labour can also be reduced through the joint practical projects of companies and non-governmental organisations. For five years, Kesko has financed a project preventing the use of child labour in the town of Bhiwandi, India, dominated by the weaving industry. The field work has been done by the Mumbai office of UNICEF. The results have been encouraging: the project has helped about 3,000 children start to attend school either on a part-time or full-time basis. Nearly 1,000 girls approaching adulthood have received vocational training and about 1,000 housewives regularly meet in small groups organised within the project.

Through UNICEF Finland, Kesko also participates in a campaign to promote the global education of girls. The funds raised will be used for girls' education in Nepal. Holders of Plussa customer loyalty cards can also donate money, accumulated in the form of Plussa points, to this project.



The Kesko-supported global campaign for girls' education is continuing.

UNICEF Finland is continuing its support for illiterate girls in Nepal. The campaign continued in autumn 2004 under the theme "Give literacy!". Finnish funds are being channelled to the poorest regions of Nepal where 81.1% of children start school and 64% of those left out are girls. UNICEF's unofficial education programmes support the official programmes of the Nepalese government. The target is to provide free basic education to all children.

Real estate

The objective of Kesko's real estate activities is to support Kesko's business divisions' interests. Kesko Real Estate is responsible for the management and control of the Group's real estate capital, for supervising the return on real estate capital, and for cost-efficient production of real estate services. Each division parent company of Kesko is responsible for planning its own retail store network, for acquiring store sites, for making decisions on investments and for their risks during lease terms.

Kesko Real Estate's customers include Kesko's division parent companies, other Kesko units and outside tenants. It leases properties for use by division parent companies operating in the same geographical areas with it. Kesko Real Estate aims to be the leading real estate expert in the trading sector.

Kesko Real Estate's principal functions include determining property-specific lease sums on market terms, deciding between leasehold or freehold, estimating expected property tenures in cooperation with the related division parent companies, disposal of properties, leasing facilities to outsiders and administrative functions. Real estate properties are included in the balance sheets of Kesko Corporation and real estate companies controlled by it and lease agreements are concluded in their names.

Kesko Real Estate is a service unit that produces real estate services and provides division parent companies with opportunities to achieve their business targets. The leading principle in real estate service production is cost-efficiency. The main service areas include construction, arranging property maintenance, land use planning development and real estate law.

Real estate property management

For the management of Kesko's real estate properties and liabilities, the retail stores and other real estate are classified as follows:

- **Strategic properties** are large retail stores which Kesko prefers to own.
- **Core properties** are facilities owned by the Group. They can be sold but also leased back for use in the Group's business operations.
- **Realisation properties** are those for which business operations have no further use.
- **Development properties** are those needing further development for their intended use.

Investments

A retail store is one of Kesko's strategic competitive factors, providing opportunities for increasing sales and developing business operations. Kesko only invests in properties it needs in its own business operations.

Store site investments are based on the division parent companies' business and store network strategies. They are aimed at increasing sales and market shares, anticipating customer behaviour and changes in the operating environment, or maintaining the technical condition of retail stores.

As a result of Kesko's internationalisation, the investments in the Baltic countries and Sweden are significant. In Finland, the investment focus is shifting from new construction to expansion and rebuilding.

Life cycle affordable and eco-efficient construction

Kesko's construction activity is based on life cycle affordability and eco-efficiency. This means optimising the costs and environmental burden across the entire life cycle of a store site project. The aim is to build business facilities with the lowest life cycle costs in the trading sector.

The key method in controlling life cycle costs and eco-efficiency is the so-called core and shell concept where a business building consists of a long-life structural shell and a faster changing business core. This enables investments to be allocated to either real estate or business operations, thus leading to a better control of changes.

Further development of the eco-efficiency of existing properties is focused on monitoring energy consumption and improving energy use. The aim is to reduce emissions and costs.

Kesko has received several acknowledgements for corporate responsibility in construction. The latest was for making use of natural light in K-citymarket Seppälä, Jyväskylä.

Property maintenance

Maintenance relies on systematisation and predictability. Repair work is scheduled to coincide with the rebuilding necessitated by business operations.

The management and maintenance of real estate owned or leased by Kesko in Finland has been outsourced to YIT Kiinteistötekniikka Oy which carries out the work in accordance with Kesko's requirements.

Kestra kiinteistöpalvelut Oy, a subsidiary of Kesko, is responsible for purchasing electricity for the Group.



K-citymarket Seppälä in Jyväskylä uses natural light in its premises. The solution is ecological and saves up to one third of the energy needed for lighting every year. Retailers Jari Luukkonen and Anne Hyvärinen examine the structure of the continuous windows on the roof with Timo Huuppola, Construction Manager (left) and Peter Ögård, Architect.

Owned premises

	Capital, EUR million		Area, m ²	
	2004	2003	2004	2003
Finland	794	803	1,040,000	1,157,000
Sweden	27	11	14,000	0
Estonia	47	50	106,000	104,000
Latvia	41	34	53,000	44,000
Lithuania	0	0	0	0
Total	909	898	1,213,000	1,305,000

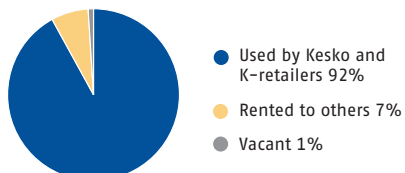
Leased premises

	Rent liabilities, EUR million		Area, m ²	
	2004	2003	2004	2003
Finland	1,218	1,306	1,532,000	1,546,000
Sweden	35	42	71,000	75,000
Estonia	28	33	48,000	39,000
Latvia	21	35	31,000	23,000
Lithuania	28	39	121,000	121,000
Total	1,332	1,455	1,803,000	1,804,000

Breakdown of owned properties in 2004



Use of premises in 2004



Real estate investments and sales, EUR million





		2004	2003
Finland	Investments	61	111
	Sales	31	8
Sweden	Investments	17	11
	Sales	1	0
Estonia	Investments	1	2
	Sales	2	0
Latvia	Investments	9	14
	Sales	0	2
Lithuania	Investments	0	0
	Sales	0	0

Divisions



The Pirkka vegetable range was supplemented with snack carrots in 2004. The Pirkka snack carrots, packed in bags of 250 grams, are bite-size cut, fresh and sweet. The carrots are grown and made by Karotia Oy at Matku, Finland. Karotia's Heta Hyytiäinen, Quality Director (left) and Arto Hyytiäinen, Managing Director examine the colourful products together with Heini Haverinen, Research Chemist from Kesko Food.

DIVISIONS

 Kesko Food	37	 Keswell	47
 Rautakesko	41	 Kaukomarkkinat	50
 Kesko Agro	44	 VV-Auto	52

Kesko Food

Kesko Food operates in the grocery market offering diverse services to consumers and business customers in Finland and the Baltic countries. The key businesses of Kesko Food are the K-food store chain operations in Finland, Kespro Ltd's catering sales to HoReCa customers, and grocery retailing in the Baltic countries. The food trade is the largest of Kesko's divisions, accounting for over half of Kesko Group's net sales.

Market position and competitive advantages

K-food stores are market leaders in the Finnish grocery trade, as is Kesko Food's subsidiary Kespro in its business area.

Kesko Food's strengths

- K-food store chains are the best-known brands in Finnish retailing
- The supply of K-food stores covers different customer groups
- K-food stores form the most comprehensive store network in Finland
- Strong co-operation with K-retailers in Finland
- The ability to exploit the synergy advantages of the retail and catering trade in Finland and the Baltic countries
- International purchasing co-operation
- Strong house brands in the Finnish market
- Expertise in environmental trading

Finland

In Finland, Kesko Food acts in close chain co-operation with K-food retailers and is responsible for chain management, store concept development, purchasing and logistics services, the network, chain marketing and retailer resources.

Store chains

K-citymarkets are versatile, low-priced stores in the hypermarket size category, with an area of about 10,000 m². Large selections consist of groceries and home and speciality goods.

K-supermarkets are "better than average food stores". Their special strengths include food expertise as well as wide and versatile selections of fresh products.

K-markets are food stores located in suburbs and municipal centres, offering a good selection of groceries at competitive prices.

K-extras are neighbourhood stores in which customers can find the products they need daily and which focus on personal service. Additionally, as the name implies, many K-extras located in the countryside offer extra services, such as the sale of agricultural and builders' supplies, fuel distribution, lottery and postal services.

K-pikkolos are neighbourhood stores located in urban centres or in connection with Neste service stations. They have long opening hours and offer, besides basic groceries, versatile food solutions with an emphasis on ready-to-eat and take-away products. K-pikkolos and Neste service stations form a chain that operates in the grocery and fuel retail market, run by Pikoil Oy. The company, which was established in 2003, is owned fifty-fifty by Kesko Food Ltd and a Fortum subsidiary, Neste Marketing Ltd.

There are about 1,100 K-food stores in Finland. In 2004, their estimated market share in Finland was 35.5%.

Since February 2004, Kesko Food has tested discounters in various parts of Finland. Cassa stores are operated by Kesko Food.

Kesko Food's own brands are well-known in the Finnish market. The most important of them is Pirkka, with a positive quality and price image and a recognition level of nearly 100%. There are over 1,300 Pirkka products. Euro Shopper is K-food stores' low-priced alternative, which includes over 300 basic groceries and non-food products. Costa Rica is K-food stores' own coffee brand. The Rico range consists of imported fruit and vegetables.

Logistics in Finland

Kesko Food's logistics guides the majority of K-food stores' flow of goods, using both direct deliveries and a network of warehouses and terminals. In Finland, the main warehouses and terminals are in Vantaa, Turku and Tampere. Processed and frozen foods and non-food products are stored in Vantaa, while fresh foods that require refrigerated space are stored in Turku. Fruit and vegetables are stored in Vantaa and Tampere.

The main warehouses are complemented by local regional terminals, through which most meat industry products and the majority of the K-market, K-extra and K-pikkolo chains' and Kespro Ltd's goods flows are directed. In forwarding and transportation, Kesko Food relies mainly on services provided by Kesped Ltd, a Kesko subsidiary.



A sign of something better

K – a sign of something better is a slogan that epitomises the promise of good quality and service. The K-food store chains joined forces in a campaign under this slogan. The marketing programme informs consumers about the versatile services and selections of the most extensive food store network in Finland.

Kespro Ltd

Kespro Ltd, a Kesko Food subsidiary, produces wholesale services for its customers, including hotels, restaurants, catering companies, staff restaurants, service station stores, kiosks, bakeries, industry and distributors. Kespro is the leading company in its business area in Finland.

Kespro has 17 cash-and-carry outlets and seven customer delivery units throughout Finland. Kespro's Menu range consists of nearly 400 products. For several years, their sales growth has exceeded average development in the HoReCa business.

Baltic operations

Kesko Food and ICA Baltic AB, which belongs to the Swedish ICA Group, own with equal shares Rimi Baltic AB that started in the Baltic food market at the beginning of 2005. The joint venture has about 160 food stores operating under hypermarket, supermarket and discounter concepts in Estonia, Latvia and Lithuania, and the objective is to expand the store network in all Baltic countries.

The market share of the joint venture in the Baltic countries is about 15%. At present the total annual value of the Baltic food market is about EUR 5.2 billion. The objective of the company is to reach the leading position in the Baltic market. The total number of employees is about 8,300.

In the future, all hypermarkets of the joint venture will be based on the Rimi store type. Present Citymarkets in Estonia and Latvia will be refurbished to comply with the Rimi Hypermarket concept. The supermarkets will be modelled on the Rimi Supermarket concept, whereas discounters will be based on the Säästumarket concept in Estonia and the SuperNetto concept in Latvia. The plan is to expand the SuperNetto chain to Lithuania, where the parties have not operated discounters earlier. The company's central logistics unit is located in Riga, Latvia and local units in Tallinn, Estonia and near Vilnius, Lithuania.

International purchasing co-operation

Kesko Food works in co-operation with the leading European food chains in AMS (AMS Sourcing B.V.), and is a partner in the WorldWide Retail Exchange. The WWRE is a business-to-business web marketplace.

K-Alliance's food stores

	Number		Sales (incl. VAT), EUR million	
	2004	2003	2004	2003
K-citymarket	51	50	1,607	1,544
K-supermarket	153	146	1,351	1,363
K-market	331	344	1,036	1,088
K-extra	344	371	346	377
K-pikkolo	70	46	93	74
Other K-food stores and mobile stores	135	153	113	111
Finland, total	1,084	1,110	4,547	4,557
Citymarket, Estonia	6	6	116	69
Säästumarket, Estonia	47	44	161	146
Supernetto, Estonia	1	1	19	13
Citymarket, Latvia	5	5	57	32
Supernetto, Latvia	25	11	43	9
Other countries, total	84	67	396	269
Food stores, total	1,168	1,177	4,943	4,826

Operating environment and future outlook

Objectives of Kesko Food

Strengthening K-food stores' market leadership in Finland

- growth exceeding business average in all markets
- improving profitability

In the Baltic countries, strong growth is sought

- the target of the joint venture of Kesko Food and ICA Baltic AB is a share of about 25% of the grocery market

Kespro Ltd aims to increase its market share of the HoReCa business (hotels, restaurants, catering) in particular. Key areas include efficient customer delivery and modern ordering tools, the offerings in new product categories, and flexible and customer-oriented logistics solutions.

Kesko Food

Net sales in 2004	EUR million	Change, %
Neighbourhood Chain Unit	802	-10.5
Supermarket Chain Unit	772	1.7
Citymarket Chain Unit	1,053	3.9
Kespro Ltd	742	-3.8
Kesko Food AS, Estonia	255	21.4
SIA Kesko Food, Latvia*	85	
Others	67	-
./.. eliminations	36	-
Total	3,812	1.2

* Change over 100%

	2004	2003
Operating profit, EUR million	49.8	56.3
Depreciation, EUR million	43.4	34.8
Investments (gross), EUR million	38.5	75.5
Return on net assets, %	19	20

Net assets at 31 Dec., EUR million

Non-current assets	202.7	214.8
Stocks	206.5	187.1
Receivables	300.8	352.5
./.. Interest-free liabilities	-466.1	-464.8
./.. Provisions		
Net assets	243.9	289.8
Personnel average	7,768	7,042



Miia Hartikka, Consulting Manager for the K-citymarket chain (left), updates a planogram with Kaarina Muhonen, who is responsible for the cheese department at K-citymarket Malmi in Helsinki. The planogram shows how products should be located on the shelves. This leads to a well-planned and uniform product display that is applied in every K-citymarket, making it easy for customers to find what they want.

International development in the grocery trade has been characterised by the strong formation of chains, mergers and alliances, for example in purchasing co-operation. The centralisation of purchases is important when international suppliers are growing in size and decreasing in number.

In most European countries food markets are growing slowly. In Finland the growth estimate for the next few years is about 1-2%.

The structural change of the Finnish retail trade is continuing. The importance of large outlets will continue to increase due to competition and internal migration. The extension of opening hours for stores of under 400 m² has improved their sales.

Potential new product categories will be of great importance for the sales growth of stores. Kesko Food's target is to bring wines and over-the-counter medicines to grocery stores in Finland. Liberalising opening hours and decreasing the value added tax on food would improve the operational basis of grocery retailing.

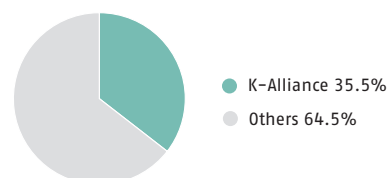
For consumers, key food store selection criteria include location, product ranges and price-quality ratio. The importance of price has increased in recent years. Consumers act in different ways in different situations. Kesko Food is meeting these

changing consumer needs by actively developing its product and service concepts.

K-food stores are actively developing their expertise in responsibility, too. All K-food chains all over Finland include K-environmental stores. In these stores, selections for a better environment have also been made easier for the customer: they offer a wide selection of organic and environmental products, their employees have been trained to answer customers' questions, and environment-related material is available in-store.

In the Baltic countries, the grocery market is growing strongly (by about 5% per year) while demand is shifting from open-air markets to modern stores. At the same time, the share of

Grocery retail sales in Finland in 2004
(Kesko's own estimate)



store chains is also growing vigorously, but it still remains much smaller than in Finland, for example. Changes in consumer behaviour in the Baltic countries are also fast and consumers are very quick to adopt new ideas.

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

Year 2004

Kesko Food's net sales amounted to EUR 3,812 million, an increase of 1.2%. Net sales from Baltic operations totalled EUR 339.0 million and accounted for 8.9% of total net sales. Kesko Food's operating profit was EUR 49.8 million. In the previous year, the operating profit was EUR 56.3 million, which included the profit from the divestiture of Viking Coffee Ltd's business operations. The comparable operating profit was at the same level as in the previous year. The main factors contributing to the decrease in the operating profit were marketing expenses, the costs of building and implementing enterprise resource planning systems, costs due to expanding the K-pikkolo chain and testing the Cassa discounter concept and planning costs related to the Baltic joint venture. Kesko Food's total capital expenditure was EUR 38.5 million, of which investments in retail stores accounted for EUR 26.7 million. About 34% of all investments were made in Baltic operations.

According to the Finnish Food Marketing Association, the retail sales of its member companies increased by 0.3% in January-December. The total Finnish grocery market is estimated to have grown by about 1.5% during 2004. According to Kesko Food's estimate, the K-Alliance holds a 35.5% (35.8% in 2003) share of the Finnish grocery retail market. In 2004 grocery prices decreased by 0.8% owing to intensive price competition, decreased alcohol product prices and growth in the sales share of retail operators' own-brand products (Statistics Finland).

Kesko Food continued investing in the development of the K-food store network. In 2004 store openings included a K-citymarket at Seppälä, Jyväskylä, and K-supermarkets in Nivala, Kalajoki, Lappeenranta, Vaasa and Orivesi. A total of 19 store type conversions were completed.



Ruoasta viiniin (From Food to Wine) service at Plussa.com. The Viini (Wine) magazine and K-food stores are offering a unique service to help customers choose the right wines for their meals. The service is available for Plussa.com customers free-of-charge. Customers can search for wines on the basis of their meal's main ingredient, cooking method and the gravy or sauce. Customers can also set the country of origin and the price level.

Kesko Food's grocery trade grew much more in the Baltic countries than in Finland, by a total of 38.3%. Net sales grew by 21.4% in Estonia and by 139.8% in Latvia. The growth in these countries was boosted by the opening of new Citymarket stores at the end of the year 2003. In 2004, the SuperNetto discounter chain expanded in Latvia by 14 new outlets. At the end of the year, the Säästumarket chain in Estonia included 47 discount stores and there were 25 SuperNetto stores in Latvia.

The net sales of Kespro Ltd, which provides services for the catering, kiosk, service station and restaurant trade, were EUR 741.7 million (EUR 770.8 million), a decrease of -3.8%. The total market in Finland in this sector decreased due to the decrease of alcohol product prices among other things.

In 2005 the total grocery trade market in Finland is estimated to grow by about 1%. The total Baltic market is anticipated to increase by about 5%. Kesko Food's net sales and operating profit are expected to increase compared with 2004.

KESKO FOOD'S STORE CONCEPTS

Finland



the Baltic countries
(joint venture Rimi Baltic AB)



Rautakesko

Rautakesko, working in co-operation with customers, improves homes in the Nordic and Baltic countries and in Russia. It manages and develops the K-rauta and Rautia chains, the B-to-B Service unit and is responsible for their marketing, purchasing and logistics services, network and retailer resources. Rautakesko carries on retail trade in Sweden, Estonia, Latvia and Lithuania and wholesale trade in Russia.

Market position and competitive advantages

Rautakesko's strengths

- The K-rauta and Rautia chain concepts and the strong market position of B-to-B Service
- Direct purchases from Finnish and foreign suppliers, and renewed logistics
- Store network planning and investment expertise
- Strong main product lines:
 - building materials
 - interior decoration
 - house technology and electricity
 - tools, small hardware items, yard and garden

Finland

In Finland, Rautakesko operates the K-rauta and Rautia retail store chains and B-to-B Service. K-rauta is also a concept used in the internationalisation process, and is adaptable to mar-

Juha Jokinen, Regional Sales Manager of Uponor Suomi Oy (second from right), and Toni Paananen, Kesko's Selection Consultant, discuss the Sako summer cottage package with Karl Ohls and Pia Söderberg, Sales Assistants at the Rautia store in Karjaa. Uponor and Rautakesko have together prepared and implemented a comprehensive training package that helps Rautia and K-rauta store employees to become expert in sewage systems.

kets at different stages of development. It combines both the building supplies and the DIY (do-it-yourself) trade. For professional customers, the chain has developed special information system solutions for pricing and invoicing.

The Finnish retail market in construction amounts to some EUR 3.2 billion. The combined market share of the K-rauta and Rautia stores and the B-to-B Service unit is about 35%.

There are 43 K-rauta stores operating in Finland. They offer a wide selection of goods including building materials, interior decoration, and yard and gardening products. The role of services is emphasised alongside the products themselves. Three out of four customers are non-professional customers.

The Rautia chain of about 100 stores is the most comprehensive hardware and builders' supplies store chain in Finland. The products offered by Rautia are targeted at builders, renovators and building professionals in particular. In addition, many Rautia stores complement their range with agricultural trading goods, for instance, to meet local needs.



The customers of Rautakesko's B-to-B Service are building firms, industry and other professional customers. The customer benefit derives from the integration with customers' purchasing processes. The B-to-B Service unit plans, directs and executes jobs related to the purchasing of the customer company, allowing it to concentrate on its core business. The unit's strengths also include close co-operation with the network of K-rauta and Rautia stores.

Sweden

At present, there are 12 K-rauta stores operating in Sweden. Private customers account for about 85% of all the clientele. In Sweden, too, the competitive advantages of the K-rauta stores are their wide and versatile choice of products and the overall service packages offered to customers. Rautakesko's market share is about 4%.

The Baltic countries

In Estonia, Rautakesko has four outlets and a nationwide wholesale network. Private customers account for about 50% of all customers. Rautakesko is the market leader in Estonia with a share of about 20%.

In Latvia, Rautakesko has one K-rauta in Riga and a wholesale network covering the whole country. The first K-rauta partner store was opened in Guldiga in summer 2004. Rautakesko's market share is about 5%.

Lithuania's largest hardware and building supplies company, UAB Senukai Prekybos centras, is the market leader in the building supplies and DIY trade with a market share of about 25%. Rautakesko has the majority shareholding in the company. Senukai has 13 stores of its own and 77 Partnerships. The customers include consumers and professional customers alike.

Russia

In Russia, Rautakesko has a wholesale outlet and warehouse in Moscow.

Operating environment and future outlook

Objectives of Rautakesko

- Market leader in the Nordic and Baltic countries and in the St. Petersburg area
- Growth exceeding that of competitors
- International growth through acquisitions and expanding the partner network

Rautakesko's objective is to be the leading trading company in hardware, builders' supplies and interior decoration products in its market area. Growth is being sought to improve

competitiveness, customer satisfaction and profitability. In terms of structure, the hardware and builders' supplies trade in the Nordic countries will become more like that of a department store. The total Baltic and Russian market is growing fast. Competitors are also growing and globalising. With retail sales of EUR 1.3 billion, Rautakesko is about the tenth largest DIY retailer in Europe.

Focal areas are

- Lowering costs by improving chain operations and by adopting new operating systems
- Improving competitiveness by increasing purchasing volumes, direct purchasing connections and own imports and by developing new product areas
- Development of e-commerce

Rautakesko's growth will be supported by international purchases and logistics. The purchasing process will be streamlined by renewing procedures. Another factor supporting growth will be centralised electronic data management.

Rautakesko

Net sales in 2004	EUR million	Change, %
Rautakesko Ltd	735	8.3
K-rauta AB, Sweden	92	17.4
AS Rautakesko, Estonia	51	13.3
A/S Rautakesko, Latvia	22	2.2
Senukai Group, Lithuania* (as from 13 March 2003)	249	45.3
ZAO Kestroy, Russia	5	51.5
./. eliminations	-4	-
Total	1,150	15.7

* Comparable change 1.1.-31.12.2004 26.0%

	2004	2003
Operating profit, EUR million	33.7	28.0
Depreciation, EUR million	11.4	10.5
Investments (gross), EUR million	9.6	37.4
Return on net assets, %	29	32
Net assets at 31 Dec., EUR million		
Non-current assets	44.8	49.8
Stocks	122.5	96.5
Receivables	115.6	98.4
./. Interest-free liabilities	-155.9	-141.3
./. Provisions	0.0	0.0
Net assets	127.0	103.4
Personnel average	4,319	3,241

K-Alliance's hardware and builders' supplies stores

	Number		Sales (incl. VAT), EUR million	
	2004	2003	2004	2003
K-rauta*	43	43	530	487
Rautia*	102	102	421	397
K-customer agreement stores	38	44	57	60
Finland, total	183	189	1,008	944
K-rauta, Sweden	12	11	115	98
K-rautakesko, Estonia	4	4	60	53
K-rauta, Latvia	1	1	26	27
Senukai, Lithuania	13	10	295	203
Other countries, total	30	26	496	381
Hardware and builders' supplies stores, total	213	215	1,504	1,325

* 2 K-rauta stores and 44 Rautia stores also operated as K-maalous stores.



Store induction programme for Rautakesko. The K-instituutti training centre and Rautakesko have together built an online programme to introduce new employees to the world of hardware and builders' supplies trading in a systematic way. The induction programme will help employees learn the skills they need at work faster and will reduce the number of mistakes. It will also give a good idea of the corporate culture and directly impact customer satisfaction and store sales.

Finland

The network of K-rauta stores will grow and stores in both the K-rauta and Rautia chains will be refurbished. Concepts will be developed to meet the needs of private and professional customers, with particular focus on planning, installation and financing services. Selections will be supplemented with home and interior decoration products. Professional trading practices (e.g. tailored deliveries) will be enhanced and integrated with retail store operations.

In Finland, private consumption will continue to be relatively brisk. Although total growth in the Finnish construction sector has been very sluggish, private construction will continue for the time being at a lively rate. Construction growth will focus on repairs, renovations and the building of yards and gardens.

Sweden

The aim is to have a network of about 25 K-rauta stores in Sweden, increasing the market share to about 10%. The aim is to open three new K-rauta stores in 2005. Construction has grown slowly in Sweden, but a growth of 4-5% is forecast for the next few years. The renovation market is double that for new construction.

In both Finland and Sweden, consumers increasingly value planning and consultation services. Environmental criteria are also gaining importance in decision-making. On the other hand, the importance of the price level and image will also increase.

The Baltic countries

Rautakesko's objective is to strengthen its market leadership in the Baltic countries, where housing and renovation construction hold equal shares. Construction will continue to advance at a rapid annual rate of about 6-8%, aided by EU support for infrastructure and public building projects. Consumer confidence in the future is also strong.

In 2005 two new K-rauta stores will be opened in Latvia. Senukai will also expand its operations in Lithuania.

Russia

The total construction market in the St. Petersburg area is about EUR 2-3 billion.

In July 2004, Rautakesko signed a letter of intent to acquire a majority holding in the St. Petersburg company which owns the Stroymaster DIY store chain. Stroymaster is one of the major DIY store chains in the St. Petersburg area. The Stroymaster chain consists of 4 stores in the St. Petersburg area and the fifth one is under construction. The intention is to complete the transaction by 15 March 2005 at the latest.

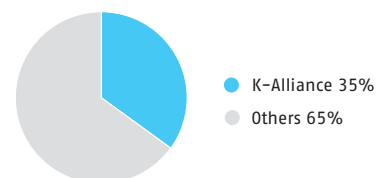
Year 2004

Rautakesko's net sales amounted to EUR 1,150.4 million, an increase of 15.7%. In Finland, the net sales were EUR 731.1 million, an increase of 8.5%. The net sales of subsidiaries operating outside Finland were EUR 418.2 million, an increase of 31.0%. About 36.4% of Rautakesko's net sales came from outside Finland. Rautakesko's operating profit was EUR 33.7 million (EUR 28.0 million). Its increase is attributable to good sales growth in particular. Rautakesko's capital expenditure totalled EUR 9.6 million, of which 70.7% were outside Finland.

A new K-rauta store was opened in Vantaa in April. The sales of the K-rauta stores increased by 8.9% and those of Rautia stores by 6.0%. The biggest increase was registered in the sales of building supplies, home packages and interior decoration supplies. The sales growth of the K-rauta chain and the Rautia chain in Finland is estimated to have exceeded that of competitors (Finnish Hardware Association). Rautakesko estimates that the K-Alliance accounts for about 35% of hardware and builders' supplies sales in Finland (35% in 2003). The sales of Rautakesko's B-to-B Service grew by 5.2%.

In 2005, Rautakesko's target is to open 2 new K-rauta stores and 2 Rautia stores in Finland. It is also intended to open 3 new K-rauta stores in Sweden and 2 in Latvia. Rautakesko's net sales are expected to grow in 2005 and its operating profit to continue at a good level.

Retail sales of hardware and builders' supplies in Finland in 2004 (estimate)



RAUTAKESKO'S STORE CONCEPTS

Finland



Sweden and the Baltic countries



Kesko Agro

Kesko Agro purchases and sells animal feed, chemicals and machinery, and is involved in the grain trade. Kesko Agro is active in Finland and in all Baltic countries. Kesko Machinery Ltd, a subsidiary of Kesko Agro, purchases and sells, through its own network, heavy machines and lorries for professional and commercial use, and, through the dealer network, motorcycles, snowmobiles, marine engines, boats and boating equipment for consumers.

Market position and competitive advantages

Agricultural trade

Kesko Agro's strengths

- Comprehensive product selection, services and after-sales operations
- In Finland, K-maatalous retailers that are familiar with regional and local circumstances
- Strong position and comprehensive store network in the Baltic countries

In Finland, Kesko Agro and about 100 agricultural stores form the K-agriculture chain, which has farmers as its customers. K-agriculture helps farmers efficiently produce the safe and pure foodstuffs that are valued by consumers. The K-Alliance's share of the Finnish agricultural market is about 35%.

The best-known product brands represented by Kesko Agro include Deutz-Fahr, Massey Ferguson and Same tractors, Claas combines and forage harvesters, and Tume and Elho agricultural implements.

Viljaweb is Finland's leading marketplace for the grain trade. It provides farmers with grain trade management tools, such as real time price and market information. Customers may do all their grain trading over their Viljaweb pages.

The Internet is very important for the trade-in machinery business. Kesko Agro provides a range of around 2,000 trade-in machines at vaihtokone.com. The supply covers 60 product groups from snowmobiles to construction machines. Around 30% of customer contacts that lead to a trade-in transaction take place via the Internet.

Kesko Agro Eesti AS in Estonia, SIA Kesko Agro Latvija in Latvia and UAB Kesko Agro Lietuva in Lithuania are the Kesko Agro subsidiaries that carry on agricultural and machinery trade in the Baltic countries. Agricultural and machinery trading centres are located in Jüri, Estonia, in Riga, Latvia, and in Vilnius and Kaunas, Lithuania. Kesko Agro also has two dis-

trict centres in both Estonia and Latvia, and one in Lithuania. The network of about 50 dealers trades in equipment and spare parts throughout the Baltic countries.

Kesko Agro's market share of the Baltic countries' agricultural and machinery trade is about 32% in Estonia, 25% in Latvia and 15% in Lithuania. In all countries, the market

Kesko Agro

Net sales in 2004	EUR million	Change, %
Kesko Agro Ltd	501	-6.0
Kesko Machinery Ltd	173	7.5
Kesko Agro Eesti AS	52	31.7
SIA Kesko Agro Latvia	53	30.5
UAB Kesko Agro Lietuva	67	61.2
Others	13	-
./. eliminations	-42	-
Total	817	6.3

	2004	2003
Operating profit, EUR million	7.7	7.4
Depreciation, EUR million	4.2	2.9
Investments (gross), EUR million	9.5	11.2
Return on net assets, %	6	7

Net assets at 31 Dec., EUR million		
Non-current assets	21.2	17.1
Stocks	148.2	131.7
Receivables	91.0	84.7
./. Interest-free liabilities	-113.6	-106.8
./. Provisions	-1.1	-0.9
Net assets	145.7	125.9
Personnel average	1,011	940

K-Alliance's agricultural stores

	Number		Sales (incl. VAT), EUR million	
	2004	2003	2004	2003
K-maatalous*	100	101	688	567
Finland, total	100	101	688	567
Kesko Agro Eesti	5	5	60	44
Kesko Agro Latvija	5	4	61	46
Kesko Agro Lietuva	3	2	75	45
Other countries, total	13	11	196	135
Agricultural stores, total	113	112	884	702

* 2 K-maatalous stores also operated as K-rauta stores and 44 as Rautia stores.



The Kälviäinen family, wife Marja-Liisa, son Santeri and farmer Juha-Matti greet Jukka Hämäläinen, Service Mechanic, who has come to install Westfalia milking equipment in their large cow shed which is under construction. There is always time to swap news, though Jukka Hämäläinen is a busy tradesman, much in demand for repairing and maintaining dairy equipment throughout Finland.

share in the machinery trade is about 13%. Kesko Agro is the largest company in the Baltic countries carrying on the agricultural trade.

Machinery trade

Kesko Machinery's strengths

- Nation-wide sales and service network for each product line in Finland
- Strong brand products and leading international principals

In Finland Kesko Machinery Ltd markets, through its own sales organisation, lorries, construction machines, lift trucks, warehouse equipment, as well as industrial and environmental machines for contractors, industry and other professional users. Yamaha motorcycles, mopeds, quad bikes and snowmobiles are marketed through the dealer network specialised in them. Yamaha outboard engines, Yamarin boats and other boating products are also marketed through specialised stores. Over 70% of Yamarin sales are directed to other Nordic countries. Kesko Machinery organises a maintenance and spare parts service covering the whole market area for the products it represents.

The best-known brands of Kesko Machinery are MAN lorries, Case, Fiat-Kobelco and Kobelco construction machines, BT and Hyster lift trucks, Manitou telescoping handlers, Mecalux warehousing equipment, Kubota mini tractors and rider mowers, LM-Trac municipal machines, Yamaha motorcycles, mo-

peds, quad bikes, snowmobiles and outboard engines, and Yamarin boats.

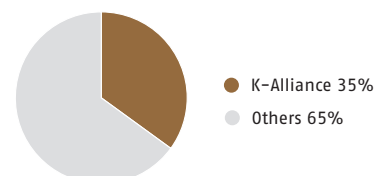
The online trading channel for spare parts is used by the K-maatalous, K-rauta and Rautia stores, as well as the dealers and service network for spare parts and recreational machines. The range covers all the product brands represented by Kesko Agro and Kesko Machinery including their spare parts: about 1,100,000 items in total.

Operating environment and future outlook

Objectives of Kesko Agro and Kesko Machinery

- Growing into the leading agricultural and machinery store chain in Finland and the Baltic countries
- Developing and expanding e-commerce solutions, which have started well
- Improving financial results through growth

Retail sales of agricultural supplies in Finland in 2004 (estimate)



Kesko Agro

The total Finnish agricultural market has remained at the level of about EUR 1.7 billion. The size of farms will increase, while their number will continue to decrease over the coming years. Due to the fact that some farmers are intensifying their production, total agricultural production and investments are expected to remain at their present level.

The annual growth of the total agricultural market of the Baltic countries will be about 5-10%. Investments in the basic agricultural infrastructure, machinery and equipment will continue to be stable owing to the EU membership of the Baltic countries.

Kesko Machinery

As the demand for heavy machinery follows economic trends in industry and construction, machinery investments are not yet forecast to increase significantly in Finland. On the other hand, investments will continue to keep growing steadily in the Baltic countries. Sales of recreational machines have grown at the pace of overall consumer demand. An expanded product selection, especially concerning recreational machines, will improve Kesko Machinery's growth potential.



'Viljaweb' (Grain Web) is Finland's leading market for grain trading. It provides farmers with grain management tools, such as real time price and market information. Customers can do all their trading over these pages.

Year 2004

Kesko Agro's net sales were EUR 817.0 million, an increase of 6.3%. Net sales of subsidiaries operating outside Finland totalled EUR 165.7 million, which was 20.3% of total net sales. The Kesko Agro Group's operating profit was EUR 7.7 million (EUR 7.4 million). Profit performance was affected by costs arising from information systems development. Capital expenditure totalled EUR 9.5 million, 49% of which were in projects outside Finland.

Kesko Agro Ltd's net sales were EUR 459.4 million. Delayed agricultural EU subsidies have slowed down the investments of Finnish farmers in production buildings. Heavy rains prolonged the harvesting season, and the harvest was of poor quality.

K-maatalousyhtiöt Oy merged with its parent company, Kesko Agro Ltd, on 1 July 2004. The first stage of Kesko Agro Ltd's enterprise resource planning system was put into service at the beginning of July and the second stage was implemented at the beginning of November.

Kesko Machinery Ltd's net sales were EUR 173.2 million, an increase of 7.5% over the corresponding period in the previous year. The company's profitability has remained good.

Agricultural and machinery sales in the Baltic countries have progressed better than expected. Business operations in Lithuania, in particular, have clearly increased. The biggest net sales growth has been registered in the grain trade. The profit performance of the Baltic operations has been in line with expectations.

In 2005 the total agricultural trade market is estimated to remain at the level of 2004 in Finland. The Baltic market is anticipated to grow by 5-10%. In 2005 Kesko Agro's net sales and operating profit are anticipated to increase.

KESKO AGRO'S STORE CONCEPTS

Finland



the Baltic countries



Keswell

Keswell specialises in the home and speciality goods trade. Keswell develops operating systems and the store network, manages the store chains and is responsible for the purchasing of goods, logistics and chain marketing. Its store concepts are well-known retail concepts that have gained a strong position in Finland. Keswell's biggest subsidiary, Anttila Oy, is one of the biggest retailers in the home and speciality goods trade in Finland.

Market position and competitive advantages

Keswell's strengths

- Well-known chain concepts for the home and speciality goods trade in Finland
- Nation-wide store network in Finland
- Several strong product lines: home technology, sports goods, shoes, clothes, home goods, furniture, interior decoration items, music and movie recordings
- Expertise in the mail order business supports e-commerce
- International purchasing co-operation: Intersport International in the sports trade and EP:International in the home technology trade

Anttila

Anttila Oy, the biggest subsidiary of Keswell, concentrates on the home and speciality goods trade with four concepts: the Anttila department stores, Kodin Ykkönen, the Anttila Mail Order business and www.netanttila.com. There are 26 Anttila department stores located in various parts of Finland. There are seven Kodin Ykkönen department stores for home goods and interior decoration. Anttila's distance sales concepts are NetAnttila and Anttila Mail Order. NetAnttila is the best-known online store in Finland. Anttila carries out its mail order business in Finland, Estonia and Latvia.

Teemu Ilkka, Sales Assistant, demonstrates a non-combustible Salora digi TV to Ulla-Maija Koppinen at the Musta Pörssi Jätti store in Vantaa. Kesko has exclusive selling and marketing rights to Salora televisions in Finland. The Salora digi TV has sold well in the Musta Pörssi chain.



Anttila Oy won the Finnish Quality Award for 2004. According to the jury, the award is evidence of business expertise which has enabled Anttila to attain excellent results and sustainable competitiveness in its sector. Anttila gained nearly 550 points in the competition, reaching an outstanding level.

Anttila became the first Finnish retail company to adopt an environmental system based on the ISO 14001 standard. The system has been certified in all Anttila department stores, in the Kodin Ykkönen department stores for interior decoration, in NetAnttila, in Anttila Mail Order and in the Hämeenkylä distribution centre. Anttila is a member of the international IGDS group (Intercontinental Group of Department Stores).

Sports trade

Keswell's sports trade concepts are Intersport and Kesport. The Intersport stores are located in urban centres or shopping centres and have nation-wide marketing. The Kesport stores are smaller, leading sports stores in rural centres which focus on local marketing.

Keswell develops sports store formats in co-operation with Intersport International. Keswell Ltd's subsidiary, Interwell Oy, is a retail company operating in the sports business, which runs stores in the Intersport chain. The Intersport and Kesport stores in Keswell are all served by the Kesko Sports chain unit. The Intersport chain is the market leader in the Finnish sports trade.

Home technology trade

Musta Pörssi is one of the best-known home technology chains in Finland. It has two store concepts: Musta Pörssi and Musta Pörssi Jätti. Musta Pörssi Jätti stores are bigger and operate in the largest Finnish market areas where they offer wider product ranges and selections than traditional Musta Pörssi stores. Musta Pörssi is a member of the ElectronicPartner: International purchasing organisation. This co-operation strengthens Musta Pörssi's competitive position in the fast changing and internationalising Finnish market.

Keswell Ltd's subsidiary, Jättipörssi Oy, is a retail company that operates in the home technology business and runs the Musta Pörssi stores. Kesko Musta Pörssi is the chain unit that serves the Musta Pörssi stores in Keswell. Its home technology unit imports and markets many brands, such as Salora, Daewoo, Ahma, Fuji, Art Mito and Eltax.

Academica Oy is a pioneer in Finland in offering business customers a total service for information technology products. Academica Oy continues its investment in on-line business-to-business commerce.

Shoe trade

K-kenkä and Andiamo are the K-Alliance's shoe store chains. Kenkäexpertti stores operate in the smallest towns.

Andiamo focuses on trendy consumers, while K-kenkä mainly serves consumers who appreciate classic styles and comfort.

Motorfeet Ltd, a retail company operating in the shoe business, is owned by Keswell Ltd and has stores in the K-kenkä and Andiamo chains. Kesko Shoes is the chain unit that serves the K-kenkä and Andiamo chains in Keswell.

Operating environment and future outlook

Keswell's objectives

- Increasing market share and improving profitability
- Growth will be sought particularly from the interior decoration, sports and home technology trade and from e-commerce
- Improving customer satisfaction and competitiveness by developing chain concepts
- To be a pioneer in the electronic trading of home and speciality goods to consumers

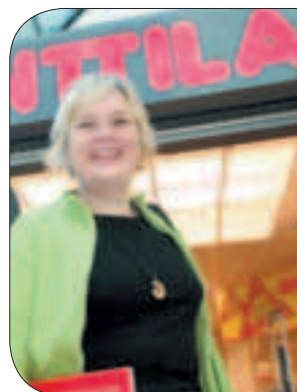
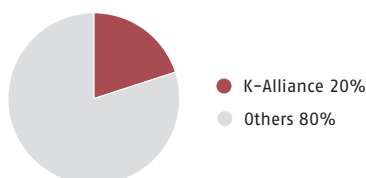
The home and speciality goods business is characterised by a great emphasis on chain operations and by the increased number and market share of international chains in Finland. The concentration of the home and speciality goods trade in Finland's growth centres will continue. Hypermarket chains will keep expanding and their share of the home and speciality goods business will increase.

Concepts are renewed quickly, they are more accurately defined than before, and are tightly controlled. Traditional chains must improve the efficiency of their operations in order to remain competitive. Through chain reform, Keswell Ltd has improved the competitiveness of its chains in a quickly changing competitive environment. The focal areas are customer-oriented chain concepts, uniform goods selections and efficient business processes.

Consumption patterns are diversifying and customer loyalty is weakening as consumers become more demanding and seek experiences instead of just products. However, trademarks and brands will remain important. Seasons and ranges will change faster. Ethical consumption will increase, and, in the home and speciality goods trade, customers will pay increasing attention to where and how the goods have been produced. Various intangible services will increase their share of consumption. Electronic trading will continue to grow.

In October 2004, Keswell Ltd agreed to acquire Indoor Group Ltd's shares from Sponsor Fund I Ky and the other shareholders. The transaction was completed in January 2005, when Keswell Ltd had received approvals from the Finnish, Swedish, Estonian and Latvian competition authorities and other conditions for the execution of the transaction had been fulfilled. There is an appeal pending concerning the Finnish Competition Authority's approval of the acquisition.

Retail sales of home and speciality goods in Finland in 2004 (estimate)



Anttila won the Finnish Quality Award 2004 in the large companies and business units category. Anttila Oy became the first retailing company to win the award. Pictured is Virpi Mikko-nen, Quality Manager of Anttila Oy.

The transaction will enhance the product selection of the whole K-Alliance in the interior decoration sector. Indoor Group Ltd, with its Asko and Sotka store chains, is the market leader in the furniture trade in Finland. Asko runs 29 stores in Finland, mainly in the larger centres of population. In Sweden, it operates two stores in the Greater Stockholm area. In addition, Asko has one store in Estonia and one in Latvia. Sotka has 52 stores in Finland, three in Estonia and one in Latvia. Indoor Group has a central warehouse in Finland and a logistics centre in Tallinn. Eight of the Asko stores and 32 of the Sotka stores operating in Finland are managed by franchise entrepreneurs. In 2004, Indoor Group's net sales were EUR 178 million and its profitability was good. At the end of the year, the number of Indoor Group employees totalled 732.

Year 2004

Keswell's net sales totalled EUR 792.8 million, an increase of 9.2%. The net sales of operations outside Finland amounted to EUR 22.4 million, representing 2.8% of total net sales. Keswell's operating profit was EUR 16.8 million. The operating profit was EUR 13.3 million bigger than in the previous year mainly due to Anttila Oy's strong profit increase. Capital expenditure totalled EUR 4.6 million.

The net sales of the Anttila Group totalled EUR 499.4 million, an increase of 8.9%. The sales of the Anttila department stores grew by 8.1% and the sales of Kodin Ykkönen department stores for home goods and interior decoration increased by 8.6%. Anttila's distance sales (Mail Order and NetAnttila) grew by 11.7% amounting to EUR 87.4 million. Anttila Group's operating profit was EUR 16.4 million, an increase of EUR 11.4 million compared with the previous year.

The net sales of Kesko Sports amounted to EUR 130.4 million, an increase of 11.3%.

The net sales of Kesko Musta Pörssi amounted to EUR 133.7 million, up by 10.6%. The retail sales of the Musta Pörssi chain increased by 10.0%.

The net sales of Kesko Shoes increased by 0.6%, totalling EUR 24.6 million. The retail sales of the K-kenkä chain increased by 3.9%.

It is estimated that, in 2005, the total home and speciality goods trade market in Finland will grow by about 2-3%, and that Keswell's net sales and operating profit will increase markedly as a result of the acquisition of Indoor Group Ltd.

Keswell

Net sales in 2004	EUR million	Change, %
Anttila Group	499	8.9
Kesko Sports	130	11.3
Kesko Musta Pörssi	134	10.6
Kesko Shoes	25	0.6
Others	5	-
Total	793	9.2

	2004	2003
Operating profit, EUR million	16.8	3.5
Depreciation, EUR million	11.1	11.6
Investments (gross), EUR million	4.6	5.3
Return on net assets, %	11	2

Net assets at 31 Dec., EUR million

Non-current assets	46.1	53.6
Stocks	113.3	123.4
Receivables	100.5	97.3
./. Interest-free liabilities	-118.4	-111.7
./. Provisions	0.0	0.0
Net assets	141.5	162.6
Personnel average	2,583	2,496

K-Alliance's home and speciality goods stores (Finland)

	Number		Sales (incl. VAT), EUR million	
	2004	2003	2004	2003
Anttila department stores	26	26	368	340
Kodin Ykkönen department stores for home goods and interior decoration	7	7	150	138
Anttila distance sales (NetAnttila and Mail Order)*			87	78
Intersport	58	58	218	196
Kesport	35	30	25	22
Musta Pörssi	59	58	177	161
K-kenkä	29	30	24	23
Andiamo	22	24	23	24
Kenkäexpertti	52	55	16	16
Other home and speciality goods stores	15	16	5	5
Home and speciality goods stores, total	303	304	1,093	1,003

* incl. mail order sales in Estonia and Latvia

KESWELL'S STORE CONCEPTS

Kaukomarkkinat

Kaukomarkkinat is the leading Finnish trading house operating internationally. It has over 20 subsidiaries or representative offices abroad. Kaukomarkkinat specialises in international technical trading, the import and wholesale of branded products as well as the import, manufacture and marketing of high-quality optics.

Market position and competitive advantages

Strengths of Kaukomarkkinat

- Finland's leading expertise in technical trading in several sectors
- The strategy for international operations is to concentrate on market areas that require special expertise and local knowledge, where manufacturers are unwilling to establish their own sales companies
- Besides Finland, major operations in all Nordic countries, the Baltic countries, in Poland, Russia and China

International technical trading

International technical trading is the largest business sector of Kaukomarkkinat and one of its strongest areas of expertise. In recent years, Kaukomarkkinat has become Finland's leading operator in several sectors of technical trading. The key product groups in technical trading include machines, raw materials and accessories for the food, forest, electronics, plastics, building materials and packaging industries.



Panasonic is one of the world's biggest manufacturers of professional video equipment. Panasonic supplies the latest high-tech applications for high-standard TV programme production and presentations. Panasonic's professional technology is the choice of the Finnish Broadcasting Company and the Ruutunelonen sports programme on Channel 4 in Finland. During 2004, Panasonic was the first manufacturer to introduce a fast new generation DVCPRO news production system that records on PC/SD memory cards and has no movable parts requiring servicing.

Telko Oy markets raw materials, accessories, machines, equipment and necessary maintenance, spare parts and installation services to Finnish industry. Telko also has expanded its operations to other Nordic countries and the Baltics. Leipuri Tukku is the leading supplier of raw materials, machinery and equipment for bakeries in the Finnish market. It has also achieved a strong position in the Baltic countries, Poland and Russia. Kauko Electronics supplies production automation machinery, measuring and testing equipment, components and video surveillance systems for the manufacturing industry.

Branded goods and Tähti Optikko

Kaukomarkkinat imports Panasonic consumer electronics and adidas sports and leisure products to Finland. Adidas Suomi Oy, half of which is owned by Kaukomarkkinat, is responsible for the sale of adidas products both in Finland and in the Baltic countries.

Tähti Optikko is a chain of branded products in the optical trade. A third of outlets are owned by Kaukomarkkinat and two thirds by partners. The chain operates nation-wide and has around 125 optical businesses.

Kaukomarkkinat

Net sales in 2004	EUR million	Change, %
Kaukomarkkinat Group	317	11.2
	2004	2003
Operating profit, EUR million	8.4	6.0
Depreciation, EUR million	5.4	5.9
Investments (gross), EUR million	3.7	3.6
Return on net assets, %	9	7
Net assets at 31 Dec., EUR million		
Non-current assets	47.7	50.6
Stocks	36.4	34.4
Receivables	48.0	41.7
./. Interest-free liabilities	-35.1	-33.7
./. Provisions	-0.4	-0.4
Net assets	96.6	92.6
Personnel average	773	796

K-Alliance's optical outlets (Finland)

	Number		Sales (incl. VAT), EUR million	
	2004	2003	2004	2003
Tähti Optikko	125	128	44	42



Petri Mäenpää, District Manager (left) and Esa Haili, Product Manager (right) of Kaukomarkkinat's Lubrication Department negotiate purchases with Erkki Jääskeläinen, Service Planner at the M-real paper mill in Kirkniemi. Vesa Laurila, Maintenance Supervisor of paper machine 3 in the front. Kaukomarkkinat has supplied lubricants for the Finnish manufacturing industry and heavy rolling machinery since 1959.

Operating environment and future outlook

Objectives of Kaukomarkkinat

- To be the leading supplier in its product lines and to serve all customers impartially
- To grow profitably and to maintain the leading position in its areas of expertise

The situation in Russia is improving the outlook for international trade. If the Russian economy continues to develop favourably it will provide opportunities for a significant increase in trading. China's membership of the World Trade Organisation will improve the operating environment in China, where Kaukomarkkinat has been operating for over 50 years already.

The achievement of a leading position in the technical trade in all Nordic countries requires that acquisitions be continued in order to accelerate growth.

Year 2004

The Kaukomarkkinat Group's total sales, which include the value of commission-based trade in addition to net sales, amounted to EUR 464.4 million, an increase of 19.2%. Net sales were EUR 317.0 million, representing an increase of 11.1%. The Group's operating profit was EUR 8.4 million (EUR 6.0 million). Capital expenditure totalled EUR 3.7 million.

Among the technical trade units, the biggest net sales growth was registered in trading with China and in Telko. Operating profit grew in several profit units owing to increased sales revenue and efficient cost control.

Kaukomarkkinat acquired Näkörata Oy, which operates three Tähti Optikko outlets in Espoo, in August, and Optikko Vuolanko Oy, which operates in Helsinki, in December.

In December Kaukomarkkinat acquired NMT Prekyba UAB, a Lithuanian wholesale operator specialising in foodstuffs. The company's net sales are EUR 6.6 million.

In 2005 Kaukomarkkinat's net sales and operating profit are anticipated to remain at a good level.

OPTICS CHAIN OF KAUKOMARKKINAT



VV-Auto

VV-Auto imports and markets Volkswagen and Audi passenger cars and Volkswagen commercial vehicles. Its subsidiary, Auto-Span Oy, is responsible for importing and marketing Seat passenger cars. In addition, VV-Auto imports original spare parts and accessories for the cars and arranges training, in its own training centre, for the personnel of the service and repair workshop network.

A network of independent dealers with a total of 59 sales outlets is responsible for sales to consumers. There are also 20 service centres for car maintenance and repair. VV-Auto has two subsidiaries engaged in the retailing and service of Volkswagen and Audi vehicles: Helsingin VV-Auto Oy in Herttoniemi, Helsinki, which started operations in July, and Turun VV-Auto Oy in Turku.

Market position and competitive advantages

Strengths of VV-Auto

- Represents strong European product brands
- Wide choice of brands and a diversified choice of models
- Leadership in the diesel car passenger market
- Strong and competent dealer network

The Volkswagen range is among the top brands of both cars and commercial vehicles in Finland. In 2004, the range expanded further when the new Volkswagen Caddy was launched. Sales of Audi cars have developed favourably during this decade. The Audi A6 Sedan, the five-door Audi A3 Sportback and the revised Audi A4 range came onto the market in 2004. The new Seat Altea was also launched.

The implementation of solutions in line with international concepts and standards has been continued in the dealer network. The personnel in the new separate Volkswagen and Audi centres are specialists in the respective brands and are thus able to provide an even more expert and tailored service for customers.

An environmental programme created jointly by VV-Auto and the Central Organisation for the Motor Trade and Repairs has been introduced by the Volkswagen and Audi dealers. With a few exceptions, the VV-Auto Group's car range already meets the EU4 emission requirements which will become effective in 2006.

Operating environment and future outlook

Objectives of VV-Auto

- Each brand to be among the leading brands in its own competitive group
- Adoption of international concepts in the Finnish market
- Expert service and improved customer satisfaction through a brand-specific sales network

It is estimated that the total passenger car and van market will slightly decrease in the near future.

Among the coming challenges for the Finnish car trade will be the practical implementation of the requirements of the EU Directive on the scrapping of cars due for removal from circulation.

Year 2004

The net sales of the VV-Auto Group totalled EUR 632.0 million, representing an increase of 13.3%. The operating profit was EUR 26.1 million (EUR 22.3 million). Capital expenditure totalled EUR 15.0 million.

The registrations of new passenger cars remained at a total of 142,642, representing a decrease of 3.2% compared with the previous year. Registrations of new vans were up by 23.7%, totalling 15,769.

In 2004 registrations of Volkswagen passenger cars totalled 15,072 and the market share was 10.6%. The number of Volkswagen vans registered was 2,636 and the market share was 16.7%. Registrations of Audis increased to 4,295, which was 18.7% up on the previous year, and the market share reached 3.0%. In 2004 the registrations of new Seat passenger cars totalled 1,601 and the market share was 1.1%.

The VV-Auto Group's net sales are anticipated to increase, partly due to its own dealer network. The 2005 operating profit is expected to remain at a good level.

Volkswagen Passat TDI was Eco Car of 2004 in Finland. Passat, fitted with a 1.9 litre pump jet engine, swept the field, mostly due to its lower fuel consumption. The Eco Car of 2004 award was made by a jury of experts, consisting of representatives from Motiva, the Helsinki University of Technology, the Finnish Association for Nature Conservation, the Finnish Vehicle Administration AKE, VTT Processes and Tuulilasi magazine.





Ari Pasto (left) and Markku Jokila, Car Mechanics at Turun VV-Auto, listen to Jukka Tirkkonen, Technical Trainer, as he offers advice on the use of the VAS 5051 repair shop tester. The tester can be used to read the car's fault memory and make diagnoses of the needed repairs, for example. The car being tested here is an Audi A4 1.9 TDI.

VV-Auto

Net sales in 2004	EUR million	Change, %
VV-Auto Group	632	13.3
	2004	2003
Operating profit, EUR million	26.1	22.3
Depreciation, EUR million	4.1	3.4
Investments (gross), EUR million	15.0	8.3
Return on net assets, %	31	32
Net assets at 31 Dec., EUR million		
Non-current assets	24.8	22.5
Stocks	90.6	99.5
Receivables	24.7	17.6
./. Interest-free liabilities	-49.9	-41.8
./. Provisions	-9.2	-8.4
Net assets	81.0	89.3
Personnel average	264	127

K-Alliance's car stores (Finland)

	Number		Sales (incl. VAT), EUR million	
	2004	2003	2004	2003
Helsingin VV-Auto and Turun VV-Auto*	2	1	129	8

* VV-Auto Oy has two subsidiaries engaged in car retailing. Helsingin VV-Auto started operations on 1 July 2004 and Turun VV-Auto on 1 November 2003.

Administration and ownership ►



Kesko's managers meet at the annual Management Strategy Seminar. Participants shown here at Haikko, Finland in August 2004.

ADMINISTRATION AND OWNERSHIP

Risk management	55	Board of Directors	70
Corporate governance statement	57	Corporate Management Board	72
Shares and shareholders	63	Management and organisation	74

Risk management

Management of business risks

Kesko maintains and develops the management system used by itself and the K-store chains. The management system, which is based on quality management and process management, includes risk mapping, a method by which Kesko's division parent companies and units can assess the risks related to their respective operations and the sufficiency of the necessary control methods. These risk assessments support strategy development work and decision-making.

The aim of the risk assessments is to ensure that sufficient action is taken to manage risks. The risk mapping system, introduced in Kesko in 2002, is being expanded and developed

each year. The Group's Internal Audit uses the risk definitions made by the divisions and units to assess the management of business risks throughout the Group, and submits related reports to the Audit Committee of Kesko Corporation's Board of Directors.

The key business risks identified in the risk analyses are related to the competitiveness of the Group's basic operations and the significant plans and projects in progress, such as the impact of the chain operation model, internationalisation and the enterprise resource planning systems, and the ensuing challenges in organisational control, data management and competencies.



The risk map used by Kesko's divisions and units and by the K-Alliance's store chains includes those risk areas that are judged to be the most critical for operations and the achievement of strategic targets. More detailed risk factors are defined for each risk area.

Management of financial risks

The Group's long-term funding has been arranged through the parent company, and intra-Group loans are mainly used for providing finance to subsidiaries. In the companies in which there is a significant outside shareholding Kesko Corporation has only given guarantees for financing liabilities in proportion to Kesko Group shareholding. Kesko Corporation's Treasury is responsible for the management of Kesko Group's financial risks. The Group companies' cash flows are netted by the internal bank and the Group accounts, and the Treasury is responsible for investing liquidity surplus.

Interest risk

In order to manage interest rate risks, the Group's borrowings and investments have been distributed in fixed and floating rate instruments by means of derivative contracts. The aim is to hedge against the negative effects of variations in interest rates. During the financial year, the average duration for loans granted by financial institutions was 3.1 years and for liquid funds (cash, commercial papers and certificates of deposit) 1 month. The duration for loans is allowed to vary between one and a half (1.5) and four (4) years.

Exchange rate risk

The Group's exchange rate risks are either translation risks that relate to foreign subsidiaries or transaction risks that arise from trade debts. Due to the fast product turnover that is typical of the grocery trade, the exchange rate exposure relating to purchases cannot grow to a considerable level. The subsidiaries and commercial units make decisions on the extent of hedging their exposure. The currencies mainly causing this risk include the US dollar, the Swedish krona, the English pound and the Danish krone. Forward exchange contracts and option agreements are used to hedge exchange rate exposure in these currencies. The business units carry out their hedging operations together with the Treasury, which hedges risk positions using market transactions within the limits confirmed for each currency.

Kesko's foreign subsidiaries are located outside the euro area. On 31 December 2004, the counter value of the foreign subsidiaries' equity and subordinated loans was EUR 94.1 million (EUR 74.6 million in the previous year). The major currency positions are in Latvian lat, Estonian kroon, Swedish krona and Lithuanian lit. The balance sheet exposure related to the foreign subsidiaries has been mainly hedged with foreign currency denominated loans and other financial instruments.

Liquidity risk

The aim of liquidity risk management is to maintain liquid funds and credit limits at a sufficient level to secure the financing of the Group's business operations at any time. The liquid funds form a cash portfolio which shall amount to at least EUR 30 million on average, with the duration being not longer than two (2) months. If the liquid funds exceed EUR 30 million, a separate investment policy has been defined for them.

At the end of 2004, the Group's liquid funds and investments totalled EUR 143.5 million. On the balance sheet date, the counter value of the committed non-current credit limits available was EUR 155 million.

Credit risk

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

Credit ratings

Kesko Corporation has not considered it necessary to obtain a credit rating in the company's present financial situation.

Corporate governance statement

Information at 31 December 2004 is presented on pages 61-62. Kesko Corporation's Board of Directors is presented on pages 70-71, the Corporate Management Board on pages 72-73 and the management on page 74.

Group structure

Kesko Group comprises the parent company, Kesko Corporation, and its subsidiaries. The parent companies of the most important subgroups are Kesko Food Ltd, Rautakesko Ltd, Kesko Agro Ltd, Keswell Ltd, Kaukomarkkinat Oy and VV-Auto Oy.

Applicable laws and regulations

Kesko Corporation is a Finnish limited liability company which, in its decision-making and administration, complies with the Finnish Companies Act, other regulations concerning publicly traded companies, and Kesko Corporation's Articles of Association.

In addition, Kesko Corporation complies with the Guidelines for Insiders published by the Helsinki Stock Exchange and, except for the deviations listed below, with the Corporate Governance Recommendation for Listed Companies published jointly by the Helsinki Stock Exchange, the Central Chamber of Commerce of Finland and the Confederation of Finnish Industry and Employers, which entered into force on 1 July 2004 (Corporate Governance Recommendation).

In accordance with the implementing provision of the Corporate Governance Recommendation, those decisions that must be made by a General Meeting in order for the Recommendation to be complied with can be made at the 2005 Annual General Meeting. Such decisions include the amendment of the terms of office of Board members or the election of Board members stipulated in the Articles of Association.

The requirements of the Recommendation and the deviations from it are presented by subject hereinafter. Kesko Corporation's corporate governance system deviates from the Recommendation in two items, which can only be amended by decision of a General Meeting.

General Meetings

The highest decision-making power in Kesko Corporation is exercised by the company's shareholders at the General Meetings convened by the company's Board of Directors. These meetings consist of Annual General Meetings and Extraordinary General Meetings.

The Annual General Meeting must be held by the end of June each year and handles the matters that fall under its authority according to the Articles of Association as well as possible other proposals to a General Meeting. Kesko Corporation's Annual General Meeting has usually been held during March-April.

When considered necessary, an Extraordinary General Meeting is convened to handle a specific proposal made to a General Meeting.

Usually, a General Meeting handles the matters placed on the agenda by the Board of Directors. According to the Finnish Companies Act, a shareholder may present a written request to the company's Board of Directors to place a matter on the agenda of the next General Meeting. If a shareholder or shareholders holding at least 10% of all shares, or the company's auditor, request that a specific matter be handled at a General Meeting, the Board of Directors shall, without delay, convene the General Meeting to handle the requested matter.

Major matters subject to the decision-making power of a General Meeting include:

- amendments to the Articles of Association
- increases and decreases in the share capital
- decisions on the number of the Board members
- the election of all Board members and decisions on their fees
- the adoption of the financial statements
- the distribution of profit.

Notification in advance

Shareholders are invited to a General Meeting by a notice published in at least two Finnish nationwide newspapers and listing the matters on the agenda. The notice and the proposals of Kesko Corporation's Board of Directors to the General Meeting are also published in a stock exchange release and posted on the company's Internet pages.

The names of persons to be nominated for Kesko Corporation's Board of Directors are published in the notice to convene the General Meeting or, if the notice has already been published, are notified in another way prior to the General Meeting, provided they have given their written consent to be elected to this post and are supported by shareholders with at least 10% of all the voting rights to which the company's shares give entitlement. The proposal for the company's auditor prepared by the Board of Directors is correspondingly published prior to the General Meeting.

Attendance

Those wishing to attend the General Meeting must notify their intention in advance within the time announced in the invitation to the meeting. Shareholders may attend the meeting themselves or through an authorised representative. Each shareholder or representative may have one assistant at the meeting. Minutes are taken at the General Meeting and are made available to shareholders for inspection two weeks afterwards. The decisions made by the General Meeting are also published in a stock exchange release immediately after the meeting.

Presence of Board members and the Managing Director at the General Meeting

The company's intention is that all members of Kesko Corporation's Board of Directors shall attend the Annual General Meeting. In particular, the company's intention is that persons proposed for the first time as Board members shall attend the General Meeting carrying out the election, unless there are well-founded reasons for their absence.

Decision-making

The company has two share series, A and B, which differ as to the votes to which they give entitlement. Each A share entitles its holder to ten (10) votes and each B share to one (1) vote at a General Meeting. When votes are taken, the proposal supported by more than half of the votes will normally be the decision of the General Meeting or, in the case of a tie, the chairman will have the casting vote. According to the Finnish Companies Act, however, there are several matters, such as an amendment to the Articles of Association or a decision on a rights offering, in which any decision requires a defined larger majority in relation to the number of shares and the votes to which they give entitlement.

Kesko Corporation's Articles of Association have no redemption clauses or voting limitations. The company is not aware of

any shareholder agreements concerning the use of voting rights in the company, or of any agreements limiting the surrender of company shares.

Supervisory Board

The company has no Supervisory Board.

Board of Directors

Composition and term

According to the Articles of Association, Kesko Corporation’s Board of Directors consists of a minimum of five (5) and a maximum of eight (8) members. According to the Articles of Association, the term of office of each Board member is three (3) years with the term starting at the close of the General Meeting electing the member and expiring at the close of the third (3rd) Annual General Meeting after the election.

The General Meeting elects all members of the Board of Directors. The Articles of Association set no upper age limit on Board members, nor limit the number of terms members may serve, nor restrict in any other way the decision-making power of the General Meeting in electing Board members. The Board of Directors elects a Chairman and a Deputy Chairman from among its members.

Deviation from the Corporate Governance Recommendation

The terms of the members of Kesko Corporation’s Board of Directors deviate from the term of one year given in item 12 of the Corporate Governance Recommendation for Listed Companies. The terms of the members of the Board of Directors are set in Kesko Corporation’s Articles of Association and any amendment thereof can only be decided by a General Meeting of Kesko Corporation. In accordance with the implementing provision of the Corporate Governance Recommendation, the decisions of General Meetings required by compliance with the Recommendation can be made at the Annual General Meeting of 2005.

Duties

The function of Kesko Corporation’s Board of Directors is to duly arrange the company’s management, operations and accounting, and to supervise the company’s financial management. The Board of Directors last confirmed the written rules of procedure that specify the Board of Directors’ duties, matters

to be handled, meeting practice and decision-making process at its meeting on 29 April 2004. According to the rules of procedure, the Board of Directors handles and decides on all matters that are financially, commercially or fundamentally significant for the Group’s operations.

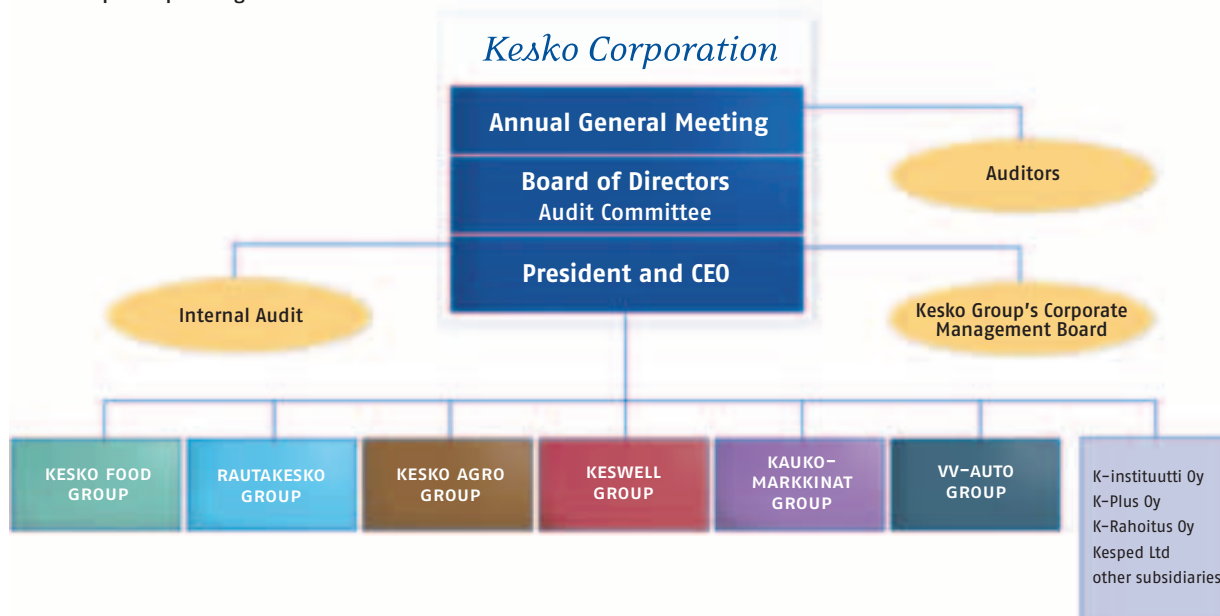
According to the rules of procedure, the responsibilities of Kesko Corporation’s Board of Directors include:

- making decisions on Group strategy and confirming strategies for the divisions
- making decisions on Group structure and organisation
- handling and adopting interim reports, consolidated financial statements and the annual report
- confirming the Group’s operating plan, budget and investment plan
- making decisions on strategically or financially important individual capital expenditure, acquisitions, disposals or other arrangements, and contingent liabilities
- confirming the Group’s risk management and reporting practice
- confirming the Group’s insurance policy
- approving the Group’s financing policy
- making decisions on reward and incentive schemes for Group management
- establishing a dividend policy and being responsible for the development of shareholder value
- appointing the company’s Managing Director and determining his or her remuneration
- appointing the Deputy Managing Director
- appointing the Managing Directors of Kesko Food Ltd, Rautakesko Ltd, Kesko Agro Ltd and Keswell Ltd
- confirming Kesko’s values
- handling the corporate responsibility report
- other duties determined for the Board of Directors in the Companies Act or otherwise.

Decision-making

Kesko Corporation’s Board of Directors is always obliged to act in the company’s interests and in such a way that its operations are not susceptible to producing unjustified advantage to any shareholder or other party at the cost of the company or another shareholder. A Board member is disqualified from participating in the handling of a matter between the Board member and the

Kesko Group’s corporate governance structure



company. The chairman of the Board of Directors is responsible for convening the Board meetings and for the meeting procedure. When votes are taken, the majority opinion will be the Board's decision and, in the case of a tie, the chairman will have the casting vote. In an election, a tie will be decided by drawing lots.

Evaluation of independence

Kesko Corporation's present Board of Directors evaluated the independence of the Board members of the company in accordance with item 18 of the Corporate Governance Recommendation on 29 April 2004 (see page 61 for information at 31 December 2004).

Meeting practice and self-assessment

Kesko Corporation's Board of Directors meets about 10 times a year. The Board of Directors has not distributed any special areas of focus in terms of business monitoring to its members. At meetings, matters are presented by Kesko's President and CEO or, at his request, by another person in Kesko Group's management. According to the Board of Directors' rules of procedure, the President and CEO ensures that the company provides the Board with sufficient information to assess the operations and financial situation of the Group, supervises the implementation of Board decisions and reports to the Board on any deficiencies or problems in implementation. The secretary to the Board of Directors is Kesko Group's General Counsel. The Board of Directors regularly assesses its operations and working procedures by carrying out a self-assessment once a year.

Board of Directors' fees and other benefits

The Annual General Meeting decides the fees and compensation for costs to be paid to the members of Kesko Corporation's Board of Directors. The Board members' fees are paid as cash compensations.

Committees

Audit Committee

On 29 April 2004, Kesko Corporation's Board of Directors established an Audit Committee of three (3) members. The Audit Committee prepares for the Board of Directors matters relating to the monitoring of financial position, the supervision and control of reporting and the risk management of the Kesko Group. The Committee has no independent decision-making power, but the Board makes decisions based on the preparations made by the Committee. The Board of Directors has confirmed written rules of procedure for the Audit Committee that lay down its key duties and operating policies.

The duties of the Audit Committee include monitoring the financial position and financing of the Group and supervising its financial reporting. The Committee also evaluates the adequacy of internal auditing and risk management and handles the plans and reports of the internal audit. The Committee also makes proposals for the election of the external auditors. In addition, the Committee should evaluate the quality and independence of the Kesko Group's external auditing, and other expert services of the firms of auditors used by the company.

Other committees

Kesko Corporation's Board of Directors has established no other committees than the Audit Committee.

Managing Director and Deputy Managing Director

Kesko Corporation has a Managing Director who is known as the President and CEO. His duty is to manage the company's activities in accordance with the company's Board of Directors'

instructions and rules and to inform the Board of Directors about the development of the company's business and financial situation. He is also responsible for arranging the company's day-to-day administration and ensuring that the financial administration of the company has been arranged reliably.

Matters in Kesko Corporation's Board meetings are primarily presented by the President and CEO. He is responsible for preparing draft solutions. The President and CEO may, when he finds it suitable, allow another member of Group management to present a matter or prepare a draft proposal. The Board of Directors elects the President and CEO and his or her Deputy and decides on the President and CEO's fees and other terms of employment. The President and CEO's and his or her Deputy's terms of employment have been agreed on in writing. The President and CEO and his or her Deputy are not elected for a certain term. The retirement age is 60 years.

Corporate Management Board

Kesko Group has a Corporate Management Board, the Chairman of which is Kesko's President and CEO and the members of which are the Presidents of the major division parent companies, the Corporate Executive Vice President responsible for Finance and the Senior Vice Presidents responsible for Administration and Corporate Communications.

The Corporate Management Board has no authority based on legislation or the Articles of Association. The Corporate Management Board is an advisory body appointed by Kesko's President and CEO, which is responsible for dealing with Group-level development projects and Group-level principles and practices. In addition, the Corporate Management Board is informed about the Group's and the division parent companies' business plans, profit performance and matters that are handled by Kesko Corporation's Board of Directors, and it also participates in the preparation of these matters. The Corporate Management Board meets 8-10 times a year.

Kesko Corporation's Board of Directors makes decisions on the salary benefits of Kesko's President and CEO and of those subgroup Presidents who are members of the Corporate Management Board. Kesko Corporation's Board of Directors makes decisions on the basis and maximum amounts of the bonuses given to all Corporate Management Board members as well as on the numbers of stock options. The Board of Directors also approves the amounts of bonuses paid to the President and CEO and the subgroup Presidents.

Subsidiary management

Board members of the major subsidiaries are elected from among the management of the Kesko Group. The chairman of the Boards of Kesko Food Ltd, Rautakesko Ltd, Kesko Agro Ltd and Keswell Ltd is Kesko's President and CEO. The most important duties of the subsidiary boards include defining the company strategy, operating plan and budget, and making decisions on investments, company acquisitions and contingent liabilities within the limits determined by Kesko Corporation's Board of Directors.

Management's bonus system

Kesko Corporation's Board of Directors has approved a performance-based bonus system for the Group's top management. The maximum amounts of the bonus vary depending on the profit impact of the job up to amounts corresponding to a salary of 2-6 months. The criteria used in the bonus system include performance requirements at the Group level and in each field of responsibility, customer and/or personnel indicators, and an estimated proportion. The management's performance-based bonus system encompasses about 50 executives of Kesko Group.

Auditing

The main function of statutory auditing is to verify that the financial statements show a true and fair view of the Group's performance and financial position for the financial year. Kesko Corporation's financial year is the calendar year.

The auditor is obliged to audit the correctness of the company's accounting and closing of accounts for the financial year and to give the General Meeting an auditors' report. In addition, Finnish law requires that the auditor also monitors the lawfulness of the company administration. The auditor reports to the Board of Directors' Audit Committee regularly and to the Board of Directors normally once a year.

Auditor

According to the Articles of Association, Kesko Corporation has a minimum of one (1) and a maximum of three (3) auditors elected by the Annual General Meeting. The term of an auditor is the company's financial year and an auditor's duties terminate at the close of the Annual General Meeting following the election. The auditors shall be auditors or firms of auditors authorised by the Central Chamber of Commerce. The auditors of the companies of Kesko Group come mainly from firms of auditors that belong to the Price-waterhouseCoopers chain or are auditors employed by them.

Financial reporting of the Group

The achievement of financial targets is monitored through Group-wide financial reporting. The reports include actual results, plans and up-to-date forecasts for the current year. Generation of economic value added is monitored by monthly internal reporting. Sales figures for the Group are published in monthly stock exchange releases.

Internal control, internal auditing and risk management

Kesko uses the risk management and internal control principles confirmed by the Audit Committee of Kesko Corporation's Board of Directors, based on good control principles widely accepted internationally.

As part of Kesko's management, a risk mapping system was introduced in 2002, which is used by Kesko's division parent companies and units to assess risks related to their business operations and the sufficiency of the necessary control methods. The purpose of these risk assessments that support strategy development work and decision-making is to ensure that sufficient action is taken to manage risks.

The risk map includes those risk areas that are judged to be the most critical for operations and the achievement of strategic targets. The Group's Internal Audit uses the risk definitions made by the divisions and units to assess the management of business risks throughout the Group and submits related reports to the Audit Committee of Kesko Corporation's Board of Directors.

The guidelines confirmed by the Audit Committee of Kesko Corporation's Board of Directors define the operating policies and key practices of Kesko's Internal Audit. The Internal Audit is responsible for the Group's independent assessment and assurance activities which cover all Group divisions, units, companies, processes, activities and duties. The Internal Audit department is subject to Kesko's President and CEO and reports to the Audit Committee of Kesko Corporation's Board of Directors. In its operations, the department complies with the professional and ethical guidelines of the sector, and with the key principles of quality management. Added value is created by making the management participate in the assessment process through group assessment. Internal Audit also consults, facilitates and coaches the organisation in risk management and supervision.

Appropriate insurance is taken in case of property damage, consequential loss or liability damage risks arising from business operations. The principles of Kesko's financial risk management are specified under the heading 'Risk Management', on page 56.

Insiders

According to the Securities Markets Act, persons in the following positions are considered to be Kesko Corporation's permanent insiders: members of Kesko Corporation's Board of Directors, the Managing Director and his deputy, and auditors, including an auditor from a firm of auditors with principal responsibility for the company. In addition, Kesko Corporation's permanent insiders include persons who are working, at the time in question, in such jobs determined by the Board of Directors in which they receive insider information on a regular basis. The list of Kesko Corporation's key permanent insiders and their holdings of shares and stock options, updated monthly, is on Kesko's Internet pages.

Insider administration

On 1 March 2000, Kesko Corporation's Board of Directors confirmed Kesko Corporation's insider regulations, which include rules for permanent and project-specific insiders, and defined the insider organisation and procedures for the company. The regulations for permanent insiders have since been replaced with revised regulations. These were confirmed by Kesko Corporation's Board of Directors on 29 April 2004 and entered into force on 1 May 2004. The insider regulations have been distributed to all insiders. The company has written practices on the administration and secrecy of insider projects. The contents of the company's regulations for permanent insiders correspond with those of the Helsinki Stock Exchange, the Central Chamber of Commerce and the Confederation of Finnish Industry and Employers, confirmed by the Helsinki Stock Exchange on 28 October 1999.

The Corporate Legal Affairs unit monitors compliance with insider regulations by, for instance, sending insiders an extract of the information in the insider register for them to check at regular intervals and monitoring the insiders' compliance with trading restrictions. Kesko Corporation's permanent insiders are prohibited from acquiring or surrendering securities issued by the company during 21 days prior to publication of interim reports and during 28 days prior to publication of annual financial statements. These dates of publication are announced annually in advance by stock exchange release.

Kesko Corporation's insider register is maintained by the Finnish Central Securities Depository Ltd. Up-to-date ownership information on insiders is available at the premises of the Finnish Central Securities Depository Ltd in Helsinki, address Unioninkatu 32 B, on the 6th floor. The company also maintains a list of key permanent insiders and their shareholdings on its Internet pages.

Shares, share capital and the largest shareholders and flagging notifications made during the past 12 months

The company gives basic information about its shares and share capital on its web pages and Annual Report. The 'Investors' section of the web pages also provides a list of the largest shareholders, updated monthly, and a list of flagging notifications.

IR principles

In line with its IR strategy, Kesko continually produces correct and up-to-date information for the markets as a basis for the formation of Kesko Corporation's share price. The aim is to make

Kesko's activities better known and to increase the transparency of investor information and, therefore, the attraction of Kesko as an investment target.

In its investor communications, Kesko follows the principle of impartiality and publishes all investor information on the Internet pages in Finnish, Swedish and English. Kesko publishes its annual report as a printed publication in Finnish, Swedish and English.

The annual financial statements release and three interim reports are also published as part of the TradeMaker stakeholder magazine which is mailed to all shareholders. In addition, the company maintains a mailing list of other persons to whom the annual report and the TradeMaker magazine are sent. Those who wish their names to be entered on the mailing list may fill in a form at the material service on Kesko's web pages or the coupons in the printed publications. Kesko's stock exchange and press releases can be ordered by e-mail through the material service on the web pages.

Kesko arranges press conferences for analysts and the media at the time of announcing the annual and interim results or other significant news, and holds Capital Market Days for analysts on various themes 1-2 times a year.

Kesko observes a two-week period of silence before publishing information on its results. At other times, we will be happy to answer the enquiries of analysts and investors by phone or e-mail, or at the investor meetings arranged.

Communications policy

The purpose of Kesko Group's communications is to promote the business of the parent company and its subsidiaries by taking the initiative in providing stakeholders with correct information on Group goals and operations. The responsibility for Group communications lies with the President and CEO, Senior Vice President, Corporate Communications and the members of the Corporate Management Board, each in his or her respective field. The responsibility for communications in the subsidiaries lies with the Managing Directors or, as needed, the Chairmen of the Boards. The responsibility for implementing regional stakeholder activities and communications lies with the District Directors. The Corporate Communications unit, headed by a Senior Vice President, who reports to the President and CEO, produces Group communications material, including stock exchange releases.

The Corporate Communications unit is responsible for the financial contents of investor information. The Corporate Management Board co-ordinates the development of the Group's overall corporate image.

Communications principles

The communications of the Kesko Group shall be self-initiated and active, and shall support business. The principles to be followed in providing information are openness, topicality and truthfulness. No comments are made on confidential or unfinished business, nor on competitors' affairs. Information on the whole Kesko Group is given by the President and CEO or the Senior Vice President, Corporate Communications or the members of the Corporate Management Board. The Managing Directors of subsidiaries and the Directors of business units are responsible for the external and internal communications of their own units.

Updating corporate governance

The regularly updated Kesko corporate governance statement can be read on the company's Internet pages. Kesko Corporation's Internet pages are published in Finnish and English, and most of them also in Swedish.

Corporate governance - information at 31 December 2004

Board of Directors

Kesko Corporation's Annual General Meeting held on 31 March 2003 elected eight (8) members to the Board of Directors. Their term, as prescribed in the Articles of Association, started on 31 March 2003 and will expire at the close of the 2006 Annual General Meeting. Among the Board members elected at the 2003 General Meeting, Pentti Kalliala, Heikki Takamäki and Jukka Toivakka acted in 2004 as K-retailers in normal business relations with the Kesko Group. Matti Honkala was Kesko Corporation's Managing Director and the Kesko Group's President and CEO. Kesko Corporation has given no guarantees or other contingent liabilities for its Board members. The members of the Board of Directors, their education, employment histories and major positions of trust, and the fees paid to them are presented under the heading 'Board of Directors' on pages 70-71.

In 2004, Kesko Corporation's Board of Directors convened 10 times. The average attendance percentage, a figure that illustrates the participation of the Board members in the work of the Board, was about 98%. (The attendance percentage has been calculated by comparing the number of meetings held during the year and the number of Board members attending them with a hypothetical situation in which there are no absences from meetings.)

Based on a decision made at the 2004 Annual General Meeting, the monthly and meeting fees paid in 2004 to the members of Kesko Corporation's Board of Directors and to the members of the Board of Directors' Audit Committee, with the exception of persons employed by the company, were:

- monthly fee for the Chairman EUR 3,800
- monthly fee for the Deputy Chairman EUR 2,400
- monthly fee for each Board member EUR 2,000 and
- fee per meeting for each participant EUR 420.

In addition, Kesko Corporation's Board members are entitled to daily allowances and compensation for travelling expenses in accordance with the general travel rules of Kesko Corporation. Neither the monthly nor the meeting fees of Kesko Corporation Board members were paid to Kesko's President and CEO.

The meeting fee of EUR 420 per meeting and compensation for travelling expenses in accordance with the general travel rules of Kesko Corporation are paid to the members of the Board of Directors' Audit Committee for their work in the Committee.

The monthly and meeting fees paid to Kesko Corporation's Board members in 2004 totalled EUR 225,060.00, of which fees paid to the Audit Committee members accounted for EUR 5,040.00. The breakdown of fees by member is presented under the heading 'Board of Directors' on pages 70-71.

No stock options or Kesko's own shares were given to the members of Kesko Corporation's Board of Directors as a reward for their work on the Board. Stock options were given to the President and CEO, who is a Board member, as part of the Kesko Group's management reward system.

Evaluation of independence

Kesko Corporation's Board of Directors has evaluated the independence of the Board members of the company in accordance with item 18 of the Corporate Governance Recommendation. On the basis of the evaluation, the following persons were found to be independent of the company: Deputy Chairman of the Board of Directors Matti Kavetvuo and Board members Eero Kasanen, Maarit Näkyvä and Keijo Suila. The following persons were dependent on the company: Chairman of the Board of Directors

Heikki Takamäki and Board members Pentti Kalliala, Jukka Toivakka and Matti Honkala. Pentti Kalliala, Heikki Takamäki and Jukka Toivakka were K-retailers, with a chain agreement with a Kesko Group company and Matti Honkala was Kesko Corporation's Managing Director and the Kesko Group's President and CEO.

All members of Kesko Corporation's Board of Directors are independent of significant shareholders of the company as referred to in the Corporate Governance Recommendation.

Deviation from the Corporate Governance Recommendation
Half of the members of Kesko Corporation's Board of Directors were independent of the company. Item 17 of the Corporate Governance Recommendation requires that a majority of the Board members must be independent of the company. In accordance with the implementing provision of the Corporate Governance Recommendation, the General Meeting decisions that are required to comply with the Recommendation can be made at the 2005 Annual General Meeting.

Audit Committee

The Chairman of the Audit Committee of the Board of Directors was Matti Kavetvuo with Eero Kasanen and Maarit Näkyvä as members. According to the independence evaluation made by the Board of Directors, they were independent of the company and its significant shareholders.

Managing Director and Deputy Managing Director

The personal data, employment histories and main positions of trust of Kesko Corporation's Managing Director, who acts as President and CEO, and of the Deputy Managing Director are presented under the heading 'Corporate Management Board' on page 72.

On 10 September 2004, Kesko Corporation's Board of Directors appointed Matti Halmesmäki (b. 1952), M.Sc. (Econ.), LL.M., the President of Rautakesko Ltd and Kesko Agro Ltd, as Kesko Corporation's Managing Director and the Kesko Group's President and CEO, with effect from 1 March 2005.

Salaries, bonuses and fringe benefits

In 2004, the salaries, bonuses and fringe benefits paid to President and CEO Matti Honkala totalled EUR 606,224.00, of which regular salaries accounted for EUR 452,120.00, the 2003 bonus paid under the performance-based bonus system for EUR 137,484.00 and fringe benefits for EUR 16,620.00.

The salaries, bonuses and fringe benefits paid to his deputy, Kalervo Haapaniemi, in 2004 for his position as Kesko Food Ltd's President totalled EUR 346,946.00 of which regular salaries accounted for EUR 288,260.00, the 2003 bonus paid under the performance-based bonus system for EUR 44,000.00 and fringe benefits for EUR 14,686.00.

The President and CEO's bonus for 2003 equalled his regular salaries for 3.8 months, while his deputy's bonus equalled his regular salaries for 1.9 months. Kesko Corporation's Board of Directors will make a decision on the 2004 bonuses in spring 2005.

Stock options

As part of the management's reward system, President and CEO Honkala and his deputy have been given B and C stock options issued in 2000, and D and E stock options issued in 2003. The stock options owned by them are presented under the heading 'Corporate Management Board' on page 72.

At the end of 2004, President and CEO Matti Honkala had 25,000 B stock options, 42,000 D stock options and 42,000 E stock options. His deputy Kalervo Haapaniemi had 21,000 D stock options and 21,000 E stock options.

The company has no incentive system in which the company rewards its management with company shares.

Retirement age and benefits

The President and CEO's retirement age is 60 years, with his full pension being 66% of the pensionable salary.

The retirement age of the Deputy to the President and CEO is 60 years, with his pension being 60% of the pensionable salary.

A six-month notice period is needed to terminate the employment contract of the President and CEO or his or her deputy. If the company terminates the employment, they are, in addition to the salaries for the period of notice, entitled to a severance pay corresponding to 18 months' salary.

Corporate Management Board

The retirement age of the Corporate Management Board members varies from 60 years to 65 years and their pensions from 60% to 66% calculated from the pensionable salary. A six-month notice period is needed to terminate their employment contracts. In addition to the salaries for the period of notice, they are entitled to a severance pay corresponding to 6-18 months' salary. The members of the Corporate Management Board, their education and employment histories, and the shares and stock options held by them are presented under the heading 'Corporate Management Board' on pages 72-73.

In 2004, the Chairman of the Corporate Management Board was Matti Honkala, Kesko's President and CEO, while the members were Kalervo Haapaniemi, deputy to the President and CEO and President of Kesko Food Ltd, Matti Halmesmäki, President of Rautakesko Ltd and Kesko Agro Ltd, Matti Laamanen, President of Keswell Ltd, and Erkki Heikkinen, Senior Vice President, Corporate Communications, Juhani Järvi, Corporate Executive Vice President and CFO, and Riitta Laitasalo, Senior Vice President, Administration, of Kesko Corporation.

In 2004, the members of the Corporate Management Board, excluding the President and CEO and his deputy, received EUR 917,280.96 in salaries, EUR 63,236.77 in fringe benefits and EUR 203,295.00 in bonuses under the performance-based bonus system.

As part of the management's reward system, all members of the Corporate Management Board have been given B and C stock options issued in 2000 and D and E stock options issued in 2003. The stock options held by them at present are specified under the heading 'Corporate Management Board' on pages 72-73.

Auditing

The 2004 Annual General Meeting of Kesko Corporation elected one auditor for the company: Authorised Public Accountants PricewaterhouseCoopers Oy, with Pekka Nikula, APA, as the auditor with principal responsibility.

The fees paid to firms that belong to the PricewaterhouseCoopers chain in Finland and other countries for auditing Kesko Group companies totalled EUR 889,160, while the fees paid for consulting services totalled EUR 435,310. In some Kesko Group companies, auditing is carried out by auditors other than those belonging to the PricewaterhouseCoopers chain. The total amount of auditing fees paid to all auditors amounted to EUR 941,045 in 2004.

Shares and shareholders

Dividend policy

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

Proposed dividends for the year 2004

Kesko Corporation's Board of Directors proposes to the Annual General Meeting that EUR 95,168,792 be distributed as dividends from the net profit for the year 2004, or EUR 1.00 per share, representing 79.4% of earnings per share. During the past five years, 139.6% of earnings per share, on the average, have been distributed as dividends.

Share series and share capital

Kesko Corporation's share capital is divided into A shares and B shares. On 31 December 2004, the company's share capital was EUR 187,681,084. The minimum share capital is EUR 100,000,000 and the maximum EUR 400,000,000, within which limits the share capital can be increased or decreased without amending the Articles of Association.

The minimum number of A shares is one (1) and the maximum number two hundred and fifty million (250,000,000), while the minimum number of B shares is one (1) and the maximum number two hundred and fifty million (250,000,000), provided that the total number of shares is at minimum two (2) and at maximum four hundred million (400,000,000).

On 31 December 2004, the total number of shares was 93,840,542, of which 31,737,007 (33.8%) were A shares and 62,103,535 (66.2%) were B shares.

Each A share entitles the holder to 10 votes and each B share to 1 vote. Both shares give the same dividend rights. On 31 December 2004, the number of votes entitled by A shares was 83.6% and the number of votes entitled by B shares was 16.4% of the total voting rights.

The shares are included in the book-entry securities system held by the Finnish Central Securities Depository Ltd.

The right to receive funds distributed by the company and to subscribe to shares when the share capital is increased belongs only to those

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

Authorisations of the Board of Directors

In 2004 the Board of Directors had no authorisation to increase the share capital, or to acquire or assign company shares. On 11 February 2004, a Kesko Corporation subsidiary, Jättipörssi Oy, disposed of the 34,400 Kesko Corporation A shares it held. The counter value of these shares totalled EUR 68,800, and they accounted for under 0.04% of all shares and under 0.1% of

all votes. After the transaction, Kesko Corporation or none of its subsidiaries hold company shares.

Shareholders

According to the register of Kesko Corporation's shareholders kept by the Finnish Central Securities Depository Ltd, there were 29,801 shareholders at the end of 2004 (28,761 at the end of 2003). The total number of shares registered in a nominee name was 21,763,088, accounting for 23.2% of the share capital. The number of votes entitled by these shares was 21,864,428, or 5.8% of the total voting rights. A list of Kesko Corporation's largest shareholders, updated monthly, is available on the Internet at www.kesko.fi/investors.

Year 2000 stock option scheme

The Annual General Meeting of 10 April 2000 approved a stock option scheme for the top and middle management as part of the management's incentive programme. There were two classes of stock options issued gratuitously, B stock options and C stock options. There were 3,825,000 B stock options (KESBVEW100, ISIN code FI0009601835) and 2,015,000 C stock options (KESBVEW200, ISIN code FI0009601843) issued, i.e. a total of 5,840,000 stock options.

Each B and C stock option entitles to the subscription of one new Kesko Corporation B share. The share subscription period for B stock options began on 1 November 2002 and for C stock options on 1 November 2003, and shall end on 31 March 2006 for all stock options.

The original share subscription price for B stock option was the trade volume weighted average price of a Kesko Corporation B share on the Helsinki Stock Exchange of March 2000 with an addition of 15 percent (EUR 15.97), and for C stock option the corresponding weighted average of March 2001 with an addi-

Basic information on the shares at 31 December 2004

A share

- symbol: KESAV (OMX)
- ISIN code: FI0009007900
- voting rights per share: 10 votes
- taxable value per share (2004): EUR 12.88
- number of shares: 31,737,007
- market value: EUR 600 million

B share

- symbol: KESBV (OMX)
- ISIN code: FI0009000202
- voting rights per share: 1 vote
- taxable value per share (2004): EUR 12.53
- number of shares: 62,103,535
- market value: EUR 1,115 million

Book counter value of both shares: EUR 2.00

Trading unit of both share series: 100 shares

Total share capital: EUR 187,681,084

Total number of shares: 93,840,542

Voting rights carried by all shares: 379,473,605

tion of 15 percent (EUR 12.71). In accordance with the terms and conditions of the stock option scheme, from the share subscription price shall be deducted the amount of the dividend per share distributed after the above period for the determination of the subscription price has ended but before the date of subscription for shares.

At the end of 2004, after the distribution of the additional dividends for 2003, the B share subscription price with B stock options is EUR 8.87 and with C stock options EUR 7.11. The shares subscribed for with B and C stock options entitle to dividends for the financial period during which they were subscribed and paid.

When the scheme was announced it comprised nearly 600 persons.

This stock option scheme entitles to the subscription of a total of 5,840,000 new B shares, and may increase the company's share capital by a maximum of EUR 11,680,000 in consequence of subscriptions. The shares subscribed for under the stock option scheme account for 5.91% of the share capital and 1.52% for all votes, presuming that all issued stock options are used.

Subscription of shares with stock options

The B stock options issued in 2000 were listed on the Helsinki Stock Exchange on 1 November 2002 and the year 2000 C stock options on 3 November 2003.

In 2004, the share capital was raised four times corresponding to share subscriptions made with the year 2000 B and C stock options: in February by EUR 48,600, in May by EUR 1,072,380, in August by EUR 156,200 and in December by EUR 4,022,904, or by a total of EUR 5,300,084. The corresponding share subscriptions were 24,300, 536,190, 78,100 and 2,011,452 respectively, totalling 2,650,042 shares. The share capital increases were registered in the Trade Register on 6 February, 4 May, 4 August and 31 December 2004.

At the end of December 2004, a total of 1,328,250 new B shares were subscribed for with the B and C stock options and registered in February 2005. These shares entitle to dividends for 2004. Other shareholder rights will commence when the corresponding increase of the share capital has been entered in the Trade Register.

Year 2003 stock option scheme

On 31 March 2003, the Annual General Meeting resolved to gratuitously issue a total of 1,800,000 stock options to the management of the Kesko Group as well as to a wholly-owned subsidiary of Kesko Corporation. A deviation was made from the shareholders' pre-emptive right to subscription since the stock options form a part of the incentive and commitment programme for the management.

Each stock option entitles its owner to subscribe for one new Kesko Corporation B share. The stock options shall be marked with symbols 2003D, 2003E and 2003F in units of 600,000 stock options each.

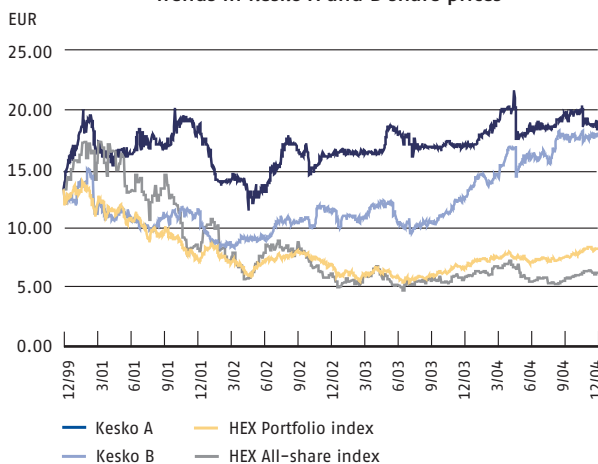
The share subscription periods shall be:

- for stock option 2003D 1 April 2005 - 30 April 2008,
- for stock option 2003E 1 April 2006 - 30 April 2009 and
- for stock option 2003F 1 April 2007 - 30 April 2010.

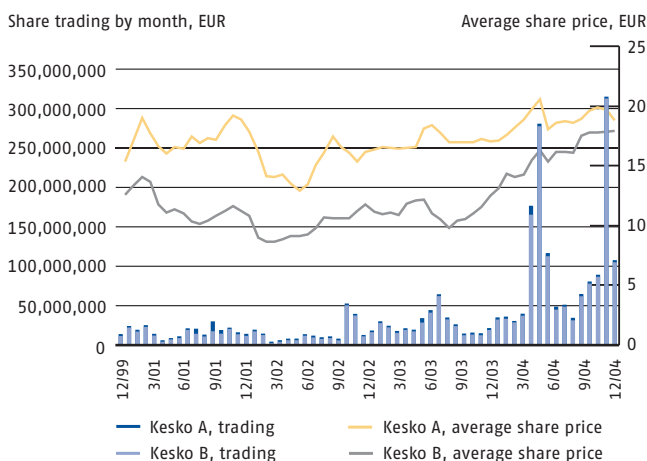
The original share subscription price for stock option 2003D was the trade volume weighted average price of a Kesko Corporation B share on the Helsinki Stock Exchange between 1 to 30 April 2003 (EUR 9.63) and for stock option 2003E, the corresponding weighted average price between 1 to 30 April 2004 (EUR 15.19). The share subscription price for stock option 2003F is the trade volume weighted average price of a Kesko Corporation B share on the Helsinki Stock Exchange between 1 to 30 April 2005. From the prices of shares subscribed for with stock options shall be deducted the amount of the dividend per share distributed after the period for the determination of the subscription price has ended but before the date of subscription for shares.

At the end of 2004, the subscription price of a B share subscribed for with stock option 2003D was EUR 6.63 and the sub-

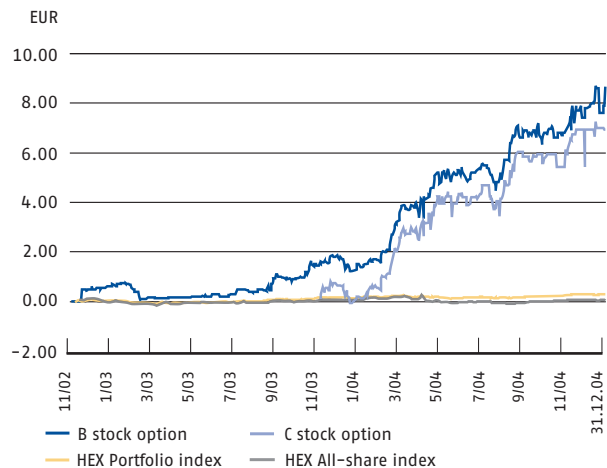
Trends in Kesko A and B share prices



Kesko A and B share trading by month



Price trends of Kesko's year 2000 B and C stock options



scription period will begin on 1 April 2005. The subscription price of a B share subscribed for with stock option 2003E was EUR 14.19 and the subscription period will begin on 1 April 2006. The share subscription price of stock option 2003F has not been determined yet.

The scheme comprises approximately 50 persons.

Under this stock option scheme a total of 1,800,000 new B shares can be subscribed for and Kesko Corporation's share capital may be increased by a maximum of EUR 3,600,000 as a result of the subscriptions. The shares subscribed for under the year 2003 stock option scheme account for 1.82% of the share capital and 0.47% for all votes, if all issued stock options are used. Dividend rights of the shares and other shareholder rights shall take effect when the increase of the share capital has been entered in the Trade Register.

Share of issued stock options of share capital and votes

Presuming that shares are subscribed for with all of the 7,640,000 stock options issued under the year 2000 and the year 2003 schemes, the shares subscribed for with stock options account for 7.74% of share capital and 1.99% of all votes.

The company has no other stock options, convertible bonds or bonds with warrants in issue.

Shares and stock options held by management

The members of Kesko Corporation's Board of Directors whose term began on 31 March 2003, the Managing Director and the Deputy Managing Director and the corporations under their control, held at the end of 2004 a total of 379,980 Kesko Corporation A shares and 172,320 Kesko Corporation B shares, or 552,300 in all, which represented 0.59% of the company's total share capital and 1.05% of its voting rights.

At the end of 2004, Kesko Corporation's Managing Director and Deputy Managing Director held a total of 151,000 Kesko Corporation stock options, which represented 0.15% of the company's total share capital and 0.04% of voting rights, presuming

that shares have been subscribed with all of these stock options. In addition to the Managing Director, no other Board member held stock options at the end of the year 2004.

Detailed information on shares and stock options held by the management at the beginning and at the end of 2004 is given on pages 70-73.

Trading in Kesko's shares and stock options in 2004

Kesko Corporation's shares are listed on the OMX Helsinki Stock Exchange. Key information about share and stock option trading in 2004 is given in the tables and graphs on this double page spread. Trading in B share and stock options increased significantly in 2004 compared with the previous year.

In addition, the B share price developed favourably and was up by 29.3% compared with the end of 2003, exceeding both the HEX All-share index and the Portfolio index. The HEX All-share index grew by 3.3% and the portfolio index by 14.6%.

Trading in shares subscribed for in 2004 with B and C stock options and listed separately as the 'Kesko B uudet' series due to the dividend difference resulting from the terms and conditions of the year 2000 stock option scheme was weak. At the turn of 2004-2005, these shares were combined with the old B shares.

At the end of the year, the market value of A shares was EUR 599.8 million and that of B shares EUR 1,114.8 million, an increase of EUR 289.6 million during the year. The total market capitalisation of the company was EUR 1,714.6 million.

Flagging notifications

On 16 February 2004 Kesko Corporation was notified that, on 13 February 2003, the combined share of the K-Retailers' Association, its branch clubs and the Foundation for Vocational Training in the Retail Trade in Kesko Corporation's voting rights had increased to 10.08% and to 4.47% of share capital.

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

The latest changes in share capital

Year	Registration date	Subscription terms	Change	New share capital
2002	21.5.2002	S 1 for 1 at € 10.01	€ 1,814,000	€ 182,240,800
2003	19.12.2003	S 1 for 1 at € 11.87 B stock option S 1 for 1 at € 10.11 C stock option	€ 140,200	€ 182,381,000
2004	6.2.2004	S 1 for 1 at € 10.11 C stock option	€ 48,600	€ 182,429,600
2004	4.5.2004	S 1 for 1 at € 9.87 B stock option S 1 for 1 at € 8.11 C stock option	€ 1,072,380	€ 183,501,980
2004	4.8.2004	S 1 for 1 at € 9.87 B stock option S 1 for 1 at € 8.11 C stock option	€ 156,200	€ 183,658,180
2004	31.12.2004	S 1 for 1 at € 9.87 B stock option S 1 for 1 at € 8.87 B stock option S 1 for 1 at € 7.11 C stock option	€ 4,022,904	€ 187 681 084
2005	15.2.2005	S 1 for 1 at € 8.87 B stock option S 1 for 1 at € 7.11 C stock option	€ 2,656,500	€ 190,337,584

S = subscription with stock options

Prices of Kesko A and B shares and B and C stock options, and trading on the Helsinki Stock Exchange in 2004

Share	Share price, €		Change, %	Lowest price, €	Highest price, €	Trading volume, 1,000 pcs	Total value, M€	Turnover rate, %
	31.12.2003	31.12.2004						
Kesko A	18.20	18.90	4.4	15.70	21.50	1,209	23.1	3.8
Kesko B	13.88	17.95	29.3	13.58	18.27	82,966	1,368.4	133.6
Kesko B stock option	2.32	9.45	307.3	2.18	9.50	5,690	24.8	147.2
Kesko C stock option	3.75	10.50	180.0	3.70	10.80	2,927	17.6	145.3

20 largest shareholders by number of shares at 31.12.2004

	Number of shares	% of shares	% of votes
1 Kesko Pension Fund	3,438,885	3.66	9.06
2 The K-Retailers' Association	2,911,139	3.10	7.57
3 Vähittäiskaupan Takaus Oy	2,628,533	2.80	6.93
4 Valluga-Sijoitus Oy	1,340,439	1.43	3.53
5 Oy The English Tearoom Ab	1,008,400	1.07	0.27
6 The Finnish Local Government Pensions Institution	914,600	0.97	0.24
7 Foundation for Vocational Training in the Retail Trade	862,275	0.92	1.83
8 State Pension Fund	680,000	0.72	0.18
9 Erikoissijoitusrahasto Avenir	513,200	0.55	0.14
10 Tapiola Mutual Pension Insurance Company	464,500	0.49	0.12
11 Fortum Pension Foundation	353,400	0.38	0.09
12 Mattson Rafael	350,000	0.37	0.09
13 Pension Foundation Polaris	340,000	0.36	0.09
14 Ilmarinen Mutual Pension Insurance Company	334,155	0.36	0.09
15 Hannu Aaltonen Oy	332,280	0.35	0.39
16 Ruokacity Myyrmäki Oy	322,060	0.34	0.85
17 Sigrid Juselius Foundation	308,110	0.33	0.08
18 The K-Food Retailers' Club	302,040	0.32	0.66
19 Tapiola General Mutual Insurance Company	299,340	0.32	0.08
20 Ruokajätti Kalevi Sivonen Oy	297,880	0.32	0.64
20 largest shareholders, total	18,001,236	19.16	32.93

20 largest shareholders by number of votes at 31.12.2004

	Number of votes	% of votes	Number of shares	% of shares
1 Kesko Pension Fund	34,388,850	9.06	3,438,885	3.66
2 The K-Retailers' Association	28,743,740	7.57	2,911,139	3.10
3 Vähittäiskaupan Takaus Oy	26,285,330	6.93	2,628,533	2.80
4 Valluga-Sijoitus Oy	13,404,390	3.53	1,340,439	1.43
5 Foundation for Vocational Training in the Retail Trade	6,926,943	1.83	862,275	0.92
6 Ruokacity Myyrmäki Oy	3,220,600	0.85	322,060	0.34
7 The K-Food Retailers' Club	2,508,660	0.66	302,040	0.32
8 Ruokajätti Kalevi Sivonen Oy	2,438,800	0.64	297,880	0.32
9 Heimo Välinen Oy	2,118,000	0.56	211,800	0.23
10 A. Toivakka Oy	1,934,500	0.51	211,450	0.23
11 Mauri ja Nina Penttinen Oy	1,931,600	0.51	198,020	0.21
12 Vesa Laakso Oy	1,611,000	0.42	161,100	0.17
13 Pokela Oy Iso Omena	1,500,000	0.40	150,000	0.16
14 Hannu Aaltonen Oy	1,492,200	0.39	332,280	0.35
15 Sundman & Co - Holding Oy Ab	1,108,020	0.29	110,802	0.12
16 Oy The English Tearoom Ab	1,008,400	0.27	1,008,400	1.07
17 CM Yliveto Oy	1,000,000	0.26	100,000	0.11
18 Heikki Takamäki Oy	952,000	0.25	133,000	0.14
19 Tavaratalo Länsitori Simo Lignell Oy	921,200	0.24	92,120	0.10
20 Veikko Still Oy	919,850	0.24	91,985	0.10
20 largest shareholders, total	134,414,083	35.41	14,904,208	15.88

Ownership structure at 31.12.2004

All shares	Number of shares	% of all shares
Private enterprises	25,813,176	27.51
Public companies	20,300	0.02
Financial and insurance institutions	4,562,995	4.86
General government*	7,561,944	8.06
Non-profit institutions**	5,699,379	6.07
Households	28,298,709	30.16
Foreigners (incl. nominee registrations)	21,884,039	23.32
Total	93,840,542	100.00

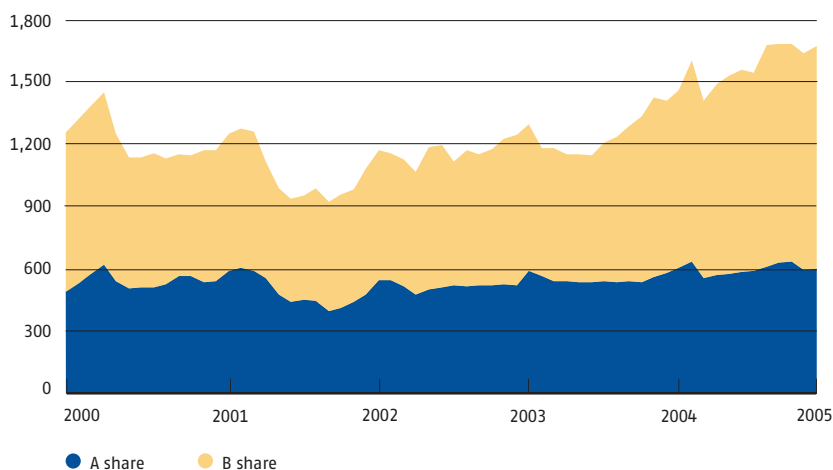
A shares	Number of shares	% of A shares	% of all shares
Private enterprises	18,619,466	58.67	19.84
Public companies	2,900	0.01	0.00
Financial and insurance institutions	1,340,439	4.22	1.43
General government*	3,444,445	10.85	3.67
Non-profit institutions**	1,156,842	3.65	1.23
Households	7,158,732	22.56	7.63
Foreigners (incl. nominee registrations)	14,183	0.04	0.02
Total	31,737,007	100.00	33.82

B shares	Number of shares	% of B shares	% of all shares
Private enterprises	7,193,710	11.58	7.67
Public companies	17,400	0.03	0.02
Financial and insurance institutions	3,222,556	5.19	3.43
General government*	4,117,499	6.63	4.39
Non-profit institutions**	4,542,537	7.31	4.84
Households	21,139,977	34.04	22.53
Foreigners (incl. nominee registrations)	21,869,856	35.22	23.31
Total	62,103,535	100.00	66.18

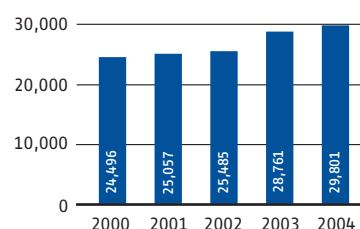
* General government includes municipalities, the provincial administration of Åland, employment pension institutions and social security funds.

** Non-profit institutions include foundations awarding scholarships, organisations safeguarding certain interests, charitable associations.

Market capitalisation of Kesko, EUR million



Number of shareholders at 31 December



Distribution of share ownership at 31.12.2004

All shares

Number of shares	Number of shareholders	% of all shareholders	Shares, total	% of shares
1 – 100	6,125	20.55	380,530	0.41
101 – 500	10,831	36.34	3,108,375	3.31
501 – 1,000	5,088	17.07	3,995,606	4.26
1,001 – 5,000	5,902	19.80	13,360,600	14.24
5,001 – 50,000	1,712	5.74	21,825,620	23.26
50,001 –	143	0.48	51,169,811	54.53
Total	29,801	100.00	93,840,542	100.00

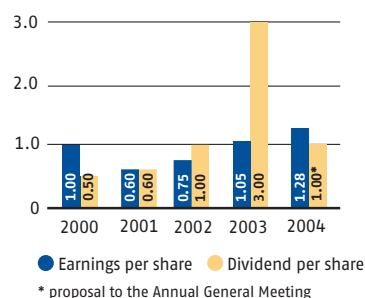
A shares

Number of shares	Number of shareholders	% of holders of A shares	A shares, total	% of A shares
1 – 100	797	15.76	43,313	0.14
101 – 500	1,009	19.96	277,864	0.88
501 – 1,000	708	14.00	578,989	1.82
1,001 – 5,000	1,649	32.62	4,179,630	13.17
5,001 – 50,000	842	16.65	11,249,774	35.45
50,001 –	51	1.01	15,407,437	48.55
Total	5,056	100.00	31,737,007	100.00

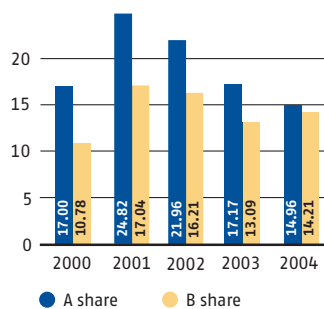
B shares

Number of shares	Number of shareholders	% of holders of B shares	B shares, total	% of B shares
1 – 100	5,980	22.29	370,846	0.60
101 – 500	10,596	39.50	3,034,821	4.89
501 – 1,000	4,664	17.38	3,636,329	5.86
1,001 – 5,000	4,595	17.13	9,891,443	15.93
5,001 – 50,000	911	3.40	11,146,264	17.95
50,001 –	82	0.31	34,023,832	54.79
Total	26,828	100.00	62,103,535	100.00

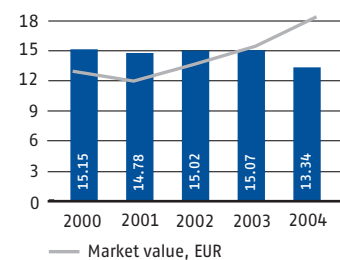
Earnings per share and dividend per share, EUR



Price per earnings ratio (P/E), at 31.12., adjusted



Equity per share, EUR, at 31.12., adjusted



Share capital and shares

	2000	2001	2002	2003	2004
Share capital, EUR million	180	180	182	182	188
Number of shares at 31 Dec., 1,000 pcs	90,213.4	90,213.4	91,120.4	91,190.5	93,840.5
Adjusted number of shares at 31 Dec., 1,000 pcs	90,213.4	90,213.4	91,120.4	91,190.5	93,840.5
Adjusted average number of shares during the year, 1,000 pcs	90,213.4	90,213.4	90,807.3	91,435.8	93,134.9
of which A shares, %	35	35	35	35	34
of which B shares, %	65	65	65	65	66
Market capitalisation, EUR million, A shares	538	476	520	578	600
Market capitalisation, EUR million, B shares	629	602	718	825	1,115
Number of shareholders at 31 Dec.	24,496	25,057	25,485	28,761	29,801
Share turnover, EUR million					
A share	33	20	15	22	23
B share	177	139	249	349	1,368
Share turnover, million pcs					
A share	2	1	1	1	1
B share	15	14	23	31	83
Turnover rate, %					
A share	6.2	3.9	3.0	4.0	3.8
B share	26.1	24.3	38.6	51.7	133.6
Change in share turnover, %					
A share	241	-37.5	-23.3	32.4	-3.5
B share	-25.1	-6.7	60.3	34.0	158.5
Share price at 31 Dec., EUR					
A share	16.95	15.00	16.40	18.20	18.90
B share	10.75	10.30	12.10	13.88	17.95
Average share price, EUR					
A share	16.85	16.57	16.26	17.46	19.12
B share	11.59	9.79	10.92	11.38	16.49
Highest share price during the year, EUR					
A share	19.90	20.00	17.70	18.55	21.50
B share	14.99	11.80	12.28	14.66	18.27
Lowest share price during the year, EUR					
A share	13.50	11.50	14.40	16.00	15.70
B share	9.61	8.10	9.75	9.35	13.58
Earnings per share, adjusted for the dilution effect, EUR	1.00	0.60	0.75	1.05	1.26
Earnings per share, undiluted, EUR	1.00	0.60	0.75	1.06	1.28
Equity per share, adjusted, EUR	15.15	14.78	15.02	15.07	13.34
Dividend per share, EUR	1.00	0.60	1.00	3.00	1.00*
Dividend as % of earnings	99.7	98.7	134.4	285.7	79.4*
Cash flow from operating activities per share, adjusted, EUR	1.42	2.29	1.60	1.80	2.06
Price per earnings ratio (P/E), A share, adjusted	17.00	24.82	21.96	17.17	14.96
Price per earnings ratio (P/E), B share, adjusted	10.78	17.04	16.21	13.09	14.21
Dividend yield, %, A share	5.9	4.0	6.1	11.0	5.3*
Dividend yield, %, B share	9.3	5.8	8.3	14.4	5.6*
Yield of A share, %	18.3	8.6	9.9	11.4	12.3
Yield of B share, %					
For the last five financial years	9.8	6.1	2.8	8.9	14.7
For the last ten financial years	8.2	11.0	12.8	10.7	13.0

* proposal to the Annual General Meeting

Board of Directors

on 31 December 2004



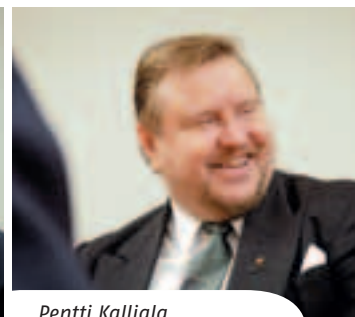
Heikki Takamäki



Matti Kavetvuo



Matti Honkala



Pentti Kalliala

CHAIRMAN

Heikki Takamäki, b. 1947.

Domicile: Tampere, Finland.

Principal occupation: Retailer, K-rauta Rauta-Otra Nekala.

Main employment history: Kesport-Intersport retailer 1995-1999. K-rauta retailer since 1979.

Board member since: 1 January 2001.

Main simultaneous positions of trust: -

Fees in 2004: EUR 49,380

Kesko shares and stock options held on 1 January 2004: 94,470 A shares and 42,120 B shares held by him or his company. No stock options. On 31 December 2004: 104,470 A shares and 42,120 B shares held by him or his company. No stock options.

DEPUTY CHAIRMAN (Chairman of the Audit Committee)

Matti Kavetvuo, b. 1944, M.Sc. (Tech.), B.Sc. (Econ.).

Domicile: Helsinki, Finland.

Principal occupation: -

Main employment history: Instrumentarium Corporation: President and CEO 1979-1984, Orion Corporation: President and CEO 1985-1991, Valio Ltd: President and CEO 1992-1999, Pohjola Group plc: Managing Director 2000-2001.

Board member since: 31 March 2003.

Main simultaneous positions of trust: Metso Corporation: Chairman of the Board of Directors, Orion Corporation: Chairman of the Board of Directors, Suominen Corporation: Chairman of the Board of Directors, Alma Media Corporation: member of the Board of Directors, KCI Konecranes Plc: member of the Board of Directors, Marimekko Corporation: member of the Board of Directors, Perlos Corporation: member of the Board of Directors.

Fees in 2004: EUR 34,260

Kesko shares and stock options held on 1 January 2004: 2,000 B shares. No stock options. On 31 December 2004: 2,000 B shares. No stock options.

Matti Honkala, b. 1945, B.Sc. (Econ.).

Domicile: Kauniainen, Finland.

Principal occupation: Kesko Corporation's Managing Director and Kesko Group's President and CEO.

Main employment history: employed by Kesko Corporation since 1966: Central Warehouse Director 1978-1980, Uusimaa District Director 1980-1982, Lahti District Director 1982-1985, Executive Vice President, Retail Support 1986-1989, Executive Vice President, Administration and External Relations 1989-1997, Deputy Chairman 1997-1998. President and CEO since 1998.

Board member since: 1 January 1986.

Main simultaneous positions of trust: Employers' Confederation of Service Industries (PT): Chairman of the Board of Directors, Confederation of Finnish Industries EK: Deputy Chairman of the Board of Directors, UNICE: Council of Presidents member, the Finnish Fair Corporation: member of the Board of Directors, Varma Mutual Pension Insurance Company: Supervisory Board Chairman, Sampo Life Insurance Company Limited: Supervisory Board Chairman, Luottokunta: Supervisory Board Chairman, the Central Chamber of Commerce: Deputy Chairman of the Board of Directors, Finpro ry: Supervisory Board Chairman, the International Chamber of Commerce (ICC); National Committee of Finland: Chairman of the Board of Directors, UGAL: member of the Board of Directors, the Research Institute of the Finnish Economy (ETLA): member of the Board of Directors of the association of the sponsoring organisations, Finnish Business and Policy Forum EVA: vice Chairman.

Fees in 2004: No Board member fees. Salary information is given in the corporate governance statement, p. 62.

Kesko shares and stock options held on 1 January 2004: 2,000 B shares, 100,000 B, 50,000 C and 42,000 D stock options. On 31 December 2004: 2,000 B shares, 25,000 B, 42,000 D and 42,000 E stock options.

Pentti Kalliala, b. 1948.

Domicile: Raisio, Finland.

Principal occupation: Retailer, K-supermarket Raisio Center.

Main employment history: K-food retailer 1980-1992.

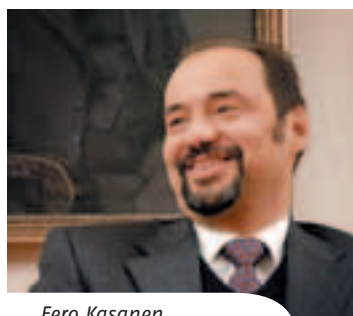
K-supermarket retailer since 1992.

Board member since: 31 March 2003.

Main simultaneous positions of trust: K-Retailers' Association: Chairman, Foundation for Vocational Training in the Retail Trade: Chairman of the Board of Directors, SV-kauppiaskanava Oy: Chairman of the Board of Directors, Vähittäiskaupan Tilipalvelu VTP Oy: Chairman of the Board of Directors, Commercial Employers' Association: deputy member of the Board of Directors, Employers' Confederation of Service Industries (PT): Supervisory Board member.

Fees in 2004: EUR 27,780

Kesko shares and stock options held on 1 January 2004: 74,060 A shares and 86,200 B shares held by him or his company. No stock options. On 31 December 2004: 84,060 A shares and 106,200 B shares held by him or his company. No stock options.



Eero Kasanen



Maarit Näkyvä



Keijo Suila



Jukka Toivakka

Eero Kasanen, b. 1952, (member of the Audit Committee)

Dr.Sc. (Econ.), Doctor of Business Administration.

Domicile: Helsinki, Finland.

Principal occupation: Rector of the Helsinki School of Economics.

Main employment history: Professor at the Helsinki School of Economics since 1989. Rector of the Helsinki School of Economics since 1996.

Board member since: 1 January 2001.

Main simultaneous positions of trust: Elcoteq Network Oyj: member of the Board of Directors, Finland Post Corporation: Chairman of the Board of Directors, Kaleva Mutual Insurance Company: member of the Board of Directors, Holding Oy of Helsinki School of Economics: Chairman of the Board of Directors, the Research Foundation of the OKOBANK Group: member of the Board of Directors, the National Theatre of Finland: member of the Board of Directors, the Emil Aaltonen Foundation: member of the Board of Directors.

Fees in 2004: EUR 28,620

Kesko shares and stock options held on 1 January 2004: No shares. No stock options. On 31 December 2004: No shares. No stock options.

Maarit Näkyvä, b. 1953, (member of the Audit Committee) M.Sc. (Econ.).

Domicile: Kirkkonummi, Finland.

Principal occupation: Sampo plc's Executive Vice President, Head of Retail and Private Banking.

Main employment history: Unitas Bank Ltd.: Director 1990-1995, Merita Bank Ltd.: Director 1995-1996, Merita Fund Management Ltd: President 1996-1997, Leonia Bank plc: member of the Board of Directors 1998-2000. Sampo plc's Executive Vice President since 2001.

Board member since: 1 January 2001.

Main simultaneous positions of trust: Sampo Bank plc: deputy Chairman of the Board of Directors.

Fees in 2004: EUR 29,460

Kesko shares and stock options held on 1 January 2004: No shares. No stock options. On 31 December 2004: No shares. No stock options.

Keijo Suila, b. 1945, B.Sc. (Econ.).

Domicile: Helsinki, Finland.

Principal occupation: Finnair Oyj's President and CEO.

Main employment history: Huhtamäki Oyj: President of Leaf Europe 1985-1988, President of Leaf Group 1988-1998, Executive Vice President of Huhtamäki Oy 1992-1998.

Finnair Oyj: President and CEO since 1999.

Board member since: 1 January 2001.

Main simultaneous positions of trust: Elisa Corporation: Chairman of the Board of Directors, the Finnish Cultural Foundation: Supervisory Board member, the Finnish Fair Corporation: Supervisory Board deputy Chairman, Sampo Life Insurance Company Limited: Supervisory Board member, Confederation of Finnish Industry and Employers: member of the Board of Directors.

Fees in 2004: EUR 27,780

Kesko shares and stock options held on 1 January 2004: No shares. No stock options. On 31 December 2004: No shares. No stock options.

Jukka Toivakka, b. 1962, M.Sc. (Econ.).

Domicile: Mikkeli, Finland.

Principal occupation: Retailer, K-citymarket Mikkeli.

Main employment history: Kesko Ltd: Financial Consultant 1986-1987, Volvo-Auto Oy Ab: Finance Manager 1987-1990, CM-department store Maksimatti: retailer 1991-1994.

K-citymarket retailer since 1994.

Board member since: 1 January 2001.

Main simultaneous positions of trust: Pohjola Group plc: Branch Office Supervisor.

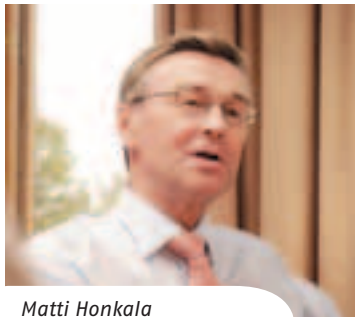
Fees in 2004: EUR 27,780

Kesko shares and stock options held on 1 January 2004: 191,450 A shares and 20,000 B shares held by him or his company. No stock options. On 31 December 2004: 191,450 A shares and 20,000 B shares held by him or his company. No stock options.

In accordance with the Articles of Association, the term of each Board member started at the close of the Annual General Meeting 2003 (31 March 2003) will expire at the close of the Annual General Meeting 2006.

Corporate Management Board

on 31 December 2004



Matti Honkala



Kalervo Haapaniemi



Matti Halmesmäki



Erkki Heikkinen

Matti Honkala, b. 1945, B.Sc. (Econ.).

Kesko Corporation's Managing Director and Kesko Group's President and CEO.

Domicile: Kauniainen, Finland.

Other major duties: Employers' Confederation of Service Industries (PT): Chairman of the Board of Directors, Confederation of Finnish Industries EK: Deputy Chairman of the Board of Directors, UNICE: Council of Presidents member, the Finnish Fair Corporation: member of the Board of Directors, Varma Mutual Pension Insurance Company: Supervisory Board Chairman, Sampo Life Insurance Company Limited: Supervisory Board Chairman, Luottokunta: Supervisory Board Chairman, the Central Chamber of Commerce: Deputy Chairman of the Board of Directors, Finpro ry: Supervisory Board Chairman, the International Chamber of Commerce (ICC), National Committee of Finland: Chairman of the Board of Directors, UGAL: member of the Board of Directors, the Research Institute of the Finnish Economy (ETLA): member of the Board of Directors of the association of the sponsoring organisations, Finnish Business and Policy Forum EVA: vice Chairman.

Employment history: employed by Kesko Corporation since 1966: Central Warehouse Director 1978-1980, Uusimaa District Director 1980-1982, Lahti District Director 1982-1985, Executive Vice President, Retail Support 1986-1989, Executive Vice President, Administration and External Relations 1989-1997, Deputy Chairman 1997-1998, President and CEO since 1998. Member of the Board of Directors 1986-1998 and Chairman in 1998-2000, member of the Board of Directors since 2001.

Kesko shares and stock options held on 1 January 2004: 2,000 B shares and 100,000 B, 50,000 C and 42,000 D stock options. On 31 December 2004: 2,000 B shares and 25,000 B, 42,000 D and 42,000 E stock options.

Retirement age and benefits: 60 years. Full pension is 66% of the pensionable salary.

Notice period and severance pay: 6 months. A severance pay paid in addition to the salaries for the period of notice corresponds to 18 months' salary.

Corporate Management Board member since: 1 January 2001.

Kalervo Haapaniemi, b. 1947, M.Sc. (Econ.).

President of Kesko Food Ltd, Deputy to President and CEO. Domicile: Espoo, Finland.

Other major duties: Federation of Finnish Commerce and Trade: Deputy Chairman of the Board of Directors, Luottokunta, member of the Board of Directors, Publicis International Oy: member of the Board of Directors, Association of Finnish Advertisers: Deputy Chairman of the Board of Directors.

Employment history: Spar Finland plc: Managing Director 1993-1996, Tuko Oy: member of the Board of Directors 1993-1997, Tuko Oy: Chief Executive Officer, Tuko Oy: Executive Vice President 1996-1997. Employed by Kesko Corporation since 1997: Vice President, Foodstuffs Division 1997-1998: Member of the Board of Directors responsible for foodstuffs trade 1998-2000, Deputy Chief Executive 1998-2000. Kesko Food Ltd's President and Deputy to Kesko's President and CEO since 2001.

Kesko shares and stock options held on 1 January 2004: 50,000 B, 25,000 C and 21,000 D stock options. On 31 December 2004: 21,000 D and 21,000 E stock options.

Retirement age and benefits: 60 years. Full pension is 60% of the pensionable salary.

Notice period and severance pay: 6 months. A severance pay paid in addition to the salaries for the period of notice corresponds to 18 months' salary.

Corporate Management Board member since: 1 January 2001.

Matti Halmesmäki, b. 1952, M.Sc. (Econ.), LL.M.

President of Rautakesko Ltd and Kesko Agro Ltd.

Kesko Corporation's Managing Director and Kesko Group's President and CEO as from 1 March 2005.

Domicile: Helsinki, Finland.

Other major duties: -

Employment history: employed by Kesko Corporation since 1980: Director of the Accounting and Office Administration Department 1985-1989, Executive Vice President, Finance and Accounting 1989-1993, Executive Vice President, Agricultural and Builders' Supplies Division 1993-1995, Executive Vice President, Speciality Goods Division 1995-1996, Managing Director of Tuko Oy 1996-1997, Executive Vice President, Speciality Goods Trade 1997-2000. Member of Kesko Corporation's Board of Directors 1989-2000. President of Rautakesko Ltd and Kesko Agro Ltd since 2001.

Kesko shares and stock options held on 1 January 2004: 50,000 B and 21,000 D stock options. On 31 December 2004: 21,000 D and 21,000 E stock options.

Retirement age and benefits: 60 years. Full pension is 66% of the pensionable salary.

Notice period and severance pay: 6 months. A severance pay paid in addition to the salaries for the period of notice corresponds to 18 months' salary.

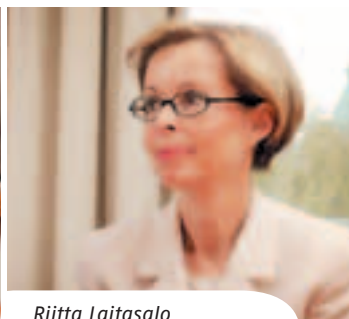
Corporate Management Board member since: 1 January 2001.



Juhani Järvi



Matti Laamanen



Riitta Laitasalo

Erkki Heikkinen, b. 1949, M.A.

Senior Vice President, Corporate Communications.
Domicile: Helsinki, Finland.

Other major duties: the Foundation for Vocational Training in the Retail Trade: member of the Board of Directors, Association for Finnish Work: member of the Board of Directors.

Employment history: employed by Kesko Corporation since 1975: Kajaani District Director 1983-1986, Lahti District Director 1986-1989, Helsinki District Director 1989-1994. Senior Vice President, Corporate Communications since 1994.

Kesko shares and stock options held on 1 January 2004: 100 B shares and 25,600 B, 25,000 C and 21,000 D stock options. On 31 December 2004: 100 B shares and 20,000 B, 21,000 D and 21,000 E stock options.

Retirement age and benefits: 60 years. Full pension is 66% of the pensionable salary.

Notice period and severance pay: 6 months. A severance pay paid in addition to the salaries for the period of notice corresponds to 12 months' salary.

Corporate Management Board member since: 1 January 2001.

Juhani Järvi, b. 1952, M.Sc. (Econ.).

Corporate Executive Vice President, CFO.
Domicile: Helsinki, Finland.

Other major duties: Sato Corporation plc: member of the Board of Directors.

Employment history: Oy Wärtsilä Ab/Metra Oy Ab: Wärtsilä, Vice President, Corporate Controller 1989-1990, Metra: Vice President, Corporate Planning 1990-1991, Sanitec Ltd.: Senior Vice President, CFO 1991-1993, Wartsila Diesel North America, Inc., USA: Vice President, CFO 1994-1997, Patria Industries Oyj: Senior Vice President, CFO 1997-1998. Employed by Kesko Corporation since 1998: member of the Board of Directors, Executive Vice President, CFO 1998-2000. Corporate Executive Vice President, CFO since 2001.

Kesko shares and stock options held on 1 January 2004: 50,000 B, 25,000 C and 21,000 D stock options. On 31 December 2004: 50,000 B, 21,000 D and 21,000 E stock options.

Retirement age and benefits: 65 years. Full pension is 60% of the pensionable salary.

Notice period and severance pay: 6 months. A severance pay paid in addition to the salaries for the period of notice corresponds to 12 months' salary.

Corporate Management Board member since: 1 January 2001.

Matti Laamanen, b. 1948, M.Sc. (Econ.), LL.M.

President of Keswell Ltd.
Domicile: Kerava, Finland.

Other major duties: -

Employment history: employed by Kesko Corporation since 1976: Managing Director of Musta Pörssi companies 1984-1986, director of the Home Electronics Department 1987-1991, Jyväskylä District Director 1991-1993, Managing Director of the K-retailers' Association 1993-1997, Managing Director of Kauppiain Kustannus Oy 1995-2000, Kesko Ltd: director of the Media unit 1997-1998, director of the E-commerce unit 1999-2000. President of Keswell Ltd since 2001.

Kesko shares and stock options held on 1 January 2004: 1,000 B shares and 28,400 B, 25,000 C and 21,000 D stock options. On 31 December 2004: 1,000 B shares and 21,000 D and 21,000 E stock options.

Retirement age and benefits: 60 years. Full pension is 66% of the pensionable salary.

Notice period and severance pay: 6 months. A severance pay paid in addition to the salaries for the period of notice corresponds to 12 months' salary.

Corporate Management Board member since: 1 January 2001.

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

Senior Vice President, Administration.
Domicile: Espoo, Finland.

Other major duties: the Commercial Employers' Association in Finland: member of the Board of Directors.

Employment history: employed by Kesko Corporation since 1979: Personnel Director 1995-1997, Vice President, Accounting and Finance Division 1997-1998, Vice President, Finance and Administration Division 1998-1999. Senior Vice President, Administration since 2000.

Kesko shares and stock options held on 1 January 2004: 30,600 B, 25,000 C and 21,000 D stock options. On 31 December 2004: 30,600 B, 21,000 D and 21,000 E stock options.

Retirement age and benefits: 60 years. Full pension is 66% of the pensionable salary.

Notice period and severance pay: 6 months. A severance pay paid in addition to the salaries for the period of notice corresponds to 6 months' salary.

Corporate Management Board member since: 1 January 2001.

Detailed information on stock options held by Kesko Corporation's management is given under the heading 'Shares and shareholders', pp. 63-69.

Management and organisation

on 1 January 2005

Kesko Corporation's Board of Directors and Corporate Management Board are presented on pages 70–73.

● Kesko Food Ltd

President Kalervo Haapaniemi, b. 1947, M.Sc. (Econ.)
Category management and logistics processes:
Executive Vice President Harri Sivula, b. 1962, M.Sc. (Admin.)
Customer relationship process: Vice President Jaakko-Pekka Vehmas, b. 1961, M.Sc. (Econ.)
Retail store and K-chain retailer processes: Vice President Jukka Sipilä, b. 1956, M.Sc. (Econ.)
Business support processes: Vice President Aatos Kivelä, b. 1955, LL.M., M.Sc. (Econ.)
K-market and K-extra chains: Vice President Eija Jantunen, b. 1962, M.Sc. (Econ.)
K-supermarket chain: Vice President Ari Virnes, b. 1961, M.Sc. (Econ.)
K-citymarket chain: Vice President Kari Kivikoski, b. 1959, M.Sc. (Econ.)

SUBSIDIARIES

Cassa Oy: Managing Director Mika Rautiainen, b. 1962, M.Sc. (Econ.)
Citymarket Oy: Managing Director Kari Kivikoski, b. 1959, M.Sc. (Econ.)
Kespro Ltd: Managing Director Minna Laakkonen, b. 1961, B.Sc.

JOINT VENTURES

Pikoil Oy: Managing Director Juha Uponen, b. 1958, Business College Graduate, Engineer
Rimi Baltic AB: Managing Director Antonio Soares, b. 1949, Engineer

● Rautakesko Ltd

President Matti Halmesmäki, b. 1952, LL.M., M.Sc. (Econ.)
(Kesko Corporation's Managing Director and Kesko Group's President and CEO as from 1 March 2005)
K-rauta chain and B-to-B Service: Vice President Jari Lind, b. 1958, Engineer
Rautia chain: Vice President Jorma Mykrä, b. 1946, Agricultural Technician
International operations: Vice President Mikael Forss, b. 1965, M.Sc. (Econ.)
Retail Services: Vice President Jouko Björkman, b. 1961, LL.M.
Finance and Administration: Vice President Matti Mettälä, b. 1963, LL.M.
International projects: Vice President Matti Vatanen, b. 1949, M.Sc. (Econ.)

SUBSIDIARIES

AS Rautakesko: Managing Director Raul Kadaru, b. 1961, M.Sc. (Econ.)
A/S Rautakesko: Managing Director Guntis Sokolovskis, b. 1969, BBA
UAB Senuku Prekybos centras: Managing Director Arturas Rakauskas, b. 1972
K-rauta AB: Managing Director Mikael Forss, b. 1965, M.Sc. (Econ.)
ZAO Kestroy: Managing Director Ilkka Sinkkonen, b. 1964, Construction Engineer

● Kesko Agro Ltd

President Matti Halmesmäki, b. 1952, LL.M., M.Sc. (Econ.)
(Kesko Corporation's Managing Director and Kesko Group's President and CEO as from 1 March 2005)
Executive Vice President Kimmo Vilppula, b. 1952, Business College Graduate
Agricultural product units: Vice President Juha Nuutila, b. 1962, M.Sc. (Agr. & For.)
K-agriculture chain: Director Antti Ollila, b. 1965, M.Sc. (Agr. & For.)

SUBSIDIARIES

Kesko Machinery Ltd: Managing Director Pekka Lahti, b. 1955, M.Sc. (Agr.)
UAB Kesko Agro Lietuva: Managing Director Paulius Kibiša, b. 1964, Doctor of Medicine, MBA
Kesko Agro Eesti A/S: Managing Director Tõnu Kelder, b. 1963, Economist
SIA Kesko Agro Latvija: Managing Director Peteris Stupans, b. 1961, B.Sc.

● Keswell Ltd

President Matti Laamanen, b. 1948, LL.M., M.Sc. (Econ.)
Kesko Sports: Vice President Jussi Mikkola, b. 1955, M.Sc. (Econ.)
Kesko Musta Pörssi: Vice President Martti Toivanen, b. 1961, M.Sc. (Econ.)
Kesko Shoes: Vice President Leena Havikari, b. 1958, Business College Graduate
Chain Services: Vice President Pasi Mäkinen, b. 1959, M.Sc. (Econ.)

SUBSIDIARIES

Academica Oy: Managing Director Jaakko Ryttilä, b. 1959, LL.M.
Anttila Oy: Managing Director Matti Leminen, b. 1951, B.Sc. (Econ.)
Interwell Oy: Managing Director Juha Nurminen, b. 1963, Business College Graduate
Jättipörssi Oy: Managing Director Arto Rasi, b. 1962, Business College Graduate
Motorfeet Oy: Managing Director Kati Tersa, b. 1970, B.Sc. (Econ.)

● Kaukomarkkinat Oy

President Hannu Närhi, b. 1944, M.Sc. (Econ.)
Telko group: Executive Vice President Ralf Klärlich, b. 1951, Engineer
Kauko East-West group: Senior Vice President Jussi Neuvo, b. 1951, M.Sc. (Tech.)
Kauko Electronics and Tähti Optikko chain: Senior Vice President Jari-Pekka Lehmuskoski, b. 1956, M.Sc. (Econ.)
Administrative and service units: Senior Vice President Sakari Laine, b. 1949, M.Sc. (Econ.)

● W-Auto Oy

President Erkki Sillantaka, b. 1946, M.Sc. (Agr.)
Audi: Director Esko Kiesi, b. 1950, M.Sc. (Tech.)
Volkswagen passenger cars: Director Lauri Haapala, b. 1944, Class Teacher
Volkswagen commercial vehicles: Director Carl-Gustaf Sergejeff, b. 1945, B.Sc. (Econ. & Bus.Adm.)
After sales: Director Jarmo Toivanen, b. 1957, B.Sc. (Econ.)
Dealer organisation: Director Ilkka Nissi, b. 1954, M.Sc. (Tech.)
Finance: Director Heikki Leskinen, b. 1957, B.Sc. (Econ.)

SUBSIDIARIES

Auto-Span Oy: Managing Director Veikko Ålander, b. 1949
Helsingin W-Auto Oy: Managing Director Markku Lönnqvist, b. 1945, Engineer
Turun W-Auto Oy: Managing Director Pirkko Keskinen, b. 1946, B.Sc. (Econ. & Bus.Adm.)

Other subsidiaries

Kesped Ltd: Managing Director Mika Salmijärvi, b. 1965, Engineer
K-Plus Oy: Managing Director Niila Rajala, b. 1964, Business College Graduate (IT), MBA

Finance

Executive Vice President, CFO Juhani Järvi, b. 1952, M.Sc. (Econ.)
Accounting: Vice President, Corporate Controller Arja Talma, b. 1962, M.Sc. (Econ.), eMBA
Treasury: Treasurer Heikki Ala-Seppälä, b. 1957, M.Sc. (Econ.)
Legal Affairs: General Counsel Anne Leppälä-Nilsson, b. 1953, LL.M., B.Sc. (Econ.)
IT Management: Vice President, Corporate CIO Eero Vesterinen, b. 1950, M.Sc.
Kesko Real Estate: Senior Vice President Terho Kalliokoski, b. 1961, M.Sc. (Econ.)
Strategic Development: Vice President Lasse Mitronen, b. 1958, D.Sc. (Econ.)
Director, Projects, Tapio Erme, b. 1956, LL.M., MBA

SUBSIDIARIES

K-Rahoitus Oy: Managing Director Jouni Järvinen, b. 1958, Agricultural College Graduate
Hämeenkylässä Kauppa Oy: Managing Director Jukka Anttila, b. 1961, M.Sc. (Econ.)
Sincera Oy: Managing Director Heikki Ala-Seppälä, b. 1957, M.Sc. (Econ.)

Administration

Senior Vice President Riitta Laitasalo, b. 1955, M.Sc. (Econ.)
Human Resources: Vice President Kyösti Pärssinen, b. 1947, M.Sc. (Econ.)

SUBSIDIARIES

K-instituutti Oy: Managing Director Kari Heiskanen, b. 1958, LL.M.

Corporate Communications and External Relations

Senior Vice President Erkki Heikkinen, b. 1949, M.A., B.A.

Internal Audit

Vice President, Chief Audit Executive Asko Ihalainen, b. 1946, LL.M.

District Directors

Southern Finland: District Director Timo Huurtola, b. 1955, Business College Graduate
Eastern Finland: District Director Pertti Rusanen, b. 1952, Business College Graduate
Southwestern Finland: District Director Olli Setänen, b. 1956, M.Sc. (Econ.)
Western Finland: District Director Jaakko Jussila, b. 1950, M.Sc. (Econ.)
Northern Finland: District Director Jari K. Saarinen, b. 1962, M.Sc. (Econ.)

Financial statements ▶



Simo Auvinen, Department Store Director of Anttila in Myyrmäki, says that customer feedback must be taken into account when department store operations are developed.

FINANCIAL STATEMENTS

Report by the Board of Directors	76	Key indicators by quarter Group in figures	99 100
Income statement	83	Calculation of indicators	101
Balance sheet	84	Auditors' report	102
Cash flow statement	86	Kesko and IFRS financial statements	103
Notes to the financial statements	87		

Report by the Board of Directors

The Group's net sales in 2004 were EUR 7,517 million, which is 6.3% more than in the previous year (EUR 7,070 million). The Group's profit before extraordinary items and taxes was EUR 172.9 million (EUR 161.6 million). Non-recurring items excluded, the operating profit grew by EUR 33.7 million. Earnings per share were EUR 1.26 (EUR 1.05). Equity per share was EUR 13.34 (EUR 15.07). The Board of Directors proposes to the Annual General Meeting that EUR 1.00 per share be distributed as dividends for the year 2004.

Market review

The Finnish economy grew by about 3% in 2004, and this rate is expected to continue in 2005. It is forecast that private consumption will increase by 2.6% and that investment will pick up to a growth rate of 3.7%. The average inflation rate for 2004 remained exceptionally low, at 0.2%. According to forecasts, the annual increase in consumer prices will be 1.5% in 2005 (ETLA).

The Research Institute of the Finnish Economy (ETLA) forecasts that the volume of Finnish retail and wholesale trade will increase by about 3% in 2005.

Statistics Finland's consumer survey for January shows that Finnish consumers remain confident about the future of the Finnish economy and their own finances.

The Baltic economies are continuing their strong growth. The Estonian economy is forecast to grow by 5-6% in 2005 and the Latvian and Lithuanian economies by about 6-7%. Private consumption is estimated to grow by 4-5% in all of the Baltic states. Consumer prices are forecast to increase by about 3% in Estonia, by about 4% in Latvia and by about 2.5% in Lithuania (Nordea).

It is estimated that the Swedish economy will grow by 3.2% in 2005 and that private consumption will increase by 2.7%. The increase in consumer prices is anticipated to remain below 2% (Konjunkturinstitutet). Total building investments are forecast to continue their slow growth this year (Sveriges Bygginstitut).

Net sales and profit

Net sales in 2004

The Group's net sales in 2004 were EUR 7,517 million, which is 6.3% more than in the previous year (EUR 7,070 million). The increase was attributable mostly to domestic hardware and builders' supplies, home and speciality goods and car trade and to the Baltic trade. The Group's net sales increased by 2.9% in Finland and by 31.9% outside Finland.

Exports and operations outside Finland accounted for 14.6% (11.7%) of net sales. Rautakesko's subsidiary, UAB Senuku Prekybos centras (Senukai), acquired from Lithuania is included in the figures starting from 13 March 2003 and its impact on Rautakesko's growth was 6.2 percentage points.

Profit in 2004

The Group's profit before extraordinary items and taxes was EUR 172.9 million (EUR 161.6 million), representing 2.3% of net sales (2.3%). Operating profit was EUR 175.6 million (EUR 157.6 million). The biggest increases in profits were registered by Keswell and Rautakesko.

The operating profit has been increased by a net total of EUR 5.2 million (EUR 20.8 million) in profits and losses from sales of fixed assets and business operations, and value adjustments.

Consequently the operating profit excluding non-recurring items was EUR 33.7 million bigger than in the previous year.

The Group's financial income and expenses were EUR -2.7 million (EUR 4.0 million). The decrease is mainly attributable to changes in the capital structure and to reduced dividend yield after Kesko sold listed shares during the latter half of 2003.

The Finnish corporation tax rate dropped to 26% at the beginning of 2005. Deferred tax liabilities and assets have been calculated on the basis of the 26% rate to the extent they will be realised in 2005 and thereafter. The tax rate change decreases the amount of deferred tax liabilities by EUR 6.1 million. The effect of the change has been recognised in the income statement and balance sheet for the second quarter.

Earnings per share (adjusted for the dilution effect of stock options) were EUR 1.26 (EUR 1.05). Equity per share was EUR 13.34 (EUR 15.07).

The operating profit of common operations includes an operating profit of EUR 54.4 million (EUR 51.1 million) from real estate operations, which are organised in an intra-Group service unit. This figure includes non-recurring sales profits and losses to the amount of EUR 3.6 million (EUR 12.0 million). The

NET SALES BY DIVISION

	2004 EUR million	2003 EUR million	Change, %
Kesko Food, Finland	3,468	3,517	-1.4
Kesko Food, other countries*	344	249	38.0
Kesko Food, total	3,812	3,766	1.2
Rautakesko Finland	731	674	8.5
Rautakesko, other countries*	419	321	30.7
Rautakesko, total	1,150	995	15.7
Kesko Agro, Finland	623	624	-0.1
Kesko Agro, other countries*	194	144	34.4
Kesko Agro, total	817	768	6.3
Keswell, Finland	770	703	9.6
Keswell, other countries*	23	23	-1.2
Keswell, total	793	726	9.2
VV-Auto, Finland	619	545	13.6
VV-Auto, other countries*	13	13	1.1
VV-Auto, total	632	558	13.3
Kaukomarkkinat, Finland	215	205	4.6
Kaukomarkkinat, other countries*	102	80	28.0
Kaukomarkkinat, total	317	285	11.1
Other units - eliminations	-4	-28	-
Finland, total	6,422	6,240	2.9
Other countries, total*	1,095	830	31.9
Group total	7,517	7,070	6.3

*Exports and net sales outside Finland

operating profit of common operations also includes the net expenses or income of other common operations, as well as Group items, such as corporate management expenses and amortisation of goodwill on consolidation.

Capital expenditure

The Group's capital expenditure totalled EUR 170.1 million (EUR 259.0 million), which is 2.3% (3.7%) of net sales. Investments in retail stores and company acquisitions amounted to EUR 124.9 million. The Group's other capital expenditure was EUR 45.2 million. Investments in business operations outside Finland represented 25.9% of total capital expenditure.

Finance

Cash flow from operating activities was EUR 192.1 million (EUR 164.5 million), while cash flow from investing activities was EUR -103.3 million (EUR -120.5 million). At the end of the period, the equity ratio was 45.5% (51.7%). Interest-bearing net debt was EUR 372.4 million (EUR 229.0 million). Liquid funds totalled EUR 143.5 million (EUR 85.6 million).

On 10 June 2004, Kesko Corporation issued a U.S. private placement of USD 120 million. The arrangement consists of three bullet loans: a 10-year loan (USD 60 million), a 12-year loan (USD 36 million) and a 15-year loan (USD 24 million). Kesko has hedged the loan by currency and interest rate swap agreements, as a result of which the loan capital totals EUR 100.4 million and the fixed capital-weighted average interest rate is 5.4%. The proceeds of the loan offering will be used for general corporate purposes, including repayment of short-term loans.

Personnel

In 2004 the average number of Kesko Group's personnel including joint ventures was 17,528 (15,219) converted into full-time employees. There was an increase of 2,309 employees over the

previous year. In Finland, the average increase was 448 employees, while outside Finland it was 1,861. The share of the increase accounted for by Pikoil Oy, a Kesko Food Ltd subsidiary, was 253 employees.

At the end of 2004, the total number of personnel was 22,146 (19,411), of whom 13,602 (12,596) worked in Finland and 8,544 (6,815) worked outside Finland. Compared with the figure for the end of 2003, there was an increase of 1,006 employees in the figure for Finland, of which Pikoil Oy accounted for 465, and 1,729 outside Finland. The number of personnel was distributed by business division as follows:

NUMBER OF PERSONNEL, AVERAGE

	2004	2003	Change
Kesko Food	7,768	7,042	726
Rautakesko	4,319	3,241	1,078
Kesko Agro	1,011	940	71
Keswell	2,583	2,496	87
VV-Auto	264	127	137
Kaukomarkkinat	773	796	-23
Others	557	577	-20
Group companies, total	17,275	15,219	2,056
Kesko Food's joint ventures (50%)	253		253
Kesko Group, total	17,528	15,219	2,309

The biggest increases in the number of Kesko personnel were registered in the Baltic countries where Kesko Food, Rautakesko and Kesko Agro expanded their operations. The biggest increase took place in Lithuania, where Rautakesko acquired a majority in the Senukai hardware and building supplies chain in March 2003. By the end of the year, Senukai employed 3,808 persons, an annual average increase of 1,053 compared with 2003. The increase was due mainly to new store openings.

Kesko Food's personnel increased in Finland as a result of testing the Cassa discounter concept among other things. Keswell Ltd's personnel increase was mainly attributable to the growth in the number of stores operated by Interwell and Jättipörssi. The number of VV-Auto employees increased as a result of the acquisition of two subsidiaries engaged in car retailing.

Divisions

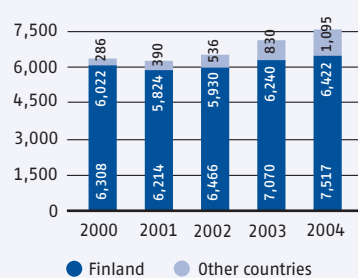
Kesko Food

Kesko Food's net sales amounted to EUR 3,812 million, an increase of 1.2%. Net sales from Baltic operations totalled EUR 339.0 million and accounted for 8.9% of total net sales. Kesko Food's operating profit was EUR 49.8 million. In the previous year, the operating profit was EUR 56.3 million, which included the profit from the divestiture of Viking Coffee Ltd's business

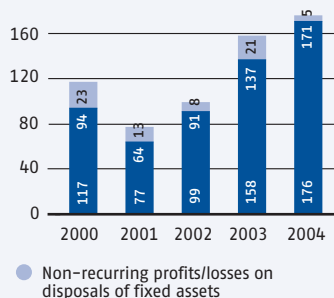
OPERATING PROFIT BY DIVISION

	2004 EUR million	2003 EUR million	Change, EUR million
Kesko Food	49.8	56.3	-6.5
Rautakesko	33.7	28.0	5.6
Kesko Agro	7.7	7.4	0.3
Keswell	16.8	3.5	13.3
VV-Auto	26.1	22.3	3.8
Kaukomarkkinat	8.4	6.0	2.4
Common operations	33.1	34.1	-1.2
Group operating profit	175.6	157.6	18.0
Associated companies	0.2	0.3	-0.1
Net financial income	-2.9	3.7	-6.6
Profit before taxes	172.9	161.6	11.3

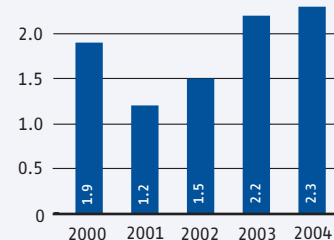
Group net sales, EUR million



Group operating profit, EUR million



Group operating profit as % of net sales



operations. The comparable operating profit was at the same level as in the previous year. The main factors contributing to the decrease in the operating profit were marketing expenses, the costs of building and implementing enterprise resource planning systems, costs due to expanding the K-pikkolo chain and testing the Cassa discounter concept and planning costs related to the Baltic joint venture. Kesko Food's total capital expenditure was EUR 38.5 million, of which investments in retail stores accounted for EUR 26.7 million. About 34% of all investments were made in Baltic operations.

Kesko Food's profit for the last quarter remained smaller than expected, which is mainly due to a poor retail sales performance in November-December and to the costs of developing new concepts.

According to the Finnish Food Marketing Association, the retail sales of its member companies increased by 0.3% in January-December. The total Finnish grocery market is estimated to have grown by about 1.5% during 2004. According to Kesko Food's estimate, the K-Alliance holds a 35.5% (35.8% in 2003) share of the Finnish grocery retail market. In 2004 grocery prices decreased by 0.8% owing to intensive price competition, decreased alcohol product prices and growth in the sales share of retail operators' own-brand products (Statistics Finland).

The total retail sales of the K-food stores in Finland grew by 0.3%, amounting to EUR 4,561 million (incl. VAT). Owing to the differing local and regional markets and competitive situations, there are great differences between the retail sales growth of the chains and individual K-food stores. In terms of euros, the sales of the K-citymarket chain recorded the biggest growth, about EUR 62 million, or an increase of 4.0%. Grocery sales growth accounted for 6.2% of this. The sales figures of the neighbourhood store chains are affected by chain modifications among other things.

Kesko Food continued investing in the development of the K-food store network. In 2004 store openings included a K-citymarket at Seppälä, Jyväskylä, and K-supermarkets in Nilvala, Kalajoki, Lappeenranta, Vaasa and Orivesi. A total of 19 store type conversions were completed. There were 1,084 K-food stores operating at the end of the year.

The sales of Kesko Food's private labels (Pirkka, Euro Shopper, Costa Rica) increased by 18.5%.

Pikoil Oy, a joint venture of Kesko Food Ltd and a Fortum subsidiary, Neste Marketing Ltd operating in the neighbourhood and service station store markets, had 137 store sites, 70 of which were K-pikkolo neighbourhood and service station stores. At the beginning of 2005, the number of store sites grew by 21 when Neste Marketing Ltd transferred the operation of the service stations it had acquired from Eurostrada Oy to Pikoil Oy. In the future, all of the chain's food stores (Quick Shops among others) will operate under the K-pikkolo sign, whereas

the service stations will continue selling oil products under the Neste sign.

In February 2004, Kesko Food started testing discounters in Finland. There are currently 12 Cassa stores in operation. The objective is to improve the competitive base of the K-Alliance by testing the new concept in various parts of the country.

Kesko Food's grocery trade grew much more in the Baltic countries than in Finland, by a total of 38.3%. Net sales grew by 21.4% in Estonia and by 139.8% in Latvia. The growth in these countries was boosted by the opening of new Citymarket stores at the end of the year 2003. In 2004, the SuperNetto discounter chain expanded in Latvia by 14 new outlets. At the end of the year, the Säästumarket chain in Estonia included 47 discount stores and there were 25 SuperNetto stores in Latvia.

The net sales of Kespro Ltd, which provides services for the catering, kiosk, service station and restaurant trade, were EUR 741.7 million (EUR 770.8 million), a decrease of -3.8%. The total market in Finland in this sector decreased due to the decrease of alcohol product prices among other things.

In 2005 the total grocery trade market in Finland is estimated to grow by about 1%. The total Baltic market is anticipated to increase by about 5%. Kesko Food's net sales and operating profit are expected to increase compared with 2004.

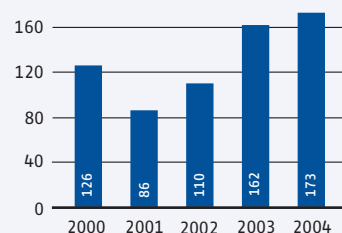
Rautakesko

Rautakesko's net sales amounted to EUR 1,150.4 million, an increase of 15.7%. In Finland, the net sales were EUR 731.1 million, an increase of 8.5%. The net sales of subsidiaries operating outside Finland were EUR 418.2 million, an increase of 31.0%. About 36.4% of Rautakesko's net sales came from outside Finland. Rautakesko's operating profit was EUR 33.7 million (EUR 28.0 million). Its increase is attributable to good sales growth in particular. Rautakesko's capital expenditure totalled EUR 9.6 million, of which 70.7% were outside Finland.

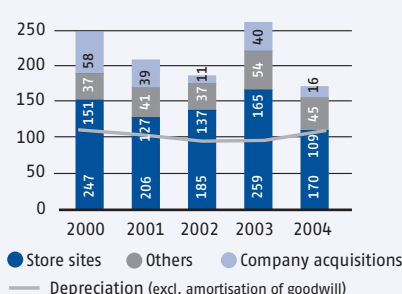
At the end of 2004, the K-rauta chain in Finland included 43 stores and the Rautia chain included 102 stores. A new K-rauta store was opened in Vantaa in April. The sales of the K-rauta stores increased by 8.9% and those of Rautia stores by 6.0%. The biggest increase was registered in the sales of building supplies, home packages and interior decoration supplies. The sales growth of the K-rauta chain and the Rautia chain in Finland is estimated to have exceeded that of competitors (Finnish Hardware Association). Rautakesko estimates that the K-Alliance accounts for about 35% of hardware and builders' supplies sales in Finland (35% in 2003). The sales of Rautakesko's B-to-B Service grew by 5.2%.

In Sweden, Rautakesko operates 12 K-rauta stores. A K-rauta was opened in Sundsvall in March and in Täby, Stockholm in September. There are 4 stores in Estonia and 1 in Latvia. In Lithuania, UAB Senuku Prekybos centras (Senukai), in which

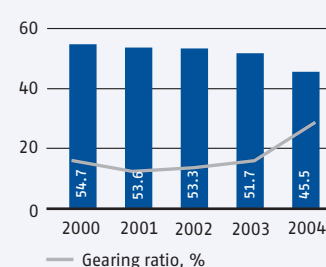
Group profit before extraordinary items, EUR million



Group investments, EUR million



Group equity ratio and gearing ratio, %



Rautakesko holds a majority, operates 13 Senukai stores and 77 Partnerships. Senukai's net sales have been included in Rautakesko's figures as of 13 March 2003.

In 2005 construction is anticipated to increase by some 4% in Finland and Sweden. The building of one-family houses is expected to slow down slightly in Finland, but active renovation will continue. The building of business premises is expected to take an upturn in 2005. In the Baltic countries construction is anticipated to grow by about 6-8% (ETLA, Technical Research Centre of Finland VTT).

In 2005, Rautakesko's target is to open 2 new K-rauta stores and 2 Rautia stores in Finland. It is also intended to open 3 new K-rauta stores in Sweden and 2 in Latvia. Rautakesko's net sales are expected to grow in 2005 and its operating profit to continue at a good level.

Kesko Agro

Kesko Agro's net sales were EUR 817.0 million, an increase of 6.3%. Net sales of subsidiaries operating outside Finland totalled EUR 165.7 million, which was 20.3% of total net sales. The Kesko Agro Group's operating profit was EUR 7.7 million (EUR 7.4 million). Profit performance was affected by costs arising from information systems development. Capital expenditure totalled EUR 9.5 million, 49% of which were in projects outside Finland.

Kesko Agro Ltd's net sales were EUR 459.4 million. Delayed agricultural EU subsidies have slowed down the investments of Finnish farmers in production buildings. Heavy rains prolonged the harvesting season, and the harvest was of poor quality.

K-maatalousyhtiöt Oy merged with its parent company, Kesko Agro Ltd, on 1 July 2004. The first stage of Kesko Agro Ltd's enterprise resource planning system was put into service at the beginning of July and the second stage was implemented at the beginning of November.

Kesko Machinery Ltd's net sales were EUR 173.2 million, an increase of 7.5% over the corresponding period in the previous year. The company's profitability has remained good. Poor industry investment has affected the sales of warehouse technology products. A new MAN Truck Center opened in Espoo in June.

Agricultural and machinery sales in the Baltic countries have progressed better than expected. Business operations in Lithuania, in particular, have clearly increased. The biggest net sales growth has been registered in the grain trade. The profit performance of the Baltic operations has been in line with expectations.

The Baltic countries were admitted to the EU in May 2004. Delayed EU subsidies have postponed agricultural investment decisions. In July, a new agricultural and machinery trade centre opened in Kaunas, Lithuania.

In 2005 the total agricultural trade market is estimated to remain at the level of 2004 in Finland. The Baltic market is anticipated to grow by 5-10%. In 2005 Kesko Agro's net sales and operating profit are anticipated to increase.

Keswell

Keswell's net sales totalled EUR 792.8 million, an increase of 9.2%. The net sales of operations outside Finland amounted to EUR 22.4 million, representing 2.8% of total net sales. Keswell's operating profit was EUR 16.8 million. The operating profit was EUR 13.3 million bigger than in the previous year mainly due to Anttila Oy's strong profit increase. Capital expenditure totalled EUR 4.6 million.

The net sales of the Anttila Group totalled EUR 499.4 million, an increase of 8.9%. The sales of the Anttila department stores grew by 8.1% and the sales of Kodin Ykkönen department stores for home goods and interior decoration increased by 8.6%. Anttila's distance sales (Mail Order and NetAnttila) grew by 11.7% amounting to EUR 87.4 million. Among Anttila's product lines the biggest sales growth was recorded by home technology, digital cameras, footwear and cosmetics. Anttila Group's operating profit was EUR 16.4 million, an increase of EUR 11.4 million compared with the previous year.

The net sales of Kesko Sports amounted to EUR 130.4 million, an increase of 11.3%. The retail sales of the Intersport store chain grew by 11.1%. The biggest growth was recorded in the sales of winter sports and fitness equipment and running shoes. The sales of Kesport stores rose by 15.4%. The total sports goods retail sales increased by an estimated 6%.

The net sales of Kesko Musta Pörssi amounted to EUR 133.7 million, up by 10.6%. The retail sales of the Musta Pörssi chain increased by 10.0%. The growth was due to the increase of sales in digital and information technology products and household appliances. The retail sales in the whole home technology sector are estimated to have increased by 7% compared with the previous year.

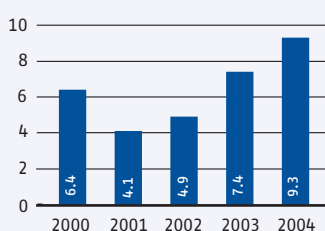
The net sales of Kesko Shoes increased by 0.6%, totalling EUR 24.6 million. The retail sales of the K-kenkä chain increased by 3.9%, while those of the Andiamo chain decreased by 1.6% owing to the reduced number of stores. The sales of Kenkäexpertti stores grew by 1.9%. The retail sales in the whole shoe trade in Finland are estimated to have increased by 2%.

It is estimated that, in 2005, the total home and speciality goods trade market in Finland will grow by about 2-3%, and that Keswell's net sales and operating profit will increase markedly as a result of the acquisition of Indoor Group Ltd.

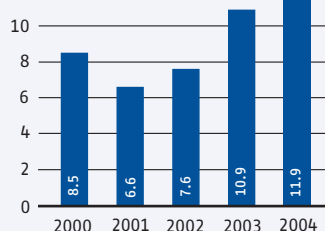
VV-Auto

The net sales of the VV-Auto Group totalled EUR 632.0 million, representing an increase of 13.3%. The operating profit was EUR

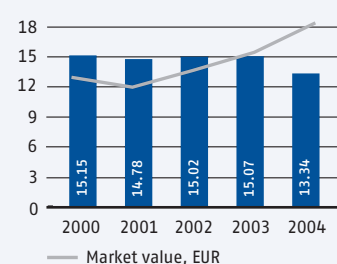
Group return on equity, %



Group return on invested capital, %



Equity per share, EUR, at 31.12., adjusted



26.1 million (EUR 22.3 million). Capital expenditure totalled EUR 15.0 million.

The growth of the overall market for new passenger cars in Finland came to a halt in 2004. The registrations of new passenger cars remained at a total of 142,642, representing a decrease of 3.2% compared with the previous year. Registrations of new vans were up by 23.7%, totalling 15,769.

In 2004 registrations of Volkswagen passenger cars totalled 15,072 and the market share was 10.6%. The number of Volkswagen vans registered was 2,636 and the market share was 16.7%. The revamped Audi line-up reached an all-time record in Finland. Registrations of Audis increased to 4,295, which was 18.7% up on the previous year, and the market share reached 3.0%. In 2004 the registrations of new Seat passenger cars totalled 1,601 and the market share was 1.1%.

Helsingin VV-Auto Oy, which operates in Herttoniemi, Helsinki, started retail operations on 1 July 2004. VV-Auto also holds the majority in Turun VV-Auto Oy, which engages in retailing in Turku.

The total passenger car market is estimated to contract slightly in 2005. The VV-Auto Group's net sales are anticipated to increase, partly due to its own dealer network. The 2005 operating profit is expected to remain at a good level.

Kaukomarkkinat

The Kaukomarkkinat Group's total sales, which include the value of commission-based trade in addition to net sales, amounted to EUR 464.4 million, an increase of 19.2%. Net sales were EUR 317.0 million, representing an increase of 11.1%. The Group's operating profit was EUR 8.4 million (EUR 6.0 million). Capital expenditure totalled EUR 3.7 million.

Among the technical trade units, the biggest net sales growth was registered in trading with China and in Telko. The growth of the sales of the Consumer Electronics unit also exceeded market growth. Operating profit grew in several profit units owing to increased sales revenue and efficient cost control with the biggest increase registered in trading with China.

Kaukomarkkinat acquired Näkörata Oy, which operates three Tähti Optikko outlets in Espoo, in August, and Optikko Vuolanko Oy, which operates in Helsinki, in December. The Tähti Optikko chain includes 125 stores, 30 owned by Kaukomarkkinat.

In December Kaukomarkkinat acquired NMT Prekyba UAB, a Lithuanian wholesale operator specialising in foodstuffs. The company's net sales are EUR 6.6 million.

In 2005 Kaukomarkkinat's net sales and operating profit are anticipated to remain at a good level.

Decisions by General Meetings

Kesko Corporation's Annual General Meeting held on 29 March 2004 adopted the income statement and balance sheet and the

consolidated income statement and balance sheet for 2003 and discharged the Board of Directors' members and the Managing Director from their responsibilities. The Annual General Meeting also decided to distribute EUR 2.00 per share or a total amount of EUR 182,429,600.00 as dividends as proposed by the Board of Directors. The record date was 1 April 2004 and the dividends were payable from 8 April 2004.

The Annual General Meeting decided that the fees of the members of the Board of Directors will remain as they are. In addition, the meeting decided that the members of committees, possibly to be established by the Board of Directors, will be paid the same fee for a committee meeting as is paid for a Board of Directors' meeting. However, no fees will be paid to members employed by the Corporation, which, in this case, applies only to President and CEO Matti Honkala. The term of each of the eight members of the company's current Board of Directors is three years in accordance with the Articles of Association. The term started on 31 March 2003 and will expire at the close of the Annual General Meeting of 2006.

The auditor elected for the company by the Annual General Meeting is PricewaterhouseCoopers Oy, Authorised Public Accountants, with Pekka Nikula, B.Sc. (Econ.), APA, as the auditor with principal responsibility.

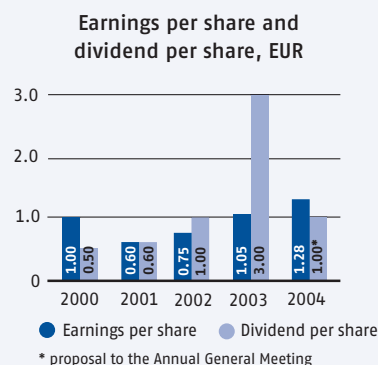
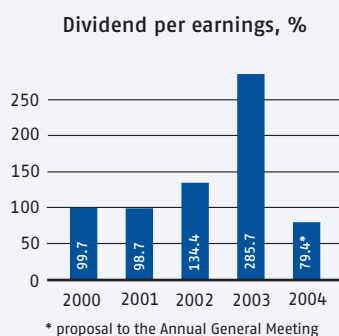
Kesko Corporation's Extraordinary General Meeting held on 9 November 2004 approved the Board's proposal to distribute, in addition to the dividend decided at the Annual General Meeting held on 29 March 2004, a dividend of EUR 1.00 per each A share and each "old" B share on the basis of the balance sheet adopted for the financial year ended on 31 December 2003 to a total amount of EUR 91,214,800.00. The dividend was not to be paid for Kesko Corporation's new B shares subscribed for with B or C stock options during the year 2004 under the year 2000 stock option scheme and listed on the main list of the Helsinki Stock Exchange as the "Kesko B uudet" series. The record date for payment of dividends was 12 November 2004 and the dividends were payable from 19 November 2004.

The decisions made by the Annual General Meeting were published in a stock exchange release on 29 March 2004 and in the interim report for the first quarter. The decisions made by the Extraordinary General Meeting were published in a stock exchange release on 9 November 2004.

The Group's corporate governance system

The parent companies of the major sub-groups fully owned by the Kesko Group elected the members of their Boards of Directors at their Annual General Meetings held on 26 March 2004. The compositions of the respective Boards were published in a stock exchange release on 26 March 2004.

On 29 April 2004, Kesko Corporation's Board of Directors established an Audit Committee, selecting Matti Kavetvuo as



its Chairman and Eero Kasanen and Maarit Näkyvä as its members. The Audit Committee prepares matters for the Board of Directors relating to the monitoring of the financial position, the supervision and control of reporting, and the risk management of the Kesko Group.

Through the establishment of the Audit Committee Kesko's Board of Directors enhances the preparation of the matters under the Board's responsibility. In compliance with the Corporate Governance Recommendation of the Helsinki Stock Exchange, the Central Chamber of Commerce and the Confederation of Finnish Industry and Employers, which entered into force on 1 July 2004, Kesko's Board of Directors has evaluated the independence of the Board members. The evaluation showed that all members of the Audit Committee are independent of the company.

Kesko Corporation complies with the Corporate Governance Recommendation for listed companies which entered into force on 1 July 2004. In accordance with the Recommendation's provision for implementation, those matters that require a decision by a General Meeting can be settled at the 2005 Annual General Meeting. Such decisions include amendment of the term of office of Board members stipulated in the Articles of Association, or the election of Board members. Kesko's corporate governance statement can be read at www.kesko.fi/investors.

Shares and the stock market

At the end of 2004, Kesko Corporation's share capital totalled EUR 187,681,084. The number of A shares was 31,737,007, i.e. 33.8% of all shares, and the number of B shares was 62,103,535, i.e. 66.2% of all shares.

During the year the share capital was raised four times corresponding to the share subscriptions with the B and C stock options under the year 2000 stock option scheme: in February by EUR 48,600, in May by EUR 1,072,380, in August by EUR 156,200 and in December by EUR 4,022,904, or by a total amount of EUR 5,300,084. The corresponding share subscriptions were 24,300; 536,190; 78,100 and 2,011,452, or a total of 2,650,042. The increases were entered in the Trade Register on 6 February, 4 May, 4 August and 31 December 2004.

The price of a Kesko A share was EUR 18.20 at the end of 2003, and EUR 18.90 at the end of 2004, an increase of 3.8%. The price of a Kesko B share was EUR 13.88 at the end of 2003 and EUR 17.95 at the end of 2004, a rise of 29.3%. The Helsinki Stock Exchange all-share index rose by 3.3% and the portfolio index rose by 14.6%.

At the end of the year the market capitalisation of A shares was EUR 599.8 million and that of B shares EUR 1,114.8 million, representing a growth of EUR 289.6 million during the year. Their combined market capitalisation was EUR 1,714.6 million. During the year 2004, 1.2 million A shares were traded on the Helsinki Stock Exchange at a total value of EUR 23.1 million, while 82.9 million B shares were traded at a total value of EUR 1,367.3 million. 69,900 shares listed in the 'Kesko B uudet' series were traded in eight transactions at a total value of EUR 1.1 million.

The price of a listed year 2000 B stock option was EUR 2.32 at the end of 2003, and EUR 9.45 at the end of 2004. The price of a year 2000 C stock option was EUR 3.75 at the end of 2003, and EUR 10.50 at the end of 2004. During the year, 5.7 million B stock options were traded at a total value of EUR 24.8 million and 2.9 million C stock options were traded at a total value of EUR 17.6 million.

Flagging notifications

On 16 February 2004, Kesko Corporation was notified that, on 13 February 2004, the share of Kesko Corporation's voting rights

held jointly by the K-Retailers' Association, its branch clubs and the Foundation for Vocational Training in the Retail Trade had increased to 10.08%. At the end of 2003 they held a total of 9.76% of Kesko Corporation's voting rights.

Adoption of the IAS/IFRS standards

Kesko will prepare its first complete IFRS (International Financial Reporting Standards) financial statements for 2005. The opening IFRS balance sheet prepared for the transition day of 1 January 2004 has been prepared in accordance with standards in force in April 2004. The effects of IFRS standards on Kesko's balance sheet and shareholders' equity at 1.1.2004 were discussed in the interim report for the first quarter of the year.

Before the first interim report for 2005, Kesko will publish a separate stock exchange release including the IFRS accounting policies, comparison figures and reconciliation calculations for 2004 with respect to the Finnish Accounting Standards.

Main events in 2004 and at the beginning of 2005

Kesko Food centralised Citymarket Oy's accounting in its Accounting Service Centre in Tampere and in its Lahti unit. The reorganisation improved the efficiency of Citymarket Oy's accounting and generates cost savings. Because of the reorganisation, Kesko Food initiated a co-operation procedure on 16 January 2004 in the Lahti and Turku units. The co-operation procedure ended on 8 March 2004. 11 persons from the Lahti unit and 9 from the Turku unit had to be given notice. The Turku unit was discontinued altogether, while 18 employees remained in the Lahti unit to take care of the accounting of the Citymarket hypermarkets.

On 26 March 2004, the Helsinki District Court decided to totally dismiss the actions of eight former K-citymarket retailers against Kesko Corporation. In their actions pending since 2001 and dismissed in March 2004 they primarily claimed compensation to a total of about EUR 13.8 million from Kesko for notices claimed to have been contrary to agreements. The District Court ordered the claimants to pay Kesko's legal costs. The decision of the District Court is not legally binding. The former retailers have appealed against the decision to the Helsinki Court of Appeal, where the case is pending.

On 16 April 2004, the Finnish Competition Authority granted an exemption to Kesko Corporation's subsidiary Kesko Food Ltd, on the basis of which it can decide the highest retail prices for Pirkka products and some other products sold at K-food store chains. The exemption was valid until the end of 2004. Maximum prices could be determined for those products included in the chain selection of each K-food store chain which did not account for more than 35 percent of the average sales of the stores in each size category of the chain, calculated annually afterwards, and for all Pirkka products. The exemption granted was an extension to the exemptions concerning K-food store chains which were granted by the Finnish Competition Authority in 2001 and whose validity it extended in December 2003 until 30 April 2004. The exemptions granted by the Finnish Competition Authority in 2001 concerning Rautakesko Ltd's, Kesko Agro Ltd's and Keswell Ltd's chains remain valid until 31 December 2005.

In June VV-Auto acquired the Volkswagen and Audi retail operations at Herttoniemi, Helsinki from Stockmann. Helsingin VV-Auto Oy, a VV-Auto subsidiary, started operating on 1 July 2004. The Volkswagen and Audi premises at Herttoniemi include the biggest sales outlet of these makes in Finland.

On 15 July 2004, Kesko Agro opened a new agricultural and machinery trade centre near Kaunas, the second biggest city

in Lithuania. The new unit is the largest agricultural trading and service centre in Lithuania.

In July Rautakesko signed a letter of intent to acquire a majority holding in the St. Petersburg company which owns the Stroymaster DIY (Do-It-Yourself) store chain. Stroymaster is one of the major DIY store chains in the St. Petersburg area. At present, the Stroymaster chain includes 4 DIY stores in the St. Petersburg city area and a fifth is being constructed. The intention is to conclude the share transaction by 15 March 2005.

Kesko Corporation received from the Finnish Competition Authority a proposal draft concerning Kesko Corporation's involvement in the maximum pricing of groceries in the K-Grocers' Club affiliated horizontal K-market and K-neighbourhood store chains in 1997-2000 and in the K-extra chain in 1999-2000. The Finnish Competition Authority requested a response in the matter and Kesko has presented it. A stock exchange release concerning this matter was published on 9 August 2004. The matter is pending.

On 2 September 2004, Kesko was selected, for the second year in succession, for inclusion in the Dow Jones sustainability index for European companies (STOXX Sustainability Index). This year the work done by Kesko to promote corporate responsibility was rated the best in the sector (Non-Cyclical Goods and Services).

At a meeting held on 10 September 2004, Kesko Corporation's Board of Directors appointed Rautakesko Ltd's and Kesko Agro Ltd's President Matti Halmesmäki, M.Sc. (Econ.), LL.M. (b. 1952), as Kesko Corporation's Managing Director and the Kesko Group's President and Chief Executive Officer with effect from 1 March 2005. Kesko's present President and CEO Matti Honkala will retire on 28 February 2005.

In a global comparison, Kesko's corporate responsibility report for 2003 was named the best in the trading sector. Kesko ranked 14th among all companies. Kesko's report was the only Finnish report among the Top 50. In October, Kesko Corporation received an award for the best overall reporting of environmental and corporate responsibility in Finland.

On 28 October 2004, Anttila Oy won the Finnish Quality Award. According to the jury, the Award was an acknowledgement of the business expertise that has helped Anttila to achieve excellent results and sustainable competitiveness in its sector. Anttila Oy gained nearly 550 points in the competition.

In October, Keswell Ltd reached an agreement to acquire Indoor Group Ltd's share capital. As a result of the deal, Indoor Group Ltd's chain concepts and their own Asko and Sotka furniture stores in Finland, Sweden, Estonia and Latvia were trans-

ferred to Keswell Ltd's ownership. The deal was finalised on 21 January 2005. Indoor Group Ltd, with its Asko and Sotka store chains, is the market leader in the furniture trade in Finland. It had 732 employees at the end of the year.

At the beginning of 2005, Rimi Baltic, a joint venture owned 50/50 by Kesko Food Ltd and ICA Baltic AB, a company belonging to the Swedish ICA Group, started operating. The parties transferred their grocery operations in Estonia, Latvia and Lithuania to the joint venture. Rimi Baltic operates hypermarket, supermarket and discounter concepts. The total number of personnel is approximately 8,300. A stock exchange release concerning this matter was published on 3 January 2005.

On 25 January 2005, Kesko sold its central food warehouse property at Hakkila, Vantaa, the main office building of Kaukomarkkinat at Kilo, Espoo, and 16 food store properties in different parts of Finland to Nordisk Renting Oy. The total sales price was EUR 95.7 million and Kesko Group's sales profit was EUR 44.7 million. The premises were leased back on long lease terms. The lease liability totalling EUR 95.8 million is not recognised as a finance lease.

The outlook

Among the Group's divisions, the growth of the hardware and builders' supplies trade and the home and speciality goods trade is expected to exceed market growth in Finland during the first six months of the year and the other divisions to at least match the market growth, as specified in the market review.

The Group's total net sales are anticipated to exceed last year's level during the first six months of this year although tough price competition will slow down Kesko Food's retail sales in euros in Finland. Due to the expansion of operations and business arrangements, sales will continue to grow more strongly in the other countries than in Finland.

Kesko Group's profitability will remain good although the profit before non-recurring items for the first quarter of 2005 is anticipated to be smaller than in the corresponding period in 2004 owing to the tight competitive situation in the grocery trade and the development and expansion costs of the different divisions. However, the total operating profit for the first quarter will be significantly bigger than in the previous year, thanks to the profit (EUR 44.7 million) made on the real estate disposal in January 2005.

The above estimates of business development are based on comparable accounting practice. The figures reported in accordance with the IFRS are anticipated to be better than those produced on the basis of Finnish accounting practice.

Proposal for the distribution of profit

The Group's distributable reserves are	EUR 713,461,682.42
The parent company's distributable reserves are of which the net profit for the financial year is	EUR 649,464,258.70 EUR 129,018,299.30
The Board of Directors proposes to the Annual General Meeting that the distributable reserves be used as follows:	
To be paid to shareholders as dividends EUR 1.00 per share	EUR 95,168,792.00
To be reserved for charitable donations at the discretion of the Board of Directors	EUR 300,000.00
To be carried forward as retained earnings	EUR 553,995,466.70

Helsinki, 9 February 2005
Kesko Corporation
Board of Directors

Income statement

	Note	GROUP				KESKO CORPORATION			
		2004		2003		2004		2003	
		EUR million	%	EUR million	%	EUR million	%	EUR million	%
Net sales	1	7,516.6	100.0	7,070.2	100.0	13.2	100.0	12.4	100.0
Other operating income	2	484.9	6.5	482.1	6.8	309.4	2,343.9	332.2	2,682.5
Materials and services	3	-6,513.8	86.7	-6,168.6	87.2	0.0	0.0	-0.1	0.9
Personnel expenses	4, 5	-437.6	5.8	-390.5	5.5	-14.8	112.1	-12.9	104.3
Depreciation and value adjustments	6, 13, 14, 15	-124.6	1.7	-110.0	1.6	-29.1	220.5	-28.4	229.5
Other operating expenses	7	-751.4	10.0	-726.3	10.3	-255.2	1,933.3	-273.5	2,208.6
Share of profits/losses of associated companies		1.4	0.0	0.6	0.0	-	-	-	-
Operating profit		175.6	2.3	157.6	2.2	23.6	178.8	29.6	239.3
Share of profits/losses of associated companies	8	0.2	0.0	0.3	0.0	-	-	-	-
Financial income and expenses	8	-2.8	0.0	3.7	0.1	17.0	128.8	49.9	403.3
Profit before extraordinary items		172.9	2.3	161.6	2.3	40.6	307.6	79.6	642.6
Extraordinary items	9	-	-	-	-	133.8	1,013.6	94.3	761.4
Profit before appropriations and taxes		172.9	2.3	161.6	2.3	174.4	1,321.2	173.9	1,404.0
Appropriations	10	-	-	-	-	9.5	72.0	4.3	34.6
Profit before taxes		172.9	2.3	161.6	2.3	183.9	1,393.2	178.1	1,438.6
Income taxes	12	-46.6	-0.6	-57.6	0.8	-54.9	415.9	-55.5	448.2
Minority interest		-8.6	-0.1	-7.9	0.1	-	-	-	-
Net profit for the financial year		117.7	1.6	96.1	1.4	129.0	977.3	122.6	990.4

Balance sheet

BALANCE SHEET 31.12.

GROUP

KESKO CORPORATION

	Note	2004		2003		2004		2003	
		EUR million	%	EUR million	%	EUR million	%	EUR million	%
ASSETS									
Non-current assets									
Intangible assets	13								
Goodwill		80.1		92.3		-		-	
Other capitalised expenditure		117.1		115.2		15.1		22.7	
Advance payments and construction in progress		4.5		15.8		2.0		6.5	
		201.6	7.1	223.2	8.1	17.1	0.9	29.2	1.5
Tangible assets	14								
Land and water		205.7		195.8		124.8		122.5	
Buildings		629.6		610.6		391.6		387.7	
Machinery and equipment		161.5		164.2		10.2		12.2	
Other tangible assets		10.8		10.0		7.8		7.1	
Advance payments and construction in progress		19.5		32.8		13.2		22.9	
		1,027.0	35.9	1,013.5	36.8	547.6	28.2	552.5	28.5
Investments	15								
Holdings in Group companies		-		-		685.0		672.8	
Receivables from Group companies		-		-		0.7		0.7	
Holdings in participating interests		40.0		41.8		29.6		30.0	
Receivables from participating interests		1.9		1.6		-		-	
Other shares and similar rights of ownership		22.2		25.0		18.2		18.6	
Other receivables		-		-		-		-	
		64.0	2.2	68.4	2.5	733.5	37.8	722.1	37.3
Current assets									
Stocks									
Finished products/goods		722.1	25.3	677.3	24.6	-		-	
Receivables									
Long-term receivables	16								
Trade receivables		0.1		0.1		-		-	
Receivables from Group companies		-		-		329.4		291.3	
Receivables from participating interests		8.1		9.3		8.0		9.1	
Loan receivables		44.6		39.2		-		-	
Other receivables		-		-		-		0.0	
		52.7	1.8	48.5	1.8	337.4	17.4	300.5	15.5
Short-term receivables	16								
Trade receivables		519.1		503.5		1.7		3.8	
Receivables from Group companies		-		-		185.5		267.6	
Receivables from participating interests		2.7		4.2		1.1		1.9	
Loan receivables		37.2		38.1		0.9		5.1	
Other receivables		12.6		24.5		1.2		2.9	
Prepayments and accrued income		75.5		70.6		10.9		19.0	
		647.2	22.6	640.8	23.2	201.3	10.4	300.3	15.5
Marketable securities									
Other marketable securities		86.6	3.0	22.9	0.8	86.6	4.5	22.9	1.2
Cash on hand and at bank		56.9	2.0	62.8	2.3	16.0	0.8	7.7	0.4
Assets		2,858.1	100.0	2,757.3	100.0	1,939.6	100.0	1,935.1	100.0

BALANCE SHEET 31.12.		GROUP				KESKO CORPORATION			
	Note	2004		2003		2004		2003	
		EUR million	%	EUR million	%	EUR million	%	EUR million	%
LIABILITIES									
Shareholders' equity									
	17								
Share capital		187.7		182.4		187.7		182.4	
Share issue		11.3		0.2		11.3		0.2	
Share premium account		167.9		150.6		167.5		150.6	
Revaluation reserve		1.1		1.3		0.3		0.6	
Other reserves		245.7		245.5		243.4		243.4	
Retained earnings		520.9		698.3		277.0		428.3	
Profit for the financial year		117.7		96.1		129.0		122.6	
		1,252.3	43.8	1,374.5	49.8	1,016.3	52.4	1,128.1	58.3
Minority interest		39.5	1.4	40.5	1.5	-		-	
Appropriations									
Depreciation reserve	13, 14, 15	-		-		192.4		201.9	
Untaxed reserves	18	-		-		-		-	
Other reserves		-		-		-		-	
		-		-		192.4	9.9	201.9	10.4
Provisions									
Other provisions	11, 19	25.1	0.9	24.2	0.9	13.3	0.7	11.9	0.6
Liabilities									
Deferred tax liability	20, 23	48.7	1.7	61.6	2.2	-		-	
Non-current liabilities									
	21, 23								
Bonds and notes		100.4		-		100.4		-	
Bonds with warrants		0.0		0.2		-		-	
Loans from financial institutions		137.2		64.0		93.1		18.3	
Pension loans		33.6		38.5		-		-	
Debt to participating interests		1.9		-		-		-	
Other debt		14.9		0.8		-		-	
		288.0	10.1	103.4	3.8	193.5	10.0	18.3	0.9
Current liabilities									
	22, 23								
Loans from financial institutions		11.2		19.9		3.2		3.2	
Pension loans		4.9		4.9		-		-	
Advances received		20.3		20.0		0.0		0.0	
Trade payables		627.5		607.0		2.0		4.9	
Debt to Group companies		-		-		416.8		478.7	
Debt to participating interests		31.5		19.1		29.2		14.0	
Other debt		292.0		297.2		45.4		42.1	
Accruals and deferred income		217.1		184.9		27.5		31.9	
		1,204.6	42.1	1,153.1	41.8	524.1	27.0	574.9	29.7
Liabilities									
		2,858.1	100.0	2,757.3	100.0	1,939.6	100.0	1,935.1	100.0

Cash flow statement

	GROUP		KESKO CORPORATION	
	2004 EUR million	2003 EUR million	2004 EUR million	2003 EUR million
Cash flow from operating activities				
Operating profit	175.6	157.6	23.6	29.6
Adjustments to operating profit:				
Depreciation according to plan	123.7	96.5	29.1	28.4
Other adjustments	-0.5	6.1	-4.3	-17.9
Change in working capital				
Short-term trade receivables, increase/decrease (-/+)	-47.3	-56.2	-6.5	11.3
Stocks, increase/decrease (-/+)	-79.1	-88.5	-	-
Interest-free short-term debt, increase/decrease (+/-)	78.6	93.4	3.9	-7.5
	-47.8	-51.3	-2.6	3.8
Interests paid and other payments	-16.7	-16.6	-20.4	-21.7
Interests received	11.3	14.1	19.4	23.5
Dividends received	2.6	7.4	13.5	34.3
Taxes paid	-56.1	-49.4	-45.6	-35.7
Cash flow from operating activities	192.1	164.5	12.6	44.4
Cash flow from investing activities				
Investments in tangible and intangible assets	-155.3	-217.8	-48.1	-81.9
Proceeds from sale of tangible and intangible assets	59.2	35.1	40.8	26.0
Other investments	0.0	0.0	0.0	0.0
Proceeds from other investments	3.5	68.7	0.5	7.8
Loans granted	-0.3	-	-	-
Repayment of loan receivables	0.0	15.0	0.0	8.6
Subsidiaries acquired	-16.6	-28.1	-15.3	-25.3
Subsidiaries disposed	3.7	7.2	3.7	7.2
Associated companies acquired	-0.1	-2.1	-0.1	-0.8
Associated companies disposed	2.6	1.5	1.9	1.3
Fixed assets transferred in merger	-	-	0.0	13.2
Cash flow from investing activities	-103.3	-120.5	-16.6	-44.0
Cash flow from financing activities				
Raising of short-terms loans	17.5	0.0	0.0	14.4
Repayment of short-term loans	0.0	-24.0	-46.5	-
Raising of long-term loans	195.7	0.0	175.1	4.2
Repayment of long-term loans	0.0	-38.2	-	-
Increase (-)/decrease (+) of short-term receivables	2.1	16.6	91.8	145.1
Increase (-)/decrease (+) of long-term receivables	-4.2	4.5	-36.9	-284.3
Dividends paid	-273.6	-91.1	-273.6	-91.1
Group contributions received and paid	-	-	133.8	94.3
Increase in shareholders' equity	33.3	1.0	33.3	1.0
Others	-1.7	0.0	-1.0	-0.2
Cash flow from financing activities	-30.9	-131.2	76.0	-116.6
Change in liquid funds	57.9	-87.6	72.0	-116.2
Liquid funds at 1 January	85.6	173.2	30.6	146.8
Liquid funds at 31 December	143.5	85.6	102.6	30.6

Notes to the financial statements

Principles used for preparing financial statements

Extent of consolidated financial statements

In addition to Kesko Corporation, the consolidated financial statements contain all subsidiaries, including all real estate companies.

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

Principles of consolidation

Internal shareholdings

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

Internal business transactions and margins

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

Minority interests

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

Translation differences

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

Associated companies

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

Changes in the Group structure

During the financial year, the share capitals of Näkörata Oy, Optikko Vuolanko Oy and SIA Antti were acquired and Helsingin VV-Auto Oy and Härkätien maatalous- ja rautakauppa Oy were

established. In addition, four real estate companies were established and the share capitals of or majority holdings in seven real estate companies were acquired. The share capitals of or majority holdings in four real estate companies were sold. Femex Baltic AS, Gerit Baltic AS, Kaukoma AG, Metex Food Co. Ltd and Senopoint Oy and one real estate company were dissolved. K-maatalousyhtiöt Oy merged with Kesko Agro Ltd and LT Polska Sp.z o.o. merged with Kauko-Metex Sp.z o.o. K-Rahoi-tus Oy established a branch office in Latvia called K-Rahoi-tus Oy filiäle Latvija "K-Finance".

Valuation of fixed assets

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

Depreciation plan

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

The periods adopted for depreciation are as follows:

Buildings	15-33 years
Fixtures and fittings	8 years
Machinery and equipment	8 years
or machinery and equipment	
purchased since 1999	25% reducing balance method
Transportation fleet	5 years
Information technology equipment	3-5 years
Other tangible assets	
and other capitalised expenditure	5-14 years

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

The goodwill arising from the Kaukomarkkinat Group and Anttila Oy is amortised over fifteen years on a straight line basis.

Other goodwill is amortised over 5-10 years. The times for depreciation have been determined on the basis of the stability of business and the sector's future outlook. Consolidation differences allocated to fixed assets items are included in expenses following the principles applied to acquisition costs of these items. The total of the parent company's depreciation according to plan and the change in depreciation reserve comply with the Finnish tax legislation.

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

Valuation of stocks

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

Valuation of financial assets

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

Foreign currencies

Items denominated in foreign currencies have been translated into Finnish currency at the average exchange rate of the European Central Bank on the balance sheet date. If a receivable or a debt is tied to a fixed rate of exchange, it has been used for translation.

Profits and losses arising from foreign currency transactions have been dealt with in the income statement.

Derivative financial instruments**Interest rate derivative contracts**

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

Currency derivative contracts

The forward exchange contracts are valued at the average exchange rate of the European Central Bank on the balance sheet date. The rate differences arising from forward exchange contracts used to hedge purchases of goods are treated in the income statement as purchase adjustment items, and concerning the forward exchange contracts used to hedge financial items, as financial items.

In the financial statements, the open option contracts are stated at market value. The valuation items of option contracts, as well as the premiums and results of matured options, are included in the income statements as foreign exchange profit or loss.

Equity derivative contracts

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

Commodity derivatives

The Group uses electricity derivatives to balance the energy costs of the Group and its retailers. The price risk of electricity is viewed at the time span of three years. As for the derivatives hedging the price of electricity supplied during the financial year, changes in value are included in the adjustments to purchases. Unrealised profits and losses from the agreements hedging future purchases are not included in the income statement.

Pension costs

Annual pension costs are included in personnel expenses in the income statement. The Kesko Pension Fund provides Kesko Corporation's and some subsidiaries' personnel with pension benefits. The Fund's A department, which provides supplementary pension benefits, was closed on 9 May 1998.

Pension insurance companies provide pension benefits to the employees of other Group subsidiaries operating in Finland. Retirement plans of Group subsidiaries operating outside Finland are designed in compliance with local legislation. The job-based retirement age agreed for a number of directors and other superiors in the Group is 60 or 62 years.

Provisions

Provisions stated in the balance sheet include items bound to by agreements or otherwise, but remain unrealised. Changes in provisions are included in the income statement. Rent liabilities for vacant rented premises no longer used for the Group business operations, as well as the losses resulting from renting the premises to outsiders, are included in provisions.

NOTES TO THE INCOME STATEMENT	GROUP		KESKO CORPORATION	
EUR million	2004	2003	2004	2003
1. Net sales				
by division				
Kesko Food	3,812	3,766	-	-
Rautakesko	1,150	995	-	-
Kesko Agro	817	768	-	-
Keswell	793	726	-	-
VV-Auto	632	558	-	-
Kaukomarkkinat	317	285	-	-
Others - eliminations	-4	-28	13	12
Total	7,517	7,070	13	12
Foreign operations				
Kesko Food	344	249	-	-
Rautakesko	419	321	-	-
Kesko Agro	194	144	-	-
Keswell	23	23	-	-
VV-Auto	13	13	-	-
Kaukomarkkinat	102	80	-	-
Others - eliminations	0	0	-	-
Total	1,095	830	-	-
2. Other operating income				
Services income	395.1	381.3	-	-
Profits on sales of real estate and shares	10.5	20.8	8.5	19.7
Rent income	35.2	34.9	300.6	291.1
Others	44.1	45.1	0.3	21.4
Total	484.9	482.1	309.4	332.2
3. Materials and services				
Materials and goods				
Purchases during the financial year	6,447.8	6,159.9	0.0	0.1
Variation in stocks	-44.4	-89.6	-	-
External services	110.4	98.3	0.0	0.0
Total	6,513.8	6,168.6	0.0	0.1
4. Notes concerning personnel and administrative body members				
Average number of personnel, by division				
Kesko Food	7,768	7,042	-	-
Kesko Food's joint ventures	253			
Rautakesko	4,319	3,241	-	-
Kesko Agro	1,011	940	-	-
Keswell	2,583	2,496	-	-
VV-Auto	264	127	-	-
Kaukomarkkinat	773	796	-	-
Others	557	577	197	195
Total	17,528	15,219	197	195
5. Personnel expenses				
Salaries and fees	354.5	315.8	10.8	9.7
Social security expenses				
Pension expenses	47.2	43.2	1.8	1.5
Other social security expenses	35.9	31.5	2.2	1.7
Total	437.6	390.5	14.8	12.9
Salaries and fees to the management				
Salaries to Managing Directors (incl. fringe benefits)	5.8	5.4	0.6	0.6
Salaries to the members of Boards of Directors	0.3	0.2	0.2	0.2
Total	6.1	5.6	0.8	0.8

NOTES TO THE INCOME STATEMENT	GROUP		KESKO CORPORATION	
EUR million	2004	2003	2004	2003
6. Depreciation and value adjustments				
Depreciation according to plan	110.5	96.5	29.1	28.4
Value adjustments, non-current assets	0.8	0.3	-	-
Amortisation of goodwill	13.3	13.2	-	-
Total	124.6	110.0	29.1	28.4
7. Other operating expenses				
Rent expenses	239.5	224.0	203.3	198.3
Marketing expenses	201.5	206.4	1.9	1.9
Maintenance of real estate and store sites	94.7	98.6	31.8	38.3
Data communications expenses	90.2	84.4	9.7	8.7
Losses on sales of real estate and shares	3.8	3.4	2.4	1.9
Other operating expenses	121.7	109.5	6.1	24.4
Total	751.4	726.3	255.2	273.5
8. Financial income and expenses				
Share of profits/losses of associated companies	0.2	0.3	-	-
Dividend income				
From Group companies	-	-	14.4	45.9
From participating interests	-	-	1.5	1.5
From others	3.6	7.4	3.0	0.9
Dividend income, total	3.6	7.4	18.9	48.3
Interest income from investments held as non-current assets				
From others	-	0.4	-	0.4
Other interest and financial income				
From Group companies	-	-	19.2	18.9
From others	31.3	25.0	19.3	13.0
Interest income, total	31.3	25.4	38.5	32.3
Interest and other financial expenses				
To Group companies	-	-	-13.4	-14.5
To others	-37.7	-29.1	-27.0	-16.2
Interest expenses, total	-37.7	-29.1	-40.4	-30.7
Total	-2.6	4.0	17.0	49.9
9. Items included in extraordinary income and expenses				
Contributions from Group companies	-	-	144.3	103.6
Contributions to Group companies	-	-	-10.5	-9.3
Total	-	-	133.8	94.3
10. Appropriations				
Difference between depreciation according to plan and depreciation in taxation	-	-	9.5	4.3
Total	-	-	9.5	4.3
11. Changes in provisions				
Rent expenses for vacant business premises	0.8	1.7	0.8	1.8
Guarantee losses	0.0	0.0	-	-
Guarantee provisions	1.1	1.6	-	-
Supplementary pension liabilities	0.0	0.0	-	-
Expenses for discontinued business operations	0.0	0.0	-	-
Other changes	-1.0	1.7	0.6	0.6
Total	0.9	5.0	1.4	2.4
12. Income taxes				
Income taxes on extraordinary items	-	-	-38.8	-27.3
Income taxes on operating activities	-59.4	-53.1	-16.1	-28.2
Change in deferred tax liability	12.8	-4.4	-	-
Total	-46.6	-57.5	-54.9	-55.5

NOTES TO THE BALANCE SHEET	GROUP		KESKO CORPORATION	
EUR million	2004	2003	2004	2003
13. Intangible assets				
Goodwill				
Acquisition cost at 1 January	153.3	134.4	-	-
Increases	1.1	19.9	-	-
Decreases	-0.1	-1.0	-	-
Acquisition cost at 31 December	154.4	153.3	-	-
Accumulated depreciation at 1 January	61.0	48.9	-	-
Accumulated depreciation on decreases and transfers	-0.1	-1.1	-	-
Depreciation for the financial year	13.3	13.2	-	-
Accumulated depreciation at 31 December	74.3	61.0	-	-
Book value at 31 December	80.1	92.3	-	-
Other capitalised expenditure				
Acquisition cost at 1 January	198.5	159.7	48.6	44.7
Increases	19.2	39.6	1.2	3.4
Decreases	-16.4	-23.0	-14.1	-3.1
Transfers between items	17.2	22.2	5.1	3.6
Acquisition cost at 31 December	218.4	198.5	40.8	48.6
Accumulated depreciation at 1 January	83.3	84.7	26.0	22.5
Accumulated depreciation on decreases and transfers	-7.4	-21.8	-5.4	-1.4
Depreciation for the financial year	25.4	20.4	5.1	4.9
Accumulated depreciation at 31 December	101.3	83.3	25.7	26.0
Book value at 31 December	117.1	115.2	15.1	22.6
Advance payments				
Acquisition cost at 1 January	15.8	27.5	6.5	6.6
Increases	5.2	9.9	0.2	3.0
Decreases	-	-	-	-
Transfers between items	-16.5	-21.6	-4.7	-3.1
Acquisition cost at 31 December	4.5	15.8	2.0	6.5
Book value at 31 December	4.5	15.8	2.0	6.5
14. Tangible assets				
Land and water				
Acquisition cost at 1 January	194.8	164.2	122.4	111.9
Increases	17.6	33.0	6.9	12.7
Decreases	-10.1	-3.2	-6.1	-2.3
Transfers between items	2.2	0.8	1.5	0.1
Acquisition cost at 31 December	204.6	194.8	124.7	122.4
Revaluation	1.0	1.0	0.1	0.1
Book value at 31 December	205.7	195.8	124.8	122.5
Buildings				
Acquisition cost at 1 January	872.8	780.1	558.4	522.6
Increases	48.3	94.6	24.1	40.7
Decreases	-32.9	-15.1	-25.2	-10.1
Transfers between items	23.6	13.2	15.6	5.2
Acquisition cost at 31 December	911.8	872.8	572.9	558.4
Accumulated depreciation at 1 January	276.9	253.1	170.7	158.3
Accumulated depreciation on decreases and transfers	-10.6	-2.6	-8.5	-5.0
Depreciation for the financial year	30.6	26.4	19.1	17.4
Accumulated depreciation at 31 December	296.9	276.9	181.3	170.7
Revaluation	14.7	14.7	-	-
Book value at 31 December	629.6	610.6	391.6	387.7
Machinery and equipment				
Acquisition cost at 1 January	378.1	341.3	28.1	24.6
Increases	64.2	70.2	2.0	3.1
Decreases	-36.6	-38.7	-3.6	-0.2
Transfers between items	2.0	5.2	0.9	0.6
Acquisition cost at 31 December	407.7	378.0	27.4	28.1

NOTES TO THE BALANCE SHEET	GROUP		KESKO CORPORATION	
	2004	2003	2004	2003
EUR million				
Accumulated depreciation at 1 January	213.8	186.8	15.9	12.4
Accumulated depreciation on decreases and transfers	-20.6	-21.6	-2.5	-0.1
Depreciation for the financial year	53.0	48.6	3.8	3.6
Accumulated depreciation at 31 December	246.1	213.8	17.2	15.9
Book value at 31 December	161.5	164.2	10.2	12.2
Other tangible assets				
Acquisition cost at 1 January	15.9	11.7	10.9	8.3
Increases	1.8	4.3	1.1	2.0
Decreases	-1.0	-0.2	-0.5	-0.2
Transfers between items	0.8	0.1	0.9	0.8
Acquisition cost at 31 December	17.6	15.9	12.4	10.9
Accumulated depreciation at 1 January	5.9	4.7	3.8	3.2
Accumulated depreciation on decreases and transfers	-0.6	0.1	-0.2	-0.1
Depreciation for the financial year	1.5	1.1	1.0	0.7
Accumulated depreciation at 31 December	6.8	5.9	4.6	3.8
Book value at 31 December	10.8	10.0	7.8	7.1
Advance payments and construction in progress				
Acquisition cost at 1 January	32.8	20.7	22.9	11.0
Increases	16.2	32.0	9.5	19.2
Decreases	0.0	0.0	-0.1	-
Transfers between items	-29.4	-19.9	-19.1	-7.3
Acquisition cost at 31 December	19.6	32.8	13.2	22.9
Book value at 31 December	19.6	32.8	13.2	22.9
Revaluation of non-current assets				
Land and water	1.0	1.0	0.1	0.1
Buildings	14.7	14.7	-	-
Shares and similar rights of ownership	0.2	0.5	0.2	0.5
	16.0	16.2	0.3	0.6

Revaluation refers to land, buildings and shares whereby the whole value is estimated to have increased permanently to a level which essentially exceeds the acquisition cost. The tax liability included in revaluation has not been stated, as its realisation in the near future is not probable.

15. Investments

Holdings in Group companies

Acquisition cost at 1 January	-	-	740.1	747.7
Increases	-	-	15.7	26.7
Decreases	-	-	15.7	26.7
Transfers between items	-	-	-	2.4
Acquisition cost at 31 December	-	-	752.3	740.1
Accumulated depreciation at 1 January	-	-	67.3	67.3
Value adjustments	-	-	-	-
Accumulated depreciation on decreases and transfers	-	-	-	-
Accumulated depreciation at 31 December	-	-	67.3	67.3
Revaluation	-	-	-	0.0
Book value at 31 December	-	-	685.0	672.8

Holdings in participating interests

Acquisition cost at 1 January	41.5	40.5	29.7	31.8
Increases	0.1	2.9	0.1	1.7
Share of profits/losses for the financial year	2.2	2.6	-	-
Decreases	-2.6	-1.5	-0.3	-1.4
Transfers between items	-1.4	-3.0	-	-2.4
Acquisition cost at 31 December	39.9	41.5	29.5	29.7
Accumulated depreciation at 1 January	-	-	-	-
Accumulated depreciation on decreases and transfers	-	-	-	-
Accumulated depreciation at 31 December	-	-	-	-
Revaluation	0.1	0.3	0.1	0.3
Book value at 31 December	39.9	41.8	29.6	30.0

NOTES TO THE BALANCE SHEET	GROUP		KESKO CORPORATION	
	2004	2003	2004	2003
EUR million				
Other shares and similar rights of ownership				
Acquisition cost at 1 January	25.9	96.7	18.4	18.3
Increases	0.0	0.0	0.0	8.9
Decreases	-2.0	-70.8	-0.4	-8.8
Transfers between items	0.0	0	-	-
Acquisition cost at 31 December	23.9	25.9	18.0	18.4
Accumulated depreciation at 1 January	1.1	4.2	-	1.1
Accumulated depreciation on decreases and transfers	0.0	-3.4	-	-1.1
Value adjustments	0.8	0.3	-	-
Accumulated depreciation at 31 December	1.9	1.1	-	0.0
Revaluation	0.2	0.2	0.2	0.2
Book value at 31 December	22.2	25.0	18.2	18.6

	Group holding, %	parent company holding, %
Group companies		
Hämeenkyllän Kauppa Oy, Helsinki (Group)	100.0	100.0
K-instituutti Oy, Helsinki	90.0	90.0
K-Plus Oy, Helsinki	100.0	100.0
K-Rahoitus Oy, Helsinki	100.0	100.0
Kaukomarkkinat Oy, Espoo (Group)	100.0	100.0
Kesped Ltd, Helsinki (Group)	100.0	100.0
Kestra Kiinteistöpalvelut Oy, Helsinki	100.0	100.0
Keswell Ltd, Helsinki (Group)	100.0	100.0
Kesko Agro Ltd, Helsinki (Group)	100.0	100.0
Rautakesko Ltd, Helsinki (Group)	100.0	100.0
Kesko Food Ltd, Helsinki (Group)	100.0	100.0
Sincera Oy, Helsinki	100.0	100.0
VV-Auto Oy, Helsinki (Group)	100.0	100.0
Associated companies		
Tietokesko Oy, Helsinki	20.0	20.0
Valluga-sijoitus Oy, Helsinki	39.0	39.0
Vähittäiskaupan Takaus Oy, Helsinki	34.4	34.4
Vähittäiskaupan Tilipalvelu VTP Oy, Helsinki	30.0	30.0

Complete specifications of the Group companies are included in the official balance book of the corporation.

The 34,400 Kesko Corporation A shares held by Jättipörssi Oy, a subsidiary of Kesko Corporation, were sold during the financial year.

NOTES TO THE BALANCE SHEET	GROUP		KESKO CORPORATION	
	2004	2003	2004	2003
EUR million				
16. Receivables				
Receivables from Group companies				
Investments				
Subordinated loans	-	-	0.7	0.7
Long-term receivables				
Loan receivables	-	-	329.4	291.3
Short-term receivables				
Trade receivables	-	-	8.8	3.6
Loan receivables	-	-	174.6	261.5
Prepayments and accrued income	-	-	2.0	2.5
Short-term receivables, total	-	-	185.4	267.6
Total	-	-	515.5	559.6

NOTES TO THE BALANCE SHEET	GROUP		KESKO CORPORATION	
	2004	2003	2004	2003
EUR million				
Receivables from participating interests				
Investments				
Subordinated loans	1.9	1.6	-	-
Long-term receivables				
Loan receivables	8.1	9.3	8.0	9.1
Short-term receivables				
Trade receivables	1.7	2.4	0.0	0.1
Loan receivables	1.0	1.8	1.1	1.8
Prepayments and accrued income	0.0	0.0	-	0.0
Short-term receivables, total	2.7	4.2	1.1	1.9
Total	12.7	15.1	9.1	11.0
Prepayments and accrued income				
Marketing income	4.3	4.5	-	-
Discounts	19.8	15.4	-	-
Personnel expenses	3.9	1.7	-	-
Taxes and corporation tax credit	9.1	17.4	5.5	15.2
Others	38.4	31.6	5.4	3.8
Total	75.5	70.6	10.9	19.0
17. Shareholders' equity				
Share capital at 1 January	182.4	182.2	182.4	182.2
Subscriptions with stock options	5.3	0.2	5.3	0.2
Share capital at 31 December	187.7	182.4	187.7	182.4
Share issue, use of stock options at 1 January	0.2	0.0	0.2	0.0
Increase	33.3	1.0	33.3	1.0
Transfer to share capital	-5.3	-0.2	-5.3	-0.2
Transfer to share premium account	-16.9	-0.6	-16.9	-0.6
Share issue, use of stock options at 31 December	11.3	0.2	11.3	0.2
Share premium account at 1 January	150.6	150.0	150.6	150.0
Subscriptions with stock options	16.9	0.6	16.9	0.6
Disposal of own shares	0.4	-	-	-
Share premium account at 31 December	167.9	150.6	167.5	150.6
Revaluation reserve at 1 January	1.3	1.9	0.6	1.1
Change in revaluation reserve	-0.2	-0.6	-0.3	-0.5
Revaluation reserve at 31 December	1.1	1.3	0.3	0.6
Other reserves at 1 January	245.5	249.4	243.4	243.4
Change in other reserves	0.2	-3.9	-	-
Other reserves at 31 December	245.7	245.5	243.4	243.4
Retained earnings at 1 January	794.5	785.3	550.9	519.7
Distribution of dividends	-273.6	-91.1	-273.6	-91.1
Transfer to donations	-0.3	-0.3	-0.3	-0.3
Adjustment for associated companies	0.9	2.1	-	-
Translation differences	-0.4	-1.5	-	-
Transfer from other reserves	-0.2	3.9	-	-
Retained earnings at 31 December	520.9	698.4	277.0	428.3
Profit for the financial year	117.7	96.1	129.0	122.6
Shareholders' equity, total	1,252.3	1,374.5	1,016.3	1,128.1

Increase in share capital

In 2004, the share capital was raised four times corresponding to share subscriptions made with the year 2000 B and C stock options: in February by EUR 48,600, in May by EUR 1,072,380, in August by EUR 156,200 and in December by EUR 4,022,904, or by a total of EUR 5,300,084. The corresponding share subscriptions were 24,300; 536,190; 78,100 and 2,011,452 respectively, totalling 2,650,042 shares. The share capital increases were entered in the Trade Register on 6 February, 4 May, 4 August and 31 December 2004.

At the end of December 2004, a total of 1,328,250 new B shares were subscribed for with the year 2000 B and C stock options and registered in February 2005. These shares entitle to dividends for 2004. The other shareholder rights they carry will take effect when the corresponding increase in share capital has been entered in the Trade Register.

NOTES TO THE BALANCE SHEET	GROUP		KESKO CORPORATION	
	2004	2003	2004	2003
EUR million				
Distributable reserves				
Other reserves	245.4	245.1	243.5	243.4
Retained earnings	520.9	698.3	277.0	428.3
Profit for the financial year	117.7	96.1	129.0	122.6
Share of depreciation reserve and untaxed reserves included in shareholders' equity	-165.1	-166.4	-	-
Group entries	-5.4	-5.4	-	-
Other items	-	-0.3	-	-
Total	713.5	867.4	649.5	794.3

Breakdown of parent company's share capital	pcs	counter value, EUR	EUR million
A shares	31,737,007	2	63.5
B shares	62,103,535	2	124.2
Total	93,840,542		187.7

Voting rights given by shares	number of votes
A share	10
B share	1

Year 2000 and 2003 stock option schemes

The Annual General Meeting of 10 April 2000 approved a stock option scheme for the top and middle management as part of the management's incentive programme. There were two classes of stock options issued gratuitously, B stock options and C stock options. There were 3,825,000 B stock options (KESBVEW100) and 2,015,000 C stock options (KESBVEW200) issued, i.e. a total of 5,840,000 stock options. Each stock option entitles to the subscription of one Kesko Corporation B share.

On 31 March 2003, the Annual General Meeting resolved to gratuitously issue a total of 1,800,000 stock options to the management of the Kesko Group as well as to a wholly-owned subsidiary of Kesko Corporation. A deviation was made from the shareholders' pre-emptive right to subscription since the stock options form a part of the incentive and commitment programme for the management. Each stock option entitles its owner to subscribe for one Kesko Corporation B share. The stock options shall be marked with symbols 2003D, 2003E and 2003F in units of 600,000 stock options each.

Share of issued stock options of share capital and votes

Presuming that shares are subscribed for with all of the 7,640,000 stock options issued under the year 2000 and the year 2003 schemes, the stock options account for 7.74% of share capital and 1.99% of all votes.

The company has no other stock options, convertible bonds or bonds with warrants in issue.

Authorisation by Board of Directors

The Board of Directors has no authorisation concerning an issue of rights, convertible bonds or stock options valid at the moment.

NOTES TO THE BALANCE SHEET	GROUP		KESKO CORPORATION	
	2004	2003	2004	2003
EUR million				
18. Appropriations				
Depreciation reserve	-	-	192.4	201.9
Total	-	-	192.4	201.9
19. Provisions				
Rent expenses for vacant business premises	12.0	11.2	12.0	11.1
Guarantee losses	0.1	0.1	-	-
Guarantee provisions	10.4	9.3	-	-
Supplementary pension liabilities	0.4	0.4	-	-
Other provisions	2.2	3.2	1.3	0.8
Total	25.1	24.2	13.3	11.9

NOTES TO THE BALANCE SHEET	GROUP		KESKO CORPORATION	
EUR million	2004	2003	2004	2003
20. Deferred tax liabilities and assets				
Deferred tax assets caused by timing differences	-14.0	-12.0	-	-
Deferred tax liabilities				
caused by appropriations	60.7	71.4	-	-
caused by timing differences	2.0	2.2	-	-
Deferred tax liabilities, net	48.7	61.6	-	-
21. Non-current liabilities				
Debt falling due later than within five years				
Bonds	100.4	-	100.4	-
Loans from financial institutions	91.3	20.5	75.0	-
Pension loans	13.8	13.9	-	-
Total	205.5	34.4	175.4	-
<p>On 10 June 2004, Kesko Corporation issued a private placement of USD 120 million in the US. The arrangement consists of three bullet loans: a 10-year loan (USD 60 million), a 12-year loan (USD 36 million) and a 15-year loan (USD 24 million). Kesko has hedged the loan by using currency and interest rate swaps, as a result of which the loan capital totals EUR 100.4 million and the fixed capital-weighted average interest rate is 5.4%.</p>				
Bonds with warrants (Tuko Oy) 1994-2001	0.0	0.2	-	-
Subordinated loan issued by Hämeenkyllän Kauppa Oy (formerly Tuko Oy). The share subscription ended in 2001.				
22. Current liabilities				
Debt to Group companies				
Advances received	-	-	0.0	-
Trade payables	-	-	0.2	0.3
Other debt	-	-	413.7	475.6
Accruals and deferred income	-	-	2.9	2.8
Total	-	-	416.8	478.7
Debt to participating interests				
Advances received	0.0	0.5	-	-
Trade payables	2.3	3.6	0.2	0.2
Other debt	29.0	14.3	29.0	13.8
Accruals and deferred income	0.2	0.7	-	-
Total	31.5	19.1	29.2	14.0
Accruals and deferred income				
Marketing	4.4	5.1	-	-
Payments for services	9.0	9.1	-	-
Discounts	52.8	27.5	-	-
Personnel expenses	74.1	61.6	2.9	2.4
Taxes	27.8	35.4	20.0	25.9
Others	49.0	46.2	4.6	3.6
Total	217.1	184.9	27.5	31.9
23. Interest-free debt				
Deferred tax liability	48.7	61.6	-	-
Long-term liabilities	0.1	0.0	-	-
Short-term liabilities	976.6	941.8	36.8	41.1
Total	1,025.4	1,003.4	36.8	41.1

OTHER NOTES	GROUP		KESKO CORPORATION	
EUR million	2004	2003	2004	2003
24. Securities given and contingent liabilities				
Debt for the security of which mortgages have been given				
Loans from financial institutions	8.0	1.1	-	-
Mortgages given	9.3	0.7	-	-
Trade payables	4.1	4.9	-	-
Other short-term debt	2.8	0.8	0.2	0.1
Total	6.9	5.7	0.2	0.1
Mortgages given	16.8	16.8	16.8	16.8
Other mortgages	0.8	2.0	0.8	2.0
Debt, total	14.9	6.8	0.2	0.1
Pledged shares, total	26.9	19.5	17.6	18.8
Debt for the security of which shares have been given				
Other short-term debt	1.1	0.9	1.1	0.9
Pledged shares	16.0	16.0	16.0	16.0
Debt, total	1.1	0.9	1.1	0.9
Pledged shares, total	16.0	16.0	16.0	16.0
Real estate mortgages				
For own debt	27	21	18	19
Chattel mortgages				
For own debt	-	-	-	-
Pledges				
For own debt	71	42	17	17
Guarantees				
For own debt	62	61	-	-
For Group companies	-	-	122	133
For associated companies	0	1	-	-
For shareholders	1	1	1	1
For others	5	2	2	2
Other contingent liabilities				
For own debt	68	94	49	50
For others	14	12	-	-
Leasing liabilities				
Falling due within a year	17	19	0	0
Falling due later	49	41	1	1

OTHER NOTES	GROUP				KESKO CORPORATION			
	2004	market value	2003	market value	2004	market value	2003	market value
EUR million								
Liabilities arising from derivative instruments								
Value of underlying instruments at 31 Dec.								
Interest rate derivatives								
Forward and future contracts	0	0.0	6	-0.1	0	0.0	6	-0.1
Interest rate swaps	216	-15.5	21	-0.1	216	-15.5	21	-0.1
Currency derivatives								
Forward and future contracts	237	-11.9	125	0.7	257	-10.9	147	1.8
Option agreements								
Bought	5	0.0	-	-	5	0.0	-	-
Written	-	-			7	-0.1	-	-
Commodity derivatives								
Electricity derivatives	21	-1.4	7	-0.3	35	0.0	14	0.0

Provisions for the sale of real estate

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

Major trials pending

Pending cases:

1. Eight former K-citymarket retailers demanded at the Helsinki District Court that Kesko Corporation be obliged to pay a total of EUR 13.7 million in compensation for notices they claimed to be contrary to their contracts. Their alternative demand was that, if notices were found to be according to contract, the condition of notice be modified in such a way that the reasonable period of notice would be 24 months instead of the 6 months stated. And if this were the case, they also demanded compensation for 18 months of lost profits: a total amount of about EUR 10.2 million. Additionally the retailers demanded that Kesko be obliged to compensate them for damages caused by the increase in wholesale prices, which they regarded as groundless, to a total of about EUR 0.9 million. All compensations and legal expenses were claimed subject to penalty interest in delay.

On 26 March 2004, the Helsinki District Court totally dismissed the actions. The District Court ordered the claimants to pay Kesko's legal costs. However, the District Court's decision is not binding. The claimants have appealed against it to the Helsinki Court of Appeal, where the case is pending.
2. Four former Andiamo retailers demand at the Helsinki District Court that Kesko Corporation be obliged to pay a total of about EUR 0.9 million in compensation for notices they claim to be contrary to their contracts. Their alternative demand is that, if notices are found to be according to contract, the condition of notice be modified in such a way that the reasonable period of notice is 24 months instead of the 6 months currently stated. And if this is the case, they also demand compensation for 18 months of lost profits: a total amount of about EUR 0.6 million. Additionally the retailers demand that Kesko be obliged to reimburse them for marketing money to a total of about EUR 0.09 million. All compensations and legal expenses are claimed subject to penalty interest in delay.
3. One former K-market retailer demands at the Helsinki District Court that Kesko Corporation be obliged to pay a total of about EUR 0.2 million in compensation for notices he claims to be contrary to his contracts. His alternative demand is that, if the notice is found to be according to contract, the condition of notice be modified in such a way that the reasonable period of notice is 24 months instead of the 6 months currently stated. And if this is the case, he also demands compensation for 18 months of lost profits: a total amount of about EUR 0.1 million. Additionally the retailer demands that Kesko be obliged to compensate him for the losses caused by a groundless change in the terms of goods trading to a total of about EUR 0.03 million. All compensations and legal expenses are claimed subject to penalty interest in delay.

Kesko Corporation has contested all these actions and claims as groundless. The cases are pending at the Helsinki District Court and the Helsinki Court of Appeal.

There is an action pending at the arbitration court in which:

1. Kapiteeli Oy demands that, in a dispute concerning the rental agreement of the Ruoholahti shopping centre, Kesko Corporation pay for additional costs of the building project and unpaid rent totalling about EUR 3.4 million and pay, from February 2003, an additional rent for the remaining 9 years of lease, the amount of which will be specified by them later on. The claim includes all damages and legal expenses with the legal amount of interest. Kesko Corporation has contested the claims as groundless.

There is a matter referred to the Finnish Competition Authority, in which:

1. The Finnish Competition Authority has requested a response to their draft proposal concerning Kesko Corporation's involvement in the maximum pricing of groceries in the K-Grocers' Club affiliated horizontal K-market and K-neighbourhood store chains in 1997-2000 and in the K-extra store chain in 1999-2000. Kesko Corporation has submitted its response in the matter which is pending at the Finnish Competition Authority.

Key indicators by quarter

GROUP INDICATORS BY QUARTER

	1-3/ 2003	4-6/ 2003	7-9/ 2003	10-12/ 2003	1-3/ 2004	4-6/ 2004	7-9/ 2004	10-12/ 2004
Net sales, EUR million	1,549	1,827	1,816	1,878	1,751	1,937	1,873	1,956
Change in net sales, %	6.9	8.1	11.3	10.8	13.0	6.0	3.1	4.1
Operating profit, EUR million	20.0	44.1	48.0	45.5	21.6	56.8	55.0	42.1
Operating profit, %	1.3	2.4	2.6	2.4	1.2	2.9	2.9	2.1
Financial income/expenses, EUR million	-0.0	6.3	-2.2	-0.0	-1.0	2.9	-1.6	-3.0
Profit before extraordinary items, EUR million	20.0	50.4	45.7	45.5	20.6	59.8	53.5	39.1
Profit before extraordinary items, %	1.3	2.8	2.5	2.4	1.2	3.1	2.9	2.0
Return on invested capital, %	5.8	12.4	11.9	12.4	6.2	14.6	13.7	12.7
Return on equity, %	3.5	10.0	8.0	9.0	4.3	15.8	11.7	7.2
Equity ratio, %	47.5	48.6	49.8	51.7	43.4	45.0	47.0	45.5
Capital expenditure, EUR million	69.7	60.6	53.9	74.8	37.8	42.6	44.3	45.4
Earnings/share, EUR	0.12	0.34	0.27	0.31	0.14	0.50	0.38	0.24
Equity/share, EUR	14.13	14.49	14.76	15.07	13.21	13.70	14.08	13.34

DIVISIONS' NET SALES BY QUARTER

	1-3/ 2003	4-6/ 2003	7-9/ 2003	10-12/ 2003	1-3/ 2004	4-6/ 2004	7-9/ 2004	10-12/ 2004
EUR million								
Kesko Food	837	953	959	1,017	865	987	955	1,005
Rautakesko	181	280	281	253	247	317	311	275
Kesko Agro	169	237	179	183	192	247	184	194
Keswell	153	151	180	242	177	164	194	258
VW-Auto	145	161	139	113	193	154	148	138
Kaukomarkkinat	70	62	77	76	77	74	84	82
Common operations - eliminations	-6	-17	1	-6	0	-6	-3	4
Group net sales	1,549	1,827	1,816	1,878	1,751	1,937	1,873	1,956

DIVISIONS' OPERATING PROFITS BY QUARTER

	1-3/ 2003	4-6/ 2003	7-9/ 2003	10-12/ 2003	1-3/ 2004	4-6/ 2004	7-9/ 2004	10-12/ 2004
EUR million								
Kesko Food	7.9	9.1	18.3	21.1	-0.8	17.0	19.5	14.1
Rautakesko	0.4	10.9	12.2	4.6	3.1	13.7	13.8	3.1
Kesko Agro	0.6	9.3	1.3	-3.8	2.4	8.6	0.3	-3.5
Keswell	-10.3	-2.8	0.1	16.5	-2.7	-0.9	2.6	17.8
VW-Auto	5.8	6.3	5.3	4.9	8.7	7.4	5.1	4.9
Kaukomarkkinat	1.0	-0.4	3.8	1.7	2.5	2.0	3.9	0.0
Common operations	14.6	11.7	7.0	0.5	8.4	9.0	9.8	5.7
Group operating profit	20.0	44.1	48.0	45.5	21.6	56.8	55.0	42.1

Group in figures

	2000	2001	2002	2003	2004
Income statement					
Net sales, EUR million	6,308	6,214	6,466	7,070	7,517
Change in net sales, %	3.2	-1.5	4.1	9.3	6.3
Other operating income, EUR million	336	399	431	482	485
Materials and services, EUR million	5,553	5,439	5,672	6,169	6,514
Personnel expenses, EUR million	316	333	348	390	437
Personnel expenses as % of net sales	5	5.3	5.4	5.5	5.8
Depreciation and value adjustments, EUR million	119	115	108	110	125
Other operating expenses, EUR million	540	651	673	726	751
Share of profits/losses of associated companies, EUR million	1	2	2	1	1
Operating profit, EUR million	117	77	99	158	176
Operating profit as % of net sales	1.9	1.2	1.5	2.2	2.3
Financial income and expenses, EUR million	9	9	11	4	-3
Profit before extraordinary items, EUR million	126	86	110	162	173
Profit before extraordinary items as % of net sales	2.0	1.4	1.7	2.3	2.3
Profit before taxes, EUR million	126	86	110	162	173
Profit before taxes as % of net sales	2.0	1.4	1.7	2.3	2.3
Income taxes, EUR million	34	30	42	58	47
Minority interest, EUR million	-1	-1	0	8	8
Net profit for the financial year, EUR million	91	55	68	96	118
Net profit for the financial year as % of net sales	1.4	0.9	1.0	1.4	1.6
Balance sheet					
Intangible assets, EUR million	149	182	188	223	201
Tangible assets, EUR million	883	875	889	1,013	1,027
Investments, EUR million	153	151	145	68	64
Stocks, EUR million	536	510	554	677	722
Receivables, EUR million	772	722	678	690	700
Marketable securities, EUR million	30	49	131	23	87
Cash on hand and at bank, EUR million	47	78	43	63	57
Share capital, EUR million	180	180	182	182	188
Shareholders' equity, total, EUR million	1,380	1,347	1,369	1,374	1,252
Minority interest, EUR million	16	16	23	41	39
Provisions, EUR million	12	11	19	24	25
Liabilities, EUR million	1,162	1,193	1,218	1,318	1,542
Balance sheet total, EUR million	2,570	2,567	2,629	2,757	2,858
Cash flow from operating activities, EUR million	129	209	146	165	192
Interest-bearing liabilities, EUR million	305	300	366	315	516
Interest-bearing net debt, EUR million	227	173	193	229	372
Indicators					
Return on equity, %	6.4	4.1	4.9	7.4	9.3
Return on invested capital, %	8.5	6.6	7.6	10.9	11.9
Equity ratio, %	54.7	53.6	53.3	51.7	45.5
Gearing ratio, %	16.3	12.7	13.9	16.2	28.8
Capital expenditure, EUR million					
Capital expenditure as % of net sales	3.9	3.3	2.9	3.7	2.3
Personnel					
Average number of personnel during the financial year	11,099	11,544	12,217	15,219	17,528
Number of personnel at 31.12., incl. part-time employees	13,361	14,988	15,212	19,411	22,146

Calculation of indicators

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

Auditors' report

To Kesko Corporation's shareholders

We have examined Kesko Corporation's accounting records, financial statements and administration for the financial period from 1 January to 31 December 2004. The statements prepared by the Board of Directors and the Managing Director include the Report by the Board of Directors, as well as the consolidated income statement and balance sheet, the parent company's income statement and balance sheet, and notes to the financial statements. On the basis of our examination, we give below a report on the financial statements and administration.

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

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

Helsinki, 15 February 2005

PricewaterhouseCoopers Oy
Authorised Public Accountants

Pekka Nikula
APA

Kesko and IFRS financial statements

From 2005, publicly traded companies in the EU area must prepare their consolidated financial statements in accordance with international IAS/IFRS standards. A regulation to this effect came into force in autumn 2002. As the reform of financial reporting standards progresses, the IAS standards (International Accounting Standards) will be replaced by IFRS standards (International Financial Reporting Standards).

Adoption of the IAS/IFRS standards

The groundwork for preparing the financial statements according to the IFRS standards was started at Kesko in 2002. During 2003, the impacts of the changes in accounting practices were surveyed, and the Group's accounting and reporting instructions were revised. Training of the organisation was begun in 2003 and other preparations for the new accounting standards have been implemented so that comparative data for the 2005 Group reporting can be produced for each quarter of 2004.

Kesko will prepare its first complete IFRS financial statements for the year 2005. The financial statements published for 2004 have been prepared according to the current Finnish Accounting Standards. In the interim report for the first quarter of 2004, Kesko published the opening balance sheet prepared for the transition day of 1 January 2004 and information on the most important effects that the changes in accounting principles will have on shareholders' equity. The opening IFRS balance sheet has been prepared in accordance with the standards in force in April 2004. Before the first interim report for 2005, Kesko will publish a separate stock exchange release including the IFRS accounting policies, comparison figures and reconciliation calculations for 2004 with respect to the Finnish Accounting Standards.

EFFECTS OF IFRS STANDARDS ON KESKO'S BALANCE SHEET AT 1.1.2004

	FAS EUR million 1.1.2004	IFRS EUR million 1.1.2004	EUR million difference
Assets			
Non-current assets			
Intangible assets	223	164	-59
Tangible assets	1,013	1,218	+205
Investments	68	222	+154
Current assets			
Stocks	677	669	-8
Receivables	690	702	+12
Marketable securities	23	28	+5
Cash on hand and at bank	63	65	+2
Total	2,757	3,068	+311
Liabilities			
Shareholders' equity	1,375	1,478	+103
Minority interest	40	-	-40
Provisions	24	24	-
Liabilities			
Deferred tax liability	62	104	+42
Other liabilities	1,256	1,462	+206
Total	2,757	3,068	+311

SUMMARY OF THE EFFECTS OF IFRS STANDARDS ON SHAREHOLDERS' EQUITY AT 1.1.2004

EUR million	1.1.2004
Shareholders' equity FAS	1,375
IFRS adjustments:	
IAS 1 Presentation of financial statements (minority interest)	35
IAS 12 Income taxes	-41
IAS 17 Leases	-37
IAS 19 Employee benefits (pensions)	142
IAS 31 Joint ventures and associated companies	10
IAS 36 Impairment of assets	-6
Equity IFRS	1,478

In accordance with IAS 1, minority interests are presented in equity in the IFRS balance sheet. On the basis of IAS 12, deferred tax balances have been recognised on all taxable IFRS differences that influence equity. The opening balance liabilities include deferred tax liabilities, relating to IFRS differences, to the amount of EUR 40 million, set off in compliance with IAS 12.

Leases, sales and leaseback transactions that fulfil the IAS 17 criteria have been recognised in compliance with the standard. The opening IFRS balance includes EUR 88 million in buildings financed with leases and EUR 34 million in other property, plant and equipment financed with leases. In addition, the opening IFRS balance includes EUR 22 million in leases with Kesko as the lessor.

The Group's retirement benefit plans have been recognised in compliance with IAS 19 and all accumulated actuarial gains and losses have been recognised in the balance sheet of the transition date. EUR 167 million have been recognised in the opening IFRS balance sheet corresponding to the amount by which the fair value of the assets of Kesko Pension Fund exceeds the obligations caused by the plan. In addition, an obligation of EUR 25 million has been recognised in the long-term liabilities of the opening IFRS balance sheet for future disability pensions of persons whose retirement plan is provided by an employment pension insurance company.

According to IAS 36, it should be assessed whether there is any indication that an asset may be impaired. If any such indication exists, the recoverable amount of the asset is to be estimated. As a result, an impairment loss of EUR 6 million has been recognised for property, plant and equipment in the opening IFRS balance sheet.

The main factors influencing financial results reported in compliance with the IFRS are the exclusion of goodwill amortisation, the treatment of certain leases as finance leases in accordance with IAS 17 (from which it follows that profit is affected by depreciation and financial expenses rather than lease payments), and the treatment of the Group's defined retirement benefit plans in accordance with IAS 19 insofar as they are provided by the Kesko Pension Fund. The figures reported in accordance with the IFRS are anticipated to be better than those produced on the basis of Finnish accounting practice.

Further information ►



The Vision 2015 team presented the results of their work to Kesko's management. The picture shows from left: Lasse Kalmi, Project Manager, Johanna Saarivuo, Real Estate Development Manager, Kaisu Piisilä, Store Site Consultant, Sampo Päälysaaho, District Director, Pia Rytilahti, Planning Manager, and Antti Meriläinen, Product Group Manager. More information about the Vision 2015 project on page 12.

FURTHER INFORMATION

Major stock exchange and press releases	105	Information for shareholders	110
Glossary	106	Information about Kesko for investors	111
Contact information	108		

Major stock exchange and press releases

In addition to providing regular information on financial performance, Kesko publishes a monthly stock exchange release on the Group's sales and the K-Alliance's retail sales. Other major stock exchange releases (SER), stock exchange notifications (SEN) and press releases (PR) of Kesko Corporation and its divisions in 2004 are listed below. All releases are available at www.kesko.fi/media.

January 2004

- PR 2.1.** Kesko Food decided to test discounters in Finland
- PR 7.1.** K-citymarket chain permanently reduced prices of 500 products
- PR 23.1.** Kesko won web pages competition for Finnish listed companies
- PR 29.1.** Kesko ranked third in company disclosure and financial reports contest

February 2004

- SEN 11.2.** Jättipörssi Oy, a Kesko Corporation subsidiary, sold all 34,400 Kesko Corporation A shares held by it
- PR 12.2.** First Cassa stores open on 19 February

March 2004

- PR 5.3.** Qweb certificate to K-Alliance's Plussa.com web service
- PR 8.3.** Rationalisation negotiations in Lahti and Turku units of Kesko Food's accounting service centre ended
- SER 26.3.** Boards of Directors of Kesko's division parent companies were selected
- SER 26.3.** Helsinki District Court dismissed actions of former K-citymarket retailers against Kesko

April 2004

- PR 5.4.** Kesko Real Estate strengthens its construction management organisation – ten new employees hired
- SER 16.4.** Finnish Competition Authority granted new exemption for Kesko Food's pricing
- SER 29.4.** Kesko's Board of Directors established an Audit Committee

May 2004

- PR 5.5.** Total number of Plussa cards exceeded three million
- PR 6.5.** No China phenomenon in Kesko's purchases – most Finnish regions produce more goods for Kesko than China
- PR 14.5.** Kesko Food has been operating in Estonia for ten years
- PR 26.5.** Kesko scholarships to 41 talented young athletes and art students

June 2004

- PR 1.6.** VV-Auto acquired Volkswagen and Audi businesses from Stockmann at Herttoniemi
- SER 8.6.** Kesko Food and ICA combine food trade operations in the Baltic states
- SER 11.6.** Kesko entered into a long-term US loan arrangement
- PR 28.6.** Kesko Agro Ltd and K-maatalousyhtiöt Oy merge at the beginning of July

July 2004

- PR 15.7.** Lithuania's largest agricultural and machinery trading centre opened near Kaunas
- SER 30.7.** Rautakesko signed a letter of intent to acquire a Russia DIY chain

August 2004

- SER 9.8.** Kesko received enquiry from Finnish Competition Authority concerning maximum pricing in 1997–2000

September 2004

- SER 2.9.** Kesko selected as best in its sector in the Dow Jones sustainability indexes
- PR 8.9.** K-supermarket chain reduces prices of 500 products
- PR 9.9.** K-rauta chain expands in Sweden – K-rauta Täby was opened
- SER 10.9.** Kesko Corporation's new Managing Director is Matti Halmesmäki
- SER 21.9.** Kesko Corporation's Board proposed additional dividend of 1.00 euro

October 2004

- PR 19.10.** Kesko awarded for best environmental and corporate responsibility reporting in Finland
- PR 28.10.** Anttila Oy won the Finnish Quality Award
- SER 29.10.** Kesko acquires Indoor Group Ltd

November 2004

- PR 2.11.** Kesko's corporate responsibility report again world's best in the trading sector
- SER 9.11.** Kesko Corporation's Extraordinary General Meeting decided to distribute an additional dividend of 1.00 euro
- PR 9.11.** Kesko's Takamäki reminded Pekkarinen Committee about customers' freedom to choose
- PR 15.11.** Kesko to participate in European co-operation in social quality control
- SER 16.11.** Baltic joint venture of Kesko Food and ICA approved by EU competition authorities
- PR 24.11.** Kesko Food renews its K-market concept

December 2004

- SER 7.12.** Finnish Competition Authority approved transfer of Indoor Group Ltd to Kesko
- SER 21.12.** Finnish Competition Authority's approval of transfer of Indoor Group Ltd to Kesko was appealed.

Glossary

In this glossary we have compiled some key commercial and financial terms.

After-sales marketing refers in the car and machinery trade in particular to after-sales activities, such as maintenance, repairs, sales of spare parts, accessories and equipment.

Assortment is the number of product categories sold for different purposes (e.g. food, clothing, shoes, cosmetics, books and domestic appliances). The assortment can be wide, such as in department stores, or narrow, such as in speciality stores.

Cash flow from operating activities is the amount of cash generated from actual business operations.

Certification is an audit carried out by an independent third party to verify the compliance of operating systems with certain criteria (e.g. with an ISO standard).

Chain concept is a comprehensive description of retail business operations and guidelines for their similar implementation in all stores of the chain.

Chain Executive Committee is a body elected by retailers from their midst. It can make proposals and give opinions to the chain unit in matters concerning chain co-operation.

Chain planning groups are groups that plan different areas of chain operations. They include chain retailers, their personnel and chain unit representatives.

Chain selection in the K-Alliance is that part of a selection which is the same in all stores of the chain. The chain unit makes decisions concerning the selection.

Chain unit is the Kesko unit responsible for store chain operations and chain concept development in the K-Alliance. It has decision-making power in matters concerning the chain.

Dealer, for instance in the car trade, is a company authorised by the importer to sell and service branded products. The dealer meets the quality standards set by the manufacturer and the importer.

Debt to equity ratio is liabilities divided by the total assets.

Department store is a retail store that sells a wide variety of goods. Its sales area is at least 2,500 m². In a department store, no product category accounts for over half of the total sales area.

Dividend yield is the dividend per share divided by the market value of the share.

Equity ratio is shareholders' equity divided by the total assets.

Fair trade is a form of international trade, illustrated by a formalised parrot logo. The logo indicates that business is carried

out directly with small producers of the third world without intermediaries. Producers receive a guaranteed price for their products that is usually significantly higher than the world market price. They are also given guarantees of long contracts and opportunities for advance financing.

Gearing ratio is net interest-bearing liabilities divided by shareholders' equity.

Global Reporting Initiative (GRI) is an international independent organisation that has developed three-dimensional guidelines for sustainability reporting. The organisation collaborates with the United Nations Environmental Programme (UNEP), the Coalition of Environmentally Responsible Economies (CERES) and a great number of specialised organisations. The guidelines cover the measurement of not only the environmental performance of companies, but also their social and economic performance.

Groceries refer to food and other everyday products that people are used to buying when they shop for food. In the Nordic countries, groceries include food, beverages, tobacco, home chemical products, household papers, magazines and cosmetics.

Grocery store is, in most cases, a self-service food store that sells the full range of the above groceries. Food accounts for about 80% of grocery stores' total sales.

Home and speciality goods stores include clothing, shoe, sports, home technology, and home goods and interior decoration stores.

Hypermarket is a retail store selling a wide variety of goods mainly on the self-service principle. Its sales area exceeds 2,500 m². In a hypermarket, food accounts for less than half of the total area, but sales focus on groceries (food and other everyday items).

Hypermarket centre is usually located on one level. The hypermarket accounts for over 50% of the total business premises.

In-house control is an entrepreneur's own control system, the purpose of which is to prevent problems arising in food hygiene. In compliance with legislation, in-house control is based on HACCP (Hazard Analysis and Critical Control Points) principles. The hazards related to products are assessed, the critical control points needed for hazard monitoring are identified and then controlled. The system is applied to the hygiene of manufacturing plants' machinery and equipment, the quality of raw materials and products, the effectiveness of manufacturing processes, and transportation and warehousing conditions.

K-retailer is an independent chain entrepreneur who, through good service, competence and local expertise, provides addi-

tional strength for chain operations. The K-retailer entrepreneurs are responsible for their stores' customer satisfaction, personnel and profitable business operations.

K-Retailers' Association is a body that looks after the interests of the K-retailers. Its key function is to promote and strengthen the conditions for the entrepreneurial activities of K-retailers. All the K-retailers - about 1,380 - are members of the K-Retailers' Association.

Logistics is a process in which information management is used to direct the goods flow and related services throughout the entire delivery chain. Logistics help optimise the quality and cost-efficiency of operations.

Management system (model) is a management operating system used by Kesko to plan and manage the operations of the Group in order to reach the goals set.

Neighbourhood store is usually a small grocery store, located close to consumers and easily accessible by foot. It is usually a self-service store of less than 400 m². In Finland they have unrestricted opening hours even in town plan areas.

New establishment refers to new store sites or business premises.

Operations control system (ERP Enterprise Resource Planning system) is an information system that supports the planning and control of business operations. It includes the information systems supporting the core processes of the company, such as category management and purchasing logistics in the trading sector, e.g. SAP R3.

Organic product is, according to the EU regulation on organic production, a product in which at least 95% of the raw materials of agricultural origin have been organically produced.

Price per earnings ratio (P/E) is the share's market value divided by the company's net earnings per share.

Private label (own brand, house brand) product is made for the trading company by a manufacturer and marketed as part of a larger product family under one brand name. A company markets its private label products through its own network.

Quality management consists of the operating principles and management practices and systems which together guide operations on the basis of customer needs and expectations. Quality management involves the constant planning and improvement of operations and services, and its characteristics include customer orientation, the development and participation of the personnel, continuous learning, innovation and improvement, the enhancement of partnerships, and corporate responsibility.

Retail park is a centre consisting of speciality stores. Its typical location is outside urban centres.

Retail trade refers to sales to consumer customers.

Sales area refers to the store area reserved for sales, such as goods areas, aisles, service counters, checkout areas and air lock entrances.

Scorecard is a management and control system that makes tangible the corporate vision and related goals, objectives and indicators, linking them with operating activities. Four different perspectives are usually adopted for review: financial situation, customers, processes, and personnel and competence.

Selection is the range of products sold for the same purpose, for instance a selection of bread. Speciality stores carry a deep selection in the category.

Shopping centre houses many trading companies, but has joint management and marketing. A shopping centre has one or more main companies, but no individual store accounts for over 50% of the total business premises. A shopping centre has a minimum of 10 stores, in most cases joined by a common mall.

Small store and **kiosk** are grocery stores whose sales area is less than 100 m².

Social Accountability International (SAI) is a non-profit organisation that aims to improve working conditions up to international minimum standards. Working with various non-governmental and professional organisations, companies, universities and certification institutes, the organisation has developed the SA 8000 standard to ensure that minimum requirements are met.

Store-specific selection in the K-Alliance is that part of the selection of a store that is adapted for the special needs of the local market.

Strategy is an overall plan that includes the vision and goals of an organisation, together with the means of achieving them.

Supermarket is a grocery store that focuses on food sales and works on a self-service principle. Its sales area is at least 400 m², with food accounting for over half of the total sales area.

Trading house is a company that offers its principals sales services and international trading in various forms. A company that is engaged in imports, exports or trading between third countries in products manufactured by other companies can be considered as a trading house.

Village store is a grocery store with a sales area of less than 400 m², located in a sparsely populated area. In Finland, stores situated outside areas subject to town planning have been free from opening hours restrictions since 1990.

Wholesale trade is purchasing from suppliers in large quantities and then selling to enterprises engaged in the retail trade.

Contact information

Kesko Corporation

www.kesko.fi

Corporate Management

Satamakatu 3, Helsinki,
FI-00016 Kesko

Corporate Board of Directors and Management Board:

See pages 70-73

Tel: +358 10 5311
(Mon-Fri 7.30-18.00 local time)

Fax: +358 9 657 465

E-mail: firstname.lastname@kesko.fi

District Centres

Southern Finland

Jokiniementie 31, P.O.B. 152,
FI-01301 Vantaa

Tel. +358 10 5311, fax +358 1053 28517

Eastern Finland

Päivärannantie 18, P.O.B. 46,
FI-70701 Kuopio

Tel. +358 10 5311, fax +358 1053 29020

Southwestern Finland

Rydönnotko 1, P.O.B. 116, FI-20101 Turku
Tel. +358 10 5311, fax +358 1053 21309

Western Finland

Jokipohjantie 28, P.O.B. 330, FI-33101
Tampere

Tel. +358 10 5311, fax +358 1053 25448

Northern Finland

Äimäkuja 2, P.O.B. 16, FI-90401 Oulu

Tel. +358 10 5311, fax +358 1053 30572

● Kesko Food Ltd

Satamakatu 3, Helsinki, FI-00016 Kesko
Tel. +358 10 53030, fax +358 1053 23486

SUBSIDIARIES

Citymarket Oy

Satamakatu 3, Helsinki, FI-00016 Kesko
Tel. +358 10 5311, fax +358 1053 23492
www.citymarket.fi

Kespro Ltd

Sähkötie 1, Vantaa
P.O.B. 15, FI-00016 Kesko
Tel. +358 10 53040, fax +358 9 851 4452
www.kespro.com

Cassa Oy

Sähkötie 1, FI-01510 Vantaa
Tel. +358 10 53030, fax +358 1053 23997

JOINT VENTURES

Pikoil Oy

Piispansilta 9, FI-02230 Espoo
Tel. +358 2074 22000,
fax +358 2074 22099
www.pikoil.fi

Rimi Baltic AB

A. Deglava iela 161
LV-1021 Riga, Latvia
Tel. +371 7045550, fax +371 704555
E-mail: info@rimibaltic.com

● Rautakesko Ltd

Vanha Porvoontie 229, P.O.B. 75,
FI-01301 Vantaa
Tel. +358 10 53032, fax +358 9 857 4783
www.rautakesko.com

SUBSIDIARIES

AS Rautakesko

Tähetorni 100a, EE-11625 Tallinn, Estonia
Tel. +372 6 257 501, fax +372 6 257 563
E-mail: info@rautakesko.ee
www.k-rauta.com

A/S Rautakesko

Rencenu iela 21, LV-1073 Riga, Latvia
Tel. +371 7 810 090, fax +371 7 810 178
E-mail: rautakesko@rautakesko.lv
www.k-rauta.com

UAB Senuku Prekybos centras

Pramones pr. 6, LT-51500 Kaunas-31,
Lithuania
Tel. +370 37 304 804, fax +370 37 304 803
E-mail: kanc@senukai.lt
www.senukai.lt

K-rauta AB

Bagarbyvägen 61, SE-19134 Sollentuna,
Sweden
Tel. +46 8 625 6900, fax +46 8 625 6998
E-mail: info@k-rauta.se
www.k-rauta.com

ZA0 Kestroy

Ul Ryabinovaya 43 A, RU-121471 Moscow,
Russia
Tel. +7095 447 1836, fax +7095 913 9048
E-mail: sales@kestroy.ru
www.kestroy.com

● Kesko Agro Ltd

Tikkurilantie 10, P.O.B. 54,
FI-01380 (01301) Vantaa
Tel. +358 10 53033, fax +358 9 857 4729
www.k-maatalous.fi

K-Alliance's Experimental Farm

Hahkialantie 57, FI-14700 Hauho
Tel. +358 10 53033, fax +358 1053 38130
www.k-koetila.fi

SUBSIDIARIES

Kesko Machinery Ltd

Vanha Porvoontie 245, P.O.B. 145,
FI-01301 Vantaa
Tel. +358 10 53034, fax +358 1053 20505
www.konekesko.com

Kesko Agro Eesti AS

Põrguvälja tee 3 a, Pildiküla, Rae vald,
EE-75301 Harju mk, Estonia
Tel. +372 6059 100, fax +372 6059 101
www.keskoagro.com

SIA Kesko Agro Latvija

Vienibas Gatve 93, LV-1058 Riga, Latvia
Tel. +371 7 805 420, fax +371 7 805 421
www.keskoagro.com

UAB Kesko Agro Lietuva

Savanoriu pr. 191, LT-02300 Vilnius,
Lithuania
Tel. +370 5 247 7400, fax +370 5 247 7420
www.keskoagro.com

● Keswell Ltd

Valimotie 17, Helsinki, FI-00016 Kesko
Tel. +358 10 53031, fax +358 1053 39108

SUBSIDIARIES

Academica Oy

Yliopistonkatu 5, Helsinki, P.O.B. 22,
FI-00016 Kesko
Tel. +358 1053 46600,
fax +358 1053 46611
www.academica.fi

Anttila Oy

Valimotie 17, Helsinki, P.O.B. 1060,
FI-00016 Kesko
Tel. +358 10 5343, fax +358 1053 40109
www.anttila.fi

Interwell Oy

Valimotie 17, Helsinki, FI-00016 Kesko
Tel. +358 1053 40950, fax +358 9 176 780

Jättipörssi Oy

Valimotie 9, FI-01510 Vantaa
Tel. +358 9 7597 1844,
fax +358 9 7597 1829

Motorfeet Oy

Valimotie 17, Helsinki, FI-00016 Kesko
Tel. +358 1053 39237, fax +358 9 224 6730

- **Kaukomarkkinat Oy**

Kutojantie 4, P.O.B. 40, FI-02631 Espoo
Tel. +358 9 5211, fax +358 9 521 6641
www.kaukomarkkinat.fi

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

Hitsaajankatu 7 B, P.O.B. 80,
FI-00811 Helsinki
Tel. +358 9 75 831, fax +358 9 758 3267
www.audi.fi, www.seat.fi, www.volkswagen.fi

Other subsidiaries**Kesped Ltd**

Jokiniementie 31, P.O.B. 47, FI-01301 Vantaa
Tel. +358 10 53050, fax +358 1053 27021
www.kesped.fi

K-Plus Oy

Satamakatu 3, Helsinki, FI-00016 Kesko
Tel. +358 10 53020, fax +358 9 698 6952
www.plussa.com

Finance

Satamakatu 3, Helsinki, FI-00016 Kesko
Tel. +358 10 5311, fax +358 9 657 465

Accounting

Satamakatu 3, Helsinki, FI-00016 Kesko
Tel. +358 10 5311, fax +358 9 624 679

Treasury

Satamakatu 3, Helsinki, FI-00016 Kesko
Tel. +358 10 5311, fax +358 9 666 131

Legal Affairs

Satamakatu 3, Helsinki, FI-00016 Kesko
Tel. +358 10 5311, fax +358 9 672 900

IT Management

Satamakatu 3, Helsinki, FI-00016 Kesko
Tel. +358 10 5311, fax +358 1053 23460

Kesko Real Estate

Satamakatu 3, Helsinki, FI-00016 Kesko
Tel. +358 10 5311, fax +358 1053 23481

Strategic Development

Satamakatu 3, Helsinki, FI-00016 Kesko
Tel. +358 10 5311, fax +358 9 674 378

SUBSIDIARIES**K-Rahoitus Oy**

Tikkurilantie 10, P.O.B. 54, FI-01301 Vantaa
Tel. +358 10 5311, fax +358 1053 20556

Hämeenkylässä Kauppa Oy

Satamakatu 3, Helsinki, FI-00016 Kesko
Tel. +358 10 5311, fax +358 1053 23416

Sincera Oy

Satamakatu 3, Helsinki, FI-00016 Kesko
Tel. +358 10 5311, fax +358 9 666 131

Administration

Satamakatu 3, Helsinki, FI-00016 Kesko
Tel. +358 10 5311, fax +358 9 657 465

Human Resources

Satamakatu 3, Helsinki, FI-00016 Kesko
Tel. +358 10 5311, fax +358 1053 23479

Pension Insurance and Occupational Health Service

Satamakatu 3, Helsinki, FI-00016 Kesko
Tel. +358 10 5311, fax +358 9 179 630

Office Services

Satamakatu 3, Helsinki, FI-00016 Kesko
Tel. +358 10 5311, fax +358 9 655 473

Corporate Security

Satamakatu 3, Helsinki, FI-00016 Kesko
Tel. +358 10 5311, fax +358 1053 23418

SUBSIDIARIES**K-instituutti Oy**

Siiikajärventie 88-90, FI-02860 Espoo
Tel. +358 10 5311, fax +358 9 863 8571
www.k-instituutti.fi

Corporate Communications

Satamakatu 3, Helsinki, FI-00016 Kesko
Tel. +358 10 5311, fax +358 9 174 398
E-mail: viestinta@kesko.fi

Internal Audit

Satamakatu 3, Helsinki, FI-00016 Kesko
Tel. +358 1053 22046,
fax +358 1053 22126

Central Warehouse**Central Warehouse 1**

(home and speciality goods), Tikkurilantie 5
P.O.B. 145, FI-01301 Vantaa
Tel. +358 10 5311, fax +358 1053 27505

Central Warehouse 2

(groceries), Jokiniementie 31
P.O.B. 152, FI-01301 Vantaa
Tel. +358 10 5311, fax +358 1053 28517

Hämeenkylässä Warehouse

(Anttila), Ainontie 5, FI-01630 Vantaa
Tel. +358 10 5343, fax +358 1053 39499

Service numbers**Plussa customer service**

Mon-Fri 8.00-21.00, Sat 8.00-18.00
Sundays when stores open 12.00-21.00
local time
+358 800 0 5588

Kesko Food's consumer service

Mon-Fri 9.00-13.00 local time
+358 800 0 1000

Information for shareholders

Financial reporting calendar and other key dates in 2005

Year 2004 financial statements	9 February 2005
Year 2004 annual report and audited financial statements	4 March 2005
Year 2005 Annual General Meeting	30 March 2005
Interim report for the first 3 months of 2005	28 April 2005
Interim report for the first 6 months of 2005	28 July 2005
Interim report for the first 9 months of 2005	27 October 2005

In addition, the Group's sales figures and the K-Alliance's retail sales are published monthly.

Annual General Meeting

The Annual General Meeting of Kesko Corporation will be held in the Helsinki Fair Centre's congress wing, Rautatieläisenkatu 3, on 30 March 2005 at 13.00 hrs.

All shareholders entered in the register of Kesko Corporation shareholders kept by the Finnish Central Securities Depository Ltd on 18 March 2005 (Annual General Meeting record date) are entitled to attend the Annual General Meeting.

Shareholders wishing to attend the meeting should notify, not later than 21 March 2005 at 16.00

- by mail to Kesko Corporation/Legal Affairs
FI-00016 Kesko
- by fax to +358 1053 23421
- by telephone to +358 1053 23211,
- by e-mail to taina.hohtari@kesko.fi
- or through the Internet pages at www.kesko.fi/investors.

Notifications must be received by the end of the notification period.

More information about the Annual General Meeting, attendance and decision-making are given under the heading 'Corporate governance statement' on pages 57-62.

The decisions of the Annual General Meeting are published without delay after the meeting in a stock exchange release.

Payment of dividends

Kesko Corporation's Board of Directors has decided to propose to the Annual General Meeting that a dividend of EUR 1.00 per share be paid for 2004. The dividend will be paid to all shareholders entered in the register of Kesko Corporation shareholders kept by the Finnish Central Securities Depository Ltd on 4 April 2005 (record date for payment of dividend). Registration practice takes three banking days, so the dividends are paid to those who hold the shares at the close of the date of the Annual General Meeting on 30 March 2005. Dividends for shares traded on the date of the Annual General Meeting are paid to buyers.

According to the Board of Directors' proposal the payment of dividends starts on 11 April 2005.

Financial publications

The annual report and interim reports are published in Finnish, Swedish and English. No separate printed interim reports are published but they instead come out as special sections of TradeMaker magazine.

The TradeMaker magazine is published in Finnish and English in February, May, August and November.

The annual report, interim reports, monthly sales figures and other key releases are also published on the Group's Internet pages at www.kesko.fi/media.

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

Publications may be ordered from

Kesko Corporation/Corporate Communications
FI-00016 Kesko
Tel. +358 1053 22404
Fax +358 9 174 398
Internet: www.kesko.fi/material

Change of address

Shareholders should notify changes of address to the bank, brokerage firm or other account operator with which they have a book-entry securities account.

Information about Kesko for investors

Investor relations

Satamakatu 3, FI-00016 Kesko

Juhani Järvi

Corporate Executive Vice
President, CFO
Tel. +358 1053 22209
Fax +358 9 657 465
juhani.jarvi@kesko.fi

Jukka Pokki

Investor Relations Manager
Tel. +358 1053 22645
Fax +358 9 174 398
Mobile +358 50 65 632
jukka.pokki@kesko.fi

IR principles

In line with its IR strategy, Kesko continually produces correct and up-to-date information for the markets as a basis for the formation of Kesko's share price. The aim is to make Kesko's activities better known and to increase the transparency of investor information and, therefore, the attraction of Kesko as an investment target.

The Internet and printed material

In its investor communications, Kesko follows the principle of impartiality and publishes all investor information primarily on the Internet pages in Finnish, Swedish and English.

Kesko publishes its annual report as a printed publication in Finnish, Swedish and English. The annual financial statements release and three interim reports are also published as part of the TradeMaker stakeholder magazine which is mailed to all shareholders. In addition, the company maintains a mailing list of other persons to whom the annual report and TradeMaker magazine are sent. Those who wish their names to be entered on the mailing list may fill in the material service form at Kesko's Internet site or the coupons in the printed publications. Kesko's stock exchange and press releases can be ordered by e-mail through the 'Material' section at the Internet site.

Press conferences and period of silence

Kesko arranges press conferences for analysts and the media at the time of announcing the annual and interim results or other significant news, and holds Capital Market Days on various themes 1-2 times a year.

Kesko observes a two-week period of silence before publishing information on its results. At other times, we are happy to answer the enquiries of analysts and investors by phone or e-mail, or at the investor meetings arranged

The brokerage firms analysing Kesko

Aktia Savings Bank plc, Helsinki

Tel. +358 1024 76581
Fax +358 1024 76809
magnus.boman@aktia.fi

ABN AMRO Alfred Berg, Helsinki

Tel. +358 9 228 321
Fax +358 9 2283 2283
tia.lehto@alfredberg.fi

D. Carnegie AB, Helsinki

Tel. +358 9 6187 1235
Fax +358 9 6187 1219
kim.nummelin@carnegie.fi

Deutsche Bank, Helsinki

Tel. +358 9 2525 2552
Fax +358 9 2525 2585
pontus.gronlund@db.com

Enskilda Securities AB, Helsinki

Tel. +358 9 6162 8714
Fax +358 9 6162 8769
kari.pajaanen@enskilda.fi

EQ Pankki Oy, Helsinki

Tel. +358 9 2312 3314
Fax +358 9 2312 3335
kalle.karpinen@eqonline.fi

FIM Securities Ltd, Helsinki

Tel. +358 9 6134 6234
Fax +358 9 6134 6251
kim.gorschecnik@fim.com

Handelsbanken Securities, Helsinki

Tel. +358 1044 42752
Fax +358 1044 42578
tom.skogman@handelsbanken.se

Kaupthing Bank Oyj, Helsinki

Tel. +358 9 4784 0241
Fax +358 9 4784 0111
mika.metsala@kaupthing.fi

Mandatum Stockbrokers Ltd, Helsinki

Tel. +358 1023 64794
Fax +358 9 651 093
noora.alestalo@mandatum.fi

Opstock Ltd, Helsinki

Tel. +358 1025 24408
Fax +358 1025 22703
jari.raisanen@opstock.fi



441 014
Printed matter

KESKO

The Trade Maker

Kesko Corporation, Satamakatu 3
FI-00016 Kesko, Helsinki, Finland. Tel. + 358 10 5311
Business ID 0109862-8
www.kesko.fi