KESKO

KESKO'S FINANCIAL STATEMENTS

2013

KESKO

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Report by the Board of Directors

Financial performance

Net sales and profit for 2013

The Group's net sales were €9,315 million, which is 3.8% down on the corresponding period of the previous year (€9,686 million). Especially in Finland, the weakening of the general economic situation and consumer demand contributed to the decline of net sales in the home and speciality goods trade and the building and home improvement trade. In Finland, net sales decreased by 3.3% and in the other countries by 6.1%. Net sales performance in the other countries was materially impacted by exchange rate changes and the sales decline in the building and home improvement trade in Norway resulting from the retailer changes that took place in the Byggmakker chain in the previous year. International operations accounted for 17.8% (18.2%) of net sales. Net sales grew in the food trade and declined in the other divisions.

1–12/2013	Net sales € million	Change %	Operating profit* € million	Change € million
Food trade	4,387	+1.8	203.3	+35.8
Home and speciality goods trade	1,457	-9.1	-8.3	-27.9
Building and home improvement trade	2,607	-7.8	25.7	+12.4
Car and machinery trade	1,037	-6.9	33.9	-8.0
Common operations and eliminations	-173	-2.4	-15.8	-3.5
Total	**9,315**	**-3.8**	**238.8**	**+8.8**

* Excl. non-recurring items

Operating profit excluding non-recurring items was €238.8 million (€230.0 million). The enhancement measures of the profitability programme had a significant positive impact on the Group's profit performance. Operating expenses decreased by €87 million regardless of store site network expansion and cost inflation. In the previous year, costs were reduced and operating profit excluding non-recurring items was improved by the €12 million amount recognised as revenue in connection with the transfer of the pension insurance portfolio. The operating expenses for the previous year included write-offs of €6 million related to personnel reductions and non-recurring expenses of €20.8 million.

Operating profit was €248.4 million (€212.0 million). The operating profit includes €9.6 million (€-18.0 million) of non-recurring items. The non-recurring items include gains on the disposals of properties in the amount of €9.4 million (€2.7 million). The non-recurring items for the previous year included an impairment of Anttila's goodwill, a reversal of the impairment of Indoor's brand and non-recurring expenses for restructuring Musta Pörssi's business operations.

The Group's profit before tax was €242.3 million (€210.5 million).

The Group's earnings per share were €1.75 (€1.26). The Group's equity per share was €22.96 (€22.48).

The K-Group's (i.e. Kesko's and the chain stores') retail and B2B sales (VAT 0%) were €11,575 million, down 4.4% compared to the previous year. The K-Plussa customer loyalty programme gained 74,317 new households. At the end of December, there was 2,251,311 K-Plussa households and 3.9 (3.8) million K-Plussa cardholders.

Finance

The cash flow from operating activities was €413.8 million (€381.7 million). The cash flow from investing activities was €-152.0 million (€-390.7 million) including a €21.8 million (€24.5 million) amount of proceeds from the sales of fixed assets.

The Group's liquidity remained at an excellent level. Liquid assets totalled €681 million (€489 million). Interest-bearing liabilities were €554 million (€624 million) and interest-bearing net debt €-126 million (€135 million) at the end of the year. Equity ratio was 54.5% (52.5%).

The Group's net finance costs were €5.8 million (€0.6 million). The increase in net finance costs was attributable to the low Euribor rates which reduced the return on liquid assets.

Taxes
The Group's taxes were €57.7 million (€74.6 million). The effective tax rate was 23.8% (35.5%), affected by loss-making foreign operations. The Group’s tax rate was affected by the reduction of the corporate tax rate to 20% effective from 1 January 2014 in Finland, which is why deferred taxes of €14 million were recognised as income. The impact of the tax rate change in the Group’s tax rate was 5.6 percentage points.

Capital expenditure
The Group's capital expenditure totalled €171.5 million (€378.3 million), or 1.8% (3.9%) of net sales. Capital expenditure in store sites was €125.5 million (€310.0 million), in IT €22.9 million (€22.1 million) and other capital expenditure was €23.2 million (€46.1 million). Capital expenditure in foreign operations represented 41.3% (22.9%) of total capital expenditure.

Kesko's strategic focus areas and profitability programme
The key focus areas in Kesko's business operations are to strengthen sales growth and the return on capital in all divisions, to exploit business opportunities in e-commerce and in Russia, and to maintain good solvency and dividend payment capacity.

As a result of a weakened general economic situation, tightened competition and an increase in the level of costs, Kesko is implementing the profitability programme announced previously, aimed to ensure price competitiveness and to improve profitability. The profitability programme includes significant measures aimed to increase sales, to enhance purchasing operations and to adjust costs, working capital and capital expenditure.

The Group level cost saving target of a total of around €100 million was achieved in 2013. In 2013, Kesko’s operating expenses were €1,767 million, representing a net decrease of €87 million (-4.7%) from the previous year regardless of store site network expansion and cost inflation.

Measures for staff cost enhancement were implemented as announced previously. In addition to terminations, reductions included reduced working hours and retirement arrangements. Other significant savings were implemented by adjusting especially marketing and store site expenses and by centralising ICT purchases. In addition, special enhancement measures were targeted at operations with low profitability.

In the next few years, capital expenditure will be aligned with funds generated from operations to some €200−300 million per year.

Improving Anttila’s profitability
In the home and speciality goods trade, the increase of online shopping and increased competition have considerably weakened the profitability of Anttila and the home technology trade. In order to improve profitability, plans are made to close some rented store sites during the next two years. The closures are expected to cause non-recurring expenses amounting to approximately €20 to 30 million during the first quarter. Approximately one third of the current Anttila department store network is planned to be closed. At the same time, the selection of products in the NetAnttila and Musta Pörssi online stores will be considerably expanded, and the Anttila and Kodin1 department store concepts will be renewed.

Kesko looks into setting up a real estate fund
In 2013, Kesko reviewed the criteria on which store sites owned by it are classified as strategic and other properties. As at 31 December 2013, according to the new classification, 53% of store sites were strategic, compared to 78% in the old classification.

Kesko is looking into selling some of its store sites to a fund to be set up with Kesko as one of its major investors. Kesko Group would continue its operations in the store sites under long-term leases signed in connection with their sales to the fund.

Kesko's objective is to set up a fund of mainly Kesko-owned store sites and shopping centres in Finland, Sweden and Russia with a maximum fair value of approximately €750−950 million.

Launching the real estate investment fund depends, in addition to investor interest, on whether it is possible for Kesko to achieve such terms and conditions in the arrangement that are commercially viable for it, taking the Group's strong financial position into account. Moreover, starting a real estate investment fund is subject to the authorisation of the Financial Supervisory Authority.

The possible fund is expected to be launched in the course of 2014.

Personnel

The average number of employees in Kesko Group was 19,489 (19,747) converted into full-time employees. In Finland, the average decrease was 426 people, while outside Finland, there was an increase of 168 people.

At the end of 2013, the number of employees was 23,863 (24,080), of whom 12,776 (13,278) worked in Finland and 11,087 (10,802) outside Finland. Compared to the end of 2012, there was a decrease of 502 people in Finland and an increase of 285 people outside Finland.

The Group's staff cost was €611.1 million, showing a 0.6% increase compared to the previous year.

Segment information

Seasonal nature of operations

The Group’s operating activities are affected by seasonal fluctuations. The net sales and operating profits of the reportable segments are not earned evenly throughout the year. Instead, they vary by quarter depending on the characteristics of each segment.

Food trade

	1–12/2013	1–12/2012
Net sales, € million	4,387	4,311
Operating profit excl. non-recurring items, € million	203.3	167.5
Operating margin excl. non-recurring items, %	4.6	3.9
Capital expenditure, € million	91.6	200.0

Net sales, € million	**1–12/2013**	**Change, %**
Sales to K-food stores	3,330	+0.1
Kespro	803	+2.0
K-ruoka, Russia	71	-
Others	184	-5.1
Total	**4,387**	**+1.8**

In the food trade, net sales were €4,387 million (€4,311 million), up 1.8%. The grocery sales of K-food stores in Finland remained at the level of the previous year (VAT 0%). In the grocery market, retail prices are estimated to have changed by some +4% compared to the previous year (VAT 0%, Kesko's own estimate based on the Consumer Price Index of Statistics Finland), and the total market (VAT 0%) is estimated to have grown by some 2.5% compared to the previous year (Kesko's own estimate). The rise of consumer prices in the grocery trade has slowed towards the end of the reporting period. The sales and profitability of Kespro and the food stores in Russia were realised better than expected for the reporting period.

The operating profit excluding non-recurring items of the food trade was €203.3 million (€167.5 million), or €35.8 million up on the previous year. Profitability was improved by significant savings achieved from enhanced operations and by the adjustment of capital expenditure. Excluding the impact of expansion of Russian business operations, costs decreased by €31 million. Operating profit was €208.0 million (€170.2 million). Non-recurring income included €4.8 million (€2.7 million) of gains on the disposals of properties.

The capital expenditure of the food trade was €91.6 million (€200.0 million), of which €80.5 million (€187.1 million) in stores sites.

Home and speciality goods trade

	1–12/2013	1–12/2012
Net sales, € million	1,457	1,603
Operating profit excl. non-recurring items, € million	-8.3	19.6
Operating margin excl. non-recurring items, %	-0.6	1.2
Capital expenditure, € million	23.1	61.1

Net sales, € million	**1–12/2013**	**Change, %**
K-citymarket, home and speciality goods	628	-5.4
Anttila	391	-16.5
Intersport, Finland	190	+5.0
Intersport, Russia	18	-36.2
Indoor	182	-1.2
Musta Pörssi	29	-48.8
Kenkäkesko	21	-8.7
Total	**1,457**	**-9.1**

In the home and speciality goods trade, net sales were €1,457 million (€1,603 million), down 9.1%. Consumer demand weakened and the change in customer behaviour strengthened in the home and speciality goods trade during the reporting period. Sales declined especially in the department store trade. Net sales performance was also impacted by the ending of Musta Pörssi's retailer business and the closing of unprofitable stores of Intersport Russia. The profitability of K-citymarket home and speciality goods, Intersport Finland and Asko and Sotka remained at a good level.

The operating profit excluding non-recurring items of the home and speciality goods trade was €-8.3 million (€19.6 million), down €27.9 million compared to the previous year. The performance was affected by the increased losses caused by the decreased sales of Anttila. The operating profit excluding non-recurring items of the comparative period was improved by the €9 million amount recognised as revenue in connection with the transfer of the pension insurance portfolio. Cost savings from the implementation of the profitability programme as planned were €31 million. Operating profit was €-2.1 million (€0.0 million). Non-recurring items include gains on the disposals of properties in the amount of €4.1 million. In the previous year, non-recurring items (€-19.5 million) included the non-recurring costs related to the reorganisation of the Musta Pörssi business.

The capital expenditure of the home and speciality goods trade was €23.1 million (€61.1 million).

Building and home improvement trade

	1–12/2013	1–12/2012
Net sales, € million	2,607	2,827
Operating profit excl. non-recurring items, € million	25.7	13.3
Operating margin excl. non-recurring items, %	1.0	0.5
Capital expenditure, € million	37.8	63.1

Net sales, € million	**1–12/2013**	**Change, %**
Rautakesko, Finland	1,173	-4.6
K-rauta, Sweden	205	-4.0
Byggmakker, Norway	470	-26.0
K-rauta, Estonia	69	+8.1
K-rauta, Latvia	52	+1.1
Senukai, Lithuania	263	-1.1
K-rauta, Russia	272	-4.2
OMA, Belarus	106	+22.7
Total	**2,607**	**-7.8**

In the building and home improvement trade, net sales were €2,607 million (€2,827 million), down 7.8%. Excluding the impact of retailer changes in Norway, net sales performance in terms of local currencies was -0.5%. The trend in construction activity still remained weak in Rautakesko's operating area. Sales decrease was most significant in basic building materials.

In Finland, net sales were €1,173 million (€1,229 million), a decrease of 4.6%. The building and home improvement products contributed €794 million to the net sales in Finland, a decrease of 6.4%. The agricultural supplies trade contributed €379 million to net sales, down 0.5%.

The retail sales of the K-rauta and Rautia chains in Finland decreased by 4.6% to €1,025 million (VAT 0%). The sales of Rautakesko B2B Service were down 10.7%. The retail sales of the K-maatalous chain were €460 million (VAT 0%) at the previous year's level.

The net sales from the foreign operations of the building and home improvement trade were €1,435 million (€1,598 million), a decrease of 10.2%. In terms of local currencies and excluding the impact of retailer changes in Norway, the increase in the net sales from foreign operations was 2.8%. In Sweden, net sales in terms of kronas were down 4.6%. In Norway, net sales in terms of krones decreased by 22.7%, which was affected by the changes that took place in the Byggmakker chain last year. New chain agreements for the retailer business in Norway came into force on 1 January 2014 and the company restructuring was completed in January 2014. In Russia, net sales in terms of roubles increased by 1.6%. Foreign operations contributed 55.0% (56.5%) to the net sales of the building and home improvement trade.

The operating profit excluding non-recurring items of the building and home improvement trade was €25.7 million (€13.3 million), up €12.4 million compared to the previous year. Due to enhancement measures, profit performance was clearly positive regardless of the decline in sales. Costs decreased by €21 million. Operating profit was €24.8 million (€11.6 million).

The capital expenditure of the building and home improvement trade totalled €37.8 million (€63.1 million), of which 44.1% (51.4%) abroad. Capital expenditure in store sites represented 88.0% of total capital expenditure.

Car and machinery trade

	1–12/2013	1–12/2012
Net sales, € million	1,037	1,114
Operating profit excl. non-recurring items, € million	33.9	41.9
Operating margin excl. non-recurring items, %	3.3	3.8
Capital expenditure, € million	15.1	26.6

Net sales, € million	**1–12/2013**	**Change, %**
VV-Auto	745	-5.7
Konekesko	293	-9.9
Total	**1,037**	**-6.9**

The net sales of the car and machinery trade were €1,037 million (€1,114 million), down 6.9%.

VV-Auto's net sales were €745 million (€790 million), a decrease of 5.7%. The combined market performance of first time registered passenger cars and vans was -7.2%.

The combined market share of passenger cars and vans imported by VV-Auto was 20.6% (20.2%). Volkswagen was the market leader in both passenger cars and vans.

Konekesko's net sales were €293 million (€325 million), down 9.9% compared to the previous year. Net sales in Finland were €178 million, down 15.7%. The net sales from Konekesko's foreign operations were €116 million, up 0.2%.

The operating profit excluding non-recurring items of the car and machinery trade was €33.9 million (€41.9 million), down €8.0 million compared to the previous year. Due to enhancement measures, profitability remained at a good level regardless of the decline in sales.

Operating profit was €33.9 million (€41.9 million).

The capital expenditure of the car and machinery trade was €15.1 million (€26.6 million).

Changes in the Group composition

No significant changes took place in the Group composition during the reporting period.

Shares, securities market and Board authorisations

At the end of December 2013, the total number of Kesko Corporation shares was 99,832,693, of which 31,737,007, or 31.8%, were A shares and 68,095,686, or 68.2%, were B shares. At 31 December 2013, Kesko Corporation held 548,984 own B shares as treasury shares. These treasury shares accounted for 0.81% of the number of B shares and 0.55% of the total number of shares, and 0.14% of votes carried by all shares of the company. The total number of votes carried by all shares was 385,465,756. Each A share carries ten (10) votes and each B share one (1) vote. The company cannot vote with own shares held as treasury shares and no dividend is paid on them. At the end of December 2013, Kesko Corporation's share capital was €197,282,584. During the financial year, the number of B shares was increased eight times to account for the shares subscribed for with the options based on the 2007 option scheme. The increases were made on 11 February 2013 (74,600 B shares), 2 May 2013 (135,861 B shares), 5 June 2013 (592,619 B shares), 30 July 2013 (116,773 B shares), 30 September 2013 (68,461 B shares), 30 October 2013 (6,100 B shares), 28 November 2013 (56,779 B shares) and on 27 December 2013 (69,160 B shares) and announced in a stock exchange notification on the same days. The shares subscribed for were listed for public trading on NASDAQ OMX Helsinki (Helsinki Stock Exchange) with the old B shares on 12 February 2013, 3 May 2013, 6 June 2013, 31 July 2013, 1 October 2013, 31 October 2013, 29 November 2013 and 30 December 2013. The subscription price of €19,554,663.12 received by the company was recorded in the reserve of invested non-restricted equity.

The price of a Kesko A share quoted on NASDAQ OMX Helsinki was €24.39 at the end of 2012, and €26.80 at the end of

December 2013, representing an increase of 9.9%. Correspondingly, the price of a B share was €24.77 at the end of 2012, and €26.80 at the end of December 2013, representing an increase of 8.2%. In January-December, the highest A share price was €27.55 and the lowest was €22.48. For B share, they were €27.80 and €20.96 respectively. In January-December, the Helsinki stock exchange (OMX Helsinki) All-Share index was up 26.5% and the weighted OMX Helsinki CAP index was up 26.0%. Correspondingly, the Retail Index was down 0.6%.

At the end of December 2013, the market capitalisation of A shares was €851 million, while that of B shares was €1,810 million, excluding the shares held by the parent company. The combined market capitalisation of A and B shares was €2,661 million, an increase of €243 million from the end of 2012. In January-December 2013, a total of 1.1 million (2.3 million) A shares was traded on the Helsinki stock exchange, down 50.3%. The exchange value of A shares was €28 million. The total number of B shares traded was 51.3 million (68.5 million), down 25.0%. The exchange value of B shares was €1,238 million. In terms of volumes, the Helsinki stock exchange accounted for 68% of Kesko A and B share trading in 2013. Kesko shares were also traded on multilateral trading facilities, the most significant of which were BATS Chi-X with 22% and Turquoise with 9% of the trades (source: Fidessa).

The company operates the 2007 option scheme for management and other key personnel, under which the share subscription period of 2007B share options ran from 1 April 2011 to 30 April 2013 (subscription period has expired), and that of 2007C share options runs from 1 April 2012 to 30 April 2014. The share options have been included on the official list of the Helsinki stock exchange since the beginning of the share subscription periods. During the reporting period, a total of 381,332 2007B share options were traded at a total value of €923,801, and a total of 401,466 2007C share options were traded at a total value of €4,751,525. The share subscription period of 2007A share options under the option scheme expired and their trading on the official list ended in 2012.

The Board has the authority, granted by the Annual General Meeting of 16 April 2012 and valid until 30 June 2015, to issue a total maximum of 20,000,000 new B shares. The shares can be issued against payment for subscription by shareholders in a directed issue in proportion to their existing shareholdings regardless of whether they consist of A or B shares, or, departing from the shareholder's pre-emptive right, in a directed issue, if there is a weighty financial reason for the company, such as using the shares to develop the company's capital structure, and financing possible acquisitions, investments or other arrangements within the scope of the company's business operations. The amount paid for the shares is recognised in the reserve of invested non-restricted equity. The authorisation also includes the Board's authority to decide on the share subscription price, the right to issue shares against non-cash consideration and the right to make decisions on other matters concerning share issuances.

In addition, the Board has the authority, granted by the Annual General Meeting of 8 April 2013 and valid until 30 September 2014, to decide on the acquisition of a maximum of 500,000 own B shares, and the authority, valid until 30 June 2017, to decide on the issuance of a maximum of 1,000,000 own B shares held as treasury shares by the company.

On 4 February 2013, based on the authority to issue own shares valid prior to the Annual General Meeting of 8 April 2013 and the fulfilment of the vesting criteria of the 2012 vesting period of Kesko's three-year share-based compensation plan, the Board decided to grant own B shares held as treasury shares by the company to people included in the target group of the 2012 vesting period. The issuance of the total of 66,331 own B shares, referred to above, was announced in a stock exchange release on 5 February 2013 and on 5 April 2013. The latter release also announced that 866 own B shares had been returned to the company without consideration. During the reporting period, a total of 6,724 shares granted based on the fulfilment of the vesting criteria of the 2011 and 2012 vesting periods were returned to the company in accordance with the terms and conditions of the share-based compensation plan. The shares returned during the reporting period were announced in the stock exchange release referred to above and in stock exchange notifications on 8 May 2013, 20 May 2013, 18 June 2013, 19 July 2013, 20 August 2013, 9 October 2013 and 20 December 2013. Further information on the Board's authorisations is available at www.kesko.fi.

At the end of December 2013, the number of shareholders was 42,809, which was 1,745 less than at the end of 2012. At the end of December, foreign ownership of all shares was 25%. At the end of December, foreign ownership of B shares was 36%.

Flagging notifications

Kesko Corporation did not receive flagging notifications during the reporting period.

Key events during the reporting period

Changes, effective 5 February 2013, took place in Kesko's Group Management Board. Arja Talma, M.Sc. (Econ.), eMBA, 50, was appointed Senior Vice President responsible for Kesko Group's store sites and investments. Terho Kalliokoski, M.Sc. (Econ.), 51, was appointed Rautakesko Ltd's President. Jorma Rauhala, M.Sc. (Econ.), 47, was appointed Kesko Food Ltd's President. Starting from 5 February 2013, Kesko's Group Management Board is composed of Matti Halmesmäki, Chair; Jorma Rauhala, food trade; Minna Kurunsaari, home and speciality goods trade and Kesko's customer information and e-commerce projects; Terho Kalliokoski, building and home improvement trade; Pekka Lahti, car and machinery trade; Arja Talma, store sites and investments; Jukka Erlund, CFO, accounting, finance and IT management; and Matti Mettälä, human resources and stakeholder relations. (Stock exchange release on 5 February 2013)

On 5 April 2013, Kesko transferred a total of 66,331 own B shares (KESBV) held by the company as treasury shares to the about 150 Kesko management employees and other named key persons included in the target group of the 2012 vesting period of Kesko's three-year share-based compensation plan. In the same context, 866 B shares, originally transferred to a person included in the target group of the 2011 vesting period of the share-based compensation plan, were returned to Kesko without consideration. After the transfer and return of shares, Kesko held 543,126 own B shares as treasury shares. (Stock exchange release on 5 April 2013)

With effect from 1 January 2013, Kesko Group adopted the revised IAS 19 Employee benefits standard. The amendment had an impact on Kesko Group's pension costs and profit, as well as the pension assets and equity on the balance sheet. Resulting from the amendment, Kesko's consolidated income statement, consolidated statement of financial position and segment information for 2012 were updated in compliance with the requirements prescribed in the revised standard. (Stock exchange release on 11 April 2013)

Kesko announced that it was looking into selling some of the store sites it owns to a fund to be set up with Kesko as one of its significant investors. Kesko Group would continue its operations in the store sites under long-term leases signed in connection with their sales to the fund. The possible fund is expected to be launched in the course of 2014. (Stock exchange release on 29 November 2013)

Resolutions of the 2013 Annual General Meeting and decisions of the Board's organisational meeting

Kesko Corporation's Annual General Meeting, held on 8 April 2013, adopted the financial statements for 2012 and discharged the Board members and the Managing Director from liability. The General Meeting also resolved, as proposed by the Board, to distribute €1.20 per share, or a total of €117,892,576.80 as dividends. The dividend pay date was 18 April 2013. The General Meeting resolved that the number of Board members is unchanged at seven, elected PricewaterhouseCoopers Oy as the company's auditor, with APA Johan Kronberg as the auditor with principal responsibility, and approved the Board's proposals for amending Article 9 of the Articles of Association concerning the delivery of the notice of a General Meeting, for authorising the Board to acquire a maximum of 500,000 own B shares and to issue a maximum of 1,000,000 own B shares held as treasury shares by the company. The General Meeting also approved the Board's proposal that it be authorised to decide on the donations in a total maximum of €300,000 for charitable or corresponding purposes until the Annual General Meeting to be held in 2014.

The organisational meeting of the company's Board of Directors, held after the Annual General Meeting, kept the compositions of the Audit Committee and the Remuneration Committee unchanged.

The resolutions of the Annual General Meeting and the decisions of the Board's organisational meeting were announced in more detail in stock exchange releases on 8 April 2013.

Responsibility

In January, Kesko was included on 'The Global 100 Most Sustainable Corporations in the World' list for the ninth time. Kesko was classified into the bronze class in the Food & Drug Retailers sector in RobecoSAM's Sustainability Yearbook 2013.

Kesko published its updated responsibility programme, which sets both short- and long-term objectives for the operations of Kesko and the whole K-Group up to 2020.

Kesko and K-retailers joined the Youth Guarantee effort promoting employment and preventing social exclusion among young people. A tailored programme has been built for the K-Group to employ young people in K-stores and Kesko.

Kesko and K-stores took part in the Earth Hour 2013 event in March by turning off the illuminated signs and pylons in their remote controlled properties and stores across Finland for one hour.

In March, as in the two previous years, Kesko was awarded by World Finance Magazine for 'the Best Corporate Governance in Finland' in terms of corporate governance development and reporting.

Kesko's 13th Corporate Responsibility Report was published in May. The theme of report is Let's do good. Together. The 2012 report provides information on the objectives, actions and results of Kesko's responsibility programme and work.

Kesko Fair Play scholarships were granted to over 2,800 pupils who had promoted peace and tolerance, motivation in schoolwork and a positive atmosphere in their schools with their exemplary behaviour. The scholarship recipients were selected by comprehensive schools across Finland from among their grade nine pupils. The scholarship total amounted to nearly €150,000.

Kodin1 opened the first passive retail store building in Finland and the Nordic countries in Raisio. The department store saves energy with the help of lighting solutions, demand controlled ventilation, building automation and airtight structures.

Kesko arranged a Mothers' Day event at Kaivopuisto in Helsinki, where 10,000 Pirkka Fairtrade roses were given to mothers and grandmothers. Another 10,000 were handed out at maternity wards in Hyvinkää, Turku, Tampere, Lahti, Seinäjoki, Jyväskylä, Kuopio, Oulu, Espoo and Helsinki.

Kesko's Board of Directors granted scholarships to talented young athletes and art students. The total scholarship amount was €40,000.

In September, Kesko was included in the Dow Jones Sustainability Indices DJSI World and DJSI Europe for the 11th time. Kesko's total score increased from the previous year and it received the highest score in its sector in the economic dimension.

Kesko was selected for the new UN Global Compact 100 stock index composed of 100 companies selected from among the Global Compact signatories on the basis of a global responsibility evaluation.

The Veturi shopping centre located in Kouvola achieved a BREEAM Very Good Certificate, receiving an especially high score in the energy category of the assessment. Veturi was opened in autumn 2012 and it is one of Kesko's largest shopping centre projects ever.

In October, Kesko scored highest in its sector in CDP's Nordic Climate Disclosure Leadership index rating. Kesko is featured at the top of the index for a third consecutive time and improved its previous score by 10 points (98/100).

Matti Kalervo, Master of Science in Technology, was appointed Vice President responsible for Kesko's responsibility and product safety starting from 1 November 2013.

In November, Kesko's Corporate Responsibility Report 2012 was chosen as Finland's best in the 2013 Sustainability Reporting Award Finland Competition. Kesko's report was also ranked the best by the media and non-governmental organisations.

Kesko and K-stores were the national partner of the Salvation Army's Christmas Kettle collection.

In December, K-stores, the Association for Finnish Work, food manufacturers and the home and speciality goods industry launched a cooperation campaign for Finnish work running throughout 2014.

Information contained in the notes to the financial statements

Information on the Group's personnel is disclosed in note 6.
Information on options, shares under options and voting rights is disclosed in note 30.
Related party transactions are disclosed in note 33.
Kesko Group is not engaged in significant research and development activities.
In April 2014, Kesko will publish a separate Corporate Responsibility Report which analyses the Group's performance in economic, social and environmental responsibility. An assurance statement will be provided by an independent external party.

Risk management

Kesko's risk management is proactive and an integral part of its management and day-to-day activities. The objective of risk management is to ensure the delivery of customer promises, profit performance, dividend payment capacity, shareholder value, the implementation of responsible operating practices and the continuity of operations in Kesko Group.

Risk management in Kesko Group is guided by the risk management policy confirmed by Kesko's Board of Directors. The policy defines the objectives and principles, organisation, responsibilities and practices of risk management in Kesko Group. The management of financial risks is based on the Group's finance policy, which is confirmed by Kesko's Board of Directors. The business division and Group managements are responsible for the execution of risk management.

Kesko Group applies a business-oriented and comprehensive approach to risk assessment and management. This means that key risks are systematically identified, assessed, managed, monitored and reported at the Group, division, company and unit levels in all operating countries.

Kesko has a uniform risk assessment and reporting system. Risk identification is based on business objectives and opportunities and the defined risk appetite. Risks are prioritised on the basis of their significance by assessing the impact and probability of their materialisation and the level of risk management. When assessing the impact of materialisation, the impacts on reputation, people's wellbeing and the environment are considered in addition to financial impacts.

In connection with the strategy process, the divisions assess the risks and opportunities concerning each strategic period. Near-future risks are identified and assessed in accordance with the rolling planning framework. Risk assessment also covers the risks concerning significant projects.

A division's risk assessment, which includes a risk map, risk management responses, responsible persons and schedules, is considered regularly by the division's management board or the division parent company's Board. The Group functions also assess the risks concerning their responsibility areas.

Risks and management responses are reported in accordance with Kesko's reporting responsibilities. The divisions report on risks and changes in risks to the Group's risk management function on a quarterly basis. Risks are discussed by the risk reporting team, which includes representatives of the divisions and the Group functions. On that basis, the Group's risk management function prepares the Group's risk map, which presents the most significant risks and uncertainties and their management.

The Group's risk map is considered by the Kesko Board's Audit Committee in connection with considering the quarterly interim reports and the financial statements. The Chair of the Audit Committee reports on risk management to the Board as part of the Audit Committee's report. The Kesko Board considers Kesko Group's most significant risks and uncertainties and their management responses, and assesses the efficiency and performance of risk management at least once a year. The most significant risks and uncertainties are reported to the market by the Board in the financial statements, and any material changes in them in the interim reports.

The following describes the risks and uncertainties assessed as significant.

Significant risks and uncertainties

Slow economic growth, increases in taxes and public payments resulting from the indebtedness of the public sector, coupled with increasing unemployment, will weaken purchasing power and consumer confidence and may cause a long-term decline in the level of demand. This would negatively impact on the home and speciality goods trade, the building and home improvement trade and the car and machinery trade in particular. In the food trade, price is becoming increasingly important.

E-services and e-commerce are becoming increasingly popular in the retail trade. International e-commerce is increasing consumers' alternatives, while buying and marketing of products and services has become more personalised and increasingly take place online. Buying decisions are often made based on online information. The achievement of business objectives requires an active approach and solid competencies in the development of attractive e-services and retail websites, the utilisation of a multi-channel approach and electronic customer communications to support it. The risk is that the progress of our e-commerce and e-service development projects is outpaced by competitors, or that competing online stores and e-services are more attractive to customers.

Economic development in Russia has slowed. It is essential for the profitability and expansion of operations to succeed in the acquisition and building of well-located store sites, the development of the existing network and store concepts, purchasing and logistics operations, as well as the recruitment of personnel. The country risks in Russia, such as corruption, unpredictability of officials and rapid changes in laws and their application, coupled with unexpected changes in the operating environment can delay expansion and make business operations more difficult.

The implementation of changes in business operations requires efficient management and control systems and information systems to support them. Increasing Kesko Food's market share in Finland, implementing changes in Rautakesko's business operations and expanding in Russia and the integration of K-citymarket home and speciality goods with Anttila, along with related changes in business operations and concepts, for example, are long-term projects. Failures in choosing competitive advantages, in change management, technological choices and in the adoption of new operating models and systems would delay the implementation of changes in business operations.

Kesko's chain operations are, contrary to most competitors, based on a retailer business model to a significant extent. The competitive advantages of the retailer business model include the retailer's knowledge of local customers and the ability to rapidly respond to changes in customer needs or competitive situations. Decision-making concerning the development of the chains' operations and the implementation of changes in business operations can, however, be outpaced by competitors.

Effective from the beginning of 2014, the Finnish competition legislation was amended to the effect that, unlike in the rest of the EU area, the prohibition of abuse of dominant position in the market can be applied to companies whose national market share in the groceries retail markets exceeds 30%. According to the new law, Kesko Food is in a dominant market position. Special obligations have been imposed on companies with dominant market position, which can weaken the trading sector's possibilities to serve customers and operate efficiently. The implications of a dominant market position are partly open to interpretation. An erroneous interpretation may result in monetary penalties, liability for damages and weakened reputation.

The trading sector is characterised by increasingly complicated and long supply chains and a higher dependency on information systems, data communications and external service providers. Failures in information systems and payment transactions or in other parts of the supply chain can cause significant losses in sales and decrease customer satisfaction.

For the purpose of increasing market share, good store sites are a key competitive factor. The acquisition of store sites can be delayed by zoning and permit procedures and the availability and pricing of sites. Considerable amounts of capital or lease liabilities are tied up in store properties for many years. As the share of e-commerce grows or the market situation changes, there is a risk that a store site becomes unprofitable and operations are discontinued while long-term liabilities remain.

A failure in product safety control or in the quality assurance of the supply chain can result in financial losses, the loss of customer confidence or, in the worst case, a health hazard to customers.

The implementation of strategies and achievement of objectives require competent and motivated personnel. There is the risk that the trading sector does not attract the most competent people. A growing need for special competencies increases the dependency on individual expertise and the key person risk.

In divisions strongly dependent on individual principals and suppliers, such as the car and machinery trade, ownership arrangements and changes in a principal's or supplier's strategy concerning product selections, pricing and distribution channel solutions can mean weakened competitiveness, decreased sales, or loss of business.

Crimes are increasingly committed through data networks and crime is becoming more international and professional. A failure especially in the protection of payment transactions and personal information can cause losses, claims for damages and harm to reputation. There is a risk that controls against such crime are not sufficient.

Different aspects of responsibility, such as the ethicality of the production and supply chains, fair and equal treatment of employees and environmental protection are increasingly important for customers. Possible failures of responsibility would result in negative publicity for Kesko. Kesko's challenges in responsibility work include communicating its responsibility policies to customers, suppliers and retailers, and ensuring responsibility in the supply chain.

Compliance with laws and agreements is an important part of Kesko's responsibility. Non-compliance can result in fines, compensations for damages and other financial losses, and a loss of confidence and reputation.

Kesko's objective is to produce and publish reliable and timely information. If some information published by Kesko proved to be incorrect, or communications failed to meet regulations in other respects, it could result in loss of investor and other stakeholder confidence and in possible sanctions.

Accidents, natural phenomena and epidemics can cause damages or business interruptions which cannot be prevented. There is also the risk that insurances do not cover all unexpected accidents and damages.

Other risks and uncertainties related to profit performance are described in the Group's future outlook.

Future outlook

Estimates of the future outlook for Kesko Group's net sales and operating profit excluding non-recurring items are given for the 12 months following the reporting period (1/2014-12/2014) in comparison with the 12 months preceding the reporting period (1/2013-12/2013).

Future prospects for the general economic situation and consumer demand continue to be characterised by significant uncertainty. In consequence of weakened employment and consumers' purchasing power, the growth prospects for the trading sector still remain weak.

In the Finnish grocery trade, the market is expected to remain stable. As a result of the weakened economic situation, the demand in the home and speciality goods trade, the building and home improvement trade and the car and machinery trade is expected to remain weak.

Kesko Group's net sales and the operating profit excluding non-recurring items for the next 12 months are expected to remain at the level of the preceding 12 months, unless the overall consumer demand weakens significantly.

Proposal for profit distribution

The parent's distributable profits are €1,218,801,719.88, of which the profit for the financial year is €174,655,403.71.

The Board of Directors proposes to the Annual General Meeting to be held on 7 April 2014 that a dividend of €1.40 per share be paid on shares held outside the company at the date of dividend distribution. No dividend is paid on own shares held by the company as treasury shares at the record date of dividend distribution.

At the date of the proposal for distributions of profits, 3 February 2014, a total of 99,283,709 shares were held outside the Company, amounting to a total dividend of €138,997,192.60.

Annual General Meeting

The Board of Directors decided to convene the Annual General Meeting at Messukeskus Helsinki on 7 April 2014 at 13.00. Kesko Corporation will publish a notice of the General Meeting at a later date.

Corporate Governance Statement

Kesko will publish a separate Corporate Governance Statement on its website at www.kesko.fi.

Group's key performance indicators

		2009	2010	2011	2012	2013
Income statement						
Net sales	€ million	8,447	8,777	9,460	9,686	9,315
Change in net sales	%	-11.9	3.9	7.8	2.4	-3.8
Operating profit excl. non-recurring items	€ million	155	268	279	230	239
Operating profit excl. non-recurring items as percentage of net sales	%	1.8	3.1	2.9	2.4	2.6
Profit for the year (incl. non-controlling interests)	€ million	134	216	197	136	185
Profit for the year as percentage of net sales	%	1.6	2.5	2.1	1.4	2.0
Profitability						
Return on equity	%	6.6	10.1	8.8	6.0	8.0
Return on equity excl. non-recurring items	%	3.8	8.7	8.8	6.9	7.7
Return on capital employed	%	11.0	16.0	13.2	8.3	10.2
Return on capital employed excl. non-recurring items	%	7.4	14.0	13.1	9.0	9.8
Funding and financial position						
Interest-bearing net debt	€ million	-258.5	-370.5	32.8	135.3	-126.4
Gearing	%	-12.5	-16.8	1.5	6.0	-5.4
Equity ratio	%	54.2	53.5	53.9	52.5	54.5
Interest-bearing net debt/EBITDA		-0.7	-0.9	0.1	0.4	-0.3
Other performance indicators						
Capital expenditure	€ million	198	325	425	378	171
Capital expenditure as percentage of net sales	%	2.3	3.7	4.5	3.9	1.8
Cash flow from operating activities	€ million	379	438	216	382	414
Cash flow from investing activities	€ million	31	-240	-441	-391	-152
Personnel, average for the period		19,200	18,215	18,960	19,747	19,489
Personnel, as at 31 Dec.		22,207	22,124	23,375	24,080	23,863

Share performance indicators						
Earnings/share, diluted	€	1.27	2.06	1.84	1.26	1.75
Earnings/share, basic	€	1.28	2.08	1.85	1.27	1.75
Earnings/share excl. non-recurring items, basic	€	0.71	1.78	1.84	1.47	1.68
Equity/share	€	20.39	21.81	22.29	22.48	22.96
Dividend/share	€	0.90	1.30	1.20	1.20	1.40*
Payout ratio	%	70.5	62.6	64.9	94.5	79.9*
Payout ratio excl. non-recurring items	%	126.9	72.9	65.3	81.8	83.3*
Cash flow from operating activities/share, adjusted	€	3.86	4.45	2.20	3.88	4.17
Price/earnings ratio (P/E), A share, adjusted		18.55	16.82	13.55	19.30	15.35
Price/earnings ratio (P/E), B share, adjusted		18.14	16.93	14.14	19.60	15.35
Effective dividend yield, A share	%	3.8	3.7	4.8	4.9	5.2*
Effective dividend yield, B share	%	3.9	3.7	4.6	4.8	5.2*
Share price as at 31 Dec.						
A share	€	23.60	34.70	24.82	24.39	26.80
B share	€	23.08	34.93	25.96	24.77	26.80
Average share price						
A share	€	21.92	30.42	29.20	23.71	24.85
B share	€	19.18	29.83	29.36	22.75	24.11
Market capitalisation as at 31 Dec., A share	€ million	749	1,101	788	774	851
Market capitalisation as at 31 Dec., B share	€ million	1,537	2,337	1,719	1,644	1,810
Turnover						
A share	Million pcs	1	4	2	2	1
B share	Million pcs	78	53	63	68	51
Relative turnover rate						
A share	%	3.1	13.8	6.6	7.6	3.6
B share	%	117.4	78.8	94.6	102.0	77.0
Diluted number of shares as at 31 Dec.	Thousand pcs	98,382	99,121	98,919	98,472	99,136
Yield of A share for the last five periods	%	10.0	11.6	-5.0	-4.4	8.3
Yield of B share						
For the last five periods	%	12.4	12.0	-4.9	-3.8	13.3
For the last ten periods	%	13.3	17.1	13.5	12.4	11.9

* Proposal to the General Meeting

Net sales by segment

€ million	1–12/2013	1–12/2012	Change, %
Food trade	4,316	4,308	0.2
Food trade, other countries*	71	3	(..)
Food trade total	**4,387**	**4,311**	**1.8**
- of which inter-segment sales	172	172	-0.2
Home and speciality goods trade, Finland	1,424	1,557	-8.6
Home and speciality goods trade, other countries*	33	45	-27.6
Home and speciality goods trade total	**1,457**	**1,603**	**-9.1**
- of which inter-segment sales	17	18	-5.5
Building and home improvement trade, Finland	1,173	1,229	-4.6
Building and home improvement trade, other countries*	1,435	1,598	-10.2
Building and home improvement trade total	**2,607**	**2,827**	**-7.8**
- of which inter-segment sales	-1	0	(..)
Car and machinery trade, Finland	921	998	-7.7
Car and machinery trade, other countries*	116	116	0.3
Car and machinery trade total	**1,037**	**1,114**	**-6.9**
- of which inter-segment sales	1	1	0.9
Common operations and eliminations	-173	-169	2.4
Finland total	**7,661**	**7,924**	**-3.3**
Other countries total*	**1,654**	**1,762**	**-6.1**
Group total	**9,315**	**9,686**	**-3.8**

* Net sales in countries other than Finland

Operating profit by segment

€ million	1–12/2013	1–12/2012	Change
Food trade	208.0	170.2	37.8
Home and speciality goods trade	-2.1	0.0	-2.1
Building and home improvement trade	24.8	11.6	13.3
Car and machinery trade	33.9	41.9	-8.0
Common operations and eliminations	-16.3	-11.8	-4.5
Group total	**248.4**	**212.0**	**36.4**

Operating profit excl. non-recurring items by segment

€ million	1–12/2013	1–12/2012	Change
Food trade	203.3	167.5	35.8
Home and speciality goods trade	-8.3	19.6	-27.9
Building and home improvement trade	25.7	13.3	12.4
Car and machinery trade	33.9	41.9	-8.0
Common operations and eliminations	-15.8	-12.2	-3.5
Group total	**238.8**	**230.0**	**8.8**

Group's performance indicators by quarter

	1–3/ 2012	4–6/ 2012	7–9/ 2012	10–12/ 2012	1–3/ 2013	4–6/ 2013	7–9/ 2013	10–12/ 2013
Net sales, € million	2,318	2,460	2,449	2,459	2,159	2,420	2,374	2,362
Change in net sales, %	10.2	-0.5	1.9	-0.9	-6.9	-1.6	-3.1	-3.9
Operating profit, € million	25.1	57.7	77.4	51.8	19.2	77.0	84.1	68.0
Operating margin, %	1.1	2.3	3.2	2.1	0.9	3.2	3.5	2.9
Operating profit excl. non-recurring items, € million	22.3	59.4	77.4	70.9	18.6	69.8	83.6	66.8
Operating margin excl. non-recurring items, %	1.0	2.4	3.2	2.9	0.9	2.9	3.5	2.8
Finance income/costs, € million	-0.1	-0.3	-1.3	1.1	-3.3	0.4	-2.6	-0.4
Profit before tax, € million	25.0	57.3	76.1	52.1	15.8	77.2	81.5	67.9
Profit before tax, %	1.1	2.3	3.1	2.1	0.7	3.2	3.4	2.9
Return on capital employed, %	4.1	8.9	11.9	8.0	3.1	12.3	14.2	11.5
Return on capital employed excl. non-recurring items, %	3.6	9.2	11.9	10.9	3.0	11.1	14.1	11.3

Return on equity, %	3.1	7.1	9.6	4.4	1.9	9.5	10.2	10.8
Return on equity excl. non-recurring items, %	2.8	7.3	9.6	8.0	1.8	8.6	10.1	10.6
Equity ratio, %	52.8	51.2	51.3	52.5	51.7	50.5	52.9	54.5
Capital expenditure, € million	104.1	67.8	102.6	103.8	41.5	48.1	35.4	46.6
Earnings/share, diluted, €	0.16	0.37	0.50	0.23	0.11	0.50	0.53	0.60
Equity/share, €	22.56	21.72	22.33	22.48	22.62	21.79	22.39	22.96

Net sales by segment

€ million	1–3/ 2012	4–6/ 2012	7–9/ 2012	10–12/ 2012	1–3/ 2013	4–6/ 2013	7–9/ 2013	10–12/ 2013
Food trade	1,010	1,091	1,078	1,132	1,045	1,099	1,095	1,148
Home and speciality goods trade	369	352	395	487	345	322	351	439
Building and home improvement trade	629	782	759	657	562	740	710	596
Car and machinery trade	353	274	259	227	249	301	260	226
Common operations and eliminations	-42	-41	-41	-45	-42	-41	-43	-46
Group total	**2,318**	**2,460**	**2,449**	**2,459**	**2,159**	**2,420**	**2,374**	**2,362**

Operating profit by segment

€ million	1–3/ 2012	4–6/ 2012	7–9/ 2012	10–12/ 2012	1–3/ 2013	4–6/ 2013	7–9/ 2013	10–12/ 2013
Food trade	37.4	38.6	49.4	44.8	48.2	55.1	56.5	48.3
Home and speciality goods trade	-12.9	-0.7	0.9	12.8	-17.7	-5.6	-2.1	23.3
Building and home improvement trade	-9.0	13.5	17.9	-10.8	-16.1	18.0	23.9	-1.0
Car and machinery trade	15.5	10.3	11.4	4.7	7.8	13.0	9.8	3.3
Common operations and eliminations	-5.9	-4.0	-2.2	0.3	-3.0	-3.4	-4.0	-5.9
Group total	**25.1**	**57.7**	**77.4**	**51.8**	**19.2**	**77.0**	**84.1**	**68.0**

Operating profit excl. non-recurring items by segment

€ million	1–3/ 2012	4–6/ 2012	7–9/ 2012	10–12/ 2012	1–3/ 2013	4–6/ 2013	7–9/ 2013	10–12/ 2013
Food trade	34.7	38.6	49.4	44.8	48.2	50.8	56.0	48.3
Home and speciality goods trade	-12.9	-0.7	0.9	32.3	-17.8	-10.0	-2.2	21.6
Building and home improvement trade	-9.0	15.2	17.9	-10.8	-16.6	19.5	23.9	-1.1
Car and machinery trade	15.5	10.3	11.4	4.7	7.8	13.0	9.8	3.3
Common operations and eliminations	-5.9	-4.0	-2.2	-0.1	-3.0	-3.4	-4.0	-5.4
Group total	**22.3**	**59.4**	**77.4**	**70.9**	**18.6**	**69.8**	**83.6**	**66.8**

Calculation of performance indicators

Profitability

Return on equity, %	(Profit/loss before tax − income tax) x 100 / Shareholders' equity
Return on equity excl. non-recurring items, %	(Profit/loss adjusted for non-recurring items before tax − income tax adjusted for the tax effect of non-recurring items) x 100 / Shareholders' equity
Return on capital employed, %	Operating profit x 100 / (Non-current assets + inventories + receivables + other current assets − non-interest-bearing liabilities) for a 12 month average
Return on capital employed excl. non-recurring items, %	Operating profit excluding non-recurring items x 100 / (Non-current assets + inventories + receivables + other current assets − non-interest-bearing liabilities) for a 12 month average
EBITDA	Operating profit + depreciation and amortisation + impairments

Funding and financial position

Equity ratio, %	Shareholders' equity × 100 / (Balance sheet total − prepayments received)
Gearing, %	Interest-bearing net debt × 100 / Shareholders' equity
Interest-bearing net debt	Interest-bearing liabilities − money market investments − financial assets
Interest-bearing net debt/EBITDA	Interest-bearing net debt / EBITDA

Share performance indicators

Earnings/share, diluted	Profit/loss − non-controlling interests / Average number of shares adjusted for the dilutive effect of options
Earnings/share, basic	Profit/loss − non-controlling interests / Average number of shares
Earnings/share excl. non-recurring items, basic	Profit/loss adjusted for non-recurring items − non-controlling interests / Average number of shares
Equity/share	Equity attributable to equity holders of the parent / Basic number of shares at balance sheet date
Payout ratio, %	(Dividend/share) × 100 / (Earnings/share)
Price/earnings ratio, (P/E)	Share price at balance sheet date / (Earnings/share)
Effective dividend yield, %	(Dividend/share) × 100 / Share price at balance sheet date
Market capitalisation	Share price at balance sheet date × number of shares
Cash flow from operating activities/ share	Cash flow from operating activities / Average number of shares
Yields of A share and B share	Change in share price + annual dividend yield

Analysis of shareholding

Analysis of shareholding by shareholder type as at 31 Dec. 2013

All shares	Number of shares, pcs	Percentage of all shares, %
Non-financial corporations and housing corporations	30,140,191	30.19
Financial and insurance corporations	4,285,780	4.29
General government*	5,900,063	5.91
Households	28,696,254	28.74
Non-profit institutions**	6,220,119	6.23
Rest of the world	411,962	0.41
Nominee registered	24,178,324	24.22
Total	**99,832,693**	**100.00**

A shares	Number of shares, pcs	Percentage of A shares, %	Percentage of all shares, %
Non-financial corporations and housing corporations	21,489,460	67.71	21.53
Financial and insurance corporations	1,456,292	4.59	1.46
General government*	291,122	0.92	0.29
Households	6,486,430	20.44	6.50
Non-profit institutions**	1,600,372	5.04	1.60
Rest of the world	6,521	0.02	0.01
Nominee registered	406,810	1.28	0.41
Total	**31,737,007**	**100.00**	**31.79**

B shares	Number of shares, pcs	Percentage of B shares, %	Percentage of all shares, %
Non-financial corporations and housing corporations	8,650,731	12.70	8.67
Financial and insurance corporations	2,829,488	4.16	2.83
General government*	5,608,941	8.24	5.62
Households	22,209,824	32.62	22.25
Non-profit institutions**	4,619,747	6.78	4.63
Rest of the world	405,441	0.60	0.41
Nominee registered	23,771,514	34.91	23.81
Total	**68,095,686**	**100.00**	**68.21**

* General government, for example, municipalities, the provincial administration of Åland, authorised pension provider and social security funds
** Non-profit institutions, for example, foundations awarding scholarships, organisations safeguarding certain interests and various charitable associations

Analysis of shareholding by number of shares held as at 31 Dec. 2013

All shares Number of shares	Number of share-holders, pcs	Percentage of share-holders, %	Share total, pcs	Percentage of shares, %
1–100	13,715	32.04	780,839	0.78
101–500	15,960	37.28	4,336,103	4.34
501–1,000	5,639	13.17	4,438,854	4.45
1,001–5,000	5,783	13.51	12,760,982	12.78
5,001–10,000	921	2.15	6,570,692	6.58
10,001–50,000	644	1.50	13,178,287	13.20
50,001–100,000	84	0.20	5,957,643	5.97
100,001–500,000	46	0.11	9,510,318	9.53
500,001–999,999,999,999	17	0.04	42,298,975	42.37
Total	**42,809**	**100.00**	**99,832,693**	**100.00**

A shares Number of shares	Number of share-holders, pcs	Percentage of holders of A shares, %	A share total, pcs	Percentage of A shares, %
1–100	2,311	31.26	111,015	0.35
101–500	1,763	23.85	457,068	1.44
501–1,000	1,026	13.88	878,504	2.77
1,001–5,000	1,549	20.95	3,787,375	11.93
5,001–10,000	389	5.26	2,737,107	8.62
10,001–50,000	304	4.11	6,564,045	20.68
50,001–100,000	34	0.46	2,395,446	7.55
100,001–500,000	12	0.16	2,894,270	9.12
500,001–999,999,999,999	5	0.07	11,912,177	37.53
Total	**7,393**	**100.00**	**31,737,007**	**100.00**

B shares Number of shares	Number of share-holders, pcs	Percentage of holders of B shares, %	B share total, pcs	Percentage of B shares, %
1–100	12,367	32.63	720,484	1.06
101–500	15,064	39.74	4,100,398	6.02
501–1,000	4,901	12.93	3,799,253	5.58
1,001–5,000	4,589	12.11	9,754,809	14.33
5,001–10,000	541	1.43	3,875,931	5.69
10,001–50,000	356	0.94	7,084,038	10.40
50,001–100,000	44	0.12	3,209,592	4.71
100,001–500,000	27	0.07	6,012,899	8.83
500,001–999,999,999,999	13	0.03	29,538,282	43.38
Total	**37,902**	**100.00**	**68,095,686**	**100.00**

10 largest shareholders by number of shares held as at 31 Dec. 2013

	Number of shares, pcs	Percentage of shares, %	Number of votes	Percentage of votes, %
1. K-Retailers' Association	3,627,904	3.63	36,279,040	9.41
2. Vähittäiskaupan Takaus Oy	3,491,771	3.50	27,148,568	7.04
3. Kruunuvuoren Satama Oy	3,438,885	3.44	34,388,850	8.92
4. Valluga-sijoitus Oy	1,340,439	1.34	13,404,390	3.48
5. Elo Mutual Pension Insurance Company	1,150,000	1.15	1,150,000	0.30
6. Varma Mutual Pension Insurance Company	1,130,986	1.13	1,130,986	0.29
7. Foundation for Vocational Training in the Retail Trade	1,028,744	1.03	8,916,488	2.31
8. Ilmarinen Mutual Pension Insurance Company	1,001,587	1.00	3,611,245	0.94
9. Oy The English Tearoom Ab	1,000,000	1.00	1,000,000	0.26
10. The State Pension Fund	608,000	0.61	608,000	0.16

10 largest shareholders by number of votes as at 31 Dec. 2013

	Number of shares, pcs	Percentage of shares, %	Number of votes	Percentage of votes, %
1. K-Retailers' Association	3,627,904	3.63	36,279,040	9.41
2. Kruunuvuoren Satama Oy	3,438,885	3.44	34,388,850	8.92
3. Vähittäiskaupan Takaus Oy	3,491,771	3.50	27,148,568	7.04
4. Valluga-sijoitus Oy	1,340,439	1.34	13,404,390	3.48
5. Foundation for Vocational Training in the Retail Trade	1,028,744	1.03	8,916,488	2.31
6. Heimo Välinen Oy	430,000	0.43	4,300,000	1.12
7. K-Food Retailers' Club	420,473	0.42	4,204,730	1.09
8. Food Paradise Oy	389,541	0.39	3,895,410	1.01
9. Ilmarinen Mutual Pension Insurance Company	1,001,587	1.00	3,611,245	0.94
10. A. Toivakka Oy	211,450	0.21	1,934,500	0.50

Management's shareholdings

At the end of December 2013, Kesko Corporation's Board members, the President and CEO and the corporations controlled by them held 375,961 Kesko Corporation A shares and 50,501 Kesko Corporation B shares, i.e. a total of 426,462 shares, which represents 0.43% of the company's total share capital and 0.11% of voting rights.

At 31 December 2013, the President and CEO held 2,000 Kesko Corporation A shares and 31,401 Kesko Corporation B shares, which represented 0.03% of the company's total share capital and 0.01% of votes. At 31 December 2013, the Group Management Board including the President and CEO held 2,000 Kesko Corporation A shares and 84,981 Kesko Corporation B shares, which represented 0.09% of the company's total share capital and 0.02% of votes. At 31 December 2013, the Group Management Board held no share options.

Consolidated financial statements (IFRS)

Consolidated income statement

€ million	Note	1 Jan.–31 Dec. 2013	%	1 Jan.–31 Dec. 2012	%
Net sales	2	**9,315.2**	100.0	**9,685.9**	100.0
Cost of sales		-8,033.8	-86.2	-8,366.9	-86.4
Gross profit		**1,281.4**	13.8	**1,319.0**	13.6
Other operating income	4 5	734.3	7.9	747.2	7.7
Staff costs	6 30	-611.1	-6.6	-607.6	-6.3
Lease expenditure		-421.7	-4.5	-433.6	-4.5
Marketing costs		-240.7	-2.6	-276.2	-2.9
Property and store site maintenance costs		-128.4	-1.4	-133.5	-1.4
Information system expenses		-81.0	-0.9	-97.9	-1.0
Other operating expenses	4	-131.4	-1.4	-147.0	-1.5
Depreciation, amortisation and impairment	11 12	-153.0	-1.6	-158.5	-1.6
Operating profit		**248.4**	2.7	**212.0**	2.2
Interest income and other finance income	7	19.8	0.2	21.1	0.2
Interest expense and other finance costs	7	-20.0	-0.2	-17.8	-0.2
Foreign exchange differences	7	-5.7	-0.1	-4.0	0.0
Total finance income and costs	7	-5.8	-0.1	-0.6	0.0
Share of profit from associates		-0.3	0.0	-0.9	0.0
Profit before tax		**242.3**	2.6	**210.5**	2.2
Income tax	8	-57.7	-0.6	-74.6	-0.8
Profit for the year		**184.6**	2.0	**135.8**	1.4
Profit for the year attributable to					
Owners of the parent		173.1		124.4	
Non-controlling interests		11.5		11.4	
Earnings per share for profit attributable to owners of the parent					
Basic, €	10	1.75		1.27	
Diluted, €	10	1.75		1.26	

Consolidated statement of comprehensive income

Profit for the year		**184.6**	**135.8**
Items that will not be reclassified subsequently to profit and loss			
Actuarial gains and losses	9 17	12.2	0.8
Items that may be reclassified subsequently to profit or loss			
Currency translation differences related to a foreign operation	9	-13.9	-0.5
Adjustment for hyperinflation	9	2.8	3.8
Cash flow hedge revaluation	9	-3.8	-1.9
Revaluation of available-for-sale financial assets	9	-4.9	9.2
Others	9	-0.2	-0.2
Total comprehensive income for the year, net of tax		**-7.7**	**11.3**
Total comprehensive income for the year		**176.9**	**147.1**
Comprehensive income for the year attributable to			
Owners of the parent		165.9	133.3
Non-controlling interests		11.0	13.9

Consolidated statement of financial position

€ million	Note	31 Dec. 2013	%	31 Dec. 2012*	%
ASSETS					
Non-current assets					
Property, plant and equipment	11	1,651.4		1,677.8	
Intangible assets	12	189.1		192.1	
Investments in associates	13 35	87.5		83.0	
Available-for-sale financial assets	23 32	16.9		22.3	
Non-current receivables	14 15 23	12.5		88.6	
Deferred tax assets	16	3.0		2.4	
Pension assets	17	170.2		153.8	
Total non-current assets		**2,130.5**	48.8	**2,220.0**	50.7
Current assets					
Inventories	18	797.5		814.2	
Interest-bearing receivables	19 23	11.8		25.0	
Trade receivables	19 23 32	616.7		703.0	
Current tax assets	19 23	2.2		2.4	
Other non-interest-bearing receivables	19 23	121.6		126.0	
Financial assets at fair value through profit or loss	32	170.7		137.2	
Available-for-sale financial assets	20 32	398.4		249.0	
Cash and cash equivalents		111.8		102.9	
Total current assets		2,230.6	51.1	2,159.7	49.3
Non-current assets held for sale	21	0.5	0.0	2.3	0.0
Total assets		**4,361.7**	100.0	**4,382.0**	100.0

* Comparatives for 2012 have been restated in accordance with the revised IAS 19, Employee benefits standard.

EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	22	197.3		197.3	
Share premium	22	197.8		197.8	
Other reserves	22	263.4		243.8	
Currency translation differences	22	-13.3		-2.1	
Revaluation reserve	22	1.2		9.9	
Retained earnings		1,632.9		1,558.9	
		2,279.4	52.3	**2,205.5**	50.3
Non-controlling interests		**73.1**	1.7	**66.6**	1.5
Total equity		**2,352.5**	53.9	**2,272.1**	51.8
Non-current liabilities					
Interest-bearing non-current liabilities	23 24 32	355.1		450.3	
Non-interest-bearing non-current liabilities	23 32	9.9		10.3	
Deferred tax liabilities	16	68.1		80.7	
Pension obligations	17	1.8		1.6	
Provisions	25	17.4		20.5	
Total non-current liabilities		**452.3**	10.4	**563.5**	12.9
Current liabilities					
Current interest-bearing liabilities	23	199.3		174.1	
Trade payables	23 26	825.4		803.6	
Other non-interest-bearing liabilities	23 26	235.2		241.9	
Current tax liabilities	23 26	10.7		16.2	
Accrued liabilities	23 26	248.6		271.0	
Provisions	25	37.7		39.5	
Total current liabilities		**1,556.9**	35.7	**1,546.3**	35.3
Total liabilities		**2,009.2**	46.1	**2,109.9**	48.2
Total equity and liabilities		**4,361.7**	100.0	**4,382.0**	100.0

* Comparatives for 2012 have been restated in accordance with the revised IAS 19, Employee benefits standard.

Consolidated statement of cash flows

€ million	Note	1 Jan.–31 Dec. 2013	1 Jan.–31 Dec. 2012
Cash flows from operating activities			
Profit before tax		242.3	210.5
Adjustments			
Depreciation according to plan		151.6	154.7
Finance income and costs		5.8	0.6
Other adjustments	31	8.2	103.1
		165.6	258.4
Change in working capital			
Current non-interest-bearing receivables, increase (-)/decrease (+)		89.1	4.9
Inventories increase (-)/decrease (+)		2.9	56.9
Current non-interest-bearing liabilities, increase (+)/decrease (-)		-1.3	-70.2
		90.7	-8.4
Interest paid and other finance costs		-21.8	-18.9
Interest received		14.5	18.2
Dividends received		0.1	0.1
Income tax paid		-77.5	-78.2
Net cash generated from operating activities		**413.8**	**381.7**
Cash flows from investing activities			
Acquisition of associate		-0.1	-22.5
Purchases of tangible and intangible assets		-173.2	-387.4
Purchases of available-for-sale financial assets		-0.7	-1.2
Proceeds from disposal of tangible and intangible assets		21.8	24.4
Increase (-)/decrease (+) in non-current loan and receivables		0.2	-4.0
Net cash used in investing activities		**-152.0**	**-390.7**

Cash flows from financing activities			
Increase (+)/decrease (-) in interest-bearing liabilities		-46.8	232.1
Repayments of finance lease obligations		-0.5	-2.0
Increase (-)/decrease (+) interest-bearing receivables		77.6	37.3
Dividends paid		-122.4	-123.0
Proceeds from issuance of shares		19.6	1.0
Increase (-)/decrease (+) in short-term money market investments		-90.6	-1.5
Other items		4.6	-13.6
Net cash used in financing activities		**-158.6**	**130.3**
Change in cash and cash equivalents and current available-for-sale financial assets		**103.2**	**121.3**
Cash and cash equivalents and current available-for-sale financial assets as at 1 Jan.	31	351.9	230.8
Currency translation difference adjustment and change in value		-2.1	-0.1
Cash and cash equivalents and current available-for-sale financial assets as at 31 Dec.	31	**453.0**	**351.9**

Consolidated statement of changes in equity

€ million	Share capital	Reserves	Currency translation differences	Revaluation reserve	Treasury shares	Retained earnings	Total	Non-controlling interest	Total equity
	Attributable to owners of the parent								
Balance as at 1 January 2013	**197.3**	**441.6**	**-2.1**	**9.9**	**-19.4**	**1,578.3**	**2,205.5**	**66.6**	**2,272.1**
Shares subscribed for with options		19.6					19.6		**19.6**
Share-based payment					1.6		1.6	0.0	**1.6**
Dividends						-117.9	-117.9	-4.5	**-122.4**
Other changes		0.0	-0.3			5.0	4.7	0.0	**4.7**
Profit for the year						173.1	173.1	11.5	**184.6**
Other comprehensive income									
Actuarial gains/losses						14.6	14.6		**14.6**
Currency translation differences related to a foreign operation		0.0	-10.8				-10.8	-3.1	**-13.9**
Adjustments for hyperinflation						0.3	0.3	2.6	**2.8**
Cash flow hedge revaluation				-4.7			-4.7		**-4.7**
Revaluation of available-for-sale financial assets				-4.7			-4.7		**-4.7**
Others						-0.2	-0.2		**-0.2**
Tax related to other comprehensive income				0.8		-2.4	-1.6		**-1.6**
Total other comprehensive income		0.0	-10.8	-8.7		12.3	-7.2	-0.5	**-7.7**
Total comprehensive income for the period		0.0	-10.8	-8.7		185.4	165.9	11.0	**176.9**
Balance as at 31 December 2013	**197.3**	**461.2**	**-13.3**	**1.2**	**-17.8**	**1,650.7**	**2,279.4**	**73.1**	**2,352.5**

Balance as at 31 December 2011	**197.3**	**440.7**	**-3.4**	**2.6**	**-22.0**	**1,559.4**	**2,174.7**	**58.3**	**2,233.0**
Restated in accordance with the revised IAS 19, Employee benefits standard						8.0	8.0	-0.2	7.8
Balance as at 1 January 2012	**197.3**	**440.7**	**-3.4**	**2.6**	**-22.0**	**1,567.4**	**2,182.7**	**58.2**	**2,240.9**
Shares subscribed for with options		1.0					1.0		**1.0**
Share-based payment					2.5	0.5	3.0	0.0	**3.0**
Dividends						-117.6	-117.6	-5.3	**-123.0**
Other changes			0.7		0.0	2.6	3.3	-0.1	**3.1**
Profit for the year						124.4	124.4	11.4	**135.8**
Other comprehensive income									
Actuarial gains/losses						1.1	1.1		**1.1**
Currency translation differences related to a foreign operation		0.0	0.6				0.6	-1.0	**-0.5**
Adjustments for hyperinflation						0.3	0.3	3.5	**3.8**
Cash flow hedge revaluation				-2.6			-2.6		**-2.6**
Revaluation of available-for-sale financial assets				9.1			9.1		**9.1**
Others						-0.2	-0.2		**-0.2**
Tax related to other comprehensive income				0.7		-0.3	0.4		**0.4**
Total other comprehensive income		0.0	0.6	7.3		1.0	8.8	2.5	**11.3**
Total comprehensive income for the period		0.0	0.6	7.3		125.4	133.3	13.9	**147.1**
Balance as at 31 December 2012	**197.3**	**441.6**	**-2.1**	**9.9**	**-19.4**	**1,578.3**	**2,205.5**	**66.6**	**2,272.1**

Further information on share capital and reserves is presented in note 22, on other comprehensive income in note 9 and on option schemes in note 30.

Notes to the consolidated financial statements

Note 1. Accounting policies for the consolidated financial statements

Basic information about the company

Kesko is a leading provider of trading sector services and a highly valued listed company. Kesko has about 2,000 stores engaged in chain operations in the Nordic and Baltic countries, Russia and Belarus.

Kesko Group's reportable segments consist of its business divisions, namely the food trade, the home and speciality goods trade, the building and home improvement trade, and the car and machinery trade.

The Group's parent company, Kesko Corporation, is a Finnish public limited company constituted in accordance with the laws of Finland. The company's business ID is 0109862-8, it is domiciled in Helsinki, and its registered address is Satamakatu 3, FI-00016 KESKO. Copies of Kesko Corporation's financial statements and the consolidated financial statements are available from Kesko Corporation, Satamakatu 3, Helsinki and from the company's website at www.kesko.fi.

Kesko's Board of Directors has approved these financial statements for disclosure on 3 February 2014.

General information

Kesko's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) approved for adoption by the European Union, and they comply with the IAS and IFRS standards and respective SIC and IFRIC Interpretations effective on 31 December 2013. The International Reporting Standards refer to standards and their interpretations approved for adoption within the EU in accordance with the procedure enacted in EU regulation (EC) 1606/2002, included in the Finnish Accounting Standards and regulations based on them. Accounting standards not yet effective have not been adopted voluntarily for the consolidated financial statements. The notes to the consolidated financial statements also include compliance with Finnish accounting and corporate legislation.

All amounts in the consolidated financial statements are in millions of euros and based on original cost, with the exception of items identified below, which have been measured at fair value in compliance with the standards.

With effect from 1 January 2013, the Group has adopted the following new and revised standards:

IAS 19 Employment benefits (amendment)

The amendment eliminated the use of the so-called corridor approach. The calculation of the expected return on funded defined benefit plan assets changed. Finance costs are calculated on a net funding basis (of obligation and plan assets). In consequence of the adoption of the revised IAS 19 Employee benefits standard, Kesko Group's operating profit, operating profit excluding non-recurring items and the profit for the financial year 2012 are lower, and the pension assets and equity recognised in the balance sheet are higher than the amounts calculated in compliance with the standard valid until 31 December 2012. The Group's operating profit and operating profit excluding non-recurring items for 2012 decreased by €4.7million. The Group's equity in the 2012 opening balance increased by €8 million and in the balance sheet of 31 December 2012 by €5 million due to actuarial gains recognised in equity in the consolidated statement of financial position. In addition, the amendment affected the notes to the financial statements.

IAS 1 Presentation of financial statements (amendment)

The main change is a requirement for entities to group items presented in ‘other comprehensive income’ (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendment does not address which items are presented in OCI. As a result of the amendment, the Group has changed the grouping of other comprehensive income.

IFRS 13 Fair value measurement

The standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The use of fair value accounting is not extended. The amendment has not had a material impact on the consolidated financial statements.

IFRS 7 Financial instruments: Disclosures - Offsetting financial assets and financial liabilities (amendment)

The amendment extends the present disclosure requirements to the effect that entities shall disclose numerical data on financial instruments recognised on a net basis and on financial instruments subject to an enforceable master netting arrangement or similar agreements, irrespective of whether they are recognised as gross amounts. The amendment has not had an impact on the consolidated financial statements.

Critical accounting estimates and assumptions

The preparation of consolidated financial statements in conformity with international accounting standards requires the use of certain estimates and assumptions about the future that affect the reported amounts of assets and liabilities, contingent liabilities, and income and expense. The actual results may differ from these estimates and assumptions. The most significant estimates relate to the following.

The estimates and judgements made are continuously evaluated, and they are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Measurement of assets acquired and liabilities assumed

Assets acquired and liabilities assumed in business combinations are measured at their fair values at the date of acquisition. The fair values on which the allocation of costs and liabilities is based are determined by reference to market values to the extent they are available. If market values are not available, the measurement is based on the estimated earnings-generating capacity of the asset and its future use in Kesko's operating activities. The measurement of intangible assets, in particular, is based on the present values of future cash flows and requires management estimates regarding future cash flows and the use of assets.

Impairment test

The amounts recoverable from cash generating units' operating activities are determined based on value-in-use calculations. In the calculations, forecast cash flows are based on financial plans approved by the management, covering a period of three years. (Note 12)

Employee benefits

The Group operates both defined contribution pension plans and defined benefit pension plans. The calculation of items relating to employee benefits requires the application of judgement to several factors. Pension calculations under defined benefit plans in compliance with IAS 19 include the following factors that rely on management estimates (Note 17):

- discount rate used in calculating pension expenses and obligations and net finance cost for the period
- future salary level trend
- employee service life

Changes in these assumptions can significantly impact the amounts of pension obligation and future pension expenses. In addition, a significant part of the pension plan assets is invested in real estate and shares, whose value adjustments also impact the recognised amount of pension assets.

Measurement of inventories

The Group regularly reviews inventories for obsolescence and turnover, and for below-cost market values, and recognises obsolescence as necessary. Such reviews require assessments of future demand for products. Possible changes in these estimates may cause changes in inventory measurement in future periods.

Trade receivables

The Group companies apply a uniform practice to measuring receivables past due. Possible changes in customers' solvency may cause changes in the measurement of trade receivables in future periods.

Provisions

The existence of criteria for recognising provisions and the amounts of provisions are determined based on estimates of the existence and amount of the obligation. Estimates may differ from the actual future amount of the obligation and with respect to the existence of the obligation.

Critical judgements in applying accounting policies

The Group's management makes judgements concerning the adoption and application of accounting policies to the financial statements. The management has exercised its judgement in the process of applying the Group's accounting policies when, for example, measuring receivables, determining provisions for restructuring and classifying leases.

Consolidation principles

Subsidiaries

The consolidated financial statements combine the financial statements of Kesko Corporation and subsidiaries controlled by the Group. Control exists when the Group has more than 50% of the voting rights of a subsidiary or otherwise exerts control. Control refers to the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. Acquired subsidiaries are consolidated from the date on which the Group gains control until the date on which control ceases. The existence of potential voting rights has been considered when assessing the existence of control in the case that the instruments entitling to potential control are currently exercisable. Subsidiaries are listed in note 35.

Internal shareholdings are eliminated by using the acquisition cost method. The cost of assets acquired is determined on the basis of the fair value of the acquired assets as at the acquisition date, the issued equity instruments and liabilities resulting from or assumed on the date of the exchange transaction. The identifiable assets, liabilities and contingent liabilities acquired are measured at the fair value at the acquisition date, gross of non-controlling interest.

Intragroup transactions, receivables and payables, unrealised gains and internal distributions of profits are eliminated when preparing the consolidated financial statements. Unrealised losses are not eliminated if the loss is due to the impairment of an asset. Non-controlling interest in the profit for the period is disclosed in the income statement and the amount of equity attributable to the non-controlling interests is disclosed separately in equity.

The Group accounts for its real estate company acquisitions as acquisitions of assets.

Associates

Associates are all companies over which the Group has significant influence but not control. In Kesko Group, significant influence accompanies a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost.

The Group’s share of post-acquisition profits or losses is recognised in the income statement. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group’s share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group’s interest in the associates. Unrealised losses are also eliminated, unless the transaction provides evidence of an impairment of the asset transferred. Dividends received from associates are deducted from the Group's result and the cost of the shares. An investment in an associate includes the goodwill generated by the acquisition. Goodwill is not amortised. Associates are listed in note 35.

Mutual real estate companies

Mutual real estate companies are consolidated as assets under joint control on a line-by-line basis in proportion to ownership. The Group's share of mutual real estate companies' loans and reserves is accounted for separately in the consolidation. The jointly controlled mutual real estate companies consolidated on a line-by-line basis are listed in note 35.

Foreign currency items

The consolidated financial statements are presented in euros, which is both the functional currency of the Group’s parent company and the presentation currency. On initial recognition, the amounts with respect to the result and financial position of Group companies located outside the euro zone are recorded in the functional currency of their operating environment. The functional currency of the real estate companies in St. Petersburg and Moscow, Russia has been determined to be the euro, which is why no significant exchange differences are realised from their balance sheets for the Group.

Foreign currency transactions are recorded in euros by applying the exchange rate at the date of the transaction.

Receivables and liabilities denominated in foreign currency are translated into euros using the closing rate. Exchange rate gains and losses on foreign currency transactions and receivables and liabilities denominated in foreign currency are recognised in the income statement, with the exception of those loan exchange rate movements designated as hedges of foreign net investments and regarded as effective.These exchange differences are recognised in equity, in compliance with the rules of hedge accounting, and their changes are presented in other comprehensive income. Foreign exchange gains and losses resulting from operating activities are included in the respective items above operating profit. Foreign exchange gains and losses from forward foreign exchange contracts and options used for hedging financial transactions, and from foreign currency borrowings are included in financial income and costs.

The income statements of Group companies operating outside the euro zone, and which do not have the functional currency of a hyper-inflationary economy, have been translated into euros at the average rate of the reporting period, and the balance sheets at the closing rate. The foreign exchange difference resulting from the use of different rates, and the translation differences arising from the elimination of the acquisition cost of subsidiaries outside the euro zone, and the hedging result of net investments made in them are recognised in equity, and the changes are presented in other comprehensive income. In connection with the disposal of a subsidiary, translation differences are disclosed in the income statement as part of the gains or losses on the disposal.

Goodwill arising on the acquisition of foreign operations and the fair value adjustments of assets and liabilities made upon their acquisition are treated as assets and liabilities of these foreign operations and translated into euros at the closing rate.

Assets and liabilities of operations in countries that have been identified as hyperinflationary economies are restated based on the change in purchasing power prior to foreign currency translation. The income statements and balance sheets of these operations have been translated into euros at the rate of the balance sheet date.

Financial assets

The Group classifies its financial assets into the following categories:

- fair value through profit or loss
- available-for-sale
- loans and receivables

The classification at initial recognition depends on the purpose for which the financial assets were acquired.

Purchases and sales of financial assets are recognised on the trade date. Financial assets are classified as non-current if they have a maturity date greater than 12 months after the balance sheet date. If financial assets are expected to be settled within 12 months, they are classified as current. Financial assets at fair value through profit or loss are classified as current.

Financial assets are derecognised when the rights to receive cash flow from the financial asset have expired or have been transferred from the Group, and when the risks and rewards of ownership have been transferred from the Group.

At each reporting date, the Group assesses whether there is evidence that a financial asset is impaired. If any such indication exists, the recoverable amount of the asset is estimated. The recoverable amount is the fair value based on the market price or the present value of cash flows. The fair value of financial assets is determined on the basis of a maturity-based interest rate quotation. An impairment loss is recognised if the carrying amount of a financial asset exceeds its recoverable amount. The impairment losses are recognised within the financial items of the income statement.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include instruments initially classified as financial assets at fair value through profit or loss (the fair value option). These instruments are managed based on fair value and they include investments in bond funds, as defined by the Group's treasury policy, as well as investments in other interest-bearing instruments with maturities of over three months. The interest income and fair value changes of these financial assets, as well as any commissions returned by funds are presented on a net basis in the interest income of the relevant class in the income statement.

In addition, financial assets at fair value through profit or loss include all derivatives that do not qualify for hedge accounting in compliance with IAS 39. Derivatives are carried at fair value using prices quoted in active markets. The results of derivatives used for hedging purchases and sales are recognised in other operating income or expenses. The result of derivatives used for hedging financial items is recognised in financial items, unless the derivative has been designated as a hedging instrument.

Available-for-sale financial assets
Available-for-sale financial assets are non-derivative assets designated as available for sale at the date of initial recognition. Available-for-sale financial assets are measured at fair value at the balance sheet date and their fair value changes are recognised in equity. The change in fair value is presented in other comprehensive income. The fair value of publicly quoted financial assets is determined based on their market value. Financial assets not quoted publicly are measured at cost if their fair values cannot be measured reliably.

The dividends from equity investments included in available-for-sale financial assets are recognised in financial items in the income statement. The interest income from available-for-sale financial assets is recognised in the financial items of the relevant class. When an available-for-sale financial asset is sold, the accumulated fair value changes recognised in equity are included in the income statement as 'Other financial income/expenses'.

Loans and receivables
Loans and receivables are non-derivative assets with fixed or measurable payments, and they are not quoted in active markets. Loans and receivables also include trade receivables and other receivables. They are recognised at amortised cost using the effective interest rate method.

Cash and cash equivalents
Cash and cash equivalents include cash on hand and deposits with banks. The cash and cash equivalents in the consolidated balance sheet also include amounts relating to the retail operations of division parent companies, used as cash floats in stores, or amounts being transferred to the respective companies.

Financial liabilities
Financial liabilities have initially been recognised at fair value, net of transaction costs. In the financial statements, financial liabilities are measured at amortised cost using the effective interest rate method. Arrangement fees paid on the establishment of loan facilities and financial liabilities are amortised over the period of the facility to which it relates. Financial liabilities having maturities greater than 12 months after the balance sheet date are classified as non-current liabilities. Those maturing within 12 months after the balance sheet date are classified as current liabilities.

Derivative financial instruments and hedge accounting
When derivative contracts are entered into, they are recognised at fair value and subsequently they are re-measured at their fair value. The recognition of changes in the fair value of derivatives depends on whether the derivative instrument qualifies for hedge accounting and, if so, on the hedged item. When entered into, derivative contracts are treated either as fair value hedges of receivables or liabilities, or in the case of interest rate risk and electricity price risk, as cash flow hedges, as hedges of net investments in a foreign entity, or as derivative contracts that do not meet the hedge accounting criteria. If the hedge accounting criteria are not met, the results of instruments hedging a commercial currency risk are recognised in profit or loss in other operating income or expenses. The portion of derivatives hedging financial transactions to be recognised in the income statement is included in financial items.

When a hedging arrangement is entered into, the relationship between the hedged item and the hedging instrument, as well as the objectives of the Group's risk management are documented. The effectiveness of the hedge relationship is tested regularly and the effective portion is recognised, according to the nature of the hedged item, against the change in the fair value of the hedged item, in translation differences in equity, or in the revaluation surplus. The ineffective portion is recognised, according to its nature, either in financial items or other operating income and expenses. The effective portion of changes in the fair value of instruments used for hedging cash flows, such as long-term credit facilities, is recognised in the revaluation reserve. A change in the fair value of foreign currency derivatives relating to the credit facility is recognised in borrowings, and a change in the fair value of interest rate derivatives in other non-interest-bearing receivables or liabilities.

Hedge accounting is discontinued when the hedging instrument expires or is sold, the contract is terminated or exercised. Any cumulative gain or loss existing in equity at that time remains in equity until the forecast transaction has occurred.

Measurement principles
The fair value of forward rate agreements is determined by reference to the market prices at the balance sheet date. The

fair value of interest rate swaps is calculated on the basis of the present value of future cash flows, using the market prices at the balance sheet date. The fair value of foreign exchange forward contracts is determined by measuring the forward contracts at the forward rate at the balance sheet date. Currency options are measured using the counterparty's price quotation, but the Group also verifies the price by applying the Black−Scholes method. Electricity derivatives are measured at fair value using the market quotations at the balance sheet date.

Hedging a net investment in foreign entities

During the financial year, the Group has not hedged net investments in foreign entities. If a hedge is designated, the Group applies hedge accounting in accordance with IAS 39 to hedge foreign currency net investments in foreign entities. Foreign exchange forward contracts or currency denominated borrowings are used as hedging instruments. Spot price changes in foreign exchange forward contracts are recognised in translation differences under equity, and disclosed in components of other comprehensive income. The interest rate differentials of forward contracts are recognised as income under financial items. The exchange differences of foreign currency borrowings are recognised in translation differences under equity. When a foreign entity is partially or wholly disposed of or wound up, cumulative gains or losses from hedging instruments are recognised in profit or loss.

Embedded derivatives

The Group has prepared method descriptions for identifying embedded derivatives and applies fair value measurement to them. In Kesko Group, embedded derivatives are included in binding commercial contracts denominated in a currency which is not the functional currency of either party and not commonly used in the economic environment in which the transaction takes place. The fair value of embedded derivatives is determined using the market prices at the measurement date and the change in fair value is recognised in the income statement.

Property, plant and equipment

Property, plant and equipment mainly comprise land, buildings, machinery and equipment. Property, plant and equipment are carried at historic cost net of planned depreciation and possible impairment. The property, plant and equipment of acquired subsidiaries are measured at fair value at the date of acquisition.

Subsequent costs relating to items of property, plant and equipment are included in the asset's carrying amount or recognised as a separate asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced asset is derecognised. The machinery and equipment of buildings are treated as separate assets and any significant expenditure related to their replacement is capitalised. All other repair, service and maintenance expenditures of items of property, plant and equipment are charged to the income statement during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method over their estimated useful lives. Land is not depreciated.

The most common estimated useful lives are:

Buildings	10−33 years
Components of buildings	8−10 years
Machinery and equipment	3−8 years
Cars and transport equipment	5 years

The residual values and useful lives of property, plant and equipment are reviewed at least at the end of each accounting period. If the estimates of useful life and the expected pattern of economic benefits are different from previous estimates, the change in the estimate is accounted for.

Depreciation of property, plant and equipment ceases when an item is classified as a non-current asset held for sale.

Gains and losses on disposals of property, plant and equipment are recognised in the income statement and stated as other operating income and expenses.

Intangible assets

Goodwill and trademarks

Goodwill is not amortised but is instead tested annually for impairment and whenever there is an indication of impairment. For testing purposes, goodwill is allocated to the cash generating units. Goodwill is measured at initial cost and those acquired prior to 1 January 2004 at deemed cost net of impairment. Any negative goodwill is immediately recognised as income. For goodwill, a recognised impairment loss is not reversed.

Intangible assets with indefinite useful lives are not amortised. They are tested for impairment annually and whenever there is an indication of impairment. These intangible assets include trademarks capitalised upon acquisition, recorded at their fair values at the acquisition date.

Other intangible assets

The cost of intangible assets with definite useful lives are recorded in the balance sheet and recognised as expenses during their useful lives. Such intangible assets include software licences, customer relationships and licences to which acquisition cost has been allocated upon acquisition, and leasehold interests that are amortised during their probable lease terms.

The estimated useful lives are:

IT software and licences	3−5 years
Customer and supplier relationships	10 years
Licences	20 years

Research and development expenses

The costs of research and development activities have been expensed as incurred, because the Group does not have development costs eligible for capitalisation. Development costs previously recognised as an expense are not recognised as an asset in subsequent periods.

IT software

The labour costs of the Group employees working on projects for developing new software and other directly attributable costs are capitalised as part of software cost. On the balance sheet, IT software is included in intangible assets and its costs are amortised over the useful life of the software. Costs associated with maintaining IT software are recognised as an expense as incurred.

Impairment of non-financial assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. If any such indication exists, the recoverable amount of the asset is estimated. The recoverable amount of goodwill and intangible assets with indefinite useful lives is assessed every year whether or not there is an indication of impairment. In addition, an impairment test is performed whenever there is an indication of impairment.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Often, it is not possible to estimate the recoverable amount for an individual asset. Then, as in the case of goodwill, the recoverable amount is determined for the cash generating unit to which the goodwill or asset belongs.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. The impairment loss is recognised in the income statement. An impairment loss recognised for an asset in prior years is reversed if there has been an increase in the recoverable amount after the initial recognition. However, the reversal of an impairment loss of an asset should not exceed the carrying amount of the asset without impairment loss recognition. For goodwill, a recognised impairment loss is not reversed under any circumstances.

Leases

The Group acts as both lessor and lessee of real estate and machines. Leases in which risks and rewards incidental to ownership are not transferred to the lessee are classified as operating leases. Lease payments related to them are recognised in the income statement on a straight-line basis over the lease term.

Leases that substantially transfer all risks and rewards incidental to ownership to the Group are classified as finance leases. An asset leased under a finance lease is recognised in the balance sheet at the lower rate of its fair value at the inception date and the present value of minimum lease payments. The lease obligations of finance leases are recorded in interest-bearing liabilities in the balance sheet. Lease payments are recognized as finance cost and decrease in the liability.Assets acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

Similarly, leases in which assets are leased out by the Group, and substantially all the risks and rewards incidental to ownership are transferred to the lessee, are classified as finance leases. Assets leased under such contracts are recognised as receivables in the balance sheet and stated at present value. The financial income from finance leases is determined so as to achieve a constant periodic rate of return on the remaining net investment for the lease term.

In sale and leaseback transactions, the selling price and the future lease payments are usually interdependent. If a sale and leaseback transaction results in a finance lease, any proceeds exceeding the carrying amount are not immediately recognised as income. Instead the amount is recognised as a liability in the balance sheet and amortised over the period of the lease. If a sale and leaseback transaction results in an operating lease and the transaction is executed at fair value, any profit or loss is recognised immediately.

If the selling price is less than fair value, any profit or loss is recognised immediately unless the loss is compensated by future lease payments at below market price, in which case the loss is deferred and amortised over the period for which the asset is expected to be used. If the selling price exceeds fair value, the excess over fair value is deferred and amortised over the period for which the asset is expected to be used. If fair value at the time of a sale and leaseback transaction is less than the carrying amount of the asset, a loss equal to the amount of the difference between the carrying amount and fair value is recognised immediately.

Inventories

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs to sell. The cost is primarily assigned by using the weighted average cost formula. The cost of certain classifications of inventory is assigned by using the FIFO formula. The cost of an acquired asset comprises all costs of purchase including freight. The cost of self-constructed goods comprises all costs of conversion including direct costs and allocations of variable and fixed production overheads. The cost excludes borrowing costs.

Trade receivables

Trade receivables are recognised initially at the original sales amounts. Impairment is recognised when there is objective evidence of impairment loss. The Group has established a uniform basis for the determination of impairment of trade receivables based on the time receivables have been overdue. In addition, impairment is recognised if there is other evidence of a debtor's insolvency, bankruptcy or liquidation. Impairment is recognised as an expense in ‘other operating expenses’. If an amount previously written off is subsequently settled, it is deducted from other operating expenses.

Non-current assets held for sale and discontinued operations

Non-current assets (or a disposal group) are classified as held for sale if their carrying amount will be recovered principally through the disposal of the assets and the sale is highly probable. If their carrying amount will be recovered principally through their disposal rather than through their continuing use, they are measured at the lower rate of the carrying amount and fair value net of costs to sell.

The comparative information in the income statement is adjusted for operations classified as discontinued during the latest financial period being reported. Consequently, the result of discontinued operations is presented as a separate line item also for the comparatives. In the financial years 2013 and 2012, the Group had no discontinued operations.

Equity

The Group classifies the instruments it has issued either in equity or in financial liabilities based on their nature. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Expenses related to the issuance or acquisition of equity instruments are presented as an allowance for equity. If Kesko Corporation acquires equity instruments of its own, their cost is deducted from equity.

Provisions

A provision is recognised when the Group has a present legal or constructive obligation as the result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and that a reliable estimate can be made of the amount of the obligation. Provision amounts are reviewed on each balance sheet date and adjusted to reflect the current best estimate. Changes in provisions are recorded in the income statement in the same item in which the provision was originally recognised. The most significant part of the Group's provisions relates to warranties given to products sold by the Group, and to onerous leases.

A warranty provision is recognised when a product fulfilling the terms is sold. The provision amount is based on historical experience about the level of warranty expenses. Leases become onerous and a provision is recognised for them, if the leased premises become vacant, or if they are subleased at a rate lower than the original. A provision is recognised for the estimated loss from vacant leased premises over the remaining lease term and for losses from subleased premises.

Employee benefits

Pension plans

The Group operates both defined contribution plans and defined benefit plans. The contributions payable under defined contribution plans are recognised as expenses in the income statement for the period to which the payments relate. In defined contribution plans, the Group does not have a legal or constructive obligation to make additional payments, in case the payment recipient is unable to pay the retirement benefits.

In defined benefit plans, after the Group has paid the amount for the period, an excess or deficit may result. The pension obligation represents the present value of future cash flows from payable benefits. The present value of pension obligations has been calculated using The Projected Unit Credit Method. Pension costs are expensed during employees' service lives based on actuarial calculation. The discount rate assumed in calculating the present value of the pension obligations is the market yield of high-quality corporate bonds issued by companies. Their maturity substantially corresponds to the maturity of the pension liability. The assets corresponding to the pension obligation of the retirement benefit plan are carried at fair values at the balance sheet date. Actuarial gains and losses are recognised in other comprehensive income in the income statement.

Share-based payments

Share-based compensation

The costs relating to share-based payments are recorded in the income statement and the corresponding liability for share-based payments settled in cash is recognized in the balance sheet. The liability recognised in the balance sheet is measured at fair value at balance sheet date. For equity-settled share-based payment transactions, an increase corresponding to the expensed amount is recorded in equity.

The company's Board of Directors has granted a share-based compensation plan for the management under which a benefit in B series shares and an amount in cash is paid upon fulfilling the plan objectives. The fair value of the benefit paid in shares is the share value on the grant date and it is recognised as an expense on a straight-line basis over the vesting period. The expensed amount is based on the Group's estimate of the amount of benefits payable in shares at the end of the vesting period. The effects of non-market conditions are not included in the fair value of the benefits. Instead, they are included in the assumptions of the number of shares expected to vest at the end of the vesting period. At each balance sheet date, the Group revises its estimate of the final number of shares. The changes in estimates are recognised in the income statement. The amount paid in cash equals the amount of tax, and tax-like charges incurred by the award. It is recognised as a liability on the date of the grant and at each balance sheet date based on the estimated amount of benefits paid in shares and allocated over the accrued years of service. The changes in estimates are recorded in the income statement.

Options

Share options are measured at fair value at the grant date and expensed on a straight-line basis over the commitment period. The corresponding amount is recognised in retained earnings. The expenditure determined at the option grant date is based on the Group's estimate of the number of options expected to vest at the end of the commitment period. The Group updates the estimate of the final number of options at each balance sheet date. The changes in estimates are recorded in the income statement. The fair value of options has been calculated using the Black−Scholes option pricing model.

When share options are exercised, the proceeds received from share subscriptions, adjusted for possible transaction costs, are recognised in shareholders' equity. Proceeds from share subscriptions based on options granted prior to the entry into force of the new Limited Liability Companies Act (1 Sept. 2006), have been recorded in shareholders' equity and share premium, in accordance with the plan rules. The proceeds from share subscriptions based on option plans implemented after the new Companies Act came into force are recorded in shareholders' equity and the reserve of invested non-restricted equity, in accordance with the plan rules.

Revenue recognition policies

Net sales comprise the sale of products, services and energy. The contribution of the sales of services and energy to total net sales is not significant.

For net sales, sales revenue is adjusted for indirect taxes, sales adjustment items and the exchange differences of foreign currency sales. Sales adjustment items include loyalty award credits relating to the K-Plussa customer loyalty programme, which are recognised at fair value as part of sales transactions. Loyalty award credits affect the net sales of those segments which grant K-Plussa customer loyalty credits and are engaged in retailing.

The Group sells products to retailers and other retail dealers as well as is engaged in own retailing. Revenue from the sale of goods is recognised when significant risks, benefits and control relating to the ownership of the goods have been transferred to the buyer, and it is probable that the economic benefits associated with the transaction will flow to the Group. As a rule, revenue from the sale of goods can be recognised at the time of sale. Sales to retailers and other retail dealers are based on invoicing. Retail sales are mainly in cash and by credit card.

For sales of services, revenue is recognised after the service has been rendered and when a flow of economic benefits associated with the service is probable.

Interest income is recognised as incurred using the effective interest method. Dividend income is recognised when the right to receive payment is established.

Other operating income and expenses

Other operating income includes income other than that associated with the sale of goods or services, such as lease income, store site and chain fees and various other service fees and commissions. Gains and losses on the disposal of property, plant and equipment are disclosed in other operating income and expenses. Other operating income and expenses also include realised and unrealised profits and losses from derivatives used for hedging currency risks associated with trade.

Borrowing costs

The Group has not capitalised interest costs, because the Group does not have qualifying assets.

Directly attributable transaction costs clearly associated with a certain borrowing are included in the original amortised cost of the borrowing and amortised as an interest expense using the effective interest method.

Income taxes

The taxes recognized in the consolidated income statement include the Group companies' taxes on current net profits on an accrual basis, prior period tax adjustments and changes in deferred taxes. The Group companies' taxes have been calculated from the taxable income of each company determined by local jurisdiction.

Deferred tax assets and liabilities are recognised on all temporary differences arising between the tax bases and carrying amounts of assets and liabilities. Deferred tax liability has not been calculated on goodwill insofar as goodwill is not tax deductible. Deferred tax on subsidiaries' undistributed earnings is not recognised unless a distribution of earnings is probable, causing tax implications.

Deferred tax has been determined using tax rates enacted at the balance sheet date, and as the rates changed, at the new rate expected to apply. A deferred income tax asset is recognised to the extent that it is probable that it can be utilised against future taxable income. The Group's deferred income tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority.

The most significant temporary differences arise from defined benefit plans, property, plant and equipment (depreciation difference, finance lease) and measurements at fair value of asset items in connection with acquisitions.

Dividend distribution

The dividend proposed by the Board to the General Meeting has not been deducted from equity. Instead, dividends are recognised on the basis of the resolution by the General Meeting.

New IFRS standards and IFRIC interpretations and amendments to the existing standards and interpretations

In addition to the standards and interpretations presented in the 2013 financial statements, the Group will adopt the following standards, interpretations and amendments to standards and interpretations issued for application in its 2014 or subsequent financial statements.

IFRS 12 Disclosures of interests in other entities

The standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance-sheet vehicles. The Group management assesses that the amendment will have an impact on the information contained in the notes to the financial statements.

IFRS 9 Financial instruments

The standard addresses the classification, measurement and recognition of financial assets and financial liabilities. Two parts of IFRS 9 have been issued, one in 2009 and the other in 2010, to replace the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity’s business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity’s own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group's management assesses that the new standard will have a minor impact on the recognition and measurement of available-for-sale financial assets.

The management estimates that the other new IFRS standards, IFRIC interpretations and amendments to the existing standards and interpretations will not have a material impact on the consolidated financial statements or their presentation.

Note 2. Segment information

The Group's reportable segments are composed of the Group's divisions, namely the food trade, the home and speciality goods trade, the building and home improvement trade, and the car and machinery trade.

Segment information is reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, responsible for allocating resources to the operating segments, has been identified as the Group Management Board. The reportable operating segments derive their net sales from the food trade, the home and speciality goods trade, the building and home improvement trade, and the car and machinery trade. Sales between segments are charged at prevailing market rates.

The Group Management Board assesses the segment performances based on operating profit, operating profit adjusted for non-recurring items, and return on capital employed. Exceptional transactions outside ordinary course of business are treated as non-recurring items and allocated to the segments. The Group identifies gains and losses on the disposal of real estate, shares and operating activities, impairments and costs of discontinuing significant operations as non-recurring items. Gains on disposals are presented in the income statement within other operating income, and losses on disposals within other operating expenses. In other respects, the Management Board’s performance monitoring is in full compliance with IFRS reporting. Finance income and costs are not allocated to the segments, as the Group’s cash and cash equivalents are managed by the Group Treasury. Changes in the fair values of forward foreign exchange contracts entered into inside the Group are reported as part of other operating income and expenses to the extent that they hedge the segments’ operational foreign currency risk.

The assets and liabilities of a segment’s capital employed consist of items which can be justifiably allocated to the segments. The assets of capital employed comprise property, plant and equipment and intangible fixed assets, investments in associates, pension assets, inventories, trade receivables and other non-interest-bearing receivables, interest-bearing receivables and available-for-sale assets. The liabilities of capital employed consist of trade payables, other non-interest-bearing liabilities and provisions. The Group’s real estate assets and the revenue and costs derived from them have been allocated to the segments.

Capital employed does not include deferred tax assets and liabilities, financial assets at fair value through profit or loss, except for fair value measurements of forward foreign exchange contracts recognised in the balance sheet, available-for-sale financial assets, cash and cash equivalents, or interest-bearing liabilities.

Food trade

The food trade comprises Kesko Food's grocery trade in Finland and Russia, as well as Kespro's grocery wholesale trade. In Finland, Kesko Food's operating activities are based on the K-retailer business model and in Russia, Kesko Food itself acts as a retail operator. The retail trade comprises nearly 1,000 K-food stores operated using the K-retailer business model. These stores form the K-citymarket, K-supermarket, K-market and K-extra retail chains of the food trade. Kesko Food manages the operations of the chains made up of the stores. Chain operations ensure higher competitiveness and a strong operational base for K-retailers in terms of sourcing, building selections, marketing and price competition. Kesko Food’s subsidiary Kespro Ltd engages in wholesaling in the Finnish hotel, restaurant and catering (HoReCa) business.

Home and speciality goods trade

The home and speciality goods trade comprises K-citymarket's home and speciality goods, Anttila and Kodin1, Intersport and Budget Sport, Asko and Sotka, Musta Pörssi and Kookenkä. In addition to around 420 stores, the chains also serve customers online. Intersport engages in the sports equipment trade in Finland and Russia. Kesko's home and speciality goods trade offers customers products and services related to clothing, home, sports, leisure, home technology, entertainment as well as interior decoration and furniture. Efficient chain operations ensure that a wide and price competitive selection of well-known Finnish and foreign product brands are available to customers.

Building and home improvement trade

The building and home improvement trade comprises Rautakesko's building and home improvement and agricultural trade in Finland, and its building and home improvement trade in Sweden, Norway, the Baltic countries, Russia and Belarus. Rautakesko's operations are based on strong chain concepts, efficient sourcing, and best practices duplicated internationally. Rautakesko is responsible for the chains' concepts, marketing, and sourcing and logistics services, store site network in all operating countries and retailer resources in Finland. Rautakesko itself is a retail operator in Sweden, Norway, the Baltic countries, Russia and Belarus. The retail store chains are K-rauta, Rautia, K-maatalous, Byggmakker (Norway), Senukai (Lithuania) and OMA (Belarus). Rautakesko's building and home improvement stores serve both consumer and professional customers.

Car and machinery trade

The car and machinery trade comprises the business operations of VV-Auto and Konekesko. VV-Auto imports and markets Volkswagen, Audi and Seat passenger cars and Volkswagen commercial vehicles in Finland. VV-Auto is also engaged in car retailing and provides after-sales services at its own retail outlets. Konekesko is a service company specialising in the import and sales of construction, environmental and agricultural machinery, trucks and buses, and recreational machinery. Konekesko operates in Finland and the Baltic countries.

Common operations

Common operations comprise Group support functions.

Segment information for 2013

Profit

€ million	Food trade	Home and speciality goods trade	Building and home improve-ment trade	Car and machinery trade	Common operations	Elimi-nations	Total
Segment net sales	4,386.9	1,456.5	2,607.5	1,037.2	123.9		9,612.0
of which inter-segment sales	-172.0	-17.1	0.7	-1.0	-107.4		-296.8
Net sales from external customers	**4,214.9**	**1,439.4**	**2,608.2**	**1,036.2**	**16.5**		**9,315.2**
Other segment income	630.1	76.8	110.1	5.9	6.5		829.4
of which inter-segment income	-83.2	-6.8	-4.8	-0.1	0.4	-0.4	-95.1
Other operating income from external customers	**546.8**	**70.0**	**105.3**	**5.7**	**6.9**	**-0.4**	**734.3**
Depreciation and amortisation	-62.6	-26.7	-46.3	-11.5	-4.5	0.0	-151.6
Impairment			-1.4				-1.4
Operating profit	**208.0**	**-2.1**	**24.8**	**33.9**	**-15.1**	**-1.2**	**248.4**
Non-recurring items	4.8	6.2	-0.9	-	0.4	-1.0	9.6
Operating profit excluding non-recurring items	**203.3**	**-8.3**	**25.7**	**33.9**	**-15.5**	**-0.3**	**238.8**
Finance income and costs							-5.8
Share of profit from associates							-0.3
Profit before tax							**242.3**

Assets and liabilities

€ million	Food trade	Home and speciality goods trade	Building and home improve- ment trade	Car and machinery trade	Common operations	Elimi- nations	Total
Tangible and intangible assets	813.4	306.2	544.0	97.2	77.5	2.2	1,840.4
Investments in associates and other investments	4.6	0.1	0.3	0.0	100.1	-0.6	104.4
Pension assets	31.7	8.9	10.7	5.5	113.3		170.2
Inventories	106.6	241.4	262.5	188.0	-	-1.1	797.5
Trade receivables	309.8	99.0	175.4	56.8	13.4	-37.6	616.7
Other non-interest-bearing receivables	53.5	28.3	48.9	4.9	38.3	-49.3	124.7
Interest-bearing receivables	16.1	2.2	2.6	0.1	3.0	-0.7	23.3
Assets held for sale					0.5		0.5
Assets included in capital employed	**1,335.9**	**686.1**	**1,044.5**	**352.5**	**346.1**	**-87.2**	**3,677.9**
Unallocated items							
Deferred tax assets							3.0
Financial assets at fair value through profit or loss							170.7
Available-for-sale financial assets							398.4
Cash and cash equivalents							111.8
Total assets	**1,335.9**	**686.1**	**1,044.5**	**352.5**	**346.1**	**-87.2**	**4,361.7**
Trade payables	423.9	131.0	245.1	53.3	4.3	-32.1	825.4
Other non-interest-bearing liabilities	148.9	188.7	92.0	87.7	40.7	-51.9	506.2
Provisions	8.7	9.7	7.5	29.2	0.0		55.1
Liabilities included in capital employed	**581.5**	**329.4**	**344.6**	**170.2**	**45.0**	**-84.0**	**1,386.7**
Unallocated items							
Interest-bearing liabilities							554.4
Deferred tax liabilities							68.1
Total liabilities	**581.5**	**329.4**	**344.6**	**170.2**	**45.0**	**-84.0**	**2,009.2**
Total capital employed as at 31 Dec.	**754.4**	**356.7**	**699.9**	**182.3**	**301.1**	**-3.2**	**2,291.1**
Average capital employed	**821.0**	**445.3**	**732.1**	**161.0**	**286.3**	**-8.2**	**2,437.6**
Return on capital employed excl. non-recurring items, %	**24.8**	**-1.9**	**3.5**	**21.1**			**9.8**
Capital expenditure	**91.6**	**23.1**	**37.8**	**15.1**	**4.5**	**-0.6**	**171.5**
Number of personnel as at 31 Dec.	**3,570**	**8,483**	**10,066**	**1,261**	**483**		**23,863**
Average number of personnel	**3,143**	**5,751**	**8,910**	**1,252**	**433**		**19,489**

Segment information for 2012

Profit

€ million	Food trade	Home and speciality goods trade	Building and home improve-ment trade	Car and machinery trade	Common operations	Elimi-nations	Total
Segment net sales	4,311.4	1,602.7	2,827.0	1,113.7	156.1		10,010.8
of which inter-segment sales	-172.3	-18.1	-0.4	-1.0	-133.2		-325.0
Net sales from external customers	**4,139.1**	**1,584.5**	**2,826.6**	**1,112.7**	**22.9**		**9,685.9**
Other segment income	625.0	82.7	117.0	5.0	7.3		837.0
of which inter-segment income	-81.5	-6.0	-3.2	-0.1	0.9		-89.9
Other operating income from external customers	**543.5**	**76.7**	**113.8**	**4.9**	**8.2**		**747.2**
Depreciation and amortisation	-57.3	-31.7	-50.3	-11.1	-4.3	0.1	-154.7
Impairment		-2.1	-1.7				-3.8
Operating profit	**170.2**	**0.0**	**11.6**	**41.9**	**-12.6**	**0.9**	**212.0**
Non-recurring items	2.7	-19.5	-1.7		-0.2	0.7	-18.0
Operating profit excluding non-recurring items	**167.5**	**19.6**	**13.3**	**41.9**	**-12.4**	**0.2**	**230.0**
Finance income and costs							-0.6
Share of profit from associates							-0.9
Profit before tax	**210.5**						

Assets and liabilities

€ million	Food trade	Home and speciality goods trade	Building and home improve- ment trade	Car and machinery trade	Common operations	Elimi- nations	Total
Tangible and intangible assets	789.4	330.1	570.4	100.3	77.5	2.2	1,869.8
Investments in associates and other investments	3.5	0.1	0.2	0.0	102.2	-0.6	105.4
Pension assets	31.3	8.8	10.6	5.5	97.6		153.8
Inventories	107.0	251.6	276.5	180.0		-1.0	814.2
Trade receivables	309.4	142.9	204.1	58.5	16.1	-27.7	703.2
Other non-interest-bearing receivables	39.1	35.3	56.7	5.3	15.4	-21.6	130.2
Interest-bearing receivables	110.3	2.0	1.1	0.1	2.0	-4.0	111.5
Assets held for sale	1.6		0.2		0.5		2.3
Assets included in capital employed	**1,391.5**	**770.8**	**1,119.9**	**349.6**	**311.2**	**-52.7**	**3,890.4**
Unallocated items							
Deferred tax assets							2.4
Financial assets at fair value through profit or loss							137.2
Available-for-sale financial assets							249.0
Cash and cash equivalents							102.9
Total assets	**1,391.5**	**770.8**	**1,119.9**	**349.6**	**311.2**	**-52.7**	**4,382.0**
Trade payables	389.9	127.6	251.8	55.6	5.7	-27.0	803.6
Other non-interest-bearing liabilities	148.3	163.3	110.8	91.8	49.2	-22.5	541.0
Provisions	10.7	17.1	8.0	24.0	0.9	-0.7	60.0
Liabilities included in capital employed	**548.9**	**308.0**	**370.6**	**171.4**	**55.8**	**-50.1**	**1,404.7**
Unallocated items							
Interest-bearing liabilities							624.5
Deferred tax liabilities							80.7
Total liabilities	**548.9**	**308.0**	**370.6**	**171.4**	**55.8**	**-50.1**	**2,109.9**
Total capital employed as at 31 Dec.	**842.6**	**462.8**	**749.3**	**178.2**	**255.4**	**-2.6**	**2,485.7**
Average capital employed	**763.1**	**513.8**	**759.6**	**188.4**	**309.7**	**17.2**	**2,551.6**
Return on capital employed excl. non-recurring items, %	**21.9**	**3.8**	**1.7**	**22.3**			**9.0**
Capital expenditure	**200.0**	**61.1**	**63.1**	**26.6**	**27.6**	**-0.1**	**378.3**
Number of personnel as at 31 Dec.	**3,163**	**8,950**	**10,204**	**1,259**	**504**		**24,080**
Average number of personnel	**2,799**	**6,139**	**9,105**	**1,254**	**450**		**19,747**

Group-wide information

The Group operates in Finland, Sweden, Norway, Estonia, Latvia, Lithuania, Russia and Belarus. The food trade and the home and speciality goods trade mainly take place in Finland and Russia, the car and machinery trade in Finland and the Baltic countries, and the building and home improvement trade in Finland, Sweden, Norway, the Baltic countries, Russia and Belarus.

Net sales, assets, capital expenditures and personnel are disclosed by location.

2013

€ million	Finland	Other Nordic countries	Baltic countries	Russia and Belarus	Elimi-nations	Total
Net sales	7,678.4	675.5	511.9	467.9	-18.5	9,315.2
Assets	2,802.7	237.9	194.8	385.9	56.5	3,677.9
Capital expenditure	100.7	2.6	4.3	63.9		171.5
Average number of personnel	9,805	1,153	4,206	4,325		19,489

2012

€ million	Finland	Other Nordic countries	Baltic countries	Russia and Belarus	Elimi-nations	Total
Net sales	7,942.7	849.4	511.5	403.2	-20.9	9,685.9
Assets	3,014.0	290.6	188.2	353.9	43.6	3,890.4
Capital expenditure	291.6	7.8	3.1	75.8		378.3
Average number of personnel	10,231	1,440	4,254	3,822		19,747

Net sales are nearly completely derived from sales of goods. The amount derived from sales of services is immaterial.

Kesko Group had no income derived from a single customer amounting to more than 10% of Kesko Group's total income.

Note 3. Acquisitions and disposal of assets

Acquisitions
In 2013 and 2012, Kesko Group did not have acquisitions to be accounted for as business combinations.

Disposal of assets
In 2013 and 2012, Kesko Group did not make any significant disposals of assets.

Note 4. Other operating income and other operating expenses

Other operating income

€ million	2013	2012
Income from services	570.4	583.5
Lease income	43.6	43.0
Gains on the disposal of tangible and intangible assets	10.7	3.5
Realised gains on derivative contracts and changes in fair value	2.7	1.2
Others	106.9	116.0
Total	734.3	747.2

Income from services mainly comprises chain and store site fees paid by chain retailers.

Other operating income includes €9.4 million (€2.7 million) of non-recurring gains on disposals.

Other operating expenses

€ million	2013	2012
Other trading expenses	-128.8	-143.1
Losses on disposal of tangible assets	-0.6	-0.3
Realised losses on derivative contracts and changes in fair value*	-2.0	-3.6
Total	-131.4	-147.0

* Includes changes in fair values of embedded derivatives.

The losses on disposal of tangible assets include a total of €0.4 million (€0.2 million) of non-recurring losses on disposals.

Auditors' fees

€ million	2013	2012
PricewaterhouseCoopers, Authorised Public Accountants		
Audit	0.9	0.8
Tax consultation	0.0	0.1
Other services	0.2	0.2
Total	1.1	1.2
Other audit firms	0.2	0.3

Note 5. Non-recurring items

€ million	2013	2012
Gains on disposal of real estate and shares	9.4	2.7
Losses on disposal of real estate and shares	-0.4	-0.2
Impairment losses	-1.4	-3.8
Costs of discontinued operating activities	2.0	-16.7
Total	9.6	-18.0

Exceptional transactions outside ordinary course of business are treated as non-recurring items and they have been allocated to segments. The Group identifies gains and losses on disposal of real estate, shares and business operations, impairments and significant costs of discontinuing business operations as non-recurring items. Gains on disposals have been presented within other operating income, and losses on disposals within other operating expenses in the income statement. Impairments have been presented within depreciation, amortisation and impairment in the income statement.

Note 6. Staff costs, management compensation and number of personnel

€ million	2013	2012
Wages, salaries and fees	-495.3	-503.4
Social security costs	-49.3	-49.2
Pension costs	-63.8	-52.3
Defined benefit plans	2.6	14.0
Defined contribution plans	-66.4	-66.3
Share-based payment	-2.8	-2.6
Total	-611.1	-607.6

Disclosures on the employee benefits of the Group's management personnel and other related party transactions are disclosed in note 33, and on share-based payment in note 30.

Remuneration of the Group companies' managing directors and board members

€ million	2013	2012
Salaries of managing directors (incl. fringe benefits)	6.2	6.5
Board member remuneration	0.4	0.4
Total	6.5	6.9

Average number of the Group personnel

	2013	2012
Food trade	3,143	2,799
Home and speciality goods trade	5,751	6,139
Building and home improvement trade	8,910	9,105
Car and machinery trade	1,252	1,254
Others	433	450
Total	19,489	19,747

Note 7. Finance income and costs

€ million	2013	2012
Interest income and other finance income		
Interest income on loans and receivables	11.3	13.8
Interest income on financial assets carried at fair value through profit or loss	0.9	1.4
Interest income on available-for-sale financial assets	7.5	4.9
Gains on disposal of available-for-sale financial assets	0.0	0.9
Other finance income	0.0	0.1
Total interest income and other finance income	19.8	21.1
Interest expense and other finance costs		
Interest expense on financial liabilities at amortised cost	-18.5	-15.8
Losses on disposal of available-for-sale financial assets	-0.5	0.0
Other finance costs	-1.1	-1.9
Total interest expense and other finance costs	-20.0	-17.8
Exchange differences		
Exchange differences and changes in fair values of derivatives, borrowings denominated in foreign currencies not qualifying for hedge accounting and cash at bank	-5.7	-4.0
Total exchange differences	-5.7	-4.0
Total finance income and costs	**-5.8**	**-0.6**

The interest expense includes €2.7 million (€3.4 million) of interests on finance leases recognised as expenses for the period. The interest income includes €2.4 million (€2.3 million) of interests on finance leases recognised as income for the period.

The realised result of interest rate derivatives used for hedging a USD-denominated Private Placement credit facility is netted with the interest expense related to the liability and recorded in interest expense.

Exchange differences recognised in the income statement

€ million	2013	2012
Sales	-0.1	0.0
Other income	2.1	1.2
Purchases	-1.1	0.8
Other expenses	-2.0	-2.7
Finance income and costs	-5.7	-4.0
Total	-6.7	-4.6

Note 8. Income taxes

€ million	2013	2012
Current tax	-71.8	-85.6
Tax for prior years	-0.5	-2.4
Deferred tax	14.6	13.3
Total	-57.7	-74.6

Reconciliation between tax expense shown in the income statement and tax calculated at parent's rate

€ million	2013	2012
Profit before tax	242.3	210.5
Tax at parent's rate 24.5%	-59.4	-51.6
Effect of foreign subsidiaries' different tax rates	2.8	3.4
Effect of income not subject to tax	1.1	1.7
Effect of expenses not deductible for tax purposes	-3.9	-12.9
Effect of tax losses	-9.3	-12.2
Effect of consolidation	-0.1	-0.2
Tax for prior years	-0.5	-2.4
Adjustment of deferred tax in respect of prior years	-1.5	0.0
Effect of change in tax rate	13.6	0.0
Others	-0.5	-0.4
Tax charge	-57.7	-74.6

The effect of changes in the corporate tax rates of Finland and Norway on the deferred tax for the financial year 2013, effective from 1 January 2014, is €13.6 million. The change in the corporate tax rate of Sweden, effective from 1 January 2013, did not have a significant impact on the Group's taxes for 2012.

Note 9. Components of other comprehensive income

Components of other comprehensive income and related tax

€ million	2013 Before tax	2013 Tax charge/ credit	2013 After tax	2012 Before tax	2012 Tax charge/ credit	2012 After tax
Items that will not be reclassified subsequently to profit or loss						
Actuarial gains and losses	14.6	-2.4	12.2	1.1	-0.3	0.8
Items that may be reclassified subsequently to profit or loss						
Currency translation differences relating to a foreign operation	-13.9		-13.9	-0.5		-0.5
Adjustments for hyperinflation	2.8		2.8	3.8		3.8
Cash flow hedge revaluation	-4.7	0.9	-3.8	-2.6	0.6	-1.9
Revaluation of available-for-sale financial assets	-4.7	-0.2	-4.9	9.1	0.1	9.2
Others	-0.2	0.0	-0.2	-0.2		-0.2
Total	-6.1	-1.6	-7.7	10.9	0.4	11.3

Hyperinflation

In December 2011, Belarus was identified as a hyperinflationary economy to which accounting in accordance with IAS 29 shall be applied. Hyperinflationary accounting requires the presentation of financial statements in the measurement units as at the end of the reporting period irrespective of their statement at original cost or current cost. The amounts recognised in the 2013 income statement and balance sheet have been restated using the general price index. As a result of the restatement, an amount of €2.8 million (€3.8 million) including tax was recognised in equity, of which €0.3 million (€0.3 million) is attributable to the Group and €2.6 million (€3.5 million) to the non-controlling interest. The revaluations have been made using the Belarusian consumer price index.

Note 10. Earnings per share

Basic earnings per share is calculated by dividing the net profit for the period attributable to the parent's equity holders by the weighted average number of shares outstanding during the period. Diluted earnings per share are calculated by adjusting the weighted average number of all shares to assume conversion of all potentially dilutive shares. The Group operates a share option scheme with a dilutive effect, which increases the number of shares. The share options have a dilutive effect when their exercise price is lower than the fair value of a share. The dilutive effect is the number of shares which has to be issued without consideration, because the Group could not use the assets received from the exercise of the share options to issue an equal number of shares at fair value. The fair value of a share is based on the average share price during the period.

	2013	2012
Profit for the period attributable to equity holders of the parent, € million	173.1	124.4
Number of shares		
Weighted average number of shares outstanding	98,719,435	98,040,939
Effect of options issued	416,470	431,193
Diluted weighted average number of shares outstanding	99,135,905	98,472,132
Earnings per share from profit attributable to equity holders of the parent		
Basic, €	1.75	1.27
Diluted, €	1.75	1.26

Note 11. Property, plant and equipment

2013 € million	Land and waters	Buildings	Machinery and equipment	Other tangible assets	Prepayments and purchases in progress	Total 2013
Cost						
Cost as at 1 Jan. 2013	401.9	1,461.4	569.2	87.6	68.7	2,588.7
Currency translation differences	-2.9	-10.3	-8.1	-1.5	-0.7	-23.5
Additions	13.5	61.0	46.7	7.8	22.5	151.5
Disposals	-4.2	-55.7	-46.4	-2.9	-0.6	-109.9
Transfers between items	8.0	45.8	-1.7	4.1	-59.4	-3.2
Cost as at 31 Dec. 2013	416.3	1,502.2	559.6	95.1	30.5	2,603.6
Accumulated depreciation, amortisation and impairment						
Accumulated depreciation, amortisation and impairment charges as at 1 Jan. 2013	-4.8	-484.8	-388.4	-32.9		-911.0
Currency translation differences		2.5	5.0	0.5		8.1
Accumulated depreciation of disposals and transfers		40.4	38.9	2.7		82.0
Depreciation charge for the year and impairments	-0.3	-71.0	-52.7	-7.3		-131.4
Accumulated depreciation, amortisation and impairment charges as at 31 Dec. 2013	-5.2	-513.0	-397.1	-37.0		-952.2
Carrying amount as at 1 Jan. 2013	397.1	976.5	180.8	54.7	68.7	1,677.8
Carrying amount as at 31 Dec. 2013	**411.1**	**989.2**	**162.4**	**58.1**	**30.5**	**1,651.4**

2012 € million	Land and waters	Buildings	Machinery and equipment	Other tangible assets	Prepayments and purchases in progress	Total 2012
Cost						
Cost as at 1 Jan. 2012	352.3	1,255.7	566.1	65.5	107.5	2,347.0
Currency translation differences	1.6	3.9	3.4	0.7	0.5	10.1
Additions	52.3	147.7	62.2	10.3	65.8	338.2
Disposals	-4.5	-24.6	-65.9	-1.1	-1.8	-97.9
Transfers between items	0.2	78.7	3.4	12.3	-103.2	-8.7
Cost as at 31 Dec. 2012	401.9	1,461.4	569.2	87.6	68.7	2,588.7
Accumulated depreciation, amortisation and impairment						
Accumulated depreciation, amortisation and impairment charges as at 1 Jan. 2012	-4.8	-437.6	-386.4	-27.8		-856.6
Currency translation differences		-1.0	-1.9	-0.3		-3.3
Accumulated depreciation of disposals and transfers		21.8	60.6	0.9		83.4
Depreciation charge for the year and impairments		-68.0	-60.7	-5.7		-134.5
Accumulated depreciation, amortisation and impairment charges as at 31 Dec. 2012	-4.8	-484.8	-388.4	-32.9		-911.0
Carrying amount as at 1 Jan. 2012	347.6	818.0	179.7	37.7	107.5	1,490.5
Carrying amount as at 31 Dec. 2012	**397.1**	**976.5**	**180.8**	**54.7**	**68.7**	**1,677.8**

Property, plant and equipment include the following amounts where the Group is a lessee under a finance lease:

2013

€ million	Land and waters	Buildings	Machinery and equipment	Other tangible assets	Total 2013
Cost	-	-	23.5	-	23.5
Accumulated depreciation		-	-19.0	-	-19.0
Carrying amount	-	-	4.5	-	4.5

During the financial year 2013, property leases previously classified as finance leases were renewed on terms and conditions on which leases are classified as operating leases.

2012

€ milion	Land and waters	Buildings	Machinery and equipment	Other tangible assets	Total 2012
Cost	2.7	38.7	40.3	0.1	81.7
Accumulated depreciation		-26.0	-34.9	-0.1	-61.0
Carrying amount	2.7	12.6	5.4	0.0	20.7

Note 12. Intangible assets

2013 € million	Goodwill	Trademarks	Other intangible assets	Prepayments	Total 2013
Cost					
Cost as at 1 Jan. 2013	154.9	80.7	193.2	9.9	438.6
Currency translation differences	-6.1	-5.1	-5.6		-16.8
Additions			8.4	14.6	23.0
Disposals			-2.2		-2.2
Transfers between items			4.3	-2.3	2.0
Cost as at 31 Dec. 2013	148.7	75.6	198.1	22.2	444.6
Accumulated amortisation and impairment					
Accumulated amortisation and impairment charges as at 1 Jan. 2013	-114.3	-9.6	-122.6		-246.6
Currency translation differences	6.2	1.2	4.5		11.9
Accumulated amortisation of disposals and transfers			0.7		0.8
Amortisation charge for the year and impairments			-21.6		-21.6
Accumulated amortisation and impairment charges as at 31 Dec. 2013	-108.1	-8.4	-139.1		-255.5
Carrying amount as at 1 Jan. 2013	40.5	71.1	70.6	9.9	192.1
Carrying amount as at 31 Dec. 2013	**40.7**	**67.2**	**59.0**	**22.2**	**189.1**

2012 € million	Goodwill	Trademarks	Other intangible assets	Prepayments	Total 2012
Cost					
Cost as at 1 Jan. 2012	152.2	78.5	184.7	3.5	419.0
Currency translation differences	2.6	2.2	2.5		7.3
Additions			14.3	8.1	22.4
Disposals			-15.9		-15.9
Transfers between items			7.7	-1.8	5.9
Cost as at 31 Dec. 2012	154.9	80.7	193.2	9.9	438.6
Accumulated amortisation and impairment					
Accumulated amortisation and impairment charges as at 1 Jan. 2012	-88.3	-30.4	-110.9		-229.6
Currency translation differences	-2.7	-0.5	-1.6		-4.8
Accumulated amortisation of disposals and transfers			11.8		11.8
Amortisation charge for the year and impairments	-23.4	21.3	-21.9		-24.0
Accumulated amortisation and impairment charges as at 31 Dec. 2012	-114.3	-9.7	-122.6		-246.7
Carrying amount as at 1 Jan. 2012	63.9	48.0	73.8	3.5	189.3
Carrying amount as at 31 Dec. 2012	**40.5**	**71.1**	**70.6**	**9.9**	**192.1**

Other intangible assets include other long-term costs, of which €30.1 million (€31.3 million) are software and licence costs.

Goodwill and intangible rights by segment

€ million	Trademarks* 2013	Goodwill 2013	Discount rate (WACC)** 2013	Trademarks* 2012	Goodwill 2012	Discount rate (WACC)** 2012
Building and home improvement trade						
Byggmakker, Norway	28.1		7.0%	32.0		7.0%
Rautakesko, Estonia		1.1	8.0%		1.1	9.0%
Senukai, Lithuania		17.2	10.0%		17.2	11.0%
K-rauta Rus, Russia		14.2	13.0%		14.1	13.0%
Home and speciality goods trade						
Indoor, Finland	39.1	4.1	6.0%	39.1	4.1	6.0%
Car and machinery trade						
Machinery trade		3.8	7.0%		3.8	7.0%
Others		0.2			0.2	
Total	67.2	40.7		71.1	40.5	

* Intangible assets with indefinite useful lives
** After tax, used in impairment testing

Cash generating units have been identified at a level lower than the reportable segments. The units have been identified by chain/country, and most of them are legal entities.

The useful lives of trademarks (brands) included in intangible assets have been classified as indefinite, because it has been estimated that the period over which they generate cash inflows is indefinite. This is because no foreseeable limit to the period over which they are expected to generate net cash inflows for the Group can be seen. Trademarks are part of assets purchased in connection with acquisitions.

Intangible assets with indefinite useful lives are tested annually for possible impairment and whenever there is an indication of impairment.

Impairment test for goodwill and intangible assets

In impairment testing, the recoverable amount of a cash-generating unit is determined based on value-in-use calculations. These calculations use cash flow projections based on financial plans approved by management, covering a period of three years. The key assumptions used for the plans are total market growth and profitability trends, changes in store site network, product and service selection, pricing and movements in operating costs. Cash flows beyond this period have been extrapolated mainly based on 1.5–3.5% (1.5–4.0%) forecast growth rates, allowing for country-specific differences.

The discount rate used is the WACC, specified for each segment and country after tax, which is adjusted by tax effect in connection with the test. The WACC formula inputs are risk-free rate of return, market risk premium, industry-specific beta factor, target capital structure, borrowing cost and country risks. Compared to the previous year, the discount rate fell in Lithuania and Estonia as country risk decreased.

Impairment losses

In the financial year 2012, a €23.4 million impairment charge was recognised against the goodwill of Anttila (the home and speciality goods trade). The impairment loss was attributable to weaker than expected profitability performance. The impairment was presented as a non-recurring item. The €21.3 million impairment charge recognised against Indoor's brands (the home and speciality goods trade) in 2006 was reversed in 2012. The impairment was reversed because the recoverable amount exceeds the remaining carrying amount of the company's tested assets. The reversal of the impairment was presented as a non-recurring item.

Sensitivity analysis

The key variables used in impairment testing are the EBITDA margin and the discount rate.

A one percentage point rise in the discount rate would not cause an impairment of any cash generating unit.

The most sensitive to movements in assumptions is the brand related to the Byggmakker business of the building and home improvement trade in Norway. If its residual EBITDA decreased by more than 0.2 percentage points, an impairment would be recognised. When other cash generating units are estimated, according to management’s assumptions, a foreseeable change in any key variable would not create a situation in which the unit’s recoverable amount would be lower than its carrying amount.

Note 13. Investments in associates

€ million	2013	2012
Carrying amount as at 1 January	83.0	58.1
Share of the profit for the year	-0.3	-0.9
Additions	4.8	25.8
Carrying amount as at 31 December	87.5	83.0

Shares in associates are not quoted publicly.

Disclosures on the Group's associates and the Group's ownership interest in their aggregated assets, liabilities, net sales and profits/losses:

€ million	Assets	Liabilities	Net sales	Profit/loss	Ownership interest, %
2013					
Kruunuvuoren Satama Oy, Helsinki	380.2	260.8	21.9	2.6	49.0
Valluga-sijoitus Oy, Helsinki	24.1	0.0	0.0	1.3	46.2
Vähittäiskaupan Takaus Oy, Helsinki	69.8	0.2	1.2	5.8	34.4
Vähittäiskaupan Tilipalvelu VTP Oy, Helsinki	6.9	2.0	11.0	0.4	30.0
Others	5.2	3.6	2.0	0.0	
Total	486.3	266.6	36.1	10.1	
2012					
Kruunuvuoren Satama Oy, Helsinki	394.4	277.8	13.8	1.9	49.0
Valluga-sijoitus Oy, Helsinki	23.1	0.2	0.0	1.4	46.2
Vähittäiskaupan Takaus Oy, Helsinki	64.2	0.3	1.1	2.5	34.4
Vähittäiskaupan Tilipalvelu VTP Oy, Helsinki	6.8	2.3	11.2	0.5	30.0
Others	5.3	3.6	2.0	0.0	
Total	493.8	284.3	28.1	6.2	

Note 14. Non-current receivables

Maturity analysis of non-current receivables as at 31 Dec. 2013

€ million	2015	2016	2017	2018	2019–	Total
Non-interest-bearing non-current receivables	0.5	0.0			0.5	0.9
Finance lease receivables	2.0	2.0	2.0	2.0		8.1
Loans and receivables from associates				1.5		1.5
Other non-current receivables	0.4	0.4	0.4	0.3	0.5	1.9
Total	2.8	2.4	2.4	3.9	0.9	12.5

The balance sheet value of non-interest-bearing non-current receivables equals their fair value.

The carrying amount of finance lease receivables equals their fair value.

Maturity analysis of non-current receivables as at 31 Dec. 2012

€ million	2014	2015	2016	2017	2018–	Yhteensä
Non-interest-bearing non-current receivables	0.8	0.1	0.4	0.0	0.9	2.1
Finance lease receivables	16.2	16.2	16.2	16.2	18.5	83.3
Loans and receivables from associates					1.5	1.5
Other non-current receivables	1.7					1.7
Total	18.6	16.3	16.6	16.2	20.9	88.6

Note 15. Finance lease receivables

€ million	2013 Minimum lease receivables	2013 Unearned finance income	2013 Present value of minimum lease receivables	2012 Minimum lease receivables	2012 Unearned finance income	2012 Present value of minimum lease receivables
Finance lease receivables are due as follows:						
No later than 1 year	6.9	0.7	6.2	24.3	3.6	20.7
Later than 1 year and no later than 5 years	8.3	0.2	8.1	70.6	5.8	64.7
Later than 5 years	-	-	-	19.0	0.5	18.5
Total finance lease receivables	**15.2**	**0.9**	**14.3**	**113.9**	**9.9**	**103.9**

During the financial year 2013, Kesko Food sold the majority of the finance lease receivables through which it had financed chain companies' purchases of store fittings.

Note 16. Deferred tax

Movements in deferred tax in 2013:

€ million	1 Jan. 2013	Income statement charge	Tax charged/ credited to equity	Exchange differences	Others	31 Dec. 2013
Deferred tax assets						
Internal profit of inventories	1.0	-0.2				0.8
Finance lease assets	0.0	0.0		0.0		0.0
Provisions	13.2	-2.9				10.3
Pensions	0.3	-0.1				0.3
Tax losses	5.0	1.3		-0.9		5.5
Others	11.6	-0.1	0.7	-0.3		11.8
Total	31.1	-2.0	0.7	-1.2	0.0	28.7
Deferred tax liabilities						
Cumulative depreciation differences	39.4	-6.8				32.6
Fair value allocation on consolidation	16.8	2.0		-1.2	0.0	17.6
Pensions	37.7	-6.0	2.4			34.0
Others	15.5	-5.9	-0.1	-0.1	0.0	9.5
Total	109.4	-16.7	2.3	-1.3	0.0	93.7
Net deferred tax liability	78.3					65.1

Balance sheet division of net deferred tax liability

€ million	2013	2012
Deferred tax assets	3.0	2.4
Deferred tax liabilities	68.1	80.7
Total	65.1	78.3

The group 'Others' within deferred tax assets includes €3.1 million of deferred tax assets arising from compliance with the Group’s accounting principles and €3.3 million of deferred tax assets resulting from timing differences between local accounting and tax treatments.

Movements in deferred tax in 2012:

€ million	1 Jan. 2012	Income statement charge	Tax charged/ credited to equity	Exchange differences	Others	31 Dec. 2012
Deferred tax assets						
Margin included in inventories	1.1	-0.2				1.0
Finance lease assets	0.1	-0.1				0.0
Provisions	7.8	5.4				13.2
Pensions	0.4	-0.1				0.3
Tax losses	3.6	1.3		0.2		5.0
Others	13.3	-1.0	-0.2	-0.6	0.0	11.6
Total	26.2	5.5	-0.2	-0.4	0.0	31.1
Deferred tax liabilities						
Cumulative depreciation differences	37.9	1.5				39.4
Fair value allocation on consolidation	14.8	1.4		0.6		16.8
Pensions	51.6	0.1	-14.0		0.0	37.7
Others	12.2	-10.8	13.4	0.7	0.0	15.5
Total	116.6	-7.8	-0.6	1.3	0.0	109.4
Net deferred tax liability	90.3					78.3

Tax losses

As at 31 December 2013, the Group's unused tax losses were €182.2 million, for which deferred tax assets have not been recognised, because at the balance sheet date, the realisation of the related tax benefit through future taxable profits is not probable.

Tax losses for which tax assets have not been recognised expire as follows:

€ million	2014	2015	2016	2017	2018	2019–	Total
	0.0	0.1	7.0	0.0	0.0	175.0	182.2

Deferred tax liabilities have not been recognised for taxes that would be payable on subsidiaries' undistributed earnings, because the subsidiaries' distributions are at the discretion of the Group and a distribution of profits with tax effect is not probable in the near future.

Note 17. Pension assets

The Group operates several pension plans in different operating countries. In Finland, statutory pension plan for personnel is operated through pension insurance companies and voluntary supplementary pension plan is operated through Kesko Pension Fund. The statutory pension plan operated through pension insurance companies is a defined contribution plan. The supplementary pension plan operated through Kesko Pension Fund is a defined benefit plan.

As regards foreign subsidiaries, the plan operated in Norway is classified as a defined benefit plan. As at 31 December 2013, the net liability in respect of the defined benefit plan in Norway was €0.4 million (€0.3 million). The defined benefit plan in Norway is not included in the tables below, because its impact on the consolidated amounts is insignificant. Pension plans in the other foreign subsidiaries are managed in accordance with local regulations and practices in each country and they are defined contribution plans.

Kesko Pension Fund

Kesko Pension Fund is a pension provider of its owners providing supplementary pension benefits to employees who are members of the Pension Fund's department A. Department A was closed on 9 May 1998. As the conditions set out in the Fund's rules are met, members are granted an old-age pension when they are between 60 and 65 years of age. The amount of pension granted by the Fund is the difference between the employee's pension amount calculated based on his/her pensionable salary and the amount of the statutory pension. In addition to the individually calculated pensionable salary, the pension amount of each Fund member is impacted by the duration of his/her membership of the Pension Fund. At the end of 2013, the Pension Fund had 2,929 members, of whom 555 were active employees and 2,135 were retired. Kesko Group's share of the Pension Fund's obligation was 97.2% (97.2%). The notes present Kesko Group's share of the Pension Fund except for the analysis of assets by category and the maturity analysis of the obligation.

In addition to its rules, the Pension Fund's operations are governed by the Employee Benefit Funds Act, decrees under the Act and official instructions, and the Fund's operations are supervised by the Financial Supervisory Authority. The regulations include stipulations on the calculation of pension obligation and its coverage, for example. The pension obligation shall be fully covered by the plan assets, any temporary deficit is only allowed exceptionally. In addition, the regulations include detailed stipulations on plan assets covering the obligation as well as the diversification of investment risks.

Until 1 January 2012, Kesko Pension Fund's department B also operated a statutory pension plan. In 2012, an actuarial gain of €11.8 million was recognised on the transfer of the statutory pension insurance portfolio from the Pension Fund to a pension insurance company. The fair value of Kesko Pension Fund’s investment assets exceeded the amount of pension obligation and the difference was shown within the assets in the consolidated statement of financial position. Relating to the transfer of the pension insurance portfolio, the Pension Fund returned pension assets to employer companies. The returned assets contributed a €71.2 million cash inflow to Kesko Group.

Kesko Group does not expect to pay contributions to the Pension Fund in 2014.

The defined benefit asset recognised in the balance sheet in respect of Kesko Pension Fund is determined as follows:

€ million	**2013**	**2012**
Present value of obligation	-247.5	-243.1
Fair value of plan assets	417.7	396.9
Net assets recognised in the balance sheet	**170.2**	**153.8**
Movement in the net assets recognised in the balance sheet:		
As at 1 January	**153.8**	**160.4**
Income/cost recognised in the income statement	2.6	2.2
Remeasurement	14.6	-8.3
Contributions to plan and plan costs	-0.9	-0.4
As at 31 December	**170.2**	**153.8**

€ million	**Present value of obligation**	**Fair value of plan assets**	**Total**
As at 1 January 2013	-243.1	397.0	153.9
Current service cost	-2.9		-2.9
Interest cost/income	-8.5	14.0	5.5
	-11.4	**14.0**	**2.6**
Remeasurement			
Return on plan assets		22.4	22.4
Changes in demographic assumptions	-5.5		-5.5
Changes in financial assumptions			
Experience gains/losses	-2.4		-2.4
	-7.8	**22.4**	**14.6**
Contributions to plan and plan costs	0.0	-0.9	-0.9
Benefits paid	14.8	-14.8	0.0
As at 31 December 2013	**-247.5**	**417.7**	**170.2**

€ million	Present value of obligation	Fair value of plan assets	Total
As at 1 January 2012	-292.6	503.1	210.5
Current service cost	-5.7		-5.7
Effect of portfolio transfer		11.8	11.8
Interest cost/income	-10.1	18.0	7.9
	-15.8	**29.8**	**14.0**
Remeasurement			
Return on plan assets		25.7	25.7
Changes in demographic assumptions			0.0
Changes in financial assumptions	-31.9		-31.9
Experience gains/losses	-2.1		-2.1
Portfolio transfer	85.0	-75.6	9.3
Surplus		-71.2	-71.2
	51.0	**-121.1**	**-70.1**
Contributions to plan and plan costs	0.0	-0.4	-0.4
Benefits paid	14.4	-14.4	0.0
As at 31 December 2012	**-243.1**	**397.0**	**153.8**

Plan assets were comprised as follows in 2013

€ million	Quoted	Unquoted	Total
Europe			
Equity instruments	89.7	38.9	128.6
Debt instruments	6.9	38.7	45.6
Investment funds	12.5	16.6	29.1
Property	-	179.0	179.0
United States			
Equity instruments	10.8	-	10.8
Investment funds	16.3	-	16.3
Other countries			
Investment funds	19.9	-	19.9
Total	**156.1**	**273.2**	**429.3**

Plan assets were comprised as follows in 2012

€ million	Quoted	Unquoted	Total
Europe			
Equity instruments	82.1	37.9	120.0
Debt instruments	7.5	34.8	42.3
Investment funds	8.5	18.4	26.9
Property	-	178.1	178.1
United States			
Equity instruments	13.8	-	13.8
Other countries			
Investment funds	26.8	-	26.8
Total	**138.7**	**269.2**	**407.9**

	2013	2012
Kesko Corporation shares included in fair value	13.0	12.0
Properties leased by Kesko Group included in fair value	179.0	178.1

Principal actuarial assumptions:	2013	2012
Discount rate	3.60%	3.60%
Salary growth rate	2.50%	2.50%
Inflation	2.00%	2.00%
Pension growth rate	2.10%	2.10%
Average service expectancy	12	13

Weighted average duration of pension obligations and expected maturity analysis of undiscounted pension obligations

	2013
Weighted average duration of pension obligations, years	18
Expected maturity analysis of undiscounted pension obligations, € million	
Less than 1 year	15.7
Between 1−10 years	128.3
Between 10−20 years	125.7
Between 20−30 years	91.7
Over 30 years	88.3
Total	**449.7**

Risks related to the pension plan

Risks related to the plan assets

The Pension Fund's assets comprise properties, shares and equity funds, private equity funds and both fixed income and money market investments. The Pension Fund's investment policy defines the investment restrictions pertaining to classes of assets and the allowed investment types. The investment plan, annually confirmed by the Pension Fund board, sets the investment allocation and target return for the year ahead. The objective of investing activity is to ensure return on the investments and their conversion into cash, as well as ensuring appropriate diversity and diversification of investments. On an annual basis, the objective is to exceed the Pension Fund's obligation expenses and costs so that contributions need not be charged to the members. The long-term target yield on the investments is 6.3%. Risks of investing activity are managed by continuously monitoring market developments and, as necessary, analysing the adequacy of the return and risk potential of the investments. The returns compared to chosen reference indices and the breakdown of investments are reported on a monthly basis. In 2013, the realised return on investing activity was 8.8%.

If the return on plan assets underperforms the discount rate applied to the calculation of the present value of pension obligation, a deficit in the plan may arise. The diversification of assets is aimed to reduce this risk in varying financial conditions. If a deficit is created in the pension plan such that the pension obligation is not fully covered, the Pension Fund members are obligated to pay contributions to the Fund in order that the obligation is covered. Calculated in compliance with the IAS 19 standard, the amount of plan assets exceeded the plan obligation by €170 million as at 31 December 2013. Local rules concerning the Pension Fund may also create a contribution obligation in situations in which the IAS 19 obligation is fully covered. In such a case, the amount of contributions charged increases the amount of pension assets according to IAS 19.

Risks related to the pension obligation

In addition to the general level of interest rates, the pension obligation is affected by changes in statutory pension provision, future salary increases, index-based pension increases and changes in life expectancy. The pension promise made to the Fund members is tied to the amount of pensionable salary and it is a lifelong benefit. The total pension amount consists of the statutory amount and the supplementary pension provided by the Fund. Salary increases will increase the future pension amount. Changes in statutory pension plan, such as an increase in the retirement age or a reduction in the amount of pension, are compensated to pensioners by the supplementary pension and, consequently, the changes would increase the defined benefit obligation. The amount of future pensions is adjusted annually with an index-based increase in accordance with the terms and conditions of the plan. The extension of life expectancy will result in an increase in plan obligation.

Changes in the general level of interest rates and the market yield of high-quality bonds have an impact on the present value of pension obligation. If the level of interest rates falls, the present value of pension obligation rises. Because the Pension Fund's assets are invested and return targets are set for long terms, changes in the annual return on investments do not necessarily correlate in the short term with changes in the discount rate applied to the pension obligation.

Sensitivity analysis

The sensitivity analysis of the pension obligation has been prepared for changes in the following assumptions used in calculating the obligation: discount rate, salary growth rate, pension growth rate and life expectancy. A +/-0.50 percentage point change in the discount rate would reduce the pension obligation by 6.9% or increase it by 6.1%. A +/-0.50 percentage point change in the salary growth rate would increase the pension obligation by 1.3% or reduce it by 1.2%. A +/-0.50 percentage point change in the pension growth rate would increase the pension obligation by 5.3% or reduce it by 4.9%. A one year rise in life expectancy would increase the pension obligation by 3.1%.

The effects of the sensitivity analysis are based on a change in one assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may correlate with each other. When calculating the sensitivity of the defined benefit obligation the same method has been applied as when calculating the pension liability recognised within the statement of financial position.

Note 18. Inventories

€ million	2013	2012
Goods	793.9	809.2
Prepayments	3.5	5.0
Total	797.5	814.2
Inventories have been written down to their net realizable value when it is lower than initial cost.		
The amount of write down as at 31 December was	48.1	50.0

Note 19. Trade and other current receivables

€ million	2013	2012
Interest-bearing receivables		
Finance lease receivables	6.2	20.7
Interest-bearing loans and receivables	5.6	4.3
Total interest-bearing receivables	11.8	25.0
Trade receivables	616.7	703.0
Income tax assets	2.2	2.4
Other non-interest-bearing receivables		
Non-interest-bearing loan and other receivables	24.2	30.6
Deferred income	97.4	95.4
Total other non-interest-bearing receivables	121.6	126.0
Total	752.3	856.3

A total amount of €7.0 million (€7.2 million) of trade receivables has been recognised within credit losses in the income statement. Credit risk is described in more detail in note 32.

Deferred income mainly comprise accrued purchases and staff costs.

The fair values of current trade and loan receivables, and those of current interest-bearing receivables are estimated to nearly equal the carrying amounts due to their short maturities.

Note 20. Current available-for-sale financial assets

€ million	2013	2012
Carrying amount as at 1 January	249.0	185.5
Increase / Decrease	149.1	64.1
Changes in fair value	0.3	-0.6
Carrying amount as at 31 December	398.4	249.0

The available-for-sale financial assets include short-term investments in commercial papers, certificates of bank deposits and other interest rate instruments. An analysis of the assets is given in note 32.

Note 21. Non-current assets classified as held for sale and related liabilities

€ million	2013	2012
Land	0.4	1.9
Buildings and real estate shares	0.2	0.4
Total	0.5	2.3

The assets classified as held for sale did not include liabilities as at 31 December 2013 (31 December 2012).

Note 22. Shareholders' equity

Changes in share capital

Share capital	Number of shares A	B	Total	Share capital € million	Reserve of invested non-restricted equity € million	Share premium € million	Total € million
1 January 2012	31,737,007	66,208,035	97,945,042	197.3	0.1	197.8	395.1
Exercise of share options		67,298	67,298		1.0		1.0
Transfer of treasury shares		91,409	91,409				
31 December 2012	31,737,007	66,366,742	98,103,749	197.3	1.1	197.8	396.1
Exercise of share options		1,120,353	1,120,353		19.6		
Transfer of treasury shares		59,607	59,607				
31 December 2013	**31,737,007**	**67,546,702**	**99,283,709**	**197.3**	**20.6**	**197.8**	**415.6**
Number of votes	**317,370,070**	**67,546,702**	**384,916,772**				

During the financial year, the number of B shares was increased eight times corresponding to share subscriptions made with the options of the 2007 option scheme. The increases were made on 11 February 2013 (74,600 B shares, €1,046,274), 2 May 2013 (135,861 B shares, €2,849,005), 5 June 2013 (592,619 B shares, €11,775,962), 30 July 2013 (116,773 B shares, €1,429,302), 30 September 2013 (68,461 B shares, €837,963), 30 October 2013 (6,100 B shares, €74,664), 28 November 2013 (56,779 B shares, €694,975) and 27 December 2013 (69,160 B shares, €846,518). The subscribed shares were included on the main list of NASDAQ OMX Helsinki for public trading with the old B shares on 12 February 2013, 3 May 2013, 6 June 2013, 31 July 2013, 1 October 2013, 31 October 2013, 29 November 2013 and 28 December 2013. The combined subscription price of €19,554,663.12 received by the company for the shares was recorded in the company's reserve of invested non-restricted equity.

All issued shares have been fully paid. The maximum number of A shares is 250 million and the maximum number of B shares is also 250 million, provided that the total number of shares is 400 million at maximum. One A share carries ten (10) votes and one (1) B share one vote.

An analysis of share-based payments is given in note 30.

Treasury shares

Kesko Corporation's Annual General Meeting held on 4 April 2011 authorised the company's Board to acquire own B shares. Based on the Board's decision, the company acquired a total of 700,000 own B shares in the 2011 financial year which represent 0.7% of all shares. The total amount of €23.7 million paid for the shares was deducted from earnings retained in equity. The shares are held by the company as treasury shares and the company Board has been authorised to issue them. Based on the authority to issue own shares and the fulfilment of the vesting criteria of the 2011 vesting period of Kesko's three-year share-based compensation plan, the Board granted a total of 92,751 own shares held by the company as treasury shares, and based on the fulfilment of the vesting criteria of the 2012 vesting period, a total of 66,331 own shares held by the company as treasury shares to the persons included in the target groups of the vesting periods. The issuances were announced in a stock exchange release on 12 April 2012 and 5 April 2013. After the vesting period, a total of 6,724 shares already granted have been returned to the company in accordance with the terms and conditions of the share-based compensation plan.

Dividends

After the balance sheet date, the Board has proposed that €1.40 per share be distributed as dividends. A dividend of €1.20 per share was distributed on the profit for 2012.

Equity and reserves

Equity consists of share capital, share premium, reserve of invested non-restricted equity, other reserves, revaluation reserve, currency translation differences and retained earnings including treasury shares. In addition, the portion of accumulated depreciation difference and optional provisions net of deferred tax liabilities are included in equity.

Share premium

The amount exceeding the par value of shares received by the company in connection with share subscriptions is recorded in share premium in cases where options have been granted under the old Companies Act (29 Sept. 1978/734). As at the end of the financial year, the share premium was €197.8 million.

Reserve of invested non-restricted equity

The reserve of invested non-restricted equity, €20.6 million, includes the other equity-related investments and share subscription prices to the extent not designated to be included in share capital.

Other reserves

Other reserves, a total of €263.4 million, have mainly been created and increased as a result of resolutions by the General Meeting. Other reserves mainly comprise contingency reserves in a total amount of €242.3 million at the end of the financial year.

Currency translation differences

Currency translation differences arise from the translation of foreign operations' financial statements. Gains and losses arising from net investment hedges in foreign operations are also included in currency translation differences, provided they qualify for hedge accounting. The change in the reserve is stated within comprehensive income.

Revaluation reserve

The revaluation reserve includes the change in the fair value of available-for-sale financial instruments and the effective portion of the change in the fair value of derivatives designated as cash flow hedges. Cash flow hedges include electricity derivatives and interest rate derivatives hedging the interest expense of the Private Placement note. The change in the reserve is stated within comprehensive income.

Result of cash flow hedging

Hedge accounting is applied for hedging electricity price risk. As a result, an amount of €-1.2 million (€-2.8 million) was removed from equity and included in the income statement as purchase cost adjustment, and €-5.0 million (€-2.1 million) was recognised in equity, respectively. Their combined effect on the revaluation reserve for the year was €-3.8 million (€0.7 million) before accounting for deferred tax assets.

A fair value change of €-1.0 million (€-3.3 million) was recognised in equity for the USD-denominated Private Placement facility before accounting for deferred taxes. In addition, a €0.8 million (€0.8 million) interest expense adjustment for interest rate derivatives has been recognised in the income statement.

Note 23. Carrying amounts of financial assets and liabilities by category

31 December 2013

Assets as per balance sheet, € million	Financial assets/ liabilities at fair value through profit or loss	Loans and receiv-ables	Available-for-sale financial assets	Financial liabilities at amortised cost	Derivatives designated as hedges	Carrying amounts of assets as per balance sheet	Fair value
Non-current financial assets							
Available-for-sale financial assets			16.9			16.9	16.9
Non-current non-interest-bearing receivables		1.0				1.0	1.0
Non-current interest-bearing receivables		11.5				11.5	11.5
Current financial assets							
Trade and other non-interest-bearing receivables		737.3					
Derivatives	3.2					740.5	740.5
Interest-bearing receivables		11.8				11.8	11.8
Financial assets at fair value through profit or loss	170.7					170.7	170.7
Available-for-sale financial assets			398.4			398.4	398.4
Carrying amount by category	**173.9**	**761.6**	**415.3**	**0.0**	**0.0**	**1,350.7**	**1,350.7**

Non-current financial liabilities					
Non-current interest-bearing liabilities		348.4		348.4	350.2
Derivatives			6.7	6.7	6.7
Total non-current interest-bearing liabilities				355.1	356.9
Non-current non-interest-bearing liabilities		6.2		6.2	6.2
Derivatives			3.7	3.7	3.7
Total non-current non-interest-bearing liabilities				9.9	9.9
Current financial liabilities					
Current interest-bearing liabilities		192.6		192.6	187.3
Derivatives			6.7	6.7	6.7
Trade payables		825.3		825.3	825.3
Other non-interest-bearing liabilities		180.5		180.5	180.5
Derivatives			3.1	3.1	3.1
Total other non-interest-bearing liabilities				183.6	183.6
Accrued expenses		257.1		257.1	257.1
Derivatives	2.2			2.2	2.2
Total accrued expenses				259.3	259.3
Carrying amount by category	**2.2**	**1,810.2**	**20.2**	**1,832.6**	**1,829.1**

31 December 2012

Assets as per balance sheet, € million	Financial assets/ liabilities at fair value through profit or loss	Loans and receiv-ables	Available-for-sale financial assets	Financial liabilities at amortised cost	Derivatives designated as hedges	Carrying amounts of assets as per balance sheet	Fair value
Non-current financial assets							
Available-for-sale financial assets			22.3			22.3	22.3
Non-current non-interest-bearing receivables		1.2		0.1			
Derivatives					0.8	2.1	2.1
Non-current interest-bearing receivables		86.5				86.5	86.5
Current financial assets							
Trade and other non-interest-bearing receivables		831.0					
Derivatives	0.3					831.3	831.3
Interest-bearing receivables		25.0				25.0	25.0
Financial assets at fair value through profit or loss	137.2					137.2	137.2
Available-for-sale financial assets			249.0			249.0	249.0
Carrying amount by category	**137.5**	**943.7**	**271.4**	**0.1**	**0.8**	**1,353.5**	**1,353.5**

Non-current financial liabilities					
Non-current interest-bearing liabilities		440.8		440.8	455.6
Derivatives			9.5	9.5	9.5
Total non-current interest-bearing liabilities				450.3	465.0
Non-current non-interest-bearing liabilities		8.5		8.5	8.5
Derivatives			1.8	1.8	1.8
Total non-current non-interest-bearing liabilities				10.3	10.3
Current financial liabilities					
Current interest-bearing liabilities		174.1		174.1	174.3
Trade payables		803.6		803.6	803.6
Other non-interest-bearing liabilities		240.0		240.0	240.0
Derivatives			1.9	1.9	1.9
Total other non-interest-bearing liabilities				241.9	241.9
Accrued expenses		283.4		283.4	283.4
Derivatives	3.7			3.7	3.7
Total accrued expenses				287.2	287.2
Carrying amount by category	**3.7**	**1,950.6**	**13.1**	**1,967.4**	**1,982.3**

The fair values of borrowings have been calculated based on the present value of future cash flows using the 0.2%–3.1% market rates of interest of the balance sheet date. The fair value of current interest-bearing liabilities has been estimated to nearly equal their balance sheet value. The maturity analysis of non-current receivables is presented in note 14, and that of non-current borrowings in note 32.

Note 24. Finance lease liabilities

€ million	2013 Minimum lease payments	2013 Future finance charges	2013 Present value of minimum lease payments	2012 Minimum lease payments	2012 Future finance charges	2012 Present value of minimum lease payments
Minimum lease payments						
No later than 1 year	8.4	0.8	7.6	**12.0**	2.3	9.7
Later than 1 year and no later than 5 years	11.1	0.4	10.7	**33.2**	2.8	30.4
Later than 5 years	0.6	0.1	0.5	**0.0**	0.0	0.0
Total lease payments	**20.0**	**1.2**	**18.8**	**45.3**	**5.1**	**40.2**
Contingent rents recognised as income in the period			**0.0**			**-0.1**
Expected sublease rentals			**14.3**			**22.4**

The financial lease liabilities mainly comprise store fittings leased by Kesko Food Ltd from finance companies and subleased to chain companies.

Note 25. Provisions

€ million	Onerous leases	Warranty provisions	Other provisions	Total
As at 1 Jan. 2013	22.9	20.2	16.9	60.0
Foreign exchange effects	0.0	0.0	0.0	-0.1
Additional provisions	6.3	4.4	6.0	16.7
Unused amounts reversed	-7.8	-1.5	-5.2	-14.5
Expensed in income statement	21.4	23.1	17.7	62.1
Used during year	-4.1	-0.6	-2.5	-7.1
As at 31 Dec. 2013	17.3	22.6	15.2	55.1
Analysis of total provisions				
Non-current	3.6	10.9	2.9	17.4
Current	13.7	11.7	12.3	37.7

Provisions for onerous leases relate to lease liabilities for premises no longer used in the Group’s operating activities, and to net rental losses on subleased premises. Relating to Musta Pörssi's restructuring, provisions for onerous leases were recognised during the financial year 2012. A warranty provision has been recognised for warranties on vehicles and machines sold by the Group companies. The provision amount is based on experience of realised warranty obligations in previous years.

Note 26. Trade payables and other current non-interest-bearing liabilities

€ million	2013	2012
Trade payables	825.4	803.6
Other non-interest-bearing liabilities	235.2	241.9
Current tax liabilities	10.7	16.2
Accrued expenses	248.6	271.0
Total current non-interest-bearing liabilities	1,319.9	1,332.7

Accrued expenses are mainly due to the timing of purchases and staff cost.

Note 27. Jointly controlled assets

These figures represent the Group's interests in jointly controlled assets and liabilities and income and profit included in the consolidated statement of financial position and income statement. The jointly controlled assets comprise mutual real estate companies.

€ million	2013	2012
Non-current assets	59.1	66.4
Current assets	0.0	0.3
	59.1	66.7
Non-current liabilities	3.6	7.2
Current liabilities	12.7	14.1
	16.3	21.3
Net assets	42.8	45.4
Income	2.9	4.0
Costs	2.9	3.9
Profit	0.0	0.1

Note 28. Commitments

€ million	2013	2012
Collateral given for own commitments		
Pledges	86.7	66.7
Mortgages	14.5	14.5
Guarantees	14.6	21.8
Other commitments and contingent liabilities	81.7	73.3
Collateral given for associates		
Guarantees	65.0	65.0
Collateral given for others		
Guarantees	0.3	0.3
Other commitments and contingent liabilities	10.2	9.4

The financial guarantees given do not include guarantees related to the items presented within liabilities in the consolidated statement of financial position or as a lease liability in note 29.

Note 29. Operating leases

Group as lessee

Minimum lease payments under non-cancellable operating lease agreements:

€ million	2013	2012
No later than 1 year	371.4	368.5
Later than 1 year and no later than 5 years	1,102.1	1,089.6
Later than 5 years	920.2	870.3
Total	2,393.7	2,328.4
Expected future minimum lease payments under non-cancellable sublease agreements	45.3	52.0
Lease and sublease payments recognised for the period:		
Minimum lease payments	402.2	391.2
Contingent rents	0.0	-0.1
Sublease income	21.9	23.4

The 2013 income statement includes capital and maintenance rentals on real estate under operating leases, and other rentals in a total amount of €421.7 million (€433.6 million). Maintenance rentals are not included in minimum lease payments.

Kesko leases retail and logistics premises for its operating activities. Most of the leases are index-linked and in conformity with local market practice.

Group as lessor

Minimum lease payments received under non-cancellable operating lease agreements:

€ million	2013	2012
No later than 1 year	15.1	16.4
Later than 1 year and no later than 5 years	23.9	32.4
Later than 5 years	9.3	11.0
Total	48.2	59.8
Aggregate contingent rents charged to the income statement	2.2	1.8

Kesko leases premises to entrepreneurs other than K-retailers in order that the total service offer of a store site supports its profit generation potential. Such premises typically include so-called store entrance stores at large retail outlets.

Note 30. Share-based payments

Share-based compensation plan

Kesko's share-based compensation plan 2011−2013, decided by the Board, is targeted to the Group's management and other named key personnel, in which a total maximum of 600,000 own B shares held by the company can be granted within a period of three years.

The share-based compensation plan includes three vesting periods, namely the calendar years 2011, 2012 and 2013. The Kesko Board will decide on the target group and vesting criteria separately for each vesting period based on the proposal by the Remuneration Committee. The award possibly payable after the end of each vesting period is based on the fulfilment of the vesting criteria decided by the Board for the vesting period. The criteria for the vesting periods 2011, 2012 and 2013 are Kesko's basic earnings per share (EPS) excluding non-recurring items, Kesko Group's sales performance exclusive of tax in the vesting year and the percentage by which the total earnings of a Kesko B share exceeds the OMX Helsinki Benchmark Cap GI index.

The award possibly paid for a vesting period will be partly in Kesko B shares and partly in cash.

The cash component will be used to pay the taxes and tax-like charges incurred by the award.

A commitment period of three calendar years following each vesting period is attached to the shares issued in compensation, during which shares may not be assigned. If a person's employment or service relationship ends prior to the expiry of a commitment period, he/she must return the shares under the assignment restriction for no consideration to Kesko or its designate.

Based on the 2012 vesting period, 66,631 shares were assigned during the financial year ended 31 December 2013. Based on the 2011 vesting period, 92,751 shares were assigned during the financial year ended 31 December 2012.

The assumptions in accounting for the share-based compensation plan are presented in the tables below.

Share award grant dates and fair values, vesting period 2011

Grant dates	16 Feb. 2011	27 Apr. 2011	16 May 2011
Grant date fair value of share award, €	31.70	32.25	32.20
Share price at grant date, €	32.40	32.25	32.20
Share-based compensation plan duration			
Vesting period start date			1 Jan. 2011
Vesting period end date			31 Dec. 2011
Commitment period end date			31 Dec. 2014

Share award grant dates and fair values, vesting period 2012

Grant date	2 Feb. 2012	20 Feb. 2012	22 Mar. 2012
Grant date fair value of share award, €	23.76	25.04	23.44
Share price at grant date, €	24.96	26.24	24.64
Share-based compensation plan duration			
Vesting period start date			1 Jan. 2012
Vesting period end date			31 Dec. 2012
Commitment period end date			31 Dec. 2015

Share award grant dates and fair values, vesting period 2013	
Grant date	5 Feb. 2013
Grant date fair value of share award, €	23.30
Share price at grant date, €	24.50
Share-based compensation plan duration	
Vesting period start date	1 Jan. 2013
Vesting period end date	31 Dec. 2013
Commitment period end date	31 Dec. 2016

Assumptions applied in determining the fair value of share award	Vesting period 2013	Vesting period 2012	Vesting period 2011
Number of share awards granted, maximum, pcs	263,600	257,400	239,000
Changes in the number of shares granted, pcs	-9,500	-6,575	-13,242
Actual amount of share award, pcs, vesting periods 2012 and 2011	-	66,631	92,751
Number of plan participants at end of financial year	142	131	114
Share price at balance sheet date, €	26.80	24.77	25.96
Assumed fulfilment of vesting criteria, %	20.0	30.0	53.3
Estimated number of share awards returned prior to the end of restriction period, %	5.0	5.0	5.0

The impact of the above share-based compensation plans on the Group's profit for 2013 was €-2.8 million (€-2.2 million).

As at 31 December 2013, the expense to be recognised for financial years 2014−2016 is estimated at a total of €2.6 million. The actual amount may differ from the estimate.

Options

The Group operates share option plans as part of management's incentive and commitment plan. Each option gives its holder the right to subscribe for one Kesko Corporation B share at the price and during the period specified in the terms and conditions of the option plan. The options are forfeited if the employee leaves the company before the end of the commitment period, unless, in an individual case, the Board decides that the option recipient can keep all or some of the options under offering obligation.

2007 option scheme

On 26 March 2007, the Annual General Meeting decided to grant a total of 3,000,000 options for no consideration to the management of Kesko Group, other key personnel, and a subsidiary wholly owned by Kesko Corporation. The Company had a weighty financial reason for granting the options because they are intended to be part of Kesko's share-based incentive system. Each option entitles its holder to subscribe for one new Kesko Corporation B share. In addition, the option scheme includes an obligation placed by Kesko Board to grantees to buy company shares for permanent ownership for the value of 25% of the proceeds from the sale of options. The options are marked with the symbols 2007A, 2007B and 2007C in units of 1,000,000 options each.

The options are exercisable as follows:

- 2007A 1 April 2010−30 April 2012 (subscription period has expired)
- 2007B 1 April 2011−30 April 2013 (subscription period has expired)
- 2007C 1 April 2012−30 April 2014

The original price of a share subscribed for with option 2007A was the trade volume weighted average quotation of a Kesko Corporation B share on the Helsinki Stock Exchange between 1 April and 30 April 2007 (€45.82), with option 2007B, between 1 April and 30 April 2008 (€26.57), and with option 2007C, between 1 April and 30 April 2009 (€16.84). The prices of shares subscribed for with options are reduced by the amount decided after the beginning of the period for the determination of the subscription price but before the subscription, as at the record date for each distribution of profits or other assets. After the distribution of dividends for 2012, the price of a B share subscribed for with option 2007C was €12.24. The option scheme covers 116 people.

Percentage of issued share options out of all shares and votes

If all of the exercisable share options remaining of the 1,000,000 issued under the 2007 option scheme are assumed to be exercised, the shares subscribed for with the options would account for 1.0% of all shares and for 0.3% of all votes. The subscriptions made with share options can raise the number of the company shares to 100,310,552. As a result of the subscriptions, the votes attached to all shares could increase to 385,943,615.

Dividend rights and other shareholder rights attached to the shares will apply after the share capital increase has been entered in the Trade Register.

Share options in financial year 1 Jan.—31 Dec. 2013

Principal terms of the plans	2007 SHARE OPTIONS	
Grant date	26 March 2007	
Instrument	share option	
Target group	management, other key persons	
	2007B	**2007C**
Original number of options, pcs	1,000,000	1,000,000
Number of shares per option, pcs	1	1
Original exercise price	€26.57	€16.84
Dividend adjustment	Yes	Yes
Exercise price at 31 Dec. 2011	€23.37	€14.64
Exercise price at 31 Dec. 2012	€22.17	€13.44
Exercise price at 31 Dec. 2013	-	€12.24
Fair value at grant date		
29 May 2008: 2007B	€26.47	
13 Sep. 2010: 2007B	€32.57	
27 May 2009: 2007C		€20.12
13 Sep. 2010: 2007C		€32.57
First allocation, date	1 Apr. 2011	1 Apr. 2012
Expiry date	expired	30 Apr. 2014
Remaining vesting period, years	-	0.3
Plan participants at end of year	-	116

Movements in the number of share options and their related exercise prices in 2013

2013	2007B	2007C	Weighted average exercise price
Options outstanding at beginning of period	688,820	655,032	€17.91
Options available for grant at beginning of period	300,800	284,300	€17.93
Options granted during period	-	-	-
Options forfeited during period	-	-	-
Options exercised during period	658,880	461,473	€18.57
Options expired during period	330,740	-	€22.17
Options outstanding at end of period	0	193,559	€12.24
Options exercisable at end of period	0	477,859	€12.24
Average price weighted by grant date trading volume	€22.81	€24.45	
Kesko B share price at end of grant year			
2008	€17.80		
2009		€23.08	
2010	€34.93	€34.93	

Movements in the number of share options and their related exercise prices in 2012

2012	2007B	2007C	Weighted average exercise price
Options outstanding at beginning of period	688,820	655,032	€19.11
Options available for grant at beginning of period	300,800	279,800	€19.16
Options granted during period	-	-	-
Options forfeited during period	0	4,500	€13.44
Options exercised during period	6,630	60,668	€14.30
Options expired during period			
Options outstanding at end of period	688,820	655,032	€17.91
Options exercisable at end of period	989,620	939,332	€17.92
Average price weighted by grant date trading volume	€24.68	€23.20	

The options did not have an impact on the consolidated profit for the financial year 2013 (€0.5million).

Note 31. Notes related to cash flow

Capital expenditure and non-cash financing transactions

€ million	2013	2012
Total purchases of fixed assets,	171.5	378.3
of which cash payments	174.4	411.2
Payments arising from prior period investing activities	-4.2	-9.7
Capital expenditure in assets leased to customers	-6.0	-34.2
Capital expenditure financed with finance lease or other liability	7.3	11.0

Adjustments to cash flows from operating activities

€ million	2013	2012
Adjustment of non-cash transactions in the income statement and items presented elsewhere in the statement of cash flows		
Change in provisions	-4.9	26.2
Share of profit from associates	0.3	0.9
Impairments	1.4	3.8
Credit losses	7.0	7.2
Non-recurring gains on disposal of fixed assets	-10.9	-3.6
Non-recurring losses on disposal of fixed assets	0.6	0.3
Option expenses	0.5	1.2
Defined benefit pensions	-2.3	57.5
Others	16.5	9.7
Total	8.2	103.1

The group ‘Others’ within the adjustments to cash flows from operating activities includes the adjustment of unrealised foreign exchange gains and losses on purchases and sales, and the adjustment of other transactions of non-cash nature.

Cash and cash equivalents within the statement of cash flows

€ million	2013	2012
Available-for-sale financial assets (maturing in less than 3 months)	341.3	249.0
Cash and cash equivalents	111.8	102.9
Total	453.0	351.9

In the statement of cash flows, cash and cash equivalents includes those recognised in the balance sheet and the portion of available-for-sale financial assets that are expected to be settled in less than three months from acquisition.

Note 32. Financial risk management

Financial risk management

With respect to financial risk management, the Group observes a uniform financing policy that has been approved by the company Board. Compliance with this policy and developments in the Group's financial situation are monitored by the Board's Audit Committee. Group Treasury is centrally responsible for obtaining financial resources for the Group, for liquidity management, relations with providers of finance, and the management of financial risks. As a rule, the Group's financial resources are obtained through the parent company, and Group Treasury arranges financial resources for subsidiaries in their functional currencies. For subsidiaries with significant external ownership, the Group has not guaranteed financial liabilities in excess of its ownership interest.

Currency risks

Kesko Group operates in eight countries, in addition to which it makes purchases from numerous countries. In consequence, the Group is exposed to various foreign exchange risks arising from net investments in foreign operations (translation risks) and from assets, liabilities and forecast transactions (transaction risks) denominated in foreign currencies.

The Group companies' financial resources are arranged in their functional currencies. The parent company bears the currency risk and hedges the risk exposure using derivatives or borrowings denominated in the relevant foreign currencies. The Belarusian currency BYR is not a freely convertible currency and hedging the associated exposure to currency risk is not possible.

Translation risks

The Group's assets are exposed to foreign currency translation risks relating to net investments in subsidiaries outside the euro zone. This balance sheet exposure has not been hedged. The hedge is designated if equity is repatriated, or if a currency is expected to be exposed to a significant devaluation risk. The most significant translation exposures are the Swedish krona, Russian ruble, Lithuanian litas, Latvian lat and Norwegian krone. On 1 January 2014, Latvia adopted the euro as its official currency, and therefore transaction risk no longer exists. The exposure does not include the non-controlling interest in equity. Relative to the Group's volume of operations and the balance sheet total, the translation risk is low.

The functional currency of the real estate companies operating in St. Petersburg and Moscow in Russia has been determined to be the euro, which is why net investments in these companies are not exposed to translation risk, and consequently are not included in the translation exposure.

Group's translation exposure as at 31 Dec. 2013

€ million	LVL	NOK	SEK	RUB	LTL	BYR
Net investment	39.1	32.0	82.3	69.6	43.7	2.9

Group's translation exposure as at 31 Dec. 2012

€ million	LVL	NOK	SEK	RUB	LTL	BYR
Net investment	34.4	25.2	86.1	47.1	41.5	2.5

The following table shows how a 10% change in the Group companies' functional currencies would affect the Group's equity.

Sensitivity analysis, effect on equity as at 31 Dec. 2013

€ million	LVL	NOK	SEK	RUB	LTL	BYR
Change +/-10%	3.9	3.2	8.2	7.0	4.4	0.3

Sensitivity analysis, effect on equity as at 31 Dec. 2012

€ million	LVL	NOK	SEK	RUB	LTL	BYR
Change +/-10%	3.4	2.5	8.6	4.7	4.2	0.3

Transaction risks

International purchasing activities and foreign currency denominated financial resources arranged by the parent to subsidiaries expose the Group to transaction risks relating to several currencies. A currency-specific transaction risk exposure comprises foreign currency denominated receivables and liabilities in the balance sheet, projected foreign currency cash flows, and foreign subsidiaries' liabilities and receivables with respect to the parent. The risk is commercially managed by, for example, transferring exchange rate changes to selling prices, or by replacing suppliers. The remaining exposures are hedged using currency derivative instruments. The level of hedging in commercial transactions is decided by each relevant subsidiary within the limits of documented hedging policies. The subsidiaries report their foreign exchange risk exposures to Group Treasury on a monthly basis.

As a rule, the subsidiaries hedge their risk exposures with Group Treasury, which in turn hedges risk exposures using market transactions within the limits confirmed for each currency. Intra-Group derivative contracts are allocated to the segments in segment reporting.

The Group does not apply hedge accounting in accordance with IAS 39 to the hedging of transaction risks relating to purchases and sales. Derivatives are initially recognized at transaction price and subsequently they are measured at fair value. The change in fair value of currency derivatives used for hedging purchases and sales is recognised in other operating income or expenses.

The Group monitors the transaction risk exposure in respect of the existing and projected cash flows. The accompanying table analyses the transaction exposure excluding future cash flows. The presentation does not illustrate the Group's actual currency risk exposure after hedgings. Projected amounts included in the transaction exposure, the most significant differences from the table below are in the USD and LTL exposures. As at 31 December 2013, the risk exposure with respect to USD was €-6.0 million, and with respect to LTL, it was €14.5 million. On 1 January 2014, Latvia adopted the euro as its official currency, and therefore transaction risk no longer exists.

Group's transaction exposure as at 31 Dec. 2013

€ million	USD	SEK	NOK	LVL	LTL	RUB	BYR
Group's transaction risk	-1.9	37.4	43.7	6.0	4.9	25.6	-0.1
Hedging derivatives	40.8	-37.8	-14.4	0.0	-11.6	-40.1	0.0
Hedging borrowings	0.0	0.0	-23.9	0.0	0.0	0.0	0.0
Exposure	38.9	-0.4	5.4	6.0	-6.7	-14.5	-0.1

Group's transaction exposure as at 31 Dec. 2012

€ million	USD	SEK	NOK	LVL	LTL	RUB	BYR
Group's transaction risk	-2.7	49.8	75.6	4.9	-1.2	65.0	0.4
Hedging derivatives	33.3	-45.9	-34.7	4.3	-11.6	-57.1	0.0
Hedging borrowings	0.0	0.0	-27.2	-7.2	0.0	0.0	0.0
Exposure	30.6	3.9	13.7	2.0	-12.8	7.9	0.4

A sensitivity analysis of the transaction exposure shows the impact on profit or loss of a +/-10% exchange rate change in intra-Group receivables and liabilities denominated in foreign currencies and foreign currency derivatives and borrowings used for hedging.

Sensitivity analysis, impact on pre-tax profit as at 31 Dec. 2013

€ million	USD	SEK	NOK	LVL	LTL	RUB	BYR
Change +/-10%	3.9	0.0	0.5	0.6	-0.7	-1.5	0.0

Sensitivity analysis, impact on pre-tax profit as at 31 Dec. 2012

€ million	USD	SEK	NOK	LVL	LTL	RUB	BYR
Change +/-10%	3.1	0.4	1.4	0.2	-1.3	0.8	0.0

Liquidity risk

Liquidity risk management aims to maintain sufficient liquid assets and borrowing facilities in order to ensure the availability of sufficient financial resources for the Group’s operating activities at all times.

The Group's solvency was excellent throughout the financial year 2013. As at 31 December 2013, liquid assets totalled €681 million (€489 million). Interest-bearing liabilities were €554 million (€624 million) and interest-bearing net debt €-126 million (€135 million) as at 31 December 2013.

Maturities of financial liabilities and related finance costs as at 31 Dec. 2013

€ million	2014	2015	2016	2017	2018–	Total	Balance sheet value
Borrowings from financial institutions	**0.6**	**24.4**	**0.2**	**0.1**	**1.9**	**27.3**	**27.3**
finance costs	1.1	1.1	0.0	0.0	0.1	2.3	
Private Placement notes (USD)*	**43.5**		**26.1**		**17.4**	**87.0**	**100.3**
finance costs	4.1	2.8	1.9	1.1	1.7	11.6	
Bonds					**242.7**	**242.7**	**241.0**
finance costs	6.7	6.7	6.7	6.7	6.7	33.4	
Pension loans	**5.8**	**5.8**	**5.8**	**5.8**	**8.7**	**32.1**	**31.9**
finance costs	1.2	1.0	0.7	0.5	0.3	3.8	
Finance lease liabilities	**7.6**	**2.8**	**2.7**	**2.6**	**3.2**	**18.9**	**18.8**
finance costs	0.8	0.1	0.1	0.1	0.1	1.1	
Payables to K-retailers	**113.4**					**113.4**	**113.4**
finance costs						0.0	
Other interest-bearing liabilities	**21.6**					**21.6**	**21.6**
finance costs						0.0	
Non-current non-interest-bearing liabilities	**4.1**	**3.0**	**1.4**	**0.9**	**0.2**	**9.7**	**9.7**
Current non-interest-bearing liabilities							
Trade payables	**825.3**					**825.3**	**825.3**
Accrued expenses	**245.4**					**245.4**	**245.4**
Other non-interest-bearing liabilities	**183.6**					**183.6**	**183.9**

Maturities of financial liabilities and related finance costs as at 31 Dec. 2012

€ million	2013	2014	2015	2016	2017−	Total	Balance sheet value
Borrowings from financial institutions	**1.0**	**8.0**	**28.0**	**0.4**	**3.3**	**40.8**	**40.9**
finance costs	1.4	1.4	1.3	0.1	0.2	4.3	
Private Placement notes (USD)*		**45.5**		**27.3**	**18.2**	**91.0**	**100.3**
finance costs	5.6	4.3	2.9	2.0	2.9	17.8	
Bonds					**250.0**	**250.0**	**247.9**
finance costs	6.9	6.9	6.9	6.9	13.8	41.3	
Pension loans	**5.8**	**5.8**	**5.8**	**5.8**	**14.6**	**37.9**	**37.8**
finance costs	1.4	1.2	1.0	0.7	0.8	5.2	
Finance lease liabilities	**9.8**	**8.3**	**4.6**	**13.8**	**3.9**	**40.3**	**40.1**
finance costs	2.3	1.2	0.9	0.4	0.2	5.0	
Payables to K-retailers	**130.3**					**130.3**	**130.3**
finance costs						0.0	
Other interest-bearing liabilities	**27.2**					**27.2**	**27.2**
finance costs	0.0					0.0	
Non-current non-interest-bearing liabilities	**4.5**	**4.7**	**1.0**	**0.2**	**0.1**	**10.4**	**10.4**
Current non-interest-bearing liabilities							
Trade payables	**808.4**					**808.4**	**808.4**
Accrued expenses	**267.5**					**267.5**	**267.5**
Other non-interest-bearing liabilities	**182.7**					**182.7**	**182.7**

* The cash flows from Private Placement notes and related foreign exchange derivatives and interest rate derivatives are settled on a net basis. The liability arising on the interest rate derivatives related to the facility is presented in 'other interest-bearing liabilities' in the balance sheet. A total liability of €100.3 million arising on this borrowing facility is recognised in the balance sheet.

The terms and conditions of the Private Placement credit facility and the committed facilities include ordinary financial covenants. The requirements of these covenants have been met. The borrowing terms include a financial covenant defining the ratio between net debt and EBITDA, which remained well below the maximum throughout the financial year.

Payables to K-retailers consist of two types of interest-bearing liabilities by Kesko to K-retailers: retailers' prepayments to Kesko and Kesko's chain rebate liabilities to retailers. Chain rebates are subsequent discounts given to retailers and the terms vary from one chain to another.

At the balance sheet date, the total equivalent of available committed long-term borrowing facilities was €100.0 million (€100.0 million). In addition, the Group's uncommitted financial resources available contained commercial paper programmes denominated in euros totalling an equivalent of €359 million (€359 million). In addition, in January 2014, the Group companies held a total of €437.8 million available for re-borrowing from a pension insurance company. Part of the pension insurance premiums paid annually by the Group companies are funded and the accumulated funds can be re-borrowed with a term of 1−10 years in accordance with regulations confirmed by the Ministry of Social Affairs and Health. Any amount of borrowing requires the posting of collateral.

The collateral maturities are the following; in 2014, €76.4 million and in 2018, €3.5 million.

Interest rate risk on borrowings and sensitivity analysis

Changes in interest rates have an impact on the Group's interest expense. The policy for hedging interest rate risk exposure is aimed at balancing the effects of changes in interest rates on the profits for different accounting periods.

The interest rate risk is centrally managed by Group Treasury, which adjusts interest rate duration by using interest rate contracts. The target duration is three years, which is allowed to vary between one and a half and four years. The actual duration during the period was 2.8 (2.5) years on average.

On 11 September 2012, Kesko Corporation issued a €250 million bond. The bond carries a fixed coupon interest at 2.75% and a maturity of six years from issuance.

On 10 June 2004, Kesko Corporation issued a USD Private Placement in a total amount of USD 120 million in the United States. The facility has three tranches with bullet repayments due in 2014 (USD 60 million), in 2016 (USD 36 million) and in 2019 (USD 24 million).

Kesko Corporation's USD Private Placement credit facility qualifies for hedge accounting against both foreign exchange and interest rate risk and it has been hedged by currency swaps and interest rate swaps with the same amounts and maturities as the borrowing. As a result, the borrowing is fully hedged against foreign exchange and interest rate risk. During the financial year, there was no ineffectiveness to be recorded in the income statement from this credit facility.

Concerning commercial paper liabilities, average balances during the financial year have been used in the following sensitivity analysis. At the balance sheet date of 31 December 2013, the effect of variable rate borrowings on the pre-tax profit would have been €-/+1.9 million, if the interest rate level had risen or fallen by 1 percentage point (€-/+2.1 million).

The bond, Private Placement notes and some of the borrowings from financial institutions, €397.2 million in aggregate, have fixed interest rates, and their effective interest cost was 3.7%. At the end of the financial year, the average rate of variable-interest-rate borrowings from financial institutions, payables to retailers and other interest-bearing liabilities was 0.1%. Some of the borrowings are euro-denominated, the Private Placement notes are USD-denominated, and the borrowings from financial institutions include NOK-denominated borrowings totalling €23.9 million (€27.2 million).

Interest-bearing receivables and sensitivity analysis

The objective is to invest liquidity consisting of financial assets in the money market by using efficient combinations of return and risk. At regular intervals, the Group's management approves the investment instruments and limits for each counterparty among those analysed by Group Treasury. The risks and actual returns of investments are monitored regularly.

Concerning variable-rate receivables, average annual balances of invested assets have been used in the sensitivity analysis. The receivables include customer financing receivables, finance lease receivables, other interest-bearing receivables, and within investments, commercial papers and bond funds. The sensitivity of bond funds has been determined based on duration. At the balance sheet date, the effect of these items on the pre-tax profit would have been €+/-3.6 million (€+/-3.0 million), and €+/-0.5 million (€+/-0.2 million) on equity, if the interest rate level had changed by +/-1 percentage point.

Financial assets and liabilities recognised at fair value

The Group's liquid assets have mainly been invested in the debt instruments of major Finnish companies, in certificates of deposit and deposits with banks operating in Kesko's market area, in bonds of selected companies and in corporate bond funds with a weaker credit rating. The return on these investments for 2013 was 0.7% (1.5%) and interest rate duration was 0.3 years at the end of the financial year. The maximum credit risk is the fair value of these investments in the balance sheet at the balance sheet date as presented below. The table below analyses financial instruments carried at fair value, by valuation method.

Fair value hierarchy of financial assets and liabilities

	Fair value as at 31 Dec. 2013			
€ million	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss				
Bond funds	14.1			14.1
Commercial papers		66.3		66.3
Bank certificates of deposit and deposits		90.3		90.3
Total	14.1	156.5		170.7
Derivative financial instruments at fair value through profit or loss				
Derivative financial assets		3.2		3.2
Derivative financial liabilities		22.4		22.4
Available-for-sale financial assets				
Private equity funds and other shares and interests			16.9	16.9
Commercial papers (maturing in less than 3 months)		105.9		105.9
Bank certificates of deposit and deposits (maturing in less than 3 months)		235.4		235.4
Bonds and corporate bond funds	57.1			57.1
Total	57.1	341.3	16.9	415.3

Fair value hierarchy of financial assets and liabilities

€ million	Fair value as at 31 Dec. 2012 Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Commercial papers		77.2		77.2
Bank certificates of deposit and deposits		60.1		60.1
Total		137.2		137.2
Derivative financial instruments at fair value through profit or loss				
Derivative financial assets		1.1		1.1
Derivative financial liabilities		16.8		16.8
Available-for-sale financial assets				
Private equity funds and other shares and interests			22.3	22.3
Commercial papers (maturing in less than 3 months)		83.5		83.5
Bank certificates of deposit and deposits (maturing in less than 3 months)		165.6		165.6
Bonds	0.0			0.0
Total	0.0	249.0	22.3	271.4

Level 1 instruments are traded in active markets and their fair values are directly based on quoted market prices. The fair values of level 2 instruments are derived from market data. The fair values of level 3 instruments are not based on observable market data (unobservable input).

Changes in level 3 instruments

€ million	2013	2012
Private equity funds and other shares and interests as at 1 January	22.3	10.6
Purchases	1.2	2.4
Refunds received	-7.3	-4.2
Changes in fair values	0.7	13.5
Private equity funds and other shares and interests as at 31 December	16.9	22.3

Level 3 includes private equity funds and other shares and interests. These investments have been classified as non-current available-for-sale financial assets. Level 3 financial assets are measured based on valuations provided by the companies. Profits or losses on private equity funds were not recognised for the financial year 2013 (2012). A total profit of €5.7 million on shares and interests was recognised for the financial year 2013.

Credit and counterparty risk

The divisions' business entities are responsible for the management of credit risk associated with amounts due from customers. The Group has a credit policy and its implementation is controlled. The aim is to ensure the payment of receivables by carefully assessing customers' creditworthiness, by specifying customer credit terms and collateral requirements, by effective credit control and credit insurances, as applicable. In Finland, the main part of the Group's business activities is carried out in cooperation with retailers. According to retailer agreements, retailers shall arrange overdraft facilities to be held as collateral for their trade payables by the relevant Kesko subsidiary.

The Group companies apply a uniform practice to measuring past due receivables. A receivable is written down when there is objective evidence of impairment. The ageing analysis of trade receivables as at 31 December was as follows:

Ageing analysis of trade receivables

€ million	2013	2012
Trade receivables fully performing	571.4	655.8
1−7 days past due trade receivables	15.9	15.8
8−30 days past due trade receivables	10.4	12.6
31−60 days past due trade receivables	3.5	3.1
over 60 days past due trade receivables	15.5	15.8
Total	616.7	703.0

The above analysis includes impaired receivables in a total amount of €24.9 million (€31.8 million).

Within trade receivables, €350.6 million (€362.1 million) were from chain retailers and €7.7 million (€46.7 million) were credit card receivables. The collateral for chain retailer receivables is an overdraft facility granted by a Kesko associate, Vähittäiskaupan Takaus Oy, with the maximum always limited to the realisable value of the counter-security from the K-retail company and entrepreneur to Vähittäiskaupan Takaus. At the end of the financial year, the aggregate value of counter-securities was €157.6 million (€151.3 million). In addition, the collateral for receivables includes other collaterals, such as business mortgages and other pledged assets.

Trade receivables include a provision for impairment in a total of €18.3 million (€17.9 million). An aggregate amount of €7.0 million (€7.2 million) in credit losses and impairments has been recognised in the net profit for the period.

The amount of receivables with renegotiated terms amounted to €5.0 million (€2.0 million).

Financial credit risk

Financial instruments involve the risk of non-performance by counterparties. Kesko only enters into currency and interest rate derivative contracts with creditworthy banks. Liquid funds are invested, in accordance with limits set annually for each counterparty, in instruments with good credit quality. Company and bank-specific euro and time limits are set for interest investments. These limits are reviewed during the year depending on the market situation.

Loan agreements at change of control (interest over 50%)

According to the terms of Kesko Corporation's loan facilities, the lenders have the right to cancel the loan facility and any amounts drawn down.

According to the terms of both loan agreements, a transfer of ownership to retailers or a retailers' association shall not be considered a change of control.

Credit ratings

For the present, Kesko Corporation has not applied for a credit rating, because it has not been considered necessary in the company's present financial situation.

Commodity risks and their sensitivity analyses

The Group uses electricity derivatives for the purpose of balancing out energy costs. The electricity price risk is assessed for five-year periods. The fair value changes of derivatives hedging the price of electricity supplied during the financial year are recognised within adjustments to purchases. Hedge accounting is applied to contracts hedging future purchases. The effective portion of derivatives that qualify for hedge accounting is recognised in the revaluation reserve of equity and the ineffective portion in the income statement within other operating income or expenses. The change in the revaluation reserve recognised in equity is presented in the statement of comprehensive income under 'revaluation of cash flow hedge'.

At the end of the year, the ineffective portion of hedge accounting was €-1.6 million (€-2.2 million).

At the balance sheet date, a total quantity of 1,183,152 MWH (1,077,792 MWH) of electricity had been purchased with electricity derivatives, and the 1–12 month hedging rate was 89% (89%), the 13–24 month rate was 65% (51%), the 25–36 month rate was 38% (31%), the 37–48 month rate was 25% (21%) and the 49–60 month rate was 8% (16%).

A sensitivity analysis for electricity derivatives assumes that derivatives maturing in less than 12 months have an impact on profit. If the market price of electricity derivatives changed by -/+20% from the balance sheet date 31 December 2013, it would contribute €-/+2.2 million (€-/+3.3 million) to the 2014 income statement and €-/+3.9 million (€-/+4.8 million) to equity. The impact has been calculated before tax.

Fair values of derivative contracts

€ million	31 Dec. 2013 Positive fair value (balance sheet value)	31 Dec. 2013 Negative fair value (balance sheet value)	31 Dec. 2012 Positive fair value (balance sheet value)	31 Dec. 2012 Negative fair value (balance sheet value)
Interest rate derivatives	0.0	-0.2	0.8	0.0
Foreign exchange derivatives	3.2	-15.3 *	0.3	-13.1 *
Electricity derivatives	0.0	-6.8	0.0	-3.6

Notional principal amounts of derivative contracts

€ million	31 Dec. 2013 Notional principal amount	31 Dec. 2012 Notional principal amount
Interest rate derivatives	202.2 *	203.4 *
Foreign exchange derivatives	411.1 *	356.3 *
Electricity derivatives	31.3	40.7

* The derivative contracts include interest rate swaps relating to a foreign currency borrowing facility with a gross notional principal amount of €200.8 million and a fair value of €-0.2 million (€0.8 million), and currency swaps with a notional principal amount of €100.4 million and a fair value of €-13.4 million (€-9.5 million).

The fair values of derivatives are presented as gross amounts. Kesko has entered into netting arrangements under ISDA contracts with all counterparties engaging in trading in derivatives. All of these contracts provide for mutual posting of collateral. The threshold level for collateral posting was only exceeded once with one bank at the balance sheet date. Analysed by counterparty, derivative financial liabilities could be set off in a total of €2.0 million.

The maximum credit risk of derivative contracts is the fair value of the balance sheet at the reporting date.

Cash flows from derivative contracts as at 31 Dec. 2013

€ million	2014	2015	2016	2017	2018	2019–	Total
Payables							
Forward foreign exchange contracts outside hedge accounting	310.1						310.1
Net settlement of payables							
Interest rate derivatives	0.0	0.0	0.0	0.0	0.0		0.0
Electricity derivatives	2.8	1.7	1.1	0.9	0.2		6.8
Derivatives relating to Private Placement notes*							
Foreign exchange derivatives	7.3	0.4	4.3	0.2	2.9	0.1	15.2
Receivables							
Forward foreign exchange contracts outside hedge accounting	311.2						311.2
Net settlement of receivables							
Derivatives relating to Private Placement notes*							
Interest rate derivatives	0.7	0.4	0.3	0.2	0.2	0.1	1.8

* The cash flows from Private Placement notes and related foreign exchange derivatives and interest rate derivatives are settled on a net basis.

Cash flows from derivative contracts as at 31 Dec. 2012

€ million	2013	2014	2015	2016	2017	2018–	Total
Payables							
Forward foreign exchange contracts outside hedge accounting	244.4						244.4
Net settlement of payables							
Interest rate derivatives	0.1	0.1	0.1				0.2
Electricity derivatives	1.7	1.1	0.5	0.2	0.1	0.0	3.6
Derivatives relating to Private Placement notes*							
Foreign exchange derivatives	0.6	5.2	0.3	3.1	0.1	2.1	11.3
Receivables							
Forward foreign exchange contracts outside hedge accounting	241.0						241.0
Net settlement of payables							
Derivatives relating to Private Placement notes*							
Interest rate derivatives	0.9	0.7	0.5	0.3	0.2	0.3	2.8

* The cash flows from Private Placement notes and related foreign exchange derivatives and interest rate derivatives are settled on a net basis. The debt on interest rate derivatives relating to the facility is presented in the balance sheet within 'other interest-bearing liabilities'. The balance sheet shows a total interest-bearing liability of €100.3 million relating to this credit facility.

Capital structure management

Kesko Group's objectives when managing capital include targets set for the Group's solvency and liquidity. The Group's capital structure (equity-to-debt ratio) is optimised at the Group level. The targets for the Group's solvency and liquidity are set with the purpose of securing the Group's liquidity in all market situations, enabling the implementation of capital expenditure programmes based on the Group's strategy, and maintaining the shareholder value. Objectives have been set for the indicators 'equity ratio' and 'interest-bearing net debt/EBITDA'. Some of the Group's interest-bearing liabilities include covenants, whose terms and conditions have been taken into account in the above target levels. The Group does not have a credit rating from any external credit rating institution.

The target levels for Kesko Group's performance indicators are approved by the Board of Directors. On 4 February 2009, the Board approved as a part of Group's medium term targets the following values for the indicators 'equity ratio' and 'interest-bearing net debt/EBITDA' :

	Target level	Level achieved in 2013	Level achieved in 2012
Equity ratio	40−50%	54.5%	52.5%
Interest-bearing net debt/EBITDA	< 3	-0.3	0.4

€ million	2013	2012
Shareholders' equity	2,352.5	2,272.1
Balance sheet total	4,361.7	4,382.0
- Prepayments received	46.6	54.4
Total	4,315.1	4,327.6
Equity ratio	**54.5%**	**52.5%**
Interest-bearing liabilities	554.4	624.5
Financial assets	680.8	489.2
Interest-bearing net debt	-126.4	135.3
EBITDA	401.4	370.5
Interest-bearing net debt/EBITDA	**-0.3**	**0.4**

Note 33. Related party transactions

The Group's related parties include its management personnel (the Board of Directors, the President and CEO and the Group Management Board), companies controlled by them, subsidiaries, associates and Kesko Pension Fund. The subsidiaries and associates are listed in a separate note (Note 35).

The related party transactions disclosed consist of transactions carried out with related parties that are not eliminated in the consolidated financial statements.

Some members of the Kesko Board act as K-retailers. The Group companies sell goods and services to enterprises controlled by them. Goods and services have been sold to related parties on normal market terms and conditions and at market prices.

The associate consolidated using the equity method, Kruunuvuoren Satama Oy, owns properties which have been leased to the Group. Vähittäiskaupan Takaus Oy and Vähittäiskaupan Tilipalvelu Oy sell their services to Kesko's and K-retailers' retail companies. The other associates comprise mainly real estate companies which have leased their premises and real estate for use by Kesko Group. Associates that operate as mutual real estate companies have been consolidated in the financial statements in proportion to the Group's ownership interests.

Kesko Pension Fund is a stand-alone legal entity which manages part of the pension assets related to the voluntary pensions of the Group's employees in Finland. The pension assets include Kesko Corporation shares in the amount of €13.0 million (€12.0 million). Real estate and premises owned by the Pension Fund have been leased to Kesko Group.

During the financial years 2013 and 2012, Kesko Group did not pay contributions to the Pension Fund.

During the 2012 financial year, the management of the statutory pension plan and the related Kesko Group employees' insurance portfolio was partly transferred from Kesko Pension Fund to a pension insurance company. Relating to the transfer of the pension insurance portfolio, the Pension Fund returned pension assets to employer companies. The returned assets resulted in a €71.2 million cash inflow to Kesko Group.

The following transactions were carried out with related parties:

Income statement

	Associates		Board and management		Pension Fund		Other related parties	
€ million	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Sales of goods	0.0		79.2	73.6				
Sales of services	3.0	2.6	9.5	8.4	0.4	0.5		
Purchases of goods			-15.4	-10.0				
Purchases of services	-3.4	-4.6	0.0	0.0				
Other operating income	0.8	0.1		0.3	0.1	0.1		
Other operating costs	-17.5	-10.4	0.0		-12.8	-13.9	-0.1	-0.1
Finance income			0.0					
Finance costs	0.0	-0.1				0.0		

During the financial year 2013, the Group sold the business of Porvoon maatalouskauppa to a company controlled by a retailer member of the Kesko Corporation Board at a price of €0.4 million.

Balance sheet

€ million	Associates		Board and management		Pension Fund		Other related parties	
	2013	2012	2013	2012	2013	2012	2013	2012
Current receivables	0.1	0.2	5.9	6.2	0.0	0.0		
Non-current receivables	1.5							
Current liabilities	16.1	20.4	2.9	2.9	0.3	0.8		
Non-current liabilities								

At the balance sheet date, receivables from Kesko's sales to companies controlled by Board members were €5.9 million (€5.5 million). The receivables are collateralised by a commercial credit guarantee granted by Vähittäiskaupan Takaus Oy, a Kesko associate, with the maximum amount always limited to the maximum realisable value of the countersecurity from the K-retailer company and entrepreneur to Vähittäiskaupan Takaus. At the end of the financial year, the countersecurity was €4.3 million (€3.9 million).

Other current liabilities include, for example, chain rebate payables to companies controlled by the Kesko Board members. Chain rebates are paid retrospectively based on criteria for the amount of actual annual purchases and the quality of operations.

A Kesko Group associate, Kruunuvuoren Satama Oy, and its subsidiary have borrowings from external providers of finance, which are secured by mortgages on properties owned by the companies. Kesko has issued a conditional guarantee for the €65 million bank borrowing of the subsidiary of Kruunuvuoren Satama Oy. The guarantee is exercisable only after all securities on the property have been exercised.

In addition, Kesko has non-current receivables from a real estate associate in the amount of €1.5 million.

Management's employee benefits

The top management comprises the Board of Directors and the Group Management Board. The compensation paid to them for employee services is shown below:

Monetary salaries, fees and fringe benefits

€1,000		2013	2012
Matti Halmesmäki	President and CEO	1,282.6	1,196.3
Group Management Board	other members	2,113.8	1,928.2
Esa Kiiskinen	Board Chair	87.5	73.8
Heikki Takamäki	Board Chair (until 16 Apr. 2012)	-	22.0
Seppo Paatelainen	Board Deputy Chair	60.0	57.0
Ilpo Kokkila	Board member	44.0	42.5
Tomi Korpisaari	Board member (since 16 Apr. 2012)	42.5	31.3
Mikko Kosonen	Board member (until 16 Apr. 2012)	-	10.8
Maarit Näkyvä	Board member	47.5	44.5
Toni Pokela	Board member (since 16 Apr. 2012)	42.5	31.3
Rauno Törrönen	Board member (until 16 Apr. 2012)	-	10.3
Virpi Tuunainen	Board member (since 16 Apr. 2012)	44.0	32.3
Total		3,764.4	3,480.2

Retirement benefits

The statutory retirement benefit of the President and CEO and some other members of the Group Management Board is organised through a pension insurance company. In addition, the President and CEO and the other Group Management Board members, except for two (2), belong to Kesko Pension Fund's department A which was closed in 1998, and their pensions are determined based on its rules and their personal service contracts. They have defined retirement benefit plans. Two of the members have joined Kesko after 1998, and their pensions are determined based on the Employees' Pensions Act (TyEL) applied in Finland. The defined benefit IFRS pension obligation arising from the President and CEO's supplementary pension benefit is €5.5 million. The obligation is fully covered. During the financial years 2013 and 2012, the supplementary pension plan did not incur cash flow contributions. The IFRS pension cost calculated on an accrual basis was positive by €0.1 million due to surplus. The pension cost incurred by the President and CEO's statutory retirement benefit was €0.2 million.

Share awards

The following share awards were granted to the Management Board members: the 2011 plan 22,213 shares (maximum of 51,300 shares) and the 2012 plan 15,113 shares (maximum of 53,300 shares). The maximum of the 2013 plan is 67,500 shares. In addition, the taxes and tax-like charges incurred by the awards were paid in cash.

Termination benefits

If the service contract of the President and CEO or some other Group Management Board member is terminated by the company, he/she is entitled to a monetary salary for the period of notice, fringe benefits and a separate non-recurring termination payment determined on the basis of the executive's monetary salary and fringe benefits for the month of notice. The termination payment and granted share options, or income from them are not part of the executive's salary and they are not included in the determination of the salary for the period of notice, termination payment or, in case of retirement, pensionable salary. If an executive resigns, he/she is only entitled to a salary for the period of notice and fringe benefits. When a service relationship terminates due to retirement, the executive is paid a pension based on his/her service contract without other benefits.

Shares and share options held

As at 31 December 2013, the President and CEO held 2,000 Kesko Corporation A shares and 31,401 Kesko Corporation B shares, which represent 0.03% of the company’s total share capital and 0.01% of votes. The Group Management Board, including the President and CEO, held 2,000 Kesko Corporation A shares and 84,981 Kesko Corporation B shares, which represent 0.09% of the company’s total share capital and 0.02% of votes. The Group Management Board held no Kesko Corporation share options as at 31 December 2013.

Note 34. Other notes

Events after the reporting period

In the home and speciality goods trade, the increase in online shopping and increased competition have considerably weakened the profitability of Anttila and the home technology trade. In order to improve profitability, plans are made to close some rented store sites during the next two years. The closures are expected to cause non-recurring expenses amounting to approximately 20 to 30 million euros during the first quarter. Approximately one third of the current Anttila department store network is planned to be closed. At the same time, the selection of products in the NetAnttila and Musta Pörssi online stores will be considerably expanded, and the Anttila and Kodin1 department store concepts will be renewed.

Note 35. Subsidiaries and associates as at 31 Dec. 2013

INTERESTS IN GROUP COMPANIES

Owned by the parent	Domicile	Group's ownership interest, %	Parent's ownership interest, %
Ankkuri-Energia Oy	Helsinki	100.00	100.00
Anttila Oy	Helsinki	100.00	100.00
Asunto Oy Kirkkonummen Västeruddintie 33	Kirkkonummi	100.00	100.00
Indoor Group Ltd	Helsinki	100.00	100.00
Intersport Finland Ltd	Helsinki	100.00	100.00
Johaston Oy	Helsinki	100.00	100.00
Kenkäkesko Ltd	Helsinki	100.00	100.00
Kesko Food Ltd	Helsinki	100.00	100.00
Keslog Ltd	Helsinki	100.00	54.95
Kiinteistö Oy Helsingin Satamakatu 3	Helsinki	100.00	100.00
Kiinteistö Oy Lahden Lyhytkatu 1*	Lahti	50.00	50.00
Kiinteistö Oy Sunan Hallitalo	Helsinki	100.00	100.00
Kiinteistö Oy Voisalmen Liiketalo	Helsinki	100.00	100.00
Kiinteistö Oy Välivainion Ostoskeskus	Oulu	65.97	65.97
K-instituutti Oy	Helsinki	72.00	72.00
Klintcenter Ab	Maarianhamina	100.00	100.00
Konekesko Ltd	Helsinki	100.00	100.00
K-Plus Oy	Helsinki	100.00	100.00
K-talouspalvelukeskus Oy	Helsinki	100.00	51.02
Musta Pörssi Ltd	Helsinki	100.00	100.00
Plussa OÜ	Tallinn, Estonia	100.00	100.00
Rautakesko Ltd	Helsinki	100.00	100.00
Sincera Oy	Helsinki	100.00	100.00
VV-Auto Group Oy	Helsinki	100.00	100.00

Owned by other Group companies	Domicile	Group's ownership interest, %	Parent's ownership interest, %
Ansami OOO	St. Petersburg, Russia	100.00	
Antti SIA	Riga, Latvia	100.00	
Anttila AS	Viljandi, Estonia	100.00	
App-Hallinta Oy	Helsinki	100.00	
Bansemko OOO	Moscow, Russia	100.00	
Barker-Littoinen Oy	Espoo	100.00	
Bruland Bygg AS	Förde, Norway	66.31	
Byggmakker Handel AS	Ski, Norway	100.00	
Byggmakker Norge AS	Oslo, Norway	100.00	
Daugavkrasts M SIA	Riga, Latvia	100.00	

Fiesta Real Estate AS	Tallinn, Estonia	100.00
Hasti-Ari AS	Ski, Norway	100.00
Hauhon Kiinteistö- ja Kauppakeskus Oy	Hämeenlinna	100.00
Ikosen OÜ	Tallinn, Estonia	100.00
Indoor Group AS	Tallinn, Estonia	100.00
Insofa Oy	Lahti	100.00
Johaston OOO	Moscow, Russia	100.00
K-citymarket Oy	Helsinki	100.00
Keru Kiinteistöt Oy	Helsinki	100.00
Kesko Food Russia Holding Oy	Helsinki	100.00
Kesko Food Rus OOO	St. Petersburg, Russia	100.00
Kesko Real Estate Latvia SIA	Riga, Latvia	100.00
Kesko Real Estate OOO	St. Petersburg, Russia	100.00
Kespro Ltd	Helsinki	100.00
Kestra Kiinteistöpalvelut Oy	Helsinki	100.00
KFR Real Estate 1 OOO	St. Petersburg, Russia	100.00
Kiinteistö Mesta Oy	Helsinki	100.00
Kiinteistö Oy Furupuro	Vantaa	100.00
Kiinteistö Oy Hannunhelmi	Helsinki	100.00
Kiinteistö Oy Kankaanpään Liikekeskus	Kankaanpää	100.00
Kiinteistö Oy Keravan Alikeravantie 77	Helsinki	100.00
Kiinteistö Oy Kirkkonummen Sundetin kauppakortteli	Kirkkonummi	100.00
Kiinteistö Oy Kolmisopentie 3	Kuopio	100.00
Kiinteistö Oy Lahden Karisma	Helsinki	100.00
Kiinteistö Oy Lappeenrannan Oksasenkatu 4	Helsinki	100.00
Kiinteistö Oy Liike-Jaako	Rovaniemi	67.88
Kiinteistö Oy Mäntyharjun Liiketori	Mäntyharju	100.00
Kiinteistö Oy Pajalantie 19	Järvenpää	100.00
Kiinteistö Oy Piispansilta	Espoo	100.00
Kiinteistö Oy Pälkäneen Liikekeskus	Pälkäne	84.14
Kiinteistö Oy Sarviniitynkatu 4	Kerava	100.00
Kiinteistö Oy Tampuri	Helsinki	100.00
Kiinteistö Oy Tarkkaiikka	Oulu	100.00
Kiinteistö Oy Vantaan Kiitoradantie 2	Vantaa	100.00
K-maatalouskaupat Oy	Helsinki	100.00
Knuto AS	Ski, Norway	100.00
Konekesko Eesti AS	Tallinn, Estonia	100.00
Konekesko Holding Oy	Helsinki	100.00
Konekesko Latvija SIA	Riga, Latvia	100.00
Konekesko Lietuva UAB	Vilnius, Lithuania	100.00
Konekesko OOO	St. Petersburg, Russia	100.00
Konsoma JLLC	Minsk, Belarus	8.94
K Prof SIA	Riga, Latvia	100.00

K rauta SIA	Riga, Latvia	100.00
K-rauta AB	Stockholm, Sweden	100.00
K-rauta Rus OOO	St. Petersburg, Russia	100.00
K-rauta Fastigheter i Malmö AB	Sollentuna, Sweden	100.00
KR Fastigheter AB	Sollentuna, Sweden	100.00
KR Fastigheter i Eskilstuna AB	Sollentuna, Sweden	100.00
KR Fastigheter i Halmstad AB	Sollentuna, Sweden	100.00
KR Fastigheter i Järfälla AB	Sollentuna, Sweden	100.00
KR Fastigheter i Linköping AB	Sollentuna, Sweden	100.00
KR Fastigheter i Norrbotten AB	Sollentuna, Sweden	100.00
KR Fastigheter i Sundsvall AB	Sollentuna, Sweden	100.00
KR Fastigheter i Täby AB	Sollentuna, Sweden	100.00
KR Fastigheter i Umeå AB	Sollentuna, Sweden	100.00
KR Fastigheter i Uppland AB	Sollentuna, Sweden	100.00
KR Fastigheter Servicekontor AB	Sollentuna, Sweden	100.00
Limingan Portti 1 Oy	Liminka	100.00
Loimaan maatalous- ja rautakauppa Oy	Helsinki	100.00
Malmintorin Pysäköintitalo Oy*	Helsinki	99.91
Match-Point OOO	St. Petersburg, Russia	100.00
Mežciems Real Estate SIA	Riga, Latvia	100.00
Midgard OOO	St. Petersburg, Russia	100.00
Norgros AS	Lilleström, Norway	100.00
OMA OOO	Minsk, Belarus	8.94
Polo LS SIA	Riga, Latvia	100.00
Rake Bergen AS	Oslo, Norway	100.00
Rake Eiendom AS	Oslo, Norway	100.00
Rautakesko AS	Tallinn, Estonia	100.00
Rautakesko A/S	Riga, Latvia	100.00
Romos Holdingas UAB	Kaunas, Lithuania	8.94
Senukai UAB	Kaunas, Lithuania	49.61
Senuku Prekybos Centras UAB	Vilnius, Lithuania	50.00
Senuku Tirdzniecibas Centrs SIA	Riga, Latvia	50.00
SPC Holding UAB	Kaunas, Lithuania	50.00
Stroymaster Holding Finland Oy	Helsinki	100.00
Suomenojan Kauppakeskus Oy	Espoo	100.00
Tampereen Länsikeskus Oy	Tampere	100.00
Tarondi Estate OOO	Moscow, Russia	100.00
TP Real Estate SIA	Riga, Latvia	100.00
Trøgstadveien 13 AS	Ski, Norway	100.00
Turun VV-Auto Oy	Helsinki	100.00
Verdal Eiendom AS	Ski, Norway	100.00
VV-Autotalot Oy	Helsinki	100.00

ASSOCIATES

Owned by the parent	Domicile	Group's ownership interest, %	Parent's ownership interest, %
Graanin Liikekeskus Oy	Mikkeli	50.00	50.00
Itäkeskuksen Pysäköintitalo Oy*	Helsinki	36.16	36.16
Kiinteistö Oy Itäaukio	Lahti	26.20	26.20
Kiinteistö Oy Janakkalan Linnatuuli	Janakkala	29.86	29.86
Kiinteistö Oy Joensuun Kaupunginportti	Joensuu	22.77	22.77
Kiinteistö Oy Mellunmäen Liike- ja toimintakeskus	Helsinki	23.42	23.42
Kiinteistö Oy Ulvilan Hansa*	Ulvila	42.41	42.41
Kiinteistö Oy Vantaanportin Liikekeskus*	Vantaa	27.81	27.81
Kruunuvuoren Satama Oy	Helsinki	49.00	49.00
Munkkivuoren Ostoskeskus Oy*	Helsinki	30.65	30.65
Valluga-sijoitus Oy	Helsinki	46.15	46.15
Vähittäiskaupan Takaus Oy	Helsinki	34.35	34.35
Vähittäiskaupan Tilipalvelu VTP Oy	Helsinki	30.00	30.00

Owned by other Group companies	Domicile	Group's ownership interest, %	Parent's ownership interest, %
Talo Oy Kalevanpuisto*	Kuopio	47.60	
Toomax Asia Ltd	Hong Kong	33.33	
Eurobuy GmbH	Germany	33.33	
Eurogroup Far East Ltd	Hong Kong	33.33	

* Jointly controlled mutual real estate companies consolidated on a line-by-line basis

Parent company's financial statements (FAS)

Parent company's income statement

€	1 Jan.–31 Dec. 2013	1 Jan.–31 Dec. 2012
Net sales	**33,996,581.83**	**33,567,173.18**
Other operating income	116,325,776.56	120,242,432.29
Materials and services	1,006.64	-3,543.68
Staff costs	-16,906,928.53	-14,669,805.20
Depreciation, amortisation and impairment	-18,336,576.80	-17,606,273.46
Other operating expenses	-91,739,380.63	-97,752,542.30
Operating profit	**23,340,479.07**	**23,777,440.83**
Financial income and expenses	1,652,336.37	-23,327,262.51
Profit before extraordinary items	**24,992,815.44**	**450,178.32**
Extraordinary items	201,265,788.19	212,597,735.08
Profit before appropriations and taxes	**226,258,603.63**	**213,047,913.40**
Appropriations	3,018,761.67	1,641,976.10
Profit before taxes	**229,277,365.30**	**214,689,889.50**
Income taxes	-54,621,961.59	-60,265,614.63
Profit for the financial year	**174,655,403.71**	**154,424,274.87**

Parent company's balance sheet

€	31 Dec. 2013	31 Dec. 2012
ASSETS		
NON-CURRENT ASSETS		
INTANGIBLE ASSETS		
Intangible rights	790,204.76	53,432.51
Other capitalised long-term expenses	9,853,807.57	11,016,397.39
Advance payments	4,028,388.56	1,222,567.53
	14,672,400.89	12,292,397.43
TANGIBLE ASSETS		
Land and waters	93,426,111.78	93,820,808.85
Buildings	198,786,092.33	211,708,285.03
Machinery and equipment	2,906,294.00	3,658,800.10
Other tangible assets	4,370,842.38	5,372,323.24
Advance payments and construction in progress	283,552.63	753,663.20
	299,772,893.12	315,313,880.42
INVESTMENTS		
Holdings in Group undertakings	269,137,901.02	261,603,340.95
Participating interests	76,701,603.69	76,701,603.69
Other investments	10,235,133.24	11,806,710.53
	356,074,637.95	350,111,655.17
CURRENT ASSETS		
DEBTORS		
Long-term		
Amounts owed by Group undertakings	305,761,762.45	325,225,096.75
Amounts owed by participating interest undertakings	1,672,896.28	1,685,896.28
Other debtors	2,276,815.23	2,357,709.80
	309,711,473.96	329,268,702.83
Short-term		
Trade receivables	1,305,513.46	58,095.83
Amounts owed by Group undertakings	872,444,217.96	817,231,665.60
Amounts owed by participating interest undertakings	41,363.80	258,028.51
Loan receivables	1,030,000.00	-
Other receivables	96,695.11	4,007.90
Prepayments and accrued income	8,005,650.64	4,408,717.51
	882,923,440.97	821,960,515.35
INVESTMENTS		
Other investments	553,261,839.37	365,000,152.17
CASH IN HAND AND AT BANKS	33,189,359.79	46,849,032.41
TOTAL ASSETS	**2,449,606,046.05**	**2,240,796,335.78**

€	31 Dec. 2013	31 Dec. 2012
LIABILITIES		
CAPITAL AND RESERVES		
Share capital	197,282,584.00	197,282,584.00
Share premium account	197,498,010.90	197,498,010.90
Other reserves	264,020,461.19	244,465,798.07
Retained earnings	780,125,854.98	742,330,072.19
Profit for the financial year	174,655,403.71	154,424,274.87
	1,613,582,314.78	1,536,000,740.03
APPROPRIATIONS		
Depreciation reserve	75,149,877.83	78,168,639.50
PROVISIONS		
Other provisions	43,882.01	182,481.78
CREDITORS		
Non-current		
Bonds	242,700,000.00	250,000,000.00
Private Placement notes	50,209,205.02	100,418,410.04
Loans from credit institutions	23,914,863.09	34,383,583.38
Other creditors	194,130.57	11,283.86
	317,018,198.68	384,813,277.28
Current		
Loans from credit institutions	50,209,205.02	-
Advances received	20,069.60	12,340.38
Trade payables	3,073,023.17	3,957,471.54
Amounts owed to Group undertakings	359,926,963.69	200,289,290.49
Amounts owed to participating interest undertakings	16,047,817.11	20,290,800.58
Other creditors	4,634,775.93	5,233,623.17
Accruals and deferred income	9,899,918.23	11,847,671.03
	443,811,772.75	241,631,197.19
TOTAL LIABILITIES	**2,449,606,046.05**	**2,240,796,335.78**

Parent company's cash flow statement

€	1 Jan.–31 Dec. 2013	1 Jan.–31 Dec. 2012
Cash flow from operating activities		
Profit before extraordinary items	24,992,815.44	450,178.32
Adjustments		
Depreciation according to plan	18,336,576.80	17,606,273.46
Financial income and expenses	-1,652,336.37	23,327,262.51
Other adjustments	-591,050.24	-2,638,394.81
	41,086,005.63	**38,745,319.48**
Change in working capital		
Interest-free short-term trade receivables, increase/decrease (-/+)	-18,398,078.25	-5,264,328.50
Interest-free short-term debt, increase/decrease (+/-)	-11,297,808.81	12,675,317.37
	-29,695,887.06	7,410,988.87
Interests paid	-16,798,861.09	-17,905,039.48
Interests received	22,354,282.28	31,414,936.74
Dividends received	398,681.20	60,000.00
Taxes paid	-54,828,279.70	-30,133,797.02
	-48,874,177.31	-16,563,899.76
Cash flow from operating activities	**-37,484,058.74**	**29,592,408.59**
Cash flow from investing activities		
Investments in tangible and intangible assets	-6,185,423.71	-44,913,282.73
Increase in long-term receivables	19,557,228.87	27,056,984.57
Subsidiary acquired	-7,702,748.00	-6,000,001.00
Associated undertaking acquired	-	-22,500,000.00
Proceeds from other investments	10,854.20	30,420.36
Proceeds from sale of tangible and intangible assets	1,009,830.75	7,752,581.03
Cash flow from investing activities	**6,689,742.11**	**-38,573,297.77**

Cash flow from financing actitivites		
Increase/decrease (+/-) in interest-bearing creditors	137,827,376.93	119,297,147.32
Increase/decrease (-/+) in short-term interest-bearing receivables	-35,145,367.14	-66,386,701.26
Short-term money market investments	-90,628,595.47	-1,534,073.79
Dividends paid	-117,891,130.30	-117,643,117.20
Group contributions received and paid	201,265,788.19	212,597,735.08
Increase in invested unrestricted equity fund	19,554,663.12	962,365.02
Others	238,818.82	-12,904,300.16
Cash flow from financing activities	**115,221,554.15**	**134,389,055.01**
Change in liquid assets	**84,427,237.52**	**125,408,165.83**
Liquid assets as at 1 January	**274,819,997.99**	**149,411,832.16**
Liquid assets as at 31 December	**359,247,235.51**	**274,819,997.99**

Notes to the parent company's financial statements

Principles used for preparing the financial statements

Kesko Corporation's financial statements have been prepared in compliance with the Finnish Accounting Standards (FAS).

Non-current assets

Intangible assets

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

Depreciation plan

Other capitalised expenditure	5−20 years
IT software and licences	3−5 years

Tangible assets

Tangible 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 tangible assets over their estimated useful lives.

The periods adopted for depreciation are as follows:

Buildings	10−33 years
Fixtures and fittings	8 years
Machinery and equipment	25% reducing balance method
Transportation fleet	5 years
IT equipment	3−5 years
Other tangible assets	5−14 years

Land has not been depreciated. The total of depreciation according to plan and the change in depreciation reserve comply with the Finnish Business Tax Act. The change in depreciation reserve has been treated as appropriations.

Valuation of financial assets

Marketable securities have been valued at the lower of cost and 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 at the balance sheet date. If a receivable or a debt is tied to a fixed rate of exchange, it has been used for translation. Exchange rate differences have been recognised in profit or loss.

Derivative financial instruments

Interest rate derivatives

Interest rate derivatives are used to modify the interest rate durations of borrowings. The target duration is three years and it is allowed to vary between one and a half and four years. Cash flows arising from interest rate derivatives are recognised during the financial year as interest income or expenses, according to the maturity date. In the financial statements, outstanding interest rate forward contracts, interest rate future contracts, interest rate option contracts and interets rate swap contracts are stated at market values, but unrealised revaluation is not stated as income. Any valuation losses are included in interest expenses.

Foreign exchange derivatives
Foreign exchange derivatives are used for hedging against translation and transaction risks. Forward foreign exchange contracts are valued using the forward exchange rate of the balance sheet date. The exchange differences arising from outstanding derivative contracts are reported in financial items. If a derivative has been used for hedging a foreign-currency-denominated asset, the change in value has been recognised against that of the asset item. The premiums of option contracts are included in the balance sheet accruals until they expire, or if a value change at the balance sheet date so requires, recognition in profit or loss.

Commodity derivatives
Ankkuri-Energia Oy, a Kesko Corporation subsidiary, uses electricity derivatives to balance the energy costs of the Group and its retailers. Kesko Corporation is an external counterparty in electricity derivatives made with a bank, and enters into corresponding internal hedge with the subsidiary. At no stage does Kesko Corporation have derivative positions, and thus there are no effects on profit or loss. The electricity price risk is reviewed on a 5-year time span. With respect to derivatives hedging the price of electricity supplied during the financial year, change in fair value is recognised at Kesko under interest income and expenses. Unrealised gains and losses on contracts hedging future purchases are not recognised in profit or loss.

Pension plans
Pension costs are recognised as expenses in the income statement for the whole financial year and the personnel's statutory pension security is organised through a pension insurance company.

Provisions
Provisions stated in the balance sheet include items committed to under agreements or otherwise but not yet realised. Changes in provisions are included in the income statement. Rent liabilities for vacant rented premises no longer used for the Group's business operations, as well as losses resulting from renting the premises to third parties, are included in provisions.

Income tax
Income tax includes the income tax payments for the period based on the profit for the period, and taxes payable for prior periods, or tax refunds. Deferred taxes are not included in the parent company's income statement and balance sheet.

Notes to the income statement

Note 1. Other operating income

€ million	2013	2012
Profits on sales of real estate and shares	0.0	2.7
Rent income	115.2	117.0
Others	1.1	0.5
Total	116.3	120.2

Note 2. Average number of personnel

	2013	2012
Kesko Corporation	183	180
Total	183	180

Note 3. Staff costs

€ million	2013	2012
Salaries and fees	-14.4	-13.2
Social security expenses		
Pension expenses	-1.8	-0.8
Other social security expenses	-0.7	-0.7
Total	-16.9	-14.7

During the financial year 2012, a surplus amount of €0.9 million, related to the insurance portfolio transfer in 2010, was returned to Kesko Corporation by Kesko Pension Fund.

Salaries and fees to the management

€ million	2013	2012
Managing Director	1.3	1.2
Board members	0.4	0.3
Total	1.7	1.5

An analysis of the management's salaries and fees is included in the notes to the consolidated financial statements.

Note 4. Depreciation, amortisation and impairment

€ million	2013	2012
Depreciation according to plan	-18.3	-17.4
Impairment, non-current assets	0.0	-0.2
Total	-18.3	-17.6

Note 5. Other operating expenses

€ million	2013	2012
Rent expenses	-56.6	-59.5
Marketing expenses	-1.5	-1.3
Maintenance of real estate and store sites	-6.3	-7.9
Information system expenses	-19.8	-23.3
Losses on sales of real estate and shares	0.0	-0.2
Other operating expenses	-7.6	-5.6
Total	-91.7	-97.8

Auditors' fees

€ million	2013	2012
PricewaterhouseCoopers, Authorised Public Accountants		
Audit	0.1	0.1
Tax consultation	0.0	0.0
Other services	0.1	0.1
Total	0.2	0.2

Note 6. Financial income and expenses

€ million	2013	2012
Income from long-term investments		
Dividend income from Group undertakings	0.4	0.1
Profit from sales of shares		-
Income from long-term investments, total	0.4	0.1
Other interest and financial income		
From Group undertakings	14.5	21.6
From others	16.7	24.1
Interest and financial income, total	31.2	45.7
Reduction in value of investments held as non-current assets		
Reduction in value of shares	-0.5	-34.9
Reduction in value of investments held as non-current assets, total	-0.5	-34.9
Interest and other financial expenses		
To Group undertakings	-2.3	-3.6
To others	-27.2	-30.6
Interest and financial expenses, total	-29.5	-34.2
Total	1.7	-23.3

Note 7. Items included in extraordinary income and expenses

€ million	2013	2012
Contributions from Group undertakings	269.8	261.5
Contributions to Group undertakings	-68.6	-48.9
Total	201.2	212.6

Note 8. Appropriations

€ million	2013	2012
Difference between depreciation according to plan and depreciation in taxation	3.0	1.6
Total	3.0	1.6

Note 9. Changes in provisions

€ million	2013	2012
Future rent expenses for vacant business premises	0.0	0.2
Other changes	-0.1	-0.1
Total	-0.1	0.1

Note 10. Income taxes

€ million	2013	2012
Income taxes on extraordinary items	-49.3	-52.1
Income taxes on ordinary activities	-5.3	-8.2
Total	-54.6	-60.3

Deferred taxes

Deferred tax liabilities and assets have not been included in the balance sheet. The amounts are not significant.

Notes to the balance sheet

Note 11. Intangible assets

€ million	2013	2012
Intangible assets		
Acquisition cost as at 1 January	39.4	36.3
Increases	1.2	1.8
Decreases	-	-0.2
Transfers between items	0.3	1.5
Acquisition cost as at 31 December	40.9	39.4
Accumulated depreciation as at 1 January	-28.3	-26.3
Accumulated depreciation on decreases and transfers	-	0.2
Depreciation for the financial year	-1.9	-2.2
Accumulated depreciation as at 31 December	-30.2	-28.3
Book value as at 31 December	10.7	11.1
Advance payments		
Acquisition cost as at 1 January	1.2	1.9
Increases	3.1	0.7
Transfers between items	-0.3	-1.4
Acquisition cost as at 31 December	4.0	1.2
Book value as at 31 December	4.0	1.2

Note 12. Tangible assets

€ million	2013	2012
Land and waters		
Acquisition cost as at 1 January	93.8	81.3
Increases	0.5	13.7
Decreases	-0.9	-1.2
Acquisition cost as at 31 December	93.4	93.8
Book value as at 31 December	93.4	93.8
Buildings		
Acquisition cost as at 1 January	392.6	376.0
Increases	1.4	19.6
Decreases	0.0	-4.7
Transfers between items	0.2	1.7
Acquisition cost as at 31 December	394.2	392.6
Accumulated depreciation as at 1 January	-180.9	-168.7
Accumulated depreciation on decreases and transfers	0.0	1.2
Depreciation for the financial year	-14.5	-13.4
Accumulated depreciation as at 31 December	-195.4	-180.9
Book value as at 31 December	198.8	211.7
Machinery and equipment		
Acquisition cost as at 1 January	17.1	17.9
Increases	0.1	0.9
Decreases	0.0	-2.0
Transfers between items	0.0	0.3
Acquisition cost as at 31 December	17.2	17.1
Accumulated depreciation as at 1 January	-13.4	-14.3
Accumulated depreciation on decreases and transfers	0.0	1.8
Depreciation for the financial year	-0.9	-0.9
Accumulated depreciation as at 31 December	-14.3	-13.4
Book value as at 31 December	2.9	3.7

Other tangible assets		
Acquisition cost as at 1 January	14.0	12.9
Increases	0.0	0.2
Decreases	0.0	-0.2
Transfers between items	0.0	1.1
Acquisition cost as at 31 December	14.0	14.0
Accumulated depreciation as at 1 January	-8.6	-7.7
Accumulated depreciation on decreases and transfers	0.0	0.1
Depreciation for the financial year	-1.0	-1.0
Accumulated depreciation as at 31 December	-9.6	-8.6
Book value as at 31 December	4.4	5.4

Advance payments and construction in progress		
Acquisition cost as at 1 January	0.8	4.3
Increases	0.0	0.1
Decreases	-0.2	-
Transfers between items	-0.3	-3.6
Acquisition cost as at 31 December	0.3	0.8
Book value as at 31 December	0.3	0.8

Note 13. Investments

€ million	2013	2012
Holdings in Group undertakings		
Acquisition cost as at 1 January	296.5	290.9
Increases	7.7	6.0
Decreases	-0.2	-0.4
Acquisition cost as at 31 December	304.0	296.5
Reduction in value	-34.9	-34.9
Book value as at 31 December	269.1	261.6
Participating interests		
Acquisition cost as at 1 January	76.7	50.4
Increases	-	26.3
Acquisition cost as at 31 December	76.7	76.7
Book value as at 31 December	76.7	76.7
Other investments		
Acquisition cost as at 1 January	11.8	12.4
Increases	-	0.8
Decreases	-1.6	-1.4
Acquisition cost as at 31 December	10.2	11.8
Book value as at 31 December	10.2	11.8

An analysis of Kesko Corporation's ownership interests in other companies as at 31 December 2013 is given in the notes to the consolidated financial statements.

Note 14. Debtors

€ million	2013	2012
Amounts owed by Group undertakings		
Long-term		
Loan receivables	263.1	282.5
Subordinated loans	42.7	42.7
Long-term, total	305.8	325.2
Short-term		
Trade receivables	3.6	3.2
Loan receivables	842.2	806.7
Subordinated loans	25.0	-
Other receivables	-	5.7
Prepayments and accrued income	1.7	1.6
Short-term, total	872.4	817.2
Total	1,178.2	1,142.4

Kesko Corporation has advanced subordinated loans to Kiinteistö Mesta Oy, Anttila Oy and Johaston Oy, in the amounts €10.0 million, €25.0 million and €32.7 million respectively.

The loan advanced to Kiinteistö Mesta Oy will be repaid only if the restricted shareholders' equity and other non-distributable items in the balance sheet confirmed for the debtor's financial year last ended are fully funded after loan repayment. The loan is interest free.

The loan capital of the loan advanced to Johaston Oy will be repaid in a single instalment. The loan capital will be repaid provided that the legal requirements regarding the repayment of a subordinated loan are met. The loan is interest free.

The loan capital of the loan advanced to Anttila Oy will be repaid at the end of the loan period provided that the legal requirements for the repayment of a subordinated loan are met. The loan is interest free.

€ million	2013	2012
Amounts owed by participating interest undertakings		
Long-term		
Loan receivables	1.5	1.5
Other receivables	0.1	0.1
Long-term, total	1.7	1.7
Short-term		
Loan receivables	-	0.3
Short-term, total	0.0	0.3
Total	1.7	1.9

€ million	2013	2012
Prepayments and accrued income		
Taxes	1.4	1.2
Others	6.6	3.2
Total	8.0	4.4

Note 15. Capital and reserves

€ million	Share capital	Share premium account	Contingency fund	Invested unrestricted equity fund	Retained earnings	Capital and reserves, total
Capital and reserves as at 1 January 2012	197.3	197.5	243.4	0.1	858.0	1,496.3
Increase				1.0	0.0	1.0
Distribution of dividends					-117.6	-117.6
Own shares					2.1	2.1
Transfer to donations					-0.2	-0.2
Profit for the financial year					154.4	154.4
Capital and reserves as at 31 December 2012	197.3	197.5	243.4	1.1	896.7	1,536.0
Increase	0.0	0.0	0.0	19.6	0.0	19.6
Distribution of dividends					-117.9	-117.9
Own shares					1.5	1.5
Transfer to donations					-0.2	-0.2
Profit for the financial year					174.7	174.7
Capital and reserves as at 31 December 2013	**197.3**	**197.5**	**243.4**	**20.7**	**954.8**	**1,613.6**

During thefinancial year, the number of B shares was increased eight times corresponding to share subscriptions made with the options of the 2007 option scheme. The increases were made on 11 February 2013 (74,600 B shares,

€1,046,274), 2 May 2013 (135,861 B shares, €2,849,005), 5 June 2013 (592,619 B shares, €11,775,962), 30 July 2013 (116,773 B shares, €1,429,302), 30 September 2013 (68,461 B shares, €837,963), 30 October 2013 (6,100 B shares, €74,664), 28 November 2013 (56,779 B shares, €694,975) and 27 December 2013 (69,160 B shares, €846,518). The subscribed shares were included on the main list of NASDAQ OMX Helsinki for public trading with the old B shares on 12 February 2013, 3 May 2013, 6 June 2013, 31 July 2013, 1 October 2013, 31 October 2013, 29 November 2013 and 28 December 2013. The combined subscription price of €19,554,663.12 received by the company for the shares was recorded in the company's reserve of invested non-restricted equity.

Calculation of distributable profits	2013	2012
Other reserves	264.0	244.5
Retained earnings	780.1	742.3
Profit for the financial year	174.7	154.4
Total	1,218.8	1,141.2

Breakdown of the parent's share capital	Pcs	€ million
A shares	31,737,007	63.5
B shares	68,095,686	133.8
Total	99,832,693	197.3

Votes attached to shares	Number of votes
A share	10
B share	1

Board's authorisations to acquire and issue own shares

The Board has the authority, granted by the Annual General Meeting of 16 April 2012 and valid until 30 June 2015, to issue a total maximum of 20,000,000 new B shares. In addition, the Board has the authority, granted by the Annual General Meeting of 4 April 2011 and valid until 30 June 2014, to decide on the issuance of a total maximum of 1,000,000 own B shares held by the company itself. The authority granted by the Annual General Meeting of 4 April 2011 to acquire a total maximum of 1,000,000 own B shares expired on 30 September 2012.

Treasury shares

Kesko Corporation's Annual General Meeting held on 4 April 2011 authorised the company's Board to acquire own B shares. Based on the Board's decision, the company acquired a total of 700,000 own B shares in the 2011 financial year which represent 0.7% of all shares. The total amount of €23.7 million paid for the shares was deducted from earnings retained in equity. The shares are held by the company as treasury shares and the company Board has been authorised to issue them. Based on the authority to issue own shares and the fulfilment of the vesting criteria of the 2011 vesting period of Kesko's three-year share-based compensation plan, the Board granted a total of 92,751 own shares held by the company as treasury shares, and based on the fulfilment of the vesting criteria of the 2012 vesting period, a total of 66,331 own shares held by the company as treasury shares to the persons included in the target groups of the vesting periods. The issuances were announced in a stock exchange release on 12 April 2012 and 5 April 2013. After the vesting period, a total of 6,724 shares already granted have been returned to the company in accordance with the terms and conditions of the share-based compensation plan.

Options

The Group operates share option plans as part of management's incentive and commitment plan. Each option gives its holder the right to subscribe for one Kesko Corporation B share at the price and during the period specified in the terms and conditions of the option plan. The options are forfeited if the employee leaves the company before the end of the commitment period, unless, in an individual case, the Board decides that the option recipient can keep all or some of the options under offering obligation.

2007 option scheme

On 26 March 2007, the Annual General Meeting decided to grant a total of 3,000,000 options for no consideration to the management of Kesko Group, other key personnel, and a subsidiary wholly owned by Kesko Corporation. The Company had a weighty financial reason for granting the options because they are intended to be part of Kesko's share-based incentive system. Each option entitles its holder to subscribe for one new Kesko Corporation B share. In addition, the option scheme also includes an obligation to buy company shares for permanent ownership for the value of 25% of the proceeds from the sale of options. The options are marked with the symbols 2007A, 2007B and 2007C in units of 1,000,000 options each.

The options are exercisable as follows:

- 2007A 1 April 2010–30 April 2012 (exercise period has expired)
- 2007B 1 April 2011–30 April 2013 (exercise period has expired)
- 2007C 1 April 2012–30 April 2014

The original price of a share subscribed for with option 2007A was the trade volume weighted average quotation of a Kesko Corporation B share on the Helsinki Stock Exchange between 1 April and 30 April 2007 (€45.82), with option 2007B, between 1 April and 30 April 2008 (€26.57), and with option 2007C, between 1 April and 30 April 2009 (€16.84). The prices of shares subscribed for with options are reduced by the amount decided after the beginning of the period for the determination of the subscription price but before the subscription, as at the record date for each distribution of profits or other assets. After the distribution of dividends for 2012, the price of a B share subscribed for with option 2007C was €12.24. The option scheme covers 116 people.

The subscription prices of shares subscribed for with options are reduced by the amount of distributable profits and other distributions decided after the beginning of the period for the determination of the subscription price and before share subscription.

Percentage of share options out of all shares and votes

If all of the exercisable share options remaining of the 1,000,000 issued under the 2007 option scheme are assumed to be exercised, the shares subscribed for with the 2007 options would account for 1.0% of all shares and for 0.3% of all votes. The subscriptions made with share options can raise the number of the company's shares to 100,310,552. As a result of the subscriptions, the voting rights carried by all shares could increase to 385,943,615 votes.

Dividend rights and other shareholder rights carried by the shares will apply after the share capital increase has been entered in the Trade Register.

Note 16. Appropriations

€ million	2013	2012
Depreciation difference	75.1	78.2
Total	75.1	78.2

Note 17. Provisions

€ million	2013	2012
Other provisions	0.0	0.2
Total	0.0	0.2

Note 18. Non-current creditors

€ million	2013	2012
Debt falling due later than within five years		
Bonds	-	250.0
Private Placement notes	20.1	20.1
Total	20.1	270.1

On 10 June 2004, Kesko Corporation issued a Private Placement of USD 120 million in the US. The facility has three tranches with bullet repayments due in 2014 (USD 60 million), in 2016 (USD 36 million) and in 2019 (USD 24 million). Kesko has hedged the loan by using currency and interest rate swaps, as a result of which the loan capital totals €100.4 million and the fixed capital-weighted average interest rate is 5.4%.

On 11 September 2012, Kesko Corporation issued a €250 million bond. The bond carries a fixed coupon rate of 2.75%. The bond matures after six years from issuance.

Note 19. Current creditors

€ million	2013	2012
Amounts owed to Group undertakings		
Trade payables	0.1	0.7
Other payables	359.1	198.3
Accruals and deferred income	0.7	1.3
Total	359.9	200.3
Amounts owed to participating interest undertakings		
Other creditors	16.0	20.3
Total	16.0	20.3
Accruals and deferred income		
Staff costs	3.4	3.2
Others	6.5	8.6
Total	9.9	11.8

Note 20. Interest-free debt

€ million	2013	2012
Current creditors	16.7	20.2
Total	16.7	20.2

Other notes

Note 21. Guarantees, liability engagements and other liabilities

€ million	2013	2012
Real estate mortgages		
For own debt	6	6
For Group undertakings	4	4
Pledged shares	42	39
Guarantees		
For Group undertakings	41	48
For associated undertakings	65	65
Other liabilities and liability engagements		
For own debt	11	12
Rent liabilities on machinery and fixtures		
Falling due within a year	1	1
Falling due later	1	1
Rent liabilities on real estate		
Falling due within a year	47	51
Falling due later	230	269

€ million	2013	Fair value	2012	Fair value
Liabilities arising from derivative instruments				
Values of underlying instruments as at 31 December				
Interest rate derivatives				
Interest rate swaps	201	-0.2	201	0.8
Currency derivatives				
Forward and future contracts				
Outside the Group	296	1.2	239	-3.2
Inside the Group	23	0.5	23	0.6
Option agreements				
Bought, inside the Group	0	0.0	2	0.0
Written, outside the Group	1	0.0	11	0.0
Written, inside the Group	1	0.0	2	0.1
Currency swaps	100	-13.4	100	-9.5
Commodity derivatives				
Electricity derivatives				
Outside the Group	31	-6.8	41	-3.6
Inside the Group	31	6.8	41	3.6

Signatures

Signatures

Helsinki, 3 February 2014

Esa Kiiskinen	Seppo Paatelainen	
Ilpo Kokkila	Tomi Korpisaari	Maarit Näkyvä
Toni Pokela	Virpi Tuunainen	Matti Halmesmäki President and CEO

The Auditor's Note

Our auditor's report has been issued today.

Helsinki, 14 February 2014

PricewaterhouseCoopers Oy
Authorised Public Accountants

Johan Kronberg
APA

Auditor’s Report

(Translation from the Finnish Original)

To the Annual General Meeting of Kesko Corporation

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Kesko Corporation for the year ended 31 December, 2013. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company’s balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company’s accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor’s Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or whether they have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the Consolidated Financial Statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the Company's Financial Statements and the Report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Other Opinions

We support that the financial statements and the consolidated financial statements should be adopted. The proposal by the Board of Directors regarding the use of the profit shown in the balance sheet is in compliance with the Limited Liability Companies Act. We support that the Members of the Board of Directors and the Managing Director of the parent company should be discharged from liability for the financial period audited by us.

Helsinki, 14 February 2014

PricewaterhouseCoopers Oy
Authorised Public Accountants

Johan Kronberg
Authorised Public Accountant