FINANCIAL STATEMENTS

Kesko 2015

Financial statements 2015

REPORT BY THE BOARD OF DIRECTORS AND KEY PERFORMANCE INDICATORS

REPORT BY THE BOARD OF DIRECTORS

FINANCIAL PERFORMANCE

Net sales and profit for 2015

The Group's net sales were €8,679 million, which is 4.3% down on the corresponding period of the previous year (€9,071 million). Anttila was included in the Group figures until 16 March 2015. Anttila excluded, net sales performance in local currencies equalled the level of the previous year. The decline in consumers' purchasing power weakened consumer demand in the reporting period in Finland and Russia.

In the grocery trade, the -1.7% net sales performance is partly attributable to the decline in prices. In the home improvement and speciality goods trade, net sales decreased by 8.9%, but increased by 2.3% in local currencies excluding Anttila. In the car trade, net sales decreased by 2.4%. The Group's net sales in Finland decreased by 4.9% and the comparable performance excluding Anttila was -1.7%. In the other countries, net sales decreased by 1.9%, but increased in local currencies excluding Anttila by 7.6%. The weakening of the Russian rouble impacted the net sales performance in euros especially in the home improvement and speciality goods trade. International operations accounted for 18.9% (18.4%) of net sales.

1–12/2015	Net sales € million	Change %	Operating profit* € million	Change € million
Grocery trade	4,673	-1.7	177.5	-45.8
Home imrovement and speciality goods trade	3,250	-8.9	63.6	+63.2
Car trade	748	-2.4	26.1	-2.8
Common operations and eliminations	8	(..)	-22.7	-2.8
Total	**8,679**	**-4.3**	**244.5**	**+11.8**

** Excl. non-recurring items*
(..) Change over 100%

The operating profit excluding non-recurring items was €244.5 million (€232.6 million). In the grocery trade, profitability was good, although the operating profit excluding non-recurring items decreased from the previous year. This was most significantly due to intensified price competition. In the home improvement and speciality goods trade, profitability was improved by the divestment of Anttila in the first part of the year, as well as the good profit performance of the building and home improvement trade especially in Finland, Sweden, Norway and the Baltic countries. In the car trade, profitability remained steadily at a good level. The operating profit includes a €12.7 million operating loss from Anttila, divested in March; the operating loss for the previous year was €63.2 million.

The operating profit was €194.6 million (€151.4 million). The operating profit includes €-49.9 million (€-81.3 million) of non-recurring items. The most significant non-recurring items were the €130 million loss on the divestment of Anttila, the €75.6 million capital gain recorded on a real estate transaction completed in the second quarter of the year and a total of €25.4 million in capital gains on other real estate transactions. Due to Intersport Russia's low volume and unprofitable performance, Kesko plans to withdraw from the Russian sports trade in 2016. Relating to the restructuring of Intersport Russia's operations, a total of €17.2 million of non-recurring impairment charges and provisions were recorded for the fourth quarter. The non-recurring items of the comparative period included a provision for the restructuring of Anttila, and an impairment charge on fixed assets related to the integration of K-citymarket non-food and Anttila, a total of €46.8 million, a €5.2 million restructuring provision related to changes in the retail business of Byggmakker in Norway, costs amounting to €4.2 million from personnel reductions related to the change in Kesko's divisional structure, and a €21.0 million property impairment charge related to the renovation of Kesko's main office building.

The Group's profit before tax was €188.0 million (€145.0 million). The Group's earnings per share were €1.03 (€0.97). The Group's equity per share was €21.82 (€22.05).

The K-Group's (i.e. Kesko's and the chain stores') retail and B2B sales excluding Anttila were €10,818 million, down 1.5% compared to the previous year. The K-Plussa customer loyalty programme gained 63,045 new households in 2015. At the end of December, there were 2.3 million K-Plussa households and 3.6 million K-Plussa cardholders.

Finance

The cash flow from operating activities was €276.4 million (€304.4 million). The cash flow from investing activities was €217.1 million (€-182.1 million) and it included proceeds from the sale of fixed assets in the amount of €432.5 million (€11.2 million), of which the cash inflow from the real estate arrangement completed in June was €403.0 million.

The Group's liquidity remained at an excellent level. At the end of the financial year, liquid assets totalled €887 million (€598 million). Interest-bearing liabilities were €439 million (€499 million) and interest-bearing net debt was €-448 million (€-99 million) at the end of December. The equity ratio was 54.7% (54.5%) at the end of the period.

The Group's net finance costs were €7.1 million (€6.1 million). The finance income for the previous year included interest income on cooperative capital from Suomen Luotto-osuuskunta in the amount of €4.9 million.

Taxes

The Group's taxes were €70.7 million (€36.6 million). The effective tax rate was 37.6% (25.2%) resulting from non-deductible items related to the loss on the divestment of Anttila and the restructuring of Intersport Russia's operations.

Capital expenditure

The Group's capital expenditure totalled €218.5 million (€194.0 million), or 2.5% (2.1%) of net sales. Capital expenditure in store sites was €166.7 million (€142.7 million), in IT €20.4 million (€34.4 million) and other capital expenditure was €31.4 million (€17.0 million). Capital expenditure in foreign operations represented 40.2% (40.5%) of total capital expenditure.

Personnel

The average number of personnel in Kesko Group was 18,955 (19,976) converted into full-time employees. In Finland, the average decrease was 1,280 people, while outside Finland there was an increase of 259 people.

At the end of December 2015, the number of personnel was 21,935 (23,794), of whom 10,081 (12,180) worked in Finland and 11,854 (11,614) outside Finland. Compared to the end of December 2014, there was a decrease of 2,099 people in Finland and an increase of 240 people outside Finland. The decrease in the number of personnel in Finland is attributable to the divestment of Anttila on 16 March 2015.

The Group's employee benefit expenses were €544.8 million, down 11.3% compared to the previous year. The decrease is attributable to the divestment of Anttila on 16 March 2015.

SEGMENTS

New segment structure

The composition of Kesko's divisional structure and segment reporting were changed as of 1 July 2015 to correspond to the new strategy. An agricultural and machinery trade unit was established as part of the home improvement and speciality goods trade division. As of 1 July 2015, Kesko Group's reportable segments are the grocery trade, the home improvement and speciality goods trade and the car trade.

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.

Grocery trade

	1–12/2015	1–12/2014
Net sales, € million	4,673	4,754
Operating profit excl. non-recurring items, € million	177.5	223.2
Operating margin excl. non-recurring items,%	3.8	4.7
Capital expenditure, € million	128.9	98.0

Net sales, € million	1–12/2015	Change,%
Sales to K-food stores	3,162	-2.2
K-citymarket, home and speciality goods	588	-1.0
Kespro	792	+0.3
K-ruoka, Russia	107	+3.1
Others	25	-27.7
Total	**4,673**	**-1.7**

In 2015, the market position of the grocery trade remained stable and its profitability was good. The strengthening of K-food stores' competitiveness in terms of quality and price has progressed in accordance with strategy and after the completion of the acquisition of Suomen Lähikauppa, announced in November, Kesko's neighbourhood retail services will improve significantly.

The net sales of the grocery trade were €4,673 million (€4,754 million), representing a change of -1.7%. The grocery sales of K-food stores in Finland decreased by 1.2% (VAT 0%). In the grocery market in Finland, retail prices are estimated to have changed by approximately -1% 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 decreased by approximately 1% (Kesko's own estimate). The decline in the value of the rouble affected the sales of the food stores in Russia in euros. In the local currency, sales increased by 35.4%.

The operating profit excluding non-recurring items of the grocery trade was €177.5 million (€223.2 million). Profitability was good in the grocery trade, although the operating profit excluding non-recurring items decreased from the previous year. This was most significantly due to intensified price competition. Kespro's market share increased and profitability remained at a good level. The operating profit of the grocery trade was €249.4 million (€216.2 million). Non-recurring items, in the amount of €71.9 million (€-7.1 million), include €71.9 million in gains recorded on the sales of properties as the most significant items.

The capital expenditure of the grocery trade was €128.9 million (€98.0 million), of which €117.7 million (€83.2 million) was in store sites.

Home improvement and speciality goods trade

	1–12/2015	1–12/2014
Net sales, € million	3,250	3,568
Operating profit excl. non-recurring items, € million	63.6	0.4
Operating margin excl. non-recurring items,%	2.0	0.0
Capital expenditure, € million	55.3	71.9

Net sales, € million	1–12/2015	Change,%
Building and home improvement trade, Finland	794	+0.3
K-rauta, Sweden	209	+7.7
Byggmakker, Norway	418	-3.0
K-rauta, Estonia	87	+11.2
K-rauta, Latvia	52	-2.0
Senukai, Lithuania	322	+3.2
K-rauta, Russia	192	-23.1
OMA, Belarus	116	-7.5
Intersport, Finland	174	+1.5
Intersport, Russia	12	-17.0
Indoor	179	+1.6
Agricultural and machinery trade	615	-0.4
Others	90	-75.3
Total	**3,250**	**-8.9**

The profitability of the home improvement and speciality goods trade improved significantly in 2015, which was attributable to the good profit performance in the building and home improvement trade and the divestment of the loss-making business of Anttila in March 2015. The market share of the K-Group's building and home improvement trade is estimated to have strengthened especially in Finland. In the building and home improvement trade, growth strengthened especially in the B2B trade.

The net sales of the home improvement and speciality goods trade were €3,250 million (€3,568 million), down 8.9%. Net sales excluding Anttila increased by 2.3% in local currencies.

The net sales of the home improvement and speciality goods trade in Finland were €1,719 million (€2,002 million), a decrease of 14.1%. Anttila excluded, net sales decreased in Finland by 1.0%. The net sales from the foreign operations of the home improvement and speciality goods trade were €1,530 million (€1,566 million), a decrease of

2.3%. In local currencies, the net sales from foreign operations excluding Anttila increased by 5.8%. Foreign operations contributed 47.1% (43.9%) to the net sales of the home improvement and speciality goods trade.

The net sales of the building and home improvement trade were €2,370 million (€2,422 million), a decrease of 2.1%. In local currencies, net sales were up by 2.7%. In respective local currencies, net sales in Sweden grew by 10.8%, in Norway by 3.2% and in Russia by 0.9%.

The net sales of the agricultural and machinery trade were €615 million (€618 million), down 0.4% compared to the previous year. Net sales in Finland were €500 million, a decrease of 4.2%. The net sales from foreign operations were €115 million, an increase of 20.0%. The net sales of the leisure trade were €205 million, an increase of 1.3% in local currencies.

The K-Group's sales of building and home improvement products in Finland decreased by a total of 0.3% and the total market (VAT 0%) is estimated to have fallen by approximately 2.2% (Kesko's own estimate). The retail sales of the K-maatalous chain were €437 million, down 5.5%.

The operating profit excluding non-recurring items of the home improvement and speciality goods trade was €63.6 million (€0.4 million), up €63.2 million compared to the previous year. The €12.7 million (€63.2 million) operating loss of Anttila, divested in March, is included in the profit of the home improvement and speciality goods trade. The operating profit of the home improvement and speciality goods trade, excluding non-recurring items and Anttila, was €76.3 million, up €12.6 million on the previous year. The improved profitability was attributable to a sales increase in foreign currency terms, coupled with implemented cost savings. The results of the building and home improvement trade improved especially in Finland, Sweden, Norway and the Baltic countries. Profitability improved from the previous year also in the furniture trade and the agricultural and machinery trade.

The operating profit of the home improvement and speciality goods trade was €-57.2 (€-52.0 million). Non-recurring items include a €130 million loss on the divestment of Anttila. Due to Intersport Russia's low volume and unprofitable performance, Kesko plans to withdraw from the Russian sports trade in 2016. Relating to the restructuring of Intersport Russia's operations, a total of €17.2 million of non-recurring impairment charges and provisions were recorded for the fourth quarter. In addition, the non-recurring items include €28 million in gains recorded on the sales of properties.

The capital expenditure of the home improvement and speciality goods trade totalled €55.3 million (€71.9 million), of which 54.6% (56.8%) was abroad. Capital expenditure in store sites represented 73.7% of total capital expenditure.

Car trade

	1–12/2015	1–12/2014
Net sales, € million	748	766
Operating profit excl. non-recurring items, € million	26.1	28.9
Operating margin excl. non-recurring items,%	3.5	3.8
Capital expenditure, € million	16.0	13.2

Net sales, € million	1–12/2015	Change,%
VV-Auto	748	-2.4

The profitability of the car trade continued at a good level in 2015 and Volkswagen was the market leader in Finland in passenger cars and vans.

The net sales of the car trade were €748 million (€766 million), down 2.4%. The combined market performance of first time registered passenger cars and vans was 2.8% (3.1%). The combined market share of passenger cars and vans imported by VV-Auto was 19.1% (20.7%).

The profitability of the car trade remained at a good level. The operating profit excluding non-recurring items was €26.1 million (€28.9 million).

The operating profit was €26.1 million (€28.9 million).

The capital expenditure of the car trade was €16.0 million (€13.2 million).

Changes in the Group composition

During the reporting period, Kesko Corporation sold its subsidiary Anttila Oy (Stock exchange release on 16 March 2015). As part of the real estate arrangement completed in June, 11 real estate companies were sold.

Shares, securities market and Board authorisations

At the end of December 2015, the total number of Kesko Corporation shares was 100,019,752, of which 31,737,007, or 31.7%, were A shares and 68,282,745, or 68.3%, were B shares. At 31 December 2015, Kesko Corporation held 877,577 own B shares as treasury shares. These treasury shares accounted for 1.29% of the number of B shares, 0.88% of the total number of shares, and 0.23% of votes attached to all shares of the company. The total number of votes attached to all shares was 385,652,815. Each A share carries ten (10) votes and each B share one (1) vote. The company cannot vote with own shares held by it as treasury shares and no dividend is paid on them. At the end of December 2015, Kesko Corporation's share capital was €197,282,584.

The price of a Kesko A share quoted on Nasdaq Helsinki was €28.56 at the end of 2014, and €31.12 at the end of 2015, representing an increase of 9.0%. Correspondingly, the price of a B share was €30.18 at the end of 2014, and €32.37 at the end of 2015, representing an increase of 7.3%. The highest A share price during the year was €38.13 and the lowest was €26.94. The highest B share price during the year was €41.04 and the lowest was €28.30. The Nasdaq Helsinki All-Share index (OMX Helsinki) was up by 10.8% and the weighted OMX Helsinki Cap index by 11.7% during the year. The Retail Sector Index was up by 6.4%.

At the end of December 2015, the market

capitalisation of A shares was €988 million, while that of B shares was €2,182 million, excluding the shares held by the parent company. The combined market capitalisation of A and B shares was €3,170 million, an increase of €232 million from the end of 2014. In 2015, a total of 2.4 million (2.0 million) A shares were traded on Nasdaq Helsinki, an increase of 19.4%. The exchange value of A shares was €75 million. The number of B shares traded was 59.4 million (47.3 million), an increase of 25.5%. The exchange value of B shares was €1,994 million. Nasdaq Helsinki accounted for 57% of Kesko A and B share trading in 2015. Kesko shares were also traded on multilateral trading facilities, the most significant of which were BATS Chi-X with 37% and Turquoise with 6% of the trading (source: Fidessa).

On 13 April 2015, the Annual General Meeting approved a share issue authorisation which cancelled the authorisation, identical in substance, granted by the General Meeting of 16 April 2012. In consequence, the Board has the authority, granted by the Annual General Meeting of 13 April 2015 and valid until 30 June 2018, to issue a total maximum of 20,000,000 new B shares. The shares can be issued against payment to be subscribed by shareholders in a directed issue in proportion to their existing holdings of the company shares regardless of whether they hold A or B shares, or, deviating 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, capital expenditure 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 for non-cash consideration and the right to make decisions on other matters concerning share issues.

In addition, the Board has the authority, valid until 30 June 2017, to decide on the transfer of a maximum of 1,000,000 own B shares held by the company as treasury shares. On 9 February 2015, the Board decided to grant own B shares held by the company as treasury shares to persons included in the target group of the 2014 vesting period, based on the valid authority to issue treasury shares granted by the Annual General Meeting held on 8 April 2013 and the fulfilment of the vesting criteria of the 2014 vesting period of Kesko's three-year share-based compensation plan. This transfer of a total of 120,022 own B shares was announced in a stock exchange release on 1 April 2015 and 7 April 2015. Based on the 2014–2016 share-based compensation plan decided by the Board, a total maximum of 600,000 own B shares held by the company as treasury shares can be granted within a period of three years based on the fulfilment of the vesting criteria. The Board will separately decide on the vesting criteria and target group for each vesting period. The share-based compensation plan was announced in a stock exchange release on 4 February 2014.

During the financial year, a total of 2,284 shares granted based on share-based compensation plans (the 2011–2013 and the 2014–2016 share-based compensation plans) was returned to the company in accordance with the terms and conditions of the share-based compensation plans. The returns during the reporting period were notified in a stock exchange notification on 23 March 2015, 4 September 2015 and 16 December 2015.

At the end of December 2015, the number of shareholders was 39,529, which is 340 less than at the end of 2014. At the end of December, foreign ownership of all shares was 27%. Foreign ownership of B shares was 39% at the end of December.

Flagging notifications

On 23 December 2015, Kesko Corporation received a notification according to which the total voting rights in respect of shares in Kesko held by K-

Retailers' Association had exceeded 10% on 23 December 2015. The matter was announced in a stock exchange release on 23 December 2015.

Key events during the reporting period

Kesko sold the department store chain Anttila Oy to the German investment fund 4K INVEST for €1 million. The transaction included all assets and liabilities in Anttila Oy. Anttila Oy's approximately 1,500 employees continued in the employment of the company. The date of the transaction was 16 March 2015. (Stock exchange release on 16 March 2015)

Kesko Corporation, the Swedish life insurance company AMF Pensionsförsäkring AB and Ilmarinen Mutual Pension Insurance Company set up a joint venture named Ankkurikadun Kiinteistöt Oy. The joint venture owns, manages and develops store sites acquired for it, primarily in use by Kesko Group. (Stock exchange release on 8 May 2015 and 11 June 2015)

Kesko's Board of Directors decided on the new strategy which is aimed at achieving profitable growth in three strategic areas: the grocery trade, the building and home improvement trade and the car trade. At the same time, financial targets in accordance with Kesko's new strategy were announced. (Stock exchange release on 27 May 2015)

Kesko announced its plan to merge Kesko Food Ltd and Rautakesko Ltd with the Group's parent company as part of the Group structure simplification. Merging the two largest division parent companies in terms of net sales with the Group's parent company is a step forward in implementing the strategy for a more unified Kesko. (Stock exchange release on 22 July 2015)

Kesko agreed to centralise the Baltic operations in its Lithuania-based subsidiary, UAB Senuku Prekybos centras (Senukai). The plan is to implement the integration in such a way that Kesko will sell the shares in its wholly owned companies responsible for the operations of K-rauta stores in Estonia and Latvia to Senukai. The ownership arrangement is planned to be implemented in early 2016. The implementation is subject to the approval of the competition authority. (Stock exchange release on 4 November 2015)

Kesko Corporation's subsidiary Kesko Food Ltd made an agreement to acquire the whole share capital of Suomen Lähikauppa Oy from the private equity investment firm Triton. The net sales of Suomen Lähikauppa in 2014 were €999.2 million, it has 643 Siwa and Valintatalo stores and 4,100 employees. The transaction price of the debt-free acquisition, structured as a share purchase, is approximately €60 million. The completion of the acquisition is subject to the approval of the Finnish Competition and Consumer Authority and the fulfilment of the other terms and conditions of the transaction. The handling of the matter and the acquisition are expected to be completed in the first half of 2016. (Stock exchange releases on 18 November 2015)

Voimaosakeyhtiö SF commenced arbitration proceedings in which Voimaosakeyhtiö SF demands that the court of arbitration confirm that Kesko Corporation's group company Kestra Kiinteistöpalvelut Oy is committed to the future financing of Fennovoima Ltd's Hanhikivi nuclear power project. Kestra Kiinteistöpalvelut Oy considers Voimaosakeyhtiö SF's claims to be unfounded. (Stock exchange release on 17 December 2015)

Events after the reporting period

Kesko Corporation made an agreement to acquire Onninen Oy's whole share capital from Onvest Oy. The pro forma net sales of the business to be acquired were €1,438 million and the EBITDA was €39 million for the period from October 2014 until the end of September 2015. The transaction price of the debt-free acquisition, structured as a share purchase, is €369 million. Onninen's steel business and Russian subsidiary are not included in the acquisition. The completion of the acquisition is subject to the approval of the competition authorities and the fulfilment of the other terms and conditions of the transaction. The acquisition is estimated to be completed during the first half of 2016. (Stock exchange release on 12 January 2016)

Resolutions of the 2015 Annual General Meeting and decisions of the Board’s organisational meeting

Kesko Corporation's Annual General Meeting, held on 13 April 2015, adopted the financial statements and the consolidated financial statements for 2014 and discharged the Board members and the Managing Director from liability. The General Meeting also resolved to distribute a dividend of €1.50 per share as proposed by the Board, or a total amount of €148,715,547.00. The dividend pay date was 22 April 2015. The General Meeting resolved to leave the number of Board members unchanged at seven. The General Meeting resolved to elect retailer, Business College Graduate Esa Kiiskinen, Master of Science in Economics, retailer Tomi Korpisaari, retailer, Secondary School Graduate Toni Pokela, eMBA Mikael Aro (new member), Master of Science in Economics Matti Kyytsönen (new member), Master of Science in Economics Anu Nissinen (new member) and Master of Laws Kaarina Ståhlberg (new member) as Board members for a three-year term expiring at the close of the 2018 Annual General Meeting in accordance with the Articles of Association. In addition, the General Meeting resolved to leave the Board members' fees and the basis for reimbursement of expenses unchanged.

The General Meeting elected the firm of auditors PricewaterhouseCoopers Oy, Authorised Public Accountants, as the company's auditor, with APA Mikko Nieminen as the auditor with principal responsibility. The General Meeting also approved the Board's proposals for the Board’s authorisation to issue a total maximum of 20,000,000 new B shares until 30 June 2018, and its authorisation to decide on donations of a total maximum of €300,000 for charitable or corresponding purposes until the Annual General Meeting to be held in 2016.

After the Annual General Meeting, Kesko Corporation's Board of Directors held an organisational meeting in which it elected retailer, Business College Graduate Esa Kiiskinen as its Chair and eMBA Mikael Aro as its Deputy Chair. Master of Laws Kaarina Ståhlberg (Ch.), eMBA Mikael Aro (Dep. Ch.) and Master of Science in Economics Matti Kyytsönen were elected to the Board's Audit Committee. Esa Kiiskinen (Ch.), Mikael Aro (Dep. Ch.) and Master of Science in Economics Anu Nissinen were elected to the Board's Remuneration Committee.

The resolutions of Annual General Meeting and the decisions of the Board’s organisational meeting were announced in more detail in stock exchange releases on 13 April 2015.

Responsibility

Kesko was the best trading sector company (Food & Staples Retailing) on 'The Global 100 Most Sustainable Corporations' list in 2015 and 2016. In 2015, Kesko placed 5th and in 2016, 15th on the list.

In November 2015, Kesko rose to CDP's Climate A List for the first time. The globally established list consists of 113 selected leading companies considered to be operating in an exemplary manner in the mitigation of climate change.

In 2015, Kesko continued to conduct human rights impact assessments in compliance with the UN’s Guiding Principles on Business and Human Rights.

Kesko aims to identify the entire supply chain of products, while also ensuring that the ingredients are responsibly sourced. In 2015, the origin of the ingredients in Pirkka and K-Menu own brand products was assessed.

In February 2015, Plan International, an organisation promoting children's rights, and Kesko launched a joint initiative to improve the sustainability of Thailand's fish industry and the position of migrant workers. The agreement on cooperation was made for the years 2015–2018.

In September 2015, Kesko's grocery trade, Gasum, Myllyn Paras and Wursti entered into cooperation in which biogas produced from inedible biowaste collected from retail stores will be utilised as energy in the manufacture of new Pirkka products.

The Blue and White Footprint campaign of the Association for Finnish Work continued in 2015, when the K-rauta and Rautia stores joined the K-food stores in the campaign. The objective of the campaign is to increase the sales of Finnish products and the awareness of the positive effects of buying Finnish work.

In spring 2015, the K-Group and the Ruokatieto association organised Local Food Dates (Lähiruokatreffit) in six localities in Finland. These events are aimed at providing retailers and local producers an opportunity to network and improve the offering of local products in K-food stores.

In 2015, Kesko created the ‘Thank the Producer’ operating model, which aims to draw attention to the position of producers and increase the appreciation of Finnish production. When buying groceries for Christmas, customers had a chance to buy a ’Thank the Producer’ card. The full proceeds from the sale of the cards were tripled and remitted to Finnish pig farmers in cooperation with the Central Union of Agricultural Producers and Forest Owners (MTK) and meat companies.

K-stores were the main partners of the Finnish Red Nose Day and raised a record amount of €420,000 for the campaign in 2015. For a third time, Kesko and K-stores participated in the Salvation Army's Christmas Kettle Collection to help those in need. K-food stores also participated in the Happy Christmas Spirit collection organised by the Finnish Red Cross and the Mannerheim League for Child Welfare.

Information contained in the notes to the financial statements

Information on the Group’s personnel is disclosed in note 6.
Related party transactions are disclosed in note 33.

Kesko publishes the Annual Report for 2015 at www.kesko.fi. The report contains a strategy review, the Report by the Board of Directors and the financial statements for 2015, Kesko’s Corporate Governance Statement and Remuneration Statement and the responsibility reporting indicators (GRI). Assurance for GRI indicators is provided by an independent external party.

Risk management

Risk management in Kesko Group is guided by the risk management policy approved by Kesko's Board of Directors. The policy defines the goals 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 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 Group's risks are considered by the Kesko Board's Audit Committee in connection with the quarterly interim reports and the financial statements. The Audit Committee Chair reports on risk management to the Board as part of the Audit Committee's report. The most significant risks and uncertainties are reported to the market by the Board in the Report by the Board of Directors and any material changes in them in the interim reports.

The following describes the risks and uncertainties assessed as significant.

Significant risks and uncertainties

Continuous decline of purchasing power and demand especially in Finland

The weak outlook for the Finnish economy, increases in taxes and public payments resulting from the indebtedness of the public sector, coupled with increasing unemployment, weaken purchasing power and consumer confidence and may cause a long-term decline in the level of demand. This would have negative repercussions especially on Kesko's home improvement and speciality goods trade and car trade in Finland. In the food trade, price is increasingly important.

Weakening of the Russian economy and operating conditions

The level of uncertainty regarding economic development in Russia is high and political and country risks in Russia have risen. The fall of crude oil prices cuts the revenues of the Russian state. The low exchange rate of the rouble weakens purchasing power, demand and profitability, and strong fluctuations in the exchange rate increases hedging costs. The economic sanctions imposed by the EU and the USA make it difficult to get financing in Russia. Russia's counter-sanctions have impacts especially on food stores' operations and raise the price level in Russia even on a wider scale. Unpredictability of officials and rapid changes in laws and their application, as well as unexpected changes in the operating environment can make business operations more difficult and delay expansion.

Decline in price levels and intensification of price competition in the Finnish food trade

The level of food prices in Finland declined in 2015. As consumers' purchasing power has decreased, competition has become more intense and stores have lowered their prices in order to increase market shares. The decline in price levels and the intensified price competition can weaken the profitability of Kesko's grocery trade and retailers.

Acquisitions in progress

After completion, the acquisitions of Suomen Lähikauppa Oy and Onninen Oy will provide a significant business opportunity for Kesko, but they also entail risks. The takeover and integration of the companies into Kesko will be demanding, long lasting processes and their success will impact on the achievement of the objectives set for sales, profit and synergies.

Strong change in the trading sector caused by digitalisation

E-commerce and online services are becoming increasingly popular in the retail trade, especially in the speciality goods trade. International e-commerce increases price transparency and consumers' alternatives at the same time when making decisions to buy products and services and buying and marketing them become more personalised and increasingly take place online. The achievement of business objectives requires an active approach and strong expertise in the development of online services and online stores that are attractive to customers and the adoption of a multichannel approach with supporting electronic customer communications. The risk is that some of the traditional brick and mortar stores become unprofitable and that the progress of e-commerce and online service development projects is outpaced by competitors, or that competing online stores and online services are found more attractive by customers. In addition, competition can be intensified by companies entering the value chain of trade by introducing new business models. For the food trade, the challenges in the development of e-commerce include the cost effectiveness of logistic models and the suitability of the existing store sites for e-commerce.

Business interruptions and information system failures

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. Extended failures in information systems and payment transfers, or in other parts of the supply chain, can cause significant losses in sales and weaken customer satisfaction.

Retailers' operating conditions

Kesko's chain operations are, contrary to those of most competitors, based on a retailer business model to a significant extent. The competitive advantages of the retailer business model include the retailer's local expertise and 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. A prolonged decline in the level of demand and sales can weaken the profitability and performance of retailer operations in Finland.

Store sites

With a view to increasing the market share, good store sites are a key competitive factor. The acquisition of store sites can be delayed by town planning and permit procedures and the availability and pricing of sites. Considerable amounts of capital or lease liabilities are tied up in store properties for years. When the share of e-commerce grows, the market situation changes, or a chain concept proves inefficient there is a risk that a store site becomes unprofitable and operations are discontinued while long-term liabilities remain.

Product safety and supply chain quality

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.

Employee competencies and working capacity

The implementation of strategies and the achievement of objectives require competent and motivated personnel. There is a risk that the trading sector does not attract the most competent people. The acquisitions in progress as well as other significant business and development projects, coupled with an increased need for special competencies increase the key-person risk and the dependency on individual expertise.

Suppliers and distribution channels

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

Crime and malpractice

Crimes are increasingly committed through data networks and crime has become more international and professional. A failure, especially if it affects the security of payment transactions and personal information, can cause losses, claims for damages and reputational harm. There is a risk that controls against such crime are not sufficient.

Responsible operating practices and reputation management

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

Compliance with laws and agreements

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

Reporting to the market

Kesko's objective is to produce and publish reliable and timely information. If any information published by Kesko proved to be incorrect, or communications failed to meet regulations in other respects, it could result in losing investor and other stakeholder confidence and in possible sanctions. Tight disclosure schedules and the dependency on information systems create challenges to the accuracy of financial information.

Risks of damage

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

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 (1-12/2016) in comparison with the 12 months preceding the reporting period (1-12/2015).

The general economic situation and the expected trend in consumer demand vary in Kesko's different operating countries. In Finland, owing to the weak trend in consumers' purchasing power, the trading sector's performance is expected to remain modest in all product lines, which may be complicated further by actions taken to balance the public finances. In the Finnish grocery trade, intense competition is expected to continue. The market for the Finnish building and home improvement trade and car trade is expected to remain weak. With respect to foreign countries, the economic situation and consumers' purchasing power, as well as the outlook in Russia have weakened further. Whereas in Sweden and Norway and the Baltic countries, the market is expected to grow.

Kesko Group's net sales for 2016 are expected to equal the level of the previous year. The operating profit excluding non-recurring items for 2016 is expected to slightly exceed the level of 2015.

The future outlook does not take account of the acquisitions of Suomen Lähikauppa and Onninen, in respect of which estimates will be given in connection with their respective completions.

Proposal for profit distribution

The parent's distributable profits are €1,101,724,265.47, of which the profit for the financial year is €161,817,870.11.

The Board of Directors proposes to the Annual General Meeting to be held on 4 April 2016 that a dividend of €2.50 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, 2 February 2016, a total of 99,142,175 shares were held outside the Company, amounting to a total dividend of €247,855,437.50.

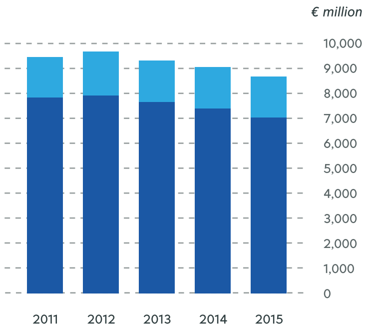
Annual General Meeting

The Board of Directors decided to convene the Annual General Meeting at Messukeskus Helsinki, on 4 April 2016 at 13.00. Kesko Corporation will publish a notice of the General Meeting at a later date.

Annual Report 2015 and Corporate Governance Statement

Kesko will publish the Annual Report for 2015 on week 10 on its website at www.kesko.fi. The report contains a strategic review, the Report by the Board of Directors and the financial statements for 2015, the responsibility reporting indicators (GRI), Kesko's Corporate Governance Statement and Remuneration Statement.

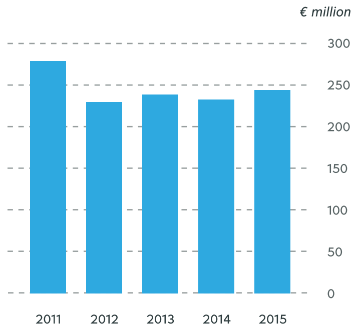
Net sales



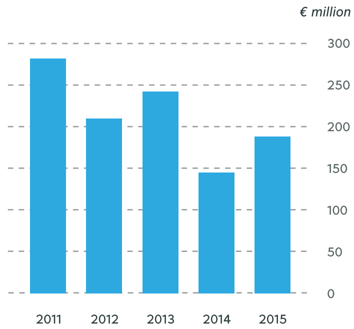
Finland

Other countries

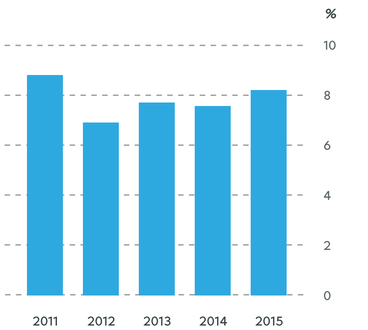
Operating profit excl. non-recurring items



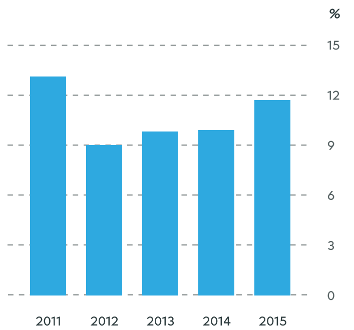
Profit before tax



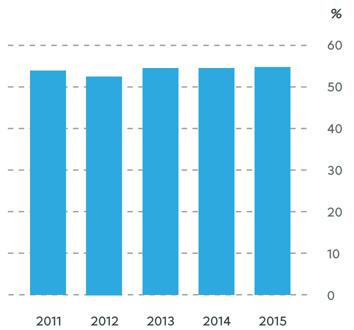
Return on equity excl. non-recurring items



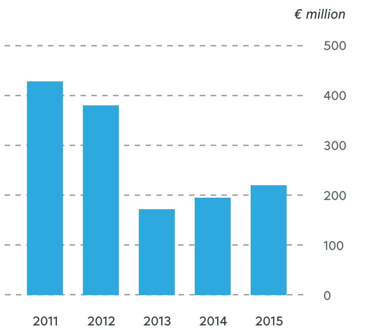
Return on capital employed excl. non-recurring items



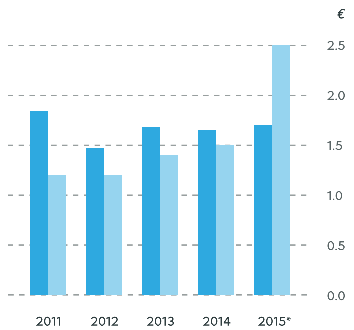
Equity ratio



Capital expenditure



Earnings/share and dividend/share

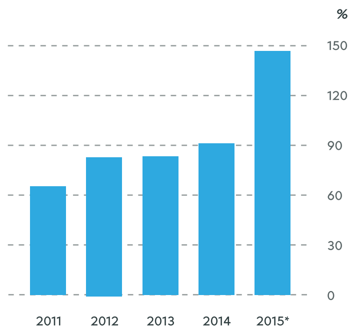


Earnings/share excluding non-recurring items, basic

Dividend/share

* Proposal to the General Meeting

Payout ratio excl. non-recurring items



* Proposal to the General Meeting

GROUP'S KEY PERFORMANCE INDICATORS

		2011	2012	2013	2014	2015
Income statement						
Net sales	€ million	9,460	9,686	9,315	9,071	8,679
Change in net sales	%	7.8	2.4	-3.8	-2.6	-4.3
Operating profit excl. non-recurring items	€ million	279	230	239	233	244
Operating profit excl. non-recurring items as percentage of net sales	%	2.9	2.4	2.6	2.6	2.8
Profit for the year (incl. non-controlling interests)	€ million	197	136	185	108	117
Profit for the year as percentage of net sales	%	2.1	1.4	2.0	1.2	1.4
Profitability						
Return on equity	%	8.8	6.0	8.0	4.7	5.2
Return on equity excl. non-recurring items	%	8.8	6.9	7.7	7.6	8.2
Return on capital employed	%	13.2	8.3	10.2	6.4	9.3
Return on capital employed excl. non-recurring items	%	13.1	9.0	9.8	9.9	11.7
Funding and financial position						
Interest-bearing net debt	€ million	32.8	135.3	-126.4	-99.2	-448.1
Gearing	%	1.5	6.0	-5.4	-4.4	-20.0
Equity ratio	%	53.9	52.5	54.5	54.5	54.7
Interest-bearing net debt/EBITDA		0.1	0.4	-0.3	-0.3	-1.4
Other performance indicators						
Capital expenditure	€ million	425	378	171	194	219
Capital expenditure as percentage of net sales	%	4.5	3.9	1.8	2.1	2.5
Cash flow from operating activities	€ million	216	382	414	304	276
Cash flow from investing activities	€ million	-441	-391	-152	-182	217
Personnel, average for the period		18,960	19,747	19,489	19,976	18,955
Personnel, as at 31 Dec.		23,375	24,080	23,863	23,794	21,935

		2011	2012	2013	2014	2015
Share performance indicators						
Earnings/share, diluted	€	1.84	1.26	1.75	0.97	1.03
Earnings/share, basic	€	1.85	1.27	1.75	0.97	1.03
Earnings/share excl. non-recurring items, basic	€	1.84	1.47	1.68	1.65	1.70
Equity/share	€	22.29	22.48	22.96	22.05	21.82
Dividend/share	€	1.20	1.20	1.40	1.50	2.50*
Payout ratio	%	64.9	94.5	79.9	154.7	243.8*
Payout ratio excl. non-recurring items	%	65.3	81.8	83.3	91.1	146.7*
Cash flow from operating activities/share, adjusted	€	2.20	3.88	4.17	3.07	2.79
Price/earnings ratio (P/E), A share, adjusted		13.55	19.30	15.35	29.49	30.35
Price/earnings ratio (P/E), B share, adjusted		14.14	19.60	15.35	31.16	31.57
Effective dividend yield, A share	%	4.8	4.9	5.2	5.3	8.0
Effective dividend yield, B share	%	4.6	4.8	5.2	5.0	7.7
Share price as at 31 Dec.						
A share	€	24.82	24.39	26.80	28.56	31.12
B share	€	25.96	24.77	26.80	30.18	32.37
Average share price						
A share	€	29.20	23.71	24.85	29.06	31.85
B share	€	29.36	22.75	24.11	29.82	33.52
Market capitalisation as at 31 Dec., A share	€ million	788	774	851	906	988
Market capitalisation as at 31 Dec., B share	€ million	1,719	1,644	1,810	2,031	2,182
Turnover						
A share	Million pcs	2	2	1	2	2
B share	Million pcs	63	68	51	47	59
Relative turnover rate						
A share	%	6.6	7.6	3.6	6.3	7.5
B share	%	94.6	102.0	77.0	69.5	87.0
Diluted number of shares as at 31 Dec.	Thousand pcs	98,919	98,472	99,136	99,161	99,114

Yield of A share for the last five financial years	%	-4.6	-4.5	8.5	8.3	2.3
Yield of B share						
For the last five financial years	%	-4.2	-3.7	13.7	10.1	3.0
For the last ten financial years	%	17.1	14.6	13.4	10.2	7.7

** Proposal to the General Meeting*

NET SALES BY SEGMENT

€ million	1–12/2015	1–12/2014	Change,%
Grocery trade, Finland	4,566	4,650	-1.8
Grocery trade, other countries*	107	103	3.2
Grocery trade, total	**4,673**	**4,754**	**-1.7**
- of which intersegment trade	15	34	-54.9
Home improvement and speciality goods trade, Finland	1,719	2,002	-14.1
Home improvement and speciality goods trade, other countries*	1,530	1,566	-2.3
Home improvement and speciality goods trade, total	**3,250**	**3,568**	**-8.9**
- of which intersegment trade	1	0	(..)
Car trade, Finland	748	766	-2.4
Car trade, total	**748**	**766**	**-2.4**
- of which intersegment trade	0	0	-12.4
Common operations and eliminations	8	-18	(..)
Finland, total	**7,042**	**7,401**	**-4.9**
Other countries, total*	**1,637**	**1,669**	**-1.9**
Group total	**8,679**	**9,071**	**-4.3**

** Net sales in countries other than Finland*

(..) Change over 100%

OPERATING PROFIT BY SEGMENT

€ million	1–12/2015	1–12/2014	Change
Grocery trade	249.4	216.2	33.2
Home improvement and speciality goods trade	-57.2	-52.0	-5.2
Car trade	26.1	28.9	-2.8
Common operations and eliminations	-23.7	-41.7	18.0
Group total	**194.6**	**151.4**	**43.2**

OPERATING PROFIT EXCL. NON-RECURRING ITEMS BY SEGMENT

€ million	1–12/2015	1–12/2014	Change
Grocery trade	177.5	223.2	-45.8
Home improvement and speciality goods trade	63.6	0.4	63.2
Car trade	26.1	28.9	-2.8
Common operations and eliminations	-22.7	-20.0	-2.8
Group total	**244.5**	**232.6**	**11.8**

GROUP'S PERFORMANCE INDICATORS BY QUARTER

	1–3/ 2014	4–6/ 2014	7–9/ 2014	10–12/ 2014	1–3/ 2015	4–6/ 2015	7–9/ 2015	10–12/ 2015
Net sales, € million	2,129	2,371	2,304	2,267	2,082	2,227	2,203	2,166
Change in net sales,%	-1.4	-2.1	-2.9	-4.0	-2.2	-6.0	-4.4	-4.4
Operating profit, € million	-13.0	69.4	63.4	31.7	-103.6	175.8	83.1	39.3
Operating margin,%	-0.6	2.9	2.7	1.4	-5.0	7.9	3.8	1.8
Operating profit excl. non-recurring items, € million	19.1	67.6	84.0	61.9	26.5	76.4	82.5	59.1
Operating margin excl. non-recurring items,%	0.9	2.9	3.6	2.7	1.3	3.4	3.7	2.7
Finance income/costs, € million	-1.6	2.2	-1.8	-5.0	-0.3	-4.2	-3.5	0.9
Profit before tax, € million	-14.4	71.4	61.7	26.4	-103.7	172.1	78.8	40.7
Profit before tax,%	-0.7	3.0	2.7	1.2	-5.0	7.7	3.6	1.9
Return on capital employed,%	-2.2	11.5	10.9	5.5	-18.1	31.9	17.6	8.2
Return on capital employed excl. non-recurring items,%	3.2	11.2	14.4	10.7	4.6	13.9	17.5	12.4
Return on equity,%	-2.0	9.4	8.1	3.7	-19.9	28.0	8.9	4.8
Return on equity excl. non-recurring items,%	2.3	9.1	11.3	8.0	3.1	10.6	10.6	9.2
Equity ratio,%	53.2	52.3	54.2	54.5	51.5	52.2	54.2	54.7
Capital expenditure, € million	43.4	55.7	51.7	43.2	51.5	58.6	41.5	66.9
Earnings/share, diluted, €	-0.11	0.51	0.41	0.17	-1.11	1.48	0.43	0.22
Equity/share, €	22.83	21.86	22.25	22.05	21.30	21.21	21.41	21.82

NET SALES BY SEGMENT

€ million	1–3/ 2014	4–6/ 2014	7–9/ 2014	10–12/ 2014	1–3/ 2015	4–6/ 2015	7–9/ 2015	10–12/ 2015
Grocery trade	1,102	1,202	1,190	1,260	1,103	1,149	1,171	1,249
Home improvement and speciality goods trade	815	974	942	837	773	883	857	736
Car trade	218	199	175	175	210	190	170	177
Common operations and eliminations	-6	-5	-2	-5	-3	4	4	4
Group total	**2,129**	**2,371**	**2,304**	**2,267**	**2,082**	**2,227**	**2,203**	**2,166**

OPERATING PROFIT BY SEGMENT

€ million	1–3/ 2014	4–6/ 2014	7–9/ 2014	10–12/ 2014	1–3/ 2015	4–6/ 2015	7–9/ 2015	10–12/ 2015
Grocery trade	44.3	54.4	58.3	59.1	35.2	115.8	45.0	53.4
Home improvement and speciality goods trade	-64.3	11.9	1.9	-1.5	-144.7	61.5	36.8	-10.9
Car trade	10.1	7.4	6.3	5.2	9.8	6.5	6.0	3.8
Common operations and eliminations	-3.1	-4.4	-3.2	-31.1	-3.9	-8.0	-4.6	-7.1
Group total	**-13.0**	**69.4**	**63.4**	**31.7**	**-103.6**	**175.8**	**83.1**	**39.3**

OPERATING PROFIT EXCL. NON-RECURRING ITEMS BY SEGMENT

€ million	1–3/ 2014	4–6/ 2014	7–9/ 2014	10–12/ 2014	1–3/ 2015	4–6/ 2015	7–9/ 2015	10–12/ 2015
Grocery trade	45.4	55.3	60.3	62.2	34.9	43.3	44.8	54.5
Home improvement and speciality goods trade	-33.2	9.3	20.6	3.7	-14.2	34.5	35.8	7.5
Car trade	10.1	7.4	6.3	5.2	9.8	6.5	6.0	3.8
Common operations and eliminations	-3.1	-4.4	-3.2	-9.3	-3.9	-8.0	-4.1	-6.7
Group total	**19.1**	**67.6**	**84.0**	**61.9**	**26.5**	**76.4**	**82.5**	**59.1**

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 x 100 / (Balance sheet total – Prepayments received)
Gearing,%	Interest-bearing net debt x 100 / Shareholders' equity
Interest-bearing net debt	Interest-bearing liabilities – Money market investments – Cash and cash equivalents
Interest-bearing net debt/EBITDA	Interest-bearing net debt / EBITDA

SHARE PERFORMANCE INDICATORS

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

ANALYSIS OF SHAREHOLDING

ANALYSIS OF SHAREHOLDING BY SHAREHOLDER TYPE AS AT 31 DEC. 2015

All shares	Number of shares, pcs	Percentage of all shares,%
Non-financial corporations and housing corporations	25,429,439	25.42
Financial and insurance corporations	9,334,660	9.33
General government*	6,075,559	6.07
Households	26,198,475	26.19
Non-profit institutions**	5,625,298	5.62
Rest of the world	430,119	0.43
Nominee registered	26,926,202	26.92
Total	**100,019,752**	**100.00**

A shares	Number of shares, pcs	Percentage of A shares,%	Percentage of all shares,%
Non-financial corporations and housing corporations	18,626,977	58.69	18.62
Financial and insurance corporations	4,111,521	12.95	4.11
General government*	401,252	1.26	0.40
Households	6,274,579	19.77	6.27
Non-profit institutions**	1,744,171	5.50	1.74
Rest of the world	7,089	0.02	0.01
Nominee registered	571,418	1.80	0.57
Total	**31,737,007**	**100.00**	**31.73**

B shares	Number of shares, pcs	Percentage of B shares,%	Percentage of all shares,%
Non-financial corporations and housing corporations	6,802,462	9.96	6.80
Financial and insurance corporations	5,223,139	7.65	5.22
General government*	5,674,307	8.31	5.67
Households	19,923,896	29.18	19.92
Non-profit institutions**	3,881,127	5.68	3.88
Rest of the world	423,030	0.62	0.42
Nominee registered	26,354,784	38.60	26.35
Total	**68,282,745**	**100.00**	**68.27**

** General government, for example, municipalities, the provincial administration of Åland, authorised pension providers 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. 2015

All shares Number of shares	Number of shareholders, pcs	Percentage of share-holders,%	Share total, pcs	Percentage of shares,%
1–100	13,069	33.06	726,514	0.73
101–500	14,485	36.64	3,892,042	3.89
501–1,000	5,097	12.89	4,010,131	4.01
1,001–5,000	5,310	13.43	11,659,532	11.66
5,001–10,000	847	2.14	5,989,717	5.99
10,001–50,000	585	1.48	12,103,289	12.10
50,001–100,000	72	0.18	5,175,930	5.17
100,001–500,000	49	0.12	10,590,509	10.59
500,001–999,999,999,999	15	0.04	45,872,088	45.86
Total	**39,529**	**100.00**	**100,019,752**	**100.00**

A shares Number of shares	Number of shareholders, pcs	Percentage of holders of A shares,%	A share total, pcs	Percentage of A shares,%
1–100	2,411	32.24	113,345	0.36
101–500	1,830	24.47	476,212	1.50
501–1,000	1,044	13.96	898,276	2.83
1,001–5,000	1,485	19.86	3,638,803	11.47
5,001–10,000	365	4.88	2,569,509	8.10
10,001–50,000	291	3.89	6,236,286	19.65
50,001–100,000	34	0.45	2,372,987	7.48
100,001–500,000	13	0.17	3,197,927	10.08
500,001–999,999,999,999	5	0.07	12,233,662	38.55
Total	**7,478**	**100.00**	**31,737,007**	**100.00**

B shares Number of shares	Number of shareholders, pcs	Percentage of holders of B shares,%	B share total, pcs	Percentage of B shares,%
1–100	11,601	33.67	662,809	0.97
101–500	13,515	39.23	3,631,151	5.32
501–1,000	4,317	12.53	3,327,680	4.87
1,001–5,000	4,163	12.08	8,790,755	12.87
5,001–10,000	466	1.35	3,317,282	4.86
10,001–50,000	306	0.89	6,030,024	8.83
50,001–100,000	40	0.12	2,945,034	4.31
100,001–500,000	31	0.09	7,059,569	10.34
500,001–999,999,999,999	11	0.03	32,518,441	47.62
Total	**34,450**	**100.00**	**68,282,745**	**100.00**

10 LARGEST SHAREHOLDERS BY NUMBER OF SHARES HELD AS AT 31 DEC. 2015

		Number of shares, pcs	Percentage of shares,%	Number of votes	Percentage of votes,%
1.	K-Retailers' Association	3,877,707	3.88	38,777,070	10.05
2.	Vähittäiskaupan Takaus Oy	3,491,771	3.49	27,148,568	7.04
3.	Kruunuvuoren Satama Oy	3,438,885	3.44	34,388,850	8.92
4.	Ilmarinen Mutual Pension Insurance Company	1,970,632	1.97	5,576,320	1.45
5.	Valluga-sijoitus Oy	1,340,439	1.34	13,404,390	3.48
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	1,100,426	1.10	9,633,308	2.50
8.	Oy The English Tearoom Ab	1,000,000	1.00	1,000,000	0.26
9.	The State Pension Fund	950,000	0.95	950,000	0.25
10.	Elo Mutual Pension Insurance Company	896,968	0.90	896,968	0.23

10 LARGEST SHAREHOLDERS BY NUMBER OF VOTES AS AT 31 DEC. 2015

		Number of shares, pcs	Percentage of shares,%	Number of votes	Percentage of votes,%
1.	K-Retailers' Association	3,877,707	3.88	38,777,070	10.05
2.	Kruunuvuoren Satama Oy	3,438,885	3.44	34,388,850	8.92
3.	Vähittäiskaupan Takaus Oy	3,491,771	3.49	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	1,100,426	1.10	9,633,308	2.50
6.	Ilmarinen Mutual Pension Insurance Company	1,970,632	1.97	5,576,320	1.45
7.	Heimo Välinen Oy	470,000	0.47	4,700,000	1.22
8.	K-Food Retailers' Club	460,856	0.46	4,608,560	1.20
9.	Food Paradise Oy	389,541	0.39	3,895,410	1.01
10.	T.A.T. Invest Oy	198,020	0.20	1,931,600	0.50

MANAGEMENT'S SHAREHOLDINGS

At the end of December 2015, Kesko Corporation's Board members, the President and CEO and the corporations controlled by them held 373,961 Kesko Corporation A shares and 10,476 Kesko Corporation B shares, i.e. a total of 384,437 shares, which represents 0.38% of the total number of shares and 0.97% of votes carried by all shares of the Company.

At 31 December 2015, the President and CEO held 8,791 Kesko Corporation B shares, which represented 0.01% of the total number of shares and 0.00% of votes carried by all shares of the Company. At 31 December 2015, the Group Management Board including the President and CEO held 65,162 Kesko Corporation B shares, which represented 0.07% of the total number of shares and 0.02% of votes attached to all shares of the Company.

CONSOLIDATED FINANCIAL STATEMENTS (IFRS)

CONSOLIDATED FINANCIAL STATEMENTS (IFRS)

CONSOLIDATED INCOME STATEMENT

€ million	Note	1 Jan.–31 Dec. 2015	%	1 Jan.–31 Dec. 2014	%
Net sales	**2**	**8,678.9**	**100.0**	**9,070.6**	**100.0**
Cost of goods sold		-7,540.4	-86.9	-7,832.3	-86.3
Gross profit		**1,138.5**	13.1	**1,238.3**	13.7
Other operating income	4 5	800.4	9.2	729.3	8.0
Employee benefit expense	6 30	-544.8	-6.3	-614.2	-6.8
Lease expenditure		-407.7	-4.7	-438.4	-4.8
Marketing costs		-221.6	-2.6	-237.1	-2.6
Property and store site maintenance		-105.4	-1.2	-120.1	-1.3
Information system expenses		-78.5	-0.9	-84.6	-0.9
Other operating expenses	4	-249.6	-2.9	-126.7	-1.4
Depreciation, amortisation and impairment	11 12	-136.8	-1.6	-195.1	-2.2
Operating profit		**194.6**	2.2	**151.4**	1.7
Interest income and other finance income	7	10.4	0.1	13.8	0.2
Interest expense and other finance costs	7	-14.2	-0.2	-15.6	-0.2
Foreign exchange differences	7	-3.3	-0.0	-4.4	-0.0
Total finance income and costs	7	-7.1	-0.1	-6.1	-0.1
Investments accounted for using the equity method		0.6	0.0	-0.2	-0.0
Profit before tax		**188.0**	2.2	**145.0**	1.6
Income tax	8	-70.7	-0.8	-36.6	-0.4
Profit for the year		**117.4**	**1.4**	**108.5**	**1.2**

Profit for the year attributable to			
Owners of the parent		101.6	96.0
Non-controlling interests		15.7	12.4
Earnings per share for profit attributable to owners of the parent			
Basic, €	10	1.03	0.97
Diluted, €	10	1.03	0.97

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€ million	Note	1 Jan.–31 Dec. 2015	1 Jan.–31 Dec. 2014
Profit for the year		**117.4**	**108.5**
Items that will not be reclassified subsequently to profit or loss			
Actuarial gains and losses	9 17	23.0	-19.6
Items that may be reclassified subsequently to profit or loss			
Currency translation differences related to a foreign operation	9	-17.4	-27.9
Adjustment for hyperinflation	9	-	4.5
Cash flow hedge revaluation	9	-0.0	0.9
Revaluation of available-for-sale financial assets	9	1.1	-3.0
Others	9	-0.3	-0.2
Total comprehensive income for the year, net of tax		**6.4**	**-45.4**
Total comprehensive income for the year		**123.8**	**63.1**
Comprehensive income for the year attributable to			
Owners of the parent		118.9	49.4
Non-controlling interests		4.9	13.6

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

€ million	Note	31 Dec. 2015	%	31 Dec. 2014	%
ASSETS					
Non-current assets					
Property, plant and equipment	11	1,282.1		1,624.1	
Intangible assets	12	168.4		177.9	
Equity accounted investments	13 37	99.2		92.2	
Available-for-sale financial assets	23 32	15.3		13.1	
Non-current receivables	14 15 23	62.9		7.1	
Deferred tax assets	16	3.9		4.2	
Pension assets	17	176.4		147.2	
Total non-current assets		**1,808.3**	**43.7**	**2,065.9**	**49.2**
Current assets					
Inventories	18	735.0		776.4	
Interest-bearing receivables	19 23	10.0		11.0	
Trade receivables	19 23 32	581.7		584.2	
Income tax assets	19 23	2.0		24.3	
Other non-interest-bearing receivables	19 23	114.6		137.3	
Financial assets at fair value through profit or loss	23 32	374.2		219.3	
Available-for-sale financial assets	20 23 32	371.7		271.7	
Cash and cash equivalents		141.2		107.0	
Total current assets		**2,330.5**	**56.3**	**2,131.2**	**50.8**
Non-current assets held for sale	21	0.5	0.0	0.5	0.0
Total assets		**4,139.3**	**100.0**	**4,197.7**	**100.0**

€ million	Note			31 Dec. 2015	%	31 Dec. 2014	%
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	265.5		265.5	
Currency translation differences			22	-44.6		-37.9	
Revaluation reserve			22	0.2		-0.9	
Retained earnings				1,547.1		1,562.1	
				2,163.4	52.3	**2,183.9**	52.0
Non-controlling interests				**78.6**	1.9	**81.6**	1.9
Total equity				**2,241.9**	54.2	**2,265.5**	54.0
Non-current liabilities							
Interest-bearing non-current liabilities	23	24	32	258.3		319.3	
Non-interest-bearing non-current liabilities		23	32	42.2		10.5	
Deferred tax liabilities			16	71.4		67.4	
Pension obligations			17	0.9		2.0	
Provisions			25	15.6		26.7	
Total non-current liabilities				**388.4**	9.4	**425.9**	10.1
Current liabilities							
Current interest-bearing liabilities		23	32	180.8		179.6	
Trade payables	23	26	32	795.1		794.6	
Other non-interest-bearing liabilities	23	26	32	212.6		217.9	
Income tax liabilities	23	26	32	31.4		9.2	
Accrued liabilities	23	26	32	251.3		262.9	
Provisions			25	37.8		42.1	
Total current liabilities				**1,509.0**	36.5	**1,506.3**	35.9
Total liabilities				**1,897.3**	45.8	**1,932.2**	46.0
Total equity and liabilities				**4,139.3**	**100.0**	**4,197.7**	**100.0**

CONSOLIDATED STATEMENT OF CASH FLOWS

€ million	Note	1 Jan.–31 Dec. 2015	1 Jan.–31 Dec. 2014
Cash flows from operating activities			
Profit before tax		188.0	145.0
Adjustments			
Depreciation according to plan		127.6	150.7
Finance income and costs		7.1	6.1
Other adjustments	31	40.1	63.3
		174.8	**220.1**
Change in working capital			
Current non-interest-bearing receivables, increase (-)/decrease (+)		-1.8	31.7
Inventories increase (-)/decrease (+)		-43.9	-6.9
Current non-interest-bearing liabilities, increase (+)/decrease (-)		7.0	-20.9
		-38.8	3.9
Interest paid and other finance costs		-17.6	-16.1
Interest received		8.9	13.0
Dividends received		0.1	0.1
Income taxes paid		-38.9	-61.6
Net cash flows from operating activities		**276.4**	**304.4**
Cash flows from investing activities			
Payments for acquisition of equity accounted investments	31	-11.0	0.0
Payments for tangible and intangible assets	31	-203.8	-193.6
Payments for available-for-sale financial assets		-	0.0
Proceeds from sale of subsidiaries, net of cash disposed of	31	-47.3	0.3
Equity repaid by associates and joint ventures		9.5	-
Proceeds from sale of tangible and intangible assets		470.4	10.8
Non-current loan and receivables, increase (-)/decrease (+)		-0.6	0.3
Net cash flows from investing activities		**217.1**	**-182.1**

Cash flows from financing activities			
Interest-bearing liabilities, increase (+)/decrease (-)		-58.6	-44.8
Repayments of finance lease liabilities		-2.8	-1.0
Interest-bearing receivables, increase (-)/decrease (+)		1.8	-0.5
Dividends paid		-156.1	-143.4
Proceeds from issue of shares		-	2.1
Acquisition of treasury shares		-	-16.1
Short-term money market investments, increase (-)/decrease (+)		-269.2	-56.8
Other items		19.3	6.8
Net cash flows from financing activities		**-465.7**	**-253.6**
Change in cash and cash equivalents and current available-for-sale financial assets		**27.8**	**-131.3**
Cash and cash equivalents and current available-for-sale financial assets as at 1 January	31	313.3	453.0
Currency translation difference adjustment and change in value		-7.1	-8.4
Cash and cash equivalents and current available-for-sale financial assets as at 31 December	31	**334.1**	**313.3**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

€ million	Attributable to owners of the parent								
	Share capital	Re-serves	Currency trans-lation diffe-rences	Reval-uation reserve	Treasury shares	Retained earnings	Total	Non-control-ling interest	Total equity
Balance as at 1 January 2015	**197.3**	**463.3**	**-37.9**	**-0.9**	**-31.5**	**1,593.5**	**2,183.9**	**81.6**	**2,265.5**
Share-based payment					4.0		4.0		4.0
Acquisition of treasury shares					-0.1		-0.1		-0.1
Dividends						-148.7	-148.7	-7.3	-156.1
Acquisition of non-controlling interest					0.0	0.1	0.1	-0.6	-0.5
Other changes		0.0	-0.0			5.3	5.3	0.0	5.3
Profit for the year						101.6	101.6	15.7	117.4
Other comprehensive income									
Actuarial gains/losses						28.8	28.8		28.8
Currency translation differences related to a foreign operation		0.0	-6.6				-6.6	-10.8	-17.4
Cash flow hedge revaluation				-0.0			-0.0		-0.0
Revaluation of available-for-sale financial assets				1.4			1.4		1.4
Others						-0.3	-0.3		-0.3
Tax related to other comprehensive income				-0.3		-5.8	-6.1		-6.1
Total other comprehensive income		0.0	-6.6	1.1		22.7	17.2	-10.8	6.4
Total comprehensive income for the period		0.0	-6.6	1.1	0.0	124.3	118.9	4.9	123.8
Balance as at 31 December 2015	**197.3**	**463.4**	**-44.6**	**0.2**	**-27.5**	**1,574.6**	**2,163.4**	**78.6**	**2,241.9**

	Attributable to owners of the parent								
€ million	**Share capital**	**Re-serves**	**Currency trans-lation diffe-rences**	**Reval-uation reserve**	**Treasury shares**	**Retained earnings**	**Total**	**Non-control-ling interest**	**Total equity**
Balance as at 1 January 2014	**197.3**	**461.2**	**-13.3**	**1.2**	**-17.8**	**1,650.7**	**2,279.4**	**73.1**	**2,352.5**
Shares subscribed for by exercising options		2.1					2.1		2.1
Share-based payment					2.4		2.4	0.0	2.4
Acquisition of treasury shares					-16.1		-16.1		-16.1
Dividends						-138.5	-138.5	-4.9	-143.4
Other changes		0.0	0.4			4.7	5.1	-0.2	4.9
Profit for the year						96.0	96.0	12.4	108.5
Other comprehensive income									
Actuarial gains/losses						-24.6	-24.6		-24.6
Currency translation differences related to a foreign operation		0.0	-25.0				-25.0	-2.8	-27.9
Adjustments for hyperinflation						0.4	0.4	4.1	4.5
Cash flow hedge revaluation				1.1			1.1		1.1
Revaluation of available-for-sale financial assets				-2.9			-2.9		-2.9
Others						-0.2	-0.2		-0.2
Tax related to other comprehensive income				-0.4		4.9	4.5		4.5
Total other comprehensive income		0.0	-25.0	-2.1		-19.4	-46.6	1.2	-45.4
Total comprehensive income for the period		0.0	-25.0	-2.1		76.6	49.4	13.6	63.1
Balance as at 31 December 2014	**197.3**	**463.3**	**-37.9**	**-0.9**	**-31.5**	**1,593.5**	**2,183.9**	**81.6**	**2,265.5**

Further information on share capital and reserves is disclosed in note 22, on components of other comprehensive income in note 9 and on share-based compensation plans 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 Finnish listed trading sector company. Kesko has over 1,500 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 grocery trade, the home improvement and speciality goods trade, and the car 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, visiting address Kruunuvuorenkatu 4, Helsinki, and from the internet at www.kesko.fi.

Kesko's Board of Directors has approved these financial statements for disclosure on 2 February 2016.

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 2015. 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 Act and regulations based on it. 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.

New standards were not adopted during the financial year 2015.

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

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 circumstances for which estimates have been required are described below.

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 recoverable amounts of cash generating units have been determined using calculations based on value in use. In the calculations, forecast cash flows are based on financial plans approved by management, covering a period of three years. (Note 12)

Employee benefits

The Group operates both defined contribution pension plans and defined benefit pension plans. Items relating to employee benefits are calculated using several factors that require the application of judgement. Pension calculations under defined benefit plans in compliance with IAS 19 are based on, among others, 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 impact the recognised amount of pension assets.

Measurement of inventories

The Group regularly reviews inventories for obsolescence and turnover, and for possible reduction of net realisable value below cost, and records an impairment 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 uses its judgement in the adoption and application of accounting policies in the financial statements. Management has exercised its judgement in the application of 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 half of the voting rights of a subsidiary or otherwise exerts control. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. 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 37.

Mutual shareholding is 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 profits 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 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 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. If 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 the 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.

Joint arrangements

Joint arrangements are arrangements in which the sharing of joint control has been contractually agreed between two or more parties. Joint control exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Investments in joint ventures are accounted for using the equity method, and on initial recognition, they are 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. If the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, the Group does not recognise further losses.

Unrealised gains on transactions between the Group and the joint ventures are eliminated to the extent of the Group's interests in the joint ventures. Unrealised losses are also eliminated, unless the transaction provides evidence of an impairment of the asset transferred. Dividends received from joint ventures are deducted from the Group's result and the cost of the shares. An investment in a joint venture includes the goodwill generated by the acquisition. Goodwill is not amortised.

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.

Subsidiaries, equity accounted investments and proportionately consolidated mutual real estate companies are listed in note 37.

Foreign currency items

The consolidated financial statements are presented in euros, which is both the functional currency of the environment in which the Group's parent operates and the presentation currency. On initial recognition, the amounts with respect to the result and financial position of the Group companies located outside the euro zone are recorded in the functional currency of each of their operating environments. The functional currency of the real estate companies operating in Russia, in St. Petersburg and Moscow, 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 foreign exchange forward contracts and options used for hedging financial transactions, and from foreign currency borrowings are included in financial income and costs.

The income statements of the Group companies operating outside the euro zone, and whose functional currency is not that of a hyperinflationary economy, have been translated into euros at the average rate of the financial year, 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 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 recognised 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.

Until the end of 2014, 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. In 2014, the income statements and balance sheets of these operations were translated into euros at the rate of the balance sheet date. In 2015, the Group did not have operations in countries identified as hyperinflationary economies.

Financial assets

The Group classifies its financial assets into the following categories:

- financial assets at fair value through profit or loss
- available-for-sale financial assets

- loans and receivables

The classification at initial recognition depends on the purpose for which the financial asset was acquired.

Regular way purchases or sales of financial assets are recognised on trade date. Financial assets are classified as non-current, if they have a maturity of more 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 flows 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 date of the financial statements, 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 financial assets exceeds the recoverable amount. 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 money market funds, as well as investments in other interest-bearing instruments with maturities of over three months, as defined by the Group's treasury policy. The interest income from these financial assets and changes in their fair values, as well as any commissions returned by the 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 the changes in their fair values are recognised in equity and 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.

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 changes in fair value recognised in equity are included in other financial income/expenses in the income statement.

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 the 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 of more 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 in the financial statements, 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 foreign exchange risk are recognised in profit or loss within other operating income or expenses. Concerning derivatives hedging financial transactions, the amount 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 reserve. 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, or when 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 operations

During the financial year, the Group has not hedged net investments in foreign operations. If a hedge is initiated, the Group applies hedge accounting in accordance with IAS 39 to hedge foreign currency net investments in foreign operations. Foreign exchange forward contracts or foreign currency borrowings are used as hedging instruments. Spot price changes in foreign exchange forward contracts are recognised in translation differences under equity, and disclosed in other comprehensive income. The premiums of forward contracts are recognised as income under financial items. The exchange difference of foreign currency borrowings is recognised in translation differences under equity. When a foreign operation is partially or wholly disposed of or wound up, cumulative gains or losses from the 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 can be 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 any component accounted for as a separate asset is derecognised when replaced. 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 financial year. 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 for impairment annually 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 that 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 measured at the fair value at the date of acquisition, and leasehold interests that are amortised during their probable lease terms.

The estimated useful lives are:

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.

Software

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

Impairment of non-financial assets

At each balance sheet 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 the revaluation shows an increase in the recoverable amount. 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 of the 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 recognised as finance costs and a 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 a receivable in the balance sheet and the receivable is 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 was 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 direct costs necessary to make the sale. The cost is determined using weighted average costs. The cost of certain categories of inventory is determined using the FIFO method. The cost of finished goods 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 in the amounts of initial sale. Impairment is recognised when there is objective evidence of impairment loss. The Group has established uniform principles 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 recognised as a reduction of 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 2015 and 2014, 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 lease contracts.

A warranty provision is recognised when a product covered by warranty provisions 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 remain 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 pension plans and defined benefit pension 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 pay further contributions, in case the payment recipient is unable to pay the retirement benefits.

In defined benefit plans, the Group may incur obligations or assets after the payment of the contribution. The pension obligation represents the present value of future cash flows from the benefits payable. 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 calculations. The discount rate assumed in calculating the present value of the pension obligation is the market yield of high-quality corporate bonds. 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 comprehensive income in the income statement.

Share-based payment

Share remuneration

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 recognised in the balance sheet. The liability in the balance sheet is measured at fair value at each 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 to management under which an award consisting of B series shares and an amount in cash is paid upon fulfilling the plan's terms. The fair value of the award paid in shares is the value of the share at the grant date and it is recognised as an expense on a straight-line basis over the vesting and commitment period of the plan. The expensed amount is based on the Group's estimate of the amount of award 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 awards. Instead, they are accounted for in the assumptions of the number of shares expected to vest at the end of the vesting period. A cash component is paid to cover the taxes and tax-like charges incurred under the award. The cash component is recognised as an expense during the vesting period. Changes in estimates are recorded in the income statement.

Revenue recognition policies

Net sales comprise the sale of goods, 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-denominated sales. Sales adjustment items include loyalty award credits relating to the K-Plussa customer loyalty scheme, which are recognised at fair values 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 in addition to engaging in own retailing. Income from sales 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, income from sales of goods can be recognised at the time of transfer. Sales to retailers and other retail dealers are based on invoicing. Retail sales are mainly in cash and by credit card.

Income from services is recognised after the service has been performed and when a flow of economic benefits associated with the service is probable.

Interest income is recognised on a time apportionment basis 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. Other operating income and expenses also include gains and losses on the disposal of property, plant and equipment as well as realised and unrealised gains and losses on derivatives used for hedging foreign currency risks associated with commercial transactions.

Borrowing costs

The Group has not capitalised interest costs incurred as part of the acquisition of assets, 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 tax

The taxes recognised 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 the tax rates enacted at the balance sheet date, and as the rates changed, at the known new rate. 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 pension plans, property, plant and equipment (depreciation difference), provisions and measurements at fair value of asset items in connection with acquisitions.

Dividend distribution

The dividend proposed by the Board of Directors 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 2015 financial statements, the Group will adopt the following standards, interpretations and amendments to standards and interpretations issued for application in its 2016 or subsequent financial statements.

IFRS 9 Financial instruments

The standard addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 allows financial assets to be classified into three measurement categories: amortised cost, fair value through other comprehensive income and fair value through profit and loss. The measurement category is determined on initial recognition. Classification depends on the business model for managing financial assets 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, unless this creates an accounting mismatch. The Group's management estimates that the new standard will have a minor impact on the accounting treatment of financial assets.

The effective date of the standard is 1 January 2018. The standard has not yet been endorsed for adoption by the EU.

IFRS 15 Revenue from Contracts with Customer

The standard replaces IAS 11, ‘Construction contracts’ and IAS 18, ’Revenue and related interpretations’. Revenue is recognised when control of goods or services transfers to a customer. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the goods or services. The core principle is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Management estimates that the new standard will not have a material impact on the consolidated financial statements.

The effective date of the standard is 1 January 2018. The standard has not yet been endorsed for adoption by the EU.

IFRS 16 Leases

On 13 January 2016, IASB issued a new IFRS standard, IFRS 16 Leases. The standard addresses the definition, recording, measurement and disclosure related to leases. According to the standard, all leases of over 12 months are recognised as assets and liabilities (right-of-use assets). Management estimates that the new standard will have an impact on the Company’s income statement, balance sheet and performance indicators.

The effective date of the standard is 1 January 2019. The standard has not yet been endorsed for adoption by the EU.

Management estimates that the other issued 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 grocery trade, the home improvement and speciality goods trade, and the car 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 improvement and speciality goods trade, and the car trade. Sales between segments are charged at prevailing market rates.

The Group Management Board assesses the segments' performances based on operating profit, operating profit adjusted for non-recurring items, and return on capital employed. Exceptional transactions outside the 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 and restructurings 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 intra-Group foreign exchange forward contracts entered into are reported as part of other operating income and expenses to the extent that they hedge the segments’ foreign exchange risk.

The assets and liabilities of a segment’s capital employed consist of operating items that can be justifiably allocated to the segments. The assets of capital employed comprise property, plant and equipment and intangible assets, investments accounted for using the equity method and other investments, pension assets, inventories, trade receivables and other non-interest-bearing receivables, interest-bearing receivables and assets held for sale. 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 generated 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 foreign exchange forward contracts recognised in the balance sheet, available-for-sale financial assets, cash and cash equivalents, or interest-bearing liabilities.

Grocery trade

The grocery trade comprises the wholesale and B2B trade of groceries in Finland and the grocery trade in Russia. 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 in Finland comprises around 900 K-food stores operated using the K-retailer business model. These stores form the K-citymarket, K-supermarket and K-market grocery retail chains. Kesko Food manages the operations of the chains made up of the stores. Chain operations ensure higher competitiveness and a strong operational basis for K-retailers in terms of purchasing goods, building selections, marketing and price competition. Kesko Food’s subsidiary Kespro Ltd engages in grocery wholesaling in the Finnish hotel, restaurant and catering (HoReCa) business. K-citymarket, home and speciality goods, is a retailer of home and speciality goods in Finland.

Home improvement and speciality goods trade

The home improvement and speciality goods trade comprises the wholesale and B2B sales of the building and home improvement trade in Finland, Sweden, Norway, the Baltic countries, Russia and Belarus, the agricultural and machinery trade in Finland, the machinery trade in the Baltic countries and the leisure goods trade in Finland and Russia. In the building and home improvement trade, Kesko is responsible for the chains' concepts, marketing, purchasing and logistics services and the store site network in all operating countries and for retailer resources in Finland. The Group 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). The building and home improvement stores serve both consumer and professional customers. The furniture trade chains in Finland and the Baltic countries are Asko and Sotka. Intersport, Budget Sport and Kookenkä are the leisure goods chains. Intersport engages in the sports equipment trade in Finland and Russia. The agricultural and machinery trade comprise the operations of K-maatalous and Konekesko. Konekesko is a service company specialising in the import and trade of construction, environmental, agricultural and recreational machinery.

Car trade

The car trade comprises the business operations of VV-Auto. VV-Auto imports and markets Volkswagen, Audi and Seat passenger cars and Volkswagen commercial vehicles in Finland. VV-Auto also engages in car retailing and provides after-sales services at its own retail outlets.

Common operations

Common operations comprise Group support functions.

Segment information for 2015

Profit

€ million	Grocery trade	Home improvement and speciality goods trade	Car trade	Common operations	Eliminations	Total
Segment net sales	4,672.9	3,249.8	747.9	129.4		8,799.9
of which inter-segment sales	-15.4	-0.6	-0.4	-104.6		-121.0
Net sales from external customers	**4,657.5**	**3,249.1**	**747.5**	**24.8**		**8,678.9**
Other segment income	607.9	187.6	4.3	14.7		814.5
of which inter-segment sales	-6.1	-10.0	0.0	2.0		-14.1
Other operating income from external customers	**601.9**	**177.6**	**4.3**	**16.7**	**0.0**	**800.4**
Depreciation and amortisation	-69.1	-44.6	-8.0	-5.8	-0.1	-127.6
Impairment	-0.0	-9.2				-9.2
Operating profit	**249.4**	**-57.2**	**26.1**	**-23.7**	**0.0**	**194.6**
Non-recurring items	71.9	-120.8		-0.9	-0.1	-49.9
Operating profit excluding non-recurring items	**177.5**	**63.6**	**26.1**	**-22.8**	**0.1**	**244.5**
Finance income and costs						-7.1
Investments accounted for using the equity method						0.6
Profit before tax						**188.0**

Assets and liabilities

€ million	Grocery trade	Home improvement and speciality goods trade	Car trade	Common operations	Eliminations	Total
Tangible and intangible assets	788.3	523.7	75.7	60.0	2.9	1,450.5
Equity accounted investments and other investments	4.7	0.2	0.0	110.2	-0.6	114.5
Pension assets	40.6	16.3		119.5		176.4
Inventories	211.9	382.3	140.9		-0.0	735.0
Trade receivables	284.5	256.6	43.4	11.3	-14.1	581.7
Other non-interest-bearing receivables	50.5	60.7	4.1	24.2	-21.0	118.5
Interest-bearing receivables	3.8	3.8	0.3	63.1		71.0
Assets held for sale				0.5		0.5
Assets included in capital employed	**1,384.3**	**1,243.5**	**264.4**	**388.8**	**-32.8**	**3,248.1**
Unallocated items						
Deferred tax assets						3.9
Financial assets at fair value through profit or loss						374.2
Available-for-sale financial assets						371.7
Cash and cash equivalents						141.2
Total assets	**1,384.3**	**1,243.5**	**264.4**	**388.8**	**-32.8**	**4,139.3**
Trade payables	424.4	355.3	17.4	7.7	-9.8	795.1
Other non-interest-bearing liabilities	233.5	131.3	69.2	88.8	-15.7	507.2
Provisions	4.0	16.6	31.9	0.9		53.4
Liabilities included in capital employed	**661.9**	**503.3**	**118.6**	**97.5**	**-25.4**	**1,355.7**
Unallocated items						
Interest-bearing liabilities						439.1
Other non-interest-bearing liabilities						31.2
Deferred tax liabilities						71.4
Total liabilities	**661.9**	**503.3**	**118.6**	**97.5**	**-25.4**	**1,897.3**

Total capital employed as at 31 December	**722.4**	**740.3**	**145.8**	**291.3**	**-7.4**	**1,892.4**
Average capital employed	**871.4**	**823.0**	**103.7**	**292.2**	**-7.1**	**2,083.2**
Return on capital employed excl. non-recurring items,%	**20.4**	**7.7**	**25.2**			**11.7**
Capital expenditure	**128.9**	**55.3**	**16.0**	**18.5**	**-0.2**	**218.5**
Number of personnel as at 31 December	**8,364**	**12,270**	**783**	**518**		**21,935**
Average number of personnel	**6,420**	**11,269**	**780**	**487**		**18,955**

Segment information for 2014

Profit

€ million	Grocery trade	Home improvement and speciality goods trade	Car trade	Common operations	Eliminations	Total
Segment net sales	4,753.6	3,568.4	766.5	122.9		9,211.4
of which inter-segment sales	-34.1	0.3	-0.4	-106.6		-140.8
Net sales from external customers	**4,719.6**	**3,568.7**	**766.1**	**16.3**		**9,070.6**
Other segment income	556.6	176.0	4.5	8.3		745.4
of which inter-segment sales	-8.1	-9.3		1.3		-16.0
Other operating income from external customers	**548.5**	**166.7**	**4.5**	**9.6**	**0.0**	**729.3**
Depreciation and amortisation	-74.9	-61.3	-8.5	-5.9	-0.0	-150.7
Impairment	-4.3	-19.1		-21.0		-44.4
Operating profit	**216.2**	**-52.0**	**28.9**	**-41.7**	**-0.0**	**151.4**
Non-recurring items	-7.1	-52.4		-21.8		-81.3
Operating profit excluding non-recurring items	**223.2**	**0.4**	**28.9**	**-19.9**	**-0.0**	**232.6**
Finance income and costs						-6.1
Investments accounted for using the equity method						-0.2
Profit before tax						**145.0**

Assets and liabilities

€ million	Grocery trade	Home improvement and speciality goods trade	Car trade	Common operations	Eliminations	Total
Tangible and intangible assets	1,018.1	645.8	75.5	59.9	2.8	1,802.1
Equity accounted investments and other investments	4.7	0.1	0.0	101.1	-0.6	105.3
Pension assets	40.6	16.2		90.4		147.2
Inventories	213.4	452.7	110.6		-0.2	776.4
Trade receivables	286.5	261.6	39.1	13.5	-16.4	584.2
Other non-interest-bearing receivables	51.2	64.7	3.3	57.8	-14.4	162.6
Interest-bearing receivables	8.6	3.6		4.9		17.0
Assets held for sale				0.5		0.5
Assets included in capital employed	**1,623.0**	**1,444.6**	**228.5**	**328.1**	**-28.8**	**3,595.4**
Unallocated items						
Deferred tax assets						4.2
Financial assets at fair value through profit or loss						219.3
Available-for-sale financial assets						271.7
Cash and cash equivalents						107.0
Total assets	**1,623.0**	**1,444.6**	**228.5**	**328.1**	**-28.8**	**4,197.7**
Trade payables	436.4	343.2	21.7	4.7	-11.3	794.6
Other non-interest-bearing liabilities	214.4	172.7	71.6	56.6	-12.8	502.5
Provisions	9.7	29.1	29.8	0.2		68.8
Liabilities included in capital employed	**660.5**	**544.9**	**123.1**	**61.5**	**-24.1**	**1,365.9**
Unallocated items						
Interest-bearing liabilities						498.9
Deferred tax liabilities						67.4
Total liabilities	**660.5**	**544.9**	**123.1**	**61.5**	**-24.1**	**1,932.2**

Total capital employed as at 31 December	**962.6**	**899.7**	**105.4**	**266.6**	**-4.7**	**2,229.5**
Average capital employed	**1,006.6**	**940.9**	**96.3**	**313.9**	**-3.4**	**2,354.2**
Return on capital employed excl. non-recurring items,%	**22.2**	**0.0**	**30.1**			**9.9**
Capital expenditure	**98.0**	**71.9**	**13.2**	**12.2**	**-1.2**	**194.0**
Number of personnel as at 31 December	**8,157**	**14,286**	**823**	**528**		**23,794**
Average number of personnel	**6,176**	**12,524**	**825**	**451**		**19,976**

Group-wide information

The Group operates in Finland, Sweden, Norway, Estonia, Latvia, Lithuania, Russia and Belarus. The grocery trade takes place in Finland and Russia, the car trade in Finland, and the home improvement and speciality goods trade in Finland, Sweden, Norway, the Baltic countries, Russia and Belarus.

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

2015 € million	Finland	Other Nordic countries	Baltic countries	Russia and Belarus	Eliminations	Total
Net sales	7,056.8	627.2	584.1	426.8	-16.0	8,678.9
Assets	2,357.1	182.3	216.3	492.5		3,248.1
Capital expenditure	130.6	4.2	4.1	79.6		218.5
Average number of personnel	8,300	988	4,508	5,160		18,955

2014 € million	Finland	Other Nordic countries	Baltic countries	Russia and Belarus	Eliminations	Total
Net sales	7,416.8	625.1	552.8	493.4	-17.5	9,070.6
Assets	2,711.4	212.4	219.8	451.8		3,595.4
Capital expenditure	115.5	6.4	6.2	65.9		194.0
Average number of personnel	9,580	1,124	4,468	4,804		19,976

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

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

Note 3. Business acquisitions and assets disposed of

Acquisitions

In 2015 and 2014, Kesko Group did not have acquisitions to be accounted for as business combinations.

On 18 November 2015, Kesko Corporation's subsidiary Kesko Food Ltd made an agreement to acquire the whole share capital of Suomen Lähikauppa Oy from the private equity investment firm Triton. The net sales of Suomen Lähikauppa in 2014 were €999.2 million, it has 643 Siwa and Valintatalo stores and 4,100 employees. The transaction price of the debt-free acquisition, structured as a share purchase, is approximately €60 million.

The completion of the acquisition is subject to the approval of the Finnish Competition and Consumer Authority and the fulfilment of the other terms and conditions of the transaction. The handling of the matter and the acquisition are expected to be completed in the first half of 2016.

Disposal of assets

In March 2015, Kesko sold the department store chain Anttila Oy to the German investment fund 4K INVEST at a price of €1 million. The transaction included all assets and liabilities in Anttila Oy. Anttila Oy's approximately 1,500 employees continue in the employment of the company. The date of the transaction was 16 March 2015. A €-130 million non-recurring loss was recorded on the transaction relating to the financing, working capital and fixed assets of Anttila.

In June, Kesko, AMF Pensionsförsäkring and Ilmarinen established a joint real estate investment company. The joint venture owns, manages and develops store sites primarily used by Kesko Group. Kesko sold some of its store sites in both Finland and Sweden to the established joint venture. The fair value of the store sites sold totalled €485 million and a €75.6 million non-recurring gain on the sale was recorded. The cash inflow generated by the arrangement was €403 million.

In addition, Kesko sold four properties to Kesko Pension Fund. A €22.9 million non-recurring gain on the sale was recorded.

In 2014, Kesko Group did not make any significant disposals of assets.

Note 4. Other operating income and other operating expenses

Other operating income

€ million	2015	2014
Income from services	544.3	560.8
Lease income	44.5	42.7
Gains on disposal of tangible and intangible assets	102.7	2.8
Realised gains on derivative contracts and changes in fair value	6.6	15.2
Others	102.3	107.8
Total	**800.4**	**729.3**

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

Other operating income includes €101.0 million (€2.9 million) of non-recurring items. More information on non-recurring items is presented in note 5.

Other operating expenses

€ million	2015	2014
Other operating expenses	-112.2	-123.6
Losses on disposal of tangible assets and shares	-130.6	-0.3
Realised losses on derivative contracts and changes in fair value*	-6.8	-2.8
Total	**-249.6**	**-126.7**

* *Includes changes in fair values of embedded derivatives.*

The losses on disposal of tangible assets and shares include a total of €130.3 million (€0.1 million) of non-recurring losses on disposal. More information on non-recurring items is presented in note 5.

Auditors' fees

€ million	2015	2014
PricewaterhouseCoopers, Authorised Public Accountants		
Audit	0.8	0.9
Tax consultation	0.1	0.1
Other services	0.6	0.3
Total	1.5	1.3
Other audit firms	1.2	0.3

Note 5. Non-recurring items

€ million	2015	2014
Gains on disposal of properties and shares	101.0	2.9
Losses on disposal of properties and shares	-130.3	-0.1
Impairment losses	-9.2	-44.4
Costs of discontinued operating activities and restructurings	-11.3	-39.6
Total	**-49.9**	**-81.3**

Exceptional transactions the 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, impairment charges and significant costs of discontinuing business operations and restructurings as non-recurring items. Gains on disposal have been presented within other operating income, and losses on disposal within other operating expenses in the income statement. Impairment charges have been presented within depreciation, amortisation and impairment in the income statement. The non-recurring items for 2015 include a €130 million loss on the divestment of Anttila, and gains on disposal of properties in the amount of €101.0 million. Due to Intersport Russia's low volume and unprofitable performance, Kesko plans to withdraw from the Russian sports trade in 2016. Relating to the restructuring of Intersport Russia's operations, a total of €17.2 million of non-recurring impairment charges and provisions were recorded in the fourth quarter. In 2014, non-recurring items included a restructuring provision recognised for the reduction of the Anttila department store network and an impairment charge on fixed assets related to the integration of K-citymarket non-food with Anttila, to a total of €46.8 million. In addition, the non-recurring items included a restructuring provision of €5.2 million related to changes in the retail business of Byggmakker in Norway, €4.2 million of personnel reduction costs related to the change in Kesko's divisional structure and a €21.0 million impairment charge on property related to the renovation of Kesko's main office building.

Note 6. Employee benefit expense, management compensation and number of personnel

€ million	2015	2014
Wages and salaries	-440.2	-496.8
Social security costs	-43.2	-47.3
Pension costs	-55.0	-63.7
Defined benefit plans	0.5	1.9
Defined contribution plans	-55.5	-65.6
Share-based payment	-6.4	-6.4
Total	**-544.8**	**-614.2**

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	2015	2014
Salaries of managing directors (incl. fringe benefits)	6.0	6.3
Remuneration of Board members	0.4	0.4
Total	**6.4**	**6.6**

Average number of the Group personnel

	2015	2014
Grocery trade	6,420	6,176
Home improvement and speciality goods trade	11,269	12,524
Car trade	780	825
Common operations	487	451
Total	**18,955**	**19,976**

Note 7. Finance income and costs

€ million	2015	2014
Interest income and other finance income		
Interest income on loans and receivables	7.8	5.4
Interest income on financial assets at fair value through profit or loss	0.8	1.4
Interest income on available-for-sale financial assets	1.6	6.9
Gains on disposal of available-for-sale financial assets	0.1	0.1
Other finance income	0.1	0.0
Total interest income and other finance income	10.4	13.8
Interest expense and other finance costs		
Interest expense on financial liabilities at amortised cost	-11.6	-14.2
Losses on disposal of available-for-sale financial assets	-1.1	-0.4
Other finance costs	-1.6	-1.0
Total interest expense and other finance costs	-14.2	-15.6
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	-3.3	-4.4
Total exchange differences	-3.3	-4.4
Total finance income and costs	**-7.1**	**-6.1**

The interest expense includes €0.2 million (€0.3 million) of interests on finance leases recognised as expenses for the period. The interest income includes €0.0 million (€0.2 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 recognised in net terms in interest expense with the loan interest.

Exchange differences recognised in the income statement

€ million	2015	2014
Sales	-0.1	-0.1
Other income	6.6	15.2
Purchases	0.2	-1.6
Other expenses	-5.4	-2.8
Finance income and costs	-3.3	-4.4
Total	**-2.1**	**6.3**

Note 8. Income tax

€ million	2015	2014
Current tax	-83.4	-43.8
Tax for prior years	-0.0	6.3
Deferred tax	12.8	1.0
Total	**-70.7**	**-36.6**

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

€ million	2015	2014
Profit before tax	188.0	145.0
Tax at parent's rate 20.0%	-37.6	-29.0
Effect of foreign subsidiaries' different tax rates	3.0	2.7
Effect of tax-free income	2.8	1.2
Effect of expenses not deductible for tax purposes	-32.8	-8.1
Effect of tax losses	-5.7	-6.4
Effect of consolidation	-0.3	-2.5
Tax for prior years	-0.0	6.3
Effect of change in tax rate	0.3	-
Others	-0.4	-0.8
Tax charge	**-70.7**	**-36.6**

The impact of the corporation tax rate change, effective from 1 January 2016 in Norway, on the deferred tax for the financial year 2015 was €0.3 million.

Note 9. Components of other comprehensive income

Components of other comprehensive income and related tax

€ million	2015 Before tax	Tax charge/ credit	After tax	2014 Before tax	Tax charge/ credit	After tax
Items that will not be reclassified subsequently to profit or loss						
Actuarial gains and losses	28.8	-5.8	23.0	-24.6	4.9	-19.6
Items that may be reclassified subsequently to profit or loss						
Currency translation differences relating to a foreign operation	-17.4		-17.4	-27.9		-27.9
Adjustments for hyperinflation	-		-	4.5		4.5
Cash flow hedge revaluation	-0.0	0.0	-0.0	1.1	-0.2	0.9
Revaluation of available-for-sale financial assets	1.4	-0.3	1.1	-2.9	-0.2	-3.0
Others	-0.3		-0.3	-0.2		-0.2
Total	**12.5**	**-6.1**	**6.4**	**-49.9**	**4.5**	**-45.4**

Hyperinflation

In December 2011, Belarus was identified as a hyperinflationary economy to which hyperinflationary accounting in accordance with IAS 29 was 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 income statement and balance sheet were restated using the general price index. As a result of the restatement, an amount of €4.5 million including tax was recognised in equity in 2014, of which €0.4 million was attributable to the Group and €4.1 million to the non-controlling interests. The revaluations were made using the Belarusian consumer price index. Hyperinflationary accounting was discontinued in 2015, because the country is no longer a hyperinflationary economy.

Note 10. Earnings per share

Basic earnings per share are 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. Until 30 April 2014, the Group operated a share option scheme with a dilutive effect, which increased the number of shares. The share options had a dilutive effect when their exercise price was lower than the fair value of a share. The dilutive effect was the number of shares which had 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 was based on the average share price during the period.

	2015	2014
Profit for the period attributable to equity holders of the parent, € million	101.6	96.0
Number of shares		
Weighted average number of shares outstanding	99,113,741	99,054,293
Effect of options issued	-	106,375
Diluted weighted average number of shares outstanding	99,113,741	99,160,668
Earnings per share from profit attributable to equity holders of the parent		
Basic, €	1.03	0.97
Diluted, €	1.03	0.97

Note 11. Property, plant and equipment

2015 € million	Land and waters	Buildings	Machinery and equipment	Other tangible assets	Prepayments and construction in progress	Total 2015
Cost						
Cost as at 1 January	426.0	1,513.0	547.0	97.1	48.0	2,631.1
Currency translation differences	-0.5	-7.8	-6.4	-1.1	0.0	-15.6
Additions	6.3	61.9	41.0	6.3	65.5	180.9
Disposals	-74.8	-419.5	-76.5	-20.5	-0.2	-591.6
Transfers between items	0.2	36.6	3.4	1.5	-42.2	-0.4
Cost as at 31 December	357.2	1,184.2	508.5	83.3	71.1	2,204.4
Accumulated depreciation, amortisation and impairment						
Accumulated depreciation, amortisation and impairment charges as at 1 January	-11.7	-550.1	-408.7	-36.5		-1,007.0
Currency translation differences		1.2	3.0	0.3		4.5
Accumulated depreciation of disposals and transfers		125.9	55.6	10.1		191.7
Depreciation charge for the year and impairments		-63.2	-41.2	-7.1		-111.5
Accumulated depreciation, amortisation and impairment charges as at 31 December	-11.7	-486.1	-391.3	-33.1		-922.3
Carrying amount as at 1 January	414.3	962.9	138.3	60.7	48.0	1,624.1
Carrying amount as at 31 December	**345.5**	**698.1**	**117.2**	**50.2**	**71.1**	**1,282.1**

2014 € million	Land and waters	Buildings	Machinery and equipment	Other tangible assets	Prepayments and construction in progress	Total 2014
Cost						
Cost as at 1 January	416.3	1,502.2	559.6	95.1	30.5	2,603.6
Currency translation differences	-4.7	-17.2	-17.0	-3.8	-0.2	-42.8
Additions	14.9	60.9	35.5	11.8	48.5	171.5
Disposals	-0.5	-49.5	-32.9	-7.0	-0.5	-90.4
Transfers between items		16.6	1.9	1.0	-30.3	-10.8
Cost as at 31 December	426.0	1,513.0	547.0	97.1	48.0	2,631.1
Accumulated depreciation, amortisation and impairment						
Accumulated depreciation, amortisation and impairment charges as at 1 January	-5.2	-513.0	-397.1	-37.0		-952.2
Currency translation differences		4.9	9.5	1.4		15.8
Accumulated depreciation of disposals and transfers		45.8	28.0	6.7		80.5
Depreciation charge for the year and impairments	-6.6	-87.9	-49.0	-7.6		-151.1
Accumulated depreciation, amortisation and impairment charges as at 31 December	-11.7	-550.1	-408.7	-36.5		-1,007.0
Carrying amount as at 1 January	411.1	989.2	162.4	58.1	30.5	1,651.4
Carrying amount as at 31 December	**414.3**	**962.9**	**138.3**	**60.7**	**48.0**	**1,624.1**

Property, plant and equipment include the following amounts of machinery and equipment leased under finance leases:

€ million	2015	2014
Cost	26.8	24.9
Accumulated depreciation	-21.5	-20.3
Carrying amount	**5.3**	**4.6**

Note 12. Intangible assets

2015 € million	Goodwill	Trademarks	Other intangible assets	Prepayments	Total 2015
Cost					
Cost as at 1 January	145.2	72.9	213.2	11.5	442.7
Currency translation differences	0.1	-2.0	-2.8	-0.0	-4.6
Additions			19.1	6.5	25.6
Disposals	-43.8		-4.4	-5.4	-53.6
Transfers between items			4.3	-4.2	0.1
Cost as at 31 December	101.6	70.9	229.5	8.4	410.3
Accumulated amortisation and impairment					
Accumulated amortisation and impairment charges as at 1 January	-104.2	-7.8	-152.9		-264.8
Currency translation differences	-0.1	0.5	2.4		2.8
Accumulated amortisation of disposals and transfers	43.8		1.8		45.6
Amortisation charge for the year and impairments			-25.3		-25.3
Accumulated amortisation and impairment charges as at 31 December	-60.6	-7.4	-174.0	0.0	-241.8
Carrying amount as at 1 January	41.0	65.1	60.4	11.5	177.9
Carrying amount as at 31 December	**41.0**	**63.5**	**55.5**	**8.4**	**168.4**

2014 € million	Goodwill	Trademarks	Other intangible assets	Prepayments	Total 2014
Cost					
Cost as at 1 January	148.7	75.6	198.1	22.2	444.6
Currency translation differences	-3.1	-2.7	-4.7		-10.6
Additions			23.6	9.3	32.8
Disposals	-0.4		-25.8	-1.8	-28.0
Transfers between items			22.0	-18.1	3.9
Cost as at 31 December	145.2	72.9	213.2	11.5	442.7
Accumulated amortisation and impairment					
Accumulated amortisation and impairment charges as at 1 January	-108.1	-8.4	-139.1		-255.5
Currency translation differences	3.4	0.6	3.4		7.5
Accumulated amortisation of disposals and transfers	0.4		26.9		27.3
Amortisation charge for the year and impairments			-44.1		-44.1
Accumulated amortisation and impairment charges as at 31 December	-104.2	-7.8	-152.9		-264.8
Carrying amount as at 1 January	40.7	67.2	59.0	22.2	189.1
Carrying amount as at 31 December	**41.0**	**65.1**	**60.4**	**11.5**	**177.9**

Other intangible assets include other non-current expenditure, of which €33.4 million (€34.1 million) are software and licence costs.

Goodwill and intangible rights by segment

€ million	Trademarks* 2015	Goodwill 2015	Discount rate (WACC)** 2015	Trademarks* 2014	Goodwill 2014	Discount rate (WACC)** 2014
Home improvement and speciality goods trade						
Byggmakker, Norway	24.5		6.0	26.0		6.0
Rautakesko, Estonia		1.1	6.0		1.1	7.0
Senukai, Lithuania		17.2	7.0		17.2	8.0
K-rauta Rus, Russia		14.6	11.4		14.5	11.5
Indoor, Finland	39.1	4.1	6.0	39.1	4.1	6.0
Machinery trade		3.8	6.0		3.8	6.0
Others		0.2			0.2	
Total	**63.5**	**41.0**		**65.1**	**41.0**	

** Intangible assets with indefinite useful lives*

*** After tax, rate used in impairment testing*

The cash generating units have been identified at a lower level 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 acquired 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 1.0–4.0% (1.0–3.5%) forecast growth rates, allowing for country-specific differences.

The discount rate used is the weighted average cost of capital (WACC) after tax, specified for each segment and country and adjusted for 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 rates fell in the building and home improvement trade in Estonia and Lithuania. The changes were mainly due to the decrease in the general interest rate level and changes in country risks.

Impairment losses

There were no impairment charges recognised on goodwill or intangible rights in the financial years 2015 and 2014.

Sensitivity analysis

The key variables used in impairment testing are the EBITDA margin and the discount rate. The most sensitive to movements in assumptions in the home improvement and speciality goods trade are the brand related to the Byggmakker business in Norway, the goodwill related to the business operations in Russia and the goodwill of the machinery trade. If their residual EBITDA decreased by more than 0.2-0.5 percentage points, an impairment would be recognised. Regarding the other cash generating units, according to management's estimates, 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. Equity accounted investments

€ million	2015	2014
Carrying amount as at 1 January	92.2	87.5
Share of the profit for the financial year	0.2	-0.2
Additions	16.3	5.1
Repaid equity	-9.4	-
Impairments	0.0	-0.3
Carrying amount as at 31 December	**99.2**	**92.2**

The shares in associates and joint ventures are not quoted publicly.

Disclosures on equity accounted investments 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,%
2015					
Ankkurikadun Kiinteistöt Oy, Helsinki	670.7	627.3	26.9	10.2	33.3
Kruunuvuoren Satama Oy, Helsinki	261.7	148.5	13.1	7.2	49.0
Valluga-sijoitus Oy, Helsinki	27.3	0.0	-	1.6	46.2
Vähittäiskaupan Takaus Oy, Helsinki	79.3	0.2	1.4	4.5	34.3
Vähittäiskaupan Tilipalvelu VTP Oy, Helsinki	7.4	1.9	9.3	0.2	30.0
Others	4.4	3.1	0.2	0.0	
Total	**1,050.8**	**781.0**	**51.0**	**23.6**	
2014					
Kruunuvuoren Satama Oy, Helsinki	371.6	248.1	22.0	4.1	49.0
Valluga-sijoitus Oy, Helsinki	25.8	0.0	-	1.6	46.2
Vähittäiskaupan Takaus Oy, Helsinki	74.8	0.2	1.3	5.0	34.3
Vähittäiskaupan Tilipalvelu VTP Oy, Helsinki	7.0	1.7	10.6	0.4	30.0
Others	4.4	3.1	0.2	0.0	
Total	**483.6**	**253.1**	**34.1**	**11.0**	

Note 14. Non-current receivables

Maturity analysis of non-current receivables as at 31 Dec. 2015

€ million	2017	2018	2019	2020	2021–	Total
Non-interest-bearing non-current receivables	1.4	0.0		0.0	0.4	1.9
Finance lease receivables	0.3					0.3
Loans and receivables from associates and joint ventures		1.5			56.0	57.5
Other non-current receivables	0.4	0.4	2.3	0.1	0.1	3.3
Total	**2.1**	**1.9**	**2.3**	**0.1**	**56.5**	**62.9**

The carrying amount of non-interest-bearing non-current receivables and finance lease receivables equal their fair value.

Maturity analysis of non-current receivables as at 31 Dec. 2014

€ million	2016	2017	2018	2019	2020–	Total
Non-interest-bearing non-current receivables	0.6	0.0	0.0	0.0	0.4	1.0
Finance lease receivables	2.2	0.9				3.0
Loans and receivables from associates			1.5			1.5
Other non-current receivables	0.4	0.4	0.3	0.3	0.1	1.5
Total	**3.1**	**1.2**	**1.9**	**0.3**	**0.6**	**7.1**

Note 15. Finance lease receivables

€ million	2015			2014		
	Minimum lease receivables	Unearned finance income	Present value of minimum lease receivables	Minimum lease receivables	Unearned finance income	Present value of minimum lease receivables
Finance lease receivables are due as follows:						
No later than 1 year	2.7	0.0	2.7	5.0	0.1	4.9
Later than 1 year and no later than 5 years	0.3	0.0	0.3	3.0	0.0	3.0
Later than 5 years	-	-	-	-	-	-
Total finance lease receivables	**3.0**	**0.0**	**3.0**	**8.0**	**0.1**	**7.9**

Note 16. Deferred tax

Movements in deferred tax in 2015

€ million	1 Jan. 2015	Income statement charge	Tax charged/ credited to equity	Exchange differences	Other changes	31 Dec. 2015
Deferred tax assets						
Provisions	13.2	-0.7			-2.9	9.6
Defined benefit pension plans	0.3	-0.2				0.1
Tax loss carry-forwards	10.1	0.8		-2.6		8.3
Other temporary differences	18.0	9.9	-0.0	-1.2	-6.9	19.8
Total	41.5	9.8	-0.0	-3.8	-9.8	37.8
Deferred tax liabilities						
Difference between accounting depreciation and tax depreciation	54.1	-4.5				49.6
Fair value allocation	11.3	-1.6		-0.4		9.3
Defined benefit pension plans	29.5	0.0	5.8			35.3
Other temporary differences	9.8	1.4	0.3	-0.5		11.0
Total	104.7	-4.7	6.1	-0.9	0.0	105.2
Net deferred tax liability	63.2					67.5

Balance sheet division of net deferred tax liability

€ million	2015	2014
Deferred tax assets	3.9	4.2
Deferred tax liabilities	71.4	67.4
Total	**67.5**	**63.2**

Other temporary differences within deferred tax assets include €4.3 million of deferred tax assets arising from compliance with the Group's accounting principles and €7.4 million of deferred tax assets resulting from timing differences between local accounting principles and taxation.

Movements in deferred tax in 2014

€ million	1 Jan. 2014	Income statement charge	Tax charged/ credited to equity	Exchange differences	Other changes	31 Dec. 2014
Deferred tax assets						
Provisions	10.3	2.9				13.2
Defined benefit pension plans	0.3	0.0				0.3
Tax loss carry-forwards	5.5	9.5		-4.7	-0.2	10.1
Other temporary differences	12.6	6.1	-0.2	-0.5		18.0
Total	28.7	18.6	-0.2	-5.2	-0.2	41.5
Deferred tax liabilities						
Difference between accounting depreciation and tax depreciation	37.7	16.4				54.1
Fair value allocation	12.6	-0.7		-0.6		11.3
Defined benefit pension plans	34.0	0.4	-4.9			29.5
Other temporary differences	9.5	0.8	0.2	-0.6	0.0	9.8
Total	93.7	16.9	-4.7	-1.2	0.0	104.7
Net deferred tax liability	65.1					63.2

Tax loss carry-forwards

As at 31 December 2015, the Group's unused tax losses carried forward were €219.2 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 carried forward for which tax assets have not been recognised expire as follows:

€ million	2016	2017	2018	2019	2020	2021–	Total
	0.7	7.8	7.0	4.4	3.9	195.4	219.2

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, the statutory pension provision of personnel is provided through pension insurance companies and the voluntary supplementary pension provision is mainly provided through Kesko Pension Fund. The statutory pension provision provided through pension insurance companies is a defined contribution plan. The supplementary pension provision provided through Kesko Pension Fund is a defined benefit plan.

As regards foreign subsidiaries, the pension plan operated in Norway is classified as a defined benefit plan. As at 31 December 2015, the net liability in respect of the defined benefit plan in Norway was €0.3 million (€0.6 million). The defined benefit plan in Norway is not included in the tables below, because its impact on the consolidated amounts is insignificant. The 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 members providing supplementary retirement benefits to employees who are beneficiaries 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, beneficiaries between 60 and 65 years of age are granted an old-age pension. The amount of retirement benefit granted by the Fund is the difference between the employee's retirement benefit based on his/her pensionable salary calculated in accordance with the Fund's rules and the statutory pension. In addition to the individually calculated pensionable salary, the retirement benefit amount of each beneficiary is impacted by the duration of his/her membership of the Pension Fund. At the end of 2015, the Pension Fund had 2,763 beneficiaries, of whom 662 were active employees and 2,101 were retired employees. Kesko Group's contribution to the Pension Fund's obligation is 96.7% (97.1%). The notes present Kesko Group's interest in 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 regulated by the Employee Benefit Funds Act, the decrees under the Act and official instructions, and the Fund's operations are controlled 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 the acceptability of the covering assets and the diversification of investment risks.

Kesko Group does not expect to pay contributions to the Pension Fund in 2016.

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

€ million	2015	2014
Present value of defined benefit obligation	-266.1	-289.3
Fair value of plan assets	442.4	436.5
Net assets recognised in the balance sheet	**176.4**	**147.2**
Movement in the net assets recognised in the balance sheet:		
As at 1 January	**147.2**	**170.2**
Income/cost recognised in the income statement	0.5	1.9
Remeasurement	28.8	-24.6
Contributions to plan and plan costs	-0.4	-0.2
As at 31 December	**176.4**	**147.2**

€ million	Present value of defined benefit obligation	Fair value of plan assets	Total
As at 1 January 2015	-289.3	436.5	147.2
Current service cost	-2.8		-2.8
Interest cost/income	-6.5	9.8	3.3
	-9.3	**9.8**	**0.5**
Remeasurement			
Return on plan assets		11.5	11.5
Gain/loss from changes in demographic assumptions	0.6		0.6
Gain/loss from changes in financial assumptions	9.0		9.0
Experience gains/losses	7.7		7.7
	17.4	**11.5**	**28.8**
Contributions to plan and plan costs		-0.4	-0.4
Benefit payments	14.5	-14.5	0.0
As at 31 December 2015	**-266.4**	**442.8**	**176.4**

€ million	Present value of defined benefit obligation	Fair value of plan assets	Total
As at 1 January 2014	-247.5	417.7	170.2
Current service cost	-4.3		-4.3
Interest cost/income	-8.6	14.7	6.1
	-12.9	**14.7**	**1.9**
Remeasurement			
Return on plan assets		19.2	19.2
Gain/loss from changes in demographic assumptions			
Gain/loss from changes in financial assumptions	-48.4		-48.4
Experience gains/losses	4.5		4.5
	-43.9	**19.2**	**-24.6**
Contributions to plan and plan costs		-0.2	-0.2
Benefit payments	14.9	-14.9	0.0
As at 31 December 2014	**-289.3**	**436.5**	**147.2**

Plan assets were comprised as follows in 2015

€ million	Quoted	Unquoted	Total
Europe			
Equity instruments	89.7	43.0	132.7
Debt instruments	26.5	31.6	58.1
Investment funds	30.3	18.4	48.7
Properties	-	159.3	159.3
United States			
Equity instruments	6.0	-	6.0
Investment funds	27.8	-	27.8
Other countries			
Investment funds	26.5	-	26.5
Total	**206.8**	**252.3**	**459.1**

Plan assets were comprised as follows in 2014

€ million	Quoted	Unquoted	Total
Europe			
Equity instruments	90.5	33.5	124.0
Debt instruments	23.7	27.2	50.9
Investment funds	14.3	19.1	33.4
Properties	-	181.1	181.1
United States			
Equity instruments	11.2	-	11.2
Investment funds	26.6	-	26.6
Other countries			
Investment funds	21.7	-	21.7
Total	**188.0**	**260.9**	**448.9**

€ million	2015	2014
Kesko Corporation shares included in fair value	15.7	14.6
Properties leased by Kesko Group included in fair value	186.1	181.1

Principal actuarial assumptions:

	2015	2014
Discount rate	2.30%	2.30%
Salary growth rate	2.20%	2.50%
Inflation	1.70%	2.00%
Pension growth rate	1.90%	2.10%
Average service expectancy, years	10	11

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

	2015	2014
Weighted average duration of pension obligations, years	15	15
Expected maturity analysis of undiscounted pension obligations, € million		
Less than 1 year	15.2	15.5
Between 1–10 years	118.6	126.6
Between 10–20 years	111.5	122.7
Between 20–30 years	77.5	88.2
Over 30 years	71.5	84.2
Total	**394.3**	**437.3**

Finnish pension reform

It has been decided to reform the statutory pension provision in Finland and the amendments will come into force at the beginning of 2017. The objective of the amendments is to extend working life in order that the financing of the statutory earnings-related pension scheme and sufficient pension provision can be ensured.

The estimated impact of the pension reform on the Group's supplementary defined benefit schemes has been taken into account when calculating the amount of pension obligation in the financial statements of 31 December 2015 in respect of those pension promises on which the reform will impact without a separate decision. Owing to the pension reform, the present value of the defined benefit pension obligation increased by €2 million and the change is included in actuarial gains and losses. In cases where the impacts of the pension reform on the amount of the defined benefit pension obligation require separate decisions to be made, possible impacts are recorded for the financial year in which the decisions are made.

Risks related to pension plan

Asset related risks

The Pension Fund's investment assets comprise properties, shares and equity funds, private equity funds and both long-term and short-term money market investments. The Pension Fund's investment policy defines the investment restrictions pertaining to classes of assets and the allowed investees. The investment plan, annually confirmed by the Pension Fund board, sets the investment allocation and return targets for the year ahead. The objective of investing activity is to secure a return on the investments and their convertibility 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 return on investment activity is 5.0%. The risks involved in investing activity are managed by continuously monitoring market developments and 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 2015, the realised return on investing activity was 6.5%.

If the return on investment assets underperforms the discount rate applied to the calculation of the present value of defined 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, Pension Fund members are obligated to pay contributions to the Fund in order to cover the obligation. Calculated in compliance with the IAS 19 standard, the amount of plan assets exceeded the plan obligation by €176.4 million as at 31 December 2015. 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.

Obligation related risks

In addition to the general level of interest rates, the defined benefit obligation is impacted by changes in the statutory pension provision, future salary increases, index-based pension increases and changes in life expectancy. The pension promise made to the Fund's beneficiaries is tied to the amount of pensionable salary and it is a lifelong benefit. The total pension amount consists of the statutory pension and the supplementary pension provided by the Fund. Salary increases will increase the future pension amount. Changes in statutory pension provision, such as an increase in the retirement age or a reduction of pension provision, which 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 the defined benefit obligation. When the level of interest rates falls, the present value of the defined benefit obligation rises. Because the Pension Fund's investment assets are invested and their 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 defined benefit obligation.

Sensitivity analysis

The sensitivity of the defined benefit obligation to changes in the principal assumptions is presented in the following table.

Actuarial assumption	Change in assumption	Impact on defined benefit obligation, increase	Impact on defined benefit obligation, decrease
2015			
Discount rate	0.50%	-6.80%	7.60%
Salary growth rate	0.50%	1.40%	-1.40%
Pension growth rate	0.50%	6.00%	-5.40%
2014			
Discount rate	0.50%	-6.90%	7.80%
Salary growth rate	0.50%	1.40%	-1.40%
Pension growth rate	0.50%	6.00%	-5.40%

The impacts of sensitivity analysis have been calculated so that the impact of a change in the assumption is calculated while assuming that all other assumptions are constant. In practice, this is unlikely to occur, and changes in some of the assumptions may correlate with each other. The sensitivity of the defined benefit obligation has been calculated using the same method as when calculating the pension obligation recognised within the statement of financial position.

Note 18. Inventories

€ million	2015	2014
Goods	729.7	770.2
Prepayments	5.3	6.1
Total	735.0	776.4
Write-down of inventories to net realisable value	39.2	50.9

Note 19. Trade and other current receivables

€ million	2015	2014
Interest-bearing receivables		
Finance lease receivables	2.7	4.9
Interest-bearing loans and receivables	7.3	6.1
Total interest-bearing receivables	10.0	11.0
Trade receivables	581.7	584.2
Income tax assets	2.0	24.3
Other non-interest-bearing receivables		
Non-interest-bearing loans and receivables	19.6	20.9
Prepaid expenses	95.0	116.4
Total other non-interest-bearing receivables	114.6	137.3
Total	**708.3**	**756.8**

A total amount of €3.7 million (€6.0 million) of trade receivables has been recognised within credit losses in the income statement. The credit risk is described in more detail in note 32.

Prepaid expenses mainly comprise allocations of purchases and employee benefit expenses.

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

Note 20. Current available-for-sale financial assets

€ million	2015	2014
Carrying amount as at 1 January	271.7	398.4
Changes	99.8	-126.9
Changes in fair value	0.2	0.3
Carrying amount as at 31 December	**371.7**	**271.7**

The available-for-sale financial assets include current investments in commercial papers, certificates of 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	2015	2014
Land	0.3	0.4
Buildings and real estate shares	0.2	0.2
Total	**0.5**	**0.5**

The assets classified as held for sale did not include liabilities as at 31 December 2015 (31 December 2014).

Note 22. Shareholders' equity

At the end of December 2015, the total number of Kesko Corporation shares was 100,019,752, of which 31,737,007, or 31.7%, were A shares and 68,282,745, or 68.3%, were B shares. 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, so that the total number of shares is 400 million at maximum. Each A share carries ten (10) votes and each B share one (1) vote. The total number of votes attached to all shares was 385,652,815. At the end of December 2015, Kesko Corporation's share capital was €197,282,584.

Changes in share capital

	Number of shares						
Share capital	**A**	**B**	**Total**	**Share capital € million**	**Reserve of invested non-restricted equity € million**	**Share premium € million**	**Total € million**
1 January 2014	31,737,007	67,546,702	99,283,709*	197.3	20.6	197.8	415.7
Exercise of share options		187,059	187,059		2.1		2.1
Acquisition of treasury shares		-500,000	-500,000				
Transfer of treasury shares		53,669	53,669				
31 December 2014	31,737,007	67,287,430	99,024,437*	197.3	22.8	197.8	417.8
Transfer of treasury shares		117,738	117,738				
31 December 2015	**31,737,007**	**67,405,168**	**99,142,175***	**197.3**	**22.8**	**197.8**	**417.8**
Number of votes	**317,370,070**	**67,405,168**	**384,775,238**				

** Excluding treasury shares which totalled 877,577 (995,315) at the end of the financial year.*

Treasury shares

Authorised by the General Meeting, the Board of Directors acquired a total of 700,000 own B shares (purchase price €23.7 million) in the financial year 2011 and a total of 500,000 own B shares (purchase price €16.1 million) in the financial year 2014. The total prices paid for the shares have been deducted from retained earnings in equity. The shares are held by the Company as treasury shares and the Company Board is entitled to transfer them. Based on the authorisations to issue own shares and the fulfilment of the vesting criteria of the 2013 vesting period of Kesko's share-based compensation plans, the Board granted a total of 50,520 own shares held by the Company as treasury shares, and based on the fulfilment of the 2014 vesting period, a total of 120,022 own shares held by the Company as treasury shares to the persons included in the target groups of the vesting periods. In addition, Mikko Helander, the Company President and CEO as from 1 January 2015, was granted 8,791 shares held by the Company as treasury shares in December 2014. The transfers of treasury shares were announced in a stock exchange release on 24 March 2014, 25 March 2014, 17 December 2014, 1 April 2015 and 7 April 2015. During the financial year, a total of 2,284 shares already granted were returned to the Company in accordance with the terms and conditions of the share-based compensation plan. At the end of the financial year, the Company held 877,577 own B shares (995,315 B shares) as treasury shares. The €27.5 million (€31.5 million) acquisition cost of these shares has been deducted from retained earnings in equity. Details of the share-based payments are disclosed in note 30.

Dividends

After the balance sheet date, the Board of Directors has proposed that €2.50 per share be distributed as dividends. A dividend of €1.50 per share was distributed on the profit for 2014.

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 net of 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 share received by the Company in connection with share subscriptions was recorded in the sshare premium in cases where options had been granted under the old Limited Liability 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, €22.8 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 €242.8 million, have mainly been created and increased as a result of resolutions by the General Meeting. Other reserves mainly comprise contingency reserves to 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 currency translation differences 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 for which cash flow hedge accounting is applied. Cash flow hedges include electricity derivatives and interest rate derivatives hedging the Private Placement note interest. The change in the reserve is stated within comprehensive income.

Result of cash flow hedging

Hedge accounting is applied to hedging electricity price risk. As a result, an amount of €2.6 million (€2.4 million) was removed from equity and included in the income statement as purchase cost adjustment, and €-3.2 million (€-1.0 million) was recognised in equity, respectively. Their combined effect on the revaluation reserve for the year was €-0.5 million (€1.4 million) before accounting for deferred tax assets.

A fair value change of €0.5 million (€-0.3 million) was recognised in equity for the USD-denominated Private Placement facility before accounting for deferred taxes. In addition, a €0.5 million (€0.6 million) interest expense adjustment for interest rate derivatives was recognised in the income statement.

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

As at 31 December 2015

Balance, € 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 used for hedging	Carrying amounts of assets as per balance sheet	Fair value
Non-current financial assets							
Available-for-sale financial assets			15.3			15.3	15.3
Non-current non-interest-bearing receivables		1.9				1.9	1.9
Non-current interest-bearing receivables		59.1				59.1	59.1
Derivatives					2.0	2.0	2.0
Total non-current interest-bearing receivables		**59.1**			**2.0**	**61.1**	**61.1**
Total non-current financial assets		**61.0**	**15.3**		**2.0**	**78.2**	**78.2**
Current financial assets							
Trade and other non-interest-bearing receivables*		687.9				687.9	687.9
Derivatives	8.4					8.4	8.4
Total trade and other non-interest-bearing receivables*	**8.4**	**687.9**				**696.3**	**696.3**
Interest-bearing receivables		7.0				7.0	7.0
Derivatives					2.9	2.9	2.9
Total interest-bearing receivables		**7.0**			**2.9**	**10.0**	**10.0**
Financial assets at fair value through profit or loss	374.2					374.2	374.2
Available-for-sale financial assets			371.7			371.7	371.7
Total current financial assets	**382.6**	**694.9**	**371.7**		**2.9**	**1,452.2**	**1,452.2**
Carrying amount by category	**382.6**	**755.9**	**387.0**		**4.9**	**1,530.4**	**1,530.4**

Balance, € 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 used for hedging	Carrying amounts of assets as per balance sheet	Fair value
Non-current financial liabilities							
Non-current interest-bearing liabilities				258.3		258.3	269.5
Total non-current interest-bearing liabilities				**258.3**		**258.3**	**269.5**
Non-current non-interest-bearing liabilities				38.7		38.7	38.7
Derivatives					3.5	3.5	3.5
Total non-current non-interest-bearing liabilities				**38.7**	**3.5**	**42.2**	**42.2**
Total non-current financial liabilities				**297.0**	**3.5**	**300.5**	**311.7**
Current financial liabilities							
Current interest-bearing liabilities				180.8		180.8	181.7
Derivatives					0.0	0.0	0.0
Total current interest-bearing liabilities				**180.8**	**0.0**	**180.8**	**181.7**
Trade payables				795.1		795.1	795.1
Other non-interest-bearing liabilities**				170.6		170.6	170.6
Derivatives					3.7	3.7	3.7
Total other non-interest-bearing liabilities**				**170.6**	**3.7**	**174.3**	**174.3**
Accrued expenses*				242.7		242.7	242.7
Derivatives	8.6					8.6	8.6
Total accrued expenses*	**8.6**			**242.7**		**251.3**	**251.3**
Total current financial liabilities	**8.6**			**1,389.2**	**3.7**	**1,401.5**	**1,402.4**
Carrying amount by category	**8.6**			**1,686.1**	**7.2**	**1,702.0**	**1,714.1**

As at 31 December 2014

Balance, € 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 used for hedging	Carrying amounts of assets as per balance sheet	Fair value
Non-current financial assets							
Available-for-sale financial assets			13.1			13.1	13.1
Non-current non-interest-bearing receivables		1.0				1.0	1.0
Non-current interest-bearing receivables		6.1				6.1	6.1
Total non-current financial assets		**7.1**	**13.1**			**20.2**	**20.2**
Current financial assets							
Trade and other non-interest-bearing receivables*		690.0				690.0	690.0
Derivatives	31.5					31.5	31.5
Total trade and other non-interest-bearing receivables*	**31.5**	**690.0**				**721.5**	**721.5**
Interest-bearing receivables		11.0				11.0	11.0
Financial assets at fair value through profit or loss	219.3					219.3	219.3
Available-for-sale financial assets			271.7			271.7	271.7
Total current financial assets	**250.8**	**701.0**	**271.7**			**1,223.5**	**1,223.5**
Carrying amount by category	**250.8**	**708.1**	**284.8**			**1,243.7**	**1,243.7**

Balance, € 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 used for hedging	Carrying amounts of assets as per balance sheet	Fair value
Non-current financial liabilities							
Non-current interest-bearing liabilities				318.5		318.5	336.5
Derivatives					0.8	0.8	0.8
Total non-current interest-bearing liabilities				**318.5**	**0.8**	**319.3**	**337.3**
Non-current non-interest-bearing liabilities				7.4		7.4	7.4
Derivatives					3.1	3.1	3.1
Total non-current non-interest-bearing liabilities				**7.4**	**3.1**	**10.5**	**10.5**
Total non-current financial liabilities				**325.9**	**3.9**	**329.8**	**347.8**
Current financial liabilities							
Current interest-bearing liabilities				179.1		179.1	180.0
Derivatives					0.5	0.5	0.5
Total current interest-bearing liabilities				**179.1**	**0.5**	**179.6**	**180.5**
Trade payables				794.6		794.6	794.6
Other non-interest-bearing liabilities**				175.8		175.8	175.8
Derivatives					2.3	2.3	2.3
Total other non-interest-bearing liabilities**				**175.8**	**2.3**	**178.1**	**178.1**
Accrued expenses*				254.1		254.1	254.1
Derivatives	8.9					8.9	8.9
Total accrued expenses*	**8.9**			**254.1**		**262.9**	**262.9**
Total current financial liabilities	**8.9**			**1,403.6**	**2.8**	**1,415.2**	**1,416.2**
Carrying amount by category	**8.9**			**1,729.5**	**6.7**	**1,745.0**	**1,763.9**

** Excluding €2.0 million (€24.3 million) in income tax receivables and €31.4 million (€9.2 million) in income tax liabilities.*

*** Excluding €38.2 million (€39.8 million) in prepayments received.*

The fair values of borrowings have been calculated based on the present value of future cash flows using the 0.1%–1.5% market rates of interest of the balance sheet date. The fair value of current interest-bearing liabilities has been estimated to approximately 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	2015			2014		
	Minimum lease payments	Future finance charges	Present value of minimum lease payments	Minimum lease payments	Future finance charges	Present value of minimum lease payments
Minimum lease payments						
Within 1 year	4.7	0.2	4.5	6.6	0.2	6.4
Later than 1 year and no later than 5 years	4.4	0.6	3.7	6.0	0.2	5.8
Later than 5 years	0.2	0.0	0.1	0.3	0.1	0.2
Total lease payments	**9.2**	**0.9**	**8.3**	**12.9**	**0.4**	**12.4**
Expected sub-lease payments			3.0			7.9

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

Note 25. Provisions

€ million	Onerous leases	Warranty provisions	Other provisions	Total
Provisions as at 1 Jan. 2015	25.1	21.6	22.1	68.8
Foreign exchange effects		-0.0		-0.0
Additional provisions	12.3	10.4	9.7	32.4
Unused amounts reversed	-1.1	-10.1	-6.0	-17.2
Amounts charged against provision	-11.7	-0.6	-3.9	-16.2
Changes in the Group structure	-12.2		-2.2	-14.4
Provisions as at 31 Dec. 2015	12.4	21.3	19.7	53.4
Analysis of total provisions				
Non-current	2.8	10.5	2.3	15.6
Current	9.5	10.8	17.4	37.8

The provisions for onerous leases relate to lease liabilities for premises vacated from the Group's operating activities, and to net rental losses on subleased premises. A provision has been recognised for warranties and care plans of 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	2015	2014
Trade payables	795.1	794.6
Other non-interest-bearing liabilities	212.6	217.9
Income tax liabilities	31.4	9.2
Accrued expenses	251.3	262.9
Total current non-interest-bearing liabilities	**1,290.3**	**1,284.7**

Accrued expenses are mainly due to the timing of purchases and employee benefit expenses.

Note 27. Jointly controlled assets

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

€ million	2015	2014
Non-current assets	38.0	68.8
Current assets	0.7	0.6
Total	38.7	69.4
Non-current liabilities	2.8	3.3
Current liabilities	5.2	12.2
Total	8.1	15.5
Net assets	30.6	53.8
Income	3.5	3.2
Costs	3.9	3.9
Profit	**-0.3**	**-0.7**

Note 28. Commitments

€ million	2015	2014
Collateral given for own commitments		
Pledges	76.2	90.9
Mortgages	23.3	24.3
Guarantees	17.7	14.6
Other commitments and contingent liabilities	34.4	72.2
Collateral given for associates and joint ventures		
Guarantees	-	65.0
Collateral given for others		
Guarantees	0.3	0.4
Other commitments and contingent liabilities	14.2	10.6

The guarantees given do not include guarantees related to the item 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	2015	2014
Within 1 year	357.8	348.9
Later than 1 year and no later than 5 years	1,154.7	1,073.9
Later than 5 years	1,108.4	868.2
Total	2,620.9	2,291.0
Expected future minimum lease payments under non-cancellable sublease agreements	69.9	40.8
Lease and sublease payments recognised for the financial year:		
Minimum lease payments	372.0	394.4
Sublease income	34.3	24.7

The 2015 income statement includes capital lease payments and maintenance rentals on real estate under operating leases, and other rentals to a total amount of €407.7 million (€438.4 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	2015	2014
Within 1 year	7.8	14.2
Later than 1 year and no later than 5 years	13.0	20.6
Later than 5 years	24.6	7.3
Total	45.4	42.1
Aggregate contingent rents charged to the income statement	1.8	2.0

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 payment

Share-based compensation plan

Kesko operates two share-based compensation plans, the 2011–2013 plan and the 2014–2016 plan, decided by the Company's Board of Directors and intended for members of the Group's management and selected other key persons. Under both plans, a total maximum of 600,000 own B shares held by the Company as treasury shares can be granted within a period of three years.

Both of the share-based compensation plans have three vesting periods, namely the calendar years 2011, 2012 and 2013, and 2014, 2015 and 2016 respectively. Kesko's Board of Directors decides the vesting criteria, the target group and the maximum amounts of the share award separately for each vesting period based on the Remuneration Committee's proposal. At the beginning of the year following the vesting period, Kesko's Board of Directors determines the final amounts of Kesko B shares to be granted based on the fulfilment of the vesting criteria. The criteria for the vesting periods 2011, 2012, 2013, 2014 and 2015 were, with equal weightings, the growth percentage of Kesko Group's sales exclusive of tax, Kesko's basic earnings per share (EPS) excluding non-recurring items, and the percentage by which the total shareholder return of a Kesko B share exceeds the OMX Helsinki Benchmark Cap GI index.

The award possibly paid for a vesting period is paid in Kesko B shares. In addition, a cash component equalling at maximum the value of the shares, is paid to cover the taxes and tax-like charges incurred under the award.

A commitment period of three calendar years following each vesting period is attached to the shares granted, during which the shares must not be pledged or transferred, but the other rights attached to the shares remain in force. If a person's employment or service relationship terminates prior to the expiry of a commitment period, he/she must, as a rule, return the shares under transfer restriction to Kesko or its designate for no consideration. In individual cases, the Board may decide that the grantee can keep the shares under the return obligation, or some of them. If the grantee retires in the commitment period, he/she is entitled to keep the shares and other securities already received.

Based on the 2014 vesting period, 120,022 shares were assigned during the financial year ended 31 December 2015. Based on the 2013 vesting period, 50,520 shares were assigned during the financial year ended 31 December 2014. Based on the 2012 vesting period, 66,331 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 used in accounting for the share-based compensation plan are presented in the following tables.

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 dates	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 dates	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

Share award grant dates and fair values, vesting period 2014	
Grant dates	3 Feb. 2014
Grant date fair value of share award, €	25.66
Share price at grant date, €	27.06
Share-based compensation plan duration	
Vesting period start date	1 Jan. 2014
Vesting period end date	31 Dec. 2014
Commitment period end date	31 Dec. 2017

Share award grant dates and fair values, vesting period 2015	
Grant dates	9 Feb. 2015
Grant date fair value of share award, €	30.74
Share price at grant date, €	32.24
Share-based compensation plan duration	
Vesting period start date	1 Jan. 2015
Vesting period end date	31 Dec. 2015
Commitment period end date	31 Dec. 2018

Assumptions applied in determining the fair value of share award	Vesting period 2015	Vesting period 2014	Vesting period 2013	Vesting period 2012	Vesting period 2011
Number of share awards granted, maximum, pcs	262,800	278,400	263,600	257,400	239,000
Changes in the number of shares granted, pcs	-3,600	-2,000	-9,500	-6,575	-13,242
Actual amount of share award, pcs		120,022	50,520	66,331	92,751
Number of plan participants at end of financial year	142	143	134	125	114
Share price at balance sheet date, €	32.37	30.18	26.80	24.77	25.96
Assumed fulfilment of vesting criteria,%	33.3	43.4	20.0	30.0	53.3
Estimated number of share awards returned prior to the end of commitment period,%	5.0	5.0	5.0	5.0	5.0

The impact of the above share-based compensation plans on the Group's profit for 2015 was €-6.3 million (€-5.9 million).

As at 31 December 2015, the amount to be recognised as expense for the financial years 2016–2018 is estimated at a total of €3.9 million. The actual amount may differ from the estimate.

Note 31. Notes related to the statement of cash flows

Capital expenditure and non-cash financing transactions

€ million	2015	2014
Total purchases of fixed assets,	218.5	194.0
of which cash payments	214.8	193.6
Payments arising from prior period investing activities	-4.9	-4.0
Capital expenditure financed with finance lease or other liability	8.6	4.4

Adjustments to cash flows from operating activities

€ million	2015	2014
Adjustment of non-cash transactions in the income statement and items presented elsewhere in the statement of cash flows:		
Change in provisions	-0.6	15.5
Investments accounted for using the equity method	-0.6	0.2
Impairments	9.2	44.4
Credit losses	3.7	6.0
Non-recurring gains on disposal of fixed assets	-102.9	-4.1
Non-recurring losses on disposal of fixed assets	132.7	0.3
Share-based compensation	-0.8	0.3
Defined benefit pensions	-1.3	-1.4
Others	0.6	2.0
Total	**40.1**	**63.3**

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 a non-cash nature.

Net assets of subsidiaries sold

€ million	2015	2014
Tangible and intangible assets	16.5	-
Inventories	71.7	-
Receivables	29.4	-
Cash and cash equivalents	21.5	-
Liabilities	-34.4	-
Provisions	-15.8	-
Net assets total	**89.0**	**-**

Cash and cash equivalents within the statement of cash flows

€ million	2015	2014
Available-for-sale financial assets (maturing in less than 3 months)	192.8	206.3
Cash and cash equivalents	141.2	107.0
Total	**334.1**	**313.3**

In the statement of cash flows, cash and cash equivalents include those recognised in the balance sheet and portions of available-for-sale financial assets with maturities of 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 treasury policy that has been approved by the Company's Board of Directors. Compliance with this policy and developments in the Group's financial situation are monitored by the Board's Audit Committee. The 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. In the main, the Group's financial resources have been obtained through the parent company, and the 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.

Foreign exchange risks

Kesko Group conducts business operations 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 ensuing foreign exchange 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 foreign exchange risk is not possible.

Translation risks

The Group is exposed to foreign currency translation risks relating to net investments in subsidiaries outside the euro zone held on the balance sheet. This balance sheet exposure has not been hedged. The hedge can be 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, the Russian rouble and the Norwegian krone. 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 foreign currency 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 foreign currency translation risk, and consequently are not included in the translation exposure.

Group's translation exposure as at 31 Dec. 2015 € million	NOK	SEK	RUB	LTL	BYR
Net investment	29.6	94.4	70.3	-	3.5

Group's translation exposure as at 31 Dec. 2014 € million	NOK	SEK	RUB	LTL	BYR
Net investment	30.0	81.7	54.3	46.0	3.5

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

Sensitivity analysis, impact on equity as at 31 Dec. 2015 € million	**NOK**	**SEK**	**RUB**	**LTL**	**BYR**
Change +/-10%	3.0	9.4	7.0	-	0.4

Sensitivity analysis, impact on equity as at 31 Dec. 2014 € million	**NOK**	**SEK**	**RUB**	**LTL**	**BYR**
Change +/-10%	3.0	8.2	5.4	4.6	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. The currency-specific transaction risk exposure comprises foreign currency denominated receivables and liabilities in the balance sheet, forecast 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 foreign currency derivatives. The subsidiaries report their foreign exchange exposures to the Group Treasury on a monthly basis.

In the main, the subsidiaries hedge their risk exposures with the 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. In initial measurement, derivative instruments are recognised at fair value and subsequently in the financial statements, they are remeasured at fair value. The change in fair value of foreign 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 existing balances and forecast cash flows. The following table analyses the transaction exposure excluding future cash flows. The presentation does not illustrate the Group's actual foreign exchange risk after hedgings. When forecast amounts are included in the transaction exposure, the most significant differences from the table below are in the USD and RUB exposures. As at 31 December 2015, the exposure with respect to USD was €-10.9 million, and with respect to RUB, it was €-1.9 million.

Group's transaction exposure as at 31 Dec. 2015 € million	USD	SEK	NOK	LTL	RUB	BYR
Group's transaction risk	-1.1	-13.2	23.9	-	7.0	-0.2
Hedging derivatives	29.4	7.1	-18.7	-	-13.6	
Open exposure	**28.3**	**-6.1**	**5.1**	**-**	**-6.6**	**-0.2**

Group's transaction exposure as at 31 Dec. 2014 € million	USD	SEK	NOK	LTL	RUB	BYR
Group's transaction risk	-5.0	29.0	28.1	13.6	11.4	0.4
Hedging derivatives	38.3	-24.5	2.8	0.0	-36.2	0.0
Hedging borrowings	0.0	0.0	-22.1	0.0	0.0	0.0
Open exposure	**33.3**	**4.5**	**8.8**	**13.6**	**-24.8**	**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. 2015 € million	USD	SEK	NOK	LTL	RUB	BYR
Change +/-10%	2.8	-0.6	0.5	-	-0.7	0.0

Sensitivity analysis, impact on pre-tax profit as at 31 Dec. 2014 € million	USD	SEK	NOK	LTL	RUB	BYR
Change +/-10%	3.3	0.5	0.9	1.4	-2.5	0.0

Liquidity risk

Liquidity risk management aims to maintain sufficient liquid assets and credit facilities in order to ensure the ongoing availability of sufficient financial resources for the Group's operating activities.

The Group's solvency was excellent throughout the financial year 2015. As at 31 December 2015, liquid assets totalled €887 million (€598 million). Interest-bearing liabilities were €439 million (€499 million) and interest-bearing net debt €-448 million (€-99 million) as at 31 December 2015.

Maturities of financial liabilities and related finance costs as at 31 Dec. 2015 € million	2016	2017	2018	2019	2020–	Total	Balance sheet value
Borrowings from financial institutions	**0.3**	**0.3**	**0.1**	**0.1**	**1.8**	**2.7**	**2.7**
finance costs						0.0	
Private Placement notes (USD)*	**33.1**			**22.0**		**55.1**	**55.1**
finance costs	2.5	1.4	1.4	0.7		6.0	
Bonds			**224.1**			**224.1**	**224.1**
finance costs	6.2	6.2	6.2			18.6	
Pension loans	**2.4**	**2.4**	**2.4**	**1.2**		**8.3**	**8.3**
finance costs	0.5	0.5	0.5	0.3		1.8	
Finance lease liabilities	**4.5**	**1.6**	**1.0**	**0.6**	**0.7**	**8.3**	**8.3**
finance costs	0.1	0.1	0.0	0.0	0.0	0.3	
Payables to K-retailers	**114.5**					**114.5**	**114.5**
finance costs						0.0	
Other interest-bearing liabilities	**26.1**					**26.1**	**26.1**
finance costs						0.0	
Non-current non-interest-bearing liabilities	**0.7**	**10.6**	**1.7**	**0.8**	**28.5**	**42.2**	**42.2**
Current non-interest-bearing liabilities							
Trade payables	**795.1**					**795.1**	**795.1**
Accrued expenses	**282.7**					**282.7**	**282.7**
Other non-interest-bearing liabilities	**212.6**					**212.6**	**212.6**

** The cash flows of Private Placement notes and related currency and interest rate derivatives are settled on a net basis. The interest rate derivative liability related to the arrangement is presented within other interest-bearing liabilities in the balance sheet. The amount of interest-bearing liability in the balance sheet arising from this credit facility totals €50.2 million (€50.2 million).*

Guarantee maturities are €15.5 million in 2016 and €2.5 million in 2018–2019.

Maturities of financial liabilities and related finance costs as at 31 Dec. 2014 € million	2015	2016	2017	2018	2019-	Total	Balance sheet value
Borrowings from financial institutions	**24.5**	**0.4**	**0.1**	**0.1**	**1.8**	**26.9**	**26.9**
finance costs	1.1	0.0	0.0	0.0	0.0	1.2	
Private Placement notes (USD)*		**29.6**			**19.8**	**49.4**	**50.2**
finance costs	3.1	2.2	1.3	1.3	0.6	8.5	
Bonds				**240.3**		**240.3**	**240.3**
finance costs	6.6	6.7	6.6	6.6		26.6	
Pension loans	**5.8**	**5.8**	**5.8**	**5.8**	**2.9**	**26.3**	**26.1**
finance costs	1.0	0.7	0.5	0.3	0.1	2.5	
Finance lease liabilities	**6.4**	**3.2**	**1.5**	**0.6**	**0.9**	**12.5**	**12.4**
finance costs	0.2	0.1	0.0	0.0	0.0	0.4	
Payables to K-retailers	**119.3**					**119.3**	**119.3**
finance costs						0.0	
Other interest-bearing liabilities	**23.3**					**23.3**	**23.3**
finance costs						0.0	
Non-current non-interest-bearing liabilities	**1.3**	**7.5**	**1.3**	**0.4**	**0.0**	**10.5**	**10.5**
Current non-interest-bearing liabilities							
Trade payables	**794.6**					**794.6**	**794.6**
Accrued expenses	**272.1**					**272.1**	**272.1**
Other non-interest-bearing liabilities	**217.9**					**217.9**	**217.9**

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 far from the maximum throughout the financial year. At change of control, Kesko is obligated to offer a repayment of the whole loan capital to the note holders. According to the terms and conditions of the loan facility, the change of ownership to retailers or an association of retailers does not constitute a change of control.

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 retrospective discounts given to retailers and the terms vary from one chain to another.

At the balance sheet date, the total equivalent of undrawn committed long-term credit facilities was €100.0 million (€100.0 million). According to the terms and conditions of loan agreements, at change of control, the lenders have the right to terminate the credit facility and loan amounts possibly drawn. According to the terms and conditions of the loan facility, the change of ownership to retailers or an association of retailers does not constitute a change of control. 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 2016, the Group companies held a total of €416.3 million available for re-borrowing in 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 adequate collateral.

Interest rate risk on borrowings and sensitivity analysis

Changes in the interest rate level have an impact on the Group's interest expense. The policy for hedging interest rate risk is aimed at balancing the effects of changes in the interest rate level on profit or loss for different financial periods.

The interest rate risk is centrally managed by the Group Treasury, which adjusts the 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 financial year was 1.9 (2.4) 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, of which USD 60 million was paid on 10 June 2014, USD 36 million will be due on 10 June 2016 and USD 24 million on 10 June 2019.

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.

The sensitivity analysis for changes in interest rate level in respect of commercial paper liabilities realised during the financial year has used average balance values. At the balance sheet date of 31 December 2015, the effect of variable rate borrowings on the pre-tax profit would have been €-/+1.2 million (€-/+1.7 million), if the interest rate level had risen or fallen by 1 percentage point.

The bond, Private Placement notes and pension loans, €287.5 million in aggregate, have fixed rates, and their effective interest cost was 3.4%. 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%. Most of the borrowings are euro-denominated and the Private Placement notes are USD-denominated.

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. The return on these investments for 2015 was 0.3% (0.8%) and the duration was 0.7 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. The table below analyses financial instruments carried at fair value by valuation method.

Fair value hierarchy of financial assets and liabilities € million	Fair value as at 31 Dec. 2015			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss				
Money market funds	209.6			209.6
Commercial papers		65.5		65.5
Bank certificates of deposit and deposits		93.7		93.7
Bonds	5.5			5.5
Total	215.1	159.2		374.2
Derivative financial instruments at fair value through profit or loss				
Derivative financial assets		13.3		13.3
Derivative financial liabilities		8.6		8.6
Available-for-sale financial assets				
Private equity funds and other shares and interests			15.3	15.3
Commercial papers (maturing in less than 3 months)		84.0		84.0
Bank certificates of deposit and deposits (maturing in less than 3 months)		108.8		108.8
Bonds and corporate bond funds	178.9			178.9
Total	**178.9**	**192.8**	**15.3**	**387.0**

Fair value hierarchy of financial assets and liabilities € million	Fair value as at 31 Dec. 2014 Level 1	 Level 2	 Level 3	 Total
Financial assets at fair value through profit or loss				
Money market funds	14.4			14.4
Commercial papers		103.3		103.3
Bank certificates of deposit and deposits		92.2		92.2
Bonds	9.3			9.3
Total	23.7	195.6		219.3
Derivative financial instruments at fair value through profit or loss				
Derivative financial assets		31.5		31.5
Derivative financial liabilities		15.5		15.5
Available-for-sale financial assets				
Private equity funds and other shares and interests			13.1	13.1
Commercial papers (maturing in less than 3 months)		98.6		98.6
Bank certificates of deposit and deposits (maturing in less than 3 months)		107.6		107.6
Bonds	65.5			65.5
Total	**65.5**	**206.3**	**13.1**	**284.8**

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 value of level 3 instruments is not based on observable market data (inputs not observable).

Changes in level 3 instruments € million	2015	2014
Private equity funds and other shares and interests as at 1 January	13.1	16.9
Purchases	3.3	0.6
Refunds received	-2.2	-5.1
Gains and losses through profit or loss	-	0.0
Changes in fair values	1.2	0.6
Private equity funds and other shares and interests as at 31 December	**15.3**	**13.1**

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 computations received from the companies. Gains or losses with income statement impact have not been recorded on these investments for the financial year 2015.

Interest-bearing receivables and sensitivity analysis

The objective is to invest liquidity consisting of financial assets in the money market 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 the Group Treasury. The risks and actual returns on investments are monitored regularly.

In the sensitivity analysis of floating rate receivables, average annual balances of invested assets have been used. The receivables include customer financing receivables, finance lease receivables, other interest-bearing receivables, and within investments, commercial papers and money market funds. The sensitivity of money market funds has been determined based on duration. If the interest rate level had changed by +/-1 percentage point, the effect of these items on the pre-tax profit would have been €+/-3.5 million (€+/-3.6 million) and €+/-2.7 million (€+/-1.1 million) on equity at the balance sheet date.

Credit and counterparty risk

The divisions' business entities are responsible for the management of the 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 collection 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**	**2015**	**2014**
Trade receivables fully performing	540.7	536.2
1–7 days past due trade receivables	9.9	12.3
8–30 days past due trade receivables	11.4	12.1
31–60 days past due trade receivables	5.2	4.3
over 60 days past due trade receivables	14.4	19.2
Total	**581.7**	**584.2**

Within trade receivables, €331.9 million (€332.9 million) were from chain retailers and €1.9 million (€2.4 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 countersecurity from the K-retailer's company and its entrepreneur to Vähittäiskaupan Takaus Oy. At the end of the financial year, the aggregate value of countersecurities was €171.1 million (€160.1 million). In addition, the collateral for receivables includes other collaterals, such as business mortgages and other pledged assets.

Trade receivables include an impairment charge to a total of €17.2 million (€21.5 million) monitored on a separate allowance account. The original balance sheet value of these trade receivables was €21.9 million (€28.2 million). The aggregate amount of credit losses and impairments recognised in the profit for the financial year was €3.7 million (€6.0 million).

The amount of receivables with renegotiated terms totalled €3.2 million (€2.7 million).

Financial credit risk

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

Commodity risks and their sensitivity analysis

The Group uses electricity derivatives for the purpose of balancing out energy costs. The electricity price risk is assessed for five-year periods. The changes in the fair values 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 derivatives hedging the price risk of electricity was €-2.9 million (€-1.6 million).

As at the balance sheet date, a total quantity of 464,832 MWH (731,976 MWH) of electricity had been purchased with electricity derivatives and 245,520 MWH under fixed price purchase agreements. The 1–12 month hedging level was 66% (87%), the 13–24 month level was 60% (65%), the 25–36 month level was 38% (45%), and the 37–48 month level was 4% (24%).

The sensitivity analysis of electricity derivatives assumed 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 2015, it would contribute €-/+0.7 million (€-/+1.6 million) to the 2016 income statement and €-/+1.1 million (€-/+2.7 million) to equity. The impact has been calculated before tax.

Derivatives

Fair values of derivative contracts € million	31 Dec. 2015 Positive fair value (balance sheet value)		31 Dec. 2015 Negative fair value (balance sheet value)		31 Dec. 2014 Positive fair value (balance sheet value)		31 Dec. 2014 Negative fair value (balance sheet value)
Interest rate derivatives					0.0		-0.5
Foreign currency derivatives	13.3		-1.4	*	31.5		-9.6
Electricity derivatives			-7.2		0.1		-5.4

Notional principal amounts of derivative contracts € million	31 Dec. 2015 Notional principal amount		31 Dec. 2014 Notional principal amount
Interest rate derivatives	100.4	*	101.1
Foreign currency derivatives	287.6	*	378.4
Electricity derivatives	9.4		21.4

** The derivative contracts include interest rate swaps relating to a foreign currency borrowing facility with a gross notional principal amount of €100.4 million and a fair value of €0.0 million (€-0.5 million), and currency swaps with a notional principal amount of €50.2 million and a fair value of €4.9 million (€-0.8 million).*

The fair values of derivatives are presented as gross amounts. Kesko has entered into netting arrangements under ISDA contracts with all counterparties engaged in transactions with derivatives. All of these contracts provide for mutual posting of collateral. The threshold level for collateral posting had not been exceeded at the balance sheet date. Analysed by counterparty, derivative financial liabilities could be set off in a total of €3.2 million.

The maximum credit risk from derivatives is the fair value of the balance sheet at the reporting date.

Cash flows from derivative contracts as at 31 Dec. 2015 € million	2016	2017	2018	2019	2020	2021–	Total
Payables							
Foreign exchange forward contracts outside hedge accounting	236.1						236.1
Net settlement of payables							
Interest rate derivatives							
Electricity derivatives	3.4	2.7	1.1	0.1			7.2
Derivatives relating to Private Placement notes*							
Foreign currency derivatives							
Receivables							
Foreign exchange forward contracts outside hedge accounting	243.0						243.0
Net settlement of receivables							
Derivatives relating to Private Placement notes*							
Foreign currency derivatives	3.2	0.1	0.1	2.0			5.4
Interest rate derivatives	0.3	0.2	0.2	0.1			0.8

** The cash flows from Private Placement notes and related foreign currency 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 €50.2 million (€50.2 million) relating to this credit facility.*

Cash flows from derivative contracts as at 31 Dec. 2014 € million	2015	2016	2017	2018	2019	2020–	Total
Payables							
Foreign exchange forward contracts outside hedge accounting	325.0						325.0
Net settlement of payables							
Interest rate derivatives	0.0						0.0
Electricity derivatives	2.1	1.6	1.3	0.4	0.0		5.4
Derivatives relating to Private Placement notes*							
Foreign currency derivatives	0.1	0.5	0.0	0.0	0.3		0.9
Receivables							
Foreign exchange forward contracts outside hedge accounting	347.3						347.3
Net settlement of receivables							
Derivatives relating to Private Placement notes*							
Interest rate derivatives	0.4	0.3	0.2	0.2	0.1		1.2

Capital structure management

Kesko Group's objectives in capital management include target rates set for the Group's solvency and liquidity. The Group's capital structure (equity-to-debt ratio) is optimised at the Group level. The objectives 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 in line with the Group's strategy, and maintaining shareholder value. A target rate has been set for the performance indicator '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 rate. 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 26 May 2015, the Board approved, as a part of the Group's medium term financial objectives, the following values for the performance indicators: 'return on capital employed excluding non-recurring items', 'return on equity excluding non-recurring items' and 'interest-bearing net debt/EBITDA'.

	Target level	Level achieved in 2015	Level achieved in 2014
Return on capital employed excl. non-recurring items	14%	11.7	9.9
Return on equity excl. non-recurring items	12%	8.2	7.6
Interest-bearing net debt/EBITDA	‹ 2.5	-1.4	-0.3

€ million	2015	2014
Interest-bearing liabilities	439.1	498.9
Liquid assets	887.2	598.0
Interest-bearing net debt	**-448.1**	**-99.2**
EBITDA	331.4	346.5
Interest-bearing net debt/EBITDA	**-1.4**	**-0.3**

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, joint ventures and Kesko Pension Fund. The subsidiaries, associates and joint ventures are listed in a separate note (note 37).

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

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

The joint ventures consolidated using the equity method, Kruunuvuoren Satama Oy and Ankkurikadun Kiinteistöt Oy, own properties which have been leased for use by 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 business property companies which have leased their properties for use by Kesko Group. Associates that operate as mutual real estate companies have been consolidated in the financial statements in proportion to their ownership interests.

Kesko Pension Fund is a stand-alone legal entity which manages the majority of the pension assets related to the voluntary pensions of the Group's employees in Finland. The pension assets include Kesko Corporation shares with a value of €15.7 million (€14.6 million). Properties owned by Pension Fund have been leased to Kesko Group.

During the financial years 2015 and 2014, Kesko Group did not pay contributions to Pension Fund.

The following transactions were carried out with related parties:

	Associates and joint ventures		Board and management		Pension Fund	
Income statement € million	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Sales of goods		0.0	59.8	75.6		
Sales of services	3.6	2.6	0.2	0.2	0.3	0.4
Purchases of goods			-13.8	-18.2		
Purchases of services	-0.2	-2.7	0.0	-0.0		
Operating income	0.6	0.6	10.6	11.8	0.0	0.0
Operating costs	-37.0	-17.7	-0.1	0.0	-12.2	-13.0
Finance income	3.1					

Balance sheet € million	Associates and joint ventures		Board and management		Pension Fund	
	2015	2014	2015	2014	2015	2014
Current receivables	1.1	0.2	4.3	6.2		
Non-current receivables	57.6	1.5				
Current liabilities	19.2	17.6	2.0	2.0	2.1	0.4

At the balance sheet date, receivables arisen from Kesko's sales to companies controlled by the Board members were €4.3 million (€6.2 million). The receivables are collateralised by a commercial credit 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 valued at €5.0 million (€4.6 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 related to the amount of actual annual purchases and the quality of operations.

In June 2015, Kesko sold 34 store sites and two shopping centres in Finland and Sweden to the joint venture, Ankkurikadun Kiinteistöt Oy, it had established with the life insurance company AMF Pensionsförsäkring and Ilmarinen Mutual Pension Insurance Company. In addition, Ankkurikadun Kiinteistöt Oy acquired one shopping centre from Kruunuvuoren Satama Oy and two store sites in Finland from Kesko Pension Fund. The combined fair value of the store sites and shopping centres is €652 million. Kesko Group companies' share of that amount was €485 million. Kesko's non-recurring gain on the sale was €75.6 million and cash inflow was €403 million. Kesko Group companies lease the sold stores sites for their use with 15-year long-term leases and in Sweden, with 10-year long-term leases. At the shopping centres, the Group companies lease premises for their use with 5–15-year leases. Kesko's equity investment in the joint venture is around €67 million, comprising an investment in the company's equity and an equity shareholder loan.

In addition, Kesko sold four properties to Kesko Pension Fund. A €22.9 million non-recurring gain on the sale was recorded.

In addition, Kesko has non-current receivables from a real estate associate to 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 their employee services consists of the following items:

Monetary salaries, fees and fringe benefits €1,000		2015	2014
Mikko Helander	President and CEO (since 1 Jan. 2015)	1,018.5	-
Matti Halmesmäki	President and CEO (until 31 Dec. 2014)	-	1,281.3
Group Management Board	other members	2,275.9	2,251.4
Esa Kiiskinen	Board Chair	88.0	85.5
Mikael Aro	Board Deputy Chair (since 13 Apr. 2015)	43.5	-
Tomi Korpisaari	Board member	43.5	41.0
Matti Kyytsönen	Board member (since 13 Apr. 2015)	33.7	-
Anu Nissinen	Board member (since 13 Apr. 2015)	32.2	-
Toni Pokela	Board member	43.5	41.0
Kaarina Ståhlberg	Board member (since 13 Apr. 2015)	35.2	-
Seppo Paatelainen	Board Deputy Chair (until 13 Apr. 2015)	17.0	58.0
Ilpo Kokkila	Board member (until 13 Apr. 2015)	12.3	42.5
Maarit Näkyvä	Board member (until 13 Apr. 2015)	13.2	46.0
Virpi Tuunainen	Board member (until 13 Apr. 2015)	12.3	43.5
Total		**3,524.3**	**3,890.2**

Retirement benefits

The statutory pension provision of the President and CEO and the other members of the Group Management Board is provided through a pension insurance company. Four Group Management Board members are members of Kesko Pension Fund's department A which was closed in 1998, and their supplementary pensions are determined based on its rules and their personal service contracts. Their retirement benefits are based on a defined benefit plan. Mikko Helander's old-age pension age is 63 and the amount of his old-age pension is 60% of his pensionable earnings in accordance with the Employees' Pensions Act (TyEL). The pensionable salary is determined based on his non-variable monetary salary, performance bonuses and fringe benefits for the last ten (10) years. The supplementary pension is based on a defined benefit plan. The cost of the supplementary pension for the period, calculated on an accrual basis, was €0.8 million and the pension liability was €0.9 million as at 31 December 2015. The pension cost of the President and CEO's statutory pension provision was €0.1 million.

Share awards

The following share awards were granted to the Group Management Board members: under the 2012 plan 15,113 shares (maximum was 56,600 shares), under the 2013 plan 13,500 shares (maximum was 67,500) and under the 2014 plan 18,354 shares (maximum was 69,000). The maximum under the 2015 plan is 74,000 shares. In addition, the taxes and tax-like charges incurred from the award 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 and fringe benefits for the period of notice and a separate non-recurring termination compensation determined on the basis of the executive's monetary salary and fringe benefits for the month of notice. The termination compensation is not part of the executive's salary and it is not included in the determination of the salary for the period of notice, termination compensation 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 compensations.

Shareholdings

As at 31 December 2015, the President and CEO held 8,791 Kesko Corporation B shares, which represent 0.01% of all shares of the Company and 0.00% of votes attached to all shares. As at 31 December 2015, the Group Management Board, including the President and CEO, held 65,162 Kesko Corporation B shares, which represent 0.07% of all shares of the Company and 0.02% of votes carried by all shares.

Note 34. Legal disputes and possible legal proceedings

Group companies are parties to certain trials or legal disputes related to the Group's business operations. According to management's estimate, their outcome will probably not have any material impact on the Group's financial position. The Group is also party to possible legal proceedings, either as plaintiff or defendant, the outcome of which is difficult to forecast.

Voimaosakeyhtiö SF has commenced arbitration proceedings in which Voimaosakeyhtiö SF demands that the court of arbitration confirm that Kesko Corporation's group company Kestra Kiinteistöpalvelut Oy would be committed to the future financing of Fennovoima Ltd's Hanhikivi nuclear power project.
Kesko Corporation has announced in a stock exchange release on 27 March 2014 that Kestra Kiinteistöpalvelut Oy would not participate in the future financing of the Fennovoima project due to the related financial, contractual and scheduling uncertainties. Kestra Kiinteistöpalvelut Oy considers Voimaosakeyhtiö SF's claims to be unfounded.

Liite 35. Other notes

Events after the balance sheet date

On 12 January 2016, Kesko Corporation made an agreement to acquire Onninen Oy's whole share capital from Onvest Oy. The pro forma net sales of the business to be acquired were €1,438 million and the EBITDA was €39 million for the period from October 2014 until the end of September 2015. The transaction price of the debt-free acquisition, structured as a share purchase, is €369 million. Onninen's steel business and Russian subsidiary are not included in the acquisition. With the acquisition, Kesko's business in HEPAC and electrical product groups will expand significantly and it will be able to provide better service, especially to contractor customers. In addition, Kesko will gain new customer relationships from infrastructure and industry customer groups.

The transaction will be paid in cash from Kesko's liquid assets and available debt financing reserves. The fair value allocations of the transaction price to net assets are estimated to cause an expense item of around €5 million on the first six months.

The completion of the acquisition is subject to the approval of the competition authorities and the fulfilment of the other terms and conditions of the transaction. The acquisition is estimated to be completed during the first half of 2016.

Note 36. Group composition

Group composition

Kesko Group has 101 (117) subsidiaries. The Group has the majority of voting rights in all companies. Kesko Group's sub-group, Senukai, has a material non-controlling interest (see section Material non-controlling interest).

Information about the Group composition as at the balance sheet date:

Division	Country of incorporation	Most significant subsidiaries	Number of wholly-owned subsidiaries 2015	Number of wholly-owned subsidiaries 2014	Number of partly-owned subsidiaries 2015	Number of partly-owned subsidiaries 2014
Grocery trade	Finland, Russia	Kesko Food Ltd, K-citymarket Oy, Kespro Ltd	26	28	-	-
Home improvement and speciality goods trade	Finland, Sweden, Norway, Estonia, Latvia, Lithuania, Russia, Belarus	Rautakesko Ltd with its subsidiaries Indoor Group Ltd, Intersport Ltd, Konekesko Ltd	49	60	7	7
Car trade	Finland	VV-Auto Group Oy	5	5	-	-
Others	Finland, Estonia		10	11	-	1

In addition, the Group has partly owned mutual real estate companies. The Group's subsidiaries, equity-accounted investments and mutual real estate companies consolidated using the proportionate method are listed in note 37.

Material non-controlling interest

Senukai Group, which is part of Kesko Group, has a material non-controlling interest. The sub-group's parent, UAB Senuku Prekybos, is a subsidiary of Rautakesko Ltd and it is domiciled in Vilnius, Lithuania. Kesko Group's ownership interest in Senukai Group is 50.0% increased by one share (50.0% increased by one share). Kesko Group has the right to nominate the majority of Board members and the Board Chair. The Board controls the company's operational activities and makes decisions on the use of resources. The share of non-controlling interests of the profit of Senukai Group was €15.7 million (€12.4 million) and in equity, the share was €78.6 million (€79.5 million).

Summarised financial information on subsidiary with material non-controlling interest

€ million	Senukai Group 2015	Senukai Group 2014
Current assets	167.3	166.1
Non-current assets	29.6	37.8
Current liabilities	75.1	80.5
Non-current liabilities	0.3	0.2
Net sales	437.0	436.0
Profit/loss	23.1	19.0
Parent company owners' share of profit/loss	7.3	6.6
Non-controlling interests' share of profit/loss	15.7	12.4
Comprehensive income for the period	9.0	21.0
Parent company owners' share of comprehensive income for the period	4.0	7.4
Non-controlling interests' share of comprehensive income for the period	4.9	13.6
Dividends paid to non-controlling interests	5.9	4.9
Net cash generated from operating activities	27.1	15.9
Net cash used in investing activities	-5.1	-13.9
Net cash used in financing activities	-12.7	-6.9

The amounts above are before intra-Group eliminations.

Note 37. Subsidiaries, equity accounted investments and proportionately consolidated mutual real estate companies as at 31 Dec. 2015

Subsidiaries

Owned by the parent	Domicile	Group's ownership interest,%	Parent's ownership interest,%
Ankkuri-Energia 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 Sunan Hallitalo	Helsinki	100.00	100.00
Kiinteistö Oy Voisalmen Liiketalo	Helsinki	100.00	100.00
K-instituutti Oy	Helsinki	100.00	100.00
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	100.00
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,%
App-Hallinta Oy	Helsinki	100.00	
Bansemko OOO	Moscow, Russia	100.00	
Barker-Littoinen Oy	Espoo	100.00	
Bonus OOO	St. Petersburg, Russia	100.00	
Byggmakker Handel AS	Ski, 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	
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 Helsingin Itäkeskus	Helsinki	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 Kuvernöörintie 8	Helsinki	100.00	
Kiinteistö Oy Lappeenrannan Oksasenkatu 4	Helsinki	100.00	

Kiinteistö Oy Lappeenrannan Rakuunaparkki	Lappeenranta	100.00
Kiinteistö Oy Liike-Jaako	Rovaniemi	67.88
Kiinteistö Oy Piispansilta	Espoo	100.00
Kiinteistö Oy Sarviniitynkatu 4	Kerava	100.00
Kiinteistö Oy Tarkkaiikka	Oulu	100.00
Kiinteistö Oy Vantaan Kiitoradantie 2	Vantaa	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 Russia Holding Oy	Helsinki	100.00
K-rauta Fastigheter i Malmö AB	Sollentuna, Sweden	100.00
KR Fastigheter 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 Täby AB	Sollentuna, Sweden	100.00
Loimaan maatalous- ja rautakauppa Oy	Helsinki	100.00
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
Olarin Autokiinteistö Oy	Espoo	100.00
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	
Springfield OOO	St. Petersburg, Russia	100.00	
Tampereen Länsikeskus Oy	Tampere	100.00	
Tarondi Estate OOO	Moscow, Russia	100.00	
TD-Kiinteistöt Oy	Turku	100.00	
TP Real Estate SIA	Riga, Latvia	100.00	
Trøgstadveien 13 AS	Ski, Norway	100.00	
VV-Autotalot Oy	Helsinki	100.00	

Equity accounted investments

Owned by the parent	Domicile	Group's ownership interest,%	Parent's ownership interest,%
Ankkurikadun Kiinteistöt Oy	Helsinki	33.33	33.33
Graanin Liikekeskus Oy	Mikkeli	50.00	50.00
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
Kruunuvuoren Satama Oy	Helsinki	49.00	49.00
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,%
Eurobuy GmbH	Germany	33.33	
Toomax Asia Ltd	Hong Kong	33.33	

Proportionately consolidated mutual real estate companies

Owned by the parent and others	Domicile	Group's ownership interest,%	Parent's ownership interest,%
Asunto Oy Soukan Itäinentorni	Espoo	46.60	19.31
Itäkeskuksen Pysäköintitalo Oy	Helsinki	36.16	36.16
Kiinteistö Oy Lahden Lyhytkatu 1	Lahti	50.00	50.00
Kiinteistö Oy Pälkäneen Liikekeskus	Pälkäne	84.14	
Kiinteistö Oy Ulvilan Hansa	Ulvila	42.41	42.41
Kiinteistö Oy Vantaanportin Liikekeskus	Vantaa	27.81	27.81
Laajasalon Liikekeskus Oy	Helsinki	50.35	
Munkkivuoren Ostoskeskus Oy	Helsinki	30.65	30.65
Talo Oy Kalevanpuisto	Kuopio	47.60	

PARENT COMPANY'S FINANCIAL STATEMENTS (FAS)

PARENT COMPANY'S FINANCIAL STATEMENTS (FAS)

PARENT COMPANY'S INCOME STATEMENT

€	1 Jan.–31 Dec. 2015	1 Jan.–31 Dec. 2014
Net sales	**43,091,016.90**	**33,814,541.60**
Other operating income	157,968,731.51	113,647,549.64
Materials and services	-1,753.06	-373.71
Employee benefit expense	-21,213,756.01	-18,424,961.84
Depreciation, amortisation and impairment	-21,156,816.18	-19,097,105.06
Other operating expenses	-206,748,452.39	-91,752,946.51
Operating profit	**-48,061,029.23**	**18,186,704.12**
Finance income and cost	-20,534,327.74	-89,151,921.73
Profit before extraordinary items	**-68,595,356.97**	**-70,965,217.61**
Extraordinary items	289,585,913.15	112,474,513.37
Profit before appropriations and taxes	**220,990,556.18**	**41,509,295.76**
Appropriations	15,486,295.81	2,760,540.83
Profit before taxes	**236,476,851.99**	**44,269,836.59**
Income taxes	-74,658,981.88	-28,000,549.33
Profit for the financial year	**161,817,870.11**	**16,269,287.26**

PARENT COMPANY'S BALANCE SHEET

€	31 Dec. 2015	31 Dec. 2014
ASSETS		
NON-CURRENT ASSETS		
INTANGIBLE ASSETS		
Intangible rights	6,257,340.41	7,574,833.69
Other capitalised long-term expenses	6,786,292.90	9,251,121.45
Prepayments	1,271,305.11	3,582,088.68
	14,314,938.42	20,408,043.82
TANGIBLE ASSETS		
Land and waters	77,868,955.35	93,428,511.78
Buildings	121,044,023.13	187,577,319.92
Machinery and equipment	1,481,275.98	2,623,373.90
Other tangible assets	712,088.96	3,680,895.83
Prepayments and construction in progress	3,900,399.35	470,619.74
	205,006,742.77	287,780,721.17
INVESTMENTS		
Investments in subsidiaries	190,391,107.79	253,990,607.63
Investments in associates	78,255,203.86	76,701,603.69
Other investments	10,373,702.57	9,497,920.18
	279,020,014.22	340,190,131.50
CURRENT ASSETS		
RECEIVABLES		
Long-term		
Receivables from subsidiaries	227,099,825.48	227,250,017.35
Receivables from associates	57,641,471.31	1,660,896.28
Other receivables	2,328,804.39	2,363,643.66
	287,070,101.18	231,274,557.29

Short-term		
Trade receivables	712,242.35	1,354,239.76
Receivables from subsidiaries	839,381,775.07	825,118,144.16
Receivables from associates	910,936.05	1,391.55
Loan receivables	-	2,700,000.00
Other receivables	3,925.16	184.19
Prepayments and accrued income	11,149,444.76	51,877,753.58
	852,158,323.39	881,051,713.24
INVESTMENTS		
Other investments	740,652,092.53	482,187,377.84
CASH AND CASH EQUIVALENTS	**45,391,996.15**	**33,634,690.48**
TOTAL ASSETS	**2,423,614,208.66**	**2,276,527,235.34**

€	31 Dec. 2015	31 Dec. 2014
EQUITY AND LIABILITIES		
CAPITAL AND RESERVES		
Share capital	197,282,584.00	197,282,584.00
Share premium	197,498,010.90	197,498,010.90
Other reserves	266,169,102.95	266,169,102.95
Retained earnings	673,737,292.41	801,720,282.41
Profit for the financial year	161,817,870.11	16,269,287.26
	1,496,504,860.37	1,478,939,267.52
APPROPRIATIONS		
Depreciation reserve	56,903,041.19	72,389,337.00
PROVISIONS		
Other provisions	913,455.00	186,021.75
LIABILITIES		
Non-current		
Bonds	225,005,000.00	241,700,000.00
Private Placement notes	20,083,682.01	50,209,205.02
Other creditors	7,258,654.09	5,284,862.93
	252,347,336.10	297,194,067.95
Current		
Private placement notes	30,125,523.01	-
Loans from financial institutions	-	22,119,000.22
Advances received	52,373.52	21,283.97
Trade payables	6,937,288.22	2,846,816.78
Payables to subsidiaries	510,084,729.57	361,612,226.89
Payables to associates	19,126,189.41	17,522,094.78
Other payables	5,157,547.10	5,308,756.12
Accruals and deferred income	45,461,865.17	18,388,362.36
	616,945,516.00	427,818,541.12
TOTAL LIABILITIES	**2,423,614,208.66**	**2,276,527,235.34**

PARENT COMPANY'S CASH FLOW STATEMENT

€	1 Jan.–31 Dec. 2015	1 Jan.–31 Dec. 2014
Cash flows from operating activities		
Profit before extraordinary items	-68,595,356.97	-70,965,217.61
Adjustments		
Depreciation according to plan	16,361,194.76	19,097,105.06
Finance income and costs	20,534,327.74	89,151,921.73
Other adjustments	55,440,430.67	127,709.81
	23,740,596.20	**37,411,518.99**
Change in working capital		
Current non-interest-bearing receivables, increase (-)/decrease (+)	-840,197.26	2,787,041.96
Current non-interest-bearing liabilities, increase (+)/decrease (-)	-4,046,119.66	-16,346,632.07
	-4,886,316.92	-13,559,590.11
Interests paid and other finance costs	-18,027,879.99	-15,703,876.29
Interests received	19,415,447.46	23,800,712.59
Dividends received	3,767,022.20	74,170.00
Income tax paid	-23,473,972.12	-47,972,140.97
	-18,319,382.45	-39,801,134.67
Net cash generated from operating activities	**534,896.83**	**-15,949,205.79**
Cash flows from investing activities		
Purchases of tangible and intangible assets	-9,458,291.76	-15,219,872.13
Receivables, increase (-)/decrease (+)	197,031.14	25,736,916.67
Acquisitions of subsidiaries	-6,986,047.00	-5,971,800.85
Acquisitions of associates	-10,997,500.00	-
Proceeds from sale of subsidiaries, net of cash disposed of	-57,860,016.59	610,000.00
Equity repaid by associates and joint ventures	9,446,399.83	-
Proceeds from disposal of tangible and intangible assets	79,137,019.78	2,621,604.29
Net cash used in investing activities	**3,478,595.40**	**7,776,847.98**

Cash flows from financing actitivites		
Interest-bearing liabilities, increase (+)/decrease (-)	114,337,761.43	-46,214,875.36
Short-term interest-bearing receivables, increase (-)/decrease (+)	-9,107,188.00	20,137,411.98
Short-term money market investments	-269,234,272.08	-56,808,357.03
Dividends paid	-148,715,547.00	-138,484,759.00
Group contributions received and paid	289,585,913.15	112,474,513.37
Increase in reserve of invested non-restricted equity	-	2,148,641.76
Acquisition of treasury shares	-	-16,127,668.29
Other items	21,212,728.94	4,029,026.80
Net cash used in financing activities	**-1,920,603.56**	**-118,846,065.77**
Change in liquid assets	**2,092,888.67**	**-127,018,423.64**
Liquid assets as at 1 January	**232,228,811.87**	**359,247,235.51**
Liquid assets as at 31 December	**234,321,700.54**	**232,228,811.87**

NOTES TO THE PARENT COMPANY'S FINANCIAL STATEMENTS

Note 1. 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 and possible amortisations.

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 and possible amortisations.

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 most common estimated useful lives are:

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 currency items

Foreign currency transactions have been recorded in euros using the rate of exchange at the date of transaction. Foreign currency receivables and payables have been translated into euros using the rate of exchange at the balance sheet date. If a receivable or a payable 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 contracts

Interest rate derivatives

Interest rate derivatives are used to modify the 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 interest 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 currency derivatives

Foreign currency derivatives are used for hedging against translation and transaction risks. Foreign exchange forward 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 with a bank, and enters into corresponding internal hedge with Ankkuri-Energia Oy. 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 finance income and cost. Unrealised gains and losses on contracts hedging future purchases are not recognised in profit or loss.

Pension plans

Personnel's statutory pension provision is organised through pension insurance companies and the voluntary supplementary pension provision is mainly organised through Kesko Pension Fund. Pension costs are recognised as expense in the income statement.

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 calculated 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 2. Other operating income

€ million	2015	2014
Gains on sales of real estate and shares	57.7	0.0
Rent income	99.5	113.0
Others	0.7	0.7
Total	**158.0**	**113.6**

Note 3. Average number of personnel

	2015	2014
Kesko Corporation	180	171
Total	**180**	**171**

Note 4. Employee benefit expense

€ million	2015	2014
Wages and salaries	-17.8	-15.9
Social security costs		
Pension costs	-2.6	-1.8
Other social security costs	-0.8	-0.8
Total	**-21.2**	**-18.4**

Salaries and fees to the management

€ million	2015	2014
Managing Director	1.0	1.3
Members of the Board of Directors	0.4	0.4
Total	**1.4**	**1.6**

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

Note 5. Depreciation, amortisation and impairment

€ million	2015	2014
Depreciation according to plan	-16.4	-19.0
Impairment, non-current assets	-4.8	-0.1
Total	**-21.2**	**-19.1**

Note 6. Other operating expenses

€ million	2015	2014
Rent expenses	-51.4	-55.8
Marketing expenses	-3.7	-1.7
Maintenance of real estate and store sites	-5.6	-6.3
Telecommunication expenses	-24.4	-18.6
Other operating expenses	-121.6	-9.4
Total	**-206.7**	**-91.8**

The other operating expenses include a €107.6 million loss on the divestment of Anttila.

Auditors' fees

€ million	2015	2014
PricewaterhouseCoopers, Authorised Public Accountants		
Audit	0.3	0.2
Tax consultation	0.1	0.1
Other services	0.4	0.1
Total	**0.8**	**0.4**

Note 7. Finance income and costs

€ million	2015	2014
Income from long-term investments		
Dividend income from subsidiaries	3.8	0.1
Gains on disposal of shares	-	0.1
Income from long-term investments, total	**3.8**	**0.2**
Other interest and finance income		
From subsidiaries	15.0	13.9
From others	18.6	48.7
Interest and finance income, total	**33.6**	**62.6**
Impairment of investments held as non-current assets		
Impairment of shares	-26.5	-21.4
Impairment of other investments	-1.1	-77.7
Impairment of investments held as non-current assets, total	**-27.6**	**-99.1**
Interest and other finance costs		
To subsidiaries	-2.7	-3.3
To others	-27.6	-49.5
Interest and finance costs, total	**-30.3**	**-52.8**
Total	**-20.5**	**-89.2**

Note 8. Items included in extraordinary income and expenses

€ million	2015	2014
Group contributions received	306.0	234.0
Group contributions paid	-16.4	-121.5
Total	**289.6**	**112.5**

Note 9. Appropriations

€ million	2015	2014
Difference between depreciation according to plan and depreciation in taxation	15.5	2.8
Total	**15.5**	**2.8**

Note 10. Changes in provisions

€ million	2015	2014
Other changes	0.7	0.1
Total	**0.7**	**0.1**

Note 11. Income taxes

€ million	2015	2014
Income taxes on extraordinary items	-57.9	-22.5
Income taxes on ordinary activities	-16.8	-5.5
Total	**-74.7**	**-28.0**

Deferred taxes

Deferred tax assets and liabilities have not been recorded on the balance sheet. The deferred tax liability on accumulated appropriations is €11.4 million. The amount of other deferred tax liabilities or assets is not material.

NOTES TO THE BALANCE SHEET

Note 12. Intangible assets

€ million	2015	2014
Intangible assets		
Acquisition cost as at 1 January	24.6	39.1
Increases	2.6	8.3
Decreases	-0.2	-24.0
Transfers between items	2.6	1.2
Acquisition cost as at 31 December	29.7	24.6
Accumulated depreciation as at 1 January	-7.8	-28.4
Accumulated depreciation on decreases and transfers	0.1	23.9
Depreciation and amortisations for the financial year	-8.9	-3.3
Accumulated depreciation as at 31 December	-16.7	-7.8
Book value as at 31 December	**13.0**	**16.8**
Prepayments		
Acquisition cost as at 1 January	3.6	4.0
Increases	0.7	3.0
Decreases	-0.4	-2.3
Transfers between items	-2.6	-1.2
Acquisition cost as at 31 December	1.3	3.6
Book value as at 31 December	**1.3**	**3.6**

Note 13. Tangible assets

€ million	2015	2014
Land and waters		
Acquisition cost as at 1 January	93.4	93.4
Increases	1.5	0.0
Decreases	-17.0	-
Acquisition cost as at 31 December	77.9	93.4
Book value as at 31 December	**77.9**	**93.4**
Buildings		
Acquisition cost as at 1 January	365.8	394.2
Increases	0.9	3.0
Decreases	-104.7	-31.4
Transfers between items	0.1	0.0
Acquisition cost as at 31 December	262.1	365.8
Accumulated depreciation as at 1 January	-178.2	-195.4
Accumulated depreciation on decreases and transfers	48.4	31.4
Depreciation for the financial year	-11.2	-14.2
Accumulated depreciation as at 31 December	-141.1	-178.2
Book value as at 31 December	**121.0**	**187.6**
Machinery and equipment		
Acquisition cost as at 1 January	15.6	17.2
Increases	0.2	0.5
Decreases	-4.1	-2.1
Transfers between items	-	0.0
Acquisition cost as at 31 December	11.8	15.6

Accumulated depreciation as at 1 January	-13.0	-14.3
Accumulated depreciation on decreases and transfers	3.2	2.1
Depreciation for the financial year	-0.5	-0.8
Accumulated depreciation as at 31 December	-10.3	-13.0
Book value as at 31 December	**1.5**	**2.6**
Other tangible assets		
Acquisition cost as at 1 January	8.1	14.0
Increases	0.0	0.1
Decreases	-5.2	-6.0
Transfers between items	0.0	0.0
Acquisition cost as at 31 December	3.0	8.1
Accumulated depreciation as at 1 January	-4.4	-9.6
Accumulated depreciation on decreases and transfers	2.7	6.0
Depreciation for the financial year	-0.5	-0.8
Accumulated depreciation as at 31 December	-2.3	-4.4
Book value as at 31 December	**0.7**	**3.7**
Prepayments and construction in progress		
Acquisition cost as at 1 January	0.5	0.3
Increases	3.5	0.2
Decreases	0.0	-
Transfers between items	-0.1	0.0
Acquisition cost as at 31 December	3.9	0.5
Book value as at 31 December	**3.9**	**0.5**

Note 14. Investments

€ million	2015	2014
Investments in subsidiaries		
Acquisition cost as at 1 January	309.9	304.1
Increases	7.6	6.0
Decreases	-72.9	-0.1
Acquisition cost as at 31 December	244.7	309.9
Impairment as at 1 January	-55.9	-34.9
Accumulated impairments on decreases	28.1	-
Impairment for the period	-26.5	-21.0
Impairment as at 31 December	-54.3	-55.9
Book value as at 31 December	**190.4**	**254.0**
Investments in associates		
Acquisition cost as at 1 January	76.7	76.7
Increases	11.0	-
Returned equity	-9.4	-
Book value as at 31 December	**78.3**	**76.7**
Other investments		
Acquisition cost as at 1 January	9.5	10.2
Increases	2.7	0.0
Decreases	-1.8	-0.7
Acquisition cost as at 31 December	10.4	9.5
Book value as at 31 December	**10.4**	**9.5**

An analysis of Kesko Corporation's ownership interests in other companies as at 31 December 2015 is presented in the notes to the consolidated financial statements.

Note 15. Receivables

€ million	2015	2014
Receivables from subsidiaries		
Long-term		
Loan receivables	217.1	217.3
Subordinated loans	10.0	10.0
Long-term, total	**227.1**	**227.3**
Short-term		
Trade receivables	5.6	4.0
Loan receivables	832.7	820.6
Prepayments and accrued income	1.1	0.6
Short-term, total	839.4	825.1
Total	**1,066.5**	**1,052.4**

Kesko Corporation has advanced a subordinated loan to Kiinteistö Mesta Oy to the amount of €10.0 million. 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.

During the financial year 2015, a total impairment of €77.7 million was recognised on the subordinated loans advanced to Anttila Oy and Johaston Oy.

€ million	2015	2014
Receivables from associates and joint ventures		
Long-term		
Loan receivables	57.5	1.5
Other receivables	0.1	0.1
Long-term, total	**57.6**	**1.7**
Short-term receivables	**0.9**	**0.0**
Total	**58.5**	**1.7**

Kesko Corporation has advanced a long-term loan to its joint venture, Ankkurikadun Kiinteistöt Oy, in the amount of €56.0 million.

€ million	2015	2014
Prepayments and accrued income		
Taxes	0.0	21.4
Others	11.1	30.5
Total	**11.1**	**51.9**

Note 16. Shareholders' equity

€ million	Share capital	Share premium	Contingency fund	Reserve of invested non-restricted equity	Retained earnings	Total equity
Balance as at 1 January 2014	197.3	197.5	243.4	20.6	954.8	1,613.6
Increase				2.1		2.1
Dividends					-138.5	-138.5
Treasury shares					-14.4	-14.4
Transfer to donations					-0.2	-0.2
Profit for the year					16.3	16.3
Balance as at 31 December 2014	197.3	197.5	243.4	22.8	818.0	1,478.9
Dividends					-148.7	-148.7
Treasury shares					4.7	4.7
Transfer to donations					-0.3	-0.3
Profit for the year					161.8	161.8
Balance as at 31 December 2015	**197.3**	**197.5**	**243.4**	**22.8**	**835.6**	**1,496.5**

Calculation of distributable profits	2015	2014
Other reserves	266.2	266.2
Retained earnings	673.7	801.7
Profit for the year	161.8	16.3
Total	**1,101.7**	**1,084.2**

Breakdown of parent company shares	Pcs
A shares	31,737,007
B shares	68,282,745
Total	**100,019,752**

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 13 April 2015 and valid until 30 June 2018, 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 8 April 2013, to decide on the transfer of a maximum of 1,000,000 own B shares held by the Company as treasury shares. The authorisation is valid until 30 June 2017.

Treasury shares

Authorised by the General Meeting, the Board of Directors acquired a total of 700,000 own B shares (purchase price €23.7 million) in the financial year 2011 and a total of 500,000 own B shares (purchase price €16.1 million) in the financial year 2014. The total prices paid for the shares have been deducted from retained earnings in equity. The shares are held by the Company as treasury shares and the Company Board is entitled to transfer them. Based on the authorisations to issue own shares and the fulfilment of the vesting criteria of the 2013 vesting period of Kesko's share-based compensation plans, the Board granted a total of 50,520 own shares held by the Company as treasury shares, and based on the fulfilment of the 2014 vesting period, a total of 120,022 own shares held by the Company as treasury shares to the persons included in the target groups of the vesting periods. In addition, Mikko Helander, the Company President and CEO as from 1 January 2015, was granted 8,791 shares held by the Company as treasury shares in December 2014. The transfers of treasury shares were announced in a stock exchange release on 24 March 2014, 25 March 2014, 17 December 2014, 1 April 2015 and 7 April 2015. During the financial year, a total of 2,284 shares already granted were returned to the Company in accordance with the terms and conditions of the share-based compensation plan. At the end of the financial year, the Company held 877,577 own B shares (995,315 B shares) as treasury shares. The €28.9 million (€31.5 million) acquisition cost of these shares has been deducted from retained earnings in equity.

Note 17. Appropriations

€ million	2015	2014
Depreciation difference	56.9	72.4
Total	**56.9**	**72.4**

Note 18. Provisions

€ million	2015	2014
Other provisions	0.9	0.2
Total	**0.9**	**0.2**

Note 19. Non-current liabilities

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, of which the first tranch (USD 60 million) was due in 2014. The remaining two tranches will be due in 2016 (USD 36 million) and in 2019 (USD 24 million). Kesko has hedged the loan with currency and interest rate swaps, as a result of which the total loan capital is €50.2 million and the fixed capital-weighted average interest rate is 5.3%.

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 20. Current liabilities

€ million	2015	2014
Liabilities to subsidiaries		
Trade payables	0.2	0.1
Other payables	507.3	358.6
Accruals and deferred income	2.6	2.8
Total	510.1	361.6
Liabilities to associates		
Accrued expenses	0.1	0.0
Other payables	19.0	17.5
Total	19.1	17.5
Accruals and deferred income		
Staff costs	3.8	4.1
Others	41.7	14.3
Total	**45.5**	**18.4**

Note 21. Interest-free liabilities

€ million	2015	2014
Current liabilities	57.1	27.1
Non-current liabilities	7.3	5.3
Total	**64.4**	**32.4**

Note 22. Guarantees, liability engagements and other liabilities

€ million	2015	2014
Real estate mortgages		
For subsidiaries	4	4
Pledged shares	28	37
Guarantees		
For subsidiaries	81	87
For associates	-	65
Other liabilities and liability engagements		
For own debt	4	10
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	40	47
Falling due later	156	198

€ million	2015	Fair value	2014	Fair value
Liabilities arising from derivative instruments				
Values of underlying instruments as at 31 December				
Interest rate derivatives				
Interest rate swaps	100	-0.0	100	-0.5
Foreign currency derivatives				
Forward and future contracts	252	5.1	333	15.8
Outside the Group	225	5.8	310	17.8
Inside the Group	26	-0.6	23	-2.0
Option agreements				
Bought, inside the Group	0	-0.0	2	-0.0
Written, outside the Group				
Written, inside the Group	1	-0.0	2	-0.0
Currency swaps	50	4.9	50	-0.8
Commodity derivatives				
Electricity derivatives	19	-0.0	43	0.0
Outside the Group	9	-7.2	21	-4.4
Inside the Group	9	7.2	21	4.4

Note 23. Cash and cash equivalents within the statement of cash flows

€ million	2015	2014
Available-for-sale financial assets	188.9	198.6
Cash and cash equivalents	45.4	33.6
Total	**234.3**	**232.2**

In the statement of cash flows, cash and cash equivalents includes those recognised in the balance sheet and portions of available-for-sale financial assets with maturities of less than three months from acquisition.

SIGNATURES

SIGNATURES

Helsinki, 2 February 2016

Esa Kiiskinen	Mikael Aro	
Matti Kyytsönen	Anu Nissinen	
Toni Pokela	Kaarina Ståhlberg	Mikko Helander President and CEO

THE AUDITOR'S NOTE

Our auditor's report has been issued today.

Helsinki, 2 February 2016

PricewaterhouseCoopers Oy
Authorised Public Accountants

Mikko Nieminen
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, 2015. 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, 2 February 2016

PricewaterhouseCoopers Oy

Authorised Public Accountants

Mikko Nieminen

Authorised Public Accountant

INFORMATION FOR SHAREHOLDERS

GENERAL MEETING

Notice is given to the shareholders of Kesko Corporation that the Annual General Meeting will be held at Messukeskus Helsinki's Conference Centre, Messuaukio 1 (Conference Centre entrance), Helsinki, on Monday 4 April 2016 at 13.00 EET. The reception desks for those registered for the meeting will open and voting tickets will be provided starting from 12.00 EET.

Shareholders have the right to participate in the General Meeting if they are registered in the Company's register of shareholders kept by Euroclear Finland Ltd on 21 March 2016. Shareholders whose shares are registered on their personal Finnish book-entry accounts are registered in the Company's register of shareholders.

A shareholder wishing to participate in the General Meeting should register for it no later than 30 March 2016 at 16.00 EET, by which time the registration will have to be received at the Company. The registration can be made either

a) through the website at http://www.kesko.fi/en/investor/General-Meeting/general-meeting-2016/ following the instructions provided there
b) by e-mail to keskoyhtiokokous@kesko.fi
c) by telephone +358 105 323 211 (from Monday to Friday between 9 and 16)
d) by fax +358 105 323 421, or
e) by letter to Kesko Corporation/Group Legal Affairs, Satamakatu 3, FI-00016 Kesko.

The registration will have to be received at the company before the expiry of the registration period. A shareholder may participate in the General Meeting and exercise his/her rights at the meeting by way of proxy representation. The proxy representative of a shareholder will have to produce a dated proxy document, or otherwise in a reliable manner demonstrate his/her right to represent the shareholder. If a shareholder participates in the General Meeting by means of several proxy representatives who represent the shareholder with shares on different securities accounts, the shares with which each proxy representative represents the shareholder are to be identified in connection with the registration. Possible proxy documents are to be delivered in originals to the above address before the end of the registration period.

Holders of nominee registered shares have the right to participate in the General Meeting by virtue of the shares which would entitle them to be registered in the shareholder register kept by Euroclear Finland Ltd on 21 March 2016. In addition, the participation requires that the shareholders are temporarily registered in the Company's shareholder register by virtue of these shares no later than 30 March 2016 at 10.00 EET. With respect to nominee registered shares, this constitutes the registration for the General Meeting.

Holders of nominee registered shares are advised to request instructions for registering in the shareholder register, submitting their proxy documents and participating in the General Meeting from their custodian banks well in advance. The account management organisation of the custodian bank shall request a holder of a nominee registered share wishing to participate in the Annual General Meeting to be registered in the Company's temporary shareholder register no later than the above deadline.

More detailed information on the General Meeting and participation and decision making in it is available on Kesko's General Meeting website.

The resolutions passed at the General Meeting will be published without delay after the General Meeting as a stock exchange release.

PROPOSAL FOR DIVIDEND

The Board of Directors has decided to propose to the General Meeting that a dividend of €2.50 per share be paid for the year 2015 on the basis of the adopted balance sheet. The proposed dividend is 243.8% of the earnings per share and 146.7% of the earnings per share excluding non-recurring items. In the past five years, the dividend distributed has been an average of 93.6% of the earnings per share excluding non-recurring items. The dividend is paid to shareholders registered in the Company's register of shareholders kept by Euroclear Finland Ltd on the record date for the payment of dividend, 6 April 2016. The registration takes two banking days, which means that the dividends will be paid to those who hold the shares at the close of the date of the General Meeting, 4 April 2016. Consequently, the dividends on shares traded on the date of the General Meeting are paid to the buyer of the shares. According to the Board's proposal, the payment of dividends would begin on 13 April 2016.

DIVIDEND POLICY

According to Kesko Corporation's dividend policy, Kesko Corporation distributes at least 50% of its earnings per share excluding non-recurring items as dividends, taking into account, however, the company's financial position and operating strategy.

BASIC SHARE INFORMATION AS AT 31 DECEMBER 2015

A share

- symbol: KESAV (OMX)
- ISIN code: FI0009007900
- voting rights per share: 10 votes
- number of shares: 31,737,007 pcs
- market capitalisation: €988 million

B share

- symbol: KESBV (OMX)
- ISIN code: FI0009000202
- voting rights per share: 1 vote
- number of shares: 68,282,745 pcs
- market capitalisation: €2,182 million

Trading unit of both share series: 1 share
Total share capital: €197,282,584
Total number of shares: 100,019,752 pcs
Total number of votes attached to all shares: 385,652,815
Total market capitalisation: €3,170 million

SHAREHOLDERS

According to the register of Kesko Corporation's shareholders held by Euroclear Finland Ltd, there were 39,529 shareholders at the end of 2015 (39,869 at the end of 2014). The total number of shares registered in a nominee name was 26,926,202, accounting for 26.92% of all shares (27,043,245 and 27.04% respectively at the end of 2014). The number of votes attached to these shares was 32,068,964, or 8.32% of the total number of votes (32,512,014 or 8.43% respectively at the end of 2014)

Read more about largest shareholders.

SHAREHOLDERS' CHANGES OF ADDRESS

Shareholders are kindly asked to notify changes of address to the bank, brokerage firm or other account operator with which they have a book-entry securities account.

FINANCIAL PUBLICATIONS

Kesko's Annual Report for 2015 has been published in electronic format in Finnish and English at http://annualreport2015.kesko.fi. The report contains the strategy report, the Report by Kesko's Board of Directors and the financial statements for 2015, the GRI report, Kesko's Corporate Governance Statement and Remuneration Statement.

Printouts of the financial statements will be available at the General Meeting and copies can be ordered at IR (at) kesko.fi.

The financial statements release and the three interim reports can be read on Kesko's website. Kesko's stock exchange releases and press releases, sent by e-mail, can be ordered at http://www.kesko.fi/en/media/orders/.

Read more about Kesko's annual reports

Read more about Kesko's communications policy

Read more about Kesko's IR policy

Analysts' contact details