# Q4/2017

## Kesko Corporation
## Financial statements release

January-December 2017

KESKO CORPORATION FINANCIAL STATEMENTS RELEASE 1.2.2018 AT 9.00

# Kesko's financial statements release for the period 1 Jan. 2017 to 31 Dec. 2017: Kesko's net sales grew and profitability improved

## FINANCIAL PERFORMANCE IN BRIEF:

- The Group's net sales in January-December totalled €10,676 million (€10,180 million), an increase of 4.9%, or 1.8% in comparable terms
- Comparable operating profit was €296.7 million (€272.9 million)
- Operating profit was €324.6 million (€146.8 million)
- Comparable return on capital employed was 12.2% (11.9%)
- Comparable profit before tax was €300.1 million (€271.4 million)
- Comparable earnings per share were €2.28 (€2.01)
- The Board's proposal for dividend is €2.20 per share
- In comparable terms, the net sales for the next 12 months are expected to exceed the level of the previous 12 months. Due to divestments and restructuring, Kesko Group's net sales for the next 12 months are expected to fall below the level of the previous 12 months. The comparable operating profit for the next 12-month period is expected to exceed the level of the preceding 12 months. However, investments in store openings and redesigns, in the expansion of logistics operations, and in digital services will burden profitability during the period.

## KEY PERFORMANCE INDICATORS

| | 1-12/2017 | 1-12/2016 | 10-12/2017 | 10-12/2016 |
|---|---|---|---|---|
| Net sales, € million | 10,676 | 10,180 | 2,618 | 2,765 |
| Operating profit, comparable, € million | 296.7 | 272.9 | 81.0 | 63.3 |
| Operating profit, € million | 324.6 | 146.8 | 56.9 | -40.3 |
| Profit before tax, comparable, € million | 300.1 | 271.4 | 82.0 | 60.2 |
| Profit before tax, € million | 327.6 | 145.2 | 57.6 | -43.5 |
| Earnings per share, €, diluted | 2.59 | 0.99 | 0.43 | -0.40 |
| Earnings per share, comparable, €, basic | 2.28 | 2.01 | 0.65 | 0.42 |
| Cash flow from operating activities per share, € | 3.03 | 1.71 | 1.16 | 1.09 |
| Capital expenditure, € million | 349.8 | 743.1 | 117.1 | 105.4 |
| Return on capital employed, comparable, %, rolling 12 months | 12.2 | 11.9 | 12.2 | 11.9 |
| Return on equity, comparable, %, rolling 12 months | 10.9 | 9.8 | 10.9 | 9.8 |
| | 31.12.2017 | 31.12.2016 | | |
| Equity ratio, % | 50.4 | 48.6 | | |
| Equity per share, € | 21.45 | 20.44 | | |

## PRESIDENT AND CEO MIKKO HELANDER:

In 2017, we continued on the path of profitable growth by focusing on our three core businesses: the grocery trade, the building and technical trade and the car trade. The integration of our 2016 acquisitions – Suomen Lähikauppa, Onninen and AutoCarrera – has proceeded well, while at the same time, we have divested several businesses in the speciality goods trade, in accordance with our strategy. Our net sales grew in all divisions and profitability improved compared to the year before.

In the grocery trade, 2017 was a year of strong and successful transformation, resulting in increased market share, sales and profitability. We implemented our strategy by redesigning all of our chains, with the objective of offering the most customer-oriented and inspiring food stores in Finland. The expansion of our store network and store redesigns proceeded according to plans. Customer satisfaction and customer flows are growing in all K-food store chains. The successful integration of Suomen Lähikauppa has meant that synergy benefits have materialised sooner than anticipated. We are also particularly happy with the good performance of K-Citymarket and Kespro, and the strong openings of new stores.

In the building and technical trade, we have managed to improve profitability significantly in recent years. The positive trend continued also in 2017, and our comparable net sales and profit improved compared to the year before. Growth was particularly strong in the B2B trade, boosted by the good performance of Onninen and K-Rauta in Finland. Improving our profitability further and raising it to the level of the best European operators is one of our main goals for upcoming years, which is why we are changing our ways of operating at country level in an effort to be even more customer-oriented. At the same time, we are increasingly focusing on ensuring that we obtain synergy benefits.

In the car trade, our market share was strong and both sales and profit grew. The acquired Porsche business has been performing very well as part of Kesko. During the year, we focused heavily on the development of new services, such as the Caara business. Order books strengthened in the final quarter and rose 20% above the level of the previous year.

Towards the end of the year, we made some notable changes to the company’s senior management. Jorma Rauhala, who had successfully been heading the grocery trade division, was appointed President of the building and technical trade division and deputy to the President and CEO. Ari Akseli, who was previously in charge of commerce in the grocery trade division, was appointed as President of the division. I am convinced that under their leadership we can further strengthen our profitable sales growth.

As a sign of our long-term commitment to corporate responsibility, in September 2017, Kesko was included in the Dow Jones Sustainability Indices, the DJSI World and the DJSI Europe. Furthermore, in January 2018, Kesko was ranked as the most sustainable trading sector company in the world on the Global 100 list.

Kesko’s financial position is strong and it enables good dividend capacity and active business transformation. Increasing our sales by focusing on customer satisfaction and quality will continue to be at the core of our strategy also going forward. We will continue the customer-oriented transformation of K Group: the results for 2017 show that we are on the right path.

## FINANCIAL PERFORMANCE

### Net sales and profit for January-December 2017

The Group's net sales for January-December 2017 were €10,676 million, which is an increase of 4.9% on the corresponding period of the previous year (€10,180 million). Net sales development was affected by both the acquisitions made in 2016 as well as the divestments made in the first half of 2017. In comparable terms, net sales grew by 1.8% in local currencies, excluding the impact of acquisitions and divestments. The Group's net sales increased by 3.2% in Finland and by 1.9% in comparable terms. In other countries, net sales grew by 11.3%, or 1.2% in comparable terms. International operations accounted for 21.5% (20.3%) of the Group's net sales.

The 0.9% growth in the net sales for the grocery trade was affected by the acquisition of Suomen Lähikauppa on 12 April 2016 and the changes to Suomen Lähikauppa’s store site network, as well as by the divestment of Russian business operations on 30 November 2016. In comparable terms, net sales increased by 2.4%. The comparable change has been calculated by including in the net sales those stores acquired from Suomen Lähikauppa which have been in the store network during both this reporting period as well as the comparison period.

In the building and technical trade, net sales grew by 9.4%. In comparable terms, net sales increased by 1.1% in local currencies. In the calculation of the comparable change, Onninen’s net sales have been included for the period between 1 June and 31 December for both the reporting period and the comparison period, while the net sales for the K-maatalous agricultural business, divested on 1 June 2017, and the Asko and Sotka furniture trade, divested on 30 June 2017, have been excluded from both the reporting period and the comparison period. Net sales for the building and technical trade excluding the speciality goods trade increased by 23.4%, or 3.1% in comparable terms. Net sales for the speciality goods trade decreased by 33.8% due to divestments.

In the car trade, net sales grew by 7.1%, or 1.0% in comparable terms. In the calculation of the comparable change, AutoCarrera's net sales for December have been included in the net sales for both the reporting period and the comparison period.

During the financial year 2017, Kesko Group divested the K-maatalous agricultural business on 1 June 2017, and on 30 June 2017, the Asko and Sotka furniture trade, the Yamarin boat business and the Yamaha representation.

| 1-12/2017 | Net sales, € million | Change, % | Change, comparable, % | Operating profit, comparable, € million | Change, € million |
|---|---|---|---|---|---|
| Grocery trade | 5,282 | +0.9 | +2.4 | 203.4 | +27.4 |
| Building and technical trade, excl. speciality goods trade | 3,823 | +23.4 | +3.1 | 79.5 | +7.0 |
| Speciality goods trade | 663 | -33.8 | -11.5 | 16.2 | -9.3 |
| Building and technical trade, total | 4,486 | +9.4 | +1.1 | 95.8 | -2.2 |
| Car trade | 909 | +7.1 | +1.0 | 33.1 | +3.6 |
| Common functions and eliminations | -1 | -68.5 | -3.4 | -35.6 | -5.1 |
| **Total** | **10,676** | **+4.9** | **+1.8** | **296.7** | **+23.8** |

The Group's comparable operating profit for January-December was €296.7 million (€272.9 million). Profitability improved significantly in the grocery trade due to increased sales, successful chain redesigns, realised synergy benefits, and the divestment of the loss-making Russian business operations in 2016. In the building and technical trade excluding the speciality goods trade, operating profit increased in the building and home improvement trade in Finland and Norway and Onninen, while the operating result for Sweden and for Kesko Senukai decreased compared to the previous year. Operating profit for the speciality goods trade decreased due to divestments and the decrease in the operating profits of the leisure trade and the machinery trade. Profitability in the car trade improved thanks to growth in sales and the acquisition of AutoCarrera's Porsche business.

Operating profit totalled €324.6 million (€146.8 million). Items affecting comparability totalled €27.9 million (€-126.2 million). The most significant items affecting comparability were the €49.7 million gain on the divestment of properties in the Baltics, the €21.4 million expenses related to the conversion of the Suomen Lähikauppa chains and the transfer of the stores to retailers, the gain on the divestment of the K-maatalous agricultural business of €12.3 million, the gain on the divestment of the Asko and Sotka furniture trade amounting to €19.0 million, and the €14.5 million impairment of goodwill in the Russian building and home improvement business.

| Items affecting comparability, € million | 1-12/2017 | 1-12/2016 |
|---|---|---|
| **Operating profit, comparable** | **296.7** | **272.9** |
| Items affecting comparability | | |
| +gains on disposal | +83.4 | +4.2 |
| -losses on disposal | -1.8 | -71.0 |
| -impairment charges | -15.0 | -30.0 |
| +/-structural arrangements | -38.7 | -29.4 |
| Items affecting comparability, total | +27.9 | -126.2 |
| **Operating profit** | **324.6** | **146.8** |

The Group's comparable profit before tax for January-December was €300.1 million (€271.4 million). The Group's profit before tax for January-December was €327.6 million (€145.2 million). The Group's earnings per share were €2.59 (€0.99). The comparable earnings per share were €2.28 (€2.01). The Group's equity per share was €21.45 (€20.44).

K Group's (Kesko and K-chain stores) retail and B2B sales (VAT 0%) for January-December amounted to €12,754 million, representing a growth of 1.5% compared to the previous year (pro forma). The K-Plussa customer loyalty programme added 73,146 new households between January and December 2017. At the end of December, there were 2.3 million K-Plussa households and 3.6 million K-Plussa cardholders.

**Net sales and profit for October-December 2017**

The Group's net sales for October-December 2017 were €2,618 million, which is 5.3% less than in the corresponding period of the previous year (€2,765 million). The decrease was related to the divestments made during the previous year and during the second quarter of 2017. In comparable terms, excluding acquisitions and divestments in local currencies, net sales growth totalled 2.6%. In Finland, the Group's net sales decreased by 5.9%, but grew by 2.3% in comparable terms. In other countries, net sales decreased by 3.0%, but grew by 3.7% in comparable terms. International operations accounted for 20.9% (20.4%) of the Group's net sales.

In the grocery trade, net sales decreased by 1.6%, affected by the transfer of Suomen Lähikauppa stores to retailers and store closures, as well as by the divestment of the Russian business operations on 30 November 2016. In comparable terms, net sales for the grocery trade grew by 4.5%. The comparable change has been calculated by including in the net sales those stores acquired from Suomen Lähikauppa which have been in the store network during both this reporting period as well as the comparison period.

In the building and technical trade, net sales decreased by 10.8%. In comparable terms, net sales increased by 2.2% in local currencies. The comparable change has been calculated excluding the impact of the K-maatalous agricultural business sold on 1 June 2017 and that of the Asko and Sotka furniture trade, sold on 30 June 2017. Net sales for the building and technical trade excluding the speciality goods trade increased by 2.5%, or 3.8% in comparable terms. Net sales for the speciality goods trade decreased by 64.2% due to divestments.

In the car trade, net sales decreased by 1.4%, or 5.3% in comparable terms. In the calculation of the comparable change, AutoCarrera's net sales for December have been included in the net sales for both the reporting period and the comparison period.

| 10-12/2017 | Net sales, € million | Change, % | Change, comparable, % | Operating profit, comparable, € million | Change, € million |
|---|---|---|---|---|---|
| Grocery trade | 1,399 | -1.6 | +4.5 | 67.0 | +15.1 |
| Building and technical trade, excl. speciality goods trade | 921 | +2.5 | +3.8 | 14.3 | +1.8 |
| Speciality goods trade | 80 | -64.2 | -13.3 | 0.3 | -1.7 |
| Building and technical trade, total | 1,000 | -10.8 | +2.2 | 14.6 | +0.1 |
| Car trade | 218 | -1.4 | -5.3 | 6.7 | -0.8 |
| Common functions and eliminations | 1 | -13.0 | -65.2 | -7.4 | +3.2 |
| **Total** | **2,618** | **-5.3** | **+2.6** | **81.0** | **+17.6** |

The Group's comparable operating profit for October-December was €81.0 million (€63.3 million). Profitability in the grocery trade improved significantly due to sales growth and realised synergy benefits. The divestment of the loss-making Russian business operations in 2016 also had a positive impact on the profit development. In the building and technical trade excluding speciality goods trade, operating profit increased in the building and home improvement trade in Finland and Onninen, while the operating result for Sweden and for Kesko Senukai weakened compared to the previous year. In the speciality goods trade, operating profit decreased on account of divestments. In the car trade, profitability was at a good level.

Operating profit totalled €56.9 million (€-40.3 million). Items affecting comparability totalled €-24.0 million (€-103.6 million). The most significant items affecting comparability were the goodwill impairment of €14.5 million in the Russian building and home improvement business and structural arrangements of €10.1 million.

| Items affecting comparability, € million | 10-12/2017 | 10-12/2016 |
|---|---|---|
| **Operating profit, comparable** | **81.0** | **63.3** |
| Items affecting comparability | | |
| +gains on disposal | +0.6 | -0.8 |
| -losses on disposal | -0.1 | -70.6 |
| -impairment charges | -14.5 | -18.9 |
| +/-structural arrangements | -10.1 | -13.3 |
| Items affecting comparability, total | -24.0 | -103.6 |
| **Operating profit** | **56.9** | **-40.3** |

The Group’s comparable profit before tax was €82.0 million (€60.2 million). The Group's profit before tax for October-December was €57.6 million (€-43.5 million). The Group’s earnings per share were €0.43 (€-0.40). The comparable earnings per share were €0.65 (€0.42).

K Group's (Kesko and K-chain stores) retail and B2B sales (VAT 0%) for October-December were €3,223 million, which is a growth of 1.4% compared to the previous year (pro forma).

### Finance

Cash flow from operating activities for January-December was €301.7 million (€170.2 million). Cash flow was strengthened by improved profitability. Cash flow from investing activities amounted to €-88.3 million (€-501.1 million), which includes divestments of €199.6 million.

At the end of the period, liquid assets totalled €398 million (€391 million). Interest-bearing liabilities were €534 million (€515 million) and interest-bearing net debt was €136 million (€123 million) at the end of December. The equity ratio was 50.4% (48.6%) at the end of the period.

The Group's comparable net finance income for January-December was €1.8 million (net finance costs €1.0 million). The Group's net finance income for January-December was €1.5 million (net finance costs €1.0 million). The financial items include dividend income and interest income on cooperative capital of €4.5 million, of which €2.3 million is interest income on cooperative capital from Suomen Luotto-osuuskunta. Items affecting comparability totalled €-0.4 million.

The cash flow from operating activities for October-December was €115.8 million (€107.8 million). The cash flow from investing activities was €-99.2 million (€75.5 million).

The Group’s comparable net finance costs for October-December were €0.5 million. The Group's net finance costs for October-December were €0.9 million (€4.3 million).

### Taxes

The Group's taxes for January-December were €58.8 million (€31.4 million). The effective tax rate was 17.9% (21.6%). The Group's effective tax rate was lowered by tax-exempt gains on the sale of properties and subsidiaries. The Group’s taxes for October-December totalled €12.9 million. Taxes for the comparison year were €6.4 million positive due to tax deductible losses on disposal. The effective tax rate was 22.4% (14.7%). The tax rate rose due to non-tax deductible costs affecting comparability.

## Capital expenditure

In January-December, the Group's capital expenditure totalled €349.8 million (€743.1 million), or 3.3% (7.3%) of net sales. Capital expenditure in store sites was €255.7 million (€216.7 million), in IT €32.9 million (€29.3 million) and other capital expenditure was €61.2 million (€35.5 million). The comparison period includes acquisitions amounting to €461.6 million.

The Group's capital expenditure in October-December totalled €117.1 million (€105.4 million), or 4.5% (3.8%) of net sales. Capital expenditure in store sites was €86.2 million (€58.1 million), in IT €11.3 million (€9.5 million) and other capital expenditure was €19.6 million (€7.3 million). Capital expenditure includes real estate purchases of €46.5 million from Kesko Pension Fund, related to the decision made by the Pension Fund in December to return surplus assets to its shareholders. The surplus amount to be paid to Kesko Group companies is estimated at €58 million, and the Pension Fund is estimated to pay the return in March 2018 after having received approval from the Finnish Financial Supervisory Authority. Capital expenditure for the comparison period includes acquisitions amounting to €30.6 million.

## Personnel

In January-December, the average number of personnel in Kesko Group was 22,077 (22,475) converted into full-time employees.

At the end of December 2017, the number of personnel was 24,983 (27,657), of whom 12,327 (14,845) worked in Finland and 12,656 (12,812) outside Finland.

# SEGMENTS

## Seasonal nature of operations

The Group's operating activities are affected by seasonal fluctuations. The net sales and the 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. In terms of the level of operating profit, the second and third quarter are the strongest, whereas the impact of the first quarter on the full year profit is the smallest. The acquisitions of Suomen Lähikauppa and Onninen have increased the seasonal fluctuations between quarters. The operating profit levels of Onninen and Suomen Lähikauppa are lowest in the first quarter.

## Grocery trade

| | 1-12/2017 | 1-12/2016 | 10-12/2017 | 10-12/2016 |
|---|---|---|---|---|
| Net sales, € million | 5,282 | 5,236 | 1,399 | 1,422 |
| Operating profit, comparable, € million | 203.4 | 175.9 | 67.0 | 51.9 |
| Operating margin, comparable, % | 3.9 | 3.4 | 4.8 | 3.7 |
| Capital expenditure, € million | 224.4 | 238.1 | 81.5 | 49.7 |

| Net sales, € million | 1-12/2017 | Change, % | 10-12/2017 | Change, % |
|---|---|---|---|---|
| Sales to K-food stores | 3,331 | +5.4 | 911 | +10.4 |
| K-Citymarket, non-food | 585 | +2.1 | 188 | +4.4 |
| K-Market, own retail trade | 479 | -16.7 | 71 | -62.3 |
| Kespro | 815 | +4.1 | 212 | +7.6 |
| Others | 72 | -49.5 | 18 | -43.2 |
| **Total** | **5,282** | **+0.9** | **1,399** | **-1.6** |

<u>January-December 2017</u>

Net sales for the grocery trade in January-December amounted to €5,282 million (€5,236 million), an increase of 0.9%. Net sales development was affected by the acquisition of Suomen Lähikauppa on 12 April 2016 and changes in its store site network, as well as the divestment of the Russian business operations on 30 November

2016. In comparable terms, net sales for the grocery trade grew by 2.4%. The comparable change has been calculated by including in the net sales those stores acquired from Suomen Lähikauppa which have been in the store network during both this reporting period as well as the comparison period, and by deducting the net sales of the divested business in Russia.

K Group's grocery sales grew by 2.4% (incl. VAT) if the impact of the acquisition of Suomen Lähikauppa is excluded. K Group's grocery trade sales pro forma growth was 0.5% (incl. VAT), which was affected by the Suomen Lähikauppa store site network being smaller than the previous year. In the Finnish grocery market, retail prices are estimated to have remained at the level of the previous year (incl. VAT, Kesko's own estimate based on the Consumer Price Index of Statistics Finland) and the total market (incl. VAT) is estimated to have increased by approximately 1.7% in January-December (Kesko's own estimate).

The acquisition of Suomen Lähikauppa was completed in April 2016 and the conversion of Siwa and Valintatalo stores into K-Markets began in May of that year. By the end of May 2017, all Siwa and Valintatalo stores that continued operating (at 409 store locations) had been converted into K-stores (408 K-Markets and 1 K-Supermarket). Of these, 243 stores had been transferred to retailers by the end of December. The transfer of the stores to retailers will be completed by the end of the first half of 2018.

The comparable operating profit for the grocery trade in January-December amounted to €203.4 million (€175.9 million), an increase of €27.4 million. Profitability improved significantly in the grocery trade due to sales growth, successful chain redesigns, realised synergy benefits, and the divestment of the loss-making Russian business operations in 2016. Kespro’s sales grew and profitability improved. The effect of Suomen Lähikauppa on the comparable operating profit for January-December was €+4.0 million (€-3.2 million in April-December 2016). The loss of the Russian business operations divested in November 2016 was €17.1 million in the comparison period.

The grocery trade's operating profit was €181.3 million (€93.0 million). Items affecting comparability amounted to €-22.1 million (€-82.9 million), and they were mainly related to the restructuring of Suomen Lähikauppa, €-21.4 million. The most significant items affecting comparability in the comparison period were the €69.2 million loss on the disposal of the Russian grocery trade, and the €11.4 million costs related to the restructuring of Suomen Lähikauppa.

Capital expenditure for the grocery trade in January-December was €224.4 million (€238.1 million), of which €213.1 million (€159.6 million) was in store sites. The comparison period includes acquisitions amounting to €54.3 million.

**October-December 2017**

Net sales for the grocery trade in October-December amounted to €1,399 million (€1,422 million), a decrease of 1.6%. The development was affected by the transfer of the acquired Suomen Lähikauppa stores to retailers and store closures, as well as the divestment of the Russian business operations on 30 November 2016. In comparable terms, net sales for the grocery trade grew by 4.5%.

K Group's grocery trade sales grew by 3.1% (incl. VAT) if the acquisition of Suomen Lähikauppa is excluded. K Group's grocery trade sales pro forma growth was 1.1% (incl. VAT), impacted by the reductions in Suomen Lähikauppa’s store site network compared to the year before. In the Finnish grocery market, retail prices are estimated to have changed by approximately +0.5% compared to the previous year. The total market (incl. VAT) is estimated to have grown by approximately 2.0% in October-December (Kesko's own estimate).

The comparable operating profit for the grocery trade in October-December amounted to €67.0 million (€51.9 million), an increase of €15.1 million. Profitability improved significantly due to sales growth, successful chain redesigns and realised synergy benefits. K-Citymarket in particular showed strong sales development with improved profitability. The divestment of the loss-making Russian business operations in 2016 also had a positive impact on the profit development. Kespro’s sales grew and profitability improved. The effect of Suomen Lähikauppa on the comparable operating profit for October-December was €3.7 million (€-4.1 million), while the Russian business operations divested in November 2016 recorded a loss of €3.8 million in the comparison period.

Operating profit for the grocery trade totalled €65.4 million (€-26.1 million). Items affecting comparability totalled €-1.7 million (€-78.0 million). The most significant items affecting comparability in the comparison period were the €69.2 million loss on the disposal of the Russian grocery trade and the €6.1 million in costs related to the restructuring of Suomen Lähikauppa.

Capital expenditure for the grocery trade in October-December was €81.5 million (€49.7 million), of which €79.7 million (€44.0 million) was in store sites.

In October-December, the Easton K-Citymarket and shopping centre were opened in Helsinki. Seven K-Supermarkets and four new K-Markets were also opened. Redesigns and extensions were made in a total of 39 stores.

The most significant store sites under construction are K-Supermarkets in Tampere, Turku, three locations in Helsinki (Kalasatama, Laajasalo and Pasila), Lapua, Kerava and Kauniainen. In Oulu, one K-Market will be expanded and turned into a K-Supermarket.

In addition, an expansion to the grocery trade's central warehouse in Hakkila, Vantaa is under construction.

| Store numbers at 31.12. | 2017 | 2016 |
|---|---|---|
| K-Citymarket | 81 | 80 |
| K-Supermarket | 235 | 228 |
| K-Market** | 813 | 978 |
| Neste K | 71 | 70 |
| Others* | 85 | 95 |

* Incl. online stores
** The total number of Suomen Lähikauppa's stores was 400 (563)
In addition, several K-food stores offer e-commerce services to their customers.

**Building and technical trade**

| | 1-12/2017 | 1-12/2016 | 10-12/2017 | 10-12/2016 |
|---|---|---|---|---|
| **Net sales, € million** | **4,486** | **4,100** | **1,000** | **1,121** |
| Building and technical trade excl. speciality goods trade | 3,823 | 3,099 | 921 | 899 |
| Speciality goods trade | 663 | 1,002 | 80 | 222 |
| **Operating profit, comparable, € million** | **95.8** | **97.9** | **14.6** | **14.4** |
| Building and technical trade excl. speciality goods trade | 79.5 | 72.5 | 14.3 | 12.4 |
| Speciality goods trade | 16.2 | 25.5 | 0.3 | 2.0 |
| **Operating margin, comparable, %** | **2.1** | **2.4** | **1.5** | **1.3** |
| Building and technical trade excl. speciality goods trade | 2.1 | 2.3 | 1.5 | 1.4 |
| Speciality goods trade | 2.4 | 2.5 | 0.4 | 0.9 |
| **Capital expenditure, € million** | **80.0** | **451.7** | **22.3** | **23.7** |

| Net sales, € million | 1-12/2017 | Change, % | 10-12/2017 | Change, % |
|---|---|---|---|---|
| Building and home improvement trade, Finland | 870 | +5.4 | 188 | +6.8 |
| K-Rauta, Sweden | 200 | -7.7 | 41 | -7.2 |
| Byggmakker, Norway | 397 | -1.2 | 84 | -5.8 |
| K-Rauta, Russia | 184 | +6.0 | 44 | -3.7 |
| Kesko Senukai, the Baltics | 510 | +5.0 | 137 | +7.6 |
| OMA, Belarus | 120 | +18.4 | 29 | +9.2 |
| Onninen | 1,571 | +73.0 | 407 | +2.8 |
| **Building and technical trade excl. speciality goods trade, total** | **3,823** | **+23.4** | **921** | **+2.5** |
| Machinery trade | 229 | -16.3 | 25 | -39.8 |
| Leisure trade, Finland | 196 | -0.2 | 55 | +8.1 |
| Others | 238 | -55.2 | 0 | -100.0 |
| **Speciality goods trade, total** | **663** | **-33.8** | **80** | **-64.2** |
| **Total** | **4,486** | **+9.4** | **1,000** | **-10.8** |

## January-December 2017

Net sales for the building and technical trade in January-December were €4,486 million (€4,100 million), up by 9.4%. In comparable terms, net sales increased by 1.1% in local currencies. In the calculation of the comparable change, Onninen's net sales have been included for the period between 1 June and 31 December for both the reporting period and the comparison period, while the net sales for the K-maatalous agricultural business, divested on 1 June 2017, and the Asko and Sotka furniture trade, divested on 30 June 2017, have been excluded from both the reporting period and the comparison period.

In Finland, net sales for the building and technical trade in January-December were €2,190 million (€2,142 million), up by 2.3%. In comparable terms, net sales in Finland increased by 1.0%. Net sales from foreign operations amounted to €2,296 million (€1,959 million) in January-December, an increase of 17.2%. Net sales from foreign operations were up by 1.2% in comparable terms. Foreign operations accounted for 51.2% (47.8%) of the net sales for the building and technical trade. Net sales for the building and technical trade excluding the speciality goods trade were €3,823 million (€3,099 million) in January-December, an increase of 23.4%. In comparable terms, net sales grew by 3.1%.

Net sales for the building and home improvement trade were €2,276 million (€2,196 million) in January-December, an increase of 3.7%. In local currencies, net sales grew by 2.9%. Net sales in local currency decreased in Norway by 0.8%, in Sweden by 6.1% and in Russia by 5.8%. In Sweden, the decrease in net sales was impacted by closures of K-Rauta stores due to the termination of lease agreements. In Belarus, net sales grew in local currency by 17.4%. Net sales for the building and home improvement trade grew in the B2B segment. Onninen's net sales for January-December amounted to €1,571 million (€908 million in June-December 2016). In comparable terms, Onninen's net sales grew by 4.5%.

The market share of K Group's building and technical trade is estimated to have strengthened in Finland. K Group's sales of building and home improvement products in Finland increased by 4.1% and the total market (VAT 0%) is estimated to have grown by about 1.1% (Kesko's own estimate).

Net sales for the speciality goods trade amounted to €663 million (€1,002 million) in January-December, a decrease of 33.8%. The decrease was affected by the divestments carried out. Net sales for the machinery trade in January-December amounted to €229 million (€274 million), a decrease of 16.3% from the previous year. Net sales for the machinery trade in Finland were €96 million, down by 33.5%. Net sales from foreign operations totalled €133 million, up by 3.0%. Net sales for the leisure trade in Finland were €196 million (€197 million), down by 0.2%. Net sales for the Asko and Sotka furniture trade, K-maatalous agricultural business, Yamarin boat business and Yamaha representation, all divested in June, totalled €279 million in the first half of the year (€595 million in January-December 2016).

The comparable operating profit for the building and technical trade in January-December totalled €95.8 million (€97.9 million), down by €2.2 million on the year before. The comparable operating profit for the building and technical trade excluding the speciality goods trade was €79.5 million (€72.5 million), an increase of €7.0 million. Profitability was boosted by Onninen's good profit performance. Onninen's comparable operating profit for January-December was €32.7 million (€18.2 million in June-December 2016). Profitability also improved in the building and home improvement trade in Finland and Norway. Profitability was weakened by losses in the Swedish operations and by Kesko Senukai's lower operating profit compared to the previous year, which was partly due to the renewal and expansion of the store site network in the Baltic countries and Belarus. The comparable operating profit for the speciality goods trade was €16.2 million (€25.5 million), down by €9.3 million. The comparable operating profit for the K-maatalous agricultural business and the Asko and Sotka furniture trade, all divested in June, was €6.8 million for the first half of the year (€15.0 million in January-December 2016).

Operating profit for the building and technical trade was €154.7 million (€60.8 million). Items affecting comparability totalled €58.9 million (€-37.2 million). The most significant items affecting comparability were the €49.7 million gain on the divestment of properties in the Baltics, the gain on the divestment of the K-maatalous agricultural business of €12.3 million, the gain on the divestment of the Asko and Sotka furniture trade amounting to €19.0 million, and the €14.5 million impairment of goodwill in the Russian building and home improvement business. The most significant items affecting comparability in 2016 were the €15.0 million in impairment charges related to the change of the functional currency of the Russian properties and the €5.8 million in asset transfer taxes related to acquisitions.

In January-December, capital expenditure for the building and technical trade totalled €80.0 million (€451.7 million), of which €41.4 million (€55.8 million) was in store sites. The comparison period included €380.1 million in acquisitions.

<u>October-December 2017</u>

Net sales for the building and technical trade in October-December were €1,000 million (€1,121 million), a decrease of 10.8%. In comparable terms, net sales grew by 2.2%. The comparable change has been calculated excluding the impact of the K-maatalous agricultural business sold on 1 June 2017 and that of the Asko and Sotka furniture trade, sold on 30 June 2017.

In Finland, net sales for the building and technical trade in October-December were €453 million (€579 million), a decrease of 21.8%. In comparable terms, net sales increased by 0.4% in Finland. Net sales from foreign operations amounted to €548 million (€542 million) in October-December, an increase of 1.0%. Net sales from foreign operations were up by 3.7% in comparable terms. A total of 54.7% (48.3%) of the net sales for the building and technical trade came from foreign operations.

Net sales for the building and technical trade excluding the speciality goods trade were €921 million (€899 million) in October-December, an increase of 2.5%. In comparable terms, net sales in local currencies, excluding acquisitions and divestments, increased by 3.8%. Net sales for the building and home improvement trade were €520 million (€506 million) in October-December, an increase of 2.9%. In comparable terms, net sales grew by 4.9%. In respective local currencies, net sales decreased in Sweden by 7.3% and in Russia by 2.8% and grew in Norway by 1.2% and in Belarus by 22.2%. In Sweden, the decrease in net sales was impacted by closures of K-Rauta stores due to the termination of lease agreements. Onninen's net sales for October-December were €407 million (€396 million), an increase of 2.8%. In comparable terms, Onninen's net sales grew by 3.3%.

K Group's sales of building and home improvement products in Finland increased by 5.9% and the total market (VAT 0%) is estimated to have grown by approximately 2.7% (Kesko's own estimate).

Net sales for the speciality goods trade amounted to €80 million (€222 million) in October-December, a decrease of 64.2%. The decrease was affected by the divestments carried out. Net sales for the machinery trade in October-December amounted to €25 million (€41 million), a decrease of 39.8% from the previous year. Net sales for the machinery trade in Finland were €7 million (€25 million), down by 72.4%. Net sales for the machinery trade's foreign operations totalled €18 million (€16 million), up by 9.7%. Net sales for the leisure trade in Finland were €55 million (€51 million), an increase of 8.1%. Net sales for the Asko and Sotka furniture trade, K-maatalous agricultural business, Yamarin boat business and Yamaha representation, all divested in June, totalled €143 million in October-December 2016.

The comparable operating profit for the building and technical trade in October-December was €14.6 million (€14.4 million), up by €0.1 million compared to the previous year. The comparable operating profit for the building and technical trade excluding the speciality goods trade was €14.3 million (€12.4 million), an increase of €1.8 million. Profitability improved thanks to the increase in the operating profit for Onninen. Onninen's comparable operating profit for October-December was €10.6 million (€7.2 million). Profitability also improved in the building and home improvement trade in Finland. Profitability was weakened by losses in the Swedish operations and by Kesko Senukai's lower operating profit compared to the previous year, which was partly due to the renewal and expansion of the store site network in the Baltic countries and Belarus. The comparable operating profit for the speciality goods trade was €0.3 million (€2.0 million). The K-maatalous agricultural business and the Asko and Sotka furniture trade, divested in June, accounted for €3.4 million of the comparable operating profit for the comparison period.

Operating profit for the building and technical trade was €-1.7 million (€-11.7 million). Items affecting comparability amounted to €-16.3 million (€-26.1 million), with the most significant item being the goodwill impairment of €14.5 million in the Russian building and home improvement business.

Capital expenditure for the building and technical trade totalled €22.3 million (€23.7 million) in October-December, of which €6.3 million (€13.8 million) was in store sites.

In October-December, one Onninen Express was opened next to a K-Rauta in Loimaa, Finland. In addition, one K-Senukai store was opened in Latvia, one building and home improvement store in Belarus, one Intersport store in Kokkola and one The Athlete's Foot store in Turku.

The most important store sites under construction are a K-Rauta in Lapua, Finland, a K-Rauta and Onninen co-location in Karlstad, Sweden, two K-Senukai stores in Lithuania, and one building and home improvement store in Belarus. Onninen's most significant store sites under construction are five Onninen Express stores in Finland.

| Store numbers at 31.12. | 2017 | 2016 |
|---|---|---|
| **Building and technical trade** | | |
| K-Rauta, Finland* | 136 | 139 |
| K-maatalous | - | 78 |
| K-Rauta, Sweden | 17 | 20 |
| Byggmakker, Norway | 82 | 80 |
| K-Rauta and K-Senukai, Estonia | 8 | 8 |
| K-Senukai, Latvia | 9 | 8 |
| K-Senukai, Lithuania | 22 | 22 |
| K-Rauta, Russia | 14 | 13 |
| OMA, Belarus | 17 | 16 |
| Onninen | 146 | 144 |
| **Speciality goods trade** | | |
| Intersport, Finland** | 56 | 58 |
| Budget Sport** | 11 | 11 |
| The Athlete's Foot** | 7 | 3 |
| Kookenkä** | 37 | 38 |
| Asko and Sotka, Finland and the Baltics** | - | 100 |

* The K-Rauta and Rautia stores were combined to form the K-Rauta chain, launched with a new brand image in Finland in March 2017

** Including online stores
In addition, the building and home improvement stores offer e-commerce services to their customers.
One Onninen store in Finland and Onninen store in Sweden operate in the same store premises with K-Rauta.

### Car trade

| | 1-12/2017 | 1-12/2016 | 10-12/2017 | 10-12/2016 |
|---|---|---|---|---|
| Net sales, € million | 909 | 849 | 218 | 221 |
| Operating profit, comparable, € million | 33.1 | 29.5 | 6.7 | 7.5 |
| Operating margin, comparable, % | 3.6 | 3.5 | 3.1 | 3.4 |
| Capital expenditure, € million | 17.4 | 41.4 | 3.3 | 30.2 |

| Net sales, € million | 1-12/2017 | Change, % | 10-12/2017 | Change, % |
|---|---|---|---|---|
| VV-Auto | 855 | +1.2 | 206 | -4.9 |
| AutoCarrera | 55 | - | 12 | - |
| **Total** | **909** | **+7.1** | **218** | **-1.4** |

<u>**January-December 2017**</u>
Net sales for the car trade in January-December were €909 million (€849 million), an increase of 7.1%. The comparable net sales growth was +1.0%. In the calculation of the comparable change, AutoCarrera's net sales for December have been included in the net sales for both the reporting period and the comparison period. The combined market performance of first time registered passenger cars and vans in January-December was +1.0% (+10.2%). The combined market share for cars and vans imported by the car trade was 18.6% (18.9%) in January-December. Market share for the comparison period included first time registrations of Porsche for the whole of 2016.

In the car trade, profitability continued to improve thanks to good sales performance and the acquisition of AutoCarrera's Porsche business. The comparable operating profit for January-December amounted to €33.1 million (€29.5 million), an increase of €3.6 million. AutoCarrera's comparable operating profit was €3.0 million. Operating profit for the car trade in January-December was €33.1 million (€28.9 million).

Capital expenditure for the car trade in January-December totalled €17.4 million (€41.4 million). The comparison period includes €27.1 million of acquisitions.

<u>**October-December 2017**</u>
Net sales for the car trade in October-December were €218 million (€221 million), a decrease of 1.4%. In comparable terms, net sales declined by 5.3%. In the calculation of the comparable change, AutoCarrera's net sales for December have been included in the net sales for both the reporting period and the comparison period. The combined market share for cars and vans imported by the car trade was 18.5% (20.9%) in October-December. Market share for the comparison period includes first time registrations of Porsche for October-December 2016.

The comparable operating profit for the car trade in October-December amounted to €6.7 million (€7.5 million), a decrease of €0.8 million. AutoCarrera's comparable operating profit was €0.5 million. Operating profit for October-December was €6.7 million (€7.0 million).

Capital expenditure for the car trade in October-December totalled €3.3 million (€30.2 million).

| Store numbers at 31.12. | 2017 | 2016 |
|---|---|---|
| VV-Auto, retail trade | 13 | 10 |
| AutoCarrera | 3 | 3 |

## Acquisitions, divestments and other changes in Group composition in 2017

Kesko has carried out several significant acquisitions and divestments in 2016 and 2017.

| Acquired businesses | Net sales, € million 1-12/2017 | Comparable operating profit, € million 1-12/2017 | Net sales, € million 1-12/2016 | Comparable operating profit, € million 1-12/2016 | Transaction price, € million |
|---|---|---|---|---|---|
| Suomen Lähikauppa, 4/2016 | 644 | 4 | 580 | -3 | 54 |
| Onninen, 6/2016 | 1,571 | 33 | 908 | 18 | 364 |
| AutoCarrera, 12/2016 | 55 | 3 | 4 | 0 | 27 |
| **Total** | **2,270** | **40** | **1,492** | **15** | **445** |

| Divested businesses | Net sales, € million 1-12/2017 | Comparable operating profit, € million 1-12/2017 | Net sales, € million 1-12/2016 | Comparable operating profit, € million 1-12/2016 | Transaction price, € million |
|---|---|---|---|---|---|
| K-ruoka Russia, 11/2016 | - | - | 105 | -17 | 178 |
| K-maatalous, 6/2017 | 149 | 4 | 334 | 5 | 39 |
| Indoor Group, 6/2017 | 89 | 3 | 187 | 10 | 67 |
| Yamaha and Yamarin 6/2017 | 41 | - | 61 | - | - |
| **Total** | **279** | **7** | **687** | **-2** | **284** |

Kesko Corporation sold its K-maatalous agricultural business to Swedish Lantmännen ek för. The debt free price of the sale, structured as a share transaction, was €38.5 million. (Press release 1 June 2017)

Kesko Corporation sold Indoor Group, which is responsible for the Asko and Sotka furniture trade, to a company owned by Sievi Capital Oyj, three franchising entrepreneurs from the Sotka chain and Etera Mutual Pension Insurance Company. The debt free price of the sale, structured as a share transaction, was €67 million. (Press releases on 20 June 2017 and 30 June 2017)

Konekesko Ltd, a Kesko Corporation subsidiary, sold its Yamarin boat business to Inhan Tehtaat Oy Ab, a subsidiary owned by Yamaha Motor Europe N.V. At the same time, the transfer of the representation of Yamaha's recreational machinery in Finland from Konekesko Ltd to Yamaha Motor Europe N.V. was also completed. (Press release 30 June 2017)

In March, Kesko and Oriola announced their intention to establish a new chain of health, beauty and wellbeing stores across Finland. Finland's Competition and Consumer Authority approved the establishment of the joint venture on 26 June 2017 and the establishment of the company was finalised at the end of June. Both parties own 50% of the new company. (Press release 30 June 2017)

Kesko sold seven store sites used by Kesko Senukai in Estonia and Latvia to the property investment company UAB Baltic Retail Properties. At the same time, Kesko acquired a 10% shareholding in the property investment company. (Press release 24 May 2017)

Kesko Food Ltd, K-citymarket Oy and Kespro Ltd, subsidiaries wholly-owned by Kesko Corporation, merged into Kesko Corporation on 28 February 2017.

Kesko Corporation's subsidiary Konekesko Ltd sold 45% of its Baltic subsidiaries' shares to Danish Agro a.m.b.a.'s group company DAVA Agravis Machinery Holding A/S. In the same context, an agreement was made on options to expand DAVA Agravis' ownership to include the whole share capital of the Baltic machinery trade companies and Danish Agro group's ownership to include Konekesko's agricultural machinery business in Finland. (Stock exchange release on 10 February 2017)

## Shares, securities market and Board authorisations

At the end of December 2017, 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 2017, Kesko Corporation held 563,137 own B shares as treasury shares. These treasury shares accounted for 0.82% of the number of B shares, 0.56% of the total number of shares, and 0.15% 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 2017, Kesko Corporation's share capital was €197,282,584.

The price of a Kesko A share quoted on Nasdaq Helsinki was €43.85 at the end of 2016, and €44.10 at the end of December 2017, representing an increase of 0.6%. Correspondingly, the price of a B share was €47.48 at the end of 2016, and €45.25 at the end of December 2017, representing a decrease of 4.7%. Between January and December, the highest A share price was €45.99 and the lowest was €40.11. The highest B share price was €48.59 and the lowest was €41.51. In January-December, the Nasdaq Helsinki All-Share index (OMX Helsinki) was up by 6.4% and the weighted OMX Helsinki Cap index by 7.3%. The Retail Sector Index was down by 7.1%.

At the end of December 2017, the market capitalisation of the A shares was €1,399.6 million, while that of the B shares was €3,064.3 million, excluding the shares held by the parent company as treasury shares. The combined market capitalisation of the A and B shares was €4,463.9 million, a decrease of €134.4 million from the end of 2016.

In January-December 2017, a total of 1.3 million A shares were traded on Nasdaq Helsinki, a decrease of 27.0%. The exchange value of the A shares was €55.1 million. The number of B shares traded was 48.7 million, a decrease of 5.6%. The exchange value of the B shares was €2,168.7 million. Nasdaq Helsinki accounted for some 42% of the trading of Kesko's A and B shares in January-December 2017. Kesko shares were also traded on multilateral trading facilities, the most significant of which was the Cboe CXE (source: Fidessa).

The Board holds a valid authorisation to decide on the transfer of a maximum of 1,000,000 own B shares held by the Company as treasury shares (the 2016 share issue authorisation). On 1 February 2017, the Board decided to grant own B shares held by the Company as treasury shares to persons included in the target group of the 2016 performance period, based on this share issue authorisation and the fulfilment of the performance criteria of the 2016 performance period of Kesko's three-year share-based compensation plan. This transfer of a total of 192,822 own B shares was announced in a stock exchange release on 15 March 2017. 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 could be granted within a period of three years based on the fulfilment of the performance criteria. The Board decided on the performance criteria and the target group separately for each performance period. In January-December, a total of 9,850 shares granted based on the fulfilment of the performance criteria of the share-based compensation plan 2014-2016 were returned to the Company in accordance with the terms and conditions of the share-based compensation plan. The returns during the reporting period were communicated in stock exchange releases on 12 May, 18 September and 28 December 2017. The share-based compensation plan 2014-2016 was announced in a stock exchange release on 4 February 2014.

On 1 February 2017, Kesko Corporation's Board of Directors made a decision to establish a new share-based long-term incentive scheme for Kesko's top management and key persons selected separately. The scheme consists of a performance share plan (PSP) as the main structure, and of a restricted share pool (RSP), which is a complementary share plan for special situations. Besides the PSP, the Board made a decision to establish a share-based bridge plan to cover the transitional phase during which Kesko transfers from a one-year performance period to a longer performance period in its long-term incentive scheme structure. If the performance criteria set for the PSP 2017-2020 plan are achieved in full, the maximum number of series B shares to be paid based on the plan is 340,000 shares. If all the performance criteria set for the Bridge Plan are achieved in full, the maximum number of series B shares to be paid based on the Bridge Plan is 340,000 shares. The total maximum amount of share awards payable under the RSP 2017-2019 is 20,000. The new share-based incentive scheme was announced in a stock exchange release on 2 February 2017.

Kesko's Board of Directors holds a valid authorisation decided by the Annual General Meeting held on 4 April 2016 to transfer of a total maximum of 1,000,000 own B shares held by the Company as treasury shares (the 2016 share issue authorisation). Based on the authorisation, own B shares held by the Company as treasury shares can be issued for subscription by shareholders in a directed issue in proportion to their existing holdings of the Company shares, regardless of whether they own A or B shares. Shares can also be issued in a directed issue, departing from the shareholder's pre-emptive right, for a weighty financial reason of the Company, such as using the shares to develop the Company's capital structure, to finance possible acquisitions, capital expenditure or other arrangements within the scope of the Company's business operations, and to implement the Company's commitment and incentive scheme. Own B shares held by the Company as treasury shares can be transferred either against or without payment. A share issue can only be without payment if the Company, taking into account the best interests of all of its shareholders, has a particularly weighty financial reason for it. The authorisation also includes the Board's authority to make decisions concerning any other matters related to the share issues. The amount possibly paid for the Company's own shares is recorded in the reserve of unrestricted equity. The authorisation is valid until 30 June 2020.

Kesko's Board of Directors also held a valid authorisation decided by the Annual General Meeting of 4 April 2016 to acquire a maximum of 1,000,000 own B shares of the Company (the 2016 authorisation to acquire own shares). B shares are acquired with the Company's distributable unrestricted equity, not in proportion to the shareholdings of shareholders, at the market price quoted in public trading organised by Nasdaq Helsinki Ltd ("the exchange") at the date of acquisition. The shares will be acquired and paid for in accordance with the rules of the exchange. The acquisition of own shares reduces the amount of the Company's distributable unrestricted equity. B shares are acquired for use in the development of the Company's capital structure, to finance possible acquisitions, capital expenditure and/or other arrangements within the scope of the Company's business operations, and to implement the Company's commitment and incentive scheme. The Board makes decisions concerning any other issues related to the acquisition of own B shares. The authorisation was valid until 30 September 2017.

In addition, Kesko's Board of Directors holds a share issue authorisation, decided by the Annual General Meeting of 13 April 2015, to issue a maximum of 20,000,000 new B shares (the 2015 share issue authorisation). 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, departing from the shareholder's pre-emptive right, in a directed issue, if there is a weighty financial reason for the Company, such as using the shares to develop the Company's capital structure and financing possible acquisitions, 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. The authorisation is valid until 30 June 2018.

At the end of December 2017, the number of shareholders was 42,322, which is 2,918 more than at the end of 2016. At the end of December, foreign ownership of all shares was 31.3%. Foreign ownership of B shares at the end of December was 44.7%.

### Flagging notifications

According to a notification received by Kesko Corporation, the combined voting rights in respect of shares in Kesko held by K-Retailers' Association, its Branch Clubs and the Foundation for Vocational Training in the Retail Trade rose to 15% on 3 February 2017 and exceeded 15% on 6 February 2017. (Stock exchange release on 7 February 2017)

### Key events during the reporting period

The court of arbitration dismissed Voimaosakeyhtiö SF's action against Kestra Kiinteistöpalvelut Oy concerning the further financing of the Fennovoima nuclear power plant project. (Stock exchange release on 10 January 2017)

Kesko Corporation's Board of Directors decided to establish a new share-based long-term incentive scheme for Kesko's top management and key persons selected separately. In addition, the Board of Directors decided to grant a total of 192,822 own B shares held by the Company as treasury shares, based on the fulfilment of the performance criteria of the 2016 performance period of Kesko's share-based compensation plan 2014-2016, to 130 Kesko management employees and other specified key persons. (Stock exchange release on 2 February 2017)

Kesko Corporation's subsidiary Konekesko Ltd sold 45% of its Baltic subsidiaries' shares to Danish Agro a.m.b.a.'s group company DAVA Agravis Machinery Holding A/S. In the same context, an agreement was made on options to expand DAVA Agravis' ownership to include the whole share capital of the Baltic machinery trade companies and Danish Agro group's ownership to include Konekesko's agricultural machinery business in Finland. (Stock exchange release on 10 February 2017)

Kesko Corporation and Oriola Corporation will build a completely new kind of store chain in Finland, specialising in overall wellbeing. The companies signed an agreement to establish a joint venture. Finland's Competition and Consumer Authority approved the establishment of the joint venture on 26 June 2017 and the establishment of the company was finalised. Each party owns 50% of the new company. The chain is called Hehku and the first stores were opened at the end of January 2018, alongside the launch of the hehku.fi online store. The objective for the first phase is to create a chain of 100 stores and the online store. The plan is, if legislation is amended, to expand the business to include the sales of pharmaceuticals. (Stock exchange release 13 March 2017, press release 30 June 2017, press release 15 November 2017, press release 24 January 2018)

The trading symbols of Kesko Corporation shares changed as of 15 March 2017. The new symbols are KESKOA (share series A) and KESKOB (share series B). (Stock exchange release on 13 March 2017)

Kesko Corporation sold its K-maatalous agricultural business to Swedish Lantmännen ek för. The debt free price of the sale, structured as a share transaction, was €38.5 million. Kesko Corporation recorded a profit of €12.2 million on the disposal. On 26 May 2017, the Finnish Competition and Consumer Authority (FCCA) announced that it approves the disposal, and it was completed on 1 June 2017. The approval was not subject to any conditions. (Stock exchange release on 11 April 2017, press release on 1 June 2017)

Kesko Corporation sold Indoor Group, which is responsible for the Asko and Sotka furniture trade, to a company owned by Sievi Capital Oyj, three franchising entrepreneurs from the Sotka chain and Etera Mutual Pension Insurance Company. The debt free price of the sale, structured as a share transaction, was €67 million, and the sale was completed on 30 June 2017. Kesko Corporation recorded a profit of €19.0 million on the divestment. (Press releases on 20 June 2017 and 30 June 2017)

Kesko was added to the Dow Jones Sustainability Indices, the DJSI World and the DJSI Europe. Kesko's scores rose especially in the areas of environmental responsibility and social responsibility. (Press release 13 September 2017)

Mika Majoinen, 53, Master of Laws, was appointed Kesko’s Group General Counsel as of 1 January 2018. He also became a member of Kesko's Group Management Board. Kesko's previous Group General Counsel, EVP Anne Leppälä-Nilsson, retired on 31 December 2017, in accordance with her contract. (Stock exchange release on 21 September 2017)

K Group entered into cooperation with Alibaba to open a food online store in China. The aim of the cooperation between K Group and Alibaba is to export Finnish food brands to the growing market in China. At the same time, Kesko will learn from a global pioneer in e-commerce. (Press release 29 September 2017)

Lauri Peltola, EVP, Marketing and Corporate Affairs and member of Group Management Board, left Kesko Corporation. Lauri Peltola’s membership in the Group Management Board ended on 31 October 2017. (Stock exchange release on 29 September 2017)

Karoliina Partanen, M.Soc.Sci., was appointed Senior Vice President, Communications and Identity, and Eeva Salmenpohja, M.Soc.Sci., was appointed Vice President, Public Affairs, under the President and CEO as of 1 November 2017. (Press release 24 October 2017)

Jorma Rauhala, 52, M.Sc. (Econ.), was appointed President of the building and technical trade division and deputy to Kesko’s President and CEO Mikko Helander. Ari Akseli, 45, M.Sc. (Econ.), was appointed President of the grocery trade division and a member of the Group Management Board. Terho Kalliokoski, the previous President of the building and technical trade division and a member of the Group Management Board, left Kesko. The changes became effective on 15 November 2017. (Stock exchange release on 15 November 2017)

**Resolutions of the 2017 Annual General Meeting and decisions of the Board's organisational meeting**
Kesko Corporation's Annual General Meeting held on 3 April 2017 adopted the financial statements and the consolidated financial statements for 2016 and discharged the Board members and the Managing Director from liability. The General Meeting also resolved to distribute €2.00 per share as dividends, or a total of €198,932,930.00. The dividend pay date was 12 April 2017.

The General Meeting resolved to leave the number of Board members unchanged at seven. The Annual General Meeting held on 13 April 2015 elected seven (7) Board members for terms of office in accordance with the Articles of Association expiring at the close of the Annual General Meeting to be held in 2018. Those Board members are retailer Esa Kiiskinen, Master of Science in Economics Tomi Korpisaari, retailer, eMBA Toni Pokela, eMBA Mikael Aro, Master of Science in Economics Matti Kyytsönen, Master of Science in Economics Anu Nissinen and Master of Laws Kaarina Ståhlberg. Korpisaari and Ståhlberg resigned from the membership of the Company's Board of Directors as of 1 March 2016. The General Meeting held on 4 April 2016 replaced Korpisaari and Ståhlberg by retailer, trade technician Matti Naumanen and Managing Director, Master of Science in Economics Jannica Fagerholm until the close of the Annual General Meeting to be held in 2018.

The General Meeting elected the firm of auditors PricewaterhouseCoopers Oy as the Company's Auditor, with Mikko Nieminen, APA, as the Auditor with principal responsibility.

In addition, the General Meeting approved the Board's proposal for its authorisation to decide on donations in a total maximum of €300,000 for charitable or corresponding purposes until the Annual General Meeting to be held in 2018, and to decide on the donation recipients, purposes of use and other terms of the donations.

After the Annual General Meeting, Kesko Corporation's Board of Directors held an organisational meeting in which it elected M.Sc. (Econ.) Jannica Fagerholm as the Chair of the Audit Committee, eMBA Mikael Aro as its Deputy Chair, and M.Sc. (Econ.) Matti Kyytsönen as its member. Business College Graduate Esa Kiiskinen (Ch.), eMBA Mikael Aro (Dep. Ch.) and M.Sc. (Econ.) Anu Nissinen were elected to the Board's Remuneration Committee.

The resolutions of the Annual General Meeting and the decisions of the Board's organisational meeting were announced in more detail in stock exchange releases on 3 April 2017.

**Sustainability**
In January 2017, Kesko was ranked 25th on the Global 100 Most Sustainable Corporations in the World list and, at the same time, as the most sustainable trading sector company in the world. In January 2018, Kesko ranked 31st on the list and maintained its ranking as the most sustainable trading sector company in the world.

Kesko was the first Finnish company to set up science-based targets to reduce the emissions resulting from its facilities, transportation use and supply chains. To achieve these ambitious emission reduction targets, Kesko will increase its use of renewable energy while also improving its energy efficiency.

In 2008, K Group committed to the Energy Efficiency Agreement for the commerce sector and committed to improving its annual energy efficiency by 65 GWh by the end of 2016. As a result of determined actions, K Group has exceeded expectations and improved its energy efficiency by 67 GWh. In the new agreement for the period 2017-2025, K Group undertakes, by means of various energy saving measures, to reduce its energy consumption annually by 7.5% or approximately 79 GWh.

K Group is committed to the EU's aim to keep the annual consumption of plastic bags below 40 bags per inhabitant. Actions to achieve this target include charging a price for plastic bags and providing alternative shopping bags.

Since the beginning of 2017, all electricity purchased by Kesko in Finland has been renewable. The renewable electricity has a Guarantee of Origin and is produced with Finnish bioenergy.

The Pirkka ESSI circular economy bags were introduced in K-food stores' shopping bag selections in January 2017. ESSI bags are the first bags in Finland manufactured using plastic packaging recycled by households.

In September, Kesko was added to the Dow Jones Sustainability Indices the DJSI World and the DJSI Europe. Kesko's scores rose especially in the areas of environmental responsibility and social responsibility.

In August, K Group and the WWF began a multi-year collaboration to save Finland's endangered migratory fish populations. They will jointly map different parts of Finland to find obstacles in migratory fish spawning grounds, and in a spirit of cooperation with landowners, local K-retailers and volunteers, make the spawning grounds once again accessible for fish. During autumn 2017, nine such obstacles were removed from rivers and streams around Finland and 40 new spawning grounds were created for fish.

Kesko received the A– score in CDP's Climate questionnaire.

K-food stores collected nearly 450,000 euros for the Finnish Cancer Foundation's 2017 Pink Ribbon (Roosa nauha) campaign. The sum will go towards the development of more effective breast cancer treatments in Finland.

K Group participated in the Ham Trick (Kinkkutemppu) campaign, in which customers could donate excess fat from roasted Christmas hams to collection points at K-food stores, to be made into renewable diesel.

### 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. In the management of financial risks, the Group's treasury policy, confirmed by Kesko's Board of Directors, is observed. The managements of the business operations and the common functions 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 as part of business operations at the Group, division and function 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, the half year financial report and the financial statements. The Audit Committee Chair reports on risk management to the Board as part of the Audit Committee 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 and the half year financial report.

The following describes the risks and uncertainties assessed as significant.

### Significant risks and uncertainties

#### Continued intense price competition in the Finnish grocery trade

Competition in the food trade has intensified in recent years and stores have lowered their prices in order to increase market shares. Continued intense price competition could weaken profitability for Kesko's grocery trade and retailers.

#### Integration and synergies in the building and technical trade

The integration of business operations and the creation of uniform operating models still involve risks that can make the achievement of the operational and financial objectives and targets set for the arrangement more difficult.

#### 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. Disruptions can be caused by hardware failures, software errors or external cyber threats. Extended malfunctions in information systems, payment transfers, or in other parts of the supply chain, can cause significant losses in sales and weaken customer satisfaction.

### Compliance with laws and agreements

Changes in legislation and authority regulations could necessitate significant changes and result in additional costs. Compliance with laws and agreements is an important part of Kesko's corporate responsibility. Non-compliance can result in fines, claims for damages and other financial losses, and a loss of confidence and reputation. The implementation of the new EU general data protection regulation will require changes in the procedures for personal data processing and in information systems. The changes will result in significant costs and require development resources to ensure compliance.

### Data breach or critical information falling into the wrong hands

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.

### Product safety and supply chain sustainability

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 and reputation or, in the worst case, a health hazard to customers.

### Strong change in the trading sector caused by digitalisation

As retail undergoes a major transformation, the achievement of business objectives requires an active approach and strong expertise in the development of digital services and online stores that are attractive to customers, and the use of a multichannel approach with supporting customer communications. Challenges in developing online food stores include the cost efficiency of logistical operating models and the suitability of existing store sites for online sales of food.

### 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 carried out 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.

### Store sites and properties

With a view to business growth and profitability, 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 properties for years. When the market situation changes, the business is rearranged, the significance of e-commerce grows, or a chain concept proves inefficient there is a risk that a store site or a property becomes unprofitable and operations are discontinued while long-term liabilities remain.

### Responsible operating practices and reputation management

Various aspects of corporate responsibility, such as ensuring responsibility in the purchasing chain of products, fair and equal treatment of employees, the prevention of corruption, and environmental protection, are increasingly important to customers. Any failures in corporate responsibility would result in negative publicity for Kesko and could cause operational and financial damages. Challenges in Kesko’s corporate responsibility work include communicating responsibility principles to suppliers, retailers and customers, and ensuring responsibility in the supply chain of products.

### Climate change

Climate change presents physical and regulatory risks and risks affecting reputational factors. Climate change will increase the risk of extreme weather phenomena, which may cause damage or business interruptions that cannot be prevented or covered with insurances. Droughts, desertification and rising sea levels may impact agricultural production and the availability of raw materials and products. Possible emission limitations and taxes may affect the energy markets.

### Reporting to 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. Significant business arrangements, tight disclosure schedules and the dependency on information systems create challenges for the accuracy of financial information.

### Risks of damage

Accidents, natural phenomena and epidemics can cause significant damages to people, property or business. In addition, risks of damage may cause business interruptions that cannot be prevented. There is also the risk that insurance policies do not cover all unexpected accidents and damages, or covering them with insurance is not profitable.

### Outlook

Estimates for the outlook of Kesko Group's net sales and comparable operating profit are given for the 12-month period following the reporting period (1/2018-12/2018) in comparison with the 12 months preceding the end of the reporting period (1/2017-12/2017).

The general economic situation and the expected trend in consumer demand vary in Kesko's different operating countries. In Finland, the trading sector is expected to grow. In the Finnish grocery trade, intense competition is expected to continue, although, as purchasing power increases, the importance of quality will be emphasised more than previously. In the building and technical trade, growth in B2B sales is expected to continue stronger than the growth in consumer sales. The market is expected to grow in the Nordic and Baltic countries, but at a somewhat slower rate. The trend in the Russian market is expected to remain modest.

In comparable terms, the net sales for the next 12 months are expected to exceed the level of the previous 12 months. Due to divestments and restructuring, Kesko Group's net sales for the next 12 months are expected to fall below the level of the previous 12 months. That development results from the divestments of the K-maatalous agricultural business, the Asko and Sotka furniture trade, the Yamarin boat business and Kesko's Yamaha representation as well as store closures and the transfer of Suomen Lähikauppa stores to retailers.

The comparable operating profit for the next 12-month period is expected to exceed the level of the preceding 12 months. However, investments in store openings and redesigns, in the expansion of logistics operations, and in digital services will burden profitability during the period.

### Proposal for profit distribution

The parent company's distributable profits are €1,309,954,752.95, of which the profit for the financial year is €495,055,157.31.

The Board of Directors proposes to the Annual General Meeting to be held on 11 April 2018 that a dividend of €2.20 per share be paid on shares held outside the Company at the date of dividend distribution. No dividend is paid on own shares held as treasury shares by the Company at the record date for the payment of dividend.

As at the date of the proposal for the distribution of profit, 31 January 2018, 99,456,615 shares were held outside the Company, and the corresponding total amount of dividends is €218,804,553.00.

### Annual General Meeting

The Board of Directors has decided to convene the Annual General Meeting at Messukeskus in Helsinki on 11 April 2018 at 13.00 (EET). Kesko Corporation will publish a notice of the General Meeting at a later date.

### Annual Report 2017 and Corporate Governance Statement

Kesko will publish the Annual Report for 2017 in week 10 on its website at www.kesko.fi. The report will contain a strategic review, Report by the Board of Directors and the financial statements for 2017, sustainability reporting indicators (GRI), Kesko's Corporate Governance Statement and Remuneration Statement.

Helsinki, 31 January 2018
Kesko Corporation
Board of Directors

The information in the financial statements release is unaudited.

**Further information** is available from Jukka Erlund, Executive Vice President, Chief Financial Officer, telephone +358 105 322 113, Kia Aejmelaeus, Vice President, Investor Relations, telephone +358 53 22533, and Eva Kaukinen, Vice President, Group Controller, telephone +358 105 322 338. A Finnish-language webcast of the results briefing can be viewed at 11.00 (EET) at www.kesko.fi. An English-language audio conference on the results will be held today at 14.00 (EET). The audio conference login is available on Kesko's website at www.kesko.fi.

Kesko Corporation's interim report for January-March 2018 will be published on 25 April 2018. In addition, Kesko Group's sales figures are published each month. News releases and other Company information are available on Kesko's website at www.kesko.fi.

## KESKO CORPORATION

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## Accounting policies

This financial statements release has been prepared in accordance with the IAS 34 standard. The financial statements release has been prepared in accordance with the same principles as the annual financial statements for 2016.

| Consolidated income statement (€ million), condensed | | | | | | |
|---|---|---|---|---|---|---|
| | 1-12/2017 | 1-12/2016 | Change, % | 10-12/2017 | 10-12/2016 | Change, % |
| Net sales | 10,676 | 10,180 | 4.9 | 2,618 | 2,765 | -5.3 |
| Cost of goods sold | -9,162 | -8,719 | 5.1 | -2,246 | -2,347 | -4.3 |
| **Gross profit** | **1,514** | **1,462** | 3.6 | **372** | **418** | -11.0 |
| Other operating income | 791 | 699 | 13.1 | 195 | 174 | 11.9 |
| Employee benefit expense | -759 | -723 | 5.0 | -186 | -215 | -13.6 |
| Depreciation and impairment charges | -154 | -162 | -4.9 | -53 | -57 | -7.0 |
| Other operating expenses | -1,067 | -1,129 | -5.5 | -272 | -361 | -24.8 |
| **Operating profit** | **325** | **147** | (..) | **57** | **-40** | (..) |
| Interest income and other finance income | 19 | 15 | 24.2 | 3 | 5 | -33.5 |
| Interest expense and other finance costs | -14 | -12 | 19.1 | -4 | -4 | -14.7 |
| Exchange differences | -3 | -4 | -23.7 | -1 | -5 | -89.0 |
| Share of results of equity accounted investments | 2 | -1 | (..) | 2 | 1 | 39.9 |
| **Profit before tax** | **328** | **145** | (..) | **58** | **-43** | (..) |
| Income tax | -59 | -31 | 87.5 | -13 | 6 | (..) |
| **Net profit for the period** | **269** | **114** | (..) | **45** | **-37** | (..) |
| | | | | | | |
| Attributable to | | | | | | |
| Owners of the parent | 258 | 99 | (..) | 43 | -40 | (..) |
| Non-controlling interests | 11 | 15 | -27.6 | 2 | 3 | -34.2 |
| | | | | | | |
| **Earnings per share (€) for profit attributable to equity holders of the parent** | | | | | | |
| | | | | | | |
| Basic and diluted | 2.59 | 0.99 | (..) | 0.43 | -0.40 | (..) |
| | | | | | | |
| **Consolidated statement of comprehensive income (€ million)** | | | | | | |
| | 1-12/2017 | 1-12/2016 | Change, % | 10-12/2017 | 10-12/2016 | Change, % |
| Net profit for the period | 269 | 114 | (..) | 45 | -37 | (..) |
| **Items that will not be reclassified subsequently to profit or loss** | | | | | | |
| Actuarial gains/losses | 36 | -11 | (..) | 20 | -5 | (..) |
| **Items that may be reclassified subsequently to profit or loss** | | | | | | |
| Exchange differences on translation of foreign operations | -29 | 10 | (..) | -8 | 6 | (..) |
| Cash flow hedge revaluation | 1 | 2 | -75.2 | 0 | 1 | -80.0 |
| Revaluation of available-for-sale financial assets | 0 | 1 | (..) | -1 | 0 | (..) |
| Other items | 0 | 0 | -4.9 | - | - | - |
| Total other comprehensive income for the period, net of tax | 7 | 2 | (..) | 11 | 1 | (..) |
| **Total comprehensive income for the period** | **276** | **116** | (..) | **56** | **-36** | (..) |
| | | | | | | |
| Attributable to | | | | | | |
| Owners of the parent | 269 | 101 | (..) | 55 | -39 | (..) |
| Non-controlling interests | 7 | 15 | -55.1 | 1 | 4 | -66.1 |

(..) Change over 100%

| **Consolidated statement of financial position (€ million), condensed** | | | |
|---|---|---|---|
| | **31.12.2017** | **31.12.2016** | **Change, %** |
| ASSETS | | | |
| Non-current assets | | | |
| Tangible assets | 1,293 | 1,150 | 12.4 |
| Intangible assets | 376 | 431 | -12.6 |
| Equity accounted investments and other financial assets | 140 | 123 | 14.2 |
| Loans and receivables | 71 | 68 | 3.8 |
| Pension assets | 207 | 165 | 26.0 |
| Total | 2,088 | 1,937 | 7.8 |
| | | | |
| Current assets | | | |
| Inventories | 939 | 979 | -4.1 |
| Trade receivables | 836 | 831 | 0.6 |
| Other receivables | 209 | 223 | -6.5 |
| Financial assets at fair value through profit or loss | 171 | 93 | 83.3 |
| Available-for-sale financial assets | 94 | 157 | -39.9 |
| Cash and cash equivalents | 133 | 141 | -6.0 |
| Total | 2,382 | 2,425 | -1.8 |
| Non-current assets held for sale | 2 | 46 | -96.1 |
| | | | |
| **Total assets** | **4,472** | **4,408** | **1.5** |

| | **31.12.2017** | **31.12.2016** | **Change, %** |
|---|---|---|---|
| EQUITY AND LIABILITIES | | | |
| Equity | 2,133 | 2,029 | 5.1 |
| Non-controlling interests | 99 | 97 | 1.5 |
| Total equity | 2,232 | 2,126 | 5.0 |
| | | | |
| Non-current liabilities | | | |
| Interest-bearing liabilities | 129 | 359 | -64.0 |
| Non-interest-bearing liabilities | 31 | 40 | -21.8 |
| Deferred tax liabilities | 52 | 48 | 8.2 |
| Pension obligations | 0 | 1 | -48.4 |
| Provisions | 25 | 15 | 68.9 |
| Total | 238 | 463 | -48.5 |
| | | | |
| Current liabilities | | | |
| Interest-bearing liabilities | 405 | 156 | (..) |
| Trade payables | 1,024 | 1,069 | -4.3 |
| Other non-interest-bearing liabilities | 541 | 552 | -1.9 |
| Provisions | 32 | 41 | -22.9 |
| Total | 2,001 | 1,818 | 10.1 |
| Liabilities related to non-current assets held for sale | 0 | 1 | -85.1 |
| | | | |
| **Total equity and liabilities** | **4,472** | **4,408** | **1.5** |

(..) Change over 100%

| Consolidated statement of changes in equity (€ million) | Share capital | Reserves | Currency translation differences | Re-valuation reserve | Treasury shares | Retained earnings | Non-controlling interests | Total |
|---|---|---|---|---|---|---|---|---|
| **Balance at 1.1.2017** | **197** | **463** | **-24** | **3** | **-23** | **1,412** | **97** | **2,126** |
| Share-based payments | | | | | 5 | | | 5 |
| Disposals of subsidiaries | | 0 | -1 | | | 1 | | 0 |
| Purchases of non-controlling interests | | | | | | | -1 | -1 |
| Disposals of non-controlling interests | | | | | | 21 | | 21 |
| Dividends | | | | | | -199 | -5 | -204 |
| Other changes | | 1 | | | | 6 | 0 | 8 |
| Transactions with owners, total | | 1 | -1 | | 5 | -170 | -5 | -170 |
| **Comprehensive income** | | | | | | | | |
| Profit for the year | | | | | | 258 | 11 | 269 |
| Items that will not be reclassified subsequently to profit or loss | | | | | | | | |
| Actuarial gains/losses | | | | | | 45 | | 45 |
| Items that may be reclassified subsequently to profit or loss | | | | | | | | |
| Translation differences on foreign operations | | | -25 | | | | -4 | -29 |
| Cash flow hedge revaluation | | | | 1 | | | | 1 |
| Revaluation of available-for-sale financial assets | | | | 0 | | | | 0 |
| Tax related to comprehensive income | | | | 0 | | -9 | | -9 |
| Total comprehensive income for the period | | | -25 | 0 | | 294 | 7 | 276 |
| **Balance at 31.12.2017** | **197** | **465** | **-50** | **3** | **-18** | **1,536** | **99** | **2,232** |

| | Share capital | Reserves | Currency translation differences | Re-valuation reserve | Treasury shares | Retained earnings | Non-controlling interests | Total |
|---|---|---|---|---|---|---|---|---|
| **Balance at 1.1.2016** | **197** | **463** | **-45** | **0** | **-27** | **1,575** | **79** | **2,242** |
| Share-based payments | | | | | 4 | | | 4 |
| Disposals of subsidiaries | | | 10 | | | -10 | | 0 |
| Share capital increase | | | | | | | 13 | 13 |
| Acquisition of subsidiary and minority interests | | 0 | | | | 0 | -8 | -7 |
| Dividends | | | | | | -248 | -1 | -249 |
| Other changes | | 0 | | | | 9 | | 9 |
| Transactions with owners, total | | 0 | 10 | | 4 | -249 | 4 | -231 |
| **Comprehensive income** | | | | | | | | |
| Profit for the year | | | | | | 99 | 15 | 114 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Items that will not be reclassified subsequently to profit or loss | | | | | | | | |
| Actuarial gains/losses | | | | | | -14 | | -14 |
| Items that may be reclassified subsequently to profit or loss | | | | | | | | |
| Translation differences on foreign operations | | 0 | 11 | | | | 0 | 10 |
| Cash flow hedge revaluation | | | | 3 | | | | 3 |
| Revaluation of available-for-sale financial assets | | | | 1 | | | | 1 |
| Others | | | | | | 0 | | 0 |
| Income taxes related to comprehensive income | | | | -1 | | 3 | | 2 |
| Total comprehensive income for the period | | 0 | 11 | 3 | | 87 | 15 | 116 |
| **Balance at 31.12.2016** | **197** | **463** | **-24** | **3** | **-23** | **1,412** | **97** | **2,126** |

**Consolidated statement of cash flows (€ million), condensed**

| | 1-12/2017 | 1-12/2016 | Change, % | 10-12/2017 | 10-12/2016 | Change, % |
|---|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | | |
| Profit before tax | 328 | 145 | (..) | 58 | -43 | (..) |
| Depreciation according to plan | 139 | 138 | 1.1 | 38 | 41 | -7.4 |
| Finance income and costs | -1 | 1 | (..) | 1 | 4 | -79.6 |
| Other adjustments | -67 | 91 | (..) | 11 | 83 | -86.6 |
| | | | | | | |
| Change in working capital | | | | | | |
| Current non-interest-bearing receivables, increase (-)/decrease (+) | -73 | -44 | 66.5 | 82 | 84 | -2.0 |
| Inventories, increase (-)/decrease (+) | -9 | 5 | (..) | 8 | 17 | -53.2 |
| Current non-interest-bearing liabilities, increase (+)/decrease(-) | 29 | -79 | (..) | -69 | -64 | 7.6 |
| | | | | | | |
| Financial items and tax | -44 | -87 | -49.7 | -14 | -14 | -3.5 |
| **Net cash from operating activities** | **302** | **170** | **77.3** | **116** | **108** | **7.4** |
| | | | | | | |
| **Cash flows from investing activities** | | | | | | |
| Investing activities | -322 | -705 | -54.3 | -111 | -98 | 13.5 |
| Proceeds from sale of subsidiaries, net of cash | 144 | 161 | -10.6 | - | 167 | - |
| Proceeds from sale of tangible and intangible assets | 97 | 44 | (..) | 9 | 6 | 55.4 |
| Increase in non-current receivables | -7 | -1 | (..) | 3 | 1 | (..) |
| **Net cash used in investing activities** | **-88** | **-501** | **-82.4** | **-99** | **76** | **(..)** |
| | | | | | | |
| **Cash flows from financing activities** | | | | | | |
| Interest-bearing liabilities, increase (+)/decrease (-) | 0 | 59 | (..) | 10 | -40 | (..) |
| Current interest-bearing receivables, increase (-)/decrease (+) | 0 | 2 | -84.6 | 1 | 1 | 44.7 |
| Dividends paid | -204 | -250 | -18.3 | - | - | - |

| | | | | | | |
|---|---|---|---|---|---|---|
| Equity increase | - | 13 | - | - | - | - |
| Short-term money market investments, increase (-)/ decrease (+) | -36 | 365 | (..) | 9 | -92 | (..) |
| Other items | -3 | 7 | (..) | 1 | 2 | -42.3 |
| **Net cash used in financing activities** | **-243** | **196** | **(..)** | **21** | **-131** | **(..)** |
| | | | | | | |
| **Change in cash and cash equivalents** | **-30** | **-135** | **-78.2** | **37** | **53** | **-29.2** |
| | | | | | | |
| Cash and cash equivalents and current portion of available-for-sale financial assets at 1 Jan. | 201 | 334 | -39.9 | 133 | 147 | -9.4 |
| Currency translation difference adjustment and revaluation | -1 | 2 | (..) | -1 | 1 | (..) |
| Cash and cash equivalents and current portion of available-for-sale financial assets at 31 Dec. | 170 | 201 | -15.2 | 170 | 201 | -15.2 |

(..) Change over 100%

| **Group's performance indicators** | | | |
|---|---|---|---|
| | **1-12/2017** | **1-12/2016** | **Change, pp** |
| Return on capital employed, % | 13.4 | 6.4 | 7.0 |
| Return on capital employed, comparable, % | 12.2 | 11.9 | 0.3 |
| Return on equity, % | 12.3 | 5.2 | 7.1 |
| Return on equity, comparable, % | 10.9 | 9.8 | 1.1 |
| Equity ratio, % | 50.4 | 48.6 | 1.7 |
| Gearing, % | 6.1 | 5.8 | 0.3 |
| Interest-bearing net debt/EBITDA, rolling 12 mo | 0.3 | 0.4 | -0.1 |
| | | | **Change, %** |
| Capital expenditure, € million | 349.8 | 743.1 | -52.9 |
| Capital expenditure, % of net sales | 3.3 | 7.3 | -74.2 |
| Earnings per share, basic, € | 2.59 | 0.99 | (..) |
| Earnings per share, diluted, € | 2.59 | 0.99 | (..) |
| Earnings per share, comparable, basic, € | 2.28 | 2.01 | 13.3 |
| Cash flow from operating activities, € million | 302 | 170 | 77.3 |
| Cash flow from investing activities, € million | -88 | -501 | -82.4 |
| Cash flow from operating activities/share, € | 3.03 | 1.71 | 77.0 |
| Equity per share, € | 21.45 | 20.44 | 5.0 |
| Interest-bearing net debt, € million | 136 | 123 | 10.3 |
| Diluted number of shares, average for the reporting period, 1,000 pcs | 99,426 | 99,249 | 0.2 |
| Personnel, average | 22,077 | 22,475 | -1.8 |

(..) Change over 100%

| Group's performance indicators by quarter | 1-3/ 2016 | 4-6/ 2016 | 7-9/ 2016 | 10-12/ 2016 | 1-3/ 2017 | 4-6/ 2017 | 7-9/ 2017 | 10-12/ 2017 |
|---|---|---|---|---|---|---|---|---|
| Net sales, € million | 2,013 | 2,610 | 2,792 | 2,765 | 2,597 | 2,814 | 2,647 | 2,618 |
| Change in net sales, % | -3.3 | 17.2 | 26.7 | 27.6 | 29.0 | 7.8 | -5.2 | -5.3 |
| Operating profit, € million | 33.5 | 68.0 | 85.5 | -40.3 | 16.6 | 152.5 | 98.6 | 56.9 |
| Operating margin, % | 1.7 | 2.6 | 3.1 | -1.5 | 0.6 | 5.4 | 3.7 | 2.2 |
| Operating profit, comparable, € million | 32.3 | 79.1 | 98.2 | 63.3 | 28.7 | 84.6 | 102.5 | 81.0 |
| Operating margin, comparable, % | 1.6 | 3.0 | 3.5 | 2.3 | 1.1 | 3.0 | 3.9 | 3.1 |
| Finance income/costs, € million | 2.7 | 1.7 | -1.1 | -4.3 | 4.2 | -1.3 | -0.6 | -0.9 |
| Profit before tax, € million | 35.7 | 68.1 | 84.8 | -43.5 | 21.5 | 150.5 | 98.0 | 57.6 |
| Profit before tax, % | 1.8 | 2.6 | 3.0 | -1.6 | 0.8 | 5.4 | 3.7 | 2.2 |
| Return on capital employed, % | 6.7 | 12.3 | 13.6 | -6.4 | 2.7 | 24.8 | 16.6 | 9.3 |
| Return on capital employed, comparable, % | 6.5 | 14.3 | 15.6 | 10.1 | 4.7 | 13.8 | 17.3 | 13.3 |
| Return on equity, % | 5.1 | 9.8 | 12.8 | -6.9 | 3.2 | 24.8 | 13.9 | 8.1 |
| Return on equity, comparable, % | 4.8 | 11.7 | 14.7 | 8.4 | 5.1 | 12.2 | 14.6 | 12.2 |
| Cash flow from operating activities/share, € | -0.97 | 0.79 | 0.81 | 1.09 | -0.58 | 1.42 | 1.03 | 1.16 |
| Equity ratio, % | 54.8 | 44.8 | 47.9 | 48.6 | 47.4 | 47.0 | 49.1 | 50.4 |
| Capital expenditure, € million | 51.4 | 512.7 | 73.6 | 105.4 | 78.3 | 91.7 | 62.7 | 117.1 |
| Earnings per share, diluted, € | 0.28 | 0.49 | 0.63 | -0.40 | 0.18 | 1.29 | 0.69 | 0.43 |
| Equity per share, € | 22.13 | 20.31 | 20.84 | 20.44 | 20.98 | 20.18 | 20.89 | 21.45 |

## Segment information

| Net sales by segment (€ million) | 1-12/2017 | 1-12/2016 | Change, % | 10-12/2017 | 10-12/2016 | Change, % |
|---|---|---|---|---|---|---|
| | | | | | | |
| Grocery trade, Finland | 5,282 | 5,131 | 2.9 | 1,399 | 1,399 | 0.0 |
| Grocery trade, other countries* | - | 105 | - | - | 22 | - |
| **Grocery trade total** | **5,282** | **5,236** | **0.9** | **1,399** | **1,422** | **-1.6** |
| - of which intersegment trade | 7 | 10 | -33.4 | 1 | 2 | -34.9 |
| | | | | | | |
| Building and technical trade, Finland | 2,190 | 2,142 | 2.3 | 453 | 579 | -21.8 |
| Building and technical trade, other countries* | 2,296 | 1,959 | 17.2 | 548 | 542 | 1.0 |
| **Building and technical trade total** | **4,486** | **4,100** | **9.4** | **1,000** | **1,121** | **-10.8** |
| - of which intersegment trade | 3 | 11 | -76.9 | 1 | 1 | -14.1 |
| | | | | | | |
| Car trade, Finland | 909 | 849 | 7.1 | 218 | 221 | -1.4 |
| **Car trade total** | **909** | **849** | **7.1** | **218** | **221** | **-1.4** |
| - of which intersegment trade | 1 | 0 | (..) | 0 | 0 | (..) |
| | | | | | | |
| Common functions and eliminations | -1 | -5 | -68.5 | 1 | 1 | -13.0 |
| **Finland total** | **8,380** | **8,117** | **3.2** | **2,071** | **2,201** | **-5.9** |
| **Other countries total*** | **2,296** | **2,063** | **11.3** | **548** | **564** | **-3.0** |
| **Group total** | **10,676** | **10,180** | **4.9** | **2,618** | **2,765** | **-5.3** |

(..) Change over 100%
* Net sales in countries other than Finland

| **Operating profit by segment (€ million)** | **1-12/2017** | **1-12/2016** | **Change** | **10-12/2017** | **10-12/2016** | **Change** |
|---|---|---|---|---|---|---|
| Grocery trade | 181.3 | 93.0 | 88.3 | 65.4 | -26.1 | 91.4 |
| Building and technical trade | 154.7 | 60.8 | 93.9 | -1.7 | -11.7 | 9.9 |
| Car trade | 33.1 | 28.9 | 4.2 | 6.7 | 7.0 | -0.2 |
| Common functions and eliminations | -44.5 | -36.0 | -8.5 | -13.4 | -9.5 | -3.9 |
| **Group total** | **324.6** | **146.8** | **177.8** | **56.9** | **-40.3** | **97.2** |

| **Operating profit by segment, comparable (€ million)** | **1-12/2017** | **1-12/2016** | **Change** | **10-12/2017** | **10-12/2016** | **Change** |
|---|---|---|---|---|---|---|
| Grocery trade | 203.4 | 175.9 | 27.4 | 67.0 | 51.9 | 15.1 |
| Building and technical trade | 95.8 | 97.9 | -2.2 | 14.6 | 14.4 | 0.1 |
| Car trade | 33.1 | 29.5 | 3.6 | 6.7 | 7.5 | -0.8 |
| Common functions and eliminations | -35.6 | -30.5 | -5.1 | -7.4 | -10.5 | 3.2 |
| **Group total** | **296.7** | **272.9** | **23.8** | **81.0** | **63.3** | **17.6** |

| **Operating margin by segment, comparable (%)** | **1-12/2017** | **1-12/2016** | **Change, pp** | **10-12/2017** | **10-12/2016** | **Change, pp** |
|---|---|---|---|---|---|---|
| Grocery trade | 3.9 | 3.4 | 0.5 | 4.8 | 3.7 | 1.1 |
| Building and technical trade | 2.1 | 2.4 | -0.3 | 1.5 | 1.3 | 0.2 |
| Car trade | 3.6 | 3.5 | 0.2 | 3.1 | 3.4 | -0.3 |
| **Group total** | **2.8** | **2.7** | **0.1** | **3.1** | **2.3** | **0.8** |

| **Capital employed by segment, cumulative average (€ million)** | **1-12/2017** | **1-12/2016** | **Change** | **10-12/2017** | **10-12/2016** | **Change** |
|---|---|---|---|---|---|---|
| Grocery trade | 791 | 828 | -36 | 839 | 812 | 27 |
| Building and technical trade | 1,129 | 1,000 | 129 | 1,076 | 1,177 | -101 |
| Car trade | 154 | 124 | 30 | 163 | 136 | 27 |
| Common functions and eliminations | 352 | 336 | 17 | 364 | 372 | -8 |
| **Group total** | **2,427** | **2,288** | **140** | **2,442** | **2,497** | **-56** |

| **Return on capital employed by segment, comparable (%)** | **1-12/2017** | **1-12/2016** | **Change, pp** | **10-12/2017** | **10-12/2016** | **Change, pp** |
|---|---|---|---|---|---|---|
| Grocery trade | 25.7 | 21.3 | 4.4 | 32.0 | 25.6 | 6.4 |
| Building and technical trade | 8.5 | 9.8 | -1.3 | 5.4 | 4.9 | 0.5 |
| Car trade | 21.5 | 23.8 | -2.3 | 16.5 | 22.0 | -5.5 |
| **Group total** | **12.2** | **11.9** | **0.3** | **13.3** | **10.1** | **3.1** |

| **Capital expenditure by segment, € million** | **1-12/2017** | **1-12/2016** | **Change** | **10-12/2017** | **10-12/2016** | **Change** |
|---|---|---|---|---|---|---|
| Grocery trade | 224 | 238 | -14 | 81 | 50 | 32 |
| Building and technical trade | 80 | 452 | -372 | 22 | 24 | -1 |
| Car trade | 17 | 41 | -24 | 3 | 30 | -27 |
| Common functions and eliminations | 28 | 12 | 16 | 10 | 2 | 8 |
| **Group total** | **350** | **743** | **-393** | **117** | **105** | **12** |

## Segment information by quarter

| **Net sales by segment, € million** | 1-3/ 2016 | 4-6/ 2016 | 7-9/ 2016 | 10-12/ 2016 | 1-3/ 2017 | 4-6/ 2017 | 7-9/ 2017 | 10-12/ 2017 |
|---|---|---|---|---|---|---|---|---|
| Grocery trade | 1,094 | 1,353 | 1,367 | 1,422 | 1,243 | 1,327 | 1,313 | 1,399 |
| Building and technical trade | 695 | 1,046 | 1,238 | 1,121 | 1,112 | 1,253 | 1,121 | 1,000 |
| Car trade | 225 | 214 | 190 | 221 | 245 | 234 | 212 | 218 |
| Common functions and eliminations | -1 | -2 | -3 | 1 | -2 | 0 | 0 | 1 |
| **Group total** | **2,013** | **2,610** | **2,792** | **2,765** | **2,597** | **2,814** | **2,647** | **2,618** |

| **Operating profit by segment, € million** | 1-3/ 2016 | 4-6/ 2016 | 7-9/ 2016 | 10-12/ 2016 | 1-3/ 2017 | 4-6/ 2017 | 7-9/ 2017 | 10-12/ 2017 |
|---|---|---|---|---|---|---|---|---|
| Grocery trade | 30.2 | 44.1 | 44.8 | -26.1 | 16.7 | 39.9 | 59.3 | 65.4 |
| Building and technical trade | 1.8 | 32.8 | 37.9 | -11.7 | 1.2 | 115.3 | 39.9 | -1.7 |
| Car trade | 9.4 | 5.8 | 6.8 | 7.0 | 10.0 | 7.6 | 8.8 | 6.7 |
| Common functions and eliminations | -7.8 | -14.7 | -4.0 | -9.5 | -11.4 | -10.3 | -9.4 | -13.4 |
| **Group total** | **33.5** | **68.0** | **85.5** | **-40.3** | **16.6** | **152.5** | **98.6** | **56.9** |

| **Items in operating profit affecting comparability, € million** | 1-3/ 2016 | 4-6/ 2016 | 7-9/ 2016 | 10-12/ 2016 | 1-3/ 2017 | 4-6/ 2017 | 7-9/ 2017 | 10-12/ 2017 |
|---|---|---|---|---|---|---|---|---|
| Grocery trade | -1.1 | 0.5 | -4.4 | -78.0 | -9.7 | -10.6 | -0.2 | -1.7 |
| Building and technical trade | 1.5 | -5.1 | -7.4 | -26.1 | -1.8 | 79.8 | -2.8 | -16.3 |
| Car trade | - | - | - | -0.6 | - | - | - | - |
| Common functions and eliminations | 0.9 | -6.5 | -0.9 | 1.1 | -0.6 | -1.3 | -1.0 | -6.0 |
| **Group total** | **1.3** | **-11.1** | **-12.7** | **-103.6** | **-12.1** | **67.9** | **-4.0** | **-24.0** |

| **Operating profit by segment, comparable, € million** | 1-3/ 2016 | 4-6/ 2016 | 7-9/ 2016 | 10-12/ 2016 | 1-3/ 2017 | 4-6/ 2017 | 7-9/ 2017 | 10-12/ 2017 |
|---|---|---|---|---|---|---|---|---|
| Grocery trade | 31.3 | 43.6 | 49.2 | 51.9 | 26.4 | 50.5 | 59.4 | 67.0 |
| Building and technical trade | 0.3 | 37.9 | 45.3 | 14.4 | 3.0 | 35.5 | 42.7 | 14.6 |
| Car trade | 9.4 | 5.8 | 6.8 | 7.5 | 10.0 | 7.6 | 8.8 | 6.7 |
| Common functions and eliminations | -8.7 | -8.2 | -3.1 | -10.5 | -10.8 | -9.0 | -8.5 | -7.4 |
| **Group total** | **32.3** | **79.1** | **98.2** | **63.3** | **28.7** | **84.6** | **102.5** | **81.0** |

| **Operating margin by segment, %, comparable** | 1-3/ 2016 | 4-6/ 2016 | 7-9/ 2016 | 10-12/ 2016 | 1-3/ 2017 | 4-6/ 2017 | 7-9/ 2017 | 10-12/ 2017 |
|---|---|---|---|---|---|---|---|---|
| Grocery trade | 2.9 | 3.2 | 3.6 | 3.7 | 2.1 | 3.8 | 4.5 | 4.8 |
| Building and technical trade | 0.0 | 3.6 | 3.7 | 1.3 | 0.3 | 2.8 | 3.8 | 1.5 |
| Car trade | 4.2 | 2.7 | 3.6 | 3.4 | 4.1 | 3.2 | 4.2 | 3.1 |
| **Group total** | **1.6** | **3.0** | **3.5** | **2.3** | **1.1** | **3.0** | **3.9** | **3.1** |

| Change in tangible and intangible assets (€ million) | | |
|---|---|---|
| | 31.12.2017 | 31.12.2016 |
| **Opening net carrying amount** | **1,581** | **1,451** |
| Acquisitions | 11 | 315 |
| Depreciation, amortisation and impairment charges | -154 | -159 |
| Investments in tangible and intangible assets | 340 | 272 |
| Deductions | -34 | -22 |
| Disposals of business operations | -55 | -232 |
| Transfers to non-current assets held for sale | 0 | -54 |
| Exchange differences | -21 | 11 |
| **Closing net carrying amount** | **1,669** | **1,581** |

## Related party transactions (€ million)

The Group's related parties include its management (the Board of Directors, the Managing Director and the Group Management Board) and the companies controlled by them, the Group's subsidiaries, associates and joint ventures as well as Kesko Pension Fund.

| The following transactions were carried out with related parties: | | |
|---|---|---|
| | 1-12/2017 | 1-12/2016 |
| Sales of goods and services | 84 | 78 |
| Purchases of goods and services | 8 | 143 |
| Other operating income | 15 | 13 |
| Other operating expenses | 67 | 66 |
| Finance income and costs | 6 | 6 |
| | | |
| | 31.12.2017 | 31.12.2016 |
| Receivables | 64 | 66 |
| Liabilities | 35 | 45 |

| Fair value hierarchy of financial assets and liabilities (€ million) | | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | 31.12.2017 |
| **Financial assets at fair value through profit or loss** | **159.9** | **11.0** | | **171.0** |
| **Derivative financial instruments at fair value through profit or loss** | | | | |
| Derivative financial assets | | 0.7 | | 0.7 |
| Derivative financial liabilities | | 3.4 | | 3.4 |
| **Available-for-sale financial assets** | **56.8** | **37.5** | **23.0** | **117.3** |

| Fair value hierarchy of financial assets and liabilities (€ million) | | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | 31.12.2017 |
| **Financial assets at fair value through profit or loss** | **59.8** | **33.5** | | **93.3** |
| **Derivative financial instruments at fair value through profit or loss** | | | | |
| Derivative financial assets | | 4.4 | | 4.4 |
| Derivative financial liabilities | | 6.6 | | 6.6 |
| **Available-for-sale financial assets** | **97.3** | **59.6** | **15.1** | **171.9** |

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

| **Personnel, average and at 31.12.** | | | |
|---|---|---|---|
| **Personnel average by segment** | **1-12/2017** | **1-12/2016** | **Change** |
| Grocery trade | 6,733 | 8,200 | -1,466 |
| Building and technical trade | 13,662 | 12,743 | 919 |
| Car trade | 809 | 780 | 30 |
| Common functions | 872 | 752 | 120 |
| **Group total** | **22,077** | **22,475** | **-398** |
| | | | |
| **Personnel at 31.12.* by segment** | **2017** | **2016** | **Change** |
| Grocery trade | 8,584 | 10,339 | -1,755 |
| Building and technical trade | 14,717 | 15,616 | -899 |
| Car trade | 818 | 817 | 1 |
| Common functions | 864 | 885 | -21 |
| **Group total** | **24,983** | **27,657** | **-2,674** |

* Total number including part-time employees

| **Group's commitments (€ million)** | | | |
|---|---|---|---|
| | **31.12.2017** | **31.12.2016** | **Change, pp** |
| Own commitments | 246 | 186 | +32.2 |
| For others | 21 | 20 | +5.8 |
| Lease liabilities for machinery and equipment | 21 | 33 | -36.9 |
| Lease liabilities for real estate | 2,892 | 2,996 | -3.5 |
| | | | |
| **Liabilities arising from derivative instruments (€ million)** | | | |
| | | | **Fair value** |
| Values of underlying instruments at 31.12. | **31.12.2017** | **31.12.2016** | **31.12.2017** |
| Interest rate derivatives | | | |
| Interest rate options | 70 | - | 0.25 |
| Interest rate swaps | 180 | 40 | -0.47 |
| Currency derivatives | | | |
| Forward and future contracts | 77 | 178 | -1.91 |
| Currency swaps | 20 | 20 | -0.07 |
| Commodity derivatives | | | |
| Electricity derivatives | 6 | 11 | -0.31 |

## Calculation of performance indicators

Kesko uses alternative performance measures to reflect business performance and profitability. These indicators should be examined together with the IFRS-compliant performance indicators.

Change in comparable net sales is used to reflect changes in the Group's business volume between periods. The indicator reflects the change in net sales excluding the impact of acquisitions and divestments, in local currencies. The comparable net sales have been calculated by including in the net sales the business operations that have been part of Kesko Group in both the reporting period as well as the comparison period. Other structural arrangements related to acquisitions and divestments have been adjusted in the same manner as acquisitions. The changes in Suomen Lähikauppa Oy's store site network in 2016 and 2017 have been handled in this manner.

Performance indicators reflecting comparable profit and profitability are used to improve the comparability of operational performance between periods. Gains and losses on disposal of real estate, shares and business operations, impairment charges and significant restructuring costs are identified as items affecting comparability. Gains on disposal have been presented within other operating income, and losses on disposal within other operating expenses in the income statement.

In addition, the financial performance indicators required by the Decree of the Ministry of Finance on obligation of securities issuers to disclose periodic information have been presented as alternative performance measures. The management uses these indicators to monitor and analyse business performance, profitability and financial position.

| | |
|---|---|
| Operating profit, comparable | Operating profit +/– items affecting comparability |
| | |
| Items affecting comparability | – gains on disposal + losses on disposal – impairment charges +/- structural arrangements |
| | |
| Return on capital employed*, % | Operating profit x 100 / (Non-current assets + Inventories + Receivables + Other current assets - Non-interest-bearing liabilities) on average for the reporting period |
| | |
| Return on capital employed*, %, comparable | Comparable operating profit x 100 / (Non-current assets + Inventories + Receivables + Other current assets - Non-interest-bearing liabilities) on average for the reporting period |
| | |
| Return on equity*, % | (Profit/loss before tax - Income tax) x 100 / Shareholders' equity, average of the beginning and end of the reporting period |
| | |
| Return on equity*, %, comparable | (Profit/loss adjusted for items affecting comparability before tax - Income tax adjusted for the tax effect of items affecting comparability) x 100 / Shareholders' equity, average of the beginning and end of the reporting period |
| | |
| Equity ratio, % | Shareholders’ equity x 100 / (Total assets – Advances received) |
| | |
| Gearing, % | Interest-bearing net liabilities x 100 / Shareholders’ equity |
| | |
| Interest-bearing net debt | Interest-bearing liabilities – Financial assets at fair value through profit or loss – Available-for-sale financial assets - Cash and cash equivalents |
| | |
| Interest-bearing net debt/EBITDA | Interest-bearing net debt/EBITDA |
| | |
| EBITDA | Operating profit + Depreciation and amortisation + Impairments |
| | |
| Capital expenditure | Investments in tangible and intangible assets, subsidiary shares, shares in associates and joint ventures and other shares |
| | |
| Earnings/share, basic | (Profit/loss - Non-controlling interests) / Average number of shares |
| | |
| Earnings/share, diluted | (Profit – Non-controlling interest)/Average diluted number of shares |
| | |

| | |
|---|---|
| Earnings/share, basic, comparable | (Profit/loss adjusted for items affecting comparability - Non-controlling interests) / Average number of shares |
| | |
| Equity/share | Equity attributable to equity holders of the parent / Basic number of shares at the balance sheet date |
| | |
| Cash flow from operating activities/share | Cash flow from operating activities / Average number of shares |

* Indicators for return on capital have been annualised.

### Reconciliation of performance indicators to IFRS financial statements

| € million | 1-12/2017 | 1-12/2016 |
|---|---:|---:|
| **Items affecting comparability** | | |
| Gains on disposal | 83.4 | 4.2 |
| Losses on disposal | -1.8 | -71.0 |
| Impairment charges | -15.0 | -30.0 |
| Structural arrangements | -38.7 | -29.4 |
| **Items in operating profit affecting comparability, total** | **27.9** | **-126.2** |
| Items in financial items affecting comparability | -0.4 | - |
| Items in income taxes affecting comparability | 3.8 | 25.3 |
| **Total items affecting comparability** | **31.4** | **-100.9** |
| | | |
| **Operating profit, comparable** | | |
| Operating profit | 324.6 | 146.8 |
| Net of | | |
| Items in operating profit affecting comparability | 27.9 | -126.2 |
| **Operating profit, comparable** | **296.7** | **272.9** |
| | | |
| **Profit before tax, comparable** | | |
| Profit before tax | 327.6 | 145.2 |
| Net of | | |
| Items in operating profit affecting comparability | 27.9 | -126.2 |
| Items in financial items affecting comparability | -0.4 | - |
| **Profit before tax, comparable** | **300.1** | **271.4** |
| | | |
| **Net profit, comparable** | | |
| Profit before tax, comparable | 300.1 | 271.4 |
| Net of | | |
| Income tax | 58.8 | 31.4 |
| Items in income tax affecting comparability | 3.8 | 25.3 |
| **Net profit, comparable** | **237.5** | **214.8** |
| | | |
| **Net profit attributable to owners of the parent, comparable** | | |
| Net profit, comparable | 237.5 | 214.8 |
| Net profit attributable to non-controlling interests | 11.0 | 15.3 |
| **Net profit attributable to owners of the parent, comparable** | **226.4** | **199.5** |
| | | |
| **Earnings per share, comparable, €** | | |
| Net profit attributable to the owners of the parent, comparable | 226.4 | 199.5 |
| Average number of shares, basic, 1,000 pcs | 99,426 | 99,249 |
| **Earnings per share, comparable, €** | **2.28** | **2.01** |
| | | |
| **Return on capital employed, %** | | |

| | | |
|---|---:|---:|
| Operating profit | 324.6 | 146.8 |
| Capital employed, average | 2,427 | 2,288 |
| **Return on capital employed , %** | **13.4** | **6.4** |
| | | |
| **Return on capital employed, comparable, %** | | |
| Operating profit, comparable | 296.7 | 272.9 |
| Capital employed, average | 2,427 | 2,288 |
| **Return on capital employed, comparable, %** | **12.2** | **11.9** |
| | | |
| **Return on equity, %** | | |
| Net profit | 268.8 | 113.8 |
| Equity, average | 2,179 | 2,184 |
| **Return on equity, %** | **12.3** | **5.2** |
| | | |
| **Return on equity, comparable, %** | | |
| Net profit, comparable | 237.5 | 214.8 |
| Equity, average | 2,179 | 2,184 |
| **Return on equity, comparable, %** | **10.9** | **9.8** |
| | | |
| **Equity ratio, %** | | |
| Shareholders' equity | 2,232 | 2,126 |
| Total assets | 4,472 | 4,408 |
| Advances received | 39 | 35 |
| **Equity ratio, %** | **50.4** | **48.6** |

**Reconciliation of performance indicators to IFRS financial statements by quarter**

| **€ million** | **1-3/ 2016** | **4-6/ 2016** | **7-9/ 2016** | **10-12/ 2016** | **1-3/ 2017** | **4-6/ 2017** | **7-9/ 2017** | **10-12/ 2017** |
|---|---:|---:|---:|---:|---:|---:|---:|---:|
| **Items affecting comparability** | | | | | | | | |
| Gains on disposal | 1.3 | 2.9 | 0.8 | -0.8 | 0.3 | 81.8 | 0.6 | 0.6 |
| Losses on disposal | - | -0.3 | -0.1 | -70.6 | -0.4 | -1.2 | -0.1 | -0.1 |
| Impairment charges | - | -7.9 | -3.1 | -18.9 | - | - | -0.5 | -14.5 |
| Structural arrangements | 0.0 | -5.8 | -10.3 | -13.3 | -12.1 | -12.6 | -4.0 | -10.1 |
| **Items in operating profit affecting comparability** | **1.3** | **-11.1** | **-12.7** | **-103.6** | **-12.1** | **67.9** | **-4.0** | **-24.0** |
| Items in financial items affecting comparability | - | - | - | - | - | - | - | -0.4 |
| Items in income taxes affecting comparability | 0.1 | 0.8 | 2.7 | 21.6 | 2.0 | -0.4 | 0.1 | 2.1 |
| **Total items affecting comparability** | **1.4** | **-10.3** | **-10.0** | **-82.0** | **-10.1** | **67.5** | **-3.8** | **-22.3** |
| | | | | | | | | |
| **Operating profit, comparable** | | | | | | | | |
| Operating profit | 33.5 | 68.0 | 85.5 | -40.3 | 16.6 | 152.5 | 98.6 | 56.9 |
| Net of | | | | | | | | |
| Items in operating profit affecting comparability | 1.3 | -11.1 | -12.7 | -103.6 | -12.1 | 67.9 | -4.0 | -24.0 |
| **Operating profit, comparable** | **32.3** | **79.1** | **98.2** | **63.3** | **28.7** | **84.6** | **102.5** | **81.0** |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Profit before tax, comparable** | | | | | | | | |
| Profit before tax | 35.7 | 68.1 | 84.8 | -43.5 | 21.5 | 150.5 | 98.0 | 57.6 |
| Net of | | | | | | | | |
| Items in operating profit affecting comparability | 1.3 | -11.1 | -12.7 | -103.6 | -12.1 | 67.9 | -4.0 | -24.0 |
| Items in financial items affecting comparability | - | - | - | - | - | - | - | -0.4 |
| **Profit before tax, comparable** | **34.5** | **79.2** | **97.5** | **60.2** | **33.6** | **82.6** | **101.9** | **82.0** |
| | | | | | | | | |
| **Net profit, comparable** | | | | | | | | |
| Profit before tax, comparable | 34.5 | 79.2 | 97.5 | 60.2 | 33.6 | 82.6 | 101.9 | 82.0 |
| Net of | | | | | | | | |
| Income tax | 7.0 | 14.3 | 16.4 | -6.4 | 4.3 | 17.8 | 23.8 | 12.9 |
| Items in income tax affecting comparability | 0.1 | 0.8 | 2.7 | 21.6 | 2.0 | -0.4 | 0.1 | 2.1 |
| **Net profit, comparable** | **27.3** | **64.0** | **78.4** | **44.9** | **27.4** | **65.2** | **77.9** | **67.0** |
| | | | | | | | | |
| **Net profit attributable to owners of the parent, comparable** | | | | | | | | |
| Net profit, comparable | 27.3 | 64.0 | 78.4 | 44.9 | 27.4 | 65.2 | 77.9 | 67.0 |
| Net profit attributable to non-controlling interests | 1.3 | 5.5 | 5.7 | 2.8 | -1.0 | 4.2 | 6.0 | 1.8 |
| **Net profit attributable to owners of the parent, comparable** | **26.0** | **58.6** | **72.7** | **42.1** | **28.4** | **61.0** | **72.0** | **65.1** |
| | | | | | | | | |
| **Earnings per share, comparable, €** | | | | | | | | |
| Net profit attributable to the owners of the parent, comparable | 26.0 | 58.6 | 72.7 | 42.1 | 28.4 | 61.0 | 72.0 | 65.1 |
| Average number of shares, basic, 1,000 pcs | 99,163 | 99,221 | 99,240 | 99,249 | 99,308 | 99,387 | 99,414 | 99,426 |
| **Earnings per share, comparable, €** | **0.26** | **0.59** | **0.73** | **0.42** | **0.29** | **0.61** | **0.72** | **0.65** |
| | | | | | | | | |
| **Return on capital employed, %** | | | | | | | | |
| Operating profit | 33.5 | 68.0 | 85.5 | -40.3 | 16.6 | 152.5 | 98.6 | 59.6 |
| Capital employed, average | 1,990 | 2,207 | 2,523 | 2,497 | 2,430 | 2,455 | 2,375 | 2,442 |
| **Return on capital employed , %** | **6.7** | **12.3** | **13.6** | **-6.4** | **2.7** | **24.8** | **16.6** | **9.3** |
| | | | | | | | | |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Return on capital employed, comparable, %** | | | | | | | | |
| Operating profit, comparable | 32.3 | 79.1 | 98.2 | 63.3 | 28.7 | 84.6 | 102.5 | 81.0 |
| Capital employed, average | 1,990 | 2,207 | 2,523 | 2,497 | 2,430 | 2,455 | 2,375 | 2,442 |
| **Return on capital employed, comparable, %** | **6.5** | **14.3** | **15.6** | **10.1** | **4.7** | **13.8** | **17.3** | **13.3** |
| | | | | | | | | |
| **Return on equity, %** | | | | | | | | |
| Net profit | 28.7 | 53.8 | 68.5 | -37.1 | 17.2 | 132.8 | 74.1 | 44.7 |
| Equity, average | 2,265 | 2,195 | 2,131 | 2,143 | 2,155 | 2,142 | 2,138 | 2,204 |
| **Return on equity, %** | **5.1** | **9.8** | **12.8** | **-6.9** | **3.2** | **24.8** | **13.9** | **8.1** |
| | | | | | | | | |
| **Return on equity, comparable, %** | | | | | | | | |
| Net profit, comparable | 27.3 | 64.0 | 78.4 | 44.9 | 27.4 | 65.2 | 77.9 | 67.0 |
| Equity, average | 2,265 | 2,195 | 2,131 | 2,143 | 2,155 | 2,142 | 2,138 | 2,204 |
| **Return on equity, comparable, %** | **4.8** | **11.7** | **14.7** | **8.4** | **5.1** | **12.2** | **14.6** | **12.2** |
| | | | | | | | | |
| **Equity ratio, %** | | | | | | | | |
| Shareholders' equity | 2,287 | 2,102 | 2,161 | 2,126 | 2,183 | 2,100 | 2,176 | 2,232 |
| Total assets | 4,201 | 4,712 | 4,538 | 4,408 | 4,638 | 4,496 | 4,464 | 4,472 |
| Advances received | 28 | 25 | 26 | 35 | 32 | 27 | 32 | 39 |
| **Equity ratio, %** | **54.8** | **44.8** | **47.9** | **48.6** | **47.4** | **47.0** | **49.1** | **50.4** |

| **K Group's retail and B2B sales, VAT 0% (preliminary data, pro forma*):** | | | | |
|---|---|---|---|---|
| | **1.1.-31.12.2017** | | **1.10.-31.12.2017** | |
| **K Group's retail and B2B sales** | **€ million** | **Change, %** | **€ million** | **Change, %** |
| | | | | |
| **K Group's grocery trade** | | | | |
| K-food stores, Finland | 4,869 | 7.5 | 1,303 | 11.4 |
| K-Citymarket, non-food | 587 | 2.1 | 188 | 4.4 |
| K-Market, own retail trade | 459 | -40.2 | 64 | -64.4 |
| Kespro | 830 | 4.2 | 216 | 7.6 |
| Others | 2 | 64.2 | 1 | 33.1 |
| **Grocery trade, total** | **6,747** | **1.1** | **1,772** | **2.3** |
| | | | | |
| **K Group's building and technical trade** | | | | |
| K-Rauta and Rautia | 1,033 | 2.7 | 234 | 4.1 |
| Rautakesko B2B Service | 248 | 10.0 | 62 | 13.1 |
| Onninen | 829 | 6.3 | 213 | 2.9 |
| Machinery trade, Finland | 95 | -34.0 | 6 | -73.4 |
| Speciality goods trade, Finland | 285 | -1.6 | 84 | 3.9 |
| **Finland, total** | **2,491** | **1.9** | **600** | **1.3** |
| Building and technical trade, other Nordic countries | 1,334 | -4.2 | 320 | -6.1 |
| Building and technical trade, the Baltic | 717 | 5.1 | 176 | 9.6 |

| | | | | |
|---|---|---|---|---|
| countries | | | | |
| Building and technical trade, other countries | 533 | 14.1 | 134 | 9.1 |
| **Building and technical trade, total** | **5,075** | **1.7** | **1,229** | **1.1** |
| | | | | |
| **K Group's car trade** | | | | |
| VV-Autotalot | 439 | 2.5 | 108 | -2.5 |
| VV-Auto, import | 438 | 0.5 | 102 | -6.2 |
| AutoCarrera | 55 | 12.7 | 12 | 12.6 |
| **Car trade, total** | **932** | **2.1** | **222** | **-3.5** |
| | | | | |
| **Finland, total** | **10,170** | **1.4** | **2,594** | **1.6** |
| **Other countries, total** | **2,584** | **1.6** | **629** | **0.9** |
| **Retail and B2B sales, total** | **12,754** | **1.5** | **3,223** | **1.4** |

* The pro forma comparatives have been calculated to illustrate a situation in which the acquisitions of Suomen Lähikauppa, Onninen and AutoCarrera, the divestments of Intersport's Russian business and the Russian grocery trade business completed in 2016, as well as the divestments of the K-maatalous agricultural business and the Asko and Sotka furniture trade completed in 2017 had been completed on 1 January 2016.