

Implementation of IFRS 16 Leases, Kesko Group's restated comparison figures for January-December 2018

IFRS 16 Leases, which took effect on 1 January 2019, addresses the definition, recognition and measurement of lease agreements and other information given in relation to lease agreements in financial statements. According to the standard, the lessee recognises in its balance sheet right-of-use assets and financial liabilities. This release presents Kesko Group's restated comparison figures for January-December 2018, calculated in accordance with the standard that took effect on 1 January 2019.

Kesko Corporation has provided information on the implementation of IFRS 16 Leases in a 19 December 2018 release containing comparison figures for January-September 2018, in the 2018 financial statements release published on 6 February 2019, and in the 2018 financial statements published on 8 March 2019. The Group adopts the standard using a full retrospective method, and the impact on the date of transition (1 January 2018) has been calculated as if the standard had always been in effect. More detailed information on the impact of the standard has been provided in aforementioned releases.

In the consolidated balance sheet of 31 December 2018 drawn in accordance with IFRS 16, right-of-use-assets total €2,062 million, and the corresponding interest-bearing liabilities €2,294 million. The implementation of the standard results in a €96 million increase in the comparable operating profit for continuing operations in January-December 2018, as the operating profit is burdened by depreciation of right-of-use assets instead of rents. The interest costs on interest-bearing liabilities calculated in accordance with the standard are recognised in financial items in the income statement, and these interest expenses amounted to €99 million for 2018. Consequently, the net impact of the implementation of the standard on the Group's profit before taxes was €-2.3 million in 2018. The impact on the January-December comparable earnings per share was €-0.02/share.

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Kesko Corporation

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ATTACHMENTS

Consolidated income statement (€ million), condensed	1-12/2018 reported	Impact of IFRS 16	1-12/2018 restated
Continuing operations			
Net sales	10,383		10,383
Cost of goods sold	-8,990		-8,990
Gross profit	1,393		1,393
Other operating income	790		790
Employee benefit expense	-694		-694
Depreciations and impairment charges	-147	-315	-462
Other operating expenses	-1,034	412	-622
Operating profit	308	96	404
Interest income and other finance income	14		14
Interest expense and other finance costs	-12	-99	-111
Foreign exchange differences	-3		-3
Share of results of associates and joint ventures	-10		-10
Profit before tax	297	-2	295
Income tax	-62	0	-62
Net profit for the period from continuing operations	235	-2	232
Discontinued operations			
Net profit for the period from discontinued operations	-56		-56
Net profit for the period	179	-2	177
Attributable to			
Owners of the parent	160	-2	158
Non-controlling interest	19	-1	18
Earnings per share (€) for profit attributable to owners of the parent			
Basic and diluted, continuing operations	2.18	-0.02	2.16
Basic and diluted, discontinued operations	-0.56		-0.56
Basic and diluted, Group total	1.61	-0.02	1.59
Consolidated statement of comprehensive income (€ million)			
Net profit for the period	179	-2	177
Continuing operations			
Items that will not be reclassified subsequently to profit or loss			
Actuarial gains/losses	-2		-2
Items that may be reclassified subsequently to profit or loss			
Currency translation differences related to a foreign operation	-10	0	-10
Cash flow hedge revaluation	2		2
Other items	0		0
Total other comprehensive income for the period, net of tax, continuing operations	-10	0	-10
Total other comprehensive income for the period, net of tax, discontinued operations	35		35
Total comprehensive income for the period	204	-2	202

Attributable to			
Owners of the parent	186	-2	185
Non-controlling interests	18	-1	17

Consolidated income statement (€ million), condensed	10-12/2018 reported	Impact of IFRS 16	10-12/2018 restated
Continuing operations			
Net sales	2,655		2,655
Cost of goods sold	-2,272		-2,272
Gross profit	383		383
Other operating income	207		207
Employee benefit expense	-188		-188
Depreciations and impairment charges	-41	-84	-124
Other operating expenses	-282	108	-174
Operating profit	80	24	104
Interest income and other finance income	4		4
Interest expense and other finance costs	-3	-23	-26
Foreign exchange differences	-1		-1
Share of results of associates and joint ventures	-7		-7
Profit before tax	73	1	74
Income tax	-15	-1	-16
Net profit for the period from continuing operations	58	0	58
Discontinued operations			
Net profit for the period from discontinued operations	-2		-2
Net profit for the period	56	0	56
Attributable to			
Owners of the parent	52	0	52
Non-controlling interest	4	0	4
Earnings per share (€) for profit attributable to owners of the parent			
Basic and diluted, continuing operations	0.54	0.00	0.55
Basic and diluted, discontinued operations	-0.02		-0.02
Basic and diluted, Group total	0.52	0.00	0.53
Consolidated statement of comprehensive income (€ million)			
Net profit for the period	56	0	56
Continuing operations			
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			
Currency translation differences related to a foreign operation	-9	0	-9
Cash flow hedge revaluation	1		1
Other items	-		-
Total other comprehensive income for the period, net of tax, continuing operations	-22	0	-22

Total other comprehensive income for the period, net of tax, discontinued operations	0		0
Total comprehensive income for the period	34	0	34
Attributable to			
Owners of the parent	30	0	31
Non-controlling interests	4	0	4

Consolidated statement of financial position (€ million), condensed	31.12.2018 reported	Impact of IFRS 16	31.12.2018 restated
ASSETS			
Non-current assets			
Tangible assets	1,191		1,191
Intangible assets	492		492
Right-of use assets*	5	2,057	2,062
Shares in associates and joint ventures and other financial assets	144		144
Loans and receivables	71	3	74
Pension assets	148		148
Total	2,052	2,060	4,112
Current assets			
Inventories	913		913
Trade receivables	820		820
Other receivables	197		197
Financial assets at fair value through profit or loss	51		51
Financial assets at amortised cost	59		59
Cash and cash equivalents	139		139
Total	2,180		2,180
Non-current assets classified as held for sale	71	4	76
Total assets	4,303	2,064	6,367
EQUITY AND LIABILITIES			
Equity	2,085	-171	1,914
Non-controlling interests	113	-6	107
Total equity	2,198	-177	2,021
Non-current liabilities			
Interest-bearing liabilities	175		175
Lease liabilities*	3	1,980	1,983
Non-interest-bearing liabilities	29		29
Deferred tax liabilities	45	-40	5
Pension obligations	0		0
Provisions	27	-3	24
Total	280	1,937	2,216
Current liabilities			
Interest-bearing liabilities	231		231
Lease liabilities*	2	309	312

Trade payables	983		983
Other non-interest-bearing liabilities	568	1	569
Provisions	25	-6	19
Total	1,810	305	2,114
Liabilities related to non-current assets held for sale	15		15
Total equity and liabilities	4,303	2,064	6,367

* Tangible assets and corresponding liabilities that were previously categorised as finance lease assets and liabilities have been moved to the lines "Right-of use assets" and "Lease liabilities" in the "31.12.2018 reported" column.

Consolidated statement of cash flows (€ million), condensed			
	1-12/2018 reported	Impact of IFRS 16	1-12/2018 restated
Net cash from operating activities, total	414	311	725
Net cash used in investing activities, total	-209	-	-209
Net cash used in financing activities, total	-234	-311	-546
Change in cash and cash equivalents	-30	0	-30

Group's performance indicators	10-12/2018 reported	10-12/2018 restated	1-12/2018 reported	1-12/2018 restated
EBITDA, comparable, € million*	129.0	232.1	472.4	875.8
Operating profit, € million*	79.8	103.8	307.9	404.3
Operating profit, comparable, € million*	90.5	114.5	332.2	428.5
Operating margin, comparable, %*	3.4	4.3	3.2	4.1
Finance income/costs, € million*	0.0	-23.1	-1.1	-99.7
Profit before tax, € million*	72.6	73.6	296.8	294.5
Profit before tax, comparable, € million*	89.8	90.8	327.5	325.2
Return on capital employed, %*	13.0	9.2	12.9	9.2
Return on capital employed, comparable, %*	14.7	10.2	14.0	9.8
Return on equity, %	10.2	11.2	8.1	8.7
Return on equity, comparable, %	13.3	14.5	11.7	12.5
Equity ratio, %	51.4	31.9	51.4	31.9
Gearing, %	7.4	121.3	7.4	121.3
Interest-bearing net debt, € million	162	2,451	162	2,451
Earnings per share, basic and diluted, €				
Continuing operations	0.54	0.55	2.18	2.16
Discontinued operations	-0.02	-0.02	-0.56	-0.56
Group total	0.52	0.53	1.61	1.59
Earnings per share, comparable, basic, €				
Continuing operations	0.70	0.70	2.47	2.45

*Continuing operations

Segment information, continuing operations

Operating profit by segment, (€ million)	10-12/2018	1-12/2018
Grocery trade		
Reported	69.9	219.3
Impact of IFRS 16 on leases and depreciations	16.8	66.6
Restated	86.7	285.9
Building and technical trade		
Reported	13.5	84.9
Impact of IFRS 16 on leases and depreciations	6.9	28.4
Restated	20.4	113.3
Car trade		
Reported	6.8	34.4
Impact of IFRS 16 on leases and depreciations	0.2	0.7
Restated	7.0	35.1
Common functions and eliminations		
Reported	-10.5	-30.6
Impact of IFRS 16 on leases and depreciations	0.2	0.7
Restated	-10.3	-30.0
Continuing operations, total		
Reported	79.8	307.9
Impact of IFRS 16 on leases and depreciations	24.0	96.4
Restated	103.8	404.3

Operating profit by segment, comparable, (€ million)	10-12/2018	1-12/2018
Grocery trade		
Reported	71.8	228.0
Impact of IFRS 16 on leases and depreciations	16.8	66.6
Restated	88.6	294.5
Building and technical trade		
Reported	21.3	98.4
Impact of IFRS 16 on leases and depreciations	6.9	28.4
Restated	28.3	126.8
Car trade		
Reported	7.0	34.5
Impact of IFRS 16 on leases and depreciations	0.2	0.7
Restated	7.2	35.2
Common functions and eliminations		
Reported	-9.6	-28.7
Impact of IFRS 16 on leases and depreciations	0.2	0.7
Restated	-9.5	-28.1
Continuing operations, total		
Reported	90.5	332.2
Impact of IFRS 16 on leases and depreciations	24.0	96.4
Restated	114.5	428.5

Operating margin by segment, comparable (%)	10-12/2018	1-12/2018
Grocery trade		
Reported	5.0	4.2

Restated	6.2	5.5
Building and technical trade		
Reported	2.1	2.4
Restated	2.7	3.1
Car trade		
Reported	3.7	3.9
Restated	3.8	3.9
Continuing operations, total		
Reported	3.4	3.2
Restated	4.3	4.1

EBITDA by segment, comparable, (€ million)	10-12/2018	1-12/2018
Grocery trade		
Reported	90.0	294.5
Impact of IFRS 16 on leases	66.4	263.4
Restated	156.5	557.9
Building and technical trade		
Reported	30.4	133.5
Impact of IFRS 16 on leases	35.0	133.5
Restated	65.5	267.0
Car trade		
Reported	10.7	46.7
Impact of IFRS 16 on leases	1.0	3.9
Restated	11.7	50.6
Common functions and eliminations		
Reported	-2.1	-2.4
Impact of IFRS 16 on leases	0.7	2.7
Restated	-1.5	0.2
Continuing operations, total		
Reported	129.0	472.4
Impact of IFRS 16 on leases	103.1	403.4
Restated	232.1	875.8

Capital employed by segment, cumulative average, (€ million)	10-12/2018	1-12/2018
Grocery trade		
Reported	901	908
Restated	2,228	2,243
Building and technical trade		
Reported	1,033	951
Restated	1,726	1,611
Car trade		
Reported	162	163
Restated	168	170
Common functions and eliminations		
Reported	365	356
Restated	368	359
Continuing operations, total		

Reported	2,462	2,378
Restated	4,490	4,384

Return on capital employed by segment, comparable (%)	1-12/2018
Grocery trade	
Reported	25.1
Restated	13.1
Building and technical trade	
Reported	10.3
Restated	7.9
Car trade	
Reported	21.2
Restated	20.8
Continuing operations, total	
Reported	14.0
Restated	9.8

Reconciliation of restated performance indicators to restated IFRS financial statements

€ million	10-12/2018	1-12/2018
Continuing operations		
Items affecting comparability		
Gains on disposal	0.0	6.7
Losses on disposal	-	-0.1
Impairment charges	-2.2	-5.6
Structural arrangements	-8.5	-25.3
Items in operating profit affecting comparability	-10.7	-24.2
Items in financial items affecting comparability	-6.5	-6.5
Items in income taxes affecting comparability	1.8	4.5
Items in net profit attributable to non-controlling interests affecting comparability	-	-3.2
Total items affecting comparability	-15.4	-29.4
Items in EBITDA affecting comparability	-4.0	-9.2
Operating profit, comparable		
Operating profit	103.8	404.3
Net of		
Items in operating profit affecting comparability	-10.7	-24.2
Operating profit, comparable	114.5	428.5

EBITDA		
Operating profit	103.8	404.3
Plus		
Depreciation and impairment charges	124.3	462.3
EBITDA	228.1	866.6
EBITDA, comparable		
EBITDA	228.1	866.6
Net of		
Items in EBITDA affecting comparability	-4.0	-9.2
EBITDA, comparable	232.1	875.8
Profit before tax, comparable		
Profit before tax	73.6	294.5
Net of		
Items in operating profit affecting comparability	-10.7	-24.2
Items in financial items affecting comparability	-6.5	-6.5
Profit before tax, comparable	90.8	325.2
Net profit, comparable		
Profit before tax, comparable	90.8	325.2
Net of		
Income tax	15.5	62.1
Items in income tax affecting comparability	1.8	4.5
Net profit, comparable	73.4	258.7
Net profit attributable to owners of the parent, comparable		
Net profit, comparable	73.4	258.7
Net of		
Net profit attributable to non-controlling interests	3.9	18.5
Items in net profit attributable to non-controlling interests affecting comparability	-	-3.2
Net profit attributable to owners of the parent, comparable	69.5	243.4
Earnings per share, comparable, €		
Net profit attributable to the owners of the parent, comparable	69.5	243.4
Average number of shares, basic, 1,000 pcs	99,182	99,182
Earnings per share, comparable, €	0.70	2.45
Group		
Equity ratio, %		
Shareholders' equity	2,021	2,021
Total assets	6,367	6,367
Advances received	26	26
Equity ratio, %	31.9	31.9

Return on capital employed, comparable, %		1-12/2018
Continuing operations		
Operating profit, comparable		428.5
Capital employed, average		4,384
Return on capital employed, comparable, %		9.8