Q1/2018

Kesko Corporation
Interim report

January-March 2018

KESKO CORPORATION INTERIM REPORT 25.4.2018 AT 9.00

Kesko's interim report for the period 1 January to 31 March 2018: Kesko's net sales grew in comparable terms and profitability improved

FINANCIAL PERFORMANCE IN BRIEF, CONTINUING OPERATIONS:

- The Group's net sales in January-March totalled €2,413 million (€2,558 million), an increase of 3.4% in comparable terms
- Comparable operating profit was €40.0 million (€31.5 million)
- Operating profit was €36.6 million (€19.4 million).
- Comparable return on capital employed was 13.5% (12.3%) (rolling 12 months)
- Comparable profit before tax was €39.9 million (€36.3 million)
- Comparable earnings per share were €0.35 (€0.31)
- In comparable terms, the net sales for continuing operations for the next 12 months are expected to exceed the level of the previous 12 months. Due to divestments and restructuring, net sales for Kesko Group's continuing operations for the next 12 months are expected to fall below the level of the previous 12 months. The comparable operating profit for continuing operations 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. It should also be noted that the operating profit for the comparison period includes €5.8 million in operating profit from divestments and most of the synergies obtained from the acquisition of Suomen Lähikauppa.

KEY PERFORMANCE INDICATORS

	1-3/2018	1-3/2017
Continuing operations		
Net sales, € million	2,413	2,558
Operating profit, comparable, € million	40.0	31.5
Operating margin, comparable, %	1.7	1.2
Operating profit, € million	36.6	19.4
Profit before tax, comparable, € million	39.9	36.3
Profit before tax, € million	36.5	24.3
Cash flow from operating activities, € million	39.3	-47.5
Capital expenditure, € million	54.5	75.8
Return on capital employed, comparable, %, rolling 12 months	13.5	12.3
Group		
Return on equity, comparable, %, rolling 12 months	10.9	9.6
Earnings per share, €, basic and diluted		
Continuing operations	0.32	0.21
Discontinued operations	-0.24	-0.03
Group, total	0.08	0.18

Earnings per share, comparable, €, basic		
Continuing operations	0.35	0.31
	31.3.2018	31.3.2017
Group		
Equity ratio, %	49.3	47.4
Equity per share, €	21.52	20.98

PRESIDENT AND CEO MIKKO HELANDER:

Kesko's net sales grew in comparable terms and profitability improved during the first quarter of the year. The timing of Easter at the end of March and beginning of April meant sales in the grocery trade increased while sales in the building and technical trade decreased.

The grocery trade had an excellent quarter. The strong sales performance was underpinned by the good progress we have made in the strategic redesign of our chain brands and stores. Half of our store network has already been remodelled. Last spring, the work to integrate Suomen Lähikauppa was at its most intensive stage. Now we are successfully approaching the finishing line and by summer the stores will have been transferred to retailers. The synergies related to the acquisition have materialised sooner than anticipated. We are also investing strongly in our next generation online food store, which is to be expanded to cover the whole country. We expect to see significant growth in online food sales in upcoming years.

The operations of the building and technical trade division developed as planned despite challenging weather conditions. The decline in the division's sales and operating profit was affected in particular by the divestments in the speciality goods trade. We continued to focus our operations during the quarter by divesting the Russian building and home improvement trade operations. We were particularly happy with the good performance of K-Rauta and Onninen in Finland. Measures to improve profitability in Sweden continued. In Norway, changes to the store site network resulted in a decrease in sales. We are currently updating our strategy, and the choices we make and their successful execution will enable good value creation potential for upcoming years.

The car trade enjoyed strong sales growth and good profit performance. Our market share rose to 19% as the registrations of Volkswagen, Audi, SEAT and Porsche grew. We are adding new services to the Caara platform, such as the recently launched Caara Leasing for companies and Caara Deal for private customers. Our order books strengthened notably towards the end of the reporting period. We are also preparing for the implementation of the new emissions testing system affecting the whole car industry this autumn.

Thanks to the further improvement of our cash flow, Kesko's financial position is even stronger, which allows us to develop and grow our business going forward.

One of the key areas of corporate responsibility work going forward will be the transparency and reliability of the use of customer data, for which the new EU General Data Protection Regulation (GDPR) sets a framework. We make sure all customer data are safe and used confidentially to meet customer needs.

FINANCIAL PERFORMANCE OF CONTINUING OPERATIONS

Net sales and profit for January-March 2018

The net sales for the Group's continuing operations in January-March 2018 totalled €2,413 million, which is 5.7% down on the corresponding period of the previous year (€2,558 million). The net sales were significantly impacted by the divestments carried out in the first half of 2017. In comparable terms, net sales grew by 3.4% in local currencies, excluding the impact of acquisitions and divestments. The Group's net sales decreased by 5.2% in Finland, or grew by 5.0% in comparable terms. In other countries, net sales decreased by 7.8%, or 3.2% in comparable terms. International operations accounted for 17.8% (18.2%) of the Group's net sales.

In the grocery trade, net sales grew by 2.7%, and were negatively affected by the transfers of the stores acquired with Suomen Lähikauppa to retailers and changes in the store site network. In comparable terms, net sales increased by 7.4%. 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 decreased by 18.2%, impacted by the divestments carried out in the first half of 2017. In comparable terms, net sales decreased by 2.4% in local currencies. The performance was impacted by the cold winter weather in Northern Europe and the timing of Easter at the end of March and beginning of April. The comparable change % has been calculated in local currencies and excluding the impact of divestments made during 2017. The net sales for the building and technical trade excluding the speciality goods trade decreased by 4.6%, or 2.3% in comparable terms. In the speciality goods trade, net sales decreased by 67.7% on account of divestments, while in comparable terms net sales decreased by 3.4%.

Net sales for the car trade increased by 5.8% thanks to good market and market share development.

On 16 February 2018, we announced we would be discontinuing our building and home improvement trade operations in Russia. The divested Russian operations are reported as discontinued operations and are not included in the figures for the Group's continuing operations or the figures for the building and technical trade in this interim report. The figures for the comparison period have been adjusted accordingly. 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.

1-3/2018	Net sales, € million	Change, %	Change, comparable, %	Operating profit, comparable, € million	Change, € million
Grocery trade	1,276	+2.7	+7.4	38.7	+12.3
Building and technical trade excl. speciality goods trade	802	-4.6	-2.3	-1.0	-3.8
Speciality goods trade	75	-67.7	-3.4	-1.2	-4.2
Building and technical trade, total	877	-18.2	-2,4	-2.2	-8.0
Car trade	259	+5.8	+5.8	11.0	+0.9
Common functions and eliminations	1	(..)	(..)	-7.4	+3.4
Total	**2,413**	**-5.7**	**+3.4**	**40,0**	**+8.6**

The Group's comparable operating profit for January-March was €40.0 million (€31.5 million). Profitability improved significantly in the grocery trade due to increased sales, successful chain redesigns and realised synergy benefits. In the building and technical trade excluding speciality goods trade, profitability was affected by the decrease in net sales resulting from cold weather in Northern Europe and the timing of Easter. The decrease in the speciality goods trade operating profit was affected by the divestments carried out in 2017. In the car trade, operating profit strengthened compared to the year before.

Operating profit was €36.6 million (€19.4 million). Items affecting comparability totalled €-3.4 million (€-12.1 million). The most significant items affecting comparability were the €3.5 million costs related to structural changes in Onninen's Swedish operations and the €2.0 million gains on the disposal of real estate. The most significant items affecting comparability in 2017 were the €9.4 million costs related to the conversion of Suomen Lähikauppa's chains.

Items affecting comparability, € million	1-3/2018	1-3/2017
Operating profit, comparable	**40.0**	**31.5**
Items affecting comparability		
+gains on disposal	+2.5	+0.3
-losses on disposal	-0.0	-0.4

+/-structural arrangements	-5.8	-12.1
Items affecting comparability, total	-3.4	-12.1
Operating profit	**36.6**	**19.4**

The comparable profit before tax for the Group's continuing operations in January-March was €39.9 million (€36.3 million). The profit before tax for the Group's continuing operations in January-March was €36.5 million (€24.3 million). The earnings per share for the Group's continuing operations were €0.32 (€0.21), and the comparable earnings per share €0.35 (€0.31). The Group's equity per share was €21.52 (€20.98).

In January-March, K Group's (Kesko and the chain stores) retail and B2B sales (VAT 0%) amounted to €2,889 million, up by 1.0% compared to the previous year (pro forma). The K-Plussa customer loyalty programme added 17,291 new households in January-March 2018. At the end of March, there were 2.3 million K-Plussa households and 3.6 million K-Plussa cardholders.

Finance

In January-March, the cash flow from operating activities for continuing operations was €39.3 million (€-47.5 million). Cash flow was strengthened by improved profitability and the €58 million return of surplus assets paid by Kesko Pension Fund in March. The cash flow from operating activities for discontinued operations was €33.5 million (€-9.7 million), which included value added taxes of €26 million related to the disposal of building and home improvement store properties in Russia, to be remitted in the second quarter. The Group's cash flow from operating activities was €72.8 million (€-57.3 million). The Group's cash flow from investing activities was €125.3 million (€-34.5 million). Cash flow from investing activities includes the €171 million acquisition price for the divestment of the properties in Russia.

The Group had liquid assets of €599 million at the end of the reporting period (€365 million). Interest-bearing liabilities at the end of March totalled €540 million (€591 million) and interest-bearing net debt €-59 million (€226 million). The equity ratio was 49.3% (47.4%) at the end of the period.

The net finance income for the Group's continuing operations was €0.0 million (€4.2 million) in January-March.

Taxes

The taxes for the Group's continuing operations were €7.3 million (€4.2 million) in January-March. The effective tax rate was 20.0% (17.4%).

Capital expenditure

The capital expenditure for the Group's continuing operations in January-March totalled €54.5 million (€75.8 million), or 2.3% (3.0%) of net sales. Capital expenditure in store sites was €27.4 million (€51.5 million), in IT €12.6 million (€9.0 million) and other capital expenditure was €14.5 million (€15.3 million).

Personnel

In January-March, the average number of personnel in Kesko Group was 20,228 (22,651) converted into full-time employees.

At the end of March 2018, the number of personnel was 23,729 (27,356), of whom 11,802 (14,460) worked in Finland and 11,927 (12,896) outside Finland.

DISCONTINUED OPERATIONS

In February 2018, Kesko Corporation agreed to sell 12 K-Rauta properties in the St. Petersburg and Moscow regions to the Russian division of the French Leroy Merlin. The business operations conducted in the properties and stocks are not included within the scope of the transaction; instead, the operations will be discontinued during spring 2018. The ownership of the properties will transfer to the buyer during the second quarter of 2018. The operations of two K-Rauta properties in the Moscow region not included in the transaction will be discontinued during the second quarter of 2018.

The divestment of the properties resulted in a positive cash flow of €171 million for Kesko Corporation in February. By 31 March 2018, business operations had been discontinued in most of the divested properties, which will be handed over to the buyer in the second quarter. The operative result after taxes for the operations was €-1.8 million in the first quarter. In addition, in the first quarter a cost of €18.6 million related to the discontinuation of operations was recorded as were translation differences of €-3.0 million related to the equity financing of Russian subsidiaries. The divestment of the properties is estimated to result in a sales gain of approximately €10 million, realised in the second quarter of the year. Moreover, as a result of the discontinuation of Kesko's building and home improvement trade operations in Russia, negative exchange differences of approximately €35 million included in equity in the consolidated statement of financial position are estimated to be recorded as expenses under discontinued operations in the consolidated financial statement in the second quarter.

The divested Russian operations are reported as discontinued operations and are not included in the figures for the Group's continuing operations or the figures for the building and technical trade in this interim report. The comparison data for the 2017 income statement, statement of cash flows and certain performance indicators have been adjusted. In 2017, Kesko's building and home improvement trade operations in Russia recorded net sales of €184 million and a comparable operating profit of €0.6 million.

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 strongest, whereas the impact of the first quarter on the full year profit is 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 for the first quarter.

Grocery trade

	1-3/2018	1-3/2017
Net sales, € million	1,276	1,243
Operating profit, comparable, € million	38.7	26.4
Operating margin, comparable, %	3.0	2.1
Return on capital employed, comparable, %, rolling 12 months	25.9	20.7
Capital expenditure, € million	28.7	53.3
Personnel, average	5,990	7,161

Net sales, € million	1-3/2018	1-3/2017	Change, %
Sales to K-food stores			
K-Citymarket, food	271	245	+10.6
K-Supermarket	328	297	+10.5
K-Market*	315	351	-10.3
K-Citymarket, non-food	127	127	+0.2
Kespro	203	191	+6.3
Others	33	33	+0.0
Total	**1,276**	**1,243**	**+2.7**

*Also includes Kesko's own retailing, 78 stores on 31 March 2018 (431), comparable change in total net sales attributable to K-Market +5.7%.

<u>January-March 2018</u>

Net sales for the grocery trade in January-March amounted to €1,276 million (€1,243 million), an increase of 2.7%. In comparable terms, net sales increased by 7.4%. Net sales development in the K-Market chain was affected by changes in Suomen Lähikauppa's store site network and the transfer of stores to retailers. 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.

The total grocery market in Finland (incl. VAT) is estimated to have grown by approximately 5.5% in January-March (Kesko's own estimate) and retail prices are estimated to have risen by 2.8%, impacted in particular by the increases in tobacco and alcohol taxes at the start of 2018 (incl. VAT, Kesko's own estimate based on the Consumer Price Index of Statistics Finland). K Group's grocery sales grew by 5.1% (incl. VAT), and excluding the impact of of the acquisition of Suomen Lähikauppa by 7.2% (incl. VAT).

The comparable operating profit for the grocery trade in January-March was €38.7 million (€26.4 million), up by €12.3 million. Profitability in the grocery trade improved significantly due to good sales development, successful chain redesigns, and realised synergy benefits. Kespro's sales also grew and profitability improved. The effect of Suomen Lähikauppa on the comparable operating profit in January-March was €+2.2 million (€-6.7 million). The profitability of the stores acquired from Suomen Lähikauppa in 2016 improved significantly following their conversion into K-Markets and transfer to retailers and the adjustments made to the store site network. By the end of March, 311 stores had been transferred to retailers. The transfer of the stores to retailers will be completed by the end of the first half of 2018.

Operating profit for the grocery trade was €37.6 million (€16.7 million). Items affecting comparability amounted to €-1.2 million (€-9.7 million), and they were mainly related to the restructuring of Suomen Lähikauppa, €-1.1 million (€-9.4 million).

Capital expenditure for the grocery trade in January-March was €28.7 million (€53.3 million), of which €24.9 million (€46.5 million) was in store sites.

Three new K-Supermarkets (one replacement new building) and two new K-Markets opened in January-March. Remodelling and extensions were made in a total of 34 stores.

The most significant store sites under construction are K-Supermarkets in Turku, three locations in Helsinki (Kalasatama, Laajasalo and Pasila), Tampere, Nurmijärvi, Kerava and Kauniainen.

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

Store numbers at 31.3.	2018	2017
K-Citymarket	81	80
K-Supermarket	238	227
K-Market*	803	898
Neste K	71	69
Others	82	90

* The total number of Suomen Lähikauppa's stores was 389 (481)
In addition, several K-food stores offer e-commerce services to their customers.

Building and technical trade

	1-3/2018	1-3/2017
Net sales, € million	**877**	**1,073**
Building and technical trade excl. speciality goods trade	802	841
Speciality goods trade	75	232
Operating profit, comparable, € million	**-2.2**	**5.8**
Building and technical trade excl. speciality goods trade	-1.0	2.8
Speciality goods trade	-1.2	3.0
Operating margin, comparable, %	**-0.3**	**0.5**
Building and technical trade excl. speciality goods trade	-0.1	0.3
Speciality goods trade	-1.6	1.3
Return on capital employed, comparable, %, rolling 12 months	9.6	11.5
Capital expenditure, € million	6.2	11.1
Personnel, average	11,041	12,184

Net sales, € million	1-3/2018	1-3/2017	Change, %
Building and home improvement trade, Finland	210	218	-4.1
K-Rauta, Sweden	35	43	-19.7
Byggmakker, Norway	75	100	-25.5
Kesko Senukai, the Baltics	111	98	+13.5
OMA, Belarus	23	25	-4.6
Onninen, Finland	189	182	+4.0
Onninen, Sweden	38	50	-24.3
Onninen, Norway	63	71	-11.3
Onninen, Baltics	16	15	+11.8
Onninen, Poland	51	44	+16.3
Building and technical trade excl. speciality goods trade, total	**802**	**841**	**-4.6**
Leisure trade, Finland	50	51	-3.3
Machinery trade	25	33	-24.4
K-maatalous, Indoor Group Oy and Yamaha and Yamarin	-	148	-
Speciality goods trade, total	**75**	**232**	**-67.7**
Total	**877**	**1,073**	**-18.2**

<u>January-March 2018</u>
Net sales for the building and technical trade in January-March totalled €877 million (€1,073 million), down by 18.2%. The net sales were impacted by the divestments carried out in the first half of 2017. In comparable terms, net sales decreased by 2.4% in local currencies, impacted by the cold winter weather in Northern Europe and the timing of Easter at the end of March and beginning of April. The comparable change % has been calculated in local currencies and excluding the impact of the divestments made during 2017. On 16 February 2018, we announced we would be discontinuing our building and home improvement trade operations in Russia. The divested Russian operations are reported as discontinued operations and are not included in the figures for the Group's continuing operations or the figures for the building and technical trade in this interim report. The figures for the comparison period have been adjusted accordingly.

In Finland, net sales for the building and technical trade in January-March totalled €447 million (€606 million), down by 26.3%. In comparable terms, net sales decreased by 1.6% in Finland. The net sales from foreign operations in January-March totalled €430 million (€467 million), down by 7.8%. In comparable terms, net sales from foreign operations fell by 3.2%. Foreign operations contributed 49.1% (43.5%) of the net sales for the building and technical trade.

Net sales for the building and technical trade excluding the speciality goods trade operations totalled €802 million (€841 million) in January-March, a decrease of 4.6%. In comparable terms, net sales decreased by 2.3%, impacted by the cold winter weather in Northern Europe and the timing of Easter at the end of March and beginning of April.

Net sales for the building and home improvement trade in January-March were €452 million (€483 million), a decrease of 6.4%. In local currencies, net sales decreased by 4.0%. Net sales decreased in local currency in Norway by 20.2% and in Sweden by 15.8%. In Sweden, the decrease in net sales was impacted by closures of K-Rauta stores due to the ending of lease agreements, while in Norway, the decline was impacted by the expiry of one retailer agreement. In Belarus, net sales grew in local currency by 13.6%. Onninen's net sales in January-March totalled €357 million (€363 million), down by 1.7%. Net sales decreased in local currency in Sweden by 20.6% and in Norway by 4.9%. The decrease in net sales in Sweden was impacted by the closure of four store sites during the reporting period. In Poland, net sales grew in local currency by 12.5%.

The market share of K Group's building and technical trade is estimated to have strengthened in Finland. K Group's building and technical trade sales in Finland increased by 1.4% and the total market (VAT 0%) is estimated to have increased by about 0.3% (Kesko's own estimate).

Net sales for the speciality goods trade in January-March totalled €75 million (€232 million), down by 67.7%. The decrease was affected by the divestments carried out in 2017. The comparable change was -3.4%. Net sales for the machinery trade in January-March amounted to €25 million (€33 million), a decrease of 24.4% from the previous year. Net sales for the machinery trade in Finland totalled €5 million, down by 66.4%. Net sales from foreign operations totalled €21 million, up by 6.0%. Net sales for the leisure trade were €50 million (€51 million), down by 3.3%. The net sales for the Asko and Sotka furniture trade, K-maatalous agricultural business, Yamarin boat business and Yamaha representation, all divested in June 2017, totalled €148 million in the comparison period.

The comparable operating profit for the building and technical trade in January-March was €-2.2 million (€5.8 million), representing a decrease of €8.0 million compared to the year before, impacted primarily by the decrease of €4.2 million in the operating profit for the speciality goods trade following divestments. The comparable operating profit for the building and technical trade excluding the speciality goods trade operations totalled €-1.0 million (€2.8 million), a decrease of €3.8 million. Profitability was affected by the decrease in net sales resulting from cold weather in Northern Europe and the timing of Easter. The timing of Easter and the number of selling days had a €-2.6 million impact on the comparable operating profit. Profitability was also weakened by losses in the Swedish operations and changes to Kesko Senukai's store site network. The impact of the Baltic real estate divested in May 2017 on Kesko Senukai's comparable operating profit was €-1.0 million. Onninen's comparable operating profit in January-March totalled €4.3 million (€2.5 million). The comparable operating profit for the speciality goods trade was €-1.2 million (€3.0 million), down by €4.2 million. The operating profit for the Asko and Sotka furniture trade, the K-maatalous agricultural business and the Yamarin boat business and Yamaha representation, all divested in June 2017, totalled €3.6 million in the comparison period.

Operating profit for the building and technical trade totalled €-4.2 million (€4.0 million). Items affecting comparability totalled €-2.0 million (€-1.8 million). The most significant items affecting comparability were the €3.5 million costs related to structural changes in Onninen's Swedish operations and the €2.0 million gains on the disposal of real estate. The most significant items affecting comparability the year before were costs of €1.8 million related to the structural changes in the Swedish business operations.

In January-March, the capital expenditure for the building and technical trade totalled €6.2 million (€11.1 million), of which €2.3 million (€4.8 million) was in store sites.

During the period, one K-Rauta opened in Finland in Lapua and one Onninen Express on the same premises as K-Rauta in Skanssi, Turku, Finland. Two other Onninen Express stores opened in Finland, one in Mäntsälä and one in Kalasatama, Helsinki.

The most important store sites under construction are a joint K-Rauta and Onninen 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 four Onninen Express stores in Finland and one Onninen Express store in Poland.

Store numbers at 31.3.	2018	2017
Building and technical trade		
K-Rauta, Finland	137	139
K-Rauta, Sweden	17	19
Byggmakker, Norway	65	82
K-Rauta, Estonia	8	8
K-Senukai, Latvia	9	8
K-Senukai, Lithuania	22	22
OMA, Belarus	17	16
Onninen, Finland	55	50
Onninen, Sweden	14	17
Onninen, Norway	25	26
Onninen, Baltics	15	15
Onninen, Poland	35	36
Speciality goods trade		
Intersport, Finland	56	58
Budget Sport	11	11
The Athlete's Foot	7	4
Kookenkä	36	38

In addition, building and technical trade stores offer e-commerce services to their customers.
Two Onninen stores in Finland and one Onninen store in Sweden operate in the same store premises with K-Rauta.

Car trade

	1-3/2018	1-3/2017
Net sales, € million	259	245
Operating profit, comparable, € million	11.0	10.0
Operating margin, comparable, %	4.2	4.1
Return on capital employed, comparable, %, rolling 12 months	21.3	23.3
Capital expenditure, € million	8.7	3.6
Personnel, average	804	792

Net sales, € million	1-3/2018	1-3/2017	Change, %
VV-Auto	243	232	+4.6
AutoCarrera	16	13	+27.9
Total	**259**	**245**	**+5.8**

January-March 2018

Net sales for the car trade in January-March amounted to €259 million (€245 million), an increase of 5.8%. The combined market performance of first registrations of passenger cars and vans was +3.3% (+2.8%) in January-March. The combined market share of the Volkswagen, Audi, SEAT and Porsche passenger cars and vans imported by the car trade grew to 19.0% (17.8%) in January-March.

Profitability in the car trade continued to improve thanks to good sales performance. The comparable operating profit for the car trade in January-March was €11.0 million (€10.0 million), up by €0.9 million. The comparable operating profit for AutoCarrera was €1.4 million (€0.1 million). Operating profit for the car trade in January-March totalled €11.0 million (€10.0 million).

The order book for new cars at the end of the reporting period was up by 21.4%.

Capital expenditure for the car trade in January-March was €8.7 million (€3.6 million).

Store numbers at 31.3.	2018	2017
VV-Auto, retail trade	13	10
AutoCarrera	3	3

Shares, securities market and Board authorisations

At the end of March 2018, 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. On 31 March 2018, Kesko Corporation held 499,435 of its own B shares as treasury shares. These treasury shares accounted for 0.73% of the number of B shares, 0.50% of the total number of shares, and 0.13% of votes attached to all shares in 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 March 2018, Kesko Corporation's share capital was €197,282,584.

The price of a Kesko A share quoted on Nasdaq Helsinki was €44.10 at the end of 2017, and €45.60 at the end of March 2018, representing an increase of 3%. Correspondingly, the price of a B share was €45.25 at the end of 2017, and €46.56 at the end of March 2018, representing an increase of 3%. In January-March, the highest A share price was €47.80 and the lowest €43.70. The highest B share price was €49.65 and the lowest €44.88. The Nasdaq Helsinki All-Share index (OMX Helsinki) was up by 1.3% and the weighted OMX Helsinki Cap index by 1.2% in January-March. The Retail Sector Index was up by 0.9%.

At the end of March 2018, the market capitalisation of A shares was €1,447 million, while that of B shares was €3,156 million, excluding the shares held by the parent company as treasury shares. The combined market capitalisation of A and B shares was €4,603 million, an increase of €138 million from the end of 2017.

In January-March 2018, a total of 0.3 million A shares were traded on Nasdaq Helsinki. The exchange value of the A shares was €13.6 million. Meanwhile, 15.5 million B shares were traded, and the exchange value of the B shares was €733.2 million. Nasdaq Helsinki accounted for approximately 50% of the trading of Kesko’s A and B shares in January-March 2018. Kesko shares were also traded on multilateral trading facilities, the most significant of which was the Cboe APA (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 (2016 Share issue authorisation). On 1 February 2018, the Board decided to grant own B shares held by the Company as treasury shares to persons included in the target group for Kesko’s transitional share-based incentive plan (Bridge Plan) based on this share issue authorisation and the fulfilment of the Bridge Plan performance criteria. This transfer of a total of 66,003 own B shares was communicated in stock exchange releases on 15 March 2018 and 5 April 2018.

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 this plan is 340,000 shares. This number of shares represents gross earnings, from which the applicable withholding tax is deducted and the remaining net amount is paid to the participants in shares. The new share-based compensation scheme was communicated in a stock exchange release on 2 February 2017, and the realisation of the Bridge Plan in a stock exchange release on 1 February 2018.

The Board of Directors of Kesko Corporation decided on 20 March 2018 to initiate a performance share plan (PSP) for 2018-2021. The Board of Directors also decided that the target group for the plan will comprise 130 members of Kesko’s management and other specified key persons. The Board of Directors decided to set the development of Kesko Group's sales excluding VAT (%), Kesko Group's comparable return on capital employed (ROCE,%) and the absolute total shareholder return (TSR, %) of a Kesko B share as the performance criteria for the 2018 calendar year, matching the 2017 criteria. The performance criteria concern the performance year 2018 of the PSP 2017-2020 and PSP 2018-2021. A maximum total of 340,000 Kesko B shares may be granted in relation to the PSP 2018-2021. This number of shares represents gross earnings, from which the applicable withholding tax is deducted and the remaining net amount is paid to the participants in shares. Kesko Corporation's Board of Directors also decided on initiating an RSP (Restricted Share Pool) plan for 2018–2020. The plan includes a three-year commitment period, after which the potentially granted share awards for an individual plan will be paid to the participants in Kesko B shares, provided that their employment or service relationships with Kesko Group continue until the payment of the awards. The purpose of the restricted share plan is to serve as a complementary long-term share plan to be used as a commitment instrument for selected key persons in special situations. In addition to the above employment precondition, Kesko may set participant specific or company specific criteria, the fulfilment of which is a precondition for the payment of restricted share awards. The total maximum amount of share awards payable under the RSP 2018–2020 is 20,000 Kesko B shares. This number of shares represents gross earnings, from which the applicable withholding tax is deducted and the remaining net amount is paid to the participants in shares. Any potential share awards from the RSP beginning in 2018 will be paid out in the spring of 2021. The PSP 2018-2021 and RSP 2018-2020 share plans were communicated in a stock exchange release on 21 March 2018.

In January-March, a total of 1,950 shares granted based on the fulfilment of the performance criteria of the share-based compensation plan in force in 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 a stock exchange release on 28 February 2018. The share-based compensation plan in force in 2014-2016 was announced in a stock exchange release on 4 February 2014.

Kesko's Board of Directors holds a valid authorisation granted 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 (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’s 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 issued 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.

The Annual General Meeting of 11 April 2018 approved the Board's proposal for its authorisation to decide on the acquisition of a maximum of 1,000,000 of the Company’s own B shares (2018 Authorisation to acquire own shares). The B shares will be 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 time 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. The B shares will be 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 for management and other personnel. The Board will make decisions concerning any other issues related to the acquisition of B shares. The authorisation is valid until 30 September 2019.

Kesko's Annual General Meeting of 11 April 2018 also approved the Board's proposal for its authorisation to decide on the issuance of a maximum of 10,000,000 new B shares (2018 Share issue authorisation). The new shares can only be issued against payment. The new shares can be issued for subscription by shareholders in a directed issue in proportion to their existing holdings of the Company's 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 Board of Directors will decide the subscription price for the issued shares. The Board will also have the right to issue shares for a non-cash consideration. The subscription price is recognised in the reserve of invested non-restricted equity.

The Board will make decisions regarding any other matters related to the share issues. The authorisation will be valid until 30 June 2021, and it cancelled the authorisation given to the Board by the General Meeting of 13 April 2015 to issue a total maximum of 20,000,000 new B shares, which the Board did not use.

At the end of March 2018, the number of shareholders was 41,842, which is 480 less than at the end of 2017. At the end of March, foreign ownership of all shares was 32.0%. Foreign ownership of B shares was 45.8% at the end of March.

Flagging notifications

There were no flagging notifications during the reporting period.

Key events during the reporting period

Kesko announced it will discontinue its building and home improvement trade operations in Russia and sell 12 building and home improvement store properties in Russia to Leroy Merlin Vostok LLC, a Russian division of the French Leroy Merlin. Leroy Merlin is the biggest building and home improvement store chain in Russia. The transaction price, paid in cash, is approximately RUB 12 billion (approximately €169 million). The ownership of the properties will transfer to the buyer during the first half of 2018. The operations of two K-Rauta properties in the Moscow region not included in the transaction will be discontinued during the first half of 2018. (Stock exchange release on 16 February 2018)

Kesko Corporation's Board of Directors decided that the target group for the 2018–2019 performance period of Kesko's performance and share based commitment and incentive plan will comprise approximately 130 members of Kesko's management and other specified key persons. The Board also confirmed the criteria for 2018 for both the 2017–2020 plan initiated in 2017 and the 2018–2021 plan. The Board also decided to initiate a restricted share-based commitment and incentive plan for 2018–2020. (Stock exchange release on 21 March 2018)

In the first interim report for 2018, the discontinuation of the building and home improvement trade operations in Russia is presented as discontinued operations in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. The standard requires comparison data to be adjusted, thus prompting changes in the presentation of data for 2017. The 2017 comparison figures for key continuing operations segment data were disclosed in a release. (Stock exchange release on 23 March 2018)

Resolutions of the 2018 Annual General Meeting and decisions of the Board's organisational meeting

Kesko Corporation's Annual General Meeting held on 11 April 2018 adopted the financial statements and consolidated financial statements for 2017 and discharged the Board members and the Managing Director from liability. The General Meeting also resolved to distribute, in accordance with the Board's proposal, €2.20 per share as dividends, or a total of €218,945,469.60. The dividend pay date was 20 April 2018.

The General Meeting resolved that the number of Board members is seven (7). The General Meeting resolved to elect Jannica Fagerholm, Master of Science (Economics), Peter Fagernäs, Master of Laws (new member), Piia Karhu, Doctor of Science (Economics and Business Administration) (new member), retailer Esa Kiiskinen, Business College Graduate, Matti Kyytsönen, Master of Science (Economics), retailer Matti Naumanen, and retailer Toni Pokela, eMBA, as Board members for a term of three years ending at the close of the 2021 Annual General Meeting, as provided in the Articles of Association. The General Meeting resolved to change the remuneration structure of Board members so that a portion of the remuneration is paid as shares in the Company. The purpose of the change is to commit the Board members to the long-term development of the Company.

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.

The General Meeting approved the Board's proposals for its authorisation to decide on the acquisition of a maximum of 1,000,000 of the Company's own B shares and for its authorisation to decide on the issuance of a maximum of 10,000,000 new B shares.

The General Meeting also approved the Board's proposal to authorise the Board to decide on the donations in a total maximum of €300,000 for charitable or corresponding purposes until the Annual General Meeting to be held in 2019, 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 retailer Esa Kiiskinen (Business College Graduate) as Chairman of the Board and Peter Fagernäs (Master of Laws) as Deputy Chairman. Jannica Fagerholm (M.Sc. Econ.) was elected as Chairman of the Board's Audit Committee, Matti Kyytsönen (M.Sc. Econ.) as Deputy Chairman, and Piia Karhu (Doctor of Science, Economics and Business Administration) as a Committee member. Esa Kiiskinen was elected as Chairman of the Board's Remuneration Committee, Peter Fagernäs as Deputy Chairman, and Matti Kyytsönen as a Committee member.

The resolutions of the Annual General Meeting and the decisions of the Board's organisational meeting were communicated in more detail in a stock exchange release on 11 April 2018.

Sustainability

In January 2018, Kesko was ranked 31st 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.

Kesko's Annual Report 2017 was published on 9 March 2018 at annualreport2017.kesko.fi. The report describes the progress made in Kesko's strategy and sustainability work, providing comprehensive performance indicators. The review of non-financial information is included in the Report by the Board of Directors.

K Group is remitting more than €350,000 in extra support to Finnish food producers as part of its Thank the Producer model. Some 6 million Pirkka Thank the Producer products were sold in K-food stores in 2017.

K Group's successful truck pilot will be extended, with two new HCT trucks taken into use in 2018 to reduce emissions and improve the efficiency for transporting goods.

K Group removed environmentally harmful microbeads from all of its own brand cosmetic products in 2017. Microplastics will be removed from all own brand detergents during 2018.

K Group introduced a new online food store service. The reach of the service will be expanded during spring 2018 with the concentrated K Transport service. In March, Kespro launched K-RuokaPro, the first online wholesale food store in Finland that is open to all.

Risk management

Kesko Group has an established and comprehensive risk management process. Risks and their management responses are regularly assessed within the Group and reported to the Group management and the Audit Committee of Kesko's Board of Directors. Kesko's risk management and risks associated with business operations are described in more detail on Kesko's website in the Corporate Governance section.

The most significant near-future risks in Kesko's business operations are associated with price competition in the Finnish grocery trade, integration and the realisation of synergies in the building and technical trade, the changes caused by digitalisation in the trading sector, and cyber threats. No material change is estimated to have taken place during the first quarter of 2018 in the risks described in Kesko's 2017 Report by the Board of Directors, financial statements and the risks described on Kesko's website. The risks and uncertainties related to economic development are described in the outlook section of this release.

Outlook

Estimates for the outlook for the net sales and comparable operating profit for Kesko Group's continuing operations are given for the 12-month period following the reporting period (4/2018-3/2019) in comparison with the 12 months preceding the end of the reporting period (4/2017-3/2018).

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, the growth in B2B sales is expected to continue stronger than the growth in the retail market. The market is expected to grow in the Nordic and Baltic countries, but at a somewhat slower rate.

In comparable terms, the net sales for continuing operations for the next 12 months are expected to exceed the level of the previous 12 months. Due to divestments and restructuring, net sales for Kesko Group’s continuing operations 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 continuing operations 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. It should also be noted that the operating profit for the comparison period includes €5.8 million in operating profit from divestments and most of the synergies obtained from the acquisition of Suomen Lähikauppa.

Helsinki, 24 April 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 +358 105 322 533, 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 half year financial report for January-June 2018 will be published on 25 July 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.

ATTACHMENTS: TABLES SECTION

DISTRIBUTION
Nasdaq Helsinki Oy
Main news media
www.kesko.fi

TABLES SECTION

Accounting policies

This interim report has been prepared in accordance with IAS 34. The interim report has been prepared in accordance with the same accounting principles as the annual financial statements for 2017, except for the impact of new or amended IFRS effective as of 1 January 2018. As of the start of the financial year, the Group has adopted the new standards IFRS 9 Financial instruments and IFRS 15 Revenue from Contracts with Customers and the amendments to the standard IFRS 2 Share-based Payments. The impact of the changes in standards on the Group's opening balance sheet and the changes to accounting policies have been presented under 'Impact of new and amended standards'.

Consolidated income statement (€ million), condensed				
	1-3/2018	**1-3/2017**	**Change, %**	**1-12/2017**
Continuing operations				
Net sales	2,413	2,558	-5.7	10,492
Cost of goods sold	-2,108	-2,200	-4.2	-9,026
Gross profit	**306**	**359**	**-14.8**	**1,466**
Other operating income	182	159	14.5	787
Employee benefit expense	-168	-195	-13.8	-738
Depreciation and impairment charges	-32	-32	2.2	-130
Other operating expenses	-251	-272	-7.7	-1,046
Operating profit	**37**	**19**	**89.0**	**339**
Interest income and other finance income	3	5	-36.7	18
Interest expense and other finance costs	-3	-3	-11.7	-14
Foreign exchange differences	-1	2	(..)	-2
Share of result of associates and joint ventures	0	1	(..)	2
Profit before tax	**37**	**24**	**50.5**	**342**
Income tax	-7	-4	73.2	-58
Net profit for the period from continuing operations	29	20	45.7	284
Discontinued operations				
Net profit for the period from discontinued operations	-23	-3	(..)	-16
Net profit for the period	**6**	**17**	**-66.5**	**269**
Attributable to				
Owners of the parent	8	18	-53.8	258
Non-controlling interests	-3	-1	(..)	11
Earnings per share (€) for profit attributable to owners of the parent				
Basic and diluted, continuing operations	0.32	0.21	51.2	2.75
Basic and diluted, discontinued operations	-0.24	-0.03	(..)	-0.16
Basic and diluted, Group total	0.08	0.18	-53.9	2.59
Consolidated statement of comprehensive income (€ million)				
	1-3/2018	**1-3/2017**	**Change, %**	**1-12/2017**
Net profit for the period	6	17	-66.5	269
Continuing operations				
Items that will not be reclassified subsequently to profit or loss				
Actuarial gains/losses	-1	7	(..)	36
Items that may be reclassified subsequently to profit or loss				
Currency translation differences related to a foreign operation	0	2	(..)	-15
Cash flow hedge revaluation	1	-1	(..)	1
Revaluation of available-for-sale financial assets	-	0	-	0
Other items	-	-	-	0
Total other comprehensive income for the period, net of tax, continuing operations	0	9	(..)	21

Total other comprehensive income for the period, net of tax, discontinued operations	-2	10	(..)	-14
Total comprehensive income for the period	**3**	**35**	**-90.6**	**276**
Attributable to				
Owners of the parent	6	36	-82.0	269
Non-controlling interests	-3	-1	(..)	7

(..) Change over 100%

Consolidated statement of financial position (€ million), condensed				
	31.3.2018	**31.3.2017**	**Change, %**	**31.12.2017**
ASSETS				
Non-current assets				
Tangible assets	1,149	1,194	-3.8	1,293
Intangible assets	365	431	-15.4	376
Shares in associates and joint ventures and other financial assets	144	124	16.2	140
Loans and receivables	64	68	-6.0	71
Pension assets	149	173	-13.8	207
Total	1,871	1,991	-6.0	2,088
Current assets				
Inventories	938	1,040	-9.8	939
Trade receivables	930	935	-0.6	836
Other receivables	239	267	-10.4	209
Financial assets at fair value through profit or loss	191	98	94.5	171
Financial assets at amortised cost	122	-	-	-
Available-for-sale financial assets	-	122	-	94
Cash and cash equivalents	250	144	73.3	133
Total	2,670	2,606	2.4	2,382
Non-current assets held for sale	233	41	(..)	2
Total assets	**4,774**	**4,638**	**2.9**	**4,472**

	31.3.2018	**31.3.2017**	**Change, %**	**31.12.2017**
EQUITY AND LIABILITIES				
Equity	2,142	2,087	2.7	2,133
Non-controlling interests	96	97	-1.3	99
Total equity	2,238	2,183	2.5	2,232
Non-current liabilities				
Interest-bearing liabilities	127	363	-65.0	129
Non-interest-bearing liabilities	31	38	-16.7	31
Deferred tax liabilities	34	50	-31.4	52
Pension obligations	1	1	-32.3	0
Provisions	25	14	80.4	25
Total	218	465	-53.1	238
Current liabilities				
Interest-bearing liabilities	413	228	81.5	405
Trade payables	1,117	1,188	-6.0	1,024
Other non-interest-bearing liabilities	517	534	-3.2	541
Provisions	29	39	-25.8	32
Total	2,076	1,989	4.4	2,001
Liabilities related to non-current assets held for sale	243	1	(..)	0

Total equity and liabilities	**4,774**	**4,638**	**2.9**	**4,472**

The adjustments to the Group's opening balance sheet resulting from changes in standards have been presented under 'Impact of new and amended standards'

(..) 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 1.1.2018	**197**	**465**	**-50**	**3**	**-18**	**1,536**	**99**	**2,232**
Impact of new IFRS adoption				-4	4	2	0	2
Adjusted opening balance 1 Jan.	197	465	-50	-1	-14	1,538	99	2,234
Share-based payments					0			0
Other changes						0		0
Transactions with owners, total					0	0		0
Comprehensive income								
Profit for the period, continuing operations						32	-3	29
Profit for the period, discontinued operations						-23		-23
Items that will not be reclassified subsequently to profit or loss								
Actuarial gains/losses						-1		-1
Items that may be reclassified subsequently to profit or loss								
Translation differences on foreign operations			0			0	-1	0
Cash flow hedge revaluation				1				1
Tax related to comprehensive income				0		0		0
Comprehensive income, discontinued operations			-2					-2
Total comprehensive income for the period			-2	1		8	-3	3
Balance at 31.3.2018	**197**	**465**	**-52**	**0**	**-14**	**1,546**	**96**	**2,238**

	Share capital	Reserves	Currency translation differences	Re-valuation reserve	Treasury shares	Retained earnings	Non-cont-rolling interests	Total
Balance at 1.1.2017	197	463	-24	3	-23	1,412	97	2,126
Share-based payments					0			0
Disposals of subsidiaries			0			0		0
Disposals of non-controlling interests						21		21
Other changes						0	0	0
Transactions with owners, total			0		0	21	0	22
Comprehensive income								
Profit for the period, continuing operations						21	-1	20
Profit for the period, discontinued operations						-3		-3
Items that will not be reclassified subsequently to profit or loss								
Actuarial gains/losses						9		9
Items that may be reclassified subsequently to profit or loss								
Translation differences on foreign operations			1				0	1
Cash flow hedge revaluation				-1				-1
Revaluation of available-for-sale financial assets				1				1
Income taxes related to comprehensive income				0		-2		-2
Comprehensive income, discontinued operations			10					10
Total comprehensive income for the period			11	0		25	-1	35
Balance at 31.3.2017	197	463	-13	3	-23	1,459	97	2,183

Consolidated statement of cash flows (€ million), condensed				
	1-3/2018	1-3/2017	Change, %	1-12/2017
Cash flows from operating activities				
Profit before tax, continuing operations	37	24	49.3	343
Depreciation according to plan	32	32	2.2	130
Finance income and costs	0	-4	-99.3	-2
Other adjustments	51	-4	(..)	-78
Change in working capital				
Current non-interest-bearing receivables, increase (-)/decrease (+)	-143	-164	-12.8	-78
Inventories, increase (-)/decrease (+)	-36	-53	-31.8	-13
Current non-interest-bearing liabilities, increase (+)/decrease(-)	100	113	-11.4	32
Financial items and tax	-2	7	(..)	-43
Net cash from operating activities, continuing operations	39	-48	(..)	292
Net cash from operating activities, discontinued operations	33	-10	(..)	10
Net cash from operating activities, total	**73**	**-57**	**(..)**	**302**
Cash flows from investing activities				
Investing activities	-53	-65	-18.4	-305
Proceeds from sale of subsidiaries, net of cash	-	21	-	144
Proceeds from sale of tangible and intangible assets	7	12	-39.6	97
Increase in non-current receivables	1	0	56.2	-7
Net cash used in investing activities, continuing operations	-45	-32	44.1	-72
Net cash used in investing activities, discontinued operations	171	-3	(..)	-17
Net cash used in investing activities, total	**125**	**-34**	**(..)**	**-88**
Cash flows from financing activities				
Interest-bearing liabilities, increase (+)/decrease (-)	7	68	-89.8	0
Current interest-bearing receivables, increase (-)/decrease (+)	-1	0	(..)	0
Dividends paid	-	-	-	-204
Short-term money market investments, increase (-)/ decrease (+)	-38	-3	(..)	-36
Other items	0	-4	-89.2	-3
Net cash used in financing activities, continuing operations	-33	61	(..)	-243
Net cash used in financing activities, discontinued operations	-	-	-	-
Net cash used in financing activities, total	**-33**	**61**	**(..)**	**-243**
Change in cash and cash equivalents	**165**	**-30**	**(..)**	**-30**
Cash and cash equivalents and other liquid assets at 1 Jan., continuing operations	164	199	-17.6	199
Cash and cash equivalents and other liquid assets at 1 Jan., discontinued operations	7	2	(..)	2
Translation differences and revaluation	-1	0	(..)	-1
Cash and cash equivalents and other liquid assets at 31 Mar., continuing operations	299	168	77.9	164
Cash and cash equivalents and other liquid assets at 31 Mar., discontinued operations	36	3	(..)	7

(..) Change over 100%

Group's performance indicators				
	1-3/2018	1-3/2017	Change, pp	1-12/2017
Return on capital employed, %*	6.3	3.5	2.8	15.2
Return on capital employed, %, rolling 12 mo*	15.8	6.7	9.1	15.2
Return on capital employed, comparable, %*	6.9	5.7	1.2	13.3
Return on capital employed, comparable, %, rolling 12 mo*	13.5	12.3	1.2	13.3
Return on equity, %	1.0	3.2	-2.2	12.3
Return on equity, %, rolling 12 mo	11.6	4.6	7.1	12.3
Return on equity, comparable, %	5.4	5.1	0.4	10.9
Return on equity, comparable, %, rolling 12 mo	10.9	9.6	1.3	10.9
Equity ratio, %	49.3	47.4	1.9	50.4
Gearing, %	-2.6	10.4	-13.0	6.1
Interest-bearing net debt/EBITDA, rolling 12 mo	-0.1	0.8	-0.9	0.3
			Change, %	
Capital expenditure, € million*	54.5	75.8	-28.1	333.5
Capital expenditure, % of net sales*	2.3	3.0	-25.1	3.3
Cash flow from operating activities, € million*	39	-48	(..)	292
Cash flow from investing activities, € million*	-45	-32	44.1	-72
Cash flow from operating activities/share, €*	0.40	-0.48	(..)	2.94
Equity per share, €	21.52	20.98	2.6	21.45
Interest-bearing net debt, € million	-59	226	(..)	136
Diluted number of shares, average for the reporting period, 1,000 pcs	99,468	99,308	0.2	99,426
Personnel, average	20,228	22,651	-2,423	22,077
Earnings per share, basic and diluted, €				
Continuing operations	0.32	0.21	51.2	2.75
Discontinued operations	-0.24	-0.03	(..)	-0.16
Group total	0.08	0.18	-53.9	2.59
Earnings per share, comparable, basic, €				
Continuing operations	0.35	0.31	11.8	2.29

(..) Change over 100%

*Continuing operations

Group's performance indicators by quarter	1-3/2017	4-6/2017	7-9/2017	10-12/2017	1-3/2018
Net sales, € million*	2,558	2,763	2,596	2,575	2,413
Change in net sales, %*	29.1	7.7	-5.3	-5.3	-5.7
Operating profit, € million*	19.4	151.8	96.7	70.8	36.6
Operating margin, %*	0.8	5.5	3.7	2.8	1.5
Operating profit, comparable, € million*	31.5	83.8	100.5	80.4	40.0
Operating margin, comparable, %*	1.2	3.0	3.9	3.1	1.7
Finance income/costs, € million*	4.2	-1.1	-0.2	-0.7	0.0
Profit before tax, € million*	24.3	150.0	96.5	71.7	36.5
Profit before tax, %*	0.9	5.4	3.7	2.8	1.5
Return on capital employed, %*	3.5	27.1	17.8	12.6	6.3
Return on capital employed, comparable, %*	5.7	15.0	18.5	14.3	6.9
Return on equity, %	3.2	24.8	13.9	8.1	1.0
Return on equity, comparable, %	5.1	12.2	14.6	12.2	5.4
Cash flow from operating activities/share, €*	-0.48	1.32	0.98	1.11	0.40
Equity ratio, %	47.4	47.0	49.1	50.4	49.3
Capital expenditure, € million*	75.8	77.7	62.9	117.1	54.5
Equity per share, €	20.98	20.18	20.89	21.45	21.52
Earnings per share, basic and diluted, €					
Continuing operations	0.21	1.29	0.67	0.57	0.32
Discontinued operations	-0.03	0.00	0.01	-0.14	-0.24
Group total	0.18	1.29	0.69	0.43	0.08

*Continuing operations

Segment information, continuing operations

Net sales by segment (€ million)	1-3/2018	1-3/2017	Change, %	1-12/2017	Rolling 12 mo 3/2018
Grocery trade, Finland	1,276	1,243	2.7	5,282	5,315
Grocery trade total	**1,276**	**1,243**	**2.7**	**5,282**	**5,315**
- of which intersegment trade	1	2	-40.9	7	6
Building and technical trade, Finland	447	606	-26.3	2,190	2,031
Building and technical trade, other countries*	430	467	-7.8	2,111	2,075
Building and technical trade total	**877**	**1,073**	**-18.2**	**4,302**	**4,106**
- of which intersegment trade	0	2	(..)	3	1
Car trade, Finland	259	245	5.8	909	924
Car trade total	**259**	**245**	**5.8**	**909**	**924**
- of which intersegment trade	0	0	(..)	1	1
Common functions and eliminations	1	-2	(..)	-1	2
Finland total	**1,983**	**2,092**	**-5.2**	**8,380**	**8,272**
Other countries total*	**430**	**467**	**-7.8**	**2,111**	**2,075**
Continuing operations, total	**2,413**	**2,558**	**-5.7**	**10,492**	**10,347**

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

Operating profit by segment (€ million)	1-3/2018	1-3/2017	Change	1-12/2017	Rolling 12 mo 3/2018
Grocery trade	37.6	16.7	20.8	181.3	202.1
Building and technical trade	-4.2	4.0	-8.2	168.7	160.5
Car trade	11.0	10.0	0.9	33.1	34.1
Common functions and eliminations	-7.7	-11.4	3.7	-44.5	-40.8
Continuing operations, total	**36.6**	**19.4**	**17.2**	**338.6**	**355.9**

Operating profit by segment, comparable, (€ million)	1-3/2018	1-3/2017	Change	1-12/2017	Rolling 12 mo 3/2018
Grocery trade	38.7	26.4	12.3	203.4	215.7
Building and technical trade	-2.2	5.8	-8.0	95.2	87.2
Car trade	11.0	10.0	0.9	33.1	34.1
Common functions and eliminations	-7.4	-10.8	3.4	-35.6	-32.2
Continuing operations, total	**40.0**	**31.5**	**8.6**	**296.2**	**304.7**

Operating margin by segment, comparable (%)	1-3/2018	1-3/2017	Change, pp	1-12/2017	Rolling 12 mo 3/2018
Grocery trade	3.0	2.1	0.9	3.9	4.1
Building and technical trade	-0.3	0.5	-0.8	2.2	2.1
Car trade	4.2	4.1	0.1	3.6	3.7
Continuing operations, total	**1.7**	**1.2**	**0.4**	**2.8**	**2.9**

Capital employed by segment, cumulative average (€ million)	1-3/2018	1-3/2017	Change	1-12/2017	Rolling 12 mo 3/2018
Grocery trade	897	753	145	791	831
Building and technical trade	883	972	-89	923	905
Car trade	173	146	27	154	160
Common functions and eliminations	364	353	11	355	356
Continuing operation, total	**2,317**	**2,224**	**94**	**2,224**	**2,253**

Return on capital employed by segment, comparable (%)	1-3/2018	1-3/2017	Change, pp	1-12/2017	Rolling 12 mo 3/2018
Grocery trade	17.3	14.0	3.2	25.7	25.9
Building and technical trade	-1.0	2.4	-3.4	10.3	9.6
Car trade	25.3	27.5	-2.2	21.5	21.3
Continuing operations, total	**6.9**	**5.7**	**1.2**	**13.3**	**13.5**

Capital expenditure by segment, € million	1-3/2018	1-3/2017	Change	1-12/2017	Rolling 12 mo 3/2018
Grocery trade	29	53	-25	224	200
Building and technical trade	6	11	-5	64	59
Car trade	9	4	5	17	22
Common functions and eliminations	11	8	3	28	31
Continuing operations, total	**55**	**76**	**-21**	**334**	**312**

Segment information by quarter, continuing operations

Net sales by segment, € million	1-3/ 2017	4-6/ 2017	7-9/ 2017	10-12/ 2017	1-3/ 2018
Grocery trade	1,243	1,327	1,313	1,399	1,276
Building and technical trade	1,073	1,202	1,070	957	877
Car trade	245	234	212	218	259
Common functions and eliminations	-2	0	0	1	1
Continuing operations, total	**2,558**	**2,763**	**2,596**	**2,575**	**2,413**

Operating profit by segment, € million	1-3/ 2017	4-6/ 2017	7-9/ 2017	10-12/ 2017	1-3/ 2018
Grocery trade	16.7	39.9	59.3	65.4	37.6
Building and technical trade	4.0	114.6	38.0	12.1	-4.2
Car trade	10.0	7.6	8.8	6.7	11.0
Common functions and eliminations	-11.4	-10.3	-9.4	-13.4	-7.7
Continuing operations, total	**19.4**	**151.8**	**96.7**	**70.8**	**36.6**

Items in operating profit affecting comparability, € million	1-3/ 2017	4-6/ 2017	7-9/ 2017	10-12/ 2017	1-3/ 2018
Grocery trade	-9.7	-10.6	-0.2	-1.7	-1.2
Building and technical trade	-1.8	79.8	-2.7	-1.8	-2.0
Car trade	-	-	-	-	-
Common functions and eliminations	-0.6	-1.3	-1.0	-6.0	-0.3
Continuing operations, total	**-12.1**	**67.9**	**-3.8**	**-9.5**	**-3.4**

Operating profit by segment, comparable, € million	1-3/ 2017	4-6/ 2017	7-9/ 2017	10-12/ 2017	1-3/ 2018
Grocery trade	26.4	50.5	59.4	67.0	38.7
Building and technical trade	5.8	34.8	40.7	14.0	-2.2
Car trade	10.0	7.6	8.8	6.7	11.0
Common functions and eliminations	-10.8	-9.0	-8.5	-7.4	-7.4
Continuing operations, total	**31.5**	**83.8**	**100.5**	**80.4**	**40.0**

Operating margin by segment, %, comparable	1-3/ 2017	4-6/ 2017	7-9/ 2017	10-12/ 2017	1-3/ 2018
Grocery trade	2.1	3.8	4.5	4.8	3.0
Building and technical trade	0.5	2.9	3.8	1.5	-0.3
Car trade	4.1	3.2	4.2	3.1	4.2
Continuing operations, total	**1.2**	**3.0**	**3.9**	**3.1**	**1.7**

Discontinued operations

In February 2018, Kesko Corporation agreed to sell 12 K-Rauta properties in the St. Petersburg and Moscow regions to the Russian division of the French Leroy Merlin. The business operations conducted in the properties and stocks are not included within the scope of the transaction; instead, the operations will be discontinued during spring 2018. The ownership of the properties will transfer to the buyer during the second quarter of 2018.

The operative result after taxes for the operations was €-1.8 million in the first quarter. In addition, a cost of €18.6 million related to the discontinuation of the operations was recorded in the first quarter as were translation differences of €-3.0 million related to the equity financing of Russian subsidiaries. The divestment of the properties is estimated to result in a sales gain of approximately €10 million, realised in the second quarter of the year. Moreover, as a result of the discontinuation of Kesko's building and home improvement trade operations in Russia, negative exchange differences of approximately €35 million included in equity in the consolidated statement of financial position are estimated to be recorded as expenses under discontinued operations in the consolidated financial statement in the second quarter.

The divested Russian building and home improvement trade operations are reported as discontinued operations and are not included in the figures for the Group's continuing operations presented in this interim report. The comparison data for the 2017 income statement, statement of cash flows and certain performance indicators have been adjusted.

Result for the Russian building and home improvement trade (€ million)			
	1-3/2018	**1-3/2017**	**1-12/2017**
Income	49	45	203
Expense	-50	-48	-217
Profit before tax	-1	-3	-15
Income tax	0	0	-1
Net profit after tax	-2	-3	-16
Loss on discontinued Russian building and home improvement trade before tax	-22		
Income tax	-		
Loss on discontinued Russian building and home improvement trade after tax	-22		
Net profit for the period from discontinued operations	**-23**		

Statement of financial position for the Russian building and home improvement trade (€ million), condensed	
	31.3.2018
ASSETS	
Non-current assets	
Tangible assets	147
Intangible assets	12
Loans and receivables	6
Total	165
Current assets	
Inventories	2
Trade receivables	0
Other receivables	30
Available-for-sale financial assets	21
Cash and cash equivalents	15
Total	68
Total assets	**233**

	31.3.2018
LIABILITIES	
Non-current liabilities	
Deferred tax liabilities	6
Total	6
Current liabilities	
Trade payables	6
Other non-interest-bearing liabilities	231
Total	237
Total liabilities	**243**

Impact of new and amended standards

As of the start of the financial year, the Group has adopted the new standards IFRS 9 Financial instruments and IFRS 15 Revenue from Contracts with Customers and the amendments to the standard IFRS 2 Share-based Payments, effective as of 1 January 2018. Due to changes in IFRS 9 and IFRS 2, the Group's opening balance sheet of 1 January 2018 has been adjusted. IFRS 15 did not have a material impact on the consolidated financial statements, and it had no effect on the opening balance sheet of 1 January 2018.

The impact of the changes in standards on the Group's opening balance sheet and shareholders' equity, and the changes to accounting policies are presented below. The tables only include the balance sheet items affected by the changes in standards, and thus subtotals are not presented.

Impact of new and amended standards on the opening balance sheet (€ million)			
	31.12.2017	Adjustments	Opening balance sheet 1.1.2018
ASSETS			
Current assets			
Trade receivables	836	-2	834
Financial assets at fair value through profit or loss	171	10	181
Financial assets at amortised cost		83	83
Available-for-sale financial assets	94	-94	
Total current assets		-2	
EQUITY AND LIABILITIES			
Equity	2,133	2	2,135
Non-controlling interests	99	0	99
Total equity	2,232	2	2,234
Non-current liabilities			
Deferred tax liabilities	52	0	52
Total non-current liabilities		0	
Current liabilities			
Other non-interest-bearing liabilities	541	-4	537
Total current liabilities		-4	

Impact of new and amended standards on shareholder's equity in the opening balance sheet (€ million)								
	Share capital	Reserves	Currency translation differences	Re-valuation reserve	Treasury shares	Retained earnings	Non-controlling interests	Total
Closing balance at 31.12.2017	197	465	-50	3	-18	1,536	99	2,232
Reclassification of financial instruments				-4		3		-1
Changes in hedge accounting				0		0		0
Change in provisions for trade receivables						-1	0	-1
IFRS 9 adjustments				-4		2		-2
IFRS 2 adjustments					4			4
Adjustments total				-4	4	2		2
Opening balance at 1.1.2018	197	465	-50	-1	-14	1,538	99	2,234

IFRS 9 Financial instruments

The Group has adopted the standard IFRS 9 Financial instruments as of 1 January 2018. The standard concerns the classification, measurement and hedge accounting of financial assets and liabilities. The opening balance sheet of 1 January 2018 has been adjusted for the accounting policy changes.

Following the adoption of IFRS 9, the Group's financial assets have been reclassified into three groups: financial assets measured at amortised cost, financial assets measured at fair value in other comprehensive income, and financial assets measured at fair value through profit or loss. Financial assets measured at amortised cost consist of assets that are to be held to maturity and whose cash flows consist solely of payments of principal and interest. Financial assets measured at fair value in other comprehensive income comprise derivatives used for hedging. Financial assets that do not meet the criteria of the other groups are classified as financial assets measured at fair value through profit or loss. Following the adoption of IFRS 9, investments of available-for-sale financial assets in interest-bearing instruments have been reclassified as measured at amortised cost, and investments in funds as measured at fair value through profit or loss. Investments of financial assets measured at fair value through profit or loss in interest-bearing instruments have been reclassified as measured at amortised cost, and investments in funds are still measured at fair value through profit or loss.

In hedge accounting, the Group will switch to the requirements of IFRS 9. In the hedging of electricity price risk, hedge accounting is applied only to system price.

According to the new IFRS 9 impairment model, impairments must be recognised on the basis of expected credit losses, while previously, impairment was only recognised when there was objective evidence of impairment. The Group has adopted the standard's simplified approach for recognising impairment of trade receivables using the provision matrix. For the impairment model, the Group has classified Group companies into risk categories on the basis of their business model and realised historical credit losses. As for other financial assets, the change in impairment model has not had a material impact on the consolidated financial statements.

Reclassification of financial assets (€ million)						
	Financial assets at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Derivatives used for hedging	Financial assets at amortised cost	Total
Closing balance 31 December 2017	171	1,099	117	0		1,388
Reclassification of investments in funds from available-for-sale to fair value through profit or loss	44		-44			0
Reclassification of investments in interest-bearing instruments from available-for-sale to amortised cost			-73		72	-1
Reclassification of investments in interest-bearing instruments from fair value through profit or loss to amortised cost	-11				11	0
Loans and receivables classified as financial assets measured at amortised cost		-1,099			1,099	0
Opening balance 1 January 2018	204			0	1,182	1,387

IFRS 15 Revenue from Contracts with Customers

The Group has adopted the standard IFRS 15 Revenue from Contracts with Customers as of 1 January 2018. The standard replaced IAS 11 Construction Contracts and IAS 18 Revenue, and related interpretations. The standard did not have a material impact on the consolidated financial statements or the accounting policies. Under the standard, revenue is recognised when the control of goods or services transfers to a customer. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the goods or services.

Kesko Group's income mainly consists of sales of goods and services to business and consumer customers under ordinary trading sector terms and conditions. The adoption of the new standard has not had a material impact on the consolidated financial statements, and the accounting policies for income recognition have not been changed. The adoption of the standard has also not impacted customer agreements or business operations, and it has had only a minor impact on business support processes and information systems.

IFRS 2 Share-based Payment

The Group has adopted changes to the standard IFRS 2 Share-based Payment as of 1 January 2018. The opening balance sheet of 1 January 2018 has been adjusted for the accounting policy changes.

Due to the change, the Group has reclassified the cash-settled portions of its share-based compensation plans as equity-settled share-based payments. As a result of the change, such cash-settled share-based payments for which the employer shall deduct, on behalf of the employee, from the share award such number of shares which covers taxes and tax-like charges paid in cash, shall be classified in their entirety as equity-settled share-based payments.

The change concerns the following share-based compensation plans: the 2017 Performance Share Plan (PSP), the 2017 share-based incentive plan (Bridge Plan), and the Restricted Share Pool (RSP) plan, as well as share-based compensation plans granted after 1 January 2018.

Change in tangible and intangible assets (€ million)

	31.3.2018	31.3.2017
Opening net carrying amount	**1,669**	**1,581**
Depreciation, amortisation and impairment charges	-33	-34
Investments in tangible and intangible assets	52	78
Deductions	-8	-12
Transfers to non-current assets held for sale	-164	-
Exchange differences	-2	11
Closing net carrying amount	**1,514**	**1,625**

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:		
	1-3/2018	1-3/2017
Sales of goods and services	21	20
Purchases of goods and services	2	2
Other operating income	4	3
Other operating expenses	15	17
Finance income and costs	1	1
	31.3.2018	31.3.2017
Receivables	70	70
Liabilities	40	31

Fair value hierarchy of financial assets and liabilities (€ million)

	Level 1	Level 2	Level 3	31.3.2018
Financial assets at fair value through profit or loss	180.0		15.6	195.6
Derivative financial instruments at fair value through profit or loss				
Derivative financial assets		1.7		1.7
Derivative financial liabilities		-1.2		-1.2

	Level 1	Level 2	Level 3	31.3.2017
Financial assets at fair value through profit or loss	59.8	38.5		98.3
Derivative financial instruments at fair value through profit or loss				
Derivative financial assets		4.1		4.1
Derivative financial liabilities		5.9		5.9
Available-for-sale financial assets	95.5	26.6	15.8	137.9

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 31.3.

Personnel average by segment	**1-3/2018**	**1-3/2017**	**Change**
Grocery trade	5,990	7,161	-1,171
Building and technical trade	11,041	12,184	-1,143
Car trade	804	792	12
Common functions	943	795	148
Continuing operations, total	18,778	20,933	-2,155
Discontinued operations	1,450	1,718	-268
Group total	**20,228**	**22,651**	**-2,423**

Personnel at 31.3.* by segment	**2018**	**2017**	**Change**
Grocery trade	7,914	9,899	-1,985
Building and technical trade	12,583	13,736	-1,153
Car trade	828	819	9
Common functions	1,024	903	121
Continuing operations, total	22,349	25,357	-3,008
Discontinued operations	1,380	1,999	-619
Group total	**23,729**	**27,356**	**-3,627**

* Total number including part-time employees

Group's commitments (€ million)

	31.3.2018	31.3.2017	Change, %
Own commitments	242	192	25.9
For others	20	14	45.4
Lease liabilities for machinery and equipment	20	42	-52.1
Lease liabilities for real estate	2,873	2,966	-3.1
Liabilities arising from derivative instruments (€ million)			
			Fair value
Values of underlying instruments at 31.3.	**31.3.2018**	**31.3.2017**	**31.3.2018**
Interest rate derivatives			
Interest rate options	70	-	0.28
Interest rate swaps	180	40	-0.55
Currency derivatives			
Forward and future contracts	81	177	0.50
Currency swaps	20	20	-0.61
Commodity derivatives			
Electricity derivatives	6	9	0.59

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 2017 and 2018 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, %, rolling 12 months	Operating profit for the preceding 12 months x 100 / (Non-current assets + Inventories + Receivables + Other current

	assets - Non-interest-bearing liabilities) on average for 12 months
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 capital employed, %, comparable, rolling 12 months	Comparable operating profit for the preceding 12 months x 100 / (Non-current assets + Inventories + Receivables + Other current assets - Non-interest-bearing liabilities) on average for 12 months
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, %, rolling 12 months	(Profit/loss for the preceding 12 months before tax - Income tax for the preceding 12 months) 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
Return on equity, %, comparable, rolling 12 months	(Profit/loss for the preceding 12 months adjusted for items affecting comparability before tax - Income tax for the preceding 12 months 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 – Current financial assets at fair value through profit or loss – Current financial assets at amortised cost – 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 owners 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	1-3/ 2017	4-6/ 2017	7-9/ 2017	10-12/ 2017	1-12/ 2017	1-3/ 2018
Continuing operations						
Items affecting comparability						
Gains on disposal	0.3	81.8	0.6	0.6	83.4	2.5
Losses on disposal	-0.4	-1.2	-0.1	-0.1	-1.8	0.0
Impairment charges	-	-	-0.5	-	-0.5	-
Structural arrangements	-12.1	-12.6	-3.9	-10.1	-38.6	-5.8
Items in operating profit affecting comparability	**-12.1**	**67.9**	**-3.8**	**-9.5**	**42.5**	**-3.4**
Items in financial items affecting comparability	-	-	-	-0.4	-0.4	-
Items in income taxes affecting comparability	2.0	-0.4	0.1	2.1	3.8	0.4
Total items affecting comparability	**-10.1**	**67.5**	**-3.7**	**-7.8**	**45.9**	**-3.0**
Operating profit, comparable						
Operating profit	19.4	151.8	96.7	70.8	338.6	36.6
Net of						
Items in operating profit affecting comparability	-12.1	67.9	-3.8	-9.5	42.5	-3.4
Operating profit, comparable	**31.5**	**83.8**	**100.5**	**80.4**	**296.2**	**40.0**
Profit before tax, comparable						
Profit before tax	24.3	150.0	96.5	71.7	342.4	36.5
Net of						
Items in operating profit affecting comparability	-12.1	67.9	-3.8	-9.5	42.5	-3.4
Items in financial items affecting comparability	-	-	-	-0.4	-0.4	-
Profit before tax, comparable	**36.3**	**82.1**	**100.3**	**81.6**	**300.3**	**39.9**
Net profit, comparable						
Profit before tax, comparable	36.3	82.1	100.3	81.6	300.3	39.9
Net of						
Income tax	4.2	17.4	23.6	12.7	57.9	7.3
Items in income tax affecting comparability	2.0	-0.4	0.1	2.1	3.8	0.4
Net profit, comparable	**30.2**	**65.1**	**76.6**	**66.7**	**238.5**	**32.2**
Net profit attributable to owners of the parent, comparable						
Net profit, comparable	30.2	65.1	76.6	66.7	238.5	32.2
Net profit attributable to non-controlling interests	-1.0	4.2	6.0	1.8	11.0	-2.7
Net profit attributable to owners of the parent, comparable	**31.2**	**60.8**	**70.6**	**64.9**	**227.5**	**34.9**
Earnings per share, comparable, €						

Net profit attributable to the owners of the parent, comparable	31.2	60.8	70.6	64.9	227.5	34.9
Average number of shares, basic, 1,000 pcs	99,308	99,387	99,414	99,426	99,426	99,468
Earnings per share, comparable, €	**0.31**	**0.61**	**0.71**	**0.65**	**2.29**	**0.35**
Return on capital employed, %						
Operating profit	19.4	151.8	96.7	70.8	338.6	36.6
Capital employed, average	2,224	2,239	2,175	2,248	2,224	2,317
Return on capital employed , %	**3.5**	**27.1**	**17.8**	**12.6**	**15.2**	**6.3**
Return on capital employed, comparable, %						
Operating profit, comparable	31.5	83.8	100.5	80.4	296.2	40.0
Capital employed, average	2,224	2,239	2,175	2,248	2,224	2,317
Return on capital employed, comparable, %	**5.7**	**15.0**	**18.5**	**14.3**	**13.3**	**6.9**
Group						
Return on equity, %						
Net profit	17.2	132.8	74.1	44.7	268.8	5.8
Equity, average	2,155	2,142	2,138	2,204	2,179	2,235
Return on equity, %	**3.2**	**24.8**	**13.9**	**8.1**	**12.3**	**1.0**
Return on equity, comparable, %						
Net profit, comparable	27.4	65.2	77.9	67.0	237.5	30.4
Equity, average	2,155	2,142	2,138	2,204	2,179	2,235
Return on equity, comparable, %	**5.1**	**12.2**	**14.6**	**12.2**	**10.9**	**5.4**
Equity ratio, %						
Shareholders' equity	2,183	2,100	2,176	2,232	2,232	2,238
Total assets	4,638	4,496	4,464	4,472	4,472	4,774
Advances received	32	27	32	39	39	240
Equity ratio, %	**47.4**	**47.0**	**49.1**	**50.4**	**50.4**	**49.3**

K Group's retail and B2B sales, VAT 0% (preliminary data, pro forma*):

	1.1.-31.3.2018	
K Group's retail and B2B sales	**€ million**	**Change, %**
K Group's grocery trade		
K-Citymarket, food	390	9.3
K-Citymarket, non-food	127	0.3
K-Supermarket	462	8.2
K-Market	423	-1.2
Kespro	207	6.9
Others	40	1.6
Grocery trade, total	**1,648**	**4.9**
K Group's building and technical trade		
K-Rauta and Rautia	184	0.8
Rautakesko B2B Service	58	3.3
Onninen	192	5.2
Machinery trade, Finland	5	-86.5
Speciality goods trade, Finland	70	0.0
Finland, total	**509**	**-3.3**

Building and technical trade, other Nordic countries	244	-21.9
Building and technical trade, the Baltic countries	148	11.9
Building and technical trade, other countries	74	8.6
Building and technical trade, total	**976**	**-6.1**
K Group's car trade		
VV-Autotalot	124	8.1
VV-Auto, import	125	1.4
AutoCarrera	16	29.4
Car trade, total	**265**	**5.9**
Finland, total	**2,422**	**3.2**
Other countries, total	**467**	**-9.1**
Retail and B2B sales, total	**2,889**	**1.0**

* The pro forma comparatives have been calculated to illustrate a situation in which the divestments of the K-maatalous agricultural business, the Asko and Sotka furniture trade, and the Yamarin boat business and Yamaha representation, completed in 2017, and the divestment of the Russian building and home improvement trade operations, to be completed in spring 2018, had been completed on 1 January 2017.