Q2/2018

Kesko Corporation
Half-year financial report

January-June 2018

25.7.2018

KESKO CORPORATION HALF-YEAR FINANCIAL REPORT 25.7.2018 AT 9.00

Kesko's half-year financial report for the period 1 January - 30 June 2018: Kesko's comparable operating profit improved

FINANCIAL PERFORMANCE IN BRIEF, CONTINUING OPERATIONS:

- The Group's net sales in January-June totalled €5,086 million (€5,321 million), an increase of 3.7% in comparable terms
- Comparable operating profit was €129.1 million (€115.3 million)
- Operating profit was €118.2 million (€171.2 million)
- Comparable return on capital employed was 13.7% (12.1%) (rolling 12 months)
- Comparable profit before tax was €125.9 million (€118.4 million)
- Comparable earnings per share were €0.96 (€0.93)
- 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. 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 the expansion of logistics operations and in information systems and digital services will burden profitability during the period.

KEY PERFORMANCE INDICATORS

	1-6/2018	1-6/2017	4-6/2018	4-6/2017
Continuing operations				
Net sales, € million	5,086	5,321	2,673	2,763
Operating profit, comparable, € million	129.1	115.3	89.0	83.8
Operating margin, comparable	2.5	2.2	3.3	3.0
Operating profit, € million	118.2	171.2	81.6	151.8
Profit before tax, comparable, € million	125.9	118.4	86.0	82.1
Profit before tax, € million	115.0	174.3	78.5	150.0
Cash flow from operating activities, € million	179.1	83.5	139.8	131.0
Capital expenditure, € million	128.7	153.5	74.2	77.7
Return on capital employed, comparable, %, rolling 12 months	13.7	12.1	13.7	12.1
Group				
Return on equity, comparable, %, rolling 12 months	11.7	10.3	11.7	10.3
Earnings per share, €, basic and diluted				
Continuing operations	0.84	1.50	0.52	1.29
Discontinued operations	-0.52	-0.03	-0.28	0.00
Group, total	0.32	1.48	0.24	1.29
Earnings per share, comparable, €, basic				
Continuing operations	0.96	0.93	0.61	0.61

	30.6.2018	30.6.2017
Group		
Equity ratio, %	46.2	47.0
Equity per share, €	19.87	20.18

PRESIDENT AND CEO MIKKO HELANDER:

Net sales and operating profit grew in all our core businesses in the second quarter. Net sales grew in comparable terms by 4.0%. The comparable operating profit totalled €89 million, and grew operatively by €11 million excluding the impact of divestments.

During the reporting period, we successfully continued acquisitions and divestments and new service launches in line with our strategy. We further defined our growth strategy first adopted in 2015, which aims at accelerating growth and profitability in all three divisions in order to increase shareholder value. In the building and technical trade, this means more clearly defined country-specific choices to ensure customer-orientation and operational efficiency under a new management model.

In the grocery trade, customer numbers rose in all K-stores thanks to successful chain redesigns. Sales grew the strongest in the neighbourhood market, thanks to the timing of Easter and warm weather early in the summer. Profitability improved thanks to the growth in net sales and realised synergies. The acquisition of Suomen Lähikauppa has exceeded our expectations and the integration has now been completed as the final remaining converted stores were transferred to retailers at the end of June. We strengthened Kespro's competitiveness in the fast-growing foodservice wholesale market by acquiring Kalatukku E. Eriksson and Reinin Liha, which specialise in premium fish and meat fresh food products, respectively.

In the building and technical trade excluding the speciality goods trade, net sales increased and operating profit grew operatively by €3.9 million. Development was particularly strong in Finland and the Baltics. Efficiency measures taken in Sweden and changes in the store network structure in Norway reduced sales. Divestments in the speciality goods trade decreased net sales and operating profit as expected. During the reporting period, we continued acquisitions and divestments in line with our strategy. The announced acquisitions will strengthen the market position and profitability of the Byggmakker chain in Norway and Kesko Senukai's e-commerce operations in the Baltics. We continue to focus our operations by divesting our remaining stake in machinery trade in the Baltics and agricultural machinery trade in Finland. The divestment and discontinuation of our Russian operations proceeded according to plans, and our focus in the building and technical trade is now on the Northern European markets, in line with our strategy.

In the car trade, net sales and operating profit continued to grow. The market share for Volkswagen, Audi, SEAT and Porsche was 19.5%. We invest strongly in both growing our current business as well as in new mobility services, for example, by making way for the era of electric cars by building a nationwide network of electric car charging points in Finland. During the reporting period, we continued preparations for the implementation of the new emissions testing system affecting the whole car industry as of September.

At the end of the second quarter, our return on capital employed was close to the 14% target level. Our financial position remains very strong.

Our good commercial performance has proven we were right in 2015 to set our strategic focus on quality, selections and services, and we are well-positioned to continue the implementation of our strongly customer-oriented strategy.

FINANCIAL PERFORMANCE OF CONTINUING OPERATIONS

NET SALES AND PROFIT FOR JANUARY-JUNE 2018

The net sales for the Group's continuing operations in January-June 2018 totalled €5,086 million, which is 4.4% down on the corresponding period of the previous year (€5,321 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 3.7% in local currencies, excluding the impact of acquisitions and divestments. The Group's net sales decreased by 4.6% in Finland, or grew by 4.7% in comparable terms. In other countries, net sales decreased by 3.8%, or grew by 0.3% in comparable terms. International operations accounted for 19.7% (19.5%) of the Group's net sales.

In the grocery trade, net sales grew by 1.3%, and were negatively affected by the transfers of the stores acquired from Suomen Lähikauppa to retailers and changes in the store site network. In comparable terms, net sales increased by 5.0%. The comparable change has been calculated by including in the net sales those stores acquired from Suomen Lähikauppa which have been in the store network during both this reporting period as well as the comparison period, and by deducting the impact of Reinin Liha, acquired on 1 June 2018.

In the building and technical trade, net sales decreased by 13.0%, impacted by the divestments carried out in the first half of 2017. In comparable terms, net sales increased by 1.8% in local currencies. 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 0.6%, but grew by 1.5% in comparable terms. In the speciality goods trade, net sales decreased by 61.1% on account of divestments, while in comparable terms net sales increased by 5.0%.

Net sales for the car trade increased by 4.9% thanks to good market performance and market share development.

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. On 1 June 2018, Reinin Liha became part of Kesko Group's foodservice wholesaler Kespro via an acquisition. An agreement was also made at the time to acquire Kalatukku E. Eriksson, and the transaction was completed after the end of the reporting period on 2 July 2018. In June, Kesko Corporation's subsidiary Byggmakker Handel AS agreed to acquire Norwegian building and home improvement trade companies Skattum Handel AS and Gipling AS. Both companies have been operating Byggmakker stores under the retailer business model. The acquisitions were completed after the reporting period in July 2018.

On 16 February 2018, Kesko announced it would be discontinuing its 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 half-year report. The figures for the comparison period have been adjusted accordingly.

1-6/2018	Net sales, € million	Change, %	Change, comparable, %	Operating profit, comparable, € million	Change, € million
Grocery trade	2,604	+1.3	+5.0	91.5	+14.6
Building and technical trade excl. speciality goods trade	1,798	-0.6	+1.5	30.2	-0.6
Speciality goods trade	181	-61.1	+5.0	1.0	-8.8
Building and technical trade, total	1,979	-13.0	+1.8	31.2	-9.4
Car trade	502	+4.9	+4.9	19.7	+2.1
Common functions and eliminations	1	(..)	(..)	-13.3	+6.5
Total	**5,086**	**-4.4**	**+3.7**	**129.1**	**+13.8**

The Group's comparable operating profit for continuing operations for January-June was €129.1 million (€115.3 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 the speciality goods trade, comparable operating profit was at the level of the previous year. The decrease in the speciality goods trade operating profit was affected by the divestments carried out in 2017. In the car trade, comparable operating profit strengthened compared to the year before.

Operating profit was €118.2 million (€171.2 million). Items affecting comparability totalled €-10.9 million (€55.8 million). The most significant items affecting comparability were the €5.2 million costs related to conversions of Suomen Lähikauppa's chains and changes in the store network, and the €4.0 million costs related to structural changes in the Swedish operations of the building and technical trade division. The transfer of former Suomen Lähikauppa stores to retailers was completed during the reporting period. The most significant items affecting comparability the year before were the €50.2 million gain on the divestment of real estate in the Baltics, the €20.3 million expenses related to the conversion of the Suomen Lähikauppa chains, the €12.2 million gain on the divestment of the K-maatalous agricultural business, as well as the gain on the divestment of the Asko and Sotka furniture trade amounting to €19.0 million.

Items affecting comparability	1-6/2018	1-6/2017
Operating profit, comparable	**129.1**	**115.3**
Items affecting comparability		
+gains on disposal	6.7	82.1
-losses on disposal	-0.0	-1.6
-impairment charges	-3.4	-
+/-structural arrangements	-14.2	-24.7
Items affecting comparability, total	-10.9	55.8
Operating profit	**118.2**	**171.2**

The comparable profit before tax for the Group’s continuing operations in January-June was €125.9 million (€118.4 million). The profit before tax for the Group’s continuing operations in January-June was €115.0 million (€174.3 million). The earnings per share for the Group’s continuing operations were €0.84 (€1.50), and the comparable earnings per share €0.96 (€0.93). The Group's equity per share was €19.87 (€20.18).

In January-June, K Group's (Kesko and the chain stores) retail and B2B sales (VAT 0%) amounted to €6,224 million, up by 1.5% compared to the previous year (pro forma). The K-Plussa customer loyalty programme added 45,182 new households in January-June 2018. At the end of June, there were 2.4 million K-Plussa households and 3.6 million K-Plussa cardholders.

NET SALES AND PROFIT FOR APRIL-JUNE 2018

The net sales for the Group’s continuing operations in April-June 2018 totalled €2,673 million, which is 3.3% down on the corresponding period of the previous year (€2,763 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 4.0% in local currencies, excluding the impact of acquisitions and divestments. The Group's net sales decreased by 4.0% in Finland, or grew by 4.3% in comparable terms. In other countries, net sales decreased by 0.6%, or increased by 3.1% in comparable terms. International operations accounted for 21.3% (20.7%) of the Group's net sales.

In the grocery trade, net sales were affected by the timing of Easter, which was in March this year and in April in 2017, and the changes in the Suomen Lähikauppa store site network in the K-Market chain and the transfers of the stores to retailers. In comparable terms, net sales increased by 2.9%.

In the building and technical trade, net sales decreased by 8.4%, impacted by the divestments carried out in the second quarter of 2017. In comparable terms, net sales increased by 5.4% in local currencies. 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 increased by 2.8%, or 4.7% in comparable terms. In the speciality goods trade, net sales decreased by 54.6% on account of divestments, while in comparable terms net sales increased by 12.2%.

In the car trade, net sales grew by 4.0%.

4-6/2018	Net sales, € million	Change, %	Change, comparable, %	Operating profit, comparable, € million	Change, € million
Grocery trade	1,327	+0.0	+2.9	52.8	+2.3
Building and technical trade excl. speciality goods trade	995	+2.8	+4.7	31.2	+3.3
Speciality goods trade	106	-54.6	+12.2	2.2	-4.6
Building and technical trade, total	1,102	-8.4	+5.4	33.4	-1.4
Car trade	244	+4.0	+4.0	8.7	+1.2
Common functions and eliminations	0	(..)	-77.0	-5.9	+3.1
Total	**2,673**	**-3.3**	**+4.0**	**89.0**	**+5.2**

The Group's comparable operating profit for continuing operations for April-June was €89.0 million (€83.8 million). Profitability improved in the grocery trade due to increased sales and realised synergy benefits from the Suomen Lähikauppa acquisition. In the building and technical trade excluding the speciality goods trade, comparable operating profit increased thanks to improved profitability in Onninen and Kesko Senukai. 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 €81.6 million (€151.8 million). Items affecting comparability totalled €-7.5 million (€67.9 million). The most significant items affecting comparability were the €4.1 million costs related to the conversion of the Suomen Lähikauppa chains and changes in the store site network. The transfer of former Suomen Lähikauppa stores to retailers was completed during the reporting period. The most significant items affecting comparability the year before were the €50.2 million gain on the divestment of real estate in the Baltics, the €10.9 million expenses related to the conversion of the Suomen Lähikauppa chains, the €12.2 million gain on the divestment of the K-maatalous agricultural business, as well as the gain on the divestment of the Asko and Sotka furniture trade amounting to €19.0 million.

Items affecting comparability	4-6/2018	4-6/2017
Operating profit, comparable	**89.0**	**83.8**
Items affecting comparability		
+gains on disposal	4.3	81.8
-losses on disposal	-	-1.2
-impairment charges	-3.4	-
+/-structural arrangements	-8.4	-12.6
Items affecting comparability, total	-7.5	67.9
Operating profit	**81.6**	**151.8**

The comparable profit before tax for the Group's continuing operations in April-June was €86.0 million (€82.1 million). The profit before tax for the Group's continuing operations in April-June was €78.5 million (€150.0 million). The earnings per share for the Group's continuing operations were €0.52 (€1.29), and the comparable earnings per share €0.61 (€0.61).

In April-June, K Group's (Kesko and the chain stores) retail and B2B sales (VAT 0%) amounted to €3,335 million, up by 2.0% compared to the previous year (pro forma).

FINANCE

In January-June, the cash flow from operating activities for continuing operations was €179.1 million (€83.5 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 €-3.4 million (€0.4 million). The Group's cash flow from operating activities was €175.7 million (€83.8 million). The Group's cash flow from investing activities was positive, €67.2 million (€63.2 million). Cash flow from investing activities includes the €167 million transaction price obtained from the divestment of properties in Russia. Cash flow from investing activities for the comparison period includes the divestment of a 45% stake of Konekesko's Baltic subsidiaries to Danish Agro Group, and the divestments of Baltic real estate, the K-maatalous agricultural business, Asko and Sotka furniture trade, and Yamaha representation and Yamarin boat business, €192.4 million.

The Group had liquid assets of €446 million at the end of the reporting period (€367 million). Interest-bearing liabilities at the end of June totalled €592 million (€561 million) and interest-bearing net debt €146 million (€194 million). The equity ratio was 46.2% (47.0%) at the end of the period.

The net finance costs for the Group's continuing operations in January-June totalled €0.8 million (net finance income €3.1 million). The financial items for the comparison period include dividend income and interest income on cooperative capital of €4.5 million, of which €2.3 million is interest income on cooperative capital from Suomen Luotto-osuuskunta. The share of result of associates and joint ventures, €-2.3 million, includes the loss of €2.7 million from Kesko and Oriola's joint venture, the Hehku wellbeing chain.

In April-June, the cash flow from operating activities for continuing operations was €139.8 million (€131.0 million). The cash flow from operating activities for discontinued operations was €-36.9 million (€10.1 million), weakened by the value-added tax of €25 million related to the divestment of building and home improvement store properties in Russia, paid in the second quarter. The Group's cash flow from operating activities in April-June was €102.9 million (€141.1 million). The Group's cash flow from investing activities totalled €-58.2 million (€97.7 million). Cash flow from investing activities for the comparison period includes the divestments of Baltic real estate, the K-maatalous agricultural business, Asko and Sotka furniture trade, and Yamaha representation and Yamarin boat business, €171.1 million.

The net finance costs for the Group were €0.9 million (€1.1 million) in April-June. The share of result of associates and joint ventures, €-2.2 million, includes the loss of €1.4 million from Kesko and Oriola's joint venture, the Hehku wellbeing chain.

TAXES

The taxes for the Group's continuing operations were €23.6 million (€21.6 million) in January-June. The effective tax rate was 20.5% (12.4%). In April-June, the taxes for the Group's continuing operations were €16.3 million (€17.4 million) and the effective tax rate was 20.7% (11.6%). The effective tax rate for the comparison period was lowered by the tax-exempt gains on the sale of properties and subsidiaries.

CAPITAL EXPENDITURE

The capital expenditure for the Group's continuing operations in January-June totalled €128.7 million (€153.5 million), or 2.5% (2.9%) of net sales. Capital expenditure in store sites was €60.8 million (€101.0 million), in acquisitions €4.0 million, and in IT €21.6 million (€17.2 million) and other capital expenditure totalled €42.3 million (€35.3 million).

The capital expenditure for the Group's continuing operations in April-June totalled €74.2 million (€77.7 million), or 2.8% (2.8%) of net sales. Capital expenditure in store sites was €33.4 million (€49.5 million), in acquisitions €4.0 million, and in IT €9.0 million (€8.2 million) and other capital expenditure totalled €27.8 million (€20.0 million).

PERSONNEL

In January-June, the average number of personnel in Kesko Group was 20,017 (22,806) converted into full-time employees.

At the end of June 2018, the number of personnel was 23,173 (27,826), of whom 12,283 (14,878) worked in Finland and 10,890 (12,948) 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 were not included within the scope of the transaction; instead, the operations were discontinued during the first year-half. The ownership of the properties was transferred to the buyer during the second quarter of 2018. Kesko discontinued the operations of its two remaining K-Rauta properties in the Moscow region, included in assets held for sale.

The divestment of the properties resulted in a positive cash flow of €171 million for Kesko Corporation in February. All divested properties had been handed over to the buyer by 30 June 2018 and the divestment of the properties resulted in a €17 million sales gain in the second quarter. The operative result after taxes for the operations was €-2 million in the first half of the year. In addition, in the first year-half a cost of €21 million related to the discontinuation of operations was recorded as were translation differences of €-39 million related to the equity financing of Russian subsidiaries.

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 or the figures for the building and technical trade in this half-year 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 the strongest, whereas the impact of the first quarter on the full year profit is smallest. The acquisitions of Suomen Lähikauppa and Onninen have increased seasonal fluctuations between quarters. The operating profit levels of Onninen and Suomen Lähikauppa are lowest for the first quarter.

GROCERY TRADE

	1-6/2018	1-6/2017	4-6/2018	4-6/2017
Net sales, € million	2,604	2,570	1,327	1,327
Operating profit, comparable, € million	91.5	76.9	52.8	50.5
Operating margin, comparable	3.5	3.0	4.0	3.8
Return on capital employed, comparable, %, rolling 12 months	25.1	22.0	25.1	22.0
Capital expenditure, € million	60.1	97.6	31.4	44.3
Personnel, average	6,089	7,137	6,187	7,111

Net sales	1-6/2018	1-6/2017	Change, %	4-6/2018	4-6/2017	Change, %
Sales to K-food stores						
K-Citymarket, food	535	514	+4.0	264	269	-2.0
K-Supermarket	671	623	+7.7	343	326	+5.1
K-Market*	651	720	-9.5	336	369	-8.8
K-Citymarket, non-food	260	258	+0.6	133	132	+1.1
Kespro	417	393	+6.2	214	202	+6.1
Others	70	62	+12.9	37	29	+27.5
Total	**2,604**	**2,570**	**+1.3**	**1,327**	**1,327**	**+0.0**

* Comparable change in net sales attributable to K-Market +3.3% for January-June and +1.1% for April-June.

January-June 2018

Net sales for the grocery trade in January-June amounted to €2,604 million (€2,570 million), an increase of 1.3%. In comparable terms, net sales increased by 5.0%. 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 and by deducting the impact of Reinin Liha, which was acquired on 1 June 2018. The acquisition carried out on 1 June 2018 made Reinin Liha part of Kesko Group’s foodservice wholesaler Kespro, and an agreement was also made to acquire Kalatukku E. Eriksson, completed after the reporting period on 2 July 2018.

The transfer of former Suomen Lähikauppa stores to retailers was completed by the end of June 2018. 380 stores in total were transferred to retailers between August 2016 and June 2018, after the stores had first been converted into K-food stores. The synergies sought with the acquisition have been achieved.

The total grocery market in Finland (incl. VAT) is estimated to have grown by approximately 4.2% in January-June (Kesko’s own estimate) and retail prices are estimated to have risen by some 2.3%, impacted 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 3.9% (incl. VAT), and excluding the impact of the acquisition of Suomen Lähikauppa, by 5.1% (incl. VAT).

The comparable operating profit for the grocery trade in January-June was €91.5 million (€76.9 million), up by €14.6 million. Profitability in the grocery trade improved significantly due to sales growth, successful chain redesigns, and realised synergy benefits. Kespro's sales also grew and profitability improved. 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 June, all 380 stores still in operation had been transferred to retailers.

Operating profit for the grocery trade was €85.9 million (€56.6 million). Items affecting comparability amounted to €-5.7 million (€-20.3 million), and they were mainly related to the restructuring of Suomen Lähikauppa, €-5.2 million (€-20.3 million).

Capital expenditure for the grocery trade in January-June was €60.1 million (€97.6 million), of which €47.9 million (€87.0 million) was in store sites.

April-June 2018

Net sales for the grocery trade in April-June amounted to €1,327 million (€1,327 million), and were at the level of the previous year. In comparable terms, net sales increased by 2.9%. Net sales development was affected by the timing of Easter, which was in March this year and in April in 2017, and in the K-Market chain, by changes in Suomen Lähikauppa's store site network and the transfer of stores to retailers.

The total grocery market in Finland (incl. VAT) is estimated to have grown by approximately 3.1% in April-June (Kesko's own estimate) and retail prices are estimated to have risen by some 2.3%, impacted 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 2.9% (incl. VAT), and excluding the impact of the acquisition of Suomen Lähikauppa, by 3.1% (incl. VAT).

The comparable operating profit for the grocery trade in April-June was €52.8 million (€50.5 million), up by €2.3 million. Profitability in the grocery trade improved due to sales growth, successful chain redesigns, and realised synergy benefits. The timing of Easter had a €2 million negative impact on the comparable operating profit for the second quarter.

Operating profit for the grocery trade was €48.3 million (€39.9 million). Items affecting comparability amounted to €-4.5 million (€-10.6 million), and they were mainly related to the restructuring of Suomen Lähikauppa, €-4.1 million (€-10.9 million).

Capital expenditure for the grocery trade in April-June was €31.4 million (€44.3 million), of which €23.0 million (€40.6 million) was in store sites.

In April-June, two new K-Supermarkets and three new K-Markets were opened, two of which were replacements. Remodelling and extensions were made in a total of 52 stores.

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

Store numbers at 30.6.	2018	2017
K-Citymarket	81	81
K-Supermarket	241	230
K-Market	784	825
Neste K	72	69
Others	83	91

The total number of Suomen Lähikauppa stores was 380 (408), out of which 378 were K-Markets and 2 K-Supermarkets.

In addition, several K-food stores offer e-commerce services to their customers.

BUILDING AND TECHNICAL TRADE

	1-6/2018	1-6/2017	4-6/2018	4-6/2017
Net sales, € million	1,979	2,275	1,102	1,202
Building and technical trade excl. speciality goods trade	1,798	1,809	995	968
Speciality goods trade	181	466	106	234
Operating profit, comparable, € million	31.2	40.6	33.4	34.8
Building and technical trade excl. speciality goods trade	30.2	30.7	31.2	27.9
Speciality goods trade	1.0	9.8	2.2	6.8
Operating margin, comparable	1.6	1.8	3.0	2.9
Building and technical trade excl. speciality goods trade	1.7	1.7	3.1	2.9
Speciality goods trade	0.5	2.1	2.0	2.9
Return on capital employed, comparable, %, rolling 12 months	9.8	10.2	9.8	10.2
Capital expenditure, € million	22.9	32.3	16.7	21.3
Personnel, average	11,322	12,305	11,603	12,380

Net sales	1-6/2018	1-6/2017	Change, %	4-6/2018	4-6/2017	Change %
Building and home improvement trade, Finland	463	457	+1.3	253	238	+6.2
K-Rauta, Sweden	89	104	-14.4	54	60	-10.7
Byggmakker, Norway	168	209	-19.6	93	109	-14.2
Kesko Senukai, Baltics	267	230	+16.1	155	132	+18.1
OMA, Belarus	59	59	+0.2	35	34	+3.6
Onninen, Finland	424	394	+7.6	234	212	+10.7
Onninen, Sweden	78	102	-23.1	41	52	-22.0
Onninen, Norway	126	136	-7.6	62	65	-3.5
Onninen, Baltics	36	32	+11.3	19	17	+10.8
Onninen, Poland	108	97	+11.7	58	53	+7.8
Building and technical trade excl. speciality goods trade, total	**1,798**	**1,809**	**-0.6**	**995**	**968**	**+2.8**
Leisure trade, Finland	92	89	+4.2	43	37	+14.5
Machinery trade	89	99	-10.3	64	66	-3.1
K-maatalous, Indoor Group Oy and Yamaha and Yamarin	-	279	-	-	131	-
Speciality goods trade, total	**181**	**466**	**-61.1**	**106**	**234**	**-54.6**
Total	**1,979**	**2,275**	**-13.0**	**1,102**	**1,202**	**-8.4**

January-June 2018

Net sales for the building and technical trade in January-June totalled €1,979 million (€2,275 million), down by 13.0%. The net sales were impacted by the divestments carried out in the first half of 2017. In comparable terms, net sales increased by 1.8% in local currencies. The comparable change % has been calculated in local currencies and excluding the impact of the divestments made during 2017.

In June, Kesko Corporation's subsidiary Byggmakker Handel AS agreed to acquire Norwegian building and home improvement trade companies Skattum Handel AS and Gipling AS. Both companies have been operating Byggmakker stores under the retailer business model. The acquisitions were completed after the reporting period in July 2018.

On 16 February 2018, Kesko announced it would be discontinuing its 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 half-year report. The figures for the comparison period have been adjusted accordingly.

In Finland, net sales for the building and technical trade in January-June totalled €979 million (€1,235 million), down by 20.7%. In comparable terms, net sales increased by 3.3% in Finland. The net sales from foreign operations in January-June totalled €1,000 million (€1,040 million), down by 3.8%. In comparable terms, net sales from foreign operations grew by 0.3%. Foreign operations contributed 50.5% (45.7%) 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 €1,798 million (€1,809 million) in January-June, a decrease of 0.6%. In comparable terms, net sales increased by 1.5%.

Net sales for the building and home improvement trade in January-June were €1,042 million (€1,055 million), a decrease of 1.2%. In local currencies, net sales increased by 0.9%. Net sales decreased in local currency in Norway by 16.0% and in Sweden by 9.5%. 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 17.5%.

Onninen's net sales in January-June totalled €770 million (€765 million), up by 0.7%. Net sales decreased in local currency in Sweden by 18.7% and in Norway by 3.4%. The decrease in net sales in Sweden was impacted by the closure of five store sites during the first half of the year. In Poland, net sales grew in local currency by 10.4%.

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 4.2% and the total market (VAT 0%) is estimated to have increased by about 3.3% (Kesko's own estimate).

Net sales for the speciality goods trade in January-June totalled €181 million (€466 million), down by 61.1%. The decrease was affected by the divestments carried out in 2017. The comparable change was +5.0%. Net sales for the machinery trade in January-June amounted to €89 million (€99 million), a decrease of 10.3% from the previous year. Net sales for the machinery trade in Finland totalled €15 million, down by 56.0%. Net sales from foreign operations totalled €74 million, up by 13.2%. Net sales for the leisure trade were €92 million (€89 million), up by 4.2%. 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 €279 million in the comparison period.

The comparable operating profit for the building and technical trade in January-June was €31.2 million (€40.6 million), representing a decrease of €9.4 million compared to the year before, impacted by divestments in the speciality goods trade and Baltic real estate. The comparable operating profit for the building and technical trade excluding the speciality goods trade operations totalled €30.2 million (€30.7 million) and was at the level of the previous year. Onninen's comparable operating profit in January-June totalled €13.1 million (€8.8 million), up by €4.3 million. The impact of the properties in the Baltics, divested in May 2017, on Kesko Senukai's comparable operating profit was €-1.7 million. The comparable operating profit for the speciality goods trade was €1.0 million (€9.8 million), down by €8.8 million. The comparable operating profit for the Asko and Sotka furniture trade, K-maatalous agricultural business and Yamarin boat business and Yamaha representation, all divested in June 2017, totalled €8.7 million in the comparison period.

Operating profit for the building and technical trade totalled €26.8 million (€118.6 million). Items affecting comparability totalled €-4.4 million (€78.0 million). The most significant items affecting comparability were the €4.0 million costs related to the restructuring of operations in Sweden and the €2.0 million gains on the disposal of real estate. The most significant items affecting comparability the year before were the €50.2 million gain on the divestment of real estate in the Baltics, the €12.2 million gain on the divestment of the K-maatalous agricultural business, as well as the gain on the divestment of the Asko and Sotka furniture trade amounting to €19.0 million.

In January-June, the capital expenditure for the building and technical trade totalled €22.9 million (€32.3 million), of which €12.8 million (€13.5 million) was in store sites.

April-June 2018

Net sales for the building and technical trade in April-June totalled €1,102 million (€1,202 million), down by 8.4%. The net sales were impacted by the divestments carried out in the first half of 2017. In comparable terms, net sales increased by 5.4%. The comparable change % has been calculated in local currencies and excluding the impact of the divestments made during 2017.

In Finland, net sales for the building and technical trade in April-June totalled €532 million (€629 million), down by 15.4%. In comparable terms, net sales increased by 8.0% in Finland. The net sales from foreign operations in April-June totalled €569 million (€573 million), down by 0.6%. In comparable terms, net sales from foreign operations grew by 3.1%. Foreign operations contributed 51.7% (47.6%) 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 €995 million (€968 million) in April-June, an increase of 2.8%. In comparable terms, net sales increased by 4.7%

Net sales for the building and home improvement trade in April-June were €589 million (€571 million), an increase of 3.1%. In local currencies, net sales increased by 5.0%. Net sales decreased in local currency in Norway by 12.3% and in Sweden by 5.1%. 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 20.3%.

Onninen's net sales in April-June totalled €413 million (€402 million), up by 2.9%. Net sales decreased in local currency in Sweden by 16.9% and in Norway by 1.8%. The decrease in net sales in Sweden was impacted by the closure of five store sites. In Poland, net sales grew in local currency by 8.6%.

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 6.2% and the total market (VAT 0%) is estimated to have increased by about 5.6% (Kesko's own estimate).

Net sales for the speciality goods trade in April-June totalled €106 million (€234 million), down by 54.6%. The decrease was affected by the divestments carried out in 2017. The comparable change was +12.2%. Net sales for the machinery trade in April-June amounted to €64 million (€66 million), a decrease of 3.1% from the previous year. Net sales for the machinery trade in Finland totalled €10 million, down by 48.6%. Net sales from foreign operations totalled €54 million, up by 16.3%. Net sales for the leisure trade were €43 million (€37 million), up by 14.5%. 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 €131 million in the comparison period.

The comparable operating profit for the building and technical trade in April-June was €33.4 million (€34.8 million), representing a decrease of €1.4 million compared to the year before, impacted by divestments in the speciality goods trade and Baltic real estate. The comparable operating profit for the building and technical trade excluding the speciality goods trade operations totalled €31.2 million (€27.9 million), up by €3.3 million, and operatively excluding divestments by €3.9 million. The comparable operating profit for the building and technical trade excluding the speciality goods trade improved thanks to the good development in the building and home improvement trade and Onninen in Finland and the improvement in Kesko Senukai's profitability. The impact of the real estate in the Baltics, divested in May 2017, on Kesko Senukai's comparable operating profit was €-0.7 million. Onninen's comparable operating profit in April-June totalled €8.9 million (€6.4 million). The comparable operating profit for the speciality goods trade was €2.2 million (€6.8 million), down by €4.6 million. The comparable operating profit for the Asko and Sotka furniture trade, K-maatalous agricultural business and Yamarin boat business and Yamaha representation, all divested in June 2017, totalled €5.2 million in the comparison period.

Operating profit for the building and technical trade totalled €31.0 million (€114.6 million). Items affecting comparability totalled €-2.4 million (€79.8 million). The most significant items affecting comparability the year before were the €50.2 million gain on the divestment of real estate in the Baltics, the €12.2 million gain on the divestment of the K-maatalous agricultural business, as well as the gain on the divestment of the Asko and Sotka furniture trade amounting to €19.0 million.

In April-June, capital expenditure for the building and technical trade totalled €16.7 million (€21.3 million), of which €10.5 million (€8.7 million) was in store sites.

In April-June, two Onninen Express stores were opened in Finland, one in Oulunkylä, Helsinki and one in Oriketo, Turku. One store for business customers was opened in Vilnius, Lithuania.

The most significant store sites under construction are a joint K-Rauta and Onninen in Karlstad, Sweden, one K-Senukai store in Latvia, one K-Senukai store in Lithuania and one building and home improvement store in Belarus. Onninen's most significant store sites under construction are one Onninen Express store in Latvia, one in Estonia and two in Poland.

Number of stores at 30.6.	2018	2017
Building and technical trade		
K-Rauta, Finland	137	139
K-Rauta, Sweden	17	18
Byggmakker, Norway	65	82
K-Rauta, Estonia	8	8
K-Senukai, Latvia	9	8
K-Senukai, Lithuania	23	22
OMA, Belarus	17	16
Onninen, Finland	56	51
Onninen, Sweden	13	18
Onninen, Norway	25	25
Onninen, Baltics	14	15
Onninen, Poland	35	35
Speciality goods trade		
Intersport, Finland	56	56
Budget Sport	11	11
The Athlete's Foot	7	5
Kookenkä	36	37

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

	1-6/2018	1-6/2017	4-6/2018	4-6/2017
Net sales, € million	502	479	244	234
Operating profit, comparable, € million	19.7	17.6	8.7	7.6
Operating margin, comparable	3.9	3.7	3.6	3.2
Return on capital employed, comparable, %, rolling 12 months	22.1	23.0	22.1	23.0
Capital expenditure, € million	27.2	9.0	18.5	5.4
Personnel, average	827	803	849	813

Net sales	1-6/2018	1-6/2017	Change, %	4-6/2018	4-6/2017	Change, %
K-Auto	470	453	+3.9	228	221	+3.2
AutoCarrera	32	26	+23.0	16	14	+18.4
Total	502	479	+4.9	244	234	+4.0

January-June 2018

Net sales for the car trade in January-June amounted to €502 million (€479 million), an increase of 4.9%. The combined market performance of first registrations of passenger cars and vans was +7.3% (+0.8%) in January-

June. The combined market share of the Volkswagen, Audi, SEAT and Porsche passenger cars and vans imported by the car trade grew to 19.2% (18.7%) in January-June.

Profitability in the car trade continued to improve thanks to good sales performance. The comparable operating profit for the car trade in January-June was €19.7 million (€17.6 million), up by €2.1 million. The comparable operating profit for AutoCarrera was €2.6 million (€1.1 million). Operating profit for the car trade in January-June totalled €19.7 million (€17.6 million).

Capital expenditure for the car trade in January-June was €27.2 million (€9.0 million). Gross capital expenditure comprises primarily cars obtained for the leasing fleet and rental cars sold with repurchase commitments.

April-June 2018

Net sales for the car trade in April-June amounted to €244 million (€234 million), an increase of 4.0%. The combined market share of the Volkswagen, Audi, SEAT and Porsche passenger cars and vans imported by the car trade was 19.5% (19.7%) in April-June.

Profitability in the car trade continued to improve thanks to good sales performance. The comparable operating profit for the car trade in April-June was €8.7 million (€7.6 million), up by €1.2 million. The comparable operating profit for AutoCarrera was €1.2 million (€1.0 million). Operating profit for the car trade in April-June totalled €8.7 million (€7.6 million).

Capital expenditure for the car trade in April-June was €18.5 million (€5.4 million). Gross capital expenditure comprises primarily cars obtained for the leasing fleet and rental cars sold with repurchase commitments.

The new WLTP emissions testing, implemented from September onwards, may slow down car trade in Europe in the latter half of the year.

Store numbers at 30.6.	2018	2017
K-Auto	13	10
AutoCarrera	3	3

CHANGES IN GROUP COMPOSITION

Reinin Liha became part of Kesko Group’s foodservice wholesale company Kespro following an acquisition carried out on 1 June 2018.

SHARES, SECURITIES MARKET AND BOARD AUTHORISATIONS

At the end of June 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 30 June 2018, Kesko Corporation held 996,138 of its own B shares as treasury shares. These treasury shares accounted for 1.46% of the total number of B shares, 1.00% of the total number of shares, and 0.26% 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 June 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 €48.70 at the end of June 2018, representing an increase of 10%. Correspondingly, the price of a B share was €45.25 at the end of 2017, and €52.40 at the end of June 2018, representing an increase of 16%. In January-June 2018, the highest A share price was €49.00 and the lowest €41.00. The highest B share price was €52.40 and the lowest €42.92. The Nasdaq Helsinki All-Share index (OMX Helsinki) was up by 6% and the weighted OMX Helsinki Cap index by 6% in January-June 2018. The Retail Sector Index was up by 10%.

The market capitalisation of A shares was €1,546 million at the end of June 2018. The market capitalisation of B shares was €3,526 million, excluding the shares held by the parent company. The combined market capitalisation of the A and B shares was €5,071 million, an increase of €607 million from the end of 2017.

In January-June 2018, a total of 0.7 million A shares were traded on Nasdaq Helsinki. The exchange value of the A shares was €30.7 million. Meanwhile, 29.5 million B shares were traded, with an exchange value of €1,411.1

million. Nasdaq Helsinki accounted for approximately 43% of the trading of Kesko's A and B shares in January-June 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 66,190 own B shares was communicated in stock exchange releases on 15 March 2018, 5 April 2018 and 1 June 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 new PSP 2018-2021 and RSP 2018-2020 share plans were communicated in a stock exchange release on 21 March 2018.

In January-June, 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. Kesko Corporation’s Annual General Meeting on 11 April 2018 resolved that approximately 30% of the annual remuneration of the members of Kesko’s Board of Directors will be paid in B series shares in the company (Stock exchange release 11 April 2018). Kesko’s Board of Directors decided on 24 April 2018 to implement the resolution of the General Meeting regarding the payment of the share portion of the annual remuneration by transferring B shares held by the company as treasury shares to the Board members based on the 2016 share issue authorisation (Stock exchange release 25 April 2018). The shares were transferred to the Board members on 27 April 2018. A Board member cannot transfer shares obtained in this manner until either three years have passed from the day the member has received the shares or their membership on the Board has ended, whichever comes first.

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.

The Board of Directors of Kesko Corporation decided in its meeting on 24 April 2018 to use the authorisation granted by the General Meeting of 11 April 2018 to acquire B shares in the Company, and established a temporary share buy-back programme for the purpose. The shares were acquired to fulfil obligations related to the Company’s share-based commitment and incentive plans. The Board also decided to implement the resolution made by the General Meeting on 11 April 2018 to pay approximately 30% of the annual remuneration for members of the Board in B series shares in the Company, by using B series shares held by the Company as treasury shares in the payment of the share portion of the remuneration. The acquisitions of the shares began on 26 April 2018 and ended on 18 May 2018. During that time, Kesko acquired 500,000 of its own B series shares for an average price per share of €48.83. Following the acquisitions, Kesko held a total of 996,325 of its own B shares, which represents approximately 1.00 per cent of all shares in Kesko Corporation and 1.46 per cent of Kesko Corporation’s B series shares. (Stock exchange releases 25.4.2018 and 21.5.2018)

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 June 2018, the number of shareholders was 41,169, which is 1,153 less than at the end of 2017. At the end of June, foreign ownership of all shares was 33.9%, and foreign ownership of B shares 48.5%.

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 for the properties in cash is approximately RUB 12 billion (some €169 million). The ownership of the properties was transferred to the buyer in H1/2018. The operations of two K-Rauta properties in the Moscow region not included in the transaction were discontinued during H1/2018. (Stock exchange release 16.2.2018)

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 21.3.2018)

In the first interim report for 2018, the discontinuation of the building and home improvement trade operations in Russia was 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 stock exchange release depicted comparison figures for 2017 for key continuing operations segment data. (Stock exchange release 23.3.2018)

On 1 June 2018, Reinin Liha became part of Kesko Group's foodservice wholesaler Kespro via an acquisition. An agreement was also made at the time to acquire Kalatukku E. Eriksson, and the transaction was completed after the end of the reporting period on 2 July 2018. Both will continue operating as independent companies, and their full staff and operational management will carry on with their duties. (Press releases 1.6.2018 and 2.7.2018)

Kesko Corporation's subsidiary Byggmakker Handel AS agreed to acquire Norwegian building and home improvement trade companies Skattum Handel AS and Gipling AS. In 2017, Skattum Handel AS recorded net sales of approximately €94 million and Gipling AS net sales of some €151 million. Both companies operate Byggmakker stores under the retailer business model, and the Byggmakker chain will control the stores following the acquisitions. Once the acquisitions are completed, the Byggmakker chain will control a total of 30 Byggmakker stores, providing even greater potential for growth and increased profitability in Norway. (Press releases 7.6.2018 and 19.6.2018)

Kesko Senukai has agreed to acquire 1A Group, one of the leading online retail market players in the Baltic states, with net sales of approximately €41 million in 2017. The acquisition will make Kesko Senukai one of the leading e-commerce operators in the Baltics with online operations in Estonia, Latvia and Lithuania. The completion of the acquisition is subject to the approval of the local competition authorities and the fulfilment of the other terms and conditions of the transaction. The transaction is expected to be completed during the second half of 2018. (Press release 21.6.2018)

KEY EVENTS AFTER THE REPORTING PERIOD

Kesko will sell its remaining shares in its Baltic machinery trade subsidiaries and Konekesko Finland's agricultural machinery trade operations to Danish Agro Group. Danish Agro Group has used its call options announced in February 2017 to buy the remaining shares in Konekesko Ltd's Baltic subsidiaries and its agricultural machinery trade operations in Finland. As a result, Danish Agro Group becomes the full owner of Konekesko's Baltic companies and Konekesko's agricultural machinery operations in Finland. The transactions are expected to be completed by October 2018 at the latest. The completion of the transactions is subject to the approval of the competition authorities and the fulfilment of the other terms and conditions of the transactions. (Press release 6 July 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 stock exchange releases on 11 April 2018.

SUSTAINABILITY

Kesko is committed to the EU objective of reducing the consumption of plastic bags to 40 bags per capita by 2025. To promote the target, pricing was changed so that plastic, paper and biodegradable bags now all cost the same in all K-food stores.

In April, the Finnish Basketball Association and K Group agreed on a multi-year extension to their collaboration, which so far has seen more than 42,000 children play and exercise at the Pikkusudet (Little Wolves) basketball events and the Pirkka Street Basket tour.

In May, Kesko published its animal welfare policy, which states, for example, that from the start of 2026 onwards, eggs form furnished cages are no longer accepted into Kesko's selections.

In 2018-2019, K Group will build a nationwide network of electric car charging points in Finland and begin piloting new mobility services, starting with a car sharing trial.

K Group and WWF Finland will arrange volunteering events from June to autumn to restore routes and spawning grounds in rivers and streams for the critically endangered trout and other migratory fish. This is part of the multi-year K Fishpaths collaboration between K Group and WWF Finland that aims to save Finnish migratory fish.

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.

No material change is estimated to have taken place during the first half 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 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 acquisitions in the building and technical trade, the changes caused by digitalisation in the trading sector, and cyber threats. After the strategy update, the focus in risk management in the building and technical trade division is on the execution of country-specific strategies. The new WLTP emissions testing, implemented from September onwards, may slow down car trade in Europe in the latter half of the year.

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 (7/2018-6/2019) in comparison with the 12 months preceding the end of the reporting period (7/2017-6/2018).

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. 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 the expansion of logistics operations and in information systems and digital services will burden profitability during the period.

Helsinki 24 July 2018
Kesko Corporation
Board of Directors

The information in this half-year financial report 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 interim report for January-September 2018 will be published on 24 October 2018. In addition, Kesko Group's sales figures are published each month. News releases and other Company information are available on Kesko's website at www.kesko.fi.

KESKO CORPORATION

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Accounting policies

This half-year financial report has been prepared in accordance with IAS 34. The half-year financial 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 Payment. 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

	1-6/2018	1-6/2017	Change, %	4-6/2018	4-6/2017	Change, %	1-12/2017
Continuing operations							
Net sales	5,086	5,321	-4.4	2,673	2,763	-3.3	10,492
Cost of goods sold	-4,434	-4,577	-3.1	-2,327	-2,377	-2.1	-9,026
Gross profit	**651**	**744**	**-12.5**	**346**	**386**	**-10.3**	**1,466**
Other operating income	391	417	-6.3	209	258	-19.0	787
Employee benefit expense	-342	-389	-12.0	-174	-194	-10.2	-738
Depreciation and impairment charges	-70	-63	10.2	-37	-32	18.1	-130
Other operating expenses	-512	-538	-4.8	-261	-266	-1.8	-1,046
Operating profit	**118**	**171**	**-30.9**	**82**	**152**	**-46.2**	**339**
Interest income and other finance income	7	11	-33.1	4	5	-29.4	18
Interest expense and other finance costs	-7	-6	11.0	-4	-3	34.1	-14
Foreign exchange differences	-1	-1	-28.3	0	-3	-90.2	-2
Share of result of associates and joint ventures	-2	0	(..)	-2	-1	(..)	2
Profit before tax	**115**	**174**	**-34.0**	**79**	**150**	**-47.6**	**342**
Income tax	-24	-22	9.2	-16	-17	-6.4	-58
Net profit for the period from continuing operations	91	153	-40.1	62	133	-53.1	284
Discontinued operations							
Net profit for the period from discontinued operations	-51	-3	(..)	-28	0	(..)	-16
Net profit for the period	**40**	**150**	**-73.3**	**34**	**133**	**-74.1**	**269**
Attributable to							
Owners of the parent	32	147	-78.3	23	129	-81.8	258
Non-controlling interests	8	3	(..)	11	4	(..)	11
Earnings per share (€) for profit attributable to owners of the parent							
Basic and diluted, continuing operations	0.84	1.50	-44.3	0.52	1.29	-60.0	2.75
Basic and diluted, discontinued operations	-0.52	-0.03	(..)	-0.28	0.00	(..)	-0.16
Basic and diluted, Group total	0.32	1.48	-78.3	0.24	1.29	-81.8	2.59

Consolidated statement of comprehensive income (€ million)							
	1-6/2018	1-6/2017	Change, %	4-6/2018	4-6/2017	Change, %	1-12/2017
Net profit for the period	40	150	-73.3	34	133	-74.1	269
Continuing operations							
Items that will not be reclassified subsequently to profit or loss							
Actuarial gains/losses	-1	12	(..)	0	5	(..)	36
Items that may be reclassified subsequently to profit or loss							
Currency translation differences related to a foreign operation	-2	-8	-73.4	-2	-10	(..)	-15
Cash flow hedge revaluation	2	0	(..)	1	1	(..)	1
Revaluation of available-for-sale financial assets	-	0	-	-	0	-	0
Other items	0	0	-44.6	0	0	-44.6	0
Total other comprehensive income for the period, net of tax, continuing operations	-1	4	(..)	-1	-5	(..)	21
Total other comprehensive income for the period, net of tax, discontinued operations	35	-10	(..)	38	-19	(..)	-14
Total comprehensive income for the period	**74**	**144**	**-48.3**	**71**	**109**	**-34.4**	**276**
Attributable to							
Owners of the parent	66	143	-53.6	60	107	-43.9	269
Non-controlling interests	8	1	(..)	11	1	(..)	7

(..) Change over 100%

Consolidated statement of financial position (€ million), condensed				
	30.6.2018	**30.6.2017**	**Change, %**	**31.12.2017**
ASSETS				
Non-current assets				
Tangible assets	1,162	1,207	-3.7	1,293
Intangible assets	366	385	-4.7	376
Shares in associates and joint ventures and other financial assets	150	140	6.8	140
Loans and receivables	71	74	-3.9	71
Pension assets	148	178	-17.0	207
Total	1,897	1,984	-4.4	2,088
Current assets				
Inventories	850	958	-11.3	939
Trade receivables	960	952	0.9	836
Other receivables	243	230	5.7	209
Financial assets at fair value through profit or loss	141	105	33.8	171
Financial assets at amortised cost	78	-	-	-
Available-for-sale financial assets	-	57	-	57
Cash and cash equivalents	225	205	10.0	170
Total	2,497	2,507	-0.4	2,382
Non-current assets held for sale	110	5	(..)	2
Total assets	**4,504**	**4,496**	**0.2**	**4,472**
	30.6.2018	**30.6.2017**	**Change, %**	**31.12.2017**
EQUITY AND LIABILITIES				
Equity	1,967	2,007	-2.0	2,133
Non-controlling interests	103	93	10.8	99
Total equity	2,070	2,100	-1.4	2,232
Non-current liabilities				
Interest-bearing liabilities	98	360	-72.8	129
Non-interest-bearing liabilities	30	37	-20.0	31
Deferred tax liabilities	42	46	-7.8	52
Pension obligations	1	1	-7.5	0
Provisions	24	14	71.6	25
Total	195	458	-57.4	238
Current liabilities				
Interest-bearing liabilities	494	201	(..)	405
Trade payables	1,147	1,150	-0.2	1,024
Other non-interest-bearing liabilities	508	545	-6.8	541
Provisions	30	42	-28.7	32
Total	2,179	1,938	12.4	2,001
Liabilities related to non-current assets held for sale	60	-	-	0
Total equity and liabilities	**4,504**	**4,496**	**0.2**	**4,472**

(..) Change over 100%

Consolidated statement of changes in equity (€ million)

	Share capital	Reserves	Currency translation differ-ences	Re-valuation reserve	Treasury shares	Retained earnings	Non-cont-rolling interests	Total
Balance at 1.1.2018	**197**	**465**	**-50**	**3**	**-18**	**1,536**	**99**	**2,232**
Impact of new IFRS adoption				-4	4	3	0	2
Adjusted opening balance 1 Jan.	197	465	-50	0	-14	1,538	99	2,234
Share-based payments					1			1
Acquisition of treasury shares					-24			-24
Dividends						-219	-4	-223
Other changes						8		8
Transactions with owners, total					-24	-211	-4	-239
Comprehensive income								
Profit for the period, continuing operations						83	8	91
Profit for the period, discontinued operations						-51		-51
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			-2			0	0	-2
Cash flow hedge revaluation				2				2
Tax related to comprehensive income				0		0		0
Comprehensive income, discontinued operations			35					35
Total comprehensive income for the period			33	2		31	8	74
Balance at 30.6.2018	**197**	**465**	**-17**	**2**	**-38**	**1,359**	**103**	**2,070**

	Share capital	Reserves	Currency translation differ-ences	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					6			6
Disposals of subsidiaries		0	-1		0	1		0
Purchases of non-controlling interests							-1	-1
Disposals of non-controlling interests						21		21
Dividends						-199	-5	-204
Other changes						7	0	7
Transactions with owners, total		0	-1		6	-169	-5	-170

Comprehensive income								
Profit for the period, continuing operations						149	3	153
Profit for the period, discontinued operations						-3		-3
Items that will not be reclassified subsequently to profit or loss								
Actuarial gains/losses						15		15
Items that may be reclassified subsequently to profit or loss								
Translation differences on foreign operations			-6				-2	-8
Cash flow hedge revaluation				0				0
Revaluation of available-for-sale financial assets				1				1
Income taxes related to comprehensive income				0		-3		-3
Comprehensive income, discontinued operations			-10					-10
Total comprehensive income for the period			-16	0		159	1	144
Balance at 30.6.2017	**197**	**463**	**-41**	**4**	**-17**	**1,402**	**93**	**2,100**

Consolidated statement of cash flows (€ million), condensed

	1-6/2018	1-6/2017	Change, %	4-6/2018	4-6/2017	Change, %	1-12/2017
Cash flows from operating activities							
Profit before tax, continuing operations	115	175	-34.1	79	150	-47.7	343
Depreciation according to plan	67	63	4.9	34	32	7.5	130
Finance income and costs	1	-3	(..)	1	1	-22.5	-2
Other adjustments	56	-82	(..)	4	-79	(..)	-78
Change in working capital							
Current non-interest-bearing receivables, increase (-)/decrease (+)	-186	-200	-6.9	-44	-37	19.1	-78
Inventories, increase (-)/decrease (+)	-12	-17	-27.6	24	36	-33.7	-13
Current non-interest-bearing liabilities, increase (+)/decrease(-)	150	158	-4.9	50	45	11.5	32
Financial items and tax	-11	-10	3.8	-8	-18	-52.6	-43
Net cash from operating activities, continuing operations	179	83	(..)	140	131	6.7	292
Net cash from operating activities, discontinued operations	-3	0	(..)	-37	10	(..)	10
Net cash from operating activities, total	**176**	**84**	**(..)**	**103**	**141**	**-27.0**	**302**

Cash flows from investing activities							
Investing activities	-121	-131	-7.3	-68	-66	3.6	-305
Proceeds from sale of subsidiaries, net of cash	-	136	-	-	115	-	144
Proceeds from sale of tangible and intangible assets	22	83	-73.3	15	71	-79.1	97
Increase in non-current receivables	0	-8	-99.9	-1	-8	-93.5	-7
Net cash used in investing activities, continuing operations	-99	80	(..)	-54	112	(..)	-72
Net cash used in investing activities, discontinued operations	167	-17	(..)	-4	-14	-70.3	-17
Net cash used in investing activities, total	**67**	**63**	**6.3**	**-58**	**98**	**(..)**	**-88**
Cash flows from financing activities							
Interest-bearing liabilities, increase (+)/decrease (-)	57	38	50.2	50	-30	(..)	0
Current interest-bearing receivables, increase (-)/ decrease (+)	-2	-1	(..)	0	-1	-78	0
Dividends paid	-219	-204	7.5	-219	-204	7.5	-204
Acquisition of treasury shares	-24	-	-	-24	-	-	-
Short-term money market investments, increase (-)/ decrease (+)	8	29	-73.3	45	32	41.2	-36
Other items	0	-6	-98.2	0	-2	(..)	-3
Net cash used in financing activities, continuing operations	-180	-143	26.2	-148	-204	-27.7	-243
Net cash used in financing activities, discontinued operations	-	-	-	-	-	-	-
Net cash used in financing activities, total	**-180**	**-143**	**26.2**	**-148**	**-204**	**-27.7**	**-243**
Change in cash and cash equivalents	**63**	**4**	**(..)**	**-103**	**35**	**(..)**	**-30**
Cash and cash equivalents at 1 Jan., continuing operations	164	199	-17.6	130	144	-9.6	199
Cash and cash equivalents at 1 Jan., discontinued operations	7	2	(..)	4	4	-3.3	2
Exchange differences and cash and cash equivalents related to assets held for sale	-5	0	(..)	-4	-1	(..)	-1
Cash and cash equivalents at 30 Jun., continuing operations	225	202	11.5	225	202	11.5	164
Cash and cash equivalents at 30 Jun., discontinued operations	2	3	-14.4	2	3	-14.4	7

(..) Change over 100%

Group's performance indicators

	1-6/2018	1-6/2017	Change, pp	1-12/2017
Return on capital employed, %*	10.2	15.4	-5.1	15.2
Return on capital employed, %, rolling 12 mo*	12.6	10.1	2.5	15.2
Return on capital employed, comparable, %*	11.2	10.4	0.8	13.3
Return on capital employed, comparable, %, rolling 12 mo*	13.7	12.1	1.6	13.3
Return on equity, %	3.7	14.2	-10.5	12.3
Return on equity, %, rolling 12 mo	7.6	8.6	-1.0	12.3
Return on equity, comparable, %	9.1	8.8	0.4	10.9

Return on equity, comparable, %, rolling 12 mo	11.7	10.3	1.4	10.9
Equity ratio, %	46.2	47.0	-0.8	50.4
Gearing, %	7.0	9.2	-2.2	6.1
Interest-bearing net debt/EBITDA, rolling 12 mo	0.4	0.5	-0.1	0.3
			Change, %	
Capital expenditure, € million*	128.7	153.5	-16.2	333.5
Capital expenditure, % of net sales*	2.5	2.9	-12.3	3.2
Cash flow from operating activities, € million*	179.1	83.5	(..)	291.9
Cash flow from investing activities, € million*	-99.3	80.4	(..)	-71.5
Cash flow from operating activities/share, €*	1.80	0.84	(..)	2.94
Equity per share, €	19.87	20.18	-1.6	21.45
Interest-bearing net debt, € million	146	194	-24.9	136
Diluted number of shares, average for the reporting period, 1,000 pcs	99,347	99,387	0.0	99,426
Personnel, average	20,017	22,806	-12.2	22,077
Earnings per share, basic and diluted, €				
Continuing operations	0.84	1.50	-44.3	2.75
Discontinued operations	-0.52	-0.03	(..)	-0.16
Group total	0.32	1.48	-78.3	2.59
Earnings per share, comparable, basic, €				
Continuing operations	0.96	0.93	3.8	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	4-6/2018
Net sales, € million*	2,558	2,763	2,596	2,575	2,413	2,673
Change in net sales, %*	29.1	7.7	-5.3	-5.3	-5.7	-3.3
Operating profit, € million*	19.4	151.8	96.7	70.8	36.6	81.6
Operating margin, %*	0.8	5.5	3.7	2.8	1.5	3.1
Operating profit, comparable, € million*	31.5	83.8	100.5	80.4	40.0	89.0
Operating margin, comparable, %*	1.2	3.0	3.9	3.1	1.7	3.3
Finance income/costs, € million*	4.2	-1.1	-0.2	-0.7	0.0	-0.9
Profit before tax, € million*	24.3	150.0	96.5	71.7	36.5	78.5
Profit before tax, %*	0.9	5.4	3.7	2.8	1.5	2.9
Return on capital employed, %*	3.5	27.1	17.8	12.6	6.3	14.2
Return on capital employed, comparable, %*	5.7	15.0	18.5	14.3	6.9	15.5
Return on equity, %	3.2	24.8	13.9	8.1	1.0	6.4
Return on equity, comparable, %	5.1	12.2	14.6	12.2	5.4	12.6
Cash flow from operating activities/share, €*	-0.48	1.32	0.98	1.11	0.40	1.41
Equity ratio, %	47.4	47.0	49.1	50.4	49.3	46.2
Capital expenditure, € million*	75.8	77.7	62.9	117.1	54.5	74.2
Equity per share, €	20.98	20.18	20.89	21.45	21.52	19.87

Earnings per share, basic and diluted, €						
Continuing operations	0.21	1.29	0.67	0.57	0.32	0.52
Discontinued operations	-0.03	0.00	0.01	-0.14	-0.24	-0.28
Group total	0.18	1.29	0.69	0.43	0.08	0.24

*Continuing operations

Segment information, continuing operations

Net sales by segment (€ million)	**1-6/2018**	**1-6/2017**	**Change, %**	**4-6/2018**	**4-6/2017**	**Change, %**	**1-12/2017**	**Rolling 12 mo 6/2018**
Grocery trade, Finland	2,604	2,570	1.3	1,327	1,327	0.0	5,282	5,316
Grocery trade total	**2,604**	**2,570**	**1.3**	**1,327**	**1,327**	**0.0**	**5,282**	**5,316**
- of which intersegment trade	3	4	-31.5	1	2	-17.8	7	5
Building and technical trade, Finland	979	1,235	-20.7	532	629	-15.4	2,190	1,934
Building and technical trade, other countries*	1,000	1,040	-3.8	569	573	-0.6	2,111	2,072
Building and technical trade total	**1,979**	**2,275**	**-13.0**	**1,102**	**1,202**	**-8.4**	**4,302**	**4,006**
- of which intersegment trade	0	2	85.5	1	0	78.4	3	1
Car trade, Finland	502	479	4.9	244	234	4.0	909	933
Car trade total	**502**	**479**	**4.9**	**244**	**234**	**4.0**	**909**	**933**
- of which intersegment trade	1	0	(..)	0	0	(..)	1	1
Common functions and eliminations	1	-2	(..)	0	0	(..)	-1	2
Finland total	**4,086**	**4,282**	**-4.6**	**2,103**	**2,190**	**-4.0**	**8,380**	**8,185**
Other countries total*	**1,000**	**1,040**	**-3.8**	**569**	**573**	**-0.6**	**2,111**	**2,072**
Continuing operations, total	**5,086**	**5,321**	**-4.4**	**2,673**	**2,763**	**-3.3**	**10,492**	**10,256**

(..) Change over 100%

* Net sales in countries other than Finland

Operating profit by segment (€ million)	**1-6/2018**	**1-6/2017**	**Change**	**4-6/2018**	**4-6/2017**	**Change**	**1-12/2017**	**Rolling 12 mo 6/2018**
Grocery trade	85.9	56.6	29.2	48.3	39.9	8.4	181.3	210.5
Building and technical trade	26.8	118.6	-91.8	31.0	114.6	-83.6	168.7	76.9
Car trade	19.7	17.6	2.1	8.7	7.6	1.2	33.1	35.2
Common functions and eliminations	-14.1	-21.7	7.6	-6.4	-10.3	3.9	-44.5	-36.9
Continuing operations, total	**118.2**	**171.2**	**-53.0**	**81.6**	**151.8**	**-70.2**	**338.6**	**285.7**

Operating profit by segment, comparable (€ million)	1-6/2018	1-6/2017	Change	4-6/2018	4-6/2017	Change	1-12/2017	Rolling 12 mo 6/2018
Grocery trade	91.5	76.9	14.6	52.8	50.5	2.3	203.4	218.0
Building and technical trade	31.2	40.6	-9.4	33.4	34.8	-1.4	95.2	85.8
Car trade	19.7	17.6	2.1	8.7	7.6	1.2	33.1	35.2
Common functions and eliminations	-13.3	-19.8	6.5	-5.9	-9.0	3.1	-35.6	-29.1
Continuing operations, total	**129.1**	**115.3**	**13.8**	**89.0**	**83.8**	**5.2**	**296.2**	**309.9**

Operating margin by segment, comparable (%)	1-6/2018	1-6/2017	Change, pp	4-6/2018	4-6/2017	Change, pp	1-12/2017	Rolling 12 mo 6/2018
Grocery trade	3.5	3.0	0.5	4.0	3.8	0.2	3.9	4.1
Building and technical trade	1.6	1.8	-0.2	3.0	2.9	0.1	2.2	2.1
Car trade	3.9	3.7	0.2	3.6	3.2	0.4	3.6	3.8
Continuing operations, total	**2.5**	**2.2**	**0.4**	**3.3**	**3.0**	**0.3**	**2.8**	**3.0**

Capital employed by segment, cumulative average (€ million)	1-6/2018	1-6/2017	Change	4-6/2018	4-6/2017	Change	1-12/2017	Rolling 12 mo 6/2018
Grocery trade	907	760	147	915	771	144	791	867
Building and technical trade	885	966	-81	889	967	-79	923	879
Car trade	167	153	14	163	159	4	154	160
Common functions and eliminations	349	348	0	327	342	-15	355	354
Continuing operation, total	**2,308**	**2,227**	**81**	**2,294**	**2,239**	**55**	**2,224**	**2,260**

Return on capital employed by segment, comparable (%)	1-6/2018	1-6/2017	Change, pp	4-6/2018	4-6/2017	Change, pp	1-12/2017	Rolling 12 mo 6/2018
Grocery trade	20.2	20.2	-0.1	23.1	26.2	-3.1	25.7	25.1
Building and technical trade	7.0	8.4	-1.4	15.0	14.4	0.6	10.3	9.8
Car trade	23.6	23.1	0.5	21.4	19.0	2.4	21.5	22.1
Continuing operations, total	**11.2**	**10.4**	**0.8**	**15.5**	**15.0**	**0.5**	**13.3**	**13.7**

Capital expenditure by segment, € million	1-6/2018	1-6/2017	Change	4-6/2018	4-6/2017	Change	1-12/2017	Rolling 12 mo 6/2018
Grocery trade	60	98	-38	31	44	-13	224	187
Building and technical trade	23	32	-9	17	21	-5	64	54
Car trade	27	9	18	19	5	13	17	36
Common functions and eliminations	19	15	4	8	7	1	28	32
Continuing operations, total	**129**	**153**	**-25**	**74**	**78**	**-4**	**334**	**309**

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	4-6/2018
Grocery trade	1,243	1,327	1,313	1,399	1,276	1,327
Building and technical trade	1,073	1,202	1,070	957	877	1,102
Car trade	245	234	212	218	259	244
Common functions and eliminations	-2	0	0	1	1	0
Continuing operations, total	**2,558**	**2,763**	**2,596**	**2,575**	**2,413**	**2,673**

Operating profit by segment, € million	1-3/2017	4-6/2017	7-9/2017	10-12/2017	1-3/2018	4-6/2018
Grocery trade	16.7	39.9	59.3	65.4	37.6	48.3
Building and technical trade	4.0	114.6	38.0	12.1	-4.2	31.0
Car trade	10.0	7.6	8.8	6.7	11.0	8.7
Common functions and eliminations	-11.4	-10.3	-9.4	-13.4	-7.7	-6.4
Continuing operations, total	**19.4**	**151.8**	**96.7**	**70.8**	**36.6**	**81.6**

Items in operating profit affecting comparability, € million	1-3/2017	4-6/2017	7-9/2017	10-12/2017	1-3/2018	4-6/2018
Grocery trade	-9.7	-10.6	-0.2	-1.7	-1.2	-4.5
Building and technical trade	-1.8	79.8	-2.7	-1.8	-2.0	-2.4
Car trade	-	-	-	-	-	-
Common functions and eliminations	-0.6	-1.3	-1.0	-6.0	-0.3	-0.5
Continuing operations, total	**-12.1**	**67.9**	**-3.8**	**-9.5**	**-3.4**	**-7.5**

Operating profit by segment, comparable, € million	1-3/2017	4-6/2017	7-9/2017	10-12/2017	1-3/2018	4-6/2018
Grocery trade	26.4	50.5	59.4	67.0	38.7	52.8
Building and technical trade	5.8	34.8	40.7	14.0	-2.2	33.4
Car trade	10.0	7.6	8.8	6.7	11.0	8.7
Common functions and eliminations	-10.8	-9.0	-8.5	-7.4	-7.4	-5.9
Continuing operations, total	**31.5**	**83.8**	**100.5**	**80.4**	**40.0**	**89.0**

Operating margin by segment, %, comparable	1-3/2017	4-6/2017	7-9/2017	10-12/2017	1-3/2018	4-6/2018
Grocery trade	2.1	3.8	4.5	4.8	3.0	4.0
Building and technical trade	0.5	2.9	3.8	1.5	-0.3	3.0
Car trade	4.1	3.2	4.2	3.1	4.2	3.6
Continuing operations, total	**1.2**	**3.0**	**3.9**	**3.1**	**1.7**	**3.3**

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 were not included within the scope of the transaction; instead, the operations were discontinued during the first year-half. The ownership of the properties was transferred to the buyer during the second quarter of 2018. Kesko discontinued the operations of its two remaining K-Rauta properties in the Moscow region, included in assets held for sale in the consolidated statement of financial position.

The divestment of the properties resulted in a positive cash flow of €171 million for Kesko Corporation in February. All divested properties had been handed over to the buyer by 30 June 2018 and the divestment of the properties resulted in a €17 million sales gain in the second quarter. The operative result after taxes for the operations was €-2 million in the first half of the year. In addition, in the first year-half a cost of €21 million related to the discontinuation of operations was recorded as were translation differences of €-39 million related to the equity financing of Russian subsidiaries.

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 in this half-year 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)					
	1-6/2018	**1-6/2017**	**4-6/2018**	**4-6/2017**	**1-12/2017**
Income	48	101	-1	56	203
Expense	-49	-103	1	-55	-217
Profit/loss before tax	-1	-2	0	1	-15
Income tax	0	0	0	0	-1
Net profit/loss after tax	-2	-3	0	0	-16
Loss on discontinued Russian building and home improvement trade before tax	-42		-21		
Income tax	-7		-7		
Loss on discontinued Russian building and home improvement trade after tax	-50		-28		
Net loss for the period from discontinued operations	**-51**		**-28**		

Statement of financial position for the Russian building and home improvement trade (€ million), condensed	
	30.6.2018
ASSETS	
Non-current assets	
Tangible assets	9
Total	9
Current assets	
Trade receivables	0
Other receivables	1
Cash and cash equivalents	2
Total	3
Total assets	**12**

	30.6.2018
LIABILITIES	
Current liabilities	
Trade payables	0
Other non-interest-bearing liabilities	10
Provisions	1
Total	11
Total liabilities	**11**

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 Payment, 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		57	57
Available-for-sale financial assets	68	-68	
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, total				-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)

	30.6.2018	**30.6.2017**
Opening net carrying amount	**1,669**	**1,581**
Depreciation, amortisation and impairment charges	-67	-68
Investments in tangible and intangible assets	124	172
Deductions	-15	-26
Disposals	-	-55
Transfers to non-current assets held for sale	-183	-
Exchange differences	-1	-14
Closing net carrying amount	**1,528**	**1,591**

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:		
	1-6/2018	**1-6/2017**
Sales of goods and services	47	42
Purchases of goods and services	4	4
Other operating income	7	7
Other operating expenses	30	33
Finance income and costs	3	0
	30.6.2018	**30.6.2017**
Receivables	73	71
Liabilities	34	38

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

	Level 1	**Level 2**	**Level 3**	**30.6.2018**
Financial assets at fair value through profit or loss	**140.9**		**15.8**	**156.8**
Derivative financial instruments at fair value through profit or loss				
Derivative financial assets		4.8		4.8
Derivative financial liabilities		-2.2		-2.2

	Level 1	**Level 2**	**Level 3**	**30.6.2017**
Financial assets at fair value through profit or loss	**79.9**	**25.5**		**105.3**
Derivative financial instruments at fair value through profit or loss				
Derivative financial assets		2.7		2.7
Derivative financial liabilities		3.6		3.6
Available-for-sale financial assets	**56.5**	**39.8**	**11.8**	**108.2**

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 30.6.

Personnel average by segment	**1-6/2018**	**1-6/2017**	**Change**
Grocery trade	6,089	7,137	-1,048
Building and technical trade	11,322	12,305	-983
Car trade	827	803	24
Common functions	969	860	109
Continuing operations, total	19,207	21,103	-1,896
Discontinued operations	810	1,704	-894
Group total	**20,017**	**22,806**	**-2,789**
Personnel at 30.6.* by segment	**2018**	**2017**	**Change**
Grocery trade	8,199	10,147	-1,948
Building and technical trade	12,923	13,817	894
Car trade	872	838	34
Common functions	1,052	988	64
Continuing operations, total	23,046	25,790	-2,744
Discontinued operations	127	2,036	-1,909
Group total	**23,173**	**27,826**	**-4,653**

* Total number including part-time employees

Group's commitments (€ million)

	30.6.2018	**30.6.2017**	**Change, %**
Own commitments	255	197	29.4
For others	20	14	45.3
Lease liabilities for machinery and equipment	19	22	-14.1
Lease liabilities for real estate	2,841	3,032	-6.3
Liabilities arising from derivative instruments (€ million)			
			Fair value
Values of underlying instruments at 30.6.	**30.6.2018**	**30.6.2017**	**30.6.2018**
Interest rate derivatives			
Interest rate options	70	-	0.18
Interest rate swaps	280	180	-1.31
Currency derivatives			
Forward and future contracts	265	106	1.20
Currency swaps	20	20	0.50
Commodity derivatives			
Electricity derivatives	9	8	2.33

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**	**1-3/ 2018**	**4-6/ 2018**	**1-6/ 2018**	**1-6/ 2017**	**1-12/ 2017**
Continuing operations									
Items affecting comparability									
Gains on disposal	0.3	81.8	0.6	0.6	2.5	4.3	6.7	82.1	83.4
Losses on disposal	-0.4	-1.2	-0.1	-0.1	0.0	-	0.0	-1.6	-1.8
Impairment charges	-	-	-0.5	-	-	-3.4	-3.4	-	-0.5
Structural arrangements	-12.1	-12.6	-3.9	-10.1	-5.8	-8.4	-14.2	-24.7	-38.6
Items in operating profit affecting comparability	**-12.1**	**67.9**	**-3.8**	**-9.5**	**-3.4**	**-7.5**	**-10.9**	**55.8**	**42.5**
Items in financial items affecting comparability	-	-	-	-0.4	-	-	-	-	-0.4
Items in income taxes affecting comparability	2.0	-0.4	0.1	2.1	0.4	2.0	2.3	1.6	3.8
Items in net profit attributable to non-controlling interests affecting comparability	-	-	-	-	-	-3.7	-3.7	-	-
Total items affecting comparability	**-10.1**	**67.5**	**-3.7**	**-7.8**	**-3.0**	**-9.2**	**-12.3**	**57.4**	**45.9**

Operating profit, comparable									
Operating profit	19.4	151.8	96.7	70.8	36.6	81.6	118.2	171.2	338.6
Net of									
Items in operating profit affecting comparability	-12.1	67.9	-3.8	-9.5	-3.4	-7.5	-10.9	55.8	42.5
Operating profit, comparable	**31.5**	**83.8**	**100.5**	**80.4**	**40.0**	**89.0**	**129.1**	**115.3**	**296.2**
Profit before tax, comparable									
Profit before tax	24.3	150.0	96.5	71.7	36.5	78.5	115.0	174.3	342.4
Net of									
Items in operating profit affecting comparability	-12.1	67.9	-3.8	-9.5	-3.4	-7.5	-10.9	55.8	42.5
Items in financial items affecting comparability	-	-	-	-0.4	-	-	-	-	-0.4
Profit before tax, comparable	**36.3**	**82.1**	**100.3**	**81.6**	**39.9**	**86.0**	**125.9**	**118.4**	**300.3**
Net profit, comparable									
Profit before tax, comparable	36.3	82.1	100.3	81.6	39.9	86.0	125.9	118.4	300.3
Net of									
Income tax	4.2	17.4	23.6	12.7	7.3	16.3	23.6	21.6	57.9
Items in income tax affecting comparability	2.0	-0.4	0.1	2.1	0.4	2.0	2.3	1.6	3.8
Net profit, comparable	**30.2**	**65.1**	**76.6**	**66.7**	**32.2**	**67.8**	**100.0**	**95.2**	**238.5**
Net profit attributable to owners of the parent, comparable									
Net profit, comparable	30.2	65.1	76.6	66.7	32.2	67.8	100.0	95.2	238.5
Net of									
Net profit attributable to non-controlling interests	-1.0	4.2	6.0	1.8	-2.7	10.9	8.3	3.2	11.0
Items in net profit attributable to non-controlling interests affecting comparability	-	-	-	-	-	-3.7	-3.7	-	-
Net profit attributable to owners of the parent, comparable	**31.2**	**60.8**	**70.6**	**64.9**	**34.9**	**60.6**	**95.5**	**92.0**	**227.5**
Earnings per share, comparable, €									
Net profit attributable to the owners of the parent, comparable	31.2	60.8	70.6	64.9	34.9	60.6	95.5	92.0	227.5
Average number of shares, basic, 1,000 pcs	99,308	99,387	99,414	99,426	99,468	99,347	99,347	99,387	99,426
Earnings per share, comparable, €	**0.31**	**0.61**	**0.71**	**0.65**	**0.35**	**0.61**	**0.96**	**0.93**	**2.29**

Return on capital employed, %									
Operating profit	19.4	151.8	96.7	70.8	36.6	81.6	118.2	171.2	338.6
Capital employed, average	2,224	2,239	2,175	2,248	2,317	2,294	2,308	2,227	2,224
Return on capital employed, %	**3.5**	**27.1**	**17.8**	**12.6**	**6.3**	**14.2**	**10.2**	**15.4**	**15.2**
Return on capital employed, comparable, %									
Operating profit, comparable	31.5	83.8	100.5	80.4	40.0	89.0	129.1	115.3	296.2
Capital employed, average	2,224	2,239	2,175	2,248	2,317	2,294	2,308	2,227	2,224
Return on capital employed, comparable, %	**5.7**	**15.0**	**18.5**	**14.3**	**6.9**	**15.5**	**11.2**	**10.4**	**13.3**
Group									
Return on equity, %									
Net profit	17.2	132.8	74.1	44.7	5.8	34.3	40.1	150.0	268.8
Equity, average	2,155	2,142	2,138	2,204	2,235	2,154	2,151	2,113	2,179
Return on equity, %	**3.2**	**24.8**	**13.9**	**8.1**	**1.0**	**6.4**	**3.7**	**14.2**	**12.3**
Return on equity, comparable, %									
Net profit, comparable	27.4	65.2	77.9	67.0	30.4	67.8	98.2	92.6	237.5
Equity, average	2,155	2,142	2,138	2,204	2,235	2,154	2,151	2,113	2,179
Return on equity, comparable, %	**5.1**	**12.2**	**14.6**	**12.2**	**5.4**	**12.6**	**9.1**	**8.8**	**10.9**
Equity ratio, %									
Shareholders' equity	2,183	2,100	2,176	2,232	2,238	2,070	2,070	2,100	2,232
Total assets	4,638	4,496	4,464	4,472	4,774	4,504	4,504	4,496	4,472
Advances received	32	27	32	39	240	28	28	27	39
Equity ratio, %	**47.4**	**47.0**	**49.1**	**50.4**	**49.3**	**46.2**	**46.2**	**47.0**	**50.4**

K Group's retail and B2B sales, VAT 0% (preliminary data, pro forma*):				
	1.1.-30.6.2018		1.4.-30.6.2018	
K Group's retail and B2B sales	**€ million**	**Change, %**	**€ million**	**Change, %**
K Group's grocery trade				
K-Citymarket, food	781	4.1	391	-0.6
K-Citymarket, non-food	261	0.7	134	1.1
K-Supermarket	955	7.5	493	6.9
K-Market	888	0.2	465	1.4
Kespro	425	6.5	218	6.1
Others	86	7.4	47	12.9
Grocery trade, total	3,396	4.1	1,748	3.3
K Group’s building and technical trade				
K-Rauta and Rautia	506	2.9	322	4.2
Rautakesko B2B Service	127	6.7	69	9.7
Onninen	431	8.4	239	11.2
Machinery trade, Finland	15	-80.1	10	-74.6
Leisure trade, Finland	137	2.0	67	4.2
Finland, total	1,217	-0.1	708	2.3
Building and technical trade, other Nordic countries	552	-17.7	308	-14.0
Building and technical trade, the Baltic countries	377	14.9	229	17.0
Building and technical trade, other countries	167	7.1	93	6.0
Building and technical trade, total	2,313	-2.5	1,338	0.3
K Group's car trade				
K Caara	241	5.6	118	3.0
K-Auto, import	240	0.7	115	0.0
AutoCarrera	32	23.6	16	18.3
Car trade, total	514	4.2	249	2.4
Finland, total	5,127	3.1	2,705	2.9
Other countries, total	1,097	-5.1	630	-1.8
Retail and B2B sales, total	6,224	1.5	3,335	2.0

* 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 discontinuation of the Russian building and home improvement trade operations in spring 2018, had been completed on 1 January 2017.