



# Q3/2015

**Kesko Corporation**  
**Interim Report**

January-September 2015



## Kesko's interim report for the period 1 January to 30 September 2015: comparable net sales at the previous year's level, profit and financial position strengthened

### FINANCIAL PERFORMANCE IN BRIEF:

- The Group's net sales for January-September were €6,513 million. Net sales in local currencies excluding Anttila remained at the previous year's level.
- Operating profit excluding non-recurring items increased to €185.3 million (€170.8 million).
- Earnings per share excluding non-recurring items were €1.24 (€1.23).
- Equity ratio 54.2% (54.2%).
- Kesko Group's net sales for the next 12 months are expected to be lower than the level of the preceding 12 months. The operating profit excluding non-recurring items for the next 12-month period is expected to equal the operating profit level of the preceding 12 months.

### KEY PERFORMANCE INDICATORS

	1-9/2015	1-9/2014	7-9/2015	7-9/2014
Net sales, € million	6,513	6,804	2,203	2,304
Operating profit excl. non-recurring items, € million	185.3	170.8	82.5	84.0
Operating profit, € million	155.3	119.7	83.1	63.4
Profit before tax, € million	147.3	118.7	78.8	61.7
Capital expenditure, € million	151.6	150.8	41.5	51.7
Earnings per share, €, diluted	0.81	0.80	0.43	0.41
Earnings per share excl. non-recurring items, €, basic	1.24	1.23	0.53	0.59
	<b>30.9.2015</b>	<b>30.9.2014</b>		
Equity ratio, %	54.2	54.2		
Equity per share, €	21.41	22.25		

### PRESIDENT AND CEO MIKKO HELANDER

"Kesko's third quarter performance in a challenging operating environment was good. Profitability in the grocery trade was still at a good level and renewals of K-food stores continued. The positive trend of the home improvement and speciality goods trade continued in the third quarter, profitability improved and the market share is estimated to have strengthened in the key market areas. In the car trade, profitability remained at a good level.

Kesko's financial position remained strong in the third quarter. At the end of the reporting period, liquid assets were approximately €860 million and the equity ratio was 54.2%. The return on capital employed rose to 11.3%.

Strategy implementation is progressing systematically in all of our focus areas in the grocery trade, the building and home improvement trade and the car trade. The first K-rauta Express was opened in Helsinki in August and the first Starbucks coffee shop was opened at a K-citymarket. In K-food stores, the strategically very important development of services specifically tailored for individual stores is progressing. As part of strategy implementation, new digital services are made available to customers: the App Store version of the



K-ruoka mobile app was launched in early October. In accordance with our strategy, we aim at high customer satisfaction based on quality, and the best digital services in the trading sector. "For shopping to be fun".

## FINANCIAL PERFORMANCE

### NET SALES AND PROFIT FOR JANUARY-SEPTEMBER 2015

The Group's net sales for January-September 2015 were €6,513 million, which is 4.3% down on the corresponding period of the previous year (€6,804 million). Anttila was included in the Group figures until 16 March 2015. Anttila excluded, net sales performance was -0.1% in local currencies. The decline in consumers' purchasing power weakened consumer demand in the reporting period in Finland and Russia.

In the grocery trade, the -2.0% net sales performance was partly attributable to a drop in prices. In the home improvement and speciality goods trade, net sales decreased by 8.0%, but Anttila excluded, they increased by 2.1% in local currencies. In the car trade, net sales were down by 3.6%. The Group's net sales in Finland decreased by 4.6% and in the other countries by 2.8%. In local currencies, net sales outside Finland increased by 8.2%. The weakening of the Russian rouble impacted net sales performance in euros especially in the home improvement and speciality goods trade. International operations accounted for 19.1% (18.8%) of net sales.

1-9/2015	Net sales € million	Change, %	Operating profit excl. non-recurring items, € million	Change, € million
Grocery trade	3,424	-2.0	123.0	-38.0
Home improvement and speciality goods trade	2,514	-8.0	56.1	+59.4
Car trade	571	-3.6	22.3	-1.4
Common operations and eliminations	5	(..)	-16.0	-5.4
<b>Total</b>	<b>6,513</b>	<b>-4.3</b>	<b>185.3</b>	<b>+14.6</b>

(..) Change over 100%

The operating profit excluding non-recurring items for January-September was €185.3 million (€170.8 million). In the grocery trade, profitability was still at a good level, although the operating profit excluding non-recurring items decreased from the previous year due to price competition. In the building and home improvement trade, profitability strengthened especially in Finland and the other Nordic countries. In the car trade, profitability remained steady. The operating profit for the first months of the year includes a €12.7 million operating loss from Anttila, divested in March; the operating loss for the previous year was €57.0 million.

Operating profit was €155.3 million (€119.7 million). The operating profit includes €-30.0 million (€-51.1 million) of non-recurring items. The most significant non-recurring items are the €75.5 million capital gain recorded on a real estate transaction completed in the second quarter of the year and the €130 million loss on the divestment of Anttila. In addition, the non-recurring items include other gains on the sale of properties in the amount of €25.4 million. The non-recurring items of the comparative period included a provision for the restructuring of Anttila, and an impairment charge on fixed assets related to the integration of K-citymarket non-food and Anttila, a total of €43.4 million.

The Group's profit before tax for January-September was €147.3 million (€118.7 million). The Group's earnings per share were €0.81 (€0.80). The Group's equity per share was €21.41 (€22.25).



In January-September, the K-Group's (i.e. Kesko's and the chain stores') retail and B2B sales excluding Anttila (VAT 0%) were €8,040 million, down 2.7% compared to the previous year. The K-Plussa customer loyalty programme gained 46,415 new households in January-September 2015. At the end of September, there were 2.3 million K-Plussa households and 3.6 million K-Plussa cardholders.

## NET SALES AND PROFIT FOR JULY-SEPTEMBER 2015

The Group's net sales for July-September 2015 were €2,203 million, which is 4.4% down on the corresponding period of the previous year (€2,304 million). Anttila excluded, net sales increased by 1.2% in local currencies. The operating environment of the trading sector remained challenging and purchasing power declined in Finland and especially in Russia.

In the grocery trade, net sales decreased by 1.6%, which was especially attributable to a drop in prices. In the home improvement and speciality goods trade, net sales decreased by 8.9%, but Anttila excluded, they increased in local currencies by 4.5%. In the car trade, net sales were down by 2.6%. The Group's net sales in Finland decreased by 5.1% and Anttila excluded, by 1.6%. In the other countries, net sales were down by 1.7%, but in local currencies, they were up by 12.0%. International operations accounted for 20.9% (20.4%) of net sales.

7-9/2015	Net sales, € million	Change, %	Operating profit excl. non-recurring items, € million	Change, € million
Grocery trade	1,171	-1.6	44.8	-15.5
Home improvement and speciality goods trade	857	-8.9	35.8	+15.1
Car trade	170	-2.6	6.0	-0.3
Common operations and eliminations	4	(..)	-4.1	-0.9
<b>Total</b>	<b>2,203</b>	<b>-4.4</b>	<b>82.5</b>	<b>-1.6</b>

(..) Change over 100%

The operating profit excluding non-recurring items for July-September was €82.5 million (€84.0 million). The operating profit excluding non-recurring items decreased in the grocery trade, most significantly due to intensified price competition. The operating profit excluding non-recurring items of the home improvement and speciality goods trade increased by €15.1 million. The figures of the home improvement and speciality goods trade for the comparative period included a €14.3 million operating loss from Anttila. In the car trade, the operating profit excluding non-recurring items was at the previous year's level. The effect of the real estate arrangement completed in June on the operating profit excluding non-recurring items of the third quarter was €-4.2 million.

Operating profit was €83.1 million (€63.4 million). The operating profit includes €0.7 million (€-20.7 million) of non-recurring items. The item includes gains on the sale of properties in the amount of €1.2 million. The non-recurring items of the comparative period included an impairment charge on fixed assets related to the integration of K-citymarket non-food and Anttila.

The Group's profit before tax for July-September was €78.8 million (€61.7 million). The Group's earnings per share were €0.43 (€0.41).

In July-September, the K-Group's (i.e. Kesko's and the chain stores') retail and B2B sales (VAT 0%) were €2,758 million, and Anttila excluded, they were down by 3.6% compared to the previous year.

## FINANCE

In January-September, the cash flow from operating activities was €153.1 million (€167.4 million). The cash flow from investing activities was €288.0 million (€-143.6 million) and it included proceeds from the sale of fixed assets in the amount of €438.9 million (€7.9 million), of which the cash inflow from the real estate arrangement completed in June was €403.0 million.

The Group's liquidity remained at an excellent level in January-September. At the end of the period, liquid assets totalled €858 million (€503 million). Interest-bearing liabilities were €464 million (€500 million) and interest-bearing net liabilities were €-394 million (€-3 million) at the end of September. The equity ratio was 54.2 % (54.2%) at the end of the period.

In January-September, the Group's net finance costs were €8.0 million (€1.1 million). The finance income for the previous year included interest income on cooperative capital from Suomen Luotto-osuuskunta in the amount of €4.9 million.

In July-September, the cash flow from operating activities was €85.6 million (€133.5 million). The cash flow from investing activities was €-46.2 million (€-51.2 million).

The Group's net finance costs were €3.5 million (€1.8 million) in July-September.

## TAXES

In January-September, the Group's taxes were €56.7 million (€31.2 million). The effective tax rate was 38.5% (26.3%) resulting from non-deductible items related to the loss on the divestment of Anttila.

In July-September, the Group's taxes were €30.4 million (€16.2 million).

## CAPITAL EXPENDITURE

In January-September, the Group's capital expenditure totalled €151.6 million (€150.8 million), or 2.3% (2.2%) of net sales. Capital expenditure in store sites was €111.9 million (€113.5 million), in IT €12.7 million (€24.2 million) and other capital expenditure was €26.9 million (€13.1 million). Capital expenditure in foreign operations represented 38.7% (42.3%) of total capital expenditure.

In July-September, the Group's capital expenditure totalled €41.5 million (€51.7 million), or 1.9% (2.2%) of net sales. Capital expenditure in store sites was €33.5 million (€39.1 million), in IT €4.1 million (€8.6 million) and other capital expenditure was €3.9 million (€4.0 million). Capital expenditure in foreign operations represented 26.0% (41.8%) of total capital expenditure.

## PERSONNEL

In January-September, the average number of personnel in Kesko Group was 19,074 (20,024) converted into full-time employees. In Finland, the average decrease was 1,262 people, while outside Finland, there was an increase of 313 people.

At the end of September 2015, the number of personnel was 21,812 (23,459), of whom 9,849 (11,726) worked in Finland and 11,963 (11,733) outside Finland. Compared to the end of September 2014, there was a decrease of 1,877 people in Finland and an increase of 230 people outside Finland.

In January-September, the Group's employee benefit expenses were €407.2 million, down 10.0% compared to the previous year. In July-September, employee benefit expenses decreased by 9.3% compared to the previous year and were €125.3 million. The movement is attributable to the divestment of Anttila on 16 March 2015.

## SEGMENTS

### NEW SEGMENT STRUCTURE

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

### SEASONAL NATURE OF OPERATIONS

The Group's operating activities are affected by seasonal fluctuations. The net sales and operating profits of the reportable segments are not earned evenly throughout the year. Instead, they vary by quarter depending on the characteristics of each segment.

### GROCERY TRADE

	1-9/2015	1-9/2014	7-9/2015	7-9/2014
Net sales, € million	3,424	3,494	1,171	1,190
Operating profit excl. non-recurring items, € million	123.0	161.0	44.8	60.3
Operating margin excl. non-recurring items, %	3.6	4.6	3.8	5.1
Capital expenditure, € million	99.0	77.0	28.2	26.6

Net sales, € million	1-9/2015	Change, %	7-9/2015	Change, %
Sales to K-food stores	2,335	-2.4	792	-1.7
K-citymarket, non-food	405	-1.3	139	-3.2
Kespro	588	-0.2	207	-1.0
K-ruoka, Russia	75	-2.4	25	-2.5
Others	21	-21.4	8	+38.9
<b>Total</b>	<b>3,424</b>	<b>-2.0</b>	<b>1,171</b>	<b>-1.6</b>

#### January-September 2015

The net sales of the grocery trade for January-September were €3,424 million (€3,494 million), representing a change of -2.0%. In January-September, the grocery sales of K-food stores in Finland decreased by 1.4% (VAT 0%). In the grocery market in Finland, retail prices are estimated to have changed by approximately -1.0% compared to the previous year (VAT 0%; Kesko's own estimate based on the Consumer Price Index of Statistics Finland) and the total market (VAT 0%) is estimated to have decreased by approximately 1% in January-September (Kesko's own estimate). The decline in the value of the rouble reduced the sales of the food stores in Russia in euros. In the local currency, sales increased by 34.5%.

In January-September, the operating profit excluding non-recurring items of the grocery trade was €123.0 million (€161.0 million). The measures taken to strengthen the competitiveness of the grocery trade have progressed as planned and the division's profitability remained at a good level. Kespro's market share increased and profitability remained at a good level. Operating profit was €195.9 million (€157.1 million). Non-recurring items, in the amount of €72.9 million (€-3.9 million), include €71.9 million in gains on the sales of properties as the most significant items.

The capital expenditure of the grocery trade in January-September was €99.0 million (€77.0 million), of which €90.3 million (€67.7 million) was in store sites.

### **July-September 2015**

The net sales of the grocery trade for July-September were €1,171 million (€1,190 million), representing a change of -1.6%. In the grocery market in Finland, retail prices are estimated to have changed by approximately -1.0% compared to the previous year. The net sales of the food stores in Russia decreased by 2.5% in euros, but increased by 42.4% in the local currency.

In July-September, the operating profit excluding non-recurring items of the grocery trade was €44.8 million (€60.3 million). The measures taken to strengthen the competitiveness of the grocery trade have progressed as planned and the division's profitability remained at a good level. The effect of the real estate arrangement completed in June on the operating profit excluding non-recurring items of the third quarter was €-3.3 million. Kespro's market share increased and profitability remained at a good level. Operating profit was €45.0 million (€58.3 million). Non-recurring items were €0.2 million (€-1.9 million).

The capital expenditure of the grocery trade in July-September was €28.2 million (€26.6 million), of which €26.0 million (€23.2 million) was in store sites.

In July-September 2015, one K-supermarket was opened in Savonlinna. Renewals and space modifications were made in a total of 14 stores.

The most significant store sites being built are the K-citymarket shopping centre in Itäkeskus, Helsinki and new K-supermarkets in Oulu, Tampere, in Niipperi and Niittykumpu, Espoo, in Lappeenranta and in Lauttasaari, Töölö and Kalasatama, Helsinki. In addition, K-supermarket Lieto is being extended. Two new food stores are being built in Russia.

<b>Number of stores as at 30 Sep.</b>	<b>2015</b>	<b>2014</b>
K-citymarket	81	80
K-supermarket	220	220
K-market (incl. service station stores)	459	442
K-ruoka, Russia	8	5
Others*	136	166

\* Including online stores

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

## HOME IMPROVEMENT AND SPECIALITY GOODS TRADE

	1-9/2015	1-9/2014	7-9/2015	7-9/2014
Net sales, € million	2,514	2,731	857	942
Operating profit excl. non-recurring items, € million	56.1	-3.3	35.8	20.6
Operating margin excl. non-recurring items, %	2.2	-0.1	4.2	2.2
Capital expenditure, € million	26.5	51.6	8.0	19.9

Net sales, € million	1-9/2015	Change, %	7-9/2015	Change, %
Building and home improvement, Finland	624	-1.1	205	+2.5
K-rauta, Sweden	161	+6.2	58	+11.0
Bygghälsan, Norway	326	-3.7	110	-6.8
K-rauta, Estonia	66	+11.6	25	+8.9
K-rauta, Latvia	40	-0.1	14	-6.6
Senukai, Lithuania	236	+4.4	92	+3.7
K-rauta, Russia	146	-23.2	53	-27.6
OMA, Belarus	87	-10.6	33	-16.7
Intersport, Finland	128	+2.3	46	-4.5
Intersport, Russia	9	-18.4	3	-9.7
Indoor	133	+2.1	46	+3.0
Agricultural and machinery trade	482	-1.8	164	+6.0
Others	83	-66.6	11	-
<b>Total</b>	<b>2,514</b>	<b>-8.0</b>	<b>857</b>	<b>-8.9</b>

January-September 2015

The net sales of the home improvement and speciality goods trade for January-September were €2,514 million (€2,731 million), down 8.0%. Net sales excluding Anttila increased by 2.1% in local currencies.

The net sales of the home improvement and speciality goods trade for January-September in Finland were €1,343 million (€1,527 million), a decrease of 12.1%. Anttila excluded, net sales decreased in Finland by 1.9%. In January-September, the net sales from the foreign operations of the home improvement and speciality goods trade were €1,171 million (€1,204 million), a decrease of 2.8%. In local currencies, the net sales from foreign operations increased by 6.5%. Foreign operations contributed 46.6% (44.1%) to the net sales of the home improvement and speciality goods trade.

In January-September, the net sales of the building and home improvement trade were €1,820 million, a decrease of 2.8%. In local currencies, net sales were up 2.8%. In respective local currencies, net sales in

Sweden grew by 10.1%, in Norway by 2.5% and in Russia by 5.9%. The market position is estimated to have strengthened in the building and home improvement trade in Finland, Norway, the Baltic countries and Russia.

The net sales of the agricultural and machinery trade for January-September were €482 million (€491 million), down 1.8% compared to the previous year. Net sales in Finland were €387 million, a decrease of 5.4%. The net sales from foreign operations were €95 million, an increase of 15.8%. The net sales of the leisure trade were €154 million, an increase of 2.5% in local currencies.

The K-Group's sales of building and home improvement products in Finland decreased by a total of 2.0% and the total market (VAT 0%) is estimated to have fallen by approximately 3.7% (Kesko's own estimate). The retail sales of the K-maatalous chain were €325 million, down 8.5%.

In January-September, the operating profit excluding non-recurring items of the home improvement and speciality goods trade was €56.1 million (€-3.3 million), up €59.4 million compared to the previous year. The €12.7 million (€57.0 million) operating loss of Anttila, divested in March, is included in the profit of the home improvement and speciality goods trade. The operating profit of the home improvement and speciality goods trade, excluding non-recurring items and Anttila, was €68.7 million, up €15.1 million on the previous year. The clearly improved profitability is attributable to a sales increase in foreign currency terms, coupled with implemented cost savings. Profit improved especially in the building and home improvement trade in Finland and the other Nordic countries.

The operating profit of the home improvement and speciality goods trade was €-46.4 (€-50.5 million). Non-recurring items include a €130 million loss on the divestment of Anttila and €28 million in gains recorded on the sales of properties.

In January-September, the capital expenditure of the home improvement and speciality goods trade totalled €26.5 million (€51.6 million), of which 27.6% (63.0%) was abroad. Capital expenditure in store sites represented 62.8% of total capital expenditure.

### **July-September 2015**

The net sales of the home improvement and speciality goods trade for July-September were €857 million (€942 million), down 8.9%. Net sales excluding Anttila increased by 4.5% in local currencies.

The net sales of the home improvement and speciality goods trade for July-September in Finland were €421 million (€498 million), a decrease of 15.4%. Anttila excluded, net sales decreased in Finland by 1.5%. In July-September, the net sales from the foreign operations of the home improvement and speciality goods trade were €436 million (€444 million), a decrease of 1.7%. In local currencies, the net sales from foreign operations increased by 10.2%. Foreign operations contributed 50.9% (47.1%) to the net sales of the home improvement and speciality goods trade.

In July-September, the net sales of the building and home improvement trade were €636 million, a decrease of 3.3%. In local currencies, net sales were up 4.3%. In respective local currencies, net sales in Sweden grew by 13.6%, in Norway by 2.8% and in Russia by 5.1%. The market position is estimated to have strengthened in the building and home improvement trade in Finland, Norway, the Baltic countries and Russia.

The net sales of the agricultural and machinery trade for July-September were €164 million (€155 million), up 6.0% compared to the previous year. Net sales in Finland were €117 million, a decrease of 7.5%. The net sales from foreign operations were €47 million, an increase of 65.4%.

The K-Group's sales of building and home improvement products in Finland decreased by a total of 0.7% and the total market (VAT 0%) is estimated to have fallen by approximately 2.4% (Kesko's own estimate). The retail sales of the K-maatalous chain were down by 15.3%.

In July-September, the operating profit excluding non-recurring items of the home improvement and speciality goods trade was €35.8 million (€20.6 million), up €15.1 million compared to the previous year. The comparative period includes Anttila's €14.3 million operating loss. Profit improved especially in the building and home improvement trade in Finland and the other Nordic countries and in the agricultural and machinery

trade.

The operating profit of the home improvement and speciality goods trade was €36.8 (€1.9 million). Non-recurring items include €1.0 million in gains recorded on the sales of properties. In the comparative period, non-recurring expenses related to Anttila were €13.4 million.

In July-September, the capital expenditure of the home improvement and speciality goods trade totalled €8.0 million (€19.9 million), of which 24.8% (52.7%) was abroad. Capital expenditure in store sites represented 63.6% of total capital expenditure.

In July-September, a K-rauta Express was opened in Helsinki, an OMA store in Belarus and an Intersport Run&Fit store in St. Petersburg.

The most significant store sites being built are the K-rauta stores in Kokkola, Lahti and Imatra and a Senukai store in Vilnius.

Number of stores as at 30 Sep.	2015	2014
K-rauta	44	42
Rautia*	93	97
K-maatalous*	80	81
K-rauta, Sweden	20	20
Byggmakker, Norway	83	86
K-rauta, Estonia	8	8
K-rauta, Latvia	8	8
Senukai, Lithuania	19	19
K-rauta, Russia	13	13
OMA, Belarus	12	11
Intersport, Finland**	61	62
Budget Sport**	11	11
Asko and Sotka**	88	87
Musta Pörssi**	1	1
Kookenkä**	38	44
Intersport, Russia	17	19
Asko and Sotka, the Baltics**	10	10
Konekesko	1	1

\* In 2015, 45 (46) Rautia stores also operated as K-maatalous stores

\*\* Including online stores

In addition, the building and home improvement stores offer e-commerce services to their customers.

## CAR TRADE

	1-9/2015	1-9/2014	7-9/2015	7-9/2014
Net sales, € million	571	592	170	175
Operating profit excl. non-recurring items, € million	22.3	23.8	6.0	6.3
Operating margin excl. non-recurring items, %	3.9	4.0	3.5	3.6
Capital expenditure, € million	11.3	10.7	4.7	1.9

Net sales, € million	1-9/2015	Change, %	7-9/2015	Change, %
VV-Auto	571	-3.6	170	-2.6

### January-September 2015

The net sales of the car trade for January-September were €571 million (€592 million), down 3.6%.

In January-September, the combined market performance of first time registered passenger cars and vans was at the previous year's level.

In January-September, the combined market share of passenger cars and vans imported by VV-Auto was 19.4% (20.7%). Volkswagen was the market leader in passenger cars and vans.

The profitability of the car trade remained at a good level. The operating profit excluding non-recurring items for January-September was €22.3 million (€23.8 million).

The operating profit for January-September was €22.3 million (€23.8 million).

The capital expenditure of the car trade in January-September was €11.3 million (€10.7 million).

### July-September 2015

The net sales of the car trade for July-September were €170 million (€175 million), down 2.6%.

In July-September, the combined market share of passenger cars and vans imported by VV-Auto was 18.0% (19.9%).

The profitability of the car trade remained at a good level. The operating profit excluding non-recurring items for July-September was €6.0 million (€6.3 million).

The operating profit for July-September was €6.0 million (€6.3 million).

The capital expenditure of the car trade in July-September was €4.7 million (€1.9 million).

Number of stores as at 30 Sep.	2015	2014
VV-Auto, retail trade	9	10

## CHANGES IN THE GROUP COMPOSITION

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

## SHARES, SECURITIES MARKET AND BOARD AUTHORISATIONS

At the end of September 2015, the total number of Kesko Corporation shares was 100,019,752, of which 31,737,007, or 31.7%, were A shares and 68,282,745, or 68.3%, were B shares. At 30 September 2015, Kesko Corporation held 876,455 own B shares as treasury shares. These treasury shares accounted for 1.28% of the number of B shares, 0.88% of the total number of shares, and 0.23% of votes attached to all shares of the company. The total number of votes attached to all shares was 385,652,815. Each A share carries ten (10) votes and each B share one (1) vote. The company cannot vote with own shares held by it as treasury shares and no dividend is paid on them. At the end of September 2015, Kesko Corporation's share capital was €197,282,584.

The price of a Kesko A share quoted on Nasdaq Helsinki was €28.56 at the end of 2014, and €28.99 at the end of September 2015, representing an increase of 1.5%. Correspondingly, the price of a B share was €30.18 at the end of 2014, and €31.66 at the end of September 2015, representing an increase of 4.9%. In January-September, the highest A share price was €38.13 and the lowest was €28.21. The highest B share price was €41.04 and the lowest was €29.95. In January-September, the Nasdaq Helsinki All-Share index (OMX Helsinki) was down by 1.0% and the weighted OMX Helsinki Cap index by 0.7%. The Retail Sector Index was up by 4.2%.

At the end of September 2015, the market capitalisation of A shares was €920 million, while that of B shares was €2,134 million, excluding the shares held by the parent company. The combined market capitalisation of A and B shares was €3,054 million, an increase of €117 million from the end of 2014. In January-September 2015, a total of 1.8 million (1.5 million) A shares were traded on Nasdaq Helsinki, an increase of 19.9%. The exchange value of A shares was €59 million. The number of B shares traded was 43.7 million (34.5 million), an increase of 26.4%. The exchange value of B shares was €1,507 million. Nasdaq Helsinki accounted for 62% of Kesko A and B share trading in January-September 2015. Kesko shares were also traded on multilateral trading facilities, the most significant of which were BATS Chi-X with 32% and Turquoise with 5% of the trading (source: Fidessa).

The Board had the authority, granted by the Annual General Meeting of 16 April 2012, to issue a total maximum of 20,000,000 new B shares, which was intended to expire on 30 June 2015. The shares could be issued against payment for subscription by shareholders in a directed issue in proportion to their existing holdings of the company shares regardless of whether they consisted of A or B shares, or, deviating from the shareholder's pre-emptive right, in a directed issue, if there had been a weighty financial reason for the company, such as using the shares to develop the company's capital structure and financing possible acquisitions, capital expenditure or other arrangements within the scope of the company's business operations. The amount paid for the shares would have been recognised in the reserve of invested non-restricted equity. The authorisation also included the Board's authority to decide on the share subscription price, the right to issue shares against non-cash consideration and the right to make decisions on other matters concerning share issues.

On 13 April 2015, the Annual General Meeting approved a share issue authorisation which cancels the above authority granted by the General Meeting of 16 April 2012. In consequence, the Board has the authority, granted by the Annual General Meeting of 13 April 2015 and valid until 30 June 2018, to issue a total maximum of 20,000,000 new B shares. The shares can be issued against payment to be subscribed by shareholders in a directed issue in proportion to their existing holdings of the company shares regardless of whether they hold A or B shares, or, deviating from the shareholder's pre-emptive right, in a directed issue, if there is a weighty financial reason for the company, such as using the shares to develop the company's capital structure and financing possible acquisitions, capital expenditure or other arrangements within the scope of the company's business operations. The amount paid for the shares is recognised in the reserve of invested non-restricted equity. The authorisation also includes the Board's authority to decide on the share subscription price, the right to issue shares for non-cash consideration and the right to make decisions on other matters concerning share issues.

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

In January-September, a total of 1,162 shares granted based on the 2011-2013 and the 2014-2016 share-based compensation plans was returned to the company in accordance with the terms and conditions of the share-based compensation plans. The returns during the reporting period were notified in a stock exchange notification on 23 March 2015 and 4 September 2015.

At the end of September 2015, the number of shareholders was 38,853, which is 1,016 less than at the end of 2014. At the end of September, foreign ownership of all shares was 28%. At the end of September, foreign ownership of B shares was 41%.

## **FLAGGING NOTIFICATIONS**

Kesko Corporation did not receive flagging notifications during the reporting period.

## **KEY EVENTS DURING THE REPORTING PERIOD**

Kesko published comparatives for the period 1 January 2014 to 30 June 2015 according to the new segment structure. As of 1 July 2015, Kesko Group's reportable segments are the grocery trade, the home improvement and speciality goods trade and the car trade. (Stock exchange release on 31 August 2015)

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

Kesko's Board of Directors decided on the new strategy which is aimed at achieving profitable growth in three strategic areas: the grocery trade, the building and home improvement trade and the car trade. At the same time, financial targets in accordance with Kesko's new strategy were announced. The composition of Kesko's divisional structure and segment reporting has been changed as of 1 July 2015. An agricultural and machinery trade unit has been established as part of the home improvement and speciality goods trade division. (Stock exchange release on 27 May 2015)

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

On 20 March 2015, at <http://kesko2014.kesko.fi/en>, Kesko published its first annual report that makes use of the <IR> integrated reporting framework. The annual report includes a business review, GRI indicators, the financial statements for 2014, the Corporate Governance Statement and the Remuneration Statement.

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



M.Sc. (Econ.) Anni Ronkainen, 48, was appointed Kesko's Chief Digital Officer responsible for business development, digital business environment and marketing, and a member of the Group Management Board. (Stock exchange release on 26 January 2015)

## **RESOLUTIONS OF THE 2015 ANNUAL GENERAL MEETING AND DECISIONS OF THE BOARD'S ORGANISATIONAL MEETING**

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

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

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

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

## **RESPONSIBILITY**

The Veturi shopping centre in Kouvola is the first property in Finland to achieve an Excellent rating in the Building Management part of the BREEAM environmental assessment.

In September, Kesko was again included in the STOXX Global ESG Leaders index family.

In September, Kesko gave its Society's Commitment to Sustainable Development and published two operational commitments – one on reducing food wastage, the other on education and employment.

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

A campaign titled "Thank the Producer" was launched on social media channels in September highlighting Finnish food production and food entrepreneurship.

## **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.



Kesko's risk management and risks associated with business operations are described in more detail on Kesko's website in the Corporate Governance section.

The most significant near-future risks in Kesko's business operations are associated with the general development of the economic situation and consumer confidence especially in Finland and Russia, as well as their impact on Kesko's sales and profit. No material change is estimated to have taken place in 2015 in the risks described in the Report by the Board of Directors and the financial statements for 2014 and the risks described on Kesko's website. The risks and uncertainties related to economic development are described in the section future outlook of this release.

## **FUTURE OUTLOOK**

Estimates of the future outlook for Kesko Group's net sales and operating profit excluding non-recurring items are given for the 12 months following the reporting period (10/2015-9/2016) in comparison with the 12 months preceding the reporting period (10/2014-9/2015).

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

Kesko Group's net sales for the next 12 months are expected to be lower than the level of the preceding 12 months. The operating profit excluding non-recurring items for the next 12-month period is expected to equal the operating profit level of the preceding 12 months.

Helsinki, 21 October 2015  
Kesko Corporation  
Board of Directors

The information in the interim report is unaudited.

**Further information** is available from Jukka Erlund, Senior Vice President, Chief Financial Officer, telephone +358 105 322 113, and Eva Kaukinen, Vice President, Group Controller, telephone +358 105 322 338. A Finnish-language webcast of the media and analyst briefing on the interim report can be accessed at [www.kesko.fi](http://www.kesko.fi), at 11.00. An English-language audio conference on the interim report will be held today at 14.30 (Finnish time). The audio conference login is available on Kesko's website at [www.kesko.fi](http://www.kesko.fi).

Kesko Corporation's financial statements for 2015 will be published on 3 February 2016. 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](http://www.kesko.fi).

## **KESKO CORPORATION**

Merja Haverinen  
Vice President, Group Communications



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**DISTRIBUTION**

NASDAQ OMX Helsinki Ltd  
Main news media  
[www.kesko.fi](http://www.kesko.fi)



## TABLES SECTION

### Accounting policies

This interim report has been prepared in accordance with the IAS 34 standard. The interim report has been prepared in accordance with the same principles as the annual financial statements for 2014.

### Consolidated income statement (€ million), condensed

	1-9/ 2015	1-9/ 2014	Change, %	7-9/ 2015	7-9/ 2014	Change, %	1-12/ 2014
Net sales	6,513	6,804	-4.3	2,203	2,304	-4.4	9,071
Cost of goods sold	-5,665	-5,884	-3.7	-1,917	-1,989	-3.6	-7,832
<b>Gross profit</b>	<b>847</b>	<b>919</b>	<b>-7.8</b>	<b>285</b>	<b>315</b>	<b>-9.5</b>	<b>1,238</b>
Other operating income	622	531	17.3	174	180	-3.3	729
Employee benefit expense	-407	-453	-10.0	-125	-138	-9.3	-614
Depreciation and impairment charges	-97	-133	-27.4	-29	-56	-47.8	-195
Other operating expenses	-811	-745	8.9	-221	-237	-6.6	-1,007
<b>Operating profit</b>	<b>155</b>	<b>120</b>	<b>29.8</b>	<b>83</b>	<b>63</b>	<b>31.2</b>	<b>151</b>
Interest income and other finance income	7	11	-36.9	3	2	17.0	14
Interest expense and other finance costs	-12	-12	-0.5	-5	-4	17.7	-16
Exchange differences	-3	-1	(..)	-2	0	(..)	-4
Share of results of equity accounted investments	0	0	(..)	-1	0	(..)	0
<b>Profit before tax</b>	<b>147</b>	<b>119</b>	<b>24.1</b>	<b>79</b>	<b>62</b>	<b>27.8</b>	<b>145</b>
Income tax	-57	-31	81.7	-30	-16	87.9	-37
<b>Net profit for the period</b>	<b>91</b>	<b>87</b>	<b>3.6</b>	<b>48</b>	<b>46</b>	<b>6.4</b>	<b>108</b>
Attributable to							
Owners of the parent	80	79	0.7	43	40	6.0	96
Non-controlling interests	11	8	31.4	6	5	9.3	12
<b>Earnings per share (€) for profit attributable to equity holders of the parent</b>							
Basic	0.81	0.80	0.7	0.43	0.41	6.0	0.97
Diluted	0.81	0.80	0.9	0.43	0.41	6.2	0.97

### Consolidated statement of comprehensive income (€ million)

	1-9/ 2015	1-9/ 2014	Change, %	7-9/ 2015	7-9/ 2014	Change, %	1-12/ 2014
Net profit for the period	91	87	3.6	48	46	6.4	108
<b>Items that will not be reclassified subsequently to profit or loss</b>							
Actuarial gains/losses	1	-2	(..)	-13	0	(..)	-20

**Items that may be reclassified  
subsequently to profit or loss**

Exchange differences on translating foreign operations	-13	-8	(..)	-16	-2	(..)	-28
Adjustment for hyperinflation	-	4	-	-	1	-	4
Cash flow hedge revaluation	-1	1	(..)	-1	1	(..)	1
Revaluation of available-for-sale financial assets	1	-3	(..)	0	0	(..)	-3
Other items	0	0	33.3	-	-	-	0
Total other comprehensive income for the period, net of tax	-12	-8	57.2	-29	0	(..)	-45
<b>Total comprehensive income for the period</b>	<b>79</b>	<b>80</b>	<b>-1.5</b>	<b>19</b>	<b>46</b>	<b>-58.2</b>	<b>63</b>
Attributable to							
Owners of the parent	78	69	12.8	19	39	-50.7	49
Non-controlling interests	0	11	-95.6	0	7	(..)	14
(..) Change over 100%							

**Consolidated statement of financial  
position (€ million), condensed**

	30.9.2015	30.9.2014	Change, %	31.12.2014
<b>ASSETS</b>				
Non-current assets				
Tangible assets	1,257	1,666	-24.5	1,624
Intangible assets	174	180	-3.7	178
Equity accounted investments and other financial assets	114	106	8.2	105
Loans and receivables	72	13	(..)	11
Pension assets	149	170	-12.5	147
Total	1,766	2,135	-17.3	2,066
Current assets				
Inventories	709	803	-11.7	776
Trade receivables	620	655	-5.4	584
Other receivables	133	149	-11.0	173
Financial assets at fair value through profit or loss	421	203	(..)	219
Available-for-sale financial assets	351	225	56.5	272
Cash and cash equivalents	86	75	14.2	107
Total	2,319	2,110	9.9	2,131
Non-current assets held for sale	0	1	-16.7	1
<b>Total assets</b>	<b>4,086</b>	<b>4,246</b>	<b>-3.8</b>	<b>4,198</b>
	<b>30.9.2015</b>	<b>30.9.2014</b>	<b>Change, %</b>	<b>31.12.2014</b>
<b>EQUITY AND LIABILITIES</b>				
Equity	2,122	2,203	-3.7	2,184
Non-controlling interests	76	79	-3.2	82
Total equity	2,199	2,282	-3.7	2,266
Non-current liabilities				
Interest-bearing liabilities	263	345	-23.6	319
Non-interest-bearing liabilities	36	6	(..)	11
Deferred tax liabilities	62	67	-7.1	67

Pension obligations	1	2	-29.2	2
Provisions	16	27	-40.3	27
Total	378	447	-15.3	426
Current liabilities				
Interest-bearing liabilities	201	155	29.6	180
Trade payables	842	891	-5.4	795
Other non-interest-bearing liabilities	433	423	2.2	490
Provisions	33	48	-31.3	42
Total	1,509	1,517	-0.5	1,506
<b>Total equity and liabilities</b>	<b>4,086</b>	<b>4,246</b>	<b>-3.8</b>	<b>4,198</b>
(..) Change over 100%				

#### Consolidated statement of changes in equity (€ million)

	Share capital	Reserves	Currency translation differences	Revaluation reserve	Treasury shares	Retained earnings	Non-controlling interests	Total
<b>Balance at 1.1.2014</b>	<b>197</b>	<b>461</b>	<b>-13</b>	<b>1</b>	<b>-18</b>	<b>1,651</b>	<b>73</b>	<b>2,352</b>
Shares subscribed with options		2						2
Treasury shares					-16			-16
Share-based payments					2			2
Dividends						-138	-5	-143
Other changes		0	0			5	0	5
Net profit for the period						79	8	87
<b>Other comprehensive income</b>								
Items that will not be reclassified subsequently to profit or loss								
Actuarial gains/losses						-3		-3
Items that may be reclassified subsequently to profit or loss								
Exchange differences on translating foreign operations		0	-7			0	-1	-8
Adjustment for hyperinflation						0	4	4
Cash flow hedge revaluation				2				2

Revaluation of available-for-sale financial assets				-3				-3
Others					0			0
Tax related to comprehensive income				-1	1			0
Total other comprehensive income		0	-7	-2		-2	2	-8
<b>Balance at 30.9.2014</b>	<b>197</b>	<b>463</b>	<b>-20</b>	<b>0</b>	<b>-32</b>	<b>1,595</b>	<b>79</b>	<b>2,282</b>
<b>Balance at 1.1.2015</b>	<b>197</b>	<b>463</b>	<b>-38</b>	<b>-1</b>	<b>-31</b>	<b>1,594</b>	<b>82</b>	<b>2,265</b>
Shares subscribed with options								
Treasury shares								
Share-based payments					4		0	4
Dividends						-149	-6	-155
Other changes		0	0			5	0	5
Net profit for the period						80	11	91
<b>Other comprehensive income</b>								
Items that will not be reclassified subsequently to profit or loss								
Actuarial gains/losses						2		2
Items that may be reclassified subsequently to profit or loss								
Exchange differences on translating foreign operations		0	-3			0	-10	-13
Cash flow hedge revaluation				-1				-1
Revaluation of available-for-sale financial assets				1				1
Others						0		0
Tax related to comprehensive income				0		0		0
Total other comprehensive income		0	-3	0		1	-10	-12
<b>Balance at 30.9.2015</b>	<b>197</b>	<b>463</b>	<b>-41</b>	<b>-1</b>	<b>-28</b>	<b>1,531</b>	<b>76</b>	<b>2,199</b>

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

	1-9/ 2015	1-9/ 2014	Change,%	7-9/ 2015	7-9/ 2014	Change, %	1-12/ 2014
<b>Cash flows from operating activities</b>							
Profit before tax	147	119	24.1	79	62	27.8	145
Planned depreciation	97	113	-14.1	29	37	-19.6	151
Finance income and costs	8	1	(..)	4	2	(..)	6
Other adjustments	22	34	-36.5	-1	16	(..)	63
Change in working capital							
Current non-interest-bearing operating receivables, increase (-)/decrease (+)	-49	-44	9.8	70	94	-25.6	32
Inventories, increase (-)/decrease (+)	-13	-12	11.1	18	23	-20.6	-7
Current non-interest-bearing liabilities, increase (+)/decrease(-)	-24	6	(..)	-93	-78	19.0	-21
Financial items and tax	-35	-50	-29.4	-20	-21	-3.8	-65
<b>Net cash from operating activities</b>	<b>153</b>	<b>167</b>	<b>-8.5</b>	<b>86</b>	<b>134</b>	<b>-35.9</b>	<b>304</b>
<b>Cash flows from investing activities</b>							
Investing activities	-150	-151	-0.6	-41	-53	-22.4	-194
Sales of fixed assets	439	8	(..)	-5	2	(..)	11
Increase in non-current receivables	-1	-1	31.7	0	0	-17.1	0
<b>Net cash used in investing activities</b>	<b>288</b>	<b>-144</b>	<b>(..)</b>	<b>-46</b>	<b>-51</b>	<b>-9.6</b>	<b>-182</b>
<b>Cash flows from financing activities</b>							
Interest-bearing liabilities, increase(+)/decrease (-)	-36	-50	-27.1	-18	-37	-51.1	-46
Current interest-bearing receivables, increase (-)/decrease (+)	-1	-1	-27.0	0	1	-69.9	-1
Dividends paid	-155	-142	8.7	-6	-4	56.9	-143
Equity increase	-	2	-	-	-	-	2
Acquisition of own shares	-	-16	-	-	-	-	-16
Short-term money market investments, increase(-)/ decrease(+)	-321	-36	(..)	-26	-49	-47.8	-57
Other items	14	6	(..)	5	1	(..)	7
<b>Net cash used in financing activities</b>	<b>-498</b>	<b>-236</b>	<b>(..)</b>	<b>-45</b>	<b>-89</b>	<b>-49.6</b>	<b>-254</b>
<b>Change in cash and cash equivalents</b>	<b>-57</b>	<b>-213</b>	<b>-73.1</b>	<b>-5</b>	<b>-6</b>	<b>-14.6</b>	<b>-131</b>
Cash and cash equivalents and current portion of available-for-sale financial assets at 1 Jan.	313	453	-30.8	262	246	6.8	453

Currency translation difference adjustment and revaluation	-2	-1	49.7	-3	0	(..)	-8
Cash and cash equivalents and current portion of available-for-sale financial assets at 30 Sep.	254	239	6.3	254	239	6.3	313
(..) Change over 100%							

### Group's performance indicators

	1-9/2015	1-9/2014	Change, pp	1-12/2014
Return on capital employed, %	9.7	6.7	3.0	6.4
Return on capital employed, %, rolling 12 mo	8.6	7.9	0.6	6.4
Return on capital employed excl. non-recurring items, %	11.6	9.6	2.0	9.9
Return on capital employed excl. non-recurring items, %, rolling 12 mo	11.3	10.0	1.3	9.9
Return on equity, %	5.4	5.0	0.4	4.7
Return on equity, %, rolling 12 mo	5.0	6.6	-1.6	4.7
Return on equity excl. non-recurring items, %	8.0	7.5	0.5	7.6
Return on equity excl. non-recurring items, %, rolling 12 mo	8.0	8.4	-0.4	7.6
Equity ratio, %	54.2	54.2	0.0	54.5
Gearing, %	-17.9	-0.1	-17.8	-4.4
			<b>Change, %</b>	
Capital expenditure, € million	151.6	150.8	0.6	194.0
Capital expenditure, % of net sales	2.3	2.2	5.0	2.1
Earnings per share, basic, €	0.81	0.80	0.7	0.97
Earnings per share, diluted, €	0.81	0.80	0.9	0.97
Earnings per share excl. non-recurring items, basic, €	1.24	1.23	0.8	1.65
Cash flows from operating activities, € million	153	167	-8.5	304
Cash flows from investing activities, € million	288	-144	(..)	-182
Equity per share, €	21.41	22.25	-3.8	22.05
Interest-bearing net liabilities, € million	-394	-3	(..)	-99
Diluted number of shares, average for the reporting period, 1,000 pcs	99,104	99,264	-0.2	99,161
Personnel, average	19,074	20,024	-950	19,976
(..) Change over 100%				

Group's performance indicators by quarter	1-3/2014	4-6/2014	7-9/2014	10-12/2014	1-3/2015	4-6/2015	7-9/2015
Net sales, € million	2,129	2,371	2,304	2,267	2,082	2,227	2,203
Change in net sales, %	-1.4	-2.1	-2.9	-4.0	-2.2	-6.0	-4.4
Operating profit, € million	-13.0	69.4	63.4	31.7	-103.6	175.8	83.1
Operating margin, %	-0.6	2.9	2.7	1.4	-5.0	7.9	3.8
Operating profit excl. non-recurring items, € million	19.1	67.6	84.0	61.9	26.5	76.4	82.5
Operating margin excl. non-recurring items, %	0.9	2.9	3.6	2.7	1.3	3.4	3.7
Finance income/costs, € million	-1.6	2.2	-1.8	-5.0	-0.3	-4.2	-3.5
Profit before tax, € million	-14.4	71.4	61.7	26.4	-103.7	172.1	78.8

Profit before tax, %	-0.7	3.0	2.7	1.2	-5.0	7.7	3.6
Return on capital employed, %	-2.2	11.5	10.9	5.5	-18.1	31.9	17.6
Return on capital employed, excl. non-recurring items, %	3.2	11.2	14.4	10.7	4.6	13.9	17.5
Return on equity, %	-2.0	9.4	8.1	3.7	-19.9	28.0	8.9
Return on equity, excl. non-recurring items, %	2.3	9.1	11.3	8.0	3.1	10.6	10.6
Equity ratio, %	53.2	52.3	54.2	54.5	51.5	52.2	54.2
Capital expenditure, € million	43.4	55.7	51.7	43.2	51.5	58.6	41.5
Earnings per share, diluted, €	-0.11	0.51	0.41	0.17	-1.11	1.48	0.43
Equity per share, €	22.83	21.86	22.25	22.05	21.30	21.21	21.41

### Segmental information

Net sales by segment (€ million)	1-9/2015	1-9/2014	Change,%	7-9/2015	7-9/2014	Change,%	1-12/2014
Grocery trade, Finland	3,349	3,417	-2.0	1,146	1,164	-1.6	4,650
Grocery trade, other countries*	75	77	-2.4	25	26	-2.5	103
<b>Grocery trade, total</b>	<b>3,424</b>	<b>3,494</b>	<b>-2.0</b>	<b>1,171</b>	<b>1,190</b>	<b>-1.6</b>	<b>4,754</b>
- of which intersegment trade	13	25	-50.2	3	7	-56.7	34
Home improvement and speciality goods trade, Finland	1,343	1,527	-12.1	421	498	-15.4	2,002
Home improvement and speciality goods trade, other countries*	1,171	1,204	-2.8	436	444	-1.7	1,566
<b>Home improvement and speciality goods trade total</b>	<b>2,514</b>	<b>2,731</b>	<b>-8.0</b>	<b>857</b>	<b>942</b>	<b>-8.9</b>	<b>3,568</b>
- of which intersegment trade	1	-1	(..)	0	0	(..)	0
Car trade, Finland	571	592	-3.6	170	175	-2.6	766
<b>Car trade total</b>	<b>571</b>	<b>592</b>	<b>-3.6</b>	<b>170</b>	<b>175</b>	<b>-2.6</b>	<b>766</b>
- of which intersegment trade	0	0	-13.9	0	0	(..)	0
Common operations and eliminations	5	-13	(..)	4	-2	(..)	-18
<b>Finland total</b>	<b>5,267</b>	<b>5,523</b>	<b>-4.6</b>	<b>1,742</b>	<b>1,835</b>	<b>-5.1</b>	<b>7,401</b>
<b>Other countries total*</b>	<b>1,246</b>	<b>1,281</b>	<b>-2.8</b>	<b>461</b>	<b>469</b>	<b>-1.7</b>	<b>1,669</b>
<b>Group total</b>	<b>6,513</b>	<b>6,804</b>	<b>-4.3</b>	<b>2,203</b>	<b>2,304</b>	<b>-4.4</b>	<b>9,071</b>

(..) Change over 100%

\* Net sales in countries other than Finland

Operating profit by segment (€ million)	1-9/2015	1-9/2014	Change	7-9/2015	7-9/2014	Change	1-12/2014
Grocery trade	195.9	157.1	38.8	45.0	58.3	-13.4	216.2
Home improvement and speciality goods trade	-46.4	-50.5	4.1	36.8	1.9	34.9	-52.0
Car trade	22.3	23.8	-1.4	6.0	6.3	-0.3	28.9
Common operations and eliminations	-16.6	-10.7	-5.9	-4.6	-3.2	-1.5	-41.7
<b>Group total</b>	<b>155.3</b>	<b>119.7</b>	<b>35.6</b>	<b>83.1</b>	<b>63.4</b>	<b>19.8</b>	<b>151.4</b>

**Operating profit excl. non-recurring items by segment**

<b>(€ million)</b>	<b>1-9/ 2015</b>	<b>1-9/ 2014</b>	<b>Change</b>	<b>7-9/ 2015</b>	<b>7-9/ 2014</b>	<b>Change</b>	<b>1-12/ 2014</b>
Grocery trade	123.0	161.0	-38.0	44.8	60.3	-15.5	223.2
Home improvement and speciality goods trade	56.1	-3.3	59.4	35.8	20.6	15.1	0.4
Car trade	22.3	23.8	-1.4	6.0	6.3	-0.3	28.9
Common operations and eliminations	-16.0	-10.7	-5.4	-4.1	-3.2	-0.9	-20.0
<b>Group total</b>	<b>185.3</b>	<b>170.8</b>	<b>14.6</b>	<b>82.5</b>	<b>84.0</b>	<b>-1.6</b>	<b>232.6</b>

**Operating margin excl. non-recurring items by segment, %**

	<b>1-9/ 2015</b>	<b>1-9/ 2014</b>	<b>Change, pp</b>	<b>7-9/ 2015</b>	<b>7-9/ 2014</b>	<b>Change, pp</b>	<b>1-12/ 2014</b>	<b>Rolling 12 mo 9/2015</b>
Grocery trade	3.6	4.6	-1.0	3.8	5.1	-1.2	4.7	4.0
Home improvement and speciality goods trade	2.2	-0.1	2.4	4.2	2.2	2.0	0.0	1.8
Car trade	3.9	4.0	-0.1	3.5	3.6	-0.1	3.8	3.7
<b>Group total</b>	<b>2.8</b>	<b>2.5</b>	<b>0.3</b>	<b>3.7</b>	<b>3.6</b>	<b>0.1</b>	<b>2.6</b>	<b>2.8</b>

**Capital employed by segment, cumulative average**

<b>(€ million)</b>	<b>1-9/ 2015</b>	<b>1-9/ 2014</b>	<b>Change</b>	<b>7-9/ 2015</b>	<b>7-9/ 2014</b>	<b>Change</b>	<b>1-12/ 2014</b>	<b>Rolling 12 mo 9/2015</b>
Grocery trade	913	1,015	-102	739	1,005	-266	1,007	931
Home improvement and speciality goods trade	843	941	-99	747	935	-188	941	869
Car trade	97	96	1	98	89	9	96	95
Common operations and eliminations	281	313	-31	305	304	1	310	290
<b>Group total</b>	<b>2,135</b>	<b>2,366</b>	<b>-231</b>	<b>1,889</b>	<b>2,332</b>	<b>-444</b>	<b>2,354</b>	<b>2,185</b>

**Return on capital employed excl. non-recurring items by segment, %**

	<b>1-9/ 2015</b>	<b>1-9/ 2014</b>	<b>Change pp</b>	<b>7-9/ 2015</b>	<b>7-9/ 2014</b>	<b>Change pp</b>	<b>1-12/ 2014</b>	<b>Rolling 12 mo 9/2015</b>
Grocery trade	18.0	21.1	-3.2	24.2	24.0	0.3	22.2	19.9
Home improvement and speciality goods trade	8.9	-0.5	9.3	19.1	8.8	10.3	0.0	6.9
Car trade	30.6	32.9	-2.3	24.7	28.5	-3.8	30.1	29.0
<b>Group total</b>	<b>11.6</b>	<b>9.6</b>	<b>1.9</b>	<b>17.5</b>	<b>14.4</b>	<b>3.1</b>	<b>9.9</b>	<b>11.3</b>

**Capital expenditure by segment (€ million)**

	<b>1-9/ 2015</b>	<b>1-9/ 2014</b>	<b>Change</b>	<b>7-9/ 2015</b>	<b>7-9/ 2014</b>	<b>Change</b>	<b>1-12/ 2014</b>
Grocery trade	99	77	22	28	27	2	98
Home improvement and speciality goods trade	26	52	-25	8	20	-12	72
Car trade	11	11	1	5	2	3	13
Common operations and eliminations	15	11	3	0	3	-3	11
<b>Group total</b>	<b>152</b>	<b>151</b>	<b>1</b>	<b>42</b>	<b>52</b>	<b>-10</b>	<b>194</b>

## Segmental information by quarter

<b>Net sales by segment (€ million)</b>	<b>1-3/ 2014</b>	<b>4-6/ 2014</b>	<b>7-9/ 2014</b>	<b>10-12/ 2014</b>	<b>1-3/ 2015</b>	<b>4-6/ 2015</b>	<b>7-9/ 2015</b>
Grocery trade	1,102	1,202	1,190	1,260	1,103	1,149	1,171
Home improvement and speciality goods trade	815	974	942	837	773	883	857
Car trade	218	199	175	175	210	190	170
Common operations and eliminations	-6	-5	-2	-5	-3	4	4
<b>Group total</b>	<b>2,129</b>	<b>2,371</b>	<b>2,304</b>	<b>2,267</b>	<b>2,082</b>	<b>2,227</b>	<b>2,203</b>
<b>Operating profit by segment (€ million)</b>	<b>1-3/ 2014</b>	<b>4-6/ 2014</b>	<b>7-9/ 2014</b>	<b>10-12/ 2014</b>	<b>1-3/ 2015</b>	<b>4-6/ 2015</b>	<b>7-9/ 2015</b>
Grocery trade	44.3	54.4	58.3	59.1	35.2	115.8	45.0
Home improvement and speciality goods trade	-64.3	11.9	1.9	-1.5	-144.7	61.5	36.8
Car trade	10.1	7.4	6.3	5.2	9.8	6.5	6.0
Common operations and eliminations	-3.1	-4.4	-3.2	-31.1	-3.9	-8.0	-4.6
<b>Group total</b>	<b>-13.0</b>	<b>69.4</b>	<b>63.4</b>	<b>31.7</b>	<b>-103.6</b>	<b>175.8</b>	<b>83.1</b>
<b>Operating profit excl. non-recurring items by segment (€ million)</b>	<b>1-3/ 2014</b>	<b>4-6/ 2014</b>	<b>7-9/ 2014</b>	<b>10-12/ 2014</b>	<b>1-3/ 2015</b>	<b>4-6/ 2015</b>	<b>7-9/ 2015</b>
Grocery trade	45.4	55.3	60.3	62.2	34.9	43.3	44.8
Home improvement and speciality goods trade	-33.2	9.3	20.6	3.7	-14.2	34.5	35.8
Car trade	10.1	7.4	6.3	5.2	9.8	6.5	6.0
Common operations and eliminations	-3.1	-4.4	-3.2	-9.3	-3.9	-8.0	-4.1
<b>Group total</b>	<b>19.1</b>	<b>67.6</b>	<b>84.0</b>	<b>61.9</b>	<b>26.5</b>	<b>76.4</b>	<b>82.5</b>
<b>Operating margin excl. non-recurring items by segment, %</b>	<b>1-3/ 2014</b>	<b>4-6/ 2014</b>	<b>7-9/ 2014</b>	<b>10-12/ 2014</b>	<b>1-3/ 2015</b>	<b>4-6/ 2015</b>	<b>7-9/ 2015</b>
Grocery trade	4.1	4.6	5.1	4.9	3.2	3.8	3.8
Home improvement and speciality goods trade	-4.1	1.0	2.2	0.4	-1.8	3.9	4.2
Car trade	4.6	3.7	3.6	3.0	4.7	3.4	3.5
<b>Group total</b>	<b>0.9</b>	<b>2.9</b>	<b>3.6</b>	<b>2.7</b>	<b>1.3</b>	<b>3.4</b>	<b>3.7</b>
<b>Change in tangible and intangible assets (€ million)</b>					<b>30.9.2015</b>	<b>30.9.2014</b>	
<b>Opening net carrying amount</b>					<b>1,802</b>	<b>1,840</b>	
Depreciation, amortisation and impairment					-97	-133	
Investments in tangible and intangible assets					141	160	
Disposals					-405	-14	
Currency translation differences					-10	-6	
<b>Closing net carrying amount</b>					<b>1,431</b>	<b>1,847</b>	

### Related party transactions (€ million)

The Group's related parties include its key management (the Board of Directors, the Managing Director and the Group Management Board) and 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:

	1-9/2015	1-9/2014
Sales of goods and services	53	59
Purchases of goods and services	11	17
Other operating income	9	9
Other operating expenses	34	23
Finance costs	2	0
	<b>30.9.2015</b>	<b>30.9.2014</b>
Receivables	67	10
Liabilities	26	20

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

	Level 1	Level 2	Level 3	30.9.2015
<b>Financial assets at fair value through profit or loss</b>	<b>214.5</b>	<b>206.8</b>		<b>421.3</b>
<b>Derivative financial instruments at fair value through profit or loss</b>				
Derivative financial assets		11.0		11.0
Derivative financial liabilities		10.2		10.2
<b>Available-for-sale financial assets</b>	<b>183.0</b>	<b>168.3</b>	<b>15.5</b>	<b>366.9</b>

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

	Level 1	Level 2	Level 3	30.9.2014
<b>Financial assets at fair value through profit or loss</b>	<b>14.4</b>	<b>188.8</b>		<b>203.2</b>
<b>Derivative financial instruments at fair value through profit or loss</b>				
Derivative financial assets		6.9		6.9
Derivative financial liabilities		10.9		10.9
<b>Available-for-sale financial assets</b>	<b>60.6</b>	<b>164.0</b>	<b>13.1</b>	<b>237.7</b>

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 as at 30.9.

### Personnel average by segment

	1-9/2015	1-9/2014	Change
Grocery trade	6,458	6,192	265
Home improvement and speciality goods trade	11,339	12,561	-1,222
Car trade	785	833	-48
Common operations	492	438	55
<b>Group total</b>	<b>19,074</b>	<b>20,024</b>	<b>-950</b>

### Personnel as at 30.9.\*by segment

	2015	2014	Change
Grocery trade	8,090	7,455	635
Home improvement and speciality goods trade	12,407	14,702	-2,295
Car trade	784	830	-46
Common operations	531	472	59
<b>Group total</b>	<b>21,812</b>	<b>23,459</b>	<b>-1,647</b>

\* Total number including part-time employees

### Group's commitments (€ million)

	30.9.2015	30.9.2014	Change, %
Own commitments	164	203	-19.6
For associates and joint ventures	-	65	-100.0
For others	12	12	4.4
Lease liabilities for machinery and equipment	26	25	4.6
Lease liabilities for real estate	2,623	2,214	18.5

### Liabilities arising from derivative instruments (€ million)

	30.9.2015	30.9.2014	Fair value 30.9.2015
Values of underlying instruments at 30.9.			
Interest rate derivatives			
Interest rate swaps	101	101	0.31
Currency derivatives			
Forward and future contracts	290	375	4.35
Currency swaps	50	50	3.35
Option agreements	-	9	-
Commodity derivatives			
Electricity derivatives	12	26	-7.21

### Calculation of performance indicators

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 prior 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 excl. non-recurring items*, %	Operating profit excl. non-recurring items x 100 / (Non-current assets + Inventories + Receivables + Other current assets - Non-interest-bearing liabilities) on average for the reporting period

Return on capital employed excl. non-recurring items, %, rolling 12 months	$\frac{\text{Operating profit excl. non-recurring items for prior 12 months} \times 100}{(\text{Non-current assets} + \text{Inventories} + \text{Receivables} + \text{Other current assets} - \text{Non-interest-bearing liabilities}) \text{ on average for 12 months}}$
Return on equity*, %	$(\text{Profit/loss before tax} - \text{Income tax}) \times 100 / \text{Shareholders' equity}$
Return on equity, %, rolling 12 months	$(\text{Profit/loss for prior 12 months before tax} - \text{Income tax for prior 12 months}) \times 100 / \text{Shareholders' equity}$
Return on equity excl. non-recurring items*, %	$(\text{Profit/loss adjusted for non-recurring items before tax} - \text{Income tax adjusted for the tax effect of non-recurring items}) \times 100 / \text{Shareholders' equity}$
Return on equity excl. non-recurring items, %, rolling 12 months	$(\text{Profit/loss for prior 12 months adjusted for non-recurring items before tax} - \text{Income tax for prior 12 months adjusted for the tax effect of non-recurring items}) \times 100 / \text{Shareholders' equity}$
Equity ratio, %	$\frac{\text{Shareholders' equity} \times 100}{(\text{Total assets} - \text{Prepayments received})}$
Earnings/share, diluted	$\frac{(\text{Profit/loss} - \text{Non-controlling interests})}{\text{Average diluted number of shares}}$
Earnings/share, basic	$\frac{(\text{Profit/loss} - \text{Non-controlling interests})}{\text{Average number of shares}}$
Earnings/share excl. non-recurring items, basic	$\frac{(\text{Profit/loss adjusted for non-recurring items} - \text{Non-controlling interests})}{\text{Average number of shares}}$
Equity/share	$\frac{\text{Equity attributable to equity holders of the parent}}{\text{Basic number of shares at the balance sheet date}}$
Gearing, %	$\frac{\text{Interest-bearing net liabilities} \times 100}{\text{Shareholders' equity}}$
Interest-bearing net debt	$\text{Interest-bearing liabilities} - \text{Money market investments} - \text{Cash and cash equivalents}$

\* Indicators for return on capital have been annualised

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

K-Group's retail and B2B sales	1.1.-30.9.2015		1.7.-30.9.2015	
	€ million	Change, %	€ million	Change, %
<b>K-Group's grocery trade</b>				
K-food stores, Finland	3,361	-1.7	1,143	-1.8
K-citymarket, non-food	397	-1.1	136	-3.4
Kespro	583	-0.2	205	-1.1
K-ruoka, Russia	75	-2.4	25	-2.6
<b>Grocery trade, total</b>	<b>4,416</b>	<b>-1.5</b>	<b>1,508</b>	<b>-1.9</b>
<b>K-Group's home improvement and speciality goods trade</b>				
K-rauta and Rautia	767	-2.4	293	-1.1
Rautakesko B2B Service	142	0.5	51	2.1
K-maatalous	325	-8.5	99	-15.3
Machinery trade, Finland	125	2.5	35	-3.5
Speciality goods trade, Finland	366	-2.7	118	-5.0
<b>Finland, total</b>	<b>1,725</b>	<b>-3.1</b>	<b>597</b>	<b>-4.5</b>
Home improvement and speciality goods trade, other Nordic countries	651	-2.4	236	-3.3
Home improvement and speciality goods trade, the Baltics	418	-0.7	153	-4.6
Home improvement and speciality goods trade, other countries	242	-18.9	89	-23.3
<b>Home improvement and speciality goods trade, total</b>	<b>3,037</b>	<b>-4.1</b>	<b>1,075</b>	<b>-6.1</b>
<b>K-Group's car trade</b>				
VV-Autotalot	281	-4.6	87	-8.5
VV-Auto, import	305	-2.6	88	4.6
<b>Car trade, total</b>	<b>587</b>	<b>-3.6</b>	<b>175</b>	<b>-2.3</b>
<b>Finland total</b>	<b>6,654</b>	<b>-2.1</b>	<b>2,255</b>	<b>-2.7</b>
<b>Other countries, total</b>	<b>1,387</b>	<b>-5.3</b>	<b>503</b>	<b>-7.9</b>
<b>Retail and B2B sales, total</b>	<b>8,040</b>	<b>-2.7</b>	<b>2,758</b>	<b>-3.6</b>

\* Excluding Anttila

