Q4/2018

Kesko Corporation
Financial statements release

January-December 2018

6.2.2019

KESKO CORPORATION FINANCIAL STATEMENTS RELEASE 6.2.2019 AT 9.00

Kesko's financial statements release for the period 1 Jan. to 31 Dec. 2018: All-time-best comparable operating profit

FINANCIAL PERFORMANCE IN BRIEF, CONTINUING OPERATIONS:

- The Group's net sales in January-December totalled €10,383 million (€10,492 million), an increase of 3.5% in comparable terms
- Comparable operating profit was €332.2 million (€296.2 million)
- Operating profit was €307.9 million (€338.6 million)
- Cash flow from operating activities was €437.1 million (€291.9 million)
- Comparable return on capital employed was 14.0% (13.3%)
- Comparable profit before tax was €327.5 million (€300.3 million)
- Comparable earnings per share were €2.47 (€2.29)
- In line with Kesko's updated dividend policy, the Board of Directors proposes a dividend of €2.34 per share, to be paid in two equal instalments in April and October
- 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 information systems and digital services will burden profitability during the period. In the car trade, profitability is burdened by the shift to WLTP emissions testing, which postpones car delivery times. In the building and technical trade, the share of own retailing has risen following the acquisitions carried out, which increases profit-related seasonal fluctuations.

KEY PERFORMANCE INDICATORS

	1-12/2018	1-12/2017	10-12/2018	10-12/2017
Continuing operations				
Net sales, € million	10,383	10,492	2,655	2,575
Operating profit, comparable, € million	332.2	296.2	90.5	80.4
Operating margin, comparable	3.2	2.8	3.4	3.1
Operating profit, € million	307.9	338.6	79.8	70.8
Profit before tax, comparable, € million	327.5	300.3	89.8	81.6
Profit before tax, € million	296.8	342.4	72.6	71.7
Cash flow from operating activities, € million	437.1	291.9	127.4	110.6
Capital expenditure, € million	417.6	333.5	67.7	117.1
Return on capital employed, comparable, %, rolling 12 months	14.0	13.3	14.0	13.3
Group				
Return on equity, comparable, %, rolling 12 months	11.7	10.9	11.7	10.9
Earnings per share, €, basic and diluted				
Continuing operations	2.18	2.75	0.54	0.57
Discontinued operations	-0.56	-0.16	-0.02	-0.14
Group, total	1.61	2.59	0.52	0.43
Earnings per share, comparable, €, basic				
Continuing operations	2.47	2.29	0.70	0.65

	31.12.2018	31.12.2017
Group		
Equity ratio, %	51.4	50.4
Equity per share, €	21.06	21.45

PRESIDENT AND CEO MIKKO HELANDER:

The cornerstones of Kesko's strategy are profitable growth, focus on core businesses, and "One unified K". All our businesses are heavily customer-oriented and use quality to differentiate themselves from the competition in both stores and digital channels. Successful strategy execution enabled us to achieve Kesko's all-time best result in 2018. We were also able to meet the 14% target level for return on capital employed set in 2015. We continued our strong transformation and improved competitiveness in all divisions, while also carrying out various acquisitions in line with our strategy. In addition to good dividend capacity, our strong financial position enables investments in growth also in upcoming years. In line with Kesko's updated dividend policy, the Board of Directors proposes to the Annual General Meeting a total dividend payment of €231,702,946.02 million, i.e. €2.34 per share, and proposes that the dividend be paid in two equal instalments in April and October.

In the grocery trade division, sales development was good in all chains, and our market share strengthened further. We continued to remodel our stores and implement store-specific business ideas, which resulted in marked growth in customer numbers and customer satisfaction. We have already updated the look and selections of a significant number of our stores, and will continue the redesigns this year. Growth also continued strong online, and more than 150 K-food stores offered online sales of groceries by the end of the year. We strengthened Kespro's competitiveness in foodservice wholesale by acquiring leading Finnish fresh fish and meat providers Kalatukku E. Eriksson and Reinin Liha. The division's profitability development was also good, improved by strong sales growth and synergies obtained in the integration of Suomen Lähikauppa.

In the building and technical trade, strategy execution proceeded as planned. We made significant changes to the division's management model at the start of the year, and our increased country-specific focus resulted in improved competitiveness and profitability. Comparable net sales and operating profit grew for both the building and home improvement trade and Onninen. Sales and profit grew especially in Finland, the Baltics and Poland. Our strategic acquisitions for the Byggmakker chain in Norway create a good basis for further growth in upcoming years. In Sweden, we initiated a comprehensive transformation programme under new management, which resulted in a turnaround in comparable net sales in the fourth quarter.

The year overall was good for the car trade division, although new WLTP emissions testing caused significant disturbances in European car trade in the latter half of the year. Porsche's performance was particularly strong, with first registrations up by more than 60% in Finland. The market shares of SEAT and Volkswagen also grew. Operating profit for the division improved, thanks to steady sales development in servicing, after-sales and used cars. During the year, we launched various new mobility services, such as leasing products and car sharing services, and introduced electric car charging points to K-stores, thus enabling growth in customer flows across divisions. We expect the market to normalise following the WLTP-related disturbances by the end of the first quarter of 2019. The strategy for the car trade division is based on extensive cooperation with the world's leading car manufacturer, the Volkswagen Group. In line with the strategy, we will expand our selection this year to include Bentley's range.

The objective of our corporate responsibility work is to enable a sustainable lifestyle for our current and future generations of customers in the areas of food, mobility and living. We continued to actively implement our sustainability strategy, for example, through increased audits in our purchasing chains and continued investments in renewable energy and improved energy efficiency. We were pleased that Kesko was recently again included on the Global 100 list as the most sustainable trading sector company in the world.

The outlook for 2019 is also good. Our growth strategy is working and we will continue its consistent execution in an effort to become an even stronger and more customer-oriented retail company. We will be increasing sales and efficiency further by operating as one unified K. In the grocery trade, our focus will be on growing sales and further improving customer experience. We will continue to implement store-specific business ideas and strengthen retailer entrepreneurship. We will also seek growth in Kespro's foodservice wholesale. In the building and technical trade, our focus will be on increasing sales and profitability, especially in Sweden. We will seek growth in Northern Europe also through acquisitions. In the car trade, we will further tighten our partnership with the Volkswagen Group.

FINANCIAL PERFORMANCE OF CONTINUING OPERATIONS

NET SALES AND PROFIT FOR JANUARY-DECEMBER 2018

The net sales for the Group’s continuing operations in January-December 2018 totalled €10,383 million, which is 1.0% down on the corresponding period of the previous year (€10,492 million). The net sales were impacted by the divestments carried out in the first half of 2017. In comparable terms, net sales grew by 3.5% in local currencies excluding the impact of acquisitions and divestments. The Group's net sales decreased by 1.5% in Finland, but grew by 4.0% in comparable terms. In other countries, net sales increased by 0.9%, or 1.5% in comparable terms. International operations accounted for 20.5% (20.1%) of the Group's net sales.

Net sales growth in the grocery trade totalled 2.0%, weakened by the transfer of stores acquired with Suomen Lähikauppa to retailers. In comparable terms, net sales increased by 5.1%. 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, and Kalatukku E. Eriksson, acquired on 2 July 2018.

In the building and technical trade, net sales decreased by 4.6%, impacted by the divestments carried out in the first half of 2017. In comparable terms, net sales increased by 2.7%. The comparable change % has been calculated in local currencies and by excluding the impact of divestments made during 2017 and the acquisitions of Skattum Handel AS on 2 July 2018, Gipling AS on 23 July 2018 and 1A Group on 1 October 2018. The net sales for the building and technical trade excluding the speciality goods trade increased by 2.4%, or 2.6% in comparable terms. In the speciality goods trade, net sales decreased by 43.5% on account of divestments, while in comparable terms net sales increased by 3.5%.

In the car trade, net sales decreased by 1.8%. Net sales development was impacted by the implementation of the new WLTP emissions testing in Europe at the beginning of September and the resulting delays in car deliveries.

Reinin Liha became part of Kesko Group’s foodservice wholesale company Kespro following an acquisition completed on 1 June 2018, and Kalatukku E. Eriksson on 2 July 2018. Kesko Corporation’s subsidiary Byggmakker Handel AS took over the Norwegian building and home improvement trade companies Skattum Handel AS and Gipling AS, which have been operating Byggmakker stores under the retailer business model, on 2 July 2018 and 23 July 2018, respectively. Kesko Senukai assumed ownership of 1A Group, an online retail company operating in the Baltic States, on 1 October 2018. 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 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 financial statements release. The figures for the comparison period have been adjusted accordingly.

1-12/2018	Net sales, € million	Change, %	Change, comparable, %	Operating profit, comparable, € million	Change, € million
Grocery trade	5,386	+2.0	+5.1	228.0	+24.6
Building and technical trade excl. speciality goods trade	3,728	+2.4	+2.6	92.4	+13.4
Speciality goods trade	375	-43.5	+3.5	6.0	-10.2
Building and technical trade, total	4,103	-4.6	+2.7	98.4	+3.2
Car trade	893	-1.8	-1.8	34.5	+1.4
Common functions and eliminations	1	(..)	(..)	-28.7	+6.8
Total	**10,383**	**-1.0**	**+3.5**	**332.2**	**+36.0**

(..) Change over 100%

The Group's comparable operating profit for continuing operations in January-December was €332.2 million (€296.2 million). Profitability improved significantly in the grocery trade due to increased sales, successful chain redesigns and realised synergies. The comparable operating profit for the building and technical trade excluding the speciality goods trade grew thanks to the building and home improvement trade in Finland, Norway and the Baltics and Onninen in Finland and Poland. Positive profit development in Norway was impacted by the acquisitions carried out. The decrease in the speciality goods trade operating profit was affected by the divestments carried out in 2017. Profitability in the car trade remained good.

Operating profit was €307.9 million (€338.6 million). Items affecting comparability totalled €-24.2 million (€42.5 million). The most significant items affecting comparability were the €7.6 million costs related to conversions of Suomen Lähikauppa's chains and changes in the store site network, the €8.1 million costs in building and technical trade related to acquisitions and divestments and structural changes in the Swedish operations, and gains and losses on disposal of real estate and other non-current assets and impairment charges, totalling €-3.8 million. The transfer of former Suomen Lähikauppa stores to retailers was completed on 30 June 2018. The most significant items affecting comparability the year before were the €49.7 million gain on the divestment of real estate in the Baltics, the €21.4 million expenses related to the conversion of the Suomen Lähikauppa chains, the €12.3 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, € million	**1-12/2018**	**1-12/2017**
Operating profit, comparable	**332.2**	**296.2**
Items affecting comparability		
+gains on disposal	+6.7	+83.4
-losses on disposal	-0.1	-1.8
-impairment charges	-5.6	-0.5
+/-structural arrangements	-25.3	-38.6
Items affecting comparability, total	-24.2	+42.5
Operating profit	**307.9**	**338.6**

The comparable profit before tax for the Group's continuing operations in January-December was €327.5 million (€300.3 million). The profit before tax for the Group's continuing operations in January-December was €296.8 million (€342.4 million). The earnings per share for the Group's continuing operations were €2.18 (€2.75), and the comparable earnings per share €2.47 (€2.29). Kesko has agreed to sell its remaining stake in its Baltic machinery trade subsidiaries and Konekesko Finland's agricultural machinery trade operations to Danish Agro Group. The minority holding in the machinery trade companies had a €-0.04 impact on earnings per share. The Group's equity per share was €21.06 (€21.45).

K Group's (Kesko and chain stores) retail and B2B sales (VAT 0%) for January-December totalled €12,852 million, representing a growth of 2.5% compared to the previous year (pro forma). The K-Plussa customer loyalty programme added 86,886 new households in January-December 2018. The number of K-Plussa households stood at 2.4 million at the end of December and there were 3.5 million K-Plussa cardholders in total.

NET SALES AND PROFIT FOR OCTOBER-DECEMBER 2018

The net sales of the Group's continuing operations in October-December 2018 totalled €2,655 million, which is 3.1% up on the corresponding period of the previous year (€2,575 million). Net sales increased due to the acquisitions carried out in Finland, Norway and the Baltics in June-October 2018, and decreased due to the transfers of stores acquired with Suomen Lähikauppa to retailers. In comparable terms, net sales grew by 3.1% in local currencies, excluding the impact of acquisitions and divestments. The Group's net sales increased by 1.3% in Finland, or 2.7% in comparable terms. In other countries, net sales increased by 10.7%, or 4.7% in comparable terms. International operations accounted for 21.0% (19.6%) of the Group's net sales.

Net sales for the grocery trade grew by 2.2%, or 4.2% in comparable terms. Net sales development was affected by the transfers of former Suomen Lähikauppa stores to retailers in the K-Market chain and by changes in the store site network.

Net sales for the building and technical trade grew by 8.1%, impacted by the acquisitions completed in Norway in July and in the Baltics in October. In comparable terms, net sales increased by 5.2% in local currencies. The comparable change % has been calculated in local currencies and by excluding the impact of the acquisitions of Skattum Handel AS and Gipling AS in July and 1A Group in October. The net sales for the building and technical trade excluding the speciality goods trade increased by 8.6%, or 5.1% in comparable terms. Net sales for the speciality goods trade increased by 3.2%, or 5.3% in comparable terms.

In the car trade, net sales decreased by 12.9%. Net sales development was impacted by the implementation of the new WLTP emissions testing in Europe at the beginning of September and the resulting delays in car deliveries.

10-12/2018	Net sales, € million	Change, %	Change, comparable, %	Operating profit, comparable, € million	Change, € million
Grocery trade	1,430	+2.2	+4.2	71.8	+4.8
Building and technical trade excl. speciality goods trade	953	+8.6	+5.1	20.7	+7.0
Speciality goods trade	82	+3.2	+5.3	0.7	+0.4
Building and technical trade, total	1,035	+8.1	+5.2	21.3	+7.4
Car trade	190	-12.9	-12.9	7.0	+0.3
Common functions and eliminations	1	-8.6	-27.8	-9.6	-2.3
Total	**2,655**	**+3.1**	**+3.1**	**90.5**	**+10.1**

The Group's comparable operating profit for continuing operations in October-December was €90.5 million (€80.4 million). Profitability improved significantly in the grocery trade due to increased sales, successful chain redesigns and realised synergies. The comparable operating profit for the building and technical trade excluding the speciality goods trade grew, in particular, thanks to the building and home improvement trade in Finland and the Baltics. In the car trade, profitability was good despite the decrease in net sales.

Operating profit was €79.8 million (€70.8 million). Items affecting comparability totalled €-10.7 million (€-9.5 million), related to structural arrangements within the Group and impairment charges on other non-current assets.

Items affecting comparability, € million	**10-12/2018**	**10-12/2017**
Operating profit, comparable	**90.5**	**80.4**
Items affecting comparability		
+gains on disposal	+0.0	+0.6
-losses on disposal	-	-0.1
-impairment charges	-2.2	-
+/-structural arrangements	-8.5	-10.1
Items affecting comparability, total	-10.7	-9.5
Operating profit	**79.8**	**70.8**

The comparable profit before tax for the Group’s continuing operations in October-December was €89.8 million (€81.6 million). The profit before tax for the Group’s continuing operations in October-December was €72.6 million (€71.7 million). The earnings per share for the Group’s continuing operations were €0.54 (€0.57), and the comparable earnings per share €0.70 (€0.65). Kesko has agreed to sell its remaining stake in its Baltic machinery trade subsidiaries and Konekesko Finland’s agricultural machinery trade operations to Danish Agro Group. The minority holding in the machinery trade companies had a €0.01 impact on earnings per share.

K Group's (Kesko and chain stores) retail and B2B sales (VAT 0%) for October-December totalled €3,268 million, representing an increase of 2.5% compared to the previous year (pro forma).

FINANCE

In January-December, the Group’s cash flow from operating activities in continuing operations was €437.1 million (€291.9 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 in discontinued operations was €-23.3 million (€9.9 million). The Group’s cash flow from operating activities was €413.8 million (€301.7 million).

The Group’s cash flow from investing activities totalled €-209.0 million (€-88.3 million). Cash flow from investing activities includes the €161 million transaction price obtained from the divestment of properties in Russia. Cash flow from investing activities also includes the combined €164.7 million transaction prices for the acquisitions carried out in June-October. 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, in total €199.6 million.

The Group had liquid assets of €250 million at the end of the reporting period (€398 million). Interest-bearing liabilities at the end of December totalled €411 million (€534 million) and interest-bearing net debt €162 million (€136 million). In September, Kesko Corporation repaid the outstanding €225 million principal of the bond issued in 2012. The repayment was refinanced by taking on €150 million in short-term commercial paper liability and €91 million in long-term interest-bearing loan. Equity ratio was 51.4% (50.4%) at the end of the period.

The net finance costs for the Group’s continuing operations in January-December totalled €1.1 million (net finance income €2.2 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 was interest income on cooperative capital from Suomen Luotto-osuuskunta. The share of result of associates and joint ventures was €-10.1 million. Kesko and Oriola's joint venture, the Hehku wellbeing chain, had an impact of €-11.2 million, which includes discontinuation costs for the joint venture. The comparable share of result of associates and joint ventures was €-3.6 million.

In October-December, the Group’s cash flow from operating activities in continuing operations was €127.4 million (€110.6 million). The cash flow from operating activities in discontinued operations was €0.0 million (€5.1 million). The Group’s cash flow from operating activities was €127.5 million (€115.8 million) in October-December. The Group’s cash flow from investing activities totalled €-56.7 million (€-99.2 million).

The net finance income for the Group’s continuing operations in October-December totalled €0.0 million (net finance costs €0.7 million). The share of result of associates and joint ventures was €-7.2 million. Kesko and Oriola's joint venture, the Hehku wellbeing chain, had an impact of €-7.4 million, which includes discontinuation costs for the joint venture. The comparable share of result of associates and joint ventures was €-0.7 million.

TAXES

The taxes for the Group's continuing operations were €61.9 million (€57.9 million) in January-December. The effective tax rate was 20.9% (16.9%). The effective tax rate for the comparison period was lowered by the tax-exempt gains on the sale of properties and subsidiaries. In October-December, the taxes for the Group's continuing operations were €14.9 million (€12.7 million). The effective tax rate was 20.5% (17.8%).

CAPITAL EXPENDITURE

The capital expenditure for the Group's continuing operations in January-December totalled €417.6 million (€333.5 million), or 4.0% (3.2%) of net sales. Capital expenditure in store sites totalled €111.8 million (€239.8 million), in acquisitions €172.0 million, and in IT €48.8 million (€32.8 million) and other capital expenditure totalled €85.1 million (€60.6 million).

The capital expenditure for the Group's continuing operations in October-December totalled €67.7 million (€117.1 million), or 2.6% (4.5%) of net sales. Capital expenditure in store sites totalled €24.2 million (€86.3 million), in acquisitions €6.0 million, and in IT €11.2 million (€11.3 million) and other capital expenditure totalled €26.4 million (€19.5 million).

PERSONNEL

In January-December, the average number of personnel in Kesko Group was 19,995 (22,077) converted into full-time employees.

At the end of December 2018, the number of personnel was 23,458 (24,983), of whom 11,878 (12,327) worked in Finland and 11,523 (12,656) elsewhere. The decline in personnel numbers in Finland was affected by the transfer of former Suomen Lähikauppa stores to retailers. Outside Finland, personnel numbers increased due to the acquisitions carried out and decreased due to the discontinuation of building and home improvement operations in Russia.

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. The two building and home improvement store properties in the Moscow region excluded from the transaction were sold in December 2018.

The divestment of the properties resulted in a positive cash flow of €171 million for Kesko Corporation in February. The divestment of the properties resulted in a net €16 million sales gain for discontinued operations. The operative result after taxes for the operations was €-1.7 million. In addition, a cost of €23 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 divestment of the properties also resulted in a €8 million tax cost.

The 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 financial statements release. 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 and the Norwegian Skattum Handel AS and Gipling AS have increased seasonal fluctuations between quarters. The operating profit levels of these companies are at their lowest in the first quarter.

GROCERY TRADE

	1-12/2018	1-12/2017	10-12/2018	10-12/2017
Net sales, € million	5,386	5,282	1,430	1,399
Operating profit, comparable, € million	228.0	203.4	71.8	67.0
Operating margin, comparable	4.2	3.9	5.0	4.8
Return on capital employed, comparable, %, rolling 12 months	25.1	25.7	25.1	25.7
Capital expenditure, € million	124.1	224.4	27.1	81.5
Personnel, average	6,094	6,733	6,072	6,004

Net sales, € million	1-12/2018	1-12/2017	Change, %	10-12/2018	10-12/2017	Change, %
Sales to K-food stores						
K-Citymarket, food	1,108	1,061	+4.4	301	290	+3.7
K-Supermarket	1,377	1,277	+7.9	363	340	+6.9
K-Market*	1,306	1,416	-7.8	322	337	-4.5
K-Citymarket, non-food	581	585	-0.7	183	188	-2.6

Kespro	872	815	+7.0	226	212	+6.9
Others	142	127	+11.0	35	33	+6.6
Total	**5,386**	**5,282**	**+2.0**	**1,430**	**1,399**	**+2.2**

* The comparable change in net sales attributable to K-Market was +4.6% in January-December and +6.1% in October-December.

January-December 2018

Net sales for the grocery trade in January-December amounted to €5,386 million (€5,282 million), an increase of 2.0%. In comparable terms, net sales increased by 5.1%. 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 and Kalatukku E. Eriksson. Reinin Liha became part of Kesko Group's foodservice wholesale company Kespro following an acquisition completed on 1 June 2018, and Kalatukku E. Eriksson on 2 July 2018.

The transfer of Suomen Lähikauppa stores acquired in 2016 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 4.0% in January-December (Kesko's own estimate) and retail prices are estimated to have risen by some 2.4%, impacted by the increases in tobacco and alcohol taxes at the start of 2018 (incl. VAT, Kesko's own estimate based on the price development estimate of the Finnish Grocery Trade Association). K Group's grocery sales grew by 4.8% (incl. VAT), and excluding the impact of the acquisition of Suomen Lähikauppa, by 5.7% (incl. VAT).

The comparable operating profit for the grocery trade in January-December was €228.0 million (€203.4 million), up by €24.6 million. Profitability in the grocery trade improved significantly due to sales growth, successful chain redesigns, and realised synergies. 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.

Operating profit for the grocery trade was €219.3 million (€181.3 million). Items affecting comparability amounted to €-8.7 million (€-22.1 million), and they were mainly related to the restructuring of Suomen Lähikauppa, €-7.6 million (€-21.4 million).

Capital expenditure for the grocery trade in January-December was €124.1 million (€224.4 million), of which €89.5 million (€213.1 million) was in store sites and €13.1 million in acquisitions.

October-December 2018

Net sales for the grocery trade in October-December amounted to €1,430 million (€1,399 million), an increase of 2.2%. Net sales grew in comparable terms by 4.2%. Net sales were boosted by successful chain redesigns and changes to the store site network. Reported net sales were negatively impacted by the transfer of former Suomen Lähikauppa stores to retailers in the K-Market chain and by changes in the store site network.

The total grocery market in Finland (incl. VAT) is estimated to have grown by approximately 3.5% in October-December (Kesko's own estimate) and retail prices are estimated to have risen by some 2.4%, impacted by the increases in tobacco and alcohol taxes at the start of 2018 (incl. VAT, Kesko's own estimate based on the price development estimate of the Finnish Grocery Trade Association). K Group's grocery sales grew by 5.1% (incl. VAT), and excluding the impact of the acquisition of Suomen Lähikauppa, by 5.9% (incl. VAT).

The comparable operating profit for the grocery trade in October-December was €71.8 million (€67.0 million), up by €4.8 million. Profitability in the grocery trade improved significantly due to sales growth, successful chain redesigns, and realised synergies.

Operating profit for the grocery trade was €69.9 million (€65.4 million). Items affecting comparability amounted to €-1.9 million (€-1.7 million), and they were mainly related to the restructuring of Suomen Lähikauppa, €-1.7 million (€-1.7 million).

Capital expenditure for the grocery trade in October-December was €27.1 million (€81.5 million), of which €18.0 million (€79.7 million) was in store sites.

In October-December, three new K-Supermarkets (one replacement new building) and three new K-Markets (two replacement new buildings) were opened. Remodelling and extensions were made in a total of 35 stores.

The most significant store sites under construction are a K-Citymarket in Seinäjoki (a replacement new building), and K-Supermarkets in Pasila in Helsinki and in Kauklahti in Espoo.

Store numbers at 31 Dec.	**2018**	**2017**
K-Citymarket	81	81
K-Supermarket	244	235
K-Market	782	813
Neste K	72	71
Others	78	85

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

BUILDING AND TECHNICAL TRADE

	1-12/2018	**1-12/2017**	**10-12/2018**	**10-12/2017**
Net sales, € million	4,103	4,302	1,035	957
Building and technical trade excl. speciality goods trade	3,728	3,639	953	877
Speciality goods trade	375	663	82	80
Operating profit, comparable, € million	98.4	95.2	21.3	14.0
Building and technical trade excl. speciality goods trade	92.4	78.9	20.7	13.7
Speciality goods trade	6.0	16.2	0.7	0.3
Operating margin, comparable	2.4	2.2	2.1	1.5
Building and technical trade excl. speciality goods trade	2.5	2.2	2.2	1.6
Speciality goods trade	1.6	2.4	0.8	0.4
Return on capital employed, comparable, %, rolling 12 months	10.3	10.3	10.3	10.3
Capital expenditure, € million	200.7	63.7	17.3	22.4
Personnel, average	11,663	11,967	12,081	11,465

Net sales, € million	**1-12/2018**	**1-12/2017**	**Change, %**	**10-12/2018**	**10-12/2017**	**Change, %**
Building and home improvement trade, Finland	892	870	+2.5	201	188	+6.7
K-Rauta, Sweden	175	200	-12.6	39	41	-3.7
Byggmakker, Norway	370	397	-6.8	100	84	+19.3
Kesko Senukai, Baltics	602	510	+18.1	178	137	+29.8
OMA, Belarus	128	120	+7.2	32	29	+11.7
Onninen, Finland	881	819	+7.6	222	210	+6.0
Onninen, Sweden	151	191	-20.9	39	48	-18.8
Onninen, Norway	252	268	-6.0	68	70	-3.6
Onninen, Baltics	77	69	+11.1	21	19	+9.0
Onninen, Poland	239	217	+10.4	64	59	+8.6
Building and technical trade, excl. speciality goods trade, total	**3,728**	**3,639**	**+2.4**	**953**	**877**	**+8.6**

Leisure trade, Finland	202	196	+2.6	57	55	+4.6
Machinery trade	173	188	-8.1	25	25	-0.0
K-maatalous, Indoor Group Oy and Yamaha and Yamarin	-	279	-	-	-	-
Speciality goods trade, total	**375**	**663**	**-43.5**	**82**	**80**	**+3.2**
Total	**4,103**	**4,302**	**-4.6**	**1,035**	**957**	**+8.1**

January-December 2018

Net sales for the building and technical trade in January-December totalled €4,103 million (€4,302 million), down by 4.6%. The net sales were impacted by the divestments carried out in the first half of 2017. In comparable terms, net sales increased by 2.7%. The comparable change % has been calculated in local currencies and by excluding the impact of divestments made during 2017 and the completed acquisitions of Skattum Handel AS, Gipling AS and 1A Group in 2018.

Kesko Corporation's subsidiary Byggmakker Handel AS took over the Norwegian building and home improvement trade companies Skattum Handel AS and Gipling AS, which have been operating Byggmakker stores under the retailer business model, on 2 July 2018 and 23 July 2018, respectively. Kesko Senukai assumed ownership of 1A Group, an online retail company operating in the Baltic States, on 1 October 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 financial statements release. The figures for the comparison period have been adjusted accordingly.

In Finland, net sales for the building and technical trade in January-December totalled €1,972 million (€2,190 million), down by 10.0% due to divestments carried out in 2017. In comparable terms, net sales in Finland increased by 4.0%. Net sales from foreign operations totalled €2,131 million in January-December (€2,111 million), up by 0.9%. In comparable terms, net sales from foreign operations grew by 1.5%. Foreign operations accounted for 51.9% (49.1%) 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 €3,728 million (€3,639 million) in January-December, an increase of 2.4%. In comparable terms, net sales increased by 2.6%.

Net sales for the building and home improvement trade in January-December were €2,162 million (€2,092 million), an increase of 3.3%. In local currencies, net sales increased by 2.3%. Net sales in Finland grew by 2.5% and in the Baltics by 18.1%. In Belarus, net sales grew in local currency by 18.1%. Net sales decreased in local currency in Norway by 4.1% and in Sweden by 7.0%. 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 at the start of 2018.

Onninen's net sales amounted to €1,597 million (€1,571 million) in January-December, an increase of 1.7%. Net sales in Finland grew by 7.6% and in the Baltics by 11.1%. In Poland, net sales grew in local currency by 10.5%. Net sales decreased in local currency in Sweden by 15.8% and in Norway by 3.3%. The decrease in net sales in Sweden was impacted by the closure of five store sites during the first half of the year.

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 3.9% and the total market (VAT 0%) is estimated to have grown by some 2.9% (Kesko's own estimate).

Net sales for the speciality goods trade in January-December totalled €375 million (€663 million), down by 43.5%. The decrease was affected by the divestments carried out in 2017. In comparable terms, net sales grew by 3.5%. Net sales for the machinery trade in January-December amounted to €173 million (€188 million), up by 4.5% in comparable terms from the previous year. Net sales for the machinery trade in Finland totalled €28 million, down by 13.4% in comparable terms. Net sales from foreign operations totalled €145 million, up 8.9%. Net sales for the leisure trade were €202 million (€196 million), up by 2.6%. 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-December was €98.4 million (€95.2 million), up by €3.2 million compared to the previous year. The comparable operating profit for the building and technical trade excluding the speciality goods trade operations totalled €92.4 million (€78.9 million), up by €13.4 million. Comparable operating profit for the building and home improvement trade in January-December was €51.9 million (€46.3 million), up by €5.6 million. Comparable operating profit grew in the building and home improvement trade in Finland, Norway and the Baltics. Positive profit development in Norway was affected by the acquisitions carried out. The impact of the properties in the Baltics, divested in May 2017, on Kesko Senukai’s comparable operating profit was €-1.7 million. Onninen’s comparable operating profit in January-December was €40.5 million (€32.7 million), up by €7.7 million. Onninen’s operating profit grew in Finland, Poland and the Baltics. The comparable operating profit for the speciality goods trade was €6.0 million (€16.2 million), down by €10.2 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 €84.9 million (€168.7 million). Items affecting comparability totalled €-13.5 million (€73.5 million). The most significant items affecting comparability were the €8.1 million costs related to acquisitions and the restructuring of operations in Sweden, and gains and losses on disposal of real estate and other non-current assets and impairment charges, totalling €-3.8 million. The most significant items affecting comparability the year before were the €49.7 million gain on the divestment of real estate in the Baltics, the €12.3 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-December, capital expenditure for the building and technical trade totalled €200.7 million (€63.7 million), of which €21.8 million (€25.5 million) was in store sites and €159.0 million in acquisitions.

October-December 2018

Net sales for the building and technical trade in October-December totalled €1,035 million (€957 million), up by 8.1%. The development was affected by the acquisitions carried out during the year. In comparable terms, net sales increased by 5.2%. The comparable change % has been calculated in local currencies and by excluding the impact of the acquisitions of Skattum Handel AS and Gipling AS in July and 1A Group in October.

Net sales for the building and technical trade in Finland in October-December totalled €477 million (€453 million), up by 5.3%. In comparable terms, net sales increased by 5.6% in Finland. Net sales from foreign operations totalled €558 million in October-December (€504 million), up by 10.7%. In comparable terms, net sales from foreign operations grew by 4.7%. Foreign operations contributed 53.9% (52.7%) 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 €953 million (€877 million) in October-December, an increase of 8.6%. In comparable terms, net sales increased by 5.1%.

Net sales for the building and home improvement trade in October-December were €548 million (€477 million), an increase of 14.9%. In local currencies, net sales increased by 15.4%. Net sales in Finland grew by 6.7% and in the Baltics by 29.8%. Net sales increased in local currencies in Belarus by 15.4%, in Norway by 18.6% and in Sweden by 1.2%. Acquisitions completed in Norway increased net sales by 29.5% in local currency, but net sales were decreased by the expiry of one retailer agreement at the beginning of 2018.

Onninen’s net sales amounted to €413 million (€407 million) in October-December, an increase of 1.5%. Net sales in Finland grew by 6.0% and in the Baltics by 9.0%. In Poland, net sales grew in local currency by 10.2%. Net sales decreased in local currencies in Sweden by 14.4% and in Norway by 3.2%. The decrease in net sales in Sweden was impacted by the closure of five store sites.

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 5.1% and the total market (VAT 0%) is estimated to have grown by some 4.4% (Kesko's own estimate).

Net sales for the speciality goods trade amounted to €82 million (€80 million) in October-December, an increase of 3.2%. The comparable change was 5.3%. Net sales for the machinery trade in October-December totalled €25 million (€25 million), up by 6.9% in comparable terms. Net sales for the machinery trade in Finland totalled €5 million, down by 3.8% in comparable terms. Net sales from foreign operations totalled €20 million, up by 10.0%. Net sales for the leisure trade totalled €57 million (€55 million), up by 4.6%.

The comparable operating profit for the building and technical trade in October-December totalled €21.3 million (€14.0 million), up by €7.4 million. The comparable operating profit for the building and technical trade excluding the speciality goods trade operations totalled €20.7 million (€13.7 million), up by €7.0 million. The comparable operating profit for the building and home improvement trade in October-December was €10.7 million (€3.0 million), up by €7.7 million. Comparable operating profit grew in the building and home improvement trade in particular in Finland and the Baltics. Onninen's comparable operating profit in October-December was €9.9 million (€10.6 million), down by €0.7 million. The comparable operating profit for the speciality goods trade was €0.7 million (€0.3 million), up by €0.4 million.

Operating profit for the building and technical trade totalled €13.5 million (€12.1 million). Items affecting comparability totalled €-7.8 million (€-1.8 million). The most significant items affecting comparability were the €2.0 million costs related to the restructuring of operations in Sweden, and the €2.2 million impairment charges on other non-current assets.

In October-December, capital expenditure for the building and technical trade totalled €17.3 million (€22.4 million), of which €6.0 million (€6.4 million) was in store sites and €6.0 million in acquisitions.

In October-December, one Onninen Express store was opened on Riga, Latvia, and one in Płock, Poland.

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

Store numbers at 31 Dec.	2018	2017
Building and technical trade		
K-Rauta, Finland	135	136
K-Rauta, Sweden	18	17
Byggmakker, Norway	65	82
K-Rauta, Estonia	8	8
K-Senukai, Latvia	9	9
K-Senukai, Lithuania	23	22
OMA, Belarus	17	17
Onninen, Finland	56	53
Onninen, Sweden	13	18
Onninen, Norway	25	25
Onninen, Baltics	15	15
Onninen, Poland	36	35
Speciality goods trade		
Intersport, Finland	55	56
Budget Sport	11	11
The Athlete's Foot	7	7
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

	1-12/2018	1-12/2017	10-12/2018	10-12/2017
Net sales, € million	893	909	190	218
Operating profit, comparable, € million	34.5	33.1	7.0	6.7
Operating margin, comparable	3.9	3.6	3.7	3.1
Return on capital employed, comparable, %, rolling 12 months	21.2	21.5	21.2	21.5
Capital expenditure, € million	49.0	17.4	12.7	3.3
Personnel, average	835	809	830	816

Net sales, € million	1-12/2018	1-12/2017	Change, %	10-12/2018	10-12/2017	Change, %
K-Auto	831	855	-2.8	182	206	-11.6
AutoCarrera	63	55	+14.1	8	12	-34.4
Total	**893**	**909**	**-1.8**	**190**	**218**	**-12.9**

January-December 2018
Net sales for the car trade in January-December totalled €893 million (€909 million), a decrease of 1.8%. Net sales development was impacted by the implementation of the new WLTP emissions testing in Europe at the beginning of September and the resulting delays in car deliveries. The combined market performance of first registrations of passenger cars and vans was +1.3% (+1.0%) in January-December. The combined market share of the Volkswagen, Audi, SEAT and Porsche passenger cars and vans imported by the car trade was 18.5% (18.6%) in January-December.

Profitability in the car trade remained good. The comparable operating profit for January-December was €34.5 million (€33.1 million), up by €1.4 million. The comparable operating profit for AutoCarrera was €4.4 million (€3.0 million). Operating profit for the car trade in January-December was €34.4 million (€33.1 million).

Capital expenditure for the car trade in January-December totalled €49.0 million (€17.4 million). Gross capital expenditure comprises primarily cars obtained for the leasing fleet and rental cars sold with repurchase commitments.

October-December 2018
Net sales for the car trade in October-December totalled €190 million (€218 million), a decrease of 12.9%. Net sales development was impacted by the implementation of the new WLTP emissions testing in Europe at the beginning of September and the resulting delays in car deliveries. The combined market share of the Volkswagen, Audi, SEAT and Porsche passenger cars and vans imported by the car trade was 18.4% (18.5%) in October-December.

In the car trade, profitability was good despite the decrease in net sales. The comparable operating profit for October-December was €7.0 million (€6.7 million), up by €0.3 million. The comparable operating result for AutoCarrera was €-0.6 million (€0.5 million). Operating profit for the car trade in October-December was €6.8 million (€6.7 million).

Capital expenditure for the car trade in October-December totalled €12.7 million (€3.3 million). Gross capital expenditure comprises primarily cars obtained for the leasing fleet and rental cars sold with repurchase commitments.

Store numbers at 31 Dec.	2018	2017
K-Auto	13	13
AutoCarrera	3	3

CHANGES IN GROUP COMPOSITION

In June, Kesko Corporation agreed to make Reinin Liha and Kalatukku E. Eriksson part of its foodservice wholesale business Kespro. Reinin Liha Oy's acquisition was completed on 1 June 2018 and Kalatukku E. Eriksson Oy's 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. The acquisition of Skattum Handel AS was completed on 2 July 2018 and the acquisition of Gipling AS on 23 July 2018.

Kesko assumed ownership of 1A Group, an online retail company operating in the Baltic States, on 1 October 2018.

€ million	Impact on Group net sales in 2018	Impact on Group comparable operating profit in 2018	Transaction price 2018	Impact on Group net sales in 2017	Impact on Group comparable operating profit in 2017	Transaction price 2017
Acquired businesses						
Skattum Handel AS 7/2018 and Gipling AS 8/2018	40	2	147	-	-	-
Kalatukku E. Eriksson 7/2018 and Reinin Liha Oy 6/2018	15	0	15	-	-	-
Total	55	2	162	-	-	-
Divested businesses						
K-maatalous 6/2017	-	-	-	149	4	39
Indoor Group 6/2017	-	-	-	89	3	67
Yamaha and Yamarin 6/2017	-	-	-	41	-	-
Total	-	-	-	279	7	106

During the reporting period, six fully-owned real estate companies and one holding company in Finland were merged with Kesko Corporation. One holding company in Finland was furthermore wound up and its operations discontinued.

SHARES, SECURITIES MARKET AND BOARD AUTHORISATIONS

At the end of December 2018, the total number of Kesko Corporation shares was 100,019,752 of which 31,737,007, or 31.7%, were A shares and 68,282,745, or 68.3%, were B shares. On 31 December 2018, Kesko Corporation held 1,001,399 of its own B shares as treasury shares. These treasury shares accounted for 1.47% 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 December 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 €43.60 at the end of December 2018, representing a decrease of 1.1%. Correspondingly, the price of a B share was €45.25 at the end of 2017, and €47.10 at the end of December 2018, representing an increase of 4.1%. In January-December 2018, the highest A share price was €53.40 and the lowest €41.00. The highest B share price was €56.62 and the lowest €42.92. The Nasdaq Helsinki All-Share index (OMX Helsinki) was down by 8.0% and the weighted OMX Helsinki Cap index by 7.7% in January-December 2018. The Retail Sector Index was down by 2.5%.

At the end of December 2018, the market capitalisation of the A shares was €1,383.7 million. The market capitalisation of the B shares was €3,169.0 million, excluding the shares held by the parent company. The combined market capitalisation of the A and B shares was €4,552.7 million, an increase of €88.8 million from the end of 2017.

In January-December 2018, a total of 1.4 million A shares were traded on Nasdaq Helsinki. The exchange value of the A shares was €68.4 million. Meanwhile, 52.0 million B shares were traded, with an exchange value of €2,532.5 million. Nasdaq Helsinki accounted for approximately 41% of the trading of Kesko's A and B shares in January-December 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 2017-2020 PSP 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 decided to set the development of Kesko Group's tax free sales (%), 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 2017-2020 PSP and 2018-2021 PSP. A maximum total of 340,000 Kesko B shares may be granted in relation to the 2018-2021 PSP. 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 RSP 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 2018–2020 RSP 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 initiated in 2018 will be paid out in the spring of 2021. The new 2018-2021 PSP and 2018-2020 RSP were communicated in a stock exchange release on 21 March 2018.

In January-December, a total of 7,211 shares granted based on the fulfilment of the performance criteria of the share-based compensation plan in force in 2014-2016 and on the Bridge Plan were returned to the Company in accordance with the terms and conditions of the share-based compensation scheme. The returns during the reporting period were communicated in stock exchange releases on 28 February 2018, 30 July 2018, and 7 September 2018. The share-based compensation plan in force in 2014-2016 was announced in a stock exchange release on 4 February 2014, and the Bridge Plan was announced in a stock exchange release on 2 February 2017.

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 for 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 fees to 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). These shares, totalling 2,759, 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 schemes. The Board also decided to implement the resolution made by the General Meeting on 11 April 2018 to pay approximately 30% of the annual fees to 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 December 2018, the number of shareholders was 40,745, which is 1,577 less than at the end of 2017. At the end of December, foreign ownership of all shares was 35.2%, and foreign ownership of B shares 50.3%.

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 was approximately RUB 12 billion (some €169 million). The ownership of the properties was transferred to the buyer in 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, an acquisition was completed to make Reinin Liha part of Kesko Group's foodservice wholesale company Kespro. An agreement was also made at the time to acquire Kalatukku E. Eriksson, and the transaction was completed 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 the 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 operated Byggmakker stores under the retailer business model, and the Byggmakker chain will control the stores following the acquisitions. After the completion of the acquisitions, the Byggmakker chain controlled a total of 30 Byggmakker stores, providing even greater potential for growth and increased profitability in Norway. The acquisition of Skattum Handel AS was completed on 2 July 2018 and the acquisition of Gipling AS on 23 July 2018. (Press releases 7.6.2018 and 19.6.2018)

Kesko Senukai 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 makes Kesko Senukai one of the leading e-commerce operators in Estonia, Latvia and Lithuania. The completion of the acquisition was subject to the approval of the local competition authorities and the fulfilment of the other terms and conditions of the transaction. The transaction was completed on 1 October 2018. (Press release 21.6.2018)

Kesko will sell its remaining stake 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's Baltic subsidiaries and its agricultural machinery trade operations in Finland. As a result, Danish Agro Group will become the full owner of Konekesko's Baltic companies and Konekesko's agricultural machinery operations in Finland. The completion of the transactions is subject to the approval of competition authorities and the fulfilment of the other terms and conditions of the transactions. (Press release 6.7.2018). The transactions were expected to be completed in October 2018 at the latest. The European Commission has partly taken over the competition review, and as a result the completion of the transactions has been postponed.

Kesko Corporation's subsidiary Byggmakker agreed to acquire the DIY retail business of Sørbø Trelast AS and Tau & Jørpeland Bygg AS. The transaction includes two Byggmakker stores and a B2B logistics centre. The businesses included in the transaction had total pro forma sales of approximately €24 million in 2017. The completion of the transaction was subject to the approval of Norwegian competition authorities and the fulfilment of the other terms and conditions of the transaction (Press release 29 October 2018).

Kesko published restated comparison figures for January-September 2018 in accordance with IFRS 16 Leases, which took effect on 1 January 2019. The standard addresses the definition, recognition and measurement of lease agreements and other information given in relation to lease agreements in financial statements. According to the standard, the lessee recognises in its balance sheet right-of-use assets and financial liabilities. (Stock exchange release 19.12.2018)

KEY EVENTS AFTER THE REPORTING PERIOD

Kesko Group company K Caara Oy has agreed to acquire LänsiAuto Oy's Volkswagen, Audi and SEAT businesses in Kotka, Kouvola and Lappeenranta. (Press release 2.1.2019)

Kesko Group company K Caara Oy has agreed to acquire Huittisten Laatuauto Oy's Volkswagen and SEAT business operations in Forssa and Huittinen. The transaction includes new and used car sales, servicing and after-sales services. (Press release 3.1.2019)

Kesko Corporation's subsidiary Byggmakker completed the acquisition of the DIY retail business of Sørbø Trelast AS and Tau & Jørpeland Bygg AS. The acquisition comprises two Byggmakker stores and a B2B logistics centre in Norway. (Press release 31.1.2019)

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 Authorised Public Accountants 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

K Group continued investing in solar power: most recently, solar power plants were built at K-Supermarket Pohjois-Haaga in Helsinki, the Veturi shopping centre in Kouvola, and K Group’s central warehouse in Hakkila, Vantaa.

In its updated plastics policy, K Group set tighter objectives for plastics recycling and for reducing and avoiding the use of plastics.

K Group joined the New Plastics Economy Global Commitment which aims to reduce plastic waste.

K Group took part in Plan’s Girls Takeover, and committed to strengthening efforts towards gender equality.

The K Fishpaths collaboration between K Group and WWF Finland resulted in the restoration of over 100 spawning grounds for the endangered trout.

Kesko’s 2017 Annual Report was named “NGO’s choice” in a sustainability reporting competition organised by FIBS, Finland's leading corporate responsibility network.

The four-year collaboration between Plan International Finland and K Group came to an end, having produced excellent results. The parties formed a new type of collaboration in an effort to improve the lives of families of migrants working in the Thai fishing industry and increase the responsibility of the factories.

RISK MANAGEMENT

Risk management in Kesko Group is guided by the risk management policy approved by Kesko's Board of Directors. The policy defines the goals and principles, organisation, responsibilities and practices of risk management in Kesko Group. In the management of financial risks, the Group's treasury policy, confirmed by Kesko's Board of Directors, is observed. The management of business operations and common functions are responsible for the execution of risk management. Kesko Group applies a business-oriented and comprehensive approach to risk assessment and management. This means that key risks are systematically identified, assessed, managed, monitored and reported as part of business operations at Group, division, company and function levels throughout the Group.

The Group's risk map, the most significant risks and uncertainties, as well as material changes in and responses to them are reported to the Kesko Board's Audit Committee quarterly in connection with the review of interim reports, half year financial report and financial statements. The Audit Committee Chair reports on risk management to the Board as part of the Audit Committee report. The most significant risks and uncertainties are reported to the market by the Board in the Report by the Board of Directors and any material changes in them in the interim reports and the half year financial report.

The following describes the risks and uncertainties assessed as significant.

SIGNIFICANT RISKS AND UNCERTAINTIES

Intensification of price competition in Finnish grocery trade

Price competition in Finnish food trade has continued tight as operators strive to increase their market share. Intensifying price competition could weaken profitability for Kesko's grocery trade and retailers.

Business interruptions and information system failures

The trading sector is characterised by increasingly complicated and long supply chains and a higher dependency on information systems, data communications and external service providers. Disruptions can be caused by hardware failures, software errors or constantly increasing cyber threats. Extended malfunctions in information systems, payment transfers, or in other parts of the supply chain could cause significant losses in sales and weaken customer satisfaction.

Data breach or critical information falling into the wrong hands

Crimes are increasingly committed through data networks and crime has become more international and professional. A failure, especially if it affects the security of payment transactions and personal data, could cause losses, claims for damages and reputational harm.

Implementation of country-specific strategies in the building and technical trade division

There are risks related to the implementation of the division's country-specific strategies and the creation of business models which may impede the attainment of operational and financial objectives, especially in Sweden.

Cost structure in the building and technical trade division

In the building and technical trade, the market is changing and consequently B2B trade is growing over B2C trade. There is a risk that operating models and cost-efficiency cannot be adapted sufficiently to changes in different customer segments.

Impact of changes in emissions testing norms on the car trade

The implementation of the new EU-level emissions testing norm for passenger cars (WLTP) has had an impact on the demand and availability of cars. There is a risk that upcoming decided changes to emissions testing norms will have a negative impact on new car sales.

Compliance with laws and agreements

Changes in legislation and authority regulations could necessitate significant changes and result in additional costs. Compliance with laws and agreements is an important part of Kesko's corporate responsibility. Non-compliance can result in fines, claims for damages and other financial losses, and a loss of confidence and reputation.

Product safety

A failure in product safety control or in the quality assurance of the supply chain could result in financial losses, the loss of customer confidence and reputation or, in the worst case, a health hazard to customers.

Change in the trading sector caused by digitalisation

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

Employee competencies and working capacity

The implementation of strategies and the achievement of objectives require competent and motivated personnel. There is a risk that the trading sector does not attract the most competent people. The acquisitions carried out as well as other significant business and development projects, coupled with an increased need for special competencies increase the key-person risk and the dependency on individual expertise.

Store sites and properties

With a view to business growth and profitability, good store sites are a key competitive factor. The acquisition of store sites can be delayed by town planning and permit procedures and the availability and pricing of sites. Considerable amounts of capital or lease liabilities are tied up in properties for years. As a result of urbanisation, changes in the market situation, growing significance of e-commerce, or a chain concept proving inefficient, there is a risk that a store site or a property becomes unprofitable and operations are discontinued while long-term liabilities remain.

Responsible operating practices and reputation management

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

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

Reporting to market
Kesko's objective is to produce and publish reliable and timely information. If any information published by Kesko proved to be incorrect, or communications failed to meet regulations in other respects, it could result in losing investor and other stakeholder confidence and in possible sanctions. Significant business arrangements, tight disclosure schedules and the dependency on information systems create challenges for the accuracy of financial information.

Risks of damage
Accidents, natural phenomena and epidemics could cause significant damage to people, property or business. In addition, risks of damage may cause business interruptions that cannot be prevented.

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 (1/2019-12/2019) in comparison with the 12 months preceding the end of the reporting period (1/2018-12/2018). The outlook is based on IFRS in force on 31 December 2018, and does not take account of the impacts of IFRS 16 Leases, which took effect on 1 January 2019.

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 information systems and digital services will burden profitability during the period. In the car trade, profitability is burdened by the shift to WLTP emissions testing, which postpones car delivery times. In the building and technical trade, the share of own retailing has risen following the acquisitions carried out, which increases profit-related seasonal fluctuations.

UPDATED DIVIDEND POLICY
In the long-term, Kesko aims to distribute a steadily growing dividend of some 60-100% of its comparable earnings per share, taking into account the company’s financial position and strategy. Kesko plans to pay its dividends in two instalments, starting with the dividend paid for the year 2018.

According to its previous dividend policy, Kesko distributed at least 50% of its comparable earnings per share as dividends, taking into account, however, the company’s financial position and operating strategy.

PROPOSAL FOR PROFIT DISTRIBUTION
The Board of Directors of Kesko Corporation proposes to the Annual General Meeting to be held on 8 April 2019 that a dividend of €2.34 per share be paid for the year 2018 based on the adopted balance sheet on shares held outside the Company at the date of dividend distribution. The remaining distributable assets will remain in equity.

The Board proposes that the dividend be paid in two instalments. The first instalment, €1.17 per share, will be paid to shareholders registered in the Company's register of shareholders kept by Euroclear Finland Ltd on the first dividend instalment payment record date 10 April 2019. The Board proposes that the first dividend instalment pay date be 17 April 2019.

The second instalment, €1.17 per share, will be paid to shareholders registered in the Company's register of shareholders kept by Euroclear Finland Ltd on the second dividend instalment payment record date 10 October 2019. The Board proposes that the second dividend instalment pay date be 17 October 2019. The Board proposes it be authorised to decide, if necessary, on a new dividend payment record date and pay date for the second instalment if the rules and statutes of the Finnish book-entry system change or otherwise so require.

As at the date of the proposal for the distribution of profit, 5 February 2019, 99,018,353 shares were held outside the Company, and the corresponding total amount of dividends is €231,702,946.02.

The distributable assets of Kesko Group's parent company Kesko Corporation total €1,281,451,062.98 of which the profit for the financial year is €211,959,289.00.

ANNUAL GENERAL MEETING

The Board of Directors has decided to convene the Annual General Meeting at Messukeskus in Helsinki on 8 April 2019 at 13.00 (EET). Kesko Corporation will publish a notice of the General Meeting at a later date.

ANNUAL REPORT 2018 AND CORPORATE GOVERNANCE STATEMENT

Kesko will publish the Annual Report for 2018 in week 10 on its website at www.kesko.fi. The report will contain a strategy review, Report by the Board of Directors and the financial statements for 2018, sustainability reporting indicators (GRI), Kesko's Corporate Governance Statement and Remuneration Statement.

Helsinki, 5 February 2019
Kesko Corporation
Board of Directors

The information in the financial statements release is unaudited.

Further information is available from Jukka Erlund, Executive Vice President, Chief Financial Officer, telephone +358 105 322 113, Kia Aejmelaeus, Vice President, Investor Relations, telephone +358 105 322 533, and Eva Kaukinen, Vice President, Group Controller, telephone +358 105 322 338. A Finnish-language webcast of the results briefing can be viewed at 11.00 at www.kesko.fi. An English-language audio conference on the results briefing will be held today at 13.30 (Finnish time). The audio conference login is available on Kesko's website at www.kesko.fi.

Kesko Corporation's interim report for January-March 2019 will be published on 25 April 2018. In addition, Kesko Group's sales figures are published each month. News releases and other Company information are available on Kesko's website at www.kesko.fi.

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

TABLES SECTION

Accounting policies

This financial statements release has been prepared in accordance with IAS 34. The financial statements release 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						
	1-12/2018	**1-12/2017**	**Change, %**	**10-12/2018**	**10-12/2017**	**Change, %**
Continuing operations						
Net sales	10,383	10,492	-1.0	2,655	2,575	3.1
Cost of goods sold	-8,990	-9,026	-0.4	-2,272	-2,214	2.6
Gross profit	**1,393**	**1,466**	**-5.0**	**383**	**361**	**6.1**
Other operating income	790	787	0.4	207	193	7.0
Employee benefit expense	-694	-738	-6.0	-188	-181	3.7
Depreciation and impairment charges	-147	-130	12.8	-41	-36	12.6
Other operating expenses	-1,034	-1,046	-1.1	-282	-266	5.7
Operating profit	**308**	**339**	**-9.1**	**80**	**71**	**12.6**
Interest income and other finance income	14	18	-23.5	4	3	16.7
Interest expense and other finance costs	-12	-14	-10.3	-3	-4	-11.3
Foreign exchange differences	-3	-2	15.6	-1	0	86.8
Share of result of associates and joint ventures	-10	2	(..)	-7	2	(..)
Profit before tax	**297**	**342**	**-13.3**	**73**	**72**	**1.3**
Income tax	-62	-58	6.9	-15	-13	16.8
Net profit for the period from continuing operations	235	284	-17.5	58	59	-2.0
Discontinued operations						
Net profit for the period from discontinued operations	-56	-16	(..)	-2	-14	-87.0
Net profit for the period	**179**	**269**	**-33.5**	**56**	**45**	**25.1**
Attributable to						
Owners of the parent	160	258	-38.0	52	43	21.4
Non-controlling interests	19	11	72.0	4	2	(..)
Earnings per share (€) for profit attributable to owners of the parent						
Basic and diluted, continuing operations	2.18	2.75	-20.9	0.54	0.57	-5.4
Basic and diluted, discontinued operations	-0.56	-0.16	(..)	-0.02	-0.14	-87.0
Basic and diluted, Group total	1.61	2.59	-37.8	0.52	0.43	21.7

Consolidated statement of comprehensive income (€ million)						
	1-12/2018	1-12/2017	Change, %	10-12/2018	10-12/2017	Change, %
Net profit for the period	179	269	-33.5	56	45	25.1
Continuing operations						
Items that will not be reclassified subsequently to profit or loss						
Actuarial gains/losses	-2	36	(..)	-14	20	(..)
Items that may be reclassified subsequently to profit or loss						
Currency translation differences related to a foreign operation	-10	-15	-31.5	-9	-5	68.3
Cash flow hedge revaluation	2	1	(..)	1	0	(..)
Revaluation of available-for-sale financial assets	-	0	-	-	-1	-
Other items	0	0	-44.6	-	0	-
Total other comprehensive income for the period, net of tax, continuing operations	-10	21	(..)	-22	14	(..)
Total other comprehensive income for the period, net of tax, discontinued operations	35	-14	(..)	0	-3	-99.0
Total comprehensive income for the period	**204**	**276**	**-26.1**	**34**	**56**	**-39.6**
Attributable to						
Owners of the parent	186	269	-30.8	30	55	-44.9
Non-controlling interests	18	7	(..)	4	1	(..)

(..) Change over 100%

Consolidated statement of financial position (€ million), condensed			
	31.12.2018	31.12.2017	Change, %
ASSETS			
Non-current assets			
Tangible assets	1,196	1,293	-7.5
Intangible assets	492	376	30.8
Shares in associates and joint ventures and other financial assets	144	140	2.7
Loans and receivables	71	71	-0.1
Pension assets	148	207	-28.7
Total	2,052	2,088	-1.8
Current assets			
Inventories	913	939	-2.7
Trade receivables	820	836	-1.9
Other receivables	197	209	-5.6
Financial assets at fair value through profit or loss	51	171	-70.2
Financial assets at amortised cost	59	-	-
Available-for-sale financial assets	-	57	-
Cash and cash equivalents	139	170	-18.2
Total	2,180	2,382	-8.5
Non-current assets held for sale	71	2	(..)

Total assets	**4,303**	**4,472**	**-3.8**

	31.12.2018	**31.12.2017**	**Change, %**
EQUITY AND LIABILITIES			
Equity	2,085	2,133	-2.3
Non-controlling interests	113	99	14.7
Total equity	2,198	2,232	-1.5
Non-current liabilities			
Interest-bearing liabilities	178	129	37.5
Non-interest-bearing liabilities	29	31	-6.3
Deferred tax liabilities	45	52	-13.7
Pension obligations	0	0	1.3
Provisions	27	25	7.7
Total	280	238	17.4
Current liabilities			
Interest-bearing liabilities	233	405	-42.3
Trade payables	983	1,024	-4.0
Other non-interest-bearing liabilities	568	541	5.0
Provisions	25	32	-20.3
Total	1,810	2,001	-9.6
Liabilities related to non-current assets held for sale	15	0	(..)
Total equity and liabilities	**4,303**	**4,472**	**-3.8**

(..) 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	1,539	99	2,235
Share-based payments					2			2
Acquisition of treasury shares					-24			-24
Dividends						-222	-4	-226
Increase in share capital							1	1
Other changes		0	0			8	0	8
Transactions with owners, total		0	0		-23	-214	-3	-240
Comprehensive income								
Profit for the period, continuing operations						216	19	235
Profit for the period, discontinued operations						-56		-56
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								
Translation differences on foreign operations			-9			0	-1	-10
Cash flow hedge revaluation				3				3
Tax related to comprehensive income				-1		0		0
Comprehensive income, discontinued operations			35					35
Total comprehensive income for the period			26	2		158	18	204
Balance at 31.12.2018	**197**	**465**	**-24**	**2**	**-37**	**1,482**	**113**	**2,198**

	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					5			5
Disposals of subsidiaries		0	-1			1		0
Purchases of non-controlling interests							-1	-1
Disposals of non-controlling interests						21		21
Dividends						-199	-5	-204
Other changes		1				6	0	8
Transactions with owners, total		1	-1		5	-170	-5	-170
Comprehensive income								
Profit for the period, continuing operations						273	11	284
Profit for the period, discontinued operations						-16		-16
Items that will not be reclassified subsequently to profit or loss								
Actuarial gains/losses						45		45
Items that may be reclassified subsequently to profit or loss								
Translation differences on foreign operations			-11				-4	-15
Cash flow hedge revaluation				1				1
Revaluation of available-for-sale financial assets				0				0
Income taxes related to comprehensive income				0		-9		-9
Comprehensive income, discontinued operations			-14					-14
Total comprehensive income for the period			-25	0		294	7	276
Balance at 31.12.2017	197	465	-50	3	-18	1,536	99	2,232

Consolidated statement of cash flows (€ million), condensed						
	1-12/2018	1-12/2017	Change, %	10-12/2018	10-12/2017	Change, %
Cash flows from operating activities						
Profit before tax, continuing operations	297	343	-13.5	73	72	1.3
Depreciation according to plan	144	130	10.2	41	36	12.6
Finance income and costs	1	-2	(..)	0	1	(..)
Other adjustments	56	-78	(..)	6	-3	(..)
Change in working capital						
Current non-interest-bearing receivables, increase (-)/decrease (+)	47	-78	(..)	155	80	94.1
Inventories, increase (-)/decrease (+)	-34	-13	(..)	-45	8	(..)
Current non-interest-bearing liabilities, increase (+)/decrease(-)	-25	32	(..)	-91	-68	32.6
Financial items and tax	-48	-43	13.6	-10	-13	-22.8
Net cash from operating activities, continuing operations	437	292	49.8	127	111	15.2
Net cash from operating activities, discontinued operations	-23	10	(..)	0	5	-99.2
Net cash from operating activities, total	**414**	**302**	**37.2**	**127**	**116**	**10.1**
Cash flows from investing activities						
Investing activities	-398	-305	30.4	-60	-111	-45.9
Proceeds from sale of subsidiaries, net of cash	-	144	-	-	-	-
Proceeds from sale of tangible and intangible assets	26	97	-72.9	4	9	-52.9
Increase in non-current receivables	-1	-7	-79.1	-2	3	(..)
Net cash used in investing activities, continuing operations	-373	-72	(..)	-58	-99	-42.0
Net cash used in investing activities, discontinued operations	164	-17	(..)	1	0	(..)
Net cash used in investing activities, total	**-209**	**-88**	**(..)**	**-57**	**-99**	**-42.8**
Cash flows from financing activities						
Interest-bearing liabilities, increase (+)/decrease (-)	-102	0	(..)	-136	10	(..)
Current interest-bearing receivables, increase (-)/ decrease (+)	0	0	-53.1	1	1	18.0
Dividends paid	-225	-204	10.6	-6	0	(..)
Acquisition of treasury shares	-24	-	-	-	-	-
Short-term money market investments, increase (-)/ decrease (+)	116	-36	(..)	9	9	-4.2
Other items	1	-3	(..)	0	1	(..)
Net cash used in financing activities, continuing operations	-234	-243	-3.6	-133	21	(..)
Net cash used in financing activities, discontinued operations	-	-	-	-	-	-
Net cash used in financing activities, total	**-234**	**-243**	**-3.6**	**-133**	**21**	**(..)**

Change in cash and cash equivalents	**-30**	**-30**	**0.0**	**-62**	**37**	**(..)**
Cash and cash equivalents at 1 Jan., continuing operations	164	199	-17.6	198	130	52.8
Cash and cash equivalents at 1 Jan., discontinued operations	7	2	(..)	2	4	-56.7
Exchange differences and cash and cash equivalents related to assets held for sale	-1	-1	-0.7	2	-1	(..)
Cash and cash equivalents at 31 Dec., continuing operations	139	164	-15.0	139	164	-15.0
Cash and cash equivalents at 31 Dec., discontinued operations	0	7	-93.5	0	7	-93.5

(..) Change over 100%

Group's performance indicators			
	1-12/2018	**1-12/2017**	**Change, pp**
Return on capital employed, %*	12.9	15.2	-2.3
Return on capital employed, comparable, %*	14.0	13.3	0.7
Return on equity, %	8.1	12.3	-4.3
Return on equity, comparable, %	11.7	10.9	0.8
Equity ratio, %	51.4	50.4	1.0
Gearing, %	7.4	6.1	1.3
Interest-bearing net debt/EBITDA, rolling 12 mo	0.4	0.3	0.1
			Change, %
Capital expenditure, € million*	417.6	333.5	25.2
Capital expenditure, % of net sales*	4.0	3.2	26.5
Cash flow from operating activities, € million*	437.1	291.9	49.8
Cash flow from investing activities, € million*	-373.3	-71.5	(..)
Cash flow from operating activities/share, €*	4.41	2.94	50.1
Equity per share, €	21.06	21.45	-1.8
Interest-bearing net debt, € million	162	136	18.9
Diluted number of shares, average for the reporting period, 1,000 pcs	99,182	99,426	-0.2
Personnel, average	19,995	22,077	-9.4
Earnings per share, basic and diluted, €			
Continuing operations	2.18	2.75	-20.9
Discontinued operations	-0.56	-0.16	(..)
Group total	1.61	2.59	-37.8
Earnings per share, comparable, basic, €			
Continuing operations	2.47	2.29	8.1

(..) 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**	**7-9/2018**	**10-12/2018**
Net sales, € million*	2,558	2,763	2,596	2,575	2,413	2,673	2,642	2,655
Change in net sales, %*	29.1	7.7	-5.3	-5.3	-5.7	-3.3	1.8	3.1
Operating profit, € million*	19.4	151.8	96.7	70.8	36.6	81.6	110.0	79.8
Operating margin, %*	0.8	5.5	3.7	2.8	1.5	3.1	4.2	3.0
Operating profit, comparable, € million*	31.5	83.8	100.5	80.4	40.0	89.0	112.6	90.5
Operating margin, comparable, %*	1.2	3.0	3.9	3.1	1.7	3.3	4.3	3.4
Finance income/costs, € million*	4.2	-1.1	-0.2	-0.7	0.0	-0.9	-0.3	0.0
Profit before tax, € million*	24.3	150.0	96.5	71.7	36.5	78.5	109.1	72.6
Profit before tax, %*	0.9	5.4	3.7	2.8	1.5	2.9	4.1	2.7
Return on capital employed, %*	3.5	27.1	17.8	12.6	6.3	14.2	18.2	13.0
Return on capital employed, comparable, %*	5.7	15.0	18.5	14.3	6.9	15.5	18.7	14.7
Return on equity, %	3.2	24.8	13.9	8.1	1.0	6.4	15.7	10.2
Return on equity, comparable, %	5.1	12.2	14.6	12.2	5.4	12.6	16.5	13.3
Cash flow from operating activities/share, €*	-0.48	1.32	0.98	1.11	0.40	1.41	1.32	1.29
Equity ratio, %	47.4	47.0	49.1	50.4	49.3	46.2	48.5	51.4
Capital expenditure, € million*	75.8	77.7	62.9	117.1	54.5	74.2	221.2	67.7
Equity per share, €	20.98	20.18	20.89	21.45	21.52	19.87	20.78	21.06
Earnings per share, basic and diluted, €								
Continuing operations	0.21	1.29	0.67	0.57	0.32	0.52	0.79	0.54
Discontinued operations	-0.03	0.00	0.01	-0.14	-0.24	-0.28	-0.03	-0.02
Group total	0.18	1.29	0.69	0.43	0.08	0.24	0.77	0.52
Earnings per share, comparable, basic, €								
Continuing operations	0.31	0.61	0.71	0.65	0.35	0.61	0.81	0.70

*Continuing operations

Segment information, continuing operations

Net sales by segment (€ million)	**1-12/2018**	**1-12/2017**	**Change, %**	**10-12/2018**	**10-12/2017**	**Change, %**
Grocery trade, Finland	5,386	5,282	2.0	1,430	1,399	2.2
Grocery trade total	**5,386**	**5,282**	**2.0**	**1,430**	**1,399**	**2.2**
- of which intersegment trade	6	7	-14.0	1	1	15.1
Building and technical trade, Finland	1,972	2,190	-10.0	477	453	5.3
Building and technical trade, other countries*	2,131	2,111	0.9	558	504	10.7
Building and technical trade total	**4,103**	**4,302**	**-4.6**	**1,035**	**957**	**8.1**
- of which intersegment trade	0	3	-96.3	0	1	(..)
Car trade, Finland	893	909	-1.8	190	218	-12.9

Car trade total	893	909	-1.8	190	218	-12.9
- of which intersegment trade	2	1	(..)	1	0	(..)
Common functions and eliminations	1	-1	(..)	1	1	-8.6
Finland total	8,252	8,380	-1.5	2,097	2,071	1.3
Other countries total*	2,131	2,111	0.9	558	504	10.7
Continuing operations, total	10,383	10,492	-1.0	2,655	2,575	3.1

(..) Change over 100%

* Net sales in countries other than Finland

Operating profit by segment (€ million)	1-12/2018	1-12/2017	Change	10-12/2018	10-12/2017	Change
Grocery trade	219.3	181.3	38.0	69.9	65.4	4.5
Building and technical trade	84.9	168.7	-83.8	13.5	12.1	1.4
Car trade	34.4	33.1	1.2	6.8	6.7	0.1
Common functions and eliminations	-30.6	-44.5	13.9	-10.5	-13.4	2.9
Continuing operations, total	307.9	338.6	-30.7	79.8	70.8	9.0

Operating profit by segment, comparable (€ million)	1-12/2018	1-12/2017	Change	10-12/2018	10-12/2017	Change
Grocery trade	228.0	203.4	24.6	71.8	67.0	4.8
Building and technical trade	98.4	95.2	3.2	21.3	14.0	7.4
Car trade	34.5	33.1	1.4	7.0	6.7	0.3
Common functions and eliminations	-28.7	-35.6	6.8	-9.6	-7.4	-2.3
Continuing operations, total	332.2	296.2	36.0	90.5	80.4	10.1

Operating margin by segment, comparable (%)	1-12/2018	1-12/2017	Change, pp	10-12/2018	10-12/2017	Change, pp
Grocery trade	4.2	3.9	0.4	5.0	4.8	0.2
Building and technical trade	2.4	2.2	0.2	2.1	1.5	0.6
Car trade	3.9	3.6	0.2	3.7	3.1	0.6
Continuing operations, total	3.2	2.8	0.4	3.4	3.1	0.3

Capital employed by segment, cumulative average (€ million)	1-12/2018	1-12/2017	Change	10-12/2018	10-12/2017	Change
Grocery trade	908	791	117	901	839	62
Building and technical trade	951	923	28	1,033	879	154
Car trade	163	154	9	162	163	-1
Common functions and eliminations	356	355	0	365	367	-2
Continuing operation, total	2,378	2,224	154	2,462	2,248	214

Return on capital employed by segment, comparable (%)	1-12/2018	1-12/2017	Change, pp	10-12/2018	10-12/2017	Change, pp
Grocery trade	25.1	25.7	-0.6	31.9	32.0	-0.1
Building and technical trade	10.3	10.3	0.0	8.3	6.4	1.9
Car trade	21.2	21.5	-0.3	17.2	16.5	0.7
Continuing operations, total	**14.0**	**13.3**	**0.7**	**14.7**	**14.3**	**0.4**

Capital expenditure by segment, € million	1-12/2018	1-12/2017	Change	10-12/2018	10-12/2017	Change
Grocery trade	124	224	-100	27	81	-54
Building and technical trade	201	64	137	17	22	-5
Car trade	49	17	32	13	3	9
Common functions and eliminations	44	28	16	11	10	1
Continuing operations, total	**418**	**334**	**84**	**68**	**117**	**-49**

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	7-9/2018	10-12/2018
Grocery trade	1,243	1,327	1,313	1,399	1,276	1,327	1,352	1,430
Building and technical trade	1,073	1,202	1,070	957	877	1,102	1,089	1,035
Car trade	245	234	212	218	259	244	200	190
Common functions and eliminations	-2	0	0	1	1	0	0	1
Continuing operations, total	**2,558**	**2,763**	**2,596**	**2,575**	**2,413**	**2,673**	**2,642**	**2,655**

Operating profit by segment, € million	1-3/2017	4-6/2017	7-9/2017	10-12/2017	1-3/2018	4-6/2018	7-9/2018	10-12/2018
Grocery trade	16.7	39.9	59.3	65.4	37.6	48.3	63.5	69.9
Building and technical trade	4.0	114.6	38.0	12.1	-4.2	31.0	44.7	13.5
Car trade	10.0	7.6	8.8	6.7	11.0	8.7	7.8	6.8
Common functions and eliminations	-11.4	-10.3	-9.4	-13.4	-7.7	-6.4	-6.1	-10.5
Continuing operations, total	**19.4**	**151.8**	**96.7**	**70.8**	**36.6**	**81.6**	**110.0**	**79.8**

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	7-9/2018	10-12/2018
Grocery trade	-9.7	-10.6	-0.2	-1.7	-1.2	-4.5	-1.1	-1.9
Building and technical trade	-1.8	79.8	-2.7	-1.8	-2.0	-2.4	-1.3	-7.8
Car trade	-	-	-	-	-	-	-	-0.1
Common functions and eliminations	-0.6	-1.3	-1.0	-6.0	-0.3	-0.5	-0.3	-0.8
Continuing operations, total	**-12.1**	**67.9**	**-3.8**	**-9.5**	**-3.4**	**-7.5**	**-2.7**	**-10.7**

Operating profit by segment, comparable, € million	1-3/2017	4-6/2017	7-9/2017	10-12/2017	1-3/2018	4-6/2018	7-9/2018	10-12/2018
Grocery trade	26.4	50.5	59.4	67.0	38.7	52.8	64.7	71.8
Building and technical trade	5.8	34.8	40.7	14.0	-2.2	33.4	45.9	21.3
Car trade	10.0	7.6	8.8	6.7	11.0	8.7	7.8	7.0
Common functions and eliminations	-10.8	-9.0	-8.5	-7.4	-7.4	-5.9	-5.8	-9.6
Continuing operations, total	**31.5**	**83.8**	**100.5**	**80.4**	**40.0**	**89.0**	**112.6**	**90.5**

Operating margin by segment, %, comparable	1-3/2017	4-6/2017	7-9/2017	10-12/2017	1-3/2018	4-6/2018	7-9/2018	10-12/2018
Grocery trade	2.1	3.8	4.5	4.8	3.0	4.0	4.8	5.0
Building and technical trade	0.5	2.9	3.8	1.5	-0.3	3.0	4.2	2.1
Car trade	4.1	3.2	4.2	3.1	4.2	3.6	3.9	3.7
Continuing operations, total	**1.2**	**3.0**	**3.9**	**3.1**	**1.7**	**3.3**	**4.3**	**3.4**

Acquisitions

In June, Kesko Corporation agreed to make Reinin Liha and Kalatukku E. Eriksson part of its foodservice wholesale business Kespro. Reinin Liha Oy's acquisition was completed on 1 June 2018 and Kalatukku E. Eriksson Oy's on 2 July 2018. The combined debt-free transaction price of the acquisitions, structured as share purchases, was €15 million.

In June, Kesko Corporation's subsidiary Byggmakker Handel AS agreed to acquire the Norwegian building and home improvement trade companies Skattum Handel AS and Gipling AS. The acquisition of Skattum Handel AS was completed on 2 July 2018 and the acquisition of Gipling AS on 23 July 2018. The combined debt-free transaction price of the acquisitions, structured as share purchases, was NOK 1,467 million (€147 million).

In October, Kesko Group company Kesko Senukai acquired the Latvian 1A Group, one of the leading online retail companies in the Baltic region. 1A Group's 2017 net sales totalled some €41 million, and the company has operations in Latvia, Estonia and Lithuania.

€ million	Skattum Handel AS and Gipling AS	Kalatukku E. Eriksson Oy and Reinin Liha Oy
Consideration paid	**147**	**15**
Fair values of assets acquired and liabilities assumed at the date of acquisition		
Intangible assets	8	8
Tangible assets and investments	6	6
Inventories	31	2
Receivables	36	4
Deferred tax asset	1	-
Cash and cash equivalents	5	1
Total assets	**86**	**21**
Trade payables, other payables, provisions	31	6
Deferred tax liability	1	2
Total liabilities	**32**	**8**
Net assets acquired, total	**54**	**13**

Goodwill	93	2
Cash flow impact of acquisition		
Consideration paid	-153	-15
Cash and cash equivalents acquired	6	1
Unpaid share	-	2
Cash flow impact of acquisition	-147	-12

Skattum Handel AS and Gipling AS

Skattum Handel AS and Gipling AS have been operating Byggmakker stores under the retailer business model. After the completion of the acquisitions, the Byggmakker chain controls a total of 30 Byggmakker stores, providing even greater potential for growth and increased profitability in Norway. In addition, 35 Byggmakker stores operate under the retailer business model.

The tables above provide a summary of the consideration paid, the values of assets acquired and liabilities assumed by Kesko Group at the date of acquisition, and the cash flow impact of the acquisitions.

The preliminary fair value of the intangible assets acquired (including customer relationships) at the date of acquisition totals €8 million. The balance sheet value of current trade receivables equals their fair value. The €93 million goodwill arising from the acquisition reflects the synergies expected to be achieved in purchasing, selections, logistics, ICT systems and operational efficiency. The Group profit for January-September 2018 includes acquisition-related costs of €1.8 million. The costs are presented as items affecting comparability.

The impact of Skattum Handel AS and Gipling AS on net sales for July-December was €40 million. The impact on the comparable operating profit for July-December was €2.2 million. If the acquisitions had taken place on 1 January 2018, according to management estimates, the impact on Group net sales would have been approximately €71 million, and the impact on comparable operating profit would have been €5.9 million. In determining the net sales and comparable operating profit, the management estimates that recorded fair values would have been the same on the date of acquisition had the acquisition taken place on 1 January 2018.

Kalatukku E. Eriksson Oy and Reinin Liha Oy

Kalatukku E. Eriksson is a strong operator in fish products. Reinin Liha specialises in fresh, unpacked meat and service. With the acquisitions of Reinin Liha and Kalatukku E. Eriksson, Kespro will be able to offer, alongside its traditional wholesale selection, specialist fresh food products and expertise on a considerably wider scale.

The tables above provide a summary of the consideration paid, the values of assets acquired and liabilities assumed by Kesko Group at the date of acquisition, and the cash flow impact of the acquisitions.

The preliminary fair value of the intangible assets acquired (including customer relationships and trademarks) at the date of acquisition totals €8 million. The balance sheet value of current trade receivables equals their fair value. The €2 million goodwill arising from the acquisition reflects the synergies expected to be achieved from joint customer relationships, logistics, ICT and administration. The Group profit for January-December 2018 includes acquisition-related costs of €0.9 million. The costs are presented as items affecting comparability.

The impact of Reinin Liha and Kalatukku E. Eriksson on the net sales and operating profit for June-December was minor.

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. The two building and home improvement store properties in the Moscow region excluded from the transaction were sold in December 2018.

The divestment of the properties resulted in a positive cash flow of €171 million for Kesko Corporation in February. The divestment of the properties resulted in a net €16 million sales gain for discontinued operations. The operative result after taxes for the operations was €-1.7 million. In addition, a cost of €23 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 divestment of properties and discontinuation of operations also resulted in a €8 million tax cost.

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 financial statements release. 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)				
	1-12/2018	**1-12/2017**	**10-12/2018**	**10-12/2017**
Income	46	203	0	46
Expense	-48	-217	0	-61
Profit/loss before tax	-1	-15	0	-14
Income tax	0	-1	0	0
Net profit/loss after tax	-2	-16	0	-14
Loss on discontinued Russian building and home improvement trade before tax	-46		-1	
Income tax	-8		0	
Loss on discontinued Russian building and home improvement trade after tax	-54		-2	
Net loss for the period from discontinued operations	**-56**		**-2**	
Comprehensive income for the period, net of tax	35		0	
Comprehensive income from discontinued operations	**-21**		**-2**	

Assets and liabilities of the Russian building and home improvement trade (€ million)	
	31.12.2018
ASSETS	
Non-current assets	
Tangible assets	0
Total	0
Current assets	
Trade receivables	0
Other receivables	10
Cash and cash equivalents	0
Total	10
Total assets	**10**

	31.12.2018
LIABILITIES	
Current liabilities	
Trade payables	0
Other non-interest-bearing liabilities	0
Provisions	0
Total	1
Total liabilities	**1**

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	2,235
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		3		-1
IFRS 2 adjustments					4			4
Adjustments total				-4	4	3		2
Opening balance at 1.1.2018	197	465	-50	0	-14	1,539	99	2,235

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.

IFRS 16 Leases

IFRS 16 Leases took effect on 1 January 2019. The standard addresses the definition, recognition and measurement of lease agreements and other information given in relation to lease agreements in financial statements. According to the standard, the lessee recognises in its balance sheet right-of-use assets and financial liabilities.

Kesko Group leases store sites and other properties for use in its business operations in all of its operating countries. Kesko has a significant number of lease agreements that before the implementation of IFRS 16 Leases were categorised as operating leases and recognised as lease expenditure in the income statement on a time apportionment basis. According to the new standard that took effect on 1 January 2019, assets and liabilities corresponding to the present value of minimum lease payments will be recognised in the balance sheet at the commencement of most of these leases, meaning assets and liabilities recognised in the balance sheet will increase significantly. At the end of 2018 the lease liability for Kesko Group's properties was €2,934 million, in addition to which the Group had other lease liabilities of €24 million. The content of lease agreements recognised in the balance sheet under IFRS 16 Leases differs from the reporting of lease liabilities in the notes to balance sheet for the 2018 reporting period with regard to, for example, exemptions concerning short-term leases and asset items of low value.There are also timing-related differences, as lease liabilities reported under notes to the consolidated financial statements include also the nominal amount of liability for lease agreements that will enter into force in the future, while under IFRS 16 Leases, lease agreements are recognised in the balance sheet at the commencement date of the agreement.

According to IFRS 16 Leases, the measurement of the right-of-use assets and the lease liabilities is determined by discounting the minimum future lease payments. The Group will adopt the standard using a retrospective method, and the impact on the date of transition (1 January 2018) has been calculated as if the standard had always been in effect. The discount rate should primarily be the interest rate implicit in the lease, if available. An interest rate implicit in the lease is not available for all lease agreements. In such cases, the Group will use the incremental borrowing rate, which comprises the reference rate, credit spread for the incremental borrowing, and a potential country and currency risk premium. With the retrospective method, the incremental borrowing rate is determined and the minimum lease payments discounted at the commencement date of each lease agreement. IFRS 16 Leases includes exemptions for lease agreements with a term of less than 12 months and for asset items of low value, which the Group will adopt. The lessor's reporting remains unchanged, meaning lease agreements are still divided into finance lease agreements and operating leases.

The new standard has a significant impact on the Group's income statement and balance sheet and on some performance indicators. The implementation of IFRS 16 increases significantly the Group's EBITDA and comparable EBITDA and operating profit and comparable operating profit when the lease expenditure recognised in the income statement is replaced by depreciation of right-of-use-assets and interest expenses for liability recognised in finance costs. In addition, change in deferred tax is recognised in income taxes. Assets in the consolidated statement of financial position increase by the right-of-use-asset calculated for the commencement date of each lease agreement, to be depreciated over their lease term. The amount of interest-bearing liabilities in the consolidated statement of financial position increases by the discounted amount of lease liabilities. In addition, the implementation of the new standard affects the cash flow from operating activities and cash flow from financing activities in the consolidated statement of cash flows, as realised rent payments are allocated to cash flow from operating activities for the portion corresponding to finance costs and to cash flow from financing activities for the portion corresponding to part payment of debt. The new standard does not have a practical impact on Kesko Group's cash flows, and the Group's cash flow as a whole will not change. The standard only changes the way different items in the statement of cash flows are presented. The retroactive implementation of the new accounting standard will result in an equity recording at the date of transition on 1 January 2018 as the values of assets and liabilities recognised in the balance sheet differ at the date of transition.

In the opening balance of 1 January 2018 drawn in conjunction with the implementation of IFRS 16 and calculated in accordance with the standard, the Group's right-of-use-assets total €1,996 million, and the corresponding interest-bearing liabilities €2,214 million. The implementation of the standard results in a €72 million increase in the comparable operating profit for continuing operations in January-September, as the operating profit is burdened by depreciation instead of rents. The positive impact on operating profit for the whole year 2018 is estimated to amount to some €95-98 million. The interest costs on interest-bearing liabilities calculated in accordance with the standard are recognised in the income statement, and these interest expenses are estimated to amount to some €99-101 million for 2018. Consequently, the net impact of the implementation of the standard on the Group's profit before taxes is estimated to amount to some €-3--5 million for 2018. The estimates given will become more specific once IFRS 16-compliant comparison figures for the whole 2018 reporting period are ready.

Unaudited information on Kesko Group's restated comparison figures and the impact on the Group's key performance indicators for January-September 2018 with regard to the implementation of IFRS 16 Leases were published in a stock exchange release on 19 December 2018. IFRS 16-compliant comparison figures for the whole

2018 reporting period will be published before the publication of the Q1/2019 interim report, in April 2019 at the latest.

Impact of IFRS 16 on the opening balance sheet, € million	**Opening balance sheet 1 Jan. 2018*)**	**Impact of IFRS 16**	**Opening balance 1 Jan. 2018 restated**
ASSETS			
Non-current assets			
Tangible assets	1,293		1,293
Intangible assets	376		376
Right-of use assets	-	1,996	1,996
Shares in associates and joint ventures and other financial assets	140		140
Loans and receivables	71	3	74
Pension assets	207		207
Total	2,088	1,999	4,087
Current assets			
Inventories	939		939
Trade receivables	834		834
Other receivables	209		209
Financial assets at fair value through profit or loss	181		181
Financial assets at amortised cost	46		46
Cash and cash equivalents	170		170
Total	2,380		2,380
Non-current assets held for sale	2		2
Total assets	**4,470**	**1,999**	**6,469**
EQUITY AND LIABILITIES			
Equity	2,135	-169	1,966
Non-controlling interests	99	-6	93
Total equity	2,235	-175	2,059
Non-current liabilities			
Interest-bearing liabilities	129		129
IFRS financial liabilities	-	1,922	1,922
Non-interest-bearing liabilities	31		31
Deferred tax liabilities	52	-40	12
Pension obligations	0		0
Provisions	25		25
Total	238	1,883	2,121
Current liabilities			
Interest-bearing liabilities	405		405
IFRS financial liabilities	-	291	291
Trade payables	1,024		1,024

Other non-interest-bearing liabilities	537	8	545
Provisions	32	-8	24
Total	1,998	291	2,289
Liabilities related to non-current assets held for sale	0		0
Total equity and liabilities	**4,470**	**1,999**	**6,469**

***) The impacts of the new and amended IFRS 9 and IFRS 2 on the Group's opening balance sheet are included in the opening balance sheet of 1 Jan. 2018.**

Change in tangible and intangible assets (€ million)

	31.12.2018	31.12.2017
Opening net carrying amount	**1,669**	**1,581**
Depreciation, amortisation and impairment charges	-147	-154
Investments in tangible and intangible assets	357	340
Deductions	-46	-34
Acquisitions	31	11
Disposals	-	-55
Transfers to non-current assets held for sale	-168	0
Exchange differences	-7	-21
Closing net carrying amount	**1,688**	**1,669**

Related party transactions (€ million)

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

The following transactions were carried out with related parties:		
	1-12/2018	**1-12/2017**
Sales of goods and services	96	84
Purchases of goods and services	8	8
Other operating income	16	15
Other operating expenses	61	67
Finance income and costs	6	6
	31.12.2018	**31.12.2017**
Receivables	66	64
Liabilities	32	35

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

	Level 1	Level 2	Level 3	31.12.2018
Financial assets at fair value through profit or loss	50.9		20.8	71.7
Derivative financial instruments at fair value through profit or loss				
Derivative financial assets		5.6		5.6
Derivative financial liabilities		-2.7		-2.7

	Level 1	Level 2	Level 3	31.12.2017
Financial assets at fair value through profit or loss	159.9	11.0		171.0
Derivative financial instruments at fair value through profit or loss				
Derivative financial assets		0.7		0.7
Derivative financial liabilities		3.4		3.4
Available-for-sale financial assets	56.8	37.5	23.0	117.3

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

Personnel, average and at 31.12.

Personnel average by segment	1-12/2018	1-12/2017	Change
Grocery trade	6,094	6,733	-639
Building and technical trade	11,663	11,967	-304
Car trade	835	809	26
Common functions	987	872	115
Continuing operations, total	19,579	20,382	-803
Discontinued operations	416	1,695	-1,279
Group total	**19,995**	**22,077**	**-2,082**
Personnel at 31.12.* by segment	**2018**	**2017**	**Change**
Grocery trade	7,971	8,584	-613
Building and technical trade	13,559	12,779	780
Car trade	824	818	6
Common functions	1,047	864	183
Continuing operations, total	23,401	23,405	356
Discontinued operations	57	1,938	-1,881
Group total	**23,458**	**24,983**	**-1,525**

* Total number including part-time employees

Group's commitments (€ million)

	31.12.2018	31.12.2017	Change, %
Own commitments	410	243	68.9
For others	23	21	11.2
Lease liabilities for machinery and equipment	24	21	14.5
Lease liabilities for real estate	2,957	2,892	2.2
Liabilities arising from derivative instruments (€ million)			
			Fair value
Values of underlying instruments at 31.12.	**31.12.2018**	**31.12.2017**	**31.12.2018**
Interest rate derivatives			
Interest rate options	70	70	0.09
Interest rate swaps	280	180	-2.04
Currency derivatives			
Forward and future contracts	129	77	1.61
Currency swaps	20	20	0.88
Commodity derivatives			
Electricity futures	10	6	2.29
Electricity options	1	-	-0.03

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*, %, comparable	Comparable operating profit x 100 / (Non-current assets + Inventories + Receivables + Other current assets - Non-interest-bearing liabilities) on average for the reporting period
Return on equity*, %	(Profit/loss before tax - Income tax) x 100 / Shareholders' equity, average of the beginning and end of the reporting period
Return on equity*, %, comparable	(Profit/loss adjusted for items affecting comparability before tax - Income tax adjusted for the tax effect of items affecting comparability) x 100 / Shareholders' equity, average of the beginning and end of the reporting period
Equity ratio, %	Shareholders' equity x 100 / (Total assets – Advances received)
Gearing, %	Interest-bearing net liabilities x 100 / Shareholders' equity
Interest-bearing net debt	Interest-bearing liabilities – 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	(Net profit/loss - Share of non-controlling interests of net profit/loss) / Average number of shares
Earnings/share, diluted	(Net profit/loss - Share of non-controlling interests of net profit/loss) / Average number of shares adjusted for the dilutive effect
Earnings/share, basic, comparable	Net profit/loss adjusted for items affecting comparability - Share of non-controlling interests of net profit/loss adjusted for items affecting comparability) / 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**	**7-9/ 2018**	**10-12/ 2018**	**1-12/ 2018**	**1-12/ 2017**
Continuing operations										
Items affecting comparability										
Gains on disposal	0.3	81.8	0.6	0.6	2.5	4.3	0.0	0.0	6.7	83.4
Losses on disposal	-0.4	-1.2	-0.1	-0.1	0.0	-	0.0	-	-0.1	-1.8
Impairment charges	-	-	-0.5	-	-	-3.4	-	-2.2	-5.6	-0.5
Structural arrangements	-12.1	-12.6	-4.0	-10.1	-5.8	-8.4	-2.6	-8.5	-25.3	-38.6
Items in operating profit affecting comparability	**-12.1**	**67.9**	**-3.8**	**-9.5**	**-3.4**	**-7.5**	**-2.7**	**-10.7**	**-24.2**	**42.5**
Items in financial items affecting comparability	-	-	-	-0.4	-	-	-	-6.5	-6.5	-0.4
Items in income taxes affecting comparability	2.0	-0.4	0.1	2.1	0.4	2.0	0.3	1.8	4.5	3.8
Items in net profit attributable to non-controlling interests affecting comparability	-	-	-	-	-	-3.7	0.5	-	-3.2	-
Total items affecting comparability	**-10.1**	**67.5**	**-3.7**	**-7.8**	**-3.0**	**-9.2**	**-1.8**	**-15.4**	**-29.4**	**45.9**

Operating profit, comparable										
Operating profit	19.4	151.8	96.7	70.8	36.6	81.6	110.0	79.8	307.9	338.6
Net of										
Items in operating profit affecting comparability	-12.1	67.9	-3.8	-9.5	-3.4	-7.5	-2.7	-10.7	-24.2	42.5
Operating profit, comparable	**31.5**	**83.8**	**100.5**	**80.4**	**40.0**	**89.0**	**112.6**	**90.5**	**332.2**	**296.2**
Profit before tax, comparable										
Profit before tax	24.3	150.0	96.5	71.7	36.5	78.5	109.1	72.6	296.8	342.4
Net of										
Items in operating profit affecting comparability	-12.1	67.9	-3.8	-9.5	-3.4	-7.5	-2.7	-10.7	-24.2	42.5
Items in financial items affecting comparability	-	-	-	-0.4	-	-	-	-6.5	-6.5	-0.4
Profit before tax, comparable	**36.3**	**82.1**	**100.3**	**81.6**	**39.9**	**86.0**	**111.8**	**89.8**	**327.5**	**300.3**

Net profit, comparable										
Profit before tax, comparable	36.3	82.1	100.3	81.6	39.9	86.0	111.8	89.8	327.5	300.3
Net of										
Income tax	4.2	17.4	23.6	12.7	7.3	16.3	23.5	14.9	61.9	57.9
Items in income tax affecting comparability	2.0	-0.4	0.1	2.1	0.4	2.0	0.3	1.8	4.5	3.8
Net profit, comparable	**30.2**	**65.1**	**76.6**	**66.7**	**32.2**	**67.8**	**88.0**	**73.1**	**261.1**	**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	88.0	73.1	261.1	238.5
Net of										
Net profit attributable to non-controlling interests	-1.0	4.2	6.0	1.8	-2.7	10.9	6.9	3.9	19.0	11.0
Items in net profit attributable to non-controlling interests affecting comparability	-	-	-	-	-	-3.7	0.5	-	-3.2	-
Net profit attributable to owners of the parent, comparable	**31.2**	**60.8**	**70.6**	**64.9**	**34.9**	**60.6**	**80.6**	**69.2**	**245.3**	**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	80.6	69.2	245.3	227.5
Average number of shares, basic, 1,000 pcs	99,308	99,387	99,414	99,426	99,468	99,347	99,237	99,182	99,182	99,426
Earnings per share, comparable, €	**0.31**	**0.61**	**0.71**	**0.65**	**0.35**	**0.61**	**0.81**	**0.70**	**2.47**	**2.29**
Return on capital employed, %										
Operating profit	19.4	151.8	96.7	70.8	36.6	81.6	110.0	79.8	307.9	338.6
Capital employed, average	2,224	2,239	2,175	2,248	2,317	2,294	2,413	2,462	2,378	2,224
Return on capital employed, %	**3.5**	**27.1**	**17.8**	**12.6**	**6.3**	**14.2**	**18.2**	**13.0**	**12.9**	**15.2**
Return on capital employed, comparable, %										
Operating profit, comparable	31.5	83.8	100.5	80.4	40.0	89.0	112.6	90.5	332.2	296.2
Capital employed, average	2,224	2,239	2,175	2,248	2,317	2,294	2,413	2,462	2,378	2,224
Return on capital employed, comparable, %	**5.7**	**15.0**	**18.5**	**14.3**	**6.9**	**15.5**	**18.7**	**14.7**	**14.0**	**13.3**

Group										
Return on equity, %										
Net profit	17.2	132.8	74.1	44.7	5.8	34.3	82.9	55.9	178.9	268.8
Equity, average	2,155	2,142	2,138	2,204	2,235	2,154	2,118	2,182	2,215	2,179
Return on equity, %	**3.2**	**24.8**	**13.9**	**8.1**	**1.0**	**6.4**	**15.7**	**10.2**	**8.1**	**12.3**
Return on equity, comparable, %										
Net profit, comparable	27.4	65.2	77.9	67.0	30.4	67.8	87.5	72.4	258.1	237.5
Equity, average	2,155	2,142	2,138	2,204	2,235	2,154	2,118	2,182	2,215	2,179
Return on equity, comparable, %	**5.1**	**12.2**	**14.6**	**12.2**	**5.4**	**12.6**	**16.5**	**13.3**	**11.7**	**10.9**
Equity ratio, %										
Shareholders' equity	2,183	2,100	2,176	2,232	2,238	2,070	2,167	2,198	2,198	2,232
Total assets	4,638	4,496	4,464	4,472	4,774	4,504	4,498	4,303	4,303	4,472
Advances received	32	27	32	39	240	28	30	26	26	39
Equity ratio, %	**47.4**	**47.0**	**49.1**	**50.4**	**49.3**	**46.2**	**48.5**	**51.4**	**51.4**	**50.4**

K Group's retail and B2B sales, VAT 0% (preliminary data, pro forma*):				
	1.1.-31.12.2018		**1.10.-31.12.2018**	
K Group's retail and B2B sales	**€ million**	**Change, %**	**€ million**	**Change, %**
K Group's grocery trade				
K-Citymarket, food	1,624	4.4	439	4.4
K-Citymarket, non-food	583	-0.6	183	-2.5
K-Supermarket	1,971	8.2	511	8.2
K-Market	1,825	1.9	447	2.3
Neste K	133	12.3	33	7.5
Others	41	-7.0	9	0.6
Retail sales, total	**6,177**	**4.4**	**1,622**	**4.2**
Kespro	878	5.8	227	5.1
Grocery trade, total	**7,055**	**4.6**	**1,849**	**4.3**
K Group's building and technical trade				
K-Rauta and Rautia	1,055	2.1	244	4.1
Rautakesko B2B Service	262	5.8	65	4.6
Onninen, Finland	897	8.2	227	6.6
Machinery trade, Finland	28	-4.5	5	10.9
Leisure trade, Finland	284	-0.5	83	-1.2
Finland, total	**2,526**	**4.2**	**624**	**4.3**
K-Rauta, Sweden	175	-12.4	39	-3.3
Onninen, Sweden	156	-22.5	41	-18.7
Byggmakker, Norway	520	-19.0	131	-13.9
Onninen, Norway	272	-6.6	73	-3.8
Kesko Senukai, Baltic countries	642	16.1	182	19.3
Onninen, Baltic countries	77	11.2	21	9.1
Machinery trade, Baltic countries	147	8.8	20	10.2
OMA, Belarus	128	7.2	32	11.7
Onninen, Poland	240	10.2	65	8.8
Other countries, total	**2,358**	**-3.0**	**603**	**1.1**
Building and technical trade, total	**4,884**	**0.6**	**1,227**	**2.7**
K Group's car trade				
K-Caara	428	-2.5	85	-21.3
K-Auto, import	423	-3.5	99	-2.2
AutoCarrera	62	13.9	8	-35.4
Car trade, total	**913**	**-2.0**	**192**	**-13.3**
Finland, total	**10,494**	**3.9**	**2,665**	**2.8**
Other countries, total	**2,358**	**-3.0**	**603**	**1.1**
Retail and B2B sales, total	**12,852**	**2.5**	**3,268**	**2.5**

* 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, the Yamarin boat business and Yamaha representation, and other divestments in the machinery trade completed in 2017, the discontinuation of the Russian building and home improvement trade operations in spring 2018, and the acquisition of 1A Group in autumn 2018 had been completed on 1 January 2017.