Q3/2017

Kesko Corporation
Interim report

January-September 2017

KESKO CORPORATION INTERIM REPORT 25.10.2017 AT 09.00

Kesko’s interim report for the period 1 January to 30 September 2017: Kesko’s profitability improved

FINANCIAL PERFORMANCE IN BRIEF:

- The Group's net sales in January-September totalled €8,058 million (€7,415 million), an increase of 8.7%, or 1.4% in comparable terms
- Comparable operating profit was €215.8 million (€209.6 million)
- Operating profit was €267.7 million (€187.0 million)
- Comparable return on capital employed was 11.4% (12.5%) (rolling 12 months)
- Comparable profit before tax was €218.2 million (€211.2 million)
- Comparable earnings per share were €1.62 (€1.59)
- In comparable terms, the net sales for the next 12 months are expected to exceed the level of the previous 12 months. Due to divestments and restructuring, Kesko Group's net sales for the next 12 months are expected to fall below the level of the previous 12 months. The comparable operating profit for the next 12-month period is expected to exceed the level of the preceding 12 months.

KEY PERFORMANCE INDICATORS

	1-9/2017	1-9/2016	7-9/2017	7-9/2016
Net sales, € million	8,058	7,415	2,647	2,792
Operating profit, comparable, € million	215.8	209.6	102.5	98.2
Operating profit, € million	267.7	187.0	98.6	85.5
Profit before tax, comparable, € million	218.2	211.2	101.9	97.5
Profit before tax, € million	270.0	188.7	98.0	84.8
Capital expenditure, € million	232.8	637.7	62.7	73.6
Earnings per share, €, diluted	2.16	1.40	0.69	0.63
Earnings per share, comparable, €, basic	1.62	1.59	0.72	0.73
Cash flow from operating activities per share, €	1.87	0.63	1.03	0.81
Return on capital employed, comparable, %, rolling 12 months	11.4	12.5	11.4	12.5
Return on equity, comparable, %, rolling 12 months	9.9	10.1	9.9	10.1
	30.9.2017	30.9.2016		
Equity ratio, %	49.1	47.9		
Equity per share, €	20.89	20.84		

PRESIDENT AND CEO MIKKO HELANDER:

The implementation of our strategy towards becoming a more focused and unified Kesko and K Group is proceeding well.

During the past quarter, net sales grew in comparable terms in all divisions. Profitability improved compared to the year before and cash flow from operating activities continued to strengthen further. Kesko’s financial position is very strong.

The strategy for the grocery trade and its implementation, which is proceeding well, resulted in increased sales and improved profitability. The reworking of K-food store chains is well under way. Sales and customer flows are growing for all chains. The changes already made in K-Citymarkets have strengthened the chain's market position. We are also pleased about the progress made in the integration of Suomen Lähikauppa and the resulting synergy benefits, which have materialised sooner than anticipated. Kespro continued to perform well both in terms of sales and profitability.

In the building and technical trade, sales in Finland grew markedly and profitability improved, with Onninen's operating profit in particular continuing to increase. In Onninen's foreign operations, good progress has been made in Poland in measures to improve profitability. Losses in Onninen's Swedish operations have decreased, but work continues to improve profitability further. In the Baltics and Belarus, investments and store renewals continued in an effort to further strengthen Kesko Senukai's sales and market position. The division's sales and operating profit were reduced by the divestments carried out during the first half of the year in the speciality goods trade.

In the car trade, sales and profitability continued to develop positively, and our market share increased during the quarter. The acquisition of AutoCarrera and the good sales of Porsche also contributed to the division's improved profitability.

As a sign of our long-term commitment to corporate responsibility, Kesko is again included in the Dow Jones Sustainability Indices DJSI World and DJSI Europe of the world's most responsible companies.

FINANCIAL PERFORMANCE

Net sales and profit for January-September 2017

The Group's net sales for January-September 2017 totalled €8,058 million, which is 8.7% more than in the corresponding period of the previous year (€7,415 million). Net sales development was affected by both the acquisitions made in 2016 as well as the divestments made in the first half of 2017. In comparable terms, net sales grew by 1.4% in local currencies, excluding the impact of acquisitions and divestments. The Group's net sales increased by 6.6% in Finland and by 1.8% in comparable terms. In other countries, net sales grew by 16.6% and in comparable terms net sales were at the previous year's level. International operations accounted for 21.7% (20.2%) of the Group's net sales.

The 1.8% growth in the net sales for the grocery trade was affected by the acquisition of Suomen Lähikauppa on 12 April 2016 and changes to Suomen Lähikauppa's store site network, as well as by the divestment of Russian business operations on 30 November 2016. In comparable terms net sales increased by 1.6%. The comparable change has been calculated by including in the net sales those stores acquired from Suomen Lähikauppa which have been in the store network during both this reporting period as well as the comparison period.

In the building and technical trade, net sales grew by 17.0%. In comparable terms, net sales increased by 0.7% in local currencies. The comparable change has been calculated excluding the impact of the Onninen acquisition on 1 June 2016, the divestment of the K-maatalous business on 1 June 2017, and the divestment of the Asko and Sotka furniture trade on 30 June 2017. The net sales for the building and technical trade excluding the speciality goods trade increased by 31.9%, or 2.8% in comparable terms. Net sales for the speciality goods trade decreased by 25.1% due to divestments.

Net sales in the car trade increased by 10.1%. In comparable terms, excluding the impact of the acquisition of AutoCarrera in December 2016, net sales increased by 3.3%.

During the reporting period, Kesko Group divested the K-maatalous business on 1 June 2017, and on 30 June 2017, the Asko and Sotka furniture trade, the Yamarin boat business and the Yamaha representation.

1-9/2017	Net sales, € million	Change, %	Change in local currency excl. acquisitions and divestments, %	Operating profit, comparable, € million	Change, € million
Grocery trade	3,883	+1.8	+1.6	136.3	+12.3
Building and technical trade excl. speciality goods trade	2,902	+31.9	+2.8	65.2	+5.2
Speciality goods trade	584	-25.1	-11.1	15.9	-7.6
Building and technical trade total	3,486	+17.0	+0.7	81.2	-2.3
Car trade	691	+10.1	+3.3	26.4	+4.4
Common functions and eliminations	-2	-61.7	(..)	-28.2	-8.3
Total	**8,058**	+8.7	**+1.4**	**215.8**	**+6.2**

(..) Change over 100%

The Group's comparable operating profit in January-September amounted to €215.8 million (€209.6 million). Profitability improved in the grocery trade thanks to increased sales, realised synergy benefits and the divestment of the loss-making Russian operations in 2016. The operating profit for the building and technical trade, excluding the speciality goods trade, was increased by the acquisition of Onninen, which improved its profitability, while the operating profit for Kesko Senukai and the operations in Sweden fell short on the year before. The operating profit in the speciality goods trade decreased on account of divestments. In the car trade, profitability improved due to growth in sales and the acquisition of AutoCarrera's Porsche business.

The operating profit was €267.7 million (€187.0 million). Items affecting comparability totalled €51.9 million (€-22.6 million). The most significant items affecting comparability were the €49.6 million gain on the divestment of properties in the Baltics, the €19.7 million expenses related to the conversion of the Suomen Lähikauppa chains and the transfer of stores to retailers, the gain on the divestment of the K-maatalous business of €12.1 million, and the gain on the divestment of the Asko and Sotka furniture trade amounting to €19.0 million.

Items affecting comparability, € million	1-9/2017	1-9/2016
Operating profit, comparable	**215.8**	**209.6**
Items affecting comparability		
+gains on disposal	+82.7	+5.0
-losses on disposal	-1.7	-0.4
-impairment charges related to properties	-0.5	-11.1
+/-structural arrangements	-25.0	-13.7
+/-others	-3.6	-2.4
Items affecting comparability, total	51.9	-22.6
Operating profit	**267.7**	**187.0**

The Group's profit before tax in January-September amounted to €270.0 million (€188.7 million). The Group's earnings per share were €2.16 (€1.40). The comparable earnings per share were €1.62 (€1.59). The Group's equity per share was €20.89 (€20.84).

K Group's (Kesko and K-chain stores) retail and B2B sales (VAT 0%) for January-September were €9,531 million, representing a growth of 1.4% compared to the previous year (pro forma). The K-Plussa customer loyalty programme added 53,217 new households between January and September 2017. The number of K-Plussa households stood at 2.3 million at the end of September and there were 3.6 million K-Plussa card-holders in total.

Net sales and profit for July-September 2017
The Group's net sales for July-September 2017 were €2,647 million, which is 5.2% less than in the corresponding period of the previous year (€2,792 million). The decrease was related to the divestments made during the previous year and during the second quarter of this year. In comparable terms excluding acquisitions and divestments, net sales grew by 1.8% in local currencies. The Group's net sales decreased by 5.6% in Finland, or grew by 2.2% in comparable terms. In other countries, net sales decreased by 4.0%, or grew by 0.6% in comparable terms. International operations accounted for 23.4% (23.1%) of the Group's net sales.

In the grocery trade, net sales decreased by 4.0%, affected by the transfer of the acquired Suomen Lähikauppa stores to retailers and store closures, as well as by the divestment of Russian business operations on 30 November 2016. In comparable terms, net sales in the grocery trade grew by 2.4%. The comparable change has been calculated by including in the net sales those stores acquired from Suomen Lähikauppa which have been in the store network during both this reporting period as well as the comparison period.

In the building and technical trade, net sales decreased by 9.4%. In comparable terms, net sales increased by 0.8% in local currencies. The comparable change has been calculated excluding the impact of the K-maatalous business sold on 1 June 2017 and that of the Asko and Sotka furniture trade, sold on 30 June 2017. Excluding the impact of the speciality goods trade, net sales for the building and technical trade grew by 3.3% and in comparable terms by 3.2%. Net sales for the speciality goods trade decreased by 55.9% due to divestments.

In the car trade, net sales were up by 12.0%, and excluding the impact of the acquisition of AutoCarrera in December 2016, by 3.2%.

7-9/2017	Net sales, € million	Change, %	Change in local currency excl. acquisitions and divestments, %	Operating profit, comparable, € million	Change, € million
Grocery trade	1,313	-4.0	+2.4	59.4	+10.2
Building and technical trade excl. speciality goods trade	1,004	+3.3	+3.2	36.6	+2.0
Speciality goods trade	117	-55.9	-15.5	6.1	-4.5
Building and technical trade total	1,121	-9.4	+0.8	42.7	-2.5
Car trade	212	+12.0	+3.2	8.8	+2.0
Common functions and eliminations	0	(..)	(..)	-8.5	-5.4
Total	**2,647**	**-5.2**	**+1.8**	102.5	+4.3

(..) Change over 100%

The Group’s comparable operating profit for July-September amounted to €102.5 million (€98.2 million). Profitability improved in the grocery trade due to good sales development and realised synergy benefits. The divestment of the loss-making Russian business operations in 2016 also had a positive impact on the profit. In the building and technical trade, excluding the impact of the speciality goods trade, Onninen’s operating profit increased on the year before, while the operating profits of operations in Sweden and Kesko Senukai decreased on the previous year. The operating profit for the speciality goods trade decreased due to divestments. Profitability improved in the car trade due to growth in sales and the acquisition of AutoCarrera's Porsche business.

Operating profit amounted to €98.6 million (€85.5 million). Items affecting comparability totalled €-4.0 million (€-12.7 million). The most significant items affecting comparability were the €2.2 million costs related to the discontinuation of Onninen's Russian business operations and to the conversion of Suomen Lähikauppa's chains.

Items affecting comparability, € million	7-9/2017	7-9/2016
Operating profit, comparable	**102.5**	**98.2**
Items affecting comparability		
+gains on disposal	+0.6	+0.8
-losses on disposal	-0.1	-0.1
- impairment charges related to properties	-0.5	-3.1
+/-structural arrangements	-2.5	-4.6
+/-others	-1.4	-5.7
Items affecting comparability, total	-4.0	-12.7
Operating profit	**98.6**	**85.5**

The Group's profit before tax for July-September amounted to €98.0 million (€84.8 million). The Group's earnings per share were €0.69 (€0.63). The comparable earnings per share were €0.72 (€0.73).

K Group's (Kesko and K-chain stores) retail and B2B sales (VAT 0%) for July-September totalled €3,305 million, which represents a growth of 1.2% compared to the previous year (pro forma).

Finance

Cash flow from operating activities for January-September was €186.0 million (€62.4 million). Cash flow was strengthened by improved profitability and release of working capital. Cash flow from investing activities was a positive of €10.9 million (€-576.6 million) due to the proceeds from divestments amounting to €199.5 million.

At the end of the period, liquid assets totalled €370 million (€245 million). Interest-bearing liabilities at the end of September totalled €530 million (€545 million) and interest-bearing net debt amounted to €159 million (€299 million). The equity ratio was 49.1% (47.9%) at the end of the period.

The Group's net finance income was €2.3 million (€3.3 million) for January-September. The financial items include dividend income and interest income on cooperative capital of €4.5 million, of which €2.3 million is interest income on cooperative capital from Suomen Luotto-osuuskunta.

Cash flow from operating activities for July-September was €102.1 million (€80.2 million). The cash flow from investing activities was €-52.3 million (€-47.6 million).

The Group's net finance costs for July-September were €0.6 million (€1.1 million).

Taxes

The Group's taxes for January-September were €45.9 million (€37.7 million). The effective tax rate was 17.0% (20.0%). The Group's effective tax rate was lowered by the tax-exempt gains on the sale of properties and subsidiaries. The Group's taxes for July-September were €23.8 million (€16.4 million). The effective tax rate was 24.3% (19.3%).

Capital expenditure

The Group's capital expenditure for January-September totalled €232.8 million (€637.7 million), representing 2.9% (8.6%) of net sales. Capital expenditure in store sites was €169.5 million (€158.6 million), in IT €21.6 million (€19.8 million) and other capital expenditure was €41.4 million (€28.2 million). The comparison period includes acquisitions amounting to €431.0 million.

The Group's capital expenditure for July-September totalled €62.7 million (€73.6 million), representing 2.4% (2.6%) of net sales. Capital expenditure in store sites was €52.4 million (€58.1 million), in IT €4.2 million (€10.9 million) and other capital expenditure was €5.8 million (€4.6 million).

Personnel

In January-September, the average number of personnel in Kesko Group was 22,419 (21,947) converted into full-time employees. The increase was due to the acquisitions of Suomen Lähikauppa and Onninen.

At the end of September 2017, the number of personnel stood at 25,288 (29,338), of whom 12,603 (15,014) were employed in Finland and 12,685 (14,324) outside Finland.

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 the smallest. The acquisitions of Suomen Lähikauppa and Onninen increase the seasonal fluctuations between quarters. The operating profit levels of Onninen and Suomen Lähikauppa are lowest for the first quarter.

Grocery trade

	1-9/2017	1-9/2016	7-9/2017	7-9/2016
Net sales, € million	3,883	3,814	1,313	1,367
Operating profit, comparable, € million	136.3	124.0	59.4	49.2
Operating margin, comparable, %	3.5	3.3	4.5	3.6
Capital expenditure, € million	142.9	188.4	45.3	49.1

Net sales, € million	1-9/2017	Change, %	7-9/2017	Change, %
Sales to K-food stores	2,420	+3.6	833	+6.0
K-Citymarket, non-food	398	+1.0	139	+1.4
K-Market, own retail trade	408	+5.4	112	-44.6
Kespro	603	+2.9	211	+2.3
Others	54	-51.2	18	-48.9
Total	**3,883**	**1.8**	**1,313**	**-4.0**

<u>January-September 2017</u>

The net sales for the grocery trade in January-September amounted to €3,883 million (€3,814 million), representing a growth of 1.8%. Net sales development was affected by the acquisition of Suomen Lähikauppa on 12 April 2016 and changes in its store site network, as well as the divestment of Russian business operations on 30 November 2016. In comparable terms net sales increased by 1.6%. 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.

K Group's grocery sales grew by 2.1% (incl. VAT) if the impact of the acquisition of Suomen Lähikauppa is excluded. K Group's grocery trade sales pro forma growth was 0.4% (incl. VAT), which was affected by the Suomen Lähikauppa store site network being smaller than the year before. In the Finnish grocery market, retail prices are estimated to have remained at the level of the previous year (incl. VAT, Kesko's own estimate based on the Consumer Price Index of Statistics Finland) and the total market (incl. VAT) is estimated to have increased by approximately 1.6% in January-September (Kesko's own estimate).

The acquisition of Suomen Lähikauppa was completed in April of the previous year and the conversion of Siwas and Valintatalos into K-Markets began in May 2016. By the end of May 2017, all Siwa and Valintatalo stores that continued operating (at 409 store locations) had been converted into K-stores (408 K-Markets and 1 K-Supermarket). Of these, 166 stores had been transferred to retailers by the end of September. The transfer of the stores to retailers will be complete by the end of the first half of 2018.

The grocery trade's comparable operating profit for January-September amounted to €136.3 million (€124.0 million), an increase of €12.3 million. Profitability improved in the grocery trade thanks to increased sales, realised synergy benefits and the divestment of the loss-making Russian operations in 2016. The effect of Suomen Lähikauppa on the comparable operating profit for January-September was €0.2 million (April-September 2016 €0.9 million). The Russian business divested in November 2016 made a loss of €13.3 million in the comparison period. The grocery trade's operating profit was €115.9 million (€119.1 million). Items affecting comparability amounted to €20.4 million (€5.0 million), and they were mainly related to the €19.7 million restructuring of Suomen Lähikauppa.

Capital expenditure in the grocery trade totalled €142.9 million (€188.4 million), of which the capital expenditure in store sites accounted for €133.4 million (€115.6 million).

July-September 2017

Net sales for the grocery trade in July-September were €1,313 million (€1,367 million), down by 4.0%. The development was affected by the transfer of the acquired Suomen Lähikauppa stores to retailers and store closures, as well as the divestment of Russian business operations on 30 November 2016. In comparable terms, net sales in the grocery trade grew by 2.4%. The comparable change has been calculated by including in the net sales those stores acquired from Suomen Lähikauppa which have been in the store network during both this reporting period as well as the comparison period.

K Group's grocery trade sales grew by 2.7% (incl. VAT) if the acquisition of Suomen Lähikauppa is excluded. K Group's grocery trade sales pro forma growth was 0.8% (incl. VAT), impacted by the reductions in Suomen Lähikauppa's store site network compared to the year before. In the Finnish grocery market, retail prices are estimated to have changed by approximately +0.2% compared to the previous year.

The grocery trade's comparable operating profit in July-September amounted to €59.4 million (€49.2 million), an increase of €10.2 million. Profitability improved thanks to good development in sales and realised synergies. The divestment of the loss-making Russian business operations in 2016 also had a positive impact on the profit. The effect of Suomen Lähikauppa on the comparable operating profit for July-September was €3.7 million (€2.4 million). The business in Russia, divested in November 2016, made a loss of €4.0 million in the comparison period. The grocery trade's operating profit was €59.3 million (€44.8 million). Items affecting comparability were €-0.2 million (€-4.4 million).

Capital expenditure in the grocery trade totalled €45.3 million (€49.1 million) in July-September, of which the capital expenditure in store sites accounted for €46.4 million (€45.4 million).

In July-September, three K-Supermarkets (one replacement new building) and two new K-Markets opened. Renewals and extensions were made in a total of 30 stores.

The most significant store sites being built are a K-Citymarket and the Easton shopping centre in Itäkeskus, Helsinki, and new K-Supermarkets in Tesoma, Tampere, Ratina and Kaukajärvi, Turku, Suurpelto, Espoo, Kalasatama and Laajasalo, Helsinki, and Oulu, Lapua, Kouvola and Kauniainen. K-Supermarkets Kamppi, Hertta and Itäpoiju are being expanded.

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

Number of stores at 30.9.	2017	2016
K-Citymarket	81	80
K-Supermarket	231	226
K-Market**	822	996
Neste K	70	67
K-ruoka, Russia	-	11
Others*	86	97

* Including online stores
** The total number of Suomen Lähikauppa's stores was 407.
In addition, several K-food stores offer e-commerce services to their customers.

Building and technical trade

	1-9/2017	1-9/2016	7-9/2017	7-9/2016
Net sales, € million	**3,486**	**2,979**	**1,121**	**1,238**
Building and technical trade excl. speciality goods trade	2,902	2,200	1,004	972
Speciality goods trade	584	780	117	266
Operating profit, comparable, € million	**81.2**	**83.5**	**42.7**	**45.3**
Building and technical trade excl. speciality goods trade	65.2	60.0	36.6	34.6
Speciality goods trade	15.9	23.5	6.1	10.6
Operating margin, comparable, %	**2.3**	**2.8**	**3.8**	**3.7**
Building and technical trade excl. speciality goods trade	2.2	2.7	3.6	3.6
Speciality goods trade	2.7	3.0	5.2	4.0
Capital expenditure, € million	**57.8**	**428.0**	**8.9**	**15.1**

Net sales, € million	1-9/2017	Change, %	7-9/2017	Change, %
Building and home improvement trade, Finland	682	+5.0	226	+5.5
K-Rauta, Sweden	159	-7.8	56	-9.1
Byggmakker, Norway	314	+0.1	105	-2.1
K-Rauta, Russia	141	+9.4	51	-0.4
Kesko Senukai, the Baltics	373	+4.1	143	+4.1
OMA, Belarus	91	+21.6	32	+12.4
Onninen	1,164	-	399	+6.2
Building and technical trade excl. speciality goods trade total	**2,902**	**+31.9**	**1,004**	**+3.3**
Machinery trade	205	-12.1	65	-24.0
Leisure trade, Finland	142	-3.1	53	-2.0
Others	238	-40.6	0	-100.0
Speciality goods trade	**584**	**-25.1**	**117**	**-55.9**
Total	**3,486**	**+17.0**	**1,121**	**-9.4**

January-September 2017

The net sales for the building and technical trade in January-September were €3,486 million (€2,979 million), up 17.0%. In comparable terms, net sales increased by 0.7% in local currencies. In the calculation of the comparable change, Onninen's net sales have been included for the period between 1 June and 30 September both for the reporting period and the comparison period, while the net sales for the K-maatalous business, divested on 1 June 2017, and the Asko and Sotka furniture trade, divested on 30 June 2017, have been excluded both for the reporting period and the comparison period.

The net sales for the building and technical trade in Finland in January-September were €1,738 million (€1,562 million), up 11.2%. In comparable terms net sales increased by 1.2% in Finland. Net sales from foreign operations amounted to €1,748 million (€1,417 million) for January-September, an increase of 23.4%. Net sales from foreign operations in comparable terms remained at the previous year's level. Foreign operations contributed 50.1% (47.6%) to the net sales of the building and technical trade.

The net sales of the building and technical trade excluding the speciality goods trade operations were €2,902 million (2,200 million) in January-September, an increase of 31.9%. In comparable terms, net sales grew by 2.8%. Net sales for the building and home improvement trade for January-September totalled €1,756 million (€1,690 million), an increase of 3.9%. In local currencies, net sales were up by 2.3%. Net sales decreased in local currency in Norway by 1.4%, in Sweden by 5.7% and in Russia by 6.7%. Net sales growth strengthened in the building and home improvement trade especially in the B2B sector. Onninen's net sales for January-September totalled €1,164 million (€512 million in June-September 2016). In comparable terms, Onninen's net sales grew by 5.4%. The market share of K Group's building and technical trade is estimated to have strengthened in Finland. K Group's sales of building and home improvement products in Finland increased by 3.5% and the total market (VAT 0%) is estimated to have increased by about 0.7% (Kesko's own estimate).

Net sales for the speciality goods trade amounted to €548 million (€780 million) for January-September, a decrease of 25.1%. The decrease in net sales was affected by divestments carried out. The net sales for the machinery trade for January-September amounted to €205 million (€233 million), a decrease of 12.1% from the previous year. Net sales for the machinery trade in Finland were €89 million, down 25.5%. The net sales from foreign operations were €115 million, up 2.0%. Net sales for the leisure trade in Finland were €142 million (€146 million), down 3.1%. The net sales of the Asko and Sotka furniture trade, K-maatalous business, Yamarin boat business and Yamaha representation, all divested in June, totalled €279 million (January-September 2016 €455 million) in the first half of the year.

In the building and technical trade, comparable operating profit for January-September totalled €81.2 million (€83.5 million), down by €2.3 million on the year before. The comparable operating profit for the building and technical trade, excluding the speciality goods trade, was €65.2 million (€60.0 million), an increase of €5.2 million. Profitability was boosted by Onninen's good profit performance. Onninen's comparable operating profit for January-September amounted to €22.2 million (€11.0 million for June-September 2016). Profitability was weakened by Kesko Senukai's lower operating profit compared to the previous year, which was partly due to the renewal and expansion of the store site network in the Baltic countries and Belarus, as well as by the weaker profit performance of operations in Sweden. The comparable operating profit for the speciality goods trade was €15.9 million (€23.5 million), down by €7.6 million. The comparable operating profit for the K-maatalous business and the Asko and Sotka furniture trade, divested in June, was €6.8 million for the first half of the year (€11.6 million in January-September 2016).

The operating profit for the building and technical trade was €156.4 million (€72.5 million). The most significant items affecting comparability were the €49.6 million gain from the divestment of properties in the Baltic countries, the €12.1 million gain from the divestment of the K-maatalous business, and the €19.0 million gain on the divestment of Asko and Sotka furniture trade.

The capital expenditure of the building and technical trade in January-September totalled €57.8 million (€428.0 million), of which €35.1 million was related to capital expenditure in store sites (€42.1 million). The comparison period in the previous year includes €376.9 million in acquisitions.

July-September 2017

The net sales for the building and technical trade in July-September were € 1,121 million (€1,238 million), a decrease of 9.4%. In comparable terms, net sales grew by 0.8%. The comparable change has been calculated excluding the impact of the K-maatalous business sold on 1 June 2017 and that of the Asko and Sotka furniture trade, sold on 30 June 2017.

The net sales for the building and technical trade in Finland for July-September were €502 million (€622 million), a decrease of 19.2%. In comparable terms, net sales increased by 1.1% in Finland. Net sales from foreign operations amounted to €619 million (€616 million) for July-September, an increase of 0.5%. Net sales from foreign operations were up by 0.6% in comparable terms. Foreign operations accounted for 55.2% (49.8%) of the net sales for the building and technical trade.

The net sales for the building and technical trade excluding the speciality goods trade operations were €1,004 million (€972 million) in July-September, an increase of 3.3%. In comparable terms, net sales in local currencies, excluding acquisitions and divestments, increased by 3.2%. Net sales for the building and home improvement trade for July-September totalled €612 million (€597 million), an increase of 2.4%. In comparable terms, net sales grew by 2.2%. Net sales decreased in local currency in Norway by 1.5%, in Sweden by 8.6% and in Russia by 6.0%. Onninen’s net sales amounted to €399 million (€376 million) for July-September, an increase of 6.2%. In comparable terms, Onninen’s net sales grew by 6.0%. K Group's sales of building and home improvement products in Finland increased by 4.1% and the total market (VAT 0%) is estimated to have increased by about 0.5% (Kesko's own estimate).

Net sales for the speciality goods trade amounted to €117 million (€266 million) for July-September, a decrease of 55.9%. The decrease in net sales was affected by the divestments carried out. The net sales of the machinery trade for July-September amounted to €65 million (€85 million), a decrease of 24.0% from the previous year. Net sales for the machinery trade in Finland were €15 million (€32 million), down 54.1%. Net sales for the machinery trade’s foreign operations totalled €50 million (€53 million), down 5.4%. Net sales for the leisure trade in Finland were €53 million (€54 million), down 2.0%. The net sales for the Asko and Sotka furniture trade, K-maatalous business, Yamarin boat business and Yamaha representation, all divested in June, totalled €140 million in July-September 2016.

The comparable operating profit for the building and technical trade for July-September totalled €42.7 million (€45.3 million), down by €2.5 million on the year before. The comparable operating profit for the building and technical trade, excluding the speciality goods trade, was €36.6 million (€34.6 million), an increase of €2.0 million. Profitability improved thanks to the increase in the operating profit for Onninen. Onninen’s comparable operating profit for July-September amounted to €13.3 million (€8.8 million). Profitability was weakened by Kesko Senukai's lower operating profit compared to the previous year, which was partly due to the renewal and expansion of the store site network in the Baltic countries and Belarus, as well as by weak profit performance in Sweden. The comparable operating profit for the speciality goods trade was €6.1 million (€10.6 million). The K-maatalous business and the Asko ja Sotka furniture trade, divested in June, accounted for €4.4 million of the comparable operating profit for the comparison period.

The operating profit for the building and technical trade was €39.9 million (€37.9 million). Items affecting comparability totalled €-2.8 million (€-7.4 million).

The capital expenditure of the building and technical trade in July-September totalled €8.9 million (€15.1 million), of which €5.5 million was related to capital expenditure in store sites (€12.4 million).

The most important store sites under construction are a K-Rauta in Lapua, Finland, a K-Senukai store in Daugavpils, Latvia, a K-Rauta Onninen in Karlstad, Sweden, two K-Senukai stores in Lithuania, and two building and home improvement stores in Belarus. Two Onninen Express stores are under construction in Finland.

Number of stores at 30.9.	2017	2016
Building and technical trade		
K-Rauta, Finland*	138	46
Rautia*	-	95
K-maatalous	-	80
K-Rauta, Sweden	18	20
Byggmakker, Norway	82	86
K-Rauta and K-Senukai, Estonia	8	8
K-Rauta and K-Senukai, Latvia	8	8
K-Senukai, Lithuania	22	22
K-Rauta, Russia	14	13
OMA, Belarus	16	13
Onninen	145	149
Speciality goods trade		
Intersport, Finland**	56	58
Budget Sport**	11	11
The Athlete's Foot**	6	2
Asko and Sotka, Finland and the Baltics **	-	100
Kookenkä**	37	38
Konekesko	-	1

* The K-Rauta and Rautia stores were combined to form the K-Rauta chain, launched with a new brand image in March 2017 in Finland
** Including online stores
In addition, the building and home improvement stores offer e-commerce services to their customers.
One Onninen store in Sweden operates in the same store with K-Rauta.

Car trade

	1-9/2017	1-9/2016	7-9/2017	7-9/2016
Net sales, € million	691	628	212	190
Operating profit, comparable, € million	26.4	22.0	8.8	6.8
Operating margin, comparable, %	3.8	3.5	4.2	3.6
Capital expenditure, € million	14.0	11.2	5.2	3.1

Net sales, € million	1-9/2017	Change, %	7-9/2017	Change, %
VV-Auto	648	+3.3	196	+3.2
AutoCarrera	43	-	17	-
Total	**691**	**+10.1**	**212**	**+12.0**

January-September 2017

Net sales for the car trade for January-September were €691 million (€628 million), an increase of 10.1%. The comparable development of net sales without AutoCarrera, purchased in December 2016, amounted to +3.3%. The combined market performance of first time registered passenger cars and vans in January-September was +1.2% (+12.4%). The combined market share for cars and vans imported by VV-Auto was 18.6% (18.2%) in January-September.

In the car trade, profitability continued to improve thanks to good sales performance and the acquisition of AutoCarrera's Porsche business. The comparable operating profit for January-September amounted to €26.4 million (€22.0 million), an increase of €4.4 million. AutoCarrera's comparable operating profit was €2.5 million. The operating profit for January-September totalled €26.4 million (€22.0 million).

Capital expenditure for the car trade for January-September was €14.0 million (€11.2 million).

July-September 2017

Net sales for the car trade for January-September were €212 million (€190 million), an increase of 12.0%. The comparable development of net sales without AutoCarrera, purchased in December 2016, amounted to 3.2%. The combined market share for cars and vans imported by VV-Auto was 18.5% (17.2%) in July-September.

In the car trade, profitability continued to improve thanks to good sales performance and the acquisition of AutoCarrera's Porsche business. The comparable operating profit in July-September amounted to €8.8 million (€6.8 million), an increase of €2.0 million. AutoCarrera's comparable operating profit was €1.4 million. The operating profit for July-September totalled €8.8 million (€6.8 million).

Capital expenditure for the car trade for July-September was €5.0 million (€3.1 million).

Number of stores at 30.9.	2017	2016
VV-Auto, retail trade	13	10
AutoCarrera	3	-

Changes in Group composition

Konekesko Ltd, a Kesko Corporation subsidiary, sold its Yamarin boat business to Inhan Tehtaat Oy Ab, a subsidiary owned by Yamaha Motor Europe N.V. At the same time, the transfer of the representation of Yamaha's recreational machinery in Finland from Konekesko Ltd to Yamaha Motor Europe N.V. was also completed. (Press release 30 June 2017)

In March of this year, Kesko and Oriola announced their intention to establish a new chain of health, beauty and wellbeing across Finland. Finland's Competition and Consumer Authority approved the establishment of the joint venture on 26 June 2017 and the establishment of the company was finalised at the end of June. Both parties own 50 per cent of the new company. (Press release 30 June 2017)

Kesko Corporation sold Indoor Group, which is responsible for the Asko and Sotka furniture trade, to a company owned by Sievi Capital Oyj, three franchising entrepreneurs from the Sotka chain and Etera Mutual Pension Insurance Company. The debt free price of the sale, structured as a share transaction, was €67 million. (Press releases on 20 June 2017 and 30 June 2017)

Kesko Corporation sold its K-maatalous business to Swedish Lantmännen ek för. The debt free price of the sale, structured as a share transaction, was €38.5 million. (Press release 1 June 2017)

Kesko sold seven store sites used by Kesko Senukai in Estonia and Latvia to the property investment company UAB Baltic Retail Properties. At the same time, Kesko acquired a 10% shareholding in the property investment company. (Press release 24 May 2017)

Kesko Food Ltd, K-citymarket Oy and Kespro Ltd, subsidiaries wholly-owned by Kesko Corporation, merged into Kesko Corporation on 28 February 2017.

Kesko Corporation's subsidiary Konekesko Ltd sold 45% of its Baltic subsidiaries' shares to Danish Agro a.m.b.a.'s group company DAVA Agravis Machinery Holding A/S. In the same context, an agreement was made on options to expand DAVA Agravis' ownership to include the whole share capital of the Baltic machinery trade companies and Danish Agro group's ownership to include Konekesko's agricultural machinery business in Finland. (Stock exchange release on 10 February 2017)

Shares, securities market and Board authorisations

At the end of September 2017, the total number of Kesko Corporation shares was 100,019,752, of which 31,737,007, or 31.7%, were A shares and 68,282,745, or 68.3%, were B shares. At 30 September 2017, Kesko Corporation held 555,615 own B shares as treasury shares. These treasury shares accounted for 0.81% of the number of B shares, 0.56% of the total number of shares, and 0.14% of votes attached to all shares of the Company. The total number of votes attached to all shares was 385,652,815. Each A share carries ten (10) votes and each B share one (1) vote. The Company cannot vote with own shares held by it as treasury shares and no dividend is paid on them. At the end of September 2017, Kesko Corporation's share capital was €197,282,584.

The price of a Kesko A share quoted on Nasdaq Helsinki was €43.85 at the end of 2016, and €44.88 at the end of September 2017, representing an increase of 2.3%. Correspondingly, the price of a B share was €47.48 at the end of 2016, and €45.37 at the end of September 2017, representing a decrease of 4.4%. In January-September, the highest A share price was €45.99 and the lowest was €40.11. The highest B share price was €48.59 and the lowest was €41.51. In January- September, the Nasdaq Helsinki All-Share index (OMX Helsinki) was up by 8.4% and the weighted OMX Helsinki Cap index by 8.6%. The Retail Sector Index was down by 4.6%.

At the end of September 2017, the market capitalisation of A shares was €1,424.4 million, while that of B shares was €3,072.8 million, excluding the shares held by the parent company as treasury shares. The combined market capitalisation of A and B shares was €4,497.1 million, a decrease of €101.2 million from the end of 2016.

In January-September 2017, a total of 1.0 million (1.3 million) A shares were traded on Nasdaq Helsinki, a decrease of 22.0%. The exchange value of A shares was €43.5 million. The number of B shares traded was 38.4 million (39.1 million), a decrease of 1.8%. The exchange value of B shares was €1,709.2 million. Nasdaq Helsinki accounted for 42.3% of the Kesko A and B share trading in January-September 2017. Kesko shares were also traded on multilateral trading facilities, the most significant of which was BATS. (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 (the 2016 share issue authorisation). On 1 February 2017, the Board decided to grant own B shares held by the Company as treasury shares to persons included in the target group of the 2016 vesting period, based on this share issue authorisation and the fulfilment of the vesting criteria of the 2016 vesting period of Kesko's three-year share-based compensation plan. This transfer of a total of 192,822 own B shares was announced in a stock exchange release on 15 March 2017. Based on the 2014-2016 share-based compensation plan decided by the Board, a total maximum of 600,000 own B shares held by the Company as treasury shares could be granted within a period of three years based on the fulfilment of the vesting criteria. The Board decided on the vesting criteria and the target group separately for each vesting period. In January- September, a total of 2,328 shares granted based on the fulfilment of the vesting criteria of the share-based compensation plan 2014-2016 was returned to the Company in accordance with the terms and conditions of the share-based compensation plans. The returns during the reporting period were notified in a stock exchange release on 12 May 2017 and 18 September 2017. The share-based compensation plan 2014-2016 was announced in a stock exchange release on 4 February 2014.

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 has made a decision to establish a share-based bridge plan to cover the transitional phase during which Kesko transfers from a one-year performance period to a longer performance period in its long-term incentive scheme structure. If the performance criteria set for the PSP 2017-2020 plan are achieved in full, the maximum number of series B shares to be paid based on this plan is 340,000 shares. If all the performance criteria set for the Bridge Plan are achieved in full, the maximum number of series B shares to be paid based on the Bridge Plan is 340,000 shares. The total maximum amount of share awards payable under the RSP 2017-2019 is 20,000. The new share-based incentive scheme was announced in a stock exchange release on 2 February 2017.

Kesko's Board of Directors holds a valid authorisation decided 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 (the 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 shares, regardless of whether they own A or B shares. Shares can also be issued in a directed issue, departing from the shareholder's pre-emptive right, for a weighty financial reason of the Company, such as using the shares to develop the Company's capital structure, to finance possible acquisitions, capital expenditure or other arrangements within the scope of the Company's business operations, and to implement the Company's commitment and incentive scheme. Own B shares held by the Company as treasury shares can be transferred 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 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's Board of Directors also held a valid authorisation decided by the Annual General Meeting held on 4 April 2016 to acquire a maximum of 1,000,000 own B shares of the Company (the 2016 authorisation to acquire own shares). B shares are 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 date of acquisition. The shares are acquired and paid in accordance with the rules of the exchange. The acquisition of own shares reduces the amount of the Company's distributable unrestricted equity. B shares are 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. The Board makes decisions concerning any other issues related to the acquisition of own B shares. The authorisation was valid until 30 September 2017.

In addition, Kesko's Board of Directors holds a share issue authorisation, decided by the Annual General Meeting held on 13 April 2015, to issue a maximum of 20,000,000 new B shares (the 2015 share issue authorisation). The shares can be issued against payment to be subscribed by shareholders in a directed issue in proportion to their existing holdings of the Company shares regardless of whether they hold A or B shares, or, 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 amount paid for the shares is recognised in the reserve of invested non-restricted equity. The authorisation also includes the Board's authority to decide on the share subscription price, the right to issue shares for non-cash consideration and the right to make decisions on other matters concerning share issues. The authorisation is valid until 30 June 2018.

At the end of September 2017, the number of shareholders was 41,955, which is 2,551 more than at the end of 2016. At the end of September, foreign ownership of all shares was 31.2%. Foreign ownership of B shares was 44.6% at the end of September.

Flagging notifications

According to a notification received by Kesko Corporation, the combined voting rights in respect of shares in Kesko held by K-Retailers' Association, its Branch Clubs and the Foundation for Vocational Training in the Retail Trade rose to 15 per cent on 3 February 2017 and exceeded 15 per cent on 6 February 2017. (Stock exchange release on 7 February 2017)

Key events during the reporting period

The court of arbitration dismissed Voimaosakeyhtiö SF's action against Kestra Kiinteistöpalvelut Oy concerning the further financing of the Fennovoima nuclear power plant project. (Stock exchange release on 10 January 2017)

Kesko Corporation's Board of Directors decided to establish a new share-based long-term incentive scheme for Kesko's top management and key persons selected separately. In addition, the Board of Directors decided to grant a total of 192,822 own B shares held by the Company as treasury shares, based on the fulfilment of the performance criteria of the 2016 performance period of Kesko's share-based compensation plan 2014-2016, to 130 Kesko management employees and other named key persons. (Stock exchange release on 2 February 2017)

Kesko Corporation's subsidiary Konekesko Ltd sold 45% of its Baltic subsidiaries' shares to Danish Agro a.m.b.a.'s group company DAVA Agravis Machinery Holding A/S. In the same context, an agreement was made on options to expand DAVA Agravis' ownership to include the whole share capital of the Baltic machinery trade companies and Danish Agro group's ownership to include Konekesko's agricultural machinery business in Finland. (Stock exchange release on 10 February 2017)

Kesko Corporation and Oriola-KD Corporation start building a completely new kind of store chain in Finland, specialising in overall wellbeing. The companies have signed an agreement to establish a joint venture. Finland's Competition and Consumer Authority approved the establishment of the joint venture on 26 June 2017 and the establishment of the company was finalised. Both parties own 50 per cent of the new company. The first phase objective is to build a chain of 100 stores and an online store. The plan is, if legislation is amended, to expand the business to include pharmaceuticals. (Stock exchange release on 13 March 2017, press release 30 June 2017)

The trading symbols of Kesko Corporation shares changed as of 15 March 2017. The new symbols are KESKOA (share series A) and KESKOB (share series B). (Stock exchange release on 13 March 2017)

Kesko Corporation sold its K-maatalous business to the Swedish Lantmännen ek för. The debt free price of the sale, structured as a share transaction, was €38.5 million. Kesko Corporation recorded a profit of €12.2 million on the disposal. On 26 May 2017, the Finnish Competition and Consumer Authority (FCCA) announced that it approves the disposal, and it was completed on 1 June 2017. The approval was not subject to any conditions. (Stock exchange release on 11 April 2017, press release on 1 June 2017)

Kesko Corporation sold Indoor Group, which is responsible for the Asko and Sotka furniture trade chains, to a company owned by Sievi Capital Oyj, three franchising entrepreneurs from the Sotka chain and Etera Mutual Pension Insurance Company. The debt free price of the sale, structured as a share transaction, was €67 million, and the sale was completed on 30 June 2017. Kesko Corporation recorded a profit of €19.0 million on the divestment. (Press releases on 20 June 2017 and 30 June 2017)

Kesko has been listed on the Dow Jones Sustainability Indices DJSI World and DJSI Europe. Kesko's scores rose especially in the areas of environmental responsibility and social responsibility. (Press release 13 September 2017)

Mika Majoinen, 53, Master of Laws, has been appointed Kesko Group General Counsel, a position he will take up on 1 January 2018. He will also become a member of Kesko's Group Management Board. Kesko's current Group General Counsel, EVP Anne Leppälä-Nilsson will retire on 31 December 2017, in accordance with her contract. (Stock exchange release 21.09.2017)

Kesko enters into cooperation with Alibaba to open a food online store in China. The aim of the cooperation between K Group and Alibaba on this project is to export Finnish food brands to the growing market in China. At the same time, Kesko will learn from a global pioneer in e-commerce. (Press release 29.9.2017)

Lauri Peltola, EVP, Marketing and Corporate Affairs and member of Group Management Board, leaves Kesko by the end of the year. Kesko has started a process to create a succession plan for Lauri Peltola. (Stock exchange release 29.09.2017)

Resolutions of the 2017 Annual General Meeting and decisions of the Board’s organisational meeting
Kesko Corporation's Annual General Meeting held on 3 April 2017 adopted the financial statements and the consolidated financial statements for 2016 and discharged the Board members and the Managing Director from liability. The General Meeting also resolved to distribute €2.00 per share as dividends, or a total of €198,932,930.00. The dividend pay date was 12 April 2017.

The General Meeting resolved to leave the number of Board members unchanged at seven. The Annual General Meeting held on 13 April 2015 elected seven (7) Board members for terms of office in accordance with the Articles of Association expiring at the close of the Annual General Meeting to be held in 2018. Those Board members are retailer Esa Kiiskinen, Master of Science in Economics Tomi Korpisaari, retailer, eMBA Toni Pokela, eMBA Mikael Aro, Master of Science in Economics Matti Kyytsönen, Master of Science in Economics Anu Nissinen and Master of Laws Kaarina Ståhlberg. Korpisaari and Ståhlberg resigned from the membership of the Company's Board of Directors as of 1 March 2016. The General Meeting held on 4 April 2016 replaced Korpisaari and Ståhlberg by retailer, trade technician Matti Naumanen and Managing Director, Master of Science in Economics Jannica Fagerholm until the close of the Annual General Meeting to be held in 2018.

The General Meeting elected the firm of auditors PricewaterhouseCoopers Oy as the Company's Auditor, with Mikko Nieminen, APA, as the Auditor with principal responsibility.

In addition, the General Meeting approved the Board's proposal for its authorisation to decide on donations in a total maximum of €300,000 for charitable or corresponding purposes until the Annual General Meeting to be held in 2018, 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 M.Sc. (Econ.) Jannica Fagerholm as the Chair of the Audit Committee, eMBA Mikael Aro as its Deputy Chair, and M.Sc. (Econ.) Matti Kyytsönen as its member. Business College Graduate Esa Kiiskinen (Ch.), eMBA Mikael Aro (Dep. Ch.) and M.Sc. (Econ.) Anu Nissinen were elected to the Board's Remuneration Committee.

The resolutions of the Annual General Meeting and the decisions of the Board's organisational meeting were announced in more detail in stock exchange releases on 3 April 2017.

Responsibility

In September, Kesko was added to the Dow Jones Sustainability Indices DJSI World and DJSI Europe. Kesko's scores rose especially in the areas of environmental responsibility and social responsibility.

In August, K Group and the World Wildlife Fund began a multi-year collaboration to save Finland's endangered migratory fish populations. K Group and WWF will jointly map different parts of Finland to find obstacles in migratory fish spawning grounds, and in a spirit of cooperation with landowners, local K-retailers and volunteers, make the spawning grounds once again accessible for fish. The aim is to generate more awareness of and discussion about Finland's endangered migratory fish populations.

K Group hosts the most extensive network of free-of-charge recharging points for electric cars. There are currently 80 recharging points in 23 locations. During 2017, dozens of new recharging points will be built in Neste K service stations, and going forward, 10-15 new charging points will be built on K-Citymarket parking lots every year.

In September, Pirkka Parhaat Benella Rainbow Trout was introduced to K-food stores. The rainbow trout is farmed in Finland using sustainably produced feed.

In September, K Group took part in Food Waste Week for the fifth time. The campaign aims to encourage decreases in food waste and a greater appreciation of food. In 2013, K Group set itself the target of reducing food waste from its K-food stores by 10% by year 2020. Currently, food waste is being reduced at a rate of 1-2% per year.

In September, K-Rauta opened a new free-of-charge advice service for renovation. The Remonttineuvonta service offers advice on all kinds of questions related to renovation.

K-Market was one of the two main partners of the Lähiöfest2017 neighbourhood festival. During the festival week at the end of September, K-Market hosted a workshop envisioning a food store of the future, set up a pop-up restaurant in the Helsinki suburb of Vuosaari, and took part in marketplace events that livened up different neighbourhoods around Helsinki.

Risk management

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

The most significant near-future risks in Kesko's business operations are associated with price competition in the Finnish grocery trade, the implementation of the growth strategy of the building and technical trade, as well as the change in the trading sector caused by digitalisation. Positive change is estimated to have taken place in 2017 in the risks described in Kesko's 2016 Report by the Board of Directors, financial statements and the following risks described on Kesko's website. Purchasing power and trading sector demand are estimated to be developing positively in line with the general economic development in Finland. With regard to the implementation of the neighbourhood market strategy in the grocery trade, the changes to and integration of the stores that were transferred to K Group in the acquisition have proceeded according to plans and the work will be completed in the first half of 2018.The risks and uncertainties related to economic development are described in the outlook section of this release.

Outlook
Estimates for the outlook for Kesko Group's net sales and comparable operating profit are given for the 12-month period following the reporting period (10/2017-9/2018) in comparison with the 12 months preceding the end of the reporting period (10/2016-9/2017).

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 the B2B business is expected to continue stronger than the growth in the B2C business. In the Nordic countries and the Baltics, the market is expected to grow but at a somewhat slower rate. The trend in the Russian market is expected to remain modest.

In comparable terms, the net sales for the next 12 months are expected to exceed the level of the previous 12 months. Due to divestments and restructuring, Kesko Group's net sales for the next 12 months are expected to fall below the level of the previous 12 months. That development results from the divestments of the Russian grocery trade, the K-maatalous business, the Asko and Sotka furniture trade, the Yamarin boat business and Kesko's Yamaha representation as well as store closures and the transfer of Suomen Lähikauppa stores to retailers.

The comparable operating profit for the next 12-month period is expected to exceed the level of the preceding 12 months.

Helsinki, 24 October 2017
Kesko Corporation
Board of Directors

The information in the interim report is unaudited.

Further information is available from Jukka Erlund, Executive Vice President, Chief Financial Officer, telephone +358 105 322 113, Kia Aejmelaeus, Vice President, Investor Relations, telephone +358 105 322 533, and Eva Kaukinen, Vice President, Group Controller, telephone +358 105 322 338. A Finnish-language webcast of the interim report briefing can be viewed at 11.00 at www.kesko.fi. An English-language audio conference on the interim report will be held today at 14.00 (Finnish time). The audio conference login is available on Kesko's website at www.kesko.fi.

Kesko Corporation's financial statements release for 2017 will be published on 1 February 2018. In addition, Kesko Group's sales figures are published each month. News releases and other Company information are available on Kesko's website at www.kesko.fi.

KESKO CORPORATION

ATTACHMENTS: TABLES SECTION
Accounting policies
Consolidated statement of comprehensive income
Consolidated statement of financial position
Consolidated statement of changes in equity
Consolidated statement of cash flows
Group’s performance indicators
Net sales by segment
Operating profit by segment
Operating profit by segment, comparable
Operating margin by segment, comparable
Capital employed by segment
Return on capital employed by segment, comparable
Items affecting comparability
Capital expenditure by segment
Segment information by quarter
Change in tangible and intangible assets
Related party transactions
Fair value hierarchy of financial assets and liabilities
Personnel average and at the end of the reporting period
Group's commitments
Calculation of performance indicators
K Group's retail and B2B sales

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TABLES SECTION

Accounting policies

This interim report has been prepared in accordance with the IAS 34 standard. The interim report has been prepared in accordance with the same principles as the annual financial statements for 2016.

Consolidated income statement (€ million), condensed							
	1-9/2017	1-9/2016	Change, %	7-9/2017	7-9/2016	Change, %	1-12/2016
Net sales	8,058	7,415	8.7	2,647	2,792	-5.2	10,180
Cost of goods sold	-6,916	-6,372	8.5	-2,273	-2,382	-4.6	-8,719
Gross profit	**1,141**	**1,043**	**9.4**	**374**	**409**	**-8.6**	**1,462**
Other operating income	596	525	13.6	176	177	-0.4	699
Employee benefit expense	-573	-508	12.8	-173	-192	-9.7	-723
Depreciation and impairment charges	-101	-105	-3.8	-33	-39	-15.5	-162
Other operating expenses	-796	-768	3.6	-246	-271	-9.0	-1,129
Operating profit	**268**	**187**	**43.1**	**99**	**85**	**15.3**	**147**
Interest income and other finance income	15	10	51.9	4	3	19.9	15
Interest expense and other finance costs	-10	-7	38.1	-3	-3	4.7	-12
Exchange differences	-3	1	(..)	-1	-1	5.3	-4
Share of results of equity accounted investments	0	-2	(..)	0	0	-97.4	-1
Profit before tax	**270**	**189**	**43.1**	**98**	**85**	**15.5**	**145**
Income tax	-46	-38	21.7	-24	-16	45.8	-31
Net profit for the period	**224**	**151**	**48.5**	**74**	**68**	**8.3**	**114**
Attributable to							
Owners of the parent	215	138	55.2	68	63	8.6	99
Non-controlling interests	9	12	-26.1	6	6	4.7	15
Earnings per share (€) for profit attributable to equity holders of the parent							
Basic and diluted	2.16	1.40	55.0	0.69	0.63	8.4	0.99
Consolidated statement of comprehensive income (€ million)							
	1-9/2017	1-9/2016	Change, %	7-9/2017	7-9/2016	Change, %	1-12/2016
Net profit for the period	224	151	48.5	74	68	8.3	114
Items that will not be reclassified subsequently to profit or loss							
Actuarial gains/losses	16	-6	(..)	4	-14	(..)	-11
Items that may be reclassified subsequently to profit or loss							
Exchange differences on translation of foreign operations	-21	4	(..)	-3	2	(..)	10
Cash flow hedge revaluation	0	2	-73.3	1	1	-49.3	2
Revaluation of available-for-sale financial assets	1	1	26.1	0	0	-32.5	1
Other items	0	0	-4.9	-	-	-	0
Total other comprehensive income for the period, net of tax	-5	1	(..)	1	-10	(..)	2
Total comprehensive income for the period	**220**	**151**	**44.9**	**76**	**58**	**30.1**	**116**
Attributable to							
Owners of the parent	214	140	52.8	71	52	35.7	101
Non-controlling interests	6	11	-51.6	5	6	-19.8	15

(..) Change over 100%

Consolidated statement of financial position (€ million), condensed				
	30.9.2017	**30.9.2016**	**Change, %**	**31.12.2016**
ASSETS				
Non-current assets				
Tangible assets	1,234	1,388	-11.1	1,150
Intangible assets	384	418	-8.2	431
Equity accounted investments and other financial assets	139	121	14.8	123
Loans and receivables	75	64	18.2	68
Pension assets	183	172	6.3	165
Total	2,014	2,162	-6.8	1,937
Current assets				
Inventories	951	1,011	-5.9	979
Trade receivables	904	926	-2.3	831
Other receivables	223	194	15.0	223
Financial assets at fair value through profit or loss	181	46	(..)	93
Available-for-sale financial assets	92	77	19.1	157
Cash and cash equivalents	97	122	-20.0	141
Total	2,449	2,375	3.1	2,425
Non-current assets held for sale	0	0	-	46
Total assets	**4,464**	**4,538**	**-1.6**	**4,408**

	30.9.2017	**30.9.2016**	**Change, %**	**31.12.2016**
EQUITY AND LIABILITIES				
Equity	2,078	2,069	0.5	2,029
Non-controlling interests	97	92	5.7	97
Total equity	2,176	2,161	0.7	2,126
Non-current liabilities				
Interest-bearing liabilities	132	359	-63.2	359
Non-interest-bearing liabilities	37	37	-0.5	40
Deferred tax liabilities	47	56	-16.9	48
Pension obligations	0	1	-55.4	1
Provisions	14	14	0.4	15
Total	230	467	-50.8	463
Current liabilities				
Interest-bearing liabilities	398	186	(..)	156
Trade payables	1,103	1,197	-7.8	1,069
Other non-interest-bearing liabilities	516	485	6.4	552
Provisions	41	42	-3.8	41
Total	2,058	1,910	7.7	1,818
Liabilities related to available-for-sale assets	-	-	-	1
Total equity and liabilities	**4,464**	**4,538**	**-1.6**	**4,408**

(..) Change over 100%

Consolidated statement of changes in equity (€ million)	Share capital	Reserves	Currency translation differences	Re-valuation reserve	Treasury shares	Retained earnings	Non-controlling interests	Total
Balance at 1.1.2016	**197**	**463**	**-45**	**0**	**-27**	**1,575**	**79**	**2,242**
Share-based payments					4			4
Disposal of subsidiary			17			-17		0
Share capital increase							13	13
Acquisition of subsidiary and minority interest	0	0				0	-9	-9
Dividends						-248	-1	-250
Other changes						9		9
Transactions with owners, total			17		4	-256	2	-233
Comprehensive income								
Profit for the year						138	12	151
Items that will not be reclassified subsequently to profit or loss								
Actuarial gains/losses						-7		-7
Items that may be reclassified subsequently to profit or loss								
Exchange differences on translating foreign operations		0	5				-1	4
Cash flow hedge revaluation				2				2
Revaluation of available-for-sale financial assets				1				1
Others						0		0
Tax related to comprehensive income				-1		1		1
Total comprehensive income for the period		0	5	2		-6	-1	1
Balance at 30.9.2016	**197**	**463**	**-23**	**3**	**-23**	**1,451**	**92**	**2,161**

Balance at 1.1.2017	**197**	**463**	**-24**	**3**	**-23**	**1,412**	**97**	**2,126**
Share-based payments					6			6
Disposal of subsidiary		0	-1		0	1		0
Acquisition of minority interest							-1	-1
Sale to non-controlling interest						21		21
Dividends						-199	-5	-204
Other changes						7	0	7
Transactions with owners, total		0	-1		6	-169	-5	-170
Comprehensive income								
Profit for the year						215	9	224
Items that will not be reclassified subsequently to profit or loss								
Actuarial gains/losses						20		20
Items that may be reclassified subsequently to profit or loss								
Exchange differences on translating foreign operations		0	-18			0	-4	-21
Cash flow hedge revaluation				1				1
Revaluation of available-for-sale financial assets				1				1
Tax related to comprehensive income				0		-4		-4
Total comprehensive income for the period		0	-18	1		231	6	220
Balance at 30.9.2017	**197**	**463**	**-43**	**4**	**-18**	**1,474**	**97**	**2,176**

Consolidated statement of cash flows (€ million), condensed							
	1-9/2017	1-9/2016	Change, %	7-9/2017	7-9/2016	Change, %	1-12/2016
Cash flows from operating activities							
Profit before tax	270	189	43.1	98	85	15.5	145
Depreciation according to plan	101	96	4.8	33	36	-9.4	138
Finance income and costs	-2	-3	-29.0	1	1	-43.2	1
Other adjustments	-78	8	(..)	6	4	58.7	91
Change in working capital							
Current non-interest-bearing receivables, increase (-)/decrease (+)	-155	-128	21.5	44	71	-37.2	-44
Inventories, increase (-)/decrease (+)	-17	-12	44.0	-1	7	(..)	5
Current non-interest-bearing liabilities, increase (+)/decrease(-)	98	-15	(..)	-59	-96	-38.1	-79
Financial items and tax	-30	-73	-58.6	-19	-28	-31.0	-87
Net cash from operating activities	**186**	**62**	**(..)**	**102**	**80**	**27.4**	**170**
Cash flows from investing activities							
Investing activities	-211	-607	-65.3	-63	-77	-19.0	-705
Sales of fixed assets	232	33	(..)	13	29	-55.2	205
Increase in non-current receivables	-10	-2	(..)	-3	1	(..)	-1
Net cash used in investing activities	**11**	**-577**	**(..)**	**-52**	**-48**	**9.8**	**-501**
Cash flows from financing activities							
Interest-bearing liabilities, increase (+)/decrease (-)	-10	100	(..)	-48	-113	-57.2	59
Current interest-bearing receivables, increase (-)/decrease (+)	-1	1	(..)	0	0	(..)	2
Dividends paid	-204	-250	-18.3	-	0	-	-250
Equity increase	-	13	-	-	0	-	13
Short-term money market investments, increase (-)/ decrease (+)	-45	457	(..)	-75	51	(..)	365
Other items	-4	5	(..)	2	-1	(..)	7
Net cash used in financing activities	**-264**	**326**	**(..)**	**-121**	**-64**	**88.4**	**196**
Change in cash and cash equivalents	**-67**	**-188**	**-64.4**	**-71**	**-32**	**(..)**	**-135**
Cash and cash equivalents and current portion of available-for-sale financial assets at 1 Jan.	201	334	-39.9	205	178	14.7	334
Currency translation difference adjustment and revaluation	0	1	(..)	0	0	(..)	2
Cash and cash equivalents and current portion of available-for-sale financial assets at 30 Sep.	133	147	-9.4	133	147	-9.4	201

(..) Change over 100%

Group's performance indicators				
	1-9/2017	1-9/2016	Change, pp	1-12/2016
Return on capital employed, %	14.8	11.2	3.6	6.4
Return on capital employed, %, rolling 12 mo	9.3	10.5	-1.2	6.4
Return on capital employed, comparable, %	11.9	12.5	-0.6	11.9
Return on capital employed, comparable, %, rolling 12 mo	11.4	12.5	-1.1	11.9
Return on equity, %	13.9	9.1	4.8	5.2
Return on equity, %, rolling 12 mo	8.6	8.2	0.5	5.2
Return on equity, comparable, %	10.6	10.3	0.3	9.8
Return on equity, comparable, %, rolling 12 mo	9.9	10.1	-0.2	9.8
Equity ratio, %	49.1	47.9	1.2	48.6
Gearing, %	7.3	13.9	-6.5	5.8
Interest-bearing net debt/EBITDA, rolling 12 mo	0.4	0.8	-0.4	0.4
			Change, %	
Capital expenditure, € million	232.8	637.7	-63.5	743.1
Capital expenditure, % of net sales	2.9	8.6	-74.2	7.3
Earnings per share, basic, €	2.16	1.40	55.0	0.99
Earnings per share, diluted, €	2.16	1.40	55.0	0.99
Earnings per share, comparable, basic, €	1.62	1.59	2.3	2.01
Cash flows from operating activities, € million	186	62	(..)	170
Cash flows from investing activities, € million	11	-577	(..)	-501
Cash flow from operating activities/share, €	1.87	0.63	(..)	1.71
Equity per share, €	20.89	20.84	0.3	20.44
Interest-bearing net debt, € million	159	299	-46.8	123
Diluted number of shares, average for the reporting period, 1,000 pcs	99,414	99,240	0.2	99,249
Personnel, average	22,419	21,947	473	22,476

(..) Change over 100%

Group's performance indicators by quarter	1-3/2016	4-6/2016	7-9/2016	10-12/2016	1-3/2017	4-6/2017	7-9/2017
Net sales, € million	2,013	2,610	2,792	2,765	2,597	2,814	2,647
Change in net sales, %	-3.3	17.2	26.7	27.6	29.0	7.8	-5.2
Operating profit, € million	33.5	68.0	85.5	-40.3	16.6	152.5	98.6
Operating margin, %	1.7	2.6	3.1	-1.5	0.6	5.4	3.7
Operating profit, comparable, € million	32.3	79.1	98.2	63.3	28.7	84.6	102.5
Operating margin, comparable, %	1.6	3.0	3.5	2.3	1.1	3.0	3.9
Finance income/costs, € million	2.7	1.7	-1.1	-4.3	4.2	-1.3	-0.6
Profit before tax, € million	35.7	68.1	84.8	-43.5	21.5	150.5	98.0
Profit before tax, %	1.8	2.6	3.0	-1.6	0.8	5.4	3.7
Return on capital employed, %	6.7	12.3	13.6	-6.4	2.7	24.8	16.6
Return on capital employed, comparable, %	6.5	14.3	15.6	10.1	4.7	13.8	17.3
Return on equity, %	5.1	9.8	12.8	-6.9	3.2	24.8	13.9
Return on equity, comparable, %	4.8	11.7	14.7	8.4	5.1	12.2	14.6
Cash flow from operating activities/share, €	-0.97	0.79	0.81	1.09	-0.58	1.42	1.03
Equity ratio, %	54.8	44.8	47.9	48.6	47.4	47.0	49.1
Capital expenditure, € million	51.4	512.7	73.6	105.4	78.3	91.7	62.7
Earnings per share, diluted, €	0.28	0.49	0.63	-0.40	0.18	1.29	0.69
Equity per share, €	22.13	20.31	20.84	20.44	20.98	20.18	20.89

Segment information

Net sales by segment (€ million)	1-9/2017	1-9/2016	Change, %	7-9/2017	7-9/2016	Change, %	1-12/2016
Grocery trade, Finland	3,883	3,732	4.1	1,313	1,339	-1.9	5,131
Grocery trade, other countries*	-	82	-	-	28	-	105
Grocery trade, total	**3,883**	**3,814**	**1.8**	**1,313**	**1,367**	**-4.0**	**5,236**
- of which intersegment trade	5	8	-33.1	1	2	-39.8	10
Building and technical trade, Finland	1,738	1,562	11.2	502	622	-19.2	2,142
Building and technical trade, other countries*	1,748	1,417	23.4	619	616	0.5	1,959
Building and technical trade total	**3,486**	**2,979**	**17.0**	**1,121**	**1,238**	**-9.4**	**4,100**
- of which intersegment trade	2	10	-82.0	0	4	-99.1	11
Car trade, Finland	691	628	10.1	212	190	12.0	849
Car trade total	**691**	**628**	**10.1**	**212**	**190**	**12.0**	**849**
- of which intersegment trade	0	0	(..)	0	0	(..)	0
Common functions and eliminations	-2	-5	-61.7	0	-3	(..)	-5
Finland total	**6,310**	**5,916**	**6.6**	**2,028**	**2,147**	**-5.6**	**8,117**
Other countries total*	**1,748**	**1,499**	**16.6**	**619**	**644**	**-4.0**	**2,063**
Group total	**8,058**	**7,415**	**8.7**	**2,647**	**2,792**	**-5.2**	**10,180**

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

Operating profit by segment (€ million)	1-9/2017	1-9/2016	Change	7-9/2017	7-9/2016	Change	1-12/2016
Grocery trade	115.9	119.1	-3.2	59.3	44.8	14.5	93.0
Building and technical trade	156.4	72.5	84.0	39.9	37.9	2.0	60.8
Car trade	26.4	22.0	4.4	8.8	6.8	2.0	28.9
Common functions and eliminations	-31.1	-26.5	-4.6	-9.4	-4.0	-5.4	-36.0
Group total	**267.7**	**187.0**	**80.6**	**98.6**	**85.5**	**13.1**	**146.8**

Operating profit by segment, comparable (€ million)	1-9/2017	1-9/2016	Change	7-9/2017	7-9/2016	Change	1-12/2016
Grocery trade	136.3	124.0	12.3	59.4	49.2	10.2	175.9
Building and technical trade	81.2	83.5	-2.3	42.7	45.3	-2.5	97.9
Car trade	26.4	22.0	4.4	8.8	6.8	2.0	29.5
Common functions and eliminations	-28.2	-19.9	-8.3	-8.5	-3.1	-5.4	-30.5
Group total	**215.8**	**209.6**	**6.2**	**102.5**	**98.2**	**4.3**	**272.9**

Operating margin by segment, comparable (%)	1-9/2017	1-9/2016	Change, pp	7-9/2017	7-9/2016	Change, pp	1-12/2016	Rolling 12 mo 9/2017
Grocery trade	3.5	3.3	0.3	4.5	3.6	0.9	3.4	3.5
Building and technical trade	2.3	2.8	-0.5	3.8	3.7	0.2	2.4	2.1
Car trade	3.8	3.5	0.3	4.2	3.6	0.6	3.5	3.7
Group total	**2.7**	**2.8**	**-0.1**	**3.9**	**3.5**	**0.4**	**2.7**	**2.6**

Capital employed by segment, cumulative average (€ million)	1-9/2017	1-9/2016	Change	7-9/2017	7-9/2016	Change	1-12/2016	Rolling 12 mo 9/2017
Grocery trade	774	840	-67	800	875	-75	828	793
Building and technical trade	1,147	950	197	1,073	1,188	-115	1,000	1,156
Car trade	150	119	31	145	120	25	124	144
Common functions and eliminations	349	320	29	357	340	17	336	358
Group total	**2,419**	**2,229**	**190**	**2,375**	**2,523**	**-148**	**2,288**	**2,451**

Return on capital employed by segment, comparable (%)	1-9/2017	1-9/2016	Change, pp	7-9/2017	7-9/2016	Change, pp	1-12/2016	Rolling 12 mo 9/2017
Grocery trade	23.5	19.7	3.8	29.7	22.5	7.2	21.3	23.7
Building and technical trade	9.4	11.7	-2.3	15.9	15.2	0.7	9.8	8.3
Car trade	23.5	24.6	-1.1	24.4	22.7	1.7	23.8	23.5
Group total	**11.9**	**12.5**	**-0.6**	**17.3**	**15.6**	**1.7**	**11.9**	**11.4**

Items affecting comparability

€ million	1-3/2016	4-6/2016	7-9/2016	10-12/2016	1-3/2017	4-6/2017	7-9/2017
Items affecting comparability							
Gains on disposal	1.3	2.9	0.8	-0.8	0.3	81.8	0.6
Losses on disposal	-	-0.3	-0.1	-70.6	-0.4	-1.2	-0.1
Impairment charges	-	-7.9	-3.1	-18.9	-	-	-0.5
Structural arrangements	0.0	-9.1	-4.6	-9.4	-11.3	-11.2	-2.5
Others	-	3.3	-5.7	-3.9	-0.8	-1.4	-1.4
Items in operating profit affecting comparability	1.3	-11.1	-12.7	-103.6	-12.1	67.9	-4.0
Items in income taxes affecting comparability	0.1	0.8	2.7	21.6	2.0	-0.4	0.1
Total items affecting comparability	**1.4**	**-10.3**	**-10.0**	**-82.0**	**-10.1**	**67.5**	**-3.8**
Operating profit, comparable							
Operating profit	33.5	68.0	85.5	-40.3	16.6	152.5	98.6
Net of							
Items in operating profit affecting comparability	1.3	-11.1	-12.7	-103.6	-12.1	67.9	-4.0
Operating profit, comparable	**32.3**	**79.1**	**98.2**	**63.3**	**28.7**	**84.6**	**102.5**
Operating margin, %, comparable	**1.6**	**3.0**	**3.5**	**2.3**	**1.1**	**3.0**	**3.9**
Capital employed, average	1,990	2,207	2,523	2,497	2,430	2,455	2,375
Return on capital employed, comparable, %	**6.5**	**14.3**	**15.6**	**10.1**	**4.7**	**13.8**	**17.3**

Profit before tax, comparable							
Profit before tax	35.7	68.1	84.8	-43.5	21.5	150.5	98.0
Net of							
Items in operating profit affecting comparability	1.3	-11.1	-12.7	-103.6	-12.1	67.9	-4.0
Profit before tax, comparable	**34.5**	**79.2**	**97.5**	**60.2**	**33.6**	**82.6**	**101.9**
Profit, comparable							
Profit before tax, comparable	34.5	79.2	97.5	60.2	33.6	82.6	101.9
Net of							
Income tax	-7.0	-14.3	-16.4	6.4	-4.3	-17.8	-23.8
Items in income tax affecting comparability	-0.1	-0.8	-2.7	-21.6	-2.0	0.4	-0.1
Profit, comparable	**27.3**	**64.0**	**78.4**	**44.9**	**27.4**	**65.2**	**77.9**
Equity, average	2,265	2,195	2,131	2,143	2,155	2,142	2,138
Return on equity, comparable, %	**4.8**	**11.7**	**14.7**	**8.4**	**5.1**	**12.2**	**14.6**
Profit attributable to owners of the parent, comparable							
Profit, comparable	27.3	64.0	78.4	44.9	27.4	65.2	77.9
Profit attributable to non-controlling interests	1.3	5.5	5.7	2.8	-1.0	4.2	6.0
Profit attributable to owners of the parent, comparable	**26.0**	**58.6**	**72.7**	**42.1**	**28.4**	**61.0**	**72.0**
Average number of shares, basic, 1,000 pcs	99,163	99,221	99,240	99,249	99,308	99,387	99,414
Earnings per share, comparable, €	**0.26**	**0.59**	**0.73**	**0.42**	**0.29**	**0.61**	**0.72**

Capital expenditure by segment, € million	**1-9/2017**	**1-9/2016**	**Change**	**7-9/2017**	**7-9/2016**	**Change**	**1-12/2016**
Grocery trade	143	188	-46	45	49	-4	238
Building and technical trade	58	428	-370	9	15	-6	452
Car trade	14	11	3	5	3	2	41
Common functions and eliminations	18	10	8	4	6	-3	12
Group total	**233**	**638**	**-405**	**63**	**74**	**-11**	**743**

Segment information by quarter

Net sales by segment, € million	**1-3/2016**	**4-6/2016**	**7-9/2016**	**10-12/2016**	**1-3/2017**	**4-6/2017**	**7-9/2017**
Grocery trade	1,094	1,353	1,367	1,422	1,243	1,327	1,313
Building and technical trade	695	1,046	1,238	1,121	1,112	1,253	1,121
Car trade	225	214	190	221	245	234	212
Common functions and eliminations	-1	-2	-3	1	-2	0	0
Group total	**2,013**	**2,610**	**2,792**	**2,765**	**2,597**	**2,814**	**2,647**

Operating profit by segment, € million	**1-3/2016**	**4-6/2016**	**7-9/2016**	**10-12/2016**	**1-3/2017**	**4-6/2017**	**7-9/2017**
Grocery trade	30.2	44.1	44.8	-26.1	16.7	39.9	59.3
Building and technical trade	1.8	32.8	37.9	-11.7	1.2	115.3	39.9
Car trade	9.4	5.8	6.8	7.0	10.0	7.6	8.8
Common functions and eliminations	-7.8	-14.7	-4.0	-9.5	-11.4	-10.3	-9.4
Group total	**33.5**	**68.0**	**85.5**	**-40.3**	**16.6**	**152.5**	**98.6**

Items affecting comparability, € million	**1-3/2016**	**4-6/2016**	**7-9/2016**	**10-12/2016**	**1-3/2017**	**4-6/2017**	**7-9/2017**
Grocery trade	-1.1	0.5	-4.4	-78.0	-9.7	-10.6	-0.2
Building and technical trade	1.5	-5.1	-7.4	-26.1	-1.8	79.8	-2.8
Car trade	-	-	-	-0.6	-	-	-
Common functions and eliminations	0.9	-6.5	-0.9	1.1	-0.6	-1.3	-1.0
Group total	**1.3**	**-11.1**	**-12.7**	**-103.6**	**-12.1**	**67.9**	**-4.0**

Operating profit by segment, comparable, € million	**1-3/2016**	**4-6/2016**	**7-9/2016**	**10-12/2016**	**1-3/2017**	**4-6/2017**	**7-9/2017**
Grocery trade	31.3	43.6	49.2	51.9	26.4	50.5	59.4
Building and technical trade	0.3	37.9	45.3	14.4	3.0	35.5	42.7
Car trade	9.4	5.8	6.8	7.5	10.0	7.6	8.8
Common functions and eliminations	-8.7	-8.2	-3.1	-10.5	-10.8	-9.0	-8.5
Group total	**32.3**	**79.1**	**98.2**	**63.3**	**28.7**	**84.6**	**102.5**

Operating margin by segment, %, comparable	**1-3/2016**	**4-6/2016**	**7-9/2016**	**10-12/2016**	**1-3/2017**	**4-6/2017**	**7-9/2017**
Grocery trade	2.9	3.2	3.6	3.7	2.1	3.8	4.5
Building and technical trade	0.0	3.6	3.7	1.3	0.3	2.8	3.8
Car trade	4.2	2.7	3.6	3.4	4.1	3.2	4.2
Group total	**1.6**	**3.0**	**3.5**	**2.3**	**1.1**	**3.0**	**3.9**

Change in tangible and intangible assets (€ million)		
	30.9.2017	**30.9.2016**
Opening net carrying amount	**1,581**	**1,451**
Acquisitions	-	291
Depreciation, amortisation and impairment charges	-101	-105
Investments in tangible and intangible assets	238	205
Deductions	-30	-41
Disposals	-55	-
Currency translation differences	-15	6
Closing net carrying amount	**1,617**	**1,806**

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:		
	1-9/2017	1-9/2016
Sales of goods and services	62	57
Purchases of goods and services	6	146
Other operating income	12	10
Other operating expenses	50	44
Finance income and costs	1	1
	30.9.2017	30.9.2016
Receivables	68	69
Liabilities	37	53

Fair value hierarchy of financial assets and liabilities (€ million)				
	Level 1	Level 2	Level 3	30.9.2017
Financial assets at fair value through profit or loss	159.9	21.0		180.9
Derivative financial instruments at fair value through profit or loss				
Derivative financial assets		1.3		1.3
Derivative financial liabilities		4.4		4.4
Available-for-sale financial assets	56.0	36.0	9.3	101.3

Fair value hierarchy of financial assets and liabilities (€ million)				
	Level 1	Level 2	Level 3	30.9.2016
Financial assets at fair value through profit or loss	14.7	31.5		46.2
Derivative financial instruments at fair value through profit or loss				
Derivative financial assets		2.4		2.4
Derivative financial liabilities		6.6		6.6
Available-for-sale financial assets	51.8	25.4	15.2	92.5

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

Personnel, average and at 30.9.			
Personnel average by segment	1-9/2017	1-9/2016	Change
Grocery trade	6,977	8,142	-1,165
Building and technical trade	13,787	12,277	1,510
Car trade	807	780	27
Common functions	849	748	102
Group total	22,419	21,947	473

Personnel at 30.9.* by segment	2017	2016	Change
Grocery trade	8,826	12,067	-3,241
Building and technical trade	14,712	15,629	-917
Car trade	821	784	37
Common functions	929	858	71
Group total	**25,288**	**29,338**	**-4,050**

* Total number including part-time employees

Group's commitments (€ million)			
	30.9.2017	30.9.2016	Change, pp
Own commitments	196	176	+11.3
For others	19	18	+3.4
Lease liabilities for machinery and equipment	24	34	-31.7
Lease liabilities for real estate	2,933	2,893	+1.4
Liabilities arising from derivative instruments (€ million)			
			Fair value
Values of underlying instruments at 30.9.	30.9.2017	30.9.2016	30.9.2017
Interest rate derivatives			
Interest rate options	70	-	0.33
Interest rate swaps	180	40	-0.61
Currency derivatives			
Forward and future contracts	109	153	-2.47
Currency swaps	20	20	0.25
Commodity derivatives			
Electricity derivatives	7	8	-0.48

Calculation of performance indicators

Return on capital employed*, %	Operating profit x 100 / (Non-current assets + Inventories + Receivables + Other current assets - Non-interest-bearing liabilities) on average for the reporting period
Return on capital employed, %, rolling 12 months	Operating profit for the preceding 12 months x 100 / (Non-current assets + Inventories + Receivables + Other current assets - Non-interest-bearing liabilities) on average for 12 months
Return on capital employed*, %, comparable	Comparable operating profit x 100 / (Non-current assets + Inventories + Receivables + Other current assets - Non-interest-bearing liabilities) on average for the reporting period
Return on capital employed, comparable, %, rolling 12 months	Comparable operating profit for the preceding 12 months x 100 / (Non-current assets + Inventories + Receivables + Other current assets - Non-interest-bearing liabilities) on average for 12 months
Return on equity*, %	(Profit/loss before tax - Income tax) x 100 / Shareholders' equity, average of the beginning and end of the reporting period
Return on equity, %, rolling 12 months	(Profit/loss for the preceding 12 months before tax - Income tax for the preceding 12 months) x 100 / Shareholders' equity, average of the beginning and end of the reporting period

Return on equity*, %, comparable	(Profit/loss adjusted for items affecting comparability before tax - Income tax adjusted for the tax effect of items affecting comparability) x 100 / Shareholders' equity, average of the beginning and end of the reporting period
Return on equity, %, comparable, rolling 12 months	(Profit/loss for the preceding 12 months adjusted for items affecting comparability before tax - Income tax for the preceding 12 months adjusted for the tax effect of items affecting comparability) x 100 / Shareholders' equity, average of the beginning and end of the reporting period
Equity ratio, %	Shareholders' equity x 100 / (Total assets - Prepayments received)
Gearing, %	Interest-bearing net liabilities x 100 / Shareholders' equity
Interest-bearing net debt	Interest-bearing liabilities – Financial assets at fair value through profit or loss – Available-for-sale financial assets - Cash and cash equivalents
EBITDA, rolling 12 months	Operating profit + Depreciation and amortisation + Impairments for the preceding 12 months
Interest-bearing net debt/EBITDA	Interest-bearing net debt/EBITDA
Earnings/share, basic	(Profit/loss - Non-controlling interests) / Average number of shares
Earnings/share, diluted	(Profit – Non-controlling interest)/Average diluted number of shares
Earnings/share, basic, comparable	(Profit/loss adjusted for items affecting comparability - Non-controlling interests) / Average number of shares
Equity/share	Equity attributable to equity holders 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.

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

	1.1.-30.9.2017		1.7.-30.9.2017	
K Group's retail and B2B sales	**€ million**	**Change, %**	**€ million**	**Change, %**
K Group's grocery trade				
K-food stores, Finland	3,564	6.1	1,249	8.7
K-Citymarket, non-food	398	1.0	139	1.3
K-Market, own retail trade	395	-32.8	108	-45.7
Kespro	614	3.1	214	2.5
Grocery trade, total	**4,972**	**0.7**	**1,711**	**1.0**
K Group's building and technical trade				
K-Rauta and Rautia	799	2.3	307	3.3
Rautakesko B2B Service	185	9.0	66	8.1
Onninen	616	7.6	219	7.6
Machinery trade, Finland	89	-26.0	14	-55.6
Speciality goods trade, Finland	201	-3.7	67	-1.2
Finland, total	**1,891**	**2.1**	**673**	**1.7**
Building and technical trade, other Nordic countries	1,015	-3.7	344	-6.7
Building and technical trade, the Baltic countries	543	3.9	214	1.2
Building and technical trade, other countries	400	15.8	147	17.2
Building and technical trade, total	**3,849**	**2.0**	**1,378**	**0.8**
K Group's car trade				
VV-Autotalot	331	4.3	102	3.1
VV-Auto, import	336	2.8	98	4.4
AutoCarrera	43	12.7	17	36.6
Car trade, total	**710**	**4.0**	**216**	**5.7**
Finland, total	**7,573**	**1.3**	**2,600**	**1.5**
Other countries, total	**1,958**	**1.9**	**705**	**-0.1**
Retail and B2B sales, total	**9,531**	**1.4**	**3,305**	**1.2**

* The pro forma comparatives have been calculated to illustrate a situation in which the acquisitions of Suomen Lähikauppa, Onninen and AutoCarrera, the divestments of Intersport's Russian business and the Russian grocery trade business completed in 2016, as well as the divestment of the K-maatalous business and the Asko and Sotka furniture trade completed in 2017 had been completed on 1 January 2016.