Q3/2018

Kesko Corporation
Interim report

January-September 2018

24.10.2018

KESKO CORPORATION INTERIM REPORT 24.10.2018 AT 9.00

Kesko interim report for the period 1 Jan. - 30 Sept. 2018: improved comparable operating profit and all-time-best quarterly performance in Q3

FINANCIAL PERFORMANCE IN BRIEF, CONTINUING OPERATIONS:

- The Group's net sales in January-September totalled €7,728 million (€7,917 million), an increase of 3.6% in comparable terms
- Comparable operating profit was €241.7 million (€215.8 million)
- Operating profit was €228.2 million (€267.8 million)
- Cash flow from operating activities was €309.6 million (€181.2 million).
- Comparable return on capital employed was 13.8% (12.4%) (rolling 12 months)
- Comparable profit before tax was €237.7 million (€218.7 million)
- Comparable earnings per share were €1.77 (€1.64)
- In comparable terms, the net sales for continuing operations for the next 12 months are expected to exceed the level of the previous 12 months. The comparable operating profit for continuing operations for the next 12-month period is expected to exceed the level of the preceding 12 months. However, investments in the expansion of logistics operations and in information systems and digital services will burden profitability during the period. Furthermore, in the car trade, profitability is burdened by the shift to WLTP emissions testing, which postpones car delivery times.

KEY PERFORMANCE INDICATORS

	1-9/2018	1-9/2017	7-9/2018	7-9/2017
Continuing operations				
Net sales, € million	7,728	7,917	2,642	2,596
Operating profit, comparable, € million	241.7	215.8	112.6	100.5
Operating margin, comparable	3.1	2.7	4.3	3.9
Operating profit, € million	228.2	267.8	110.0	96.7
Profit before tax, comparable, € million	237.7	218.7	111.8	100.3
Profit before tax, € million	224.2	270.7	109.1	96.5
Cash flow from operating activities, € million	309.6	181.2	130.5	97.8
Capital expenditure, € million	349.9	216.4	221.2	62.9
Return on capital employed, comparable, %, rolling 12 months	13.8	12.4	13.8	12.4
Group				
Return on equity, comparable, %, rolling 12 months	11.6	9.9	11.6	9.9
Earnings per share, €, basic and diluted				
Continuing operations	1.63	2.18	0.79	0.67
Discontinued operations	-0.54	-0.01	-0.03	0.01
Group, total	1.09	2.16	0.77	0.69
Earnings per share, comparable, €, basic				
Continuing operations	1.77	1.64	0.81	0.71

	30.9.2018	30.9.2017
Group		
Equity ratio, %	48.5	49.1
Equity per share, €	20.78	20.89

PRESIDENT AND CEO MIKKO HELANDER:

Kesko's net sales continued to grow in the third quarter, in line with our growth strategy. Our operating profit also improved and we delivered our best quarterly result ever. Our cash flow development was also good and our financial position remained strong. Return on capital employed nearly met our target level.

Performance in the grocery trade continued strong: our sales, market share and profitability all improved in the third quarter. The importance of quality, selections and good online services continues to grow. Our objective is to offer the most inspiring and customer-oriented physical and online grocery stores. We were pleased with the growth in our customer numbers and sales in all chains, and our online food sales also grew considerably. We have nearly doubled the number of stores across Finland offering online food sales: the number will near 150 by the end of this year. Kespro continued to perform well in the foodservice market. We continued investments in store redesigns, logistics operations, information systems and digital services.

The operating environment for the building and technical trade has continued to be positive, although the growth pace is expected to slow down and share of renovation building to grow. In our building and technical trade division, we continued the implementation of country-specific strategies and strengthened our business through acquisitions. Net sales for the division grew and the operating profit excluding the speciality goods trade improved by €7 million. K-Rauta in Finland performed well, and Onninen's growth and profitability also strengthened further. In Norway, sales and profit increased thanks to the acquisitions made to strengthen the Byggmakker chain. In Sweden, we continued efforts to improve the profitability of K-Rauta and Onninen.

Development in the car trade was in line with our expectations. The division's net sales and operating profit were at a good level even though the implementation of the new WLTP emissions testing at the beginning of September had a weakening impact on performance in the short term. The situation is expected to return to normal during the first half of 2019.

Kesko was again included in the prestigious Dow Jones Sustainability Indices, the DJSI World and DJSI Europe. We received the industry best overall score in the Environmental Dimension.

FINANCIAL PERFORMANCE OF CONTINUING OPERATIONS

NET SALES AND PROFIT FOR JANUARY-SEPTEMBER 2018

The net sales of the Group's continuing operations in January-September 2018 totalled €7,728 million, which is 2.4% down on the corresponding period of the previous year (€7,917 million). The net sales were impacted by the divestments carried out in the first half of 2017. In comparable terms, net sales grew by 3.6% in local currencies, excluding the impact of acquisitions and divestments. The Group's net sales decreased by 2.5% in Finland, or grew by 4.5% in comparable terms. In other countries, net sales decreased by 2.2%, or grew by 0.5% in comparable terms. International operations accounted for 20.4% (20.3%) of the Group's net sales.

In the grocery trade, net sales grew by 1.9%, and were affected by the transfers of the stores acquired from Suomen Lähikauppa to retailers and by changes in the store site network. In comparable terms, net sales increased by 5.4%. 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, 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 8.3%, impacted by the divestments carried out in the first half of 2017. In comparable terms, net sales increased by 2.0% in local currencies. 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 and Gipling AS on 23 July 2018. The net sales for the building and technical trade excluding the speciality goods trade increased by 0.5%, or 1.8% in comparable terms. In the speciality goods trade, net sales decreased by 49.9% on account of divestments, while in comparable terms net sales increased by 3.4%.

In the car trade, net sales grew by 1.7%. Net sales development was impacted by the implementation of the new WLTP emissions testing in Europe at the beginning of September.

Reinin Liha became part of Kesko Group's foodservice wholesale business Kespro following an acquisition carried out on 1 June 2018, and Kalatukku E. Eriksson following an acquisition completed 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. 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 interim report. The figures for the comparison period have been adjusted accordingly.

1-9/2018	Net sales, € million	Change, %	Change, comparable, %	Operating profit, comparable, € million	Change, € million
Grocery trade	3,956	+1.9	+5.4	156.2	+19.9
Building and technical trade excluding speciality goods	2,775	+0.5	+1.8	71.7	+6.5
Speciality goods trade	293	-49.9	+3.4	5.4	-10.6
Building and technical trade, total	3,068	-8.3	+2.0	77.1	-4.2
Car trade	703	+1.7	+1.7	27.5	+1.1
Common functions and eliminations	1	(..)	(..)	-19.1	+9.1
Total	**7,728**	**-2.4**	**+3.6**	**241.7**	**+25.9**

The Group's comparable operating profit for continuing operations for January-September was €241.7 million (€215.8 million). Profitability improved significantly in the grocery trade due to sales growth, successful chain redesigns and realised synergy benefits. The comparable operating profit for the building and technical trade excluding the speciality goods trade grew thanks to Onninen and the building and home improvement trade in Finland and Norway. 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 €228.2 million (€267.8 million). Items affecting comparability totalled €-13.5 million (€52.0 million). The most significant items affecting comparability were the €5.9 million costs related to conversions of Suomen Lähikauppa's chains and changes in the store site network, and the €4.1 million costs related to structural changes in the Swedish operations of the building and technical trade division. The transfer of former Suomen Lähikauppa stores to retailers was completed on 30 June 2018. The most significant items affecting comparability the year before were the €49.6 million gain on the divestment of real estate in the Baltics, the €19.7 million expenses related to the conversion of the Suomen Lähikauppa chains, the €12.1 million gain on the divestment of the K-maatalous agricultural business, as well as the gain on the divestment of the Asko and Sotka furniture trade amounting to €19.0 million.

Items affecting comparability	**1-9/2018**	**1-9/2017**
Operating profit, comparable	**241.7**	**215.8**
Items affecting comparability		
+gains on disposal	6.7	82.7
-losses on disposal	-0.1	-1.7
-impairment charges	-3.4	-0.5
+/-structural arrangements	-16.8	-28.5
Items affecting comparability, total	-13.5	52.0
Operating profit	**228.2**	**267.8**

The comparable profit before tax for the Group’s continuing operations in January-September was €237.7 million (€218.7 million). The profit before tax for the Group’s continuing operations in January-September was €224.2

million (€270.7 million). The earnings per share for the Group’s continuing operations were €1.63 (€2.18), and the comparable earnings per share €1.77 (€1.64). 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 €-0.05 impact on the earnings per share. The Group's equity per share was €20.78 (€20.89).

K Group's (Kesko and chain stores) retail and B2B sales (VAT 0%) for January-September totalled €9,540 million, representing a growth of 2.4% compared to the previous year (pro forma). The K-Plussa customer loyalty programme added 70,920 new households between January and September 2018. The number of K-Plussa households stood at 2.4 million at the end of September and there were 3.5 million K-Plussa cardholders in total.

NET SALES AND PROFIT FOR JULY-SEPTEMBER 2018

The net sales of the Group’s continuing operations in July-September 2018 totalled €2,642 million, which is 1.8% up on the corresponding period of the previous year (€2,596 million). Net sales were boosted by the acquisitions made in Finland and Norway in June and July 2018. In comparable terms, net sales grew by 3.5% in local currencies, excluding the impact of acquisitions and divestments. The Group's net sales increased by 2.0% in Finland, or 4.3% in comparable terms. In other countries, net sales increased by 0.9%, or 0.8% in comparable terms. International operations accounted for 21.7% (21.9%) of the Group's net sales.

Net sales for the grocery trade grew by 3.0%, or 6.2% 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 1.8%, impacted by the acquisitions completed in Norway in July 2018. In comparable terms, net sales increased by 2.3% 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. The net sales for the building and technical trade excluding the speciality goods trade increased by 2.6%, or 2.5% in comparable terms. In the speciality goods trade, net sales decreased by 5.3% on account of divestments, while in comparable terms net sales increased by 0.8%.

In the car trade, net sales decreased by 5.6%. Net sales development was impacted by the implementation of the new WLTP emissions testing in Europe at the beginning of September.

7-9/2018	Net sales, € million	Change, %	Change, comparable, %	Operating profit, comparable, € million	Change, € million
Grocery trade	1,352	+3.0	+6.2	64.7	+5.2
Building and technical trade excluding speciality goods	978	+2.6	+2.5	41.6	+7.0
Speciality goods trade	111	-5.3	+0.8	4.4	-1.8
Building and technical trade, total	1,089	+1.8	+2.3	45.9	+5.2
Car trade	200	-5.6	-5.6	7.8	-1.0
Common functions and eliminations	0	-86.5	-89.2	-5.8	+2.7
Total	**2,642**	**+1.8**	**+3.5**	**112.6**	**+12.1**

The Group's comparable operating profit for continuing operations for July-September was €112.6 million (€100.5 million). Profitability improved significantly in the grocery trade due to sales growth, successful chain redesigns and realised synergy benefits. The comparable operating profit for the building and technical trade excluding the speciality goods trade grew thanks to Onninen and building and home improvement trade in Finland and Norway. 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. In the car trade, profitability was good despite the decrease in net sales.

Operating profit was €110.0 million (€96.7 million). Items affecting comparability totalled €-2.7 million (€-3.8 million).

Items affecting comparability	7-9/2018	7-9/2017
Operating profit, comparable	**112.6**	**100.5**
Items affecting comparability		
+gains on disposal	0.0	+0.6
-losses on disposal	-0.0	-0.1
-impairment charges	-	-0.5
+/-structural arrangements	-2.6	-3.9
Items affecting comparability, total	-2.7	-3.8
Operating profit	**110.0**	**96.7**

The comparable profit before tax for the Group's continuing operations in July-September was €111.8 million (€100.3 million). The profit before tax for the Group's continuing operations in July-September was €109.1 million (€96.5 million). The earnings per share for the Group's continuing operations were €0.79 (€0.67), and the comparable earnings per share €0.81 (€0.71). 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 €-0.03 impact on the earnings per share.

In July-September, K Group's (Kesko and chain stores) retail and B2B sales (VAT 0%) totalled €3,317 million, up by 2.3% compared to the previous year (pro forma).

FINANCE

In January-September, the Group's cash flow from operating activities in continuing operations was €309.6 million (€181.2 million). Cash flow was strengthened by improved profitability and the €58 million return of surplus assets paid by Kesko Pension Fund in March. The cash flow from operating activities for discontinued operations was €-23.3 million (€4.7 million). The Group's cash flow from operating activities was €286.4 million (€186.0 million).

The Group's cash flow from investing activities was €-152.3 million (€10.9 million). Cash flow from investing activities includes the €163 million transaction price obtained from the divestment of properties in Russia. Cash flow from investing activities also includes the combined €159.2 million transaction prices for the acquisitions carried out in June and July. Cash flow from investing activities for the comparison period includes the divestment of a 45% stake in 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, €199.5 million.

The Group had liquid assets of €319 million at the end of the reporting period (€370 million). Interest-bearing liabilities at the end of September totalled €548 million (€530 million) and interest-bearing net debt €229 million (€159 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 48.5% (49.1%) at the end of the period.

The net finance costs for the Group's continuing operations in January-September totalled €1.1 million (net finance income €2.9 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 €-2.9 million. Kesko and Oriola's joint venture, the Hehku wellbeing chain, had an impact of €-3.8 million.

In July-September, the Group's cash flow from operating activities in continuing operations was €130.5 million (€97.8 million). The cash flow from operating activities for discontinued operations was €-19.9 million (€4.4 million), weakened by the income taxes of €13.2 million related to the divestment of building and home improvement store properties in Russia, paid in the third quarter. The Group's cash flow from operating activities in July-September was €110.6 million (€102.1 million). The Group's cash flow from investing activities was €-219.5 million (€-52.3 million), affected by the acquisitions carried out.

The net finance costs for the Group's continuing operations in July-September totalled €0.3 million (€0.2 million). The share of result of associates and joint ventures was €-0.5 million. Kesko and Oriola's joint venture, the Hehku wellbeing chain, had an impact of €-1.2 million.

TAXES

The taxes for the Group's continuing operations were €47.1 million (€45.2 million) in January-September. The effective tax rate was 21.0% (16.7%). The effective tax rate for the comparison period was lowered by tax-exempt gains on the sale of properties and subsidiaries. The taxes for the Group's continuing operations in July-September were €23.5 million (€23.6 million). The effective tax rate was 21.5% (24.5%).

CAPITAL EXPENDITURE

The capital expenditure for the Group's continuing operations in January-September totalled €349.9 million (€216.4 million), or 4.5% (2.7%) of net sales. Capital expenditure in store sites was €87.6 million (€153.5 million), in acquisitions €166.0 million, and in IT €37.6 million (€21.4 million) and other capital expenditure totalled €58.6 million (€41.1 million).

The capital expenditure for the Group's continuing operations in July-September totalled €221.2million (€62.9 million), or 8.4% (2.4%) of net sales. Capital expenditure in store sites was €26.8 million (€52.5 million), in acquisitions €162.1 million, and in IT €16.1 million (€4.2 million) and other capital expenditure totalled €16.3 million (€5.8 million).

PERSONNEL

In January-September, the average number of personnel in Kesko Group was 20,005 (22,419) converted into full-time employees.

At the end of September 2018, the number of personnel stood at 22,904 (25,288), of whom 11,611 (12,603) were employed in Finland and 11,293 (12,685) outside Finland. 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. Kesko discontinued the operations of its two remaining K-Rauta properties in the Moscow region, included in assets held for sale.

The divestment of the properties resulted in a positive cash flow of €171 million for Kesko Corporation in February. All divested properties had been handed over to the buyer by 30 June 2018. The divestment of the properties and the valuation of the remaining properties resulted in a net €15 million sales gain for discontinued operations. The operative result after taxes for the operations was €-1.7 million. In addition, a cost of €21 million related to the discontinuation of operations was recorded as were translation differences of €-39 million related to the equity financing of Russian subsidiaries. The 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 interim report. The comparison data for the 2017 income statement, statement of cash flows and certain performance indicators have been adjusted. In 2017, Kesko’s building and home improvement trade operations in Russia recorded net sales of €184 million and a comparable operating profit of €0.6 million.

SEGMENTS

SEASONAL NATURE OF OPERATIONS

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

	1-9/2018	1-9/2017	7-9/2018	7-9/2017
Net sales, € million	3,956	3,883	1,352	1,313
Operating profit, comparable, € million	156.2	136.3	64.7	59.4
Operating margin, comparable	3.9	3.5	4.8	4.5
Return on capital employed, comparable, %, rolling 12 months	24.9	23.7	24.9	23.7
Capital expenditure, € million	96.9	142.9	36.9	45.3
Personnel, average	6,102	6,977	6,127	6,649

Net sales	1-9/2018	1-9/2017	Change, %	7-9/2018	7-9/2017	Change, %
Sales to K-food stores						
K-Citymarket, food	808	772	+4.7	273	257	+6.1
K-Supermarket	1,014	937	+8.3	343	314	+9.4
K-Market*	984	1,079	-8.8	333	359	-7.4
K-Citymarket, non-food	398	398	+0.2	138	139	-0.5
Kespro	645	603	+7.0	228	211	+8.4
Others	107	95	+12.5	37	33	+11.9
Total	**3,956**	**3,883**	**+1.9**	**1,352**	**1,313**	**+3.0**

* The comparable net sales development for K-Market was +4.1% in January-September and +5.6% in July-September.

January-September 2018

Net sales for the grocery trade in January-September amounted to €3,956 million (€3,883 million), an increase of 1.9%. In comparable terms, net sales increased by 5.4%. Net sales development in the K-Market chain was affected by changes in Suomen Lähikauppa's store site network and the transfer of stores to retailers. The comparable change has been calculated by including in the net sales those stores acquired from Suomen Lähikauppa which have been in the store network during both this reporting period as well as the comparison period, and by deducting the impact of Reinin Liha and Kalatukku E. Eriksson. Reinin Liha became part of Kesko Group's foodservice wholesale business Kespro following an acquisition carried out on 1 June 2018, and Kalatukku E. Eriksson following an acquisition on 2 July 2018.

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

The total grocery market in Finland (incl. VAT) is estimated to have grown by approximately 4.2% in January-September (Kesko's own estimate) and retail prices are estimated to have risen by some 2.3%, impacted by the increases in tobacco and alcohol taxes at the start of 2018 (incl. VAT, Kesko's own estimate based on the price development estimate of the Finnish Grocery Trade Association). K Group's grocery sales grew by 4.6% (incl. VAT), and excluding the impact of the acquisition of Suomen Lähikauppa, by 5.6% (incl. VAT).

The comparable operating profit for the grocery trade in January-September was €156.2 million (€136.3 million), up by €19.9 million. Profitability in the grocery trade improved significantly due to sales growth, successful chain redesigns, and realised synergy benefits. Kespro's sales also grew and profitability improved. The profitability of the stores acquired from Suomen Lähikauppa in 2016 improved significantly following their conversion into K-Markets and transfer to retailers and the adjustments made to the store site network.

Operating profit for the grocery trade totalled €149.4 million (€115.9 million). Items affecting comparability amounted to €-6.8 million (€-20.4 million), and they were mainly related to the restructuring of Suomen Lähikauppa, €-5.9 million (€-19.7 million).

Capital expenditure in the grocery trade totalled €96.9 million (€142.9 million) in January-September, of which capital expenditure in store sites accounted for €71.5 million (€133.4 million) and acquisitions €13.1 million.

July-September 2018

Net sales for the grocery trade in July-September amounted to €1,352 million (€1,313 million), an increase of 3.0%. Net sales grew in comparable terms by 6.2%. Net sales were boosted by a successful summer season 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 4.3% in July-September (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 price development estimate of the Finnish Grocery Trade Association)). K Group's grocery sales grew by 6.0% (incl. VAT), and excluding the impact of the acquisition of Suomen Lähikauppa, by 6.5% (incl. VAT).

The comparable operating profit for the grocery trade in July-September was €64.7 million (€59.4 million), up by €5.2 million. Profitability in the grocery trade improved significantly due to sales growth, successful chain redesigns, and realised synergy benefits.

Operating profit for the grocery trade totalled €63.5 million (€59.3 million). Items affecting comparability amounted to €-1.1 million (€-0.2 million), and they were mainly related to the restructuring of Suomen Lähikauppa, €-0.7 million (€0.6 million).

Capital expenditure in the grocery trade totalled €36.9 million (€45.3 million) in July-September, of which capital expenditure in store sites accounted for €23.6 million (€46.4 million).

In July-September, two new K-Supermarkets and four new K-Markets were opened. Remodelling and extensions were made in a total of 17 stores.

The most significant store sites under construction are a K-Citymarket in Seinäjoki, and K-Supermarkets in Laajasalo and Pasila in Helsinki, in Kauklahti in Espoo, and in Kerava.

Store numbers at 30.9.	2018	2017
K-Citymarket	81	81
K-Supermarket	242	231
K-Market	785	821
Neste K	73	70
Others	78	86

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

BUILDING AND TECHNICAL TRADE

	1-9/2018	1-9/2017	7-9/2018	7-9/2017
Net sales, € million	3,068	3,345	1,089	1,070
Building and technical trade excluding speciality goods	2,775	2,762	978	953
Speciality goods trade	293	584	111	117
Operating profit, comparable, € million	77.1	81.3	45.9	40.7
Building and technical trade excluding speciality goods	71.7	65.3	41.6	34.5
Speciality goods trade	5.4	15.9	4.4	6.1
Operating margin, comparable	2.5	2.4	4.2	3.8
Building and technical trade excluding speciality goods	2.6	2.4	4.2	3.6
Speciality goods trade	1.8	2.7	3.9	5.2
Return on capital employed, comparable, %, rolling 12 months	9.9	10.1	9.9	10.1
Capital expenditure, € million	183.4	41.4	160.5	9.1
Personnel, average	11,534	12,078	11,961	11,637

Net sales	1-9/2018	1-9/2017	Change, %	7-9/2018	7-9/2017	Change, %
Building and home improvement trade, Finland	692	682	+1.4	229	226	+1.6
K-Rauta, Sweden	136	159	-14.9	47	56	-15.8
Byggmakker, Norway	270	314	-13.8	102	105	-2.1
Kesko Senukai, Baltics	424	373	+13.7	158	143	+9.9
OMA, Belarus	96	91	+5.8	38	32	+16.2
Onninen, Finland	659	610	+8.1	235	216	+9.0
Onninen, Sweden	112	143	-21.6	34	41	-17.9
Onninen, Norway	184	198	-6.9	59	62	-5.3
Onninen, Baltics	57	51	+11.9	21	19	+13.1
Onninen, Poland	175	157	+11.0	66	60	+10.0
Building and technical trade excluding speciality goods, total	**2,775**	**2,762**	**+0.5**	**978**	**953**	**+2.6**
Leisure trade, Finland	144	142	+1.8	52	53	-2.1
Machinery trade	148	164	-9.3	59	65	-7.9
K-maatalous, Indoor Group Oy and Yamaha and Yamarin	-	279	-	-	-	-
Speciality goods trade, total	**293**	**584**	**-49.9**	**111**	**117**	**-5.3**
Total	**3,068**	**3,345**	**-8.3**	**1,089**	**1,070**	**+1.8**

January-September 2018

Net sales for the building and technical trade in January-September totalled €3,068 million (€3,345 million), down by 8.3%. The net sales were impacted by the divestments carried out in the first half of 2017. In comparable terms, net sales increased by 2.0% in local currencies. 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 and Gipling AS in 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.

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 interim report. The figures for the comparison period have been adjusted accordingly.

In Finland, net sales for the building and technical trade in January-September totalled €1,495 million (€1,738 million), down by 13.9% due to divestments carried out in 2017. In comparable terms, net sales increased by 3.6% in Finland. Net sales from foreign operations amounted to €1,573 million (€1,607 million) in January-September, a decrease of 2.2%. In comparable terms, net sales from foreign operations grew by 0.5%. Foreign operations accounted for 51.3% (48.1%) 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 €2,775 million (€2,762 million) in January-September, an increase of 0.5%. In comparable terms, net sales increased by 1.8%.

Net sales for the building and home improvement trade in January-September totalled €1,614 million (€1,615 million), matching the level of the year before. In local currencies, net sales increased by 0.8%. Net sales in Finland grew by 1.4% and in the Baltics by 13.7%. In Belarus, net sales grew in local currency by 19.1%. Net sales decreased in local currency in Norway by 10.5% and in Sweden by 9.1%. In Sweden, the decrease in net sales was impacted by closures of K-Rauta stores due to the ending of lease agreements, while in Norway, the decline was impacted by the expiry of one retailer agreement at the start of 2018.

Onninen's net sales in January-September totalled €1,184 million (€1,164 million), up by 1.8%. Net sales in Finland grew by 8.1% and in the Baltics by 11.9%. In Poland, net sales grew in local currency by 10.6%. Net sales decreased in local currency in Sweden by 16.3% 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 3.5% and the total market (VAT 0%) is estimated to have grown by some 2.3% (Kesko's own estimate).

Net sales for the speciality goods trade in January-September totalled €293 million (€584 million), down by 49.9%. The decrease was affected by the divestments carried out in 2017. In comparable terms, net sales grew by 3.4%. Net sales for the machinery trade in January-September amounted to €148 million (€164 million). Net sales grew in comparable terms by 4.9% from the previous year. Net sales for the machinery trade in Finland totalled €23 million, down by 11.7% in comparable terms. Net sales from foreign operations totalled €125 million, up 8.7%. Net sales for the leisure trade totalled €144 million (€142 million), up by 1.8%. 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-September was €77.1 million (€81.3 million), representing a decrease of €4.2 million compared to the year before, impacted by divestments of operations in the speciality goods trade and Baltic real estate. The comparable operating profit for the building and technical trade excluding the speciality goods trade operations totalled €71.7 million (€65.3 million), up by €6.5 million. Onninen's comparable operating profit in January-September totalled €30.5 million (€22.2 million), up by €8.4 million. Comparable operating profit grew in the building and home improvement trade in Finland and Norway. Positive profit development in Norway was affected by the acquisitions carried out. The impact of the properties divested in the Baltics in May 2017 on Kesko Senukai's comparable operating profit was €-1.7 million. The comparable operating profit for the speciality goods trade was €5.4 million (€15.9 million), down by €10.6 million. The comparable operating profit for the Asko and Sotka furniture trade, K-maatalous agricultural business and Yamarin boat business and Yamaha representation, all divested in June 2017, totalled €8.7 million in the comparison period.

Operating profit for the building and technical trade totalled €71.4 million (€156.6 million). Items affecting comparability totalled €-5.7 million (€75.3 million). The most significant items affecting comparability were the €4.1 million costs related to the restructuring of operations in Sweden and the €2.0 million gains on the disposal of real estate. The most significant items affecting comparability the year before were the €49.6 million gain on the divestment of real estate in the Baltics, the €12.1 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-September, the capital expenditure for the building and technical trade totalled €183.4 million (€41.4 million), of which €15.8 million (€19.2 million) was in store sites and €153.0 million in acquisitions.

July-September 2018

Net sales for the building and technical trade in July-September totalled €1,089 million (€1,070 million), up by 1.8%. The development was affected by the acquisitions carried out during the year. In comparable terms, net sales increased by 2.3%. The comparable change % has been calculated in local currencies and by excluding the impact of the acquisitions of Skattum Handel AS on 2 July 2018 and Gipling AS on 23 July 2018.

Net sales for the building and technical trade in Finland in July-September totalled €516 million (€502 million), up by 2.8%. In comparable terms, net sales increased by 4.2% in Finland. Net sales from foreign operations amounted to €573 million (€568 million) in July-September, an increase of 0.9%. In comparable terms, net sales from foreign operations grew by 0.8%. Foreign operations accounted for 52.6% (53.1%) 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 €978 million (€953 million) in July-September, an increase of 2.6%. In comparable terms, net sales increased by 2.5%.

Net sales for the building and home improvement trade in July-September totalled €572 million (€560 million), an increase of 2.1%. In local currencies, net sales increased by 0.6%. Net sales in Finland grew by 1.6% and in the Baltics by 9.9%. In Belarus, net sales grew in local currency by 21.7%. Net sales increased in local currency in Norway by 0.3% and decreased in Sweden by 8.4%. 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. Acquisitions carried out in Norway increased net sales in Norway by 19.6% in local currency.

Onninen’s net sales in July-September totalled €414 million (€399 million), up by 3.8%. Net sales in Finland grew by 9.0% and in the Baltics by 13.1%. In Poland, net sales grew in local currency by 10.9%. Net sales decreased in local currency in Sweden by 10.3% 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 2.3% and the total market (VAT 0%) is estimated to have grown by some 0.9% (Kesko's own estimate).

Net sales for the speciality goods trade in July-September totalled €111 million (€117 million), down by 5.3%. The comparable change was 0.8%. Net sales for the machinery trade in July-September amounted to €59 million (€65 million), an increase of 3.5% in comparable terms from the previous year. Net sales for the machinery trade in Finland totalled €8 million, up by 8.3% in comparable terms. Net sales from foreign operations totalled €51 million, up by 2.8%. Net sales for the leisure trade were €52 million (€53 million), down by 2.1%.

Comparable operating profit for the building and technical trade in July-September totalled €45.9 million (€40.7 million), up by €5.2 million. The comparable operating profit for the building and technical trade excluding the speciality goods trade operations totalled €41.6 million (€34.5 million), up by €7.0 million. Onninen’s comparable operating profit in July-September totalled €17.4 million (€13.3 million), up by €4.1 million. Comparable operating profit grew in the building and home improvement trade in Finland and Norway. Positive profit development in Norway was affected by the acquisitions carried out, which had a positive impact of €2.3 million. The comparable operating profit for the speciality goods trade was €4.4 million (€6.1 million), down by €1.8 million.

Operating profit for the building and technical trade totalled €44.7 million (€38.0 million). Items affecting comparability totalled €-1.3 million (€-2.7 million).

In July-September, the capital expenditure for the building and technical trade totalled €160.5 million (€9.1 million), of which €3.0 million (€5.6 million) was in store sites and €153.0 million in acquisitions.

A joint K-Rauta and Onninen store was opened in Karlstad, Sweden during the period.

The most significant store sites under construction are a K-Rauta store in Stockholm, Sweden, 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, one in Latvia, one in Estonia and two in Poland.

Store numbers at 30.9.	2018	2017
Building and technical trade		
K-Rauta, Finland	136	138
K-Rauta, Sweden	18	18
Byggmakker, Norway	65	82
K-Rauta, Estonia	8	8
K-Senukai, Latvia	9	8
K-Senukai, Lithuania	23	22
OMA, Belarus	17	16
Onninen, Finland	56	52
Onninen, Sweden	13	18
Onninen, Norway	25	25
Onninen, Baltics	14	15
Onninen, Poland	35	35
Speciality goods trade		
Intersport, Finland	55	56
Budget Sport	11	11
The Athlete's Foot	7	6
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

	1-9/2018	1-9/2017	7-9/2018	7-9/2017
Net sales, € million	703	691	200	212
Operating profit, comparable, € million	27.5	26.4	7.8	8.8
Operating margin, comparable	3.9	3.8	3.9	4.2
Return on capital employed, comparable, %, rolling 12 months	21.5	23.5	21.5	23.5
Capital expenditure, € million	36.3	14.0	9.1	5.0
Personnel, average	837	807	856	815

Net sales	1-9/2018	1-9/2017	Change, %	7-9/2018	7-9/2017	Change, %
K-Auto	648	648	0.0	178	196	-9.0
AutoCarrera	55	43	+27.7	23	17	+35.2
Total	**703**	**691**	**+1.7**	**200**	**212**	**-5.6**

January-September 2018

Net sales for the car trade in January-September totalled €703 million (€691 million), an increase of 1.7%. Net sales development was impacted by the implementation of the new WLTP emissions testing in Europe at the beginning of September. The combined market performance of first registrations of passenger cars and vans was +5.2% (+1.2%) in January-September. 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-September.

Profitability in the car trade remained good. The comparable operating profit for January-September was €27.5 million (€26.4 million), up by €1.1 million. The comparable operating profit for AutoCarrera was €5.0 million (€2.5 million). Operating profit for the car trade in January-September totalled €27.5 million (€26.4 million).

Capital expenditure for the car trade in January-September was €36.3 million (€14.0 million). Gross capital expenditure comprises primarily cars obtained for the leasing fleet and rental cars sold with repurchase commitments.

July-September 2018

Net sales for the car trade in July-September totalled €200 million (€212 million), a decrease of 5.6%. Net sales development was impacted by the implementation of the new WLTP emissions testing in Europe at the beginning of September. The combined market share of the Volkswagen, Audi, SEAT and Porsche passenger cars and vans imported by the car trade was 16.8% (18.5%) in July-September. The new WLTP emissions testing is predicted to have a negative impact on sales development also in the final quarter of 2018.

In the car trade, profitability was good despite the decrease in net sales. The comparable operating profit in July-September was €7.8 million (€8.8 million), down by €1.0 million. The comparable operating profit for AutoCarrera was €2.4 million (€1.4 million). Operating profit for the car trade in July-September totalled €7.8 million (€8.8 million).

Capital expenditure for the car trade in July-September totalled €9.1 million (€5.0 million). Gross capital expenditure comprises primarily cars obtained for the leasing fleet and rental cars sold with repurchase commitments.

Store numbers at 30.9.	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 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.

SHARES, SECURITIES MARKET AND BOARD AUTHORISATIONS

At the end of September 2018, the total number of Kesko Corporation shares was 100,019,752, of which 31,737,007, or 31.7%, were A shares and 68,282,745, or 68.3%, were B shares. On 30 September 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 September 2018, Kesko Corporation's share capital was €197,282,584.

The price of a Kesko A share quoted on Nasdaq Helsinki was €44.10 at the end of 2017, and €45.20 at the end of September 2018, representing an increase of 2.5%. Correspondingly, the price of a B share was €45.25 at the end of 2017, and €46.79 at the end of September, representing an increase of 3.4%. In January-September 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 up by 7.8% and the weighted OMX Helsinki Cap index by 8.1% in January-September 2018. The Retail Sector Index was up by 1.7%.

The market capitalisation of A shares was €1,434.5 million at the end of September 2018. The market capitalisation of B shares was €3,148.1 million, excluding the shares held by the parent company. The combined market capitalisation of A and B shares was €4,582.6 million, an increase of €118.7 million from the end of 2017.

In January-September 2018, a total of 1.1 million A shares were traded on Nasdaq Helsinki. The exchange value of the A shares was €51.6 million. Meanwhile, 41.7 million B shares were traded, with an exchange value of €2,022.2 million. Nasdaq Helsinki accounted for approximately 41% of the trading of Kesko's A and B shares in January-September 2018. Kesko shares were also traded on multilateral trading facilities, the most significant of which was the Cboe APA (source: Fidessa).

The Board holds a valid authorisation to decide on the transfer of a maximum of 1,000,000 own B shares held by the Company as treasury shares (2016 Share issue authorisation). On 1 February 2018, the Board decided to grant own B shares held by the Company as treasury shares to persons included in the target group for Kesko's transitional share-based incentive plan (Bridge Plan) based on this share issue authorisation and the fulfilment of the Bridge Plan performance criteria. This transfer of a total of 66,190 own B shares was communicated in stock exchange releases on 15 March 2018, 5 April 2018 and 1 June 2018.

On 1 February 2017, Kesko Corporation's Board of Directors made a decision to establish a new share-based long-term incentive scheme for Kesko's top management and key persons selected separately. The scheme consists of a performance share plan (PSP) as the main structure, and of a restricted share pool (RSP), which is a complementary share plan for special situations. Besides the PSP, the Board made a decision to establish a share-based bridge plan to cover the transitional phase during which Kesko transfers from a one-year performance period to a longer performance period in its long-term incentive scheme structure. If the performance criteria set for the PSP 2017-2020 plan are achieved in full, the maximum number of series B shares to be paid based on this plan is 340,000 shares. This number of shares represents gross earnings, from which the applicable withholding tax is deducted and the remaining net amount is paid to the participants in shares. The new share-based compensation scheme was communicated in a stock exchange release on 2 February 2017, and the realisation of the Bridge Plan in a stock exchange release on 1 February 2018.

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

In January-September, 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 plan. 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 of the Company, such as using the shares to develop the Company's capital structure, to finance possible acquisitions, capital expenditure or other arrangements within the scope of the Company's business operations, and to implement the Company's commitment and incentive scheme. Own B shares held by the Company as treasury shares can be issued either against or without payment. A share issue can only be without payment if the Company, taking into account the best interests of all of its shareholders, has a particularly weighty financial reason for it. The authorisation also includes the Board's authority to make decisions concerning any other matters related to the share issues. The amount possibly paid for the Company's own shares is recorded in the reserve of unrestricted equity. The authorisation is valid until 30 June 2020. Kesko Corporation's Annual General Meeting on 11 April 2018 resolved that approximately 30% of the annual remuneration of the members of Kesko's Board of Directors will be paid in B series shares in the company (Stock exchange release 11 April 2018). Kesko's Board of Directors decided on 24 April 2018 to implement the resolution of the General Meeting regarding the payment of the share portion of the annual remuneration by transferring B shares held by the company as treasury shares to the Board members based on the 2016 share issue authorisation (Stock exchange release 25 April 2018). The shares were transferred to the Board members on 27 April 2018. A Board member cannot transfer shares obtained in this manner until either three years have passed from the day the member has received the shares or their membership on the Board has ended, whichever comes first.

The Annual General Meeting of 11 April 2018 approved the Board's proposal for its authorisation to decide on the acquisition of a maximum of 1,000,000 of the Company's own B shares (2018 Authorisation to acquire own shares). The B shares will be acquired with the Company's distributable unrestricted equity, not in proportion to the shareholdings of shareholders, at the market price quoted in public trading organised by Nasdaq Helsinki Ltd ("the exchange") at the time of acquisition. The shares will be acquired and paid for in accordance with the rules of the exchange. The acquisition of own shares reduces the amount of the Company's distributable unrestricted equity. The B shares will be acquired for use in the development of the Company's capital structure, to finance possible acquisitions, capital expenditure and/or other arrangements within the scope of the Company's business operations, and to implement the Company's commitment and incentive scheme for management and other personnel. The Board will make decisions concerning any other issues related to the acquisition of B shares. The authorisation is valid until 30 September 2019.

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

Kesko's Annual General Meeting of 11 April 2018 also approved the Board's proposal for its authorisation to decide on the issuance of a maximum of 10,000,000 new B shares (2018 Share issue authorisation). The new shares can only be issued against payment. The new shares can be issued for subscription by shareholders in a directed issue in proportion to their existing holdings of the Company's shares regardless of whether they hold A or B shares, or, departing from the shareholder's pre-emptive right, in a directed issue if there is a weighty financial reason for the Company, such as using the shares to develop the Company's capital structure and financing possible acquisitions, capital expenditure or other arrangements within the scope of the Company's business operations. The Board of Directors will decide the subscription price for the issued shares. The Board will also have the right to issue shares for a non-cash consideration. The subscription price is recognised in the reserve of invested non-restricted equity. The Board will make decisions regarding any other matters related to the share issues. The authorisation will be valid until 30 June 2021, and it cancelled the authorisation given to the Board by the General Meeting of 13 April 2015 to issue a total maximum of 20,000,000 new B shares, which the Board did not use.

At the end of September 2018, the number of shareholders was 41,165, which is 1,157 less than at the end of 2017. At the end of September, foreign ownership of all shares was 34.5%, and foreign ownership of B shares 49.4%.

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. The operations of the two K-Rauta properties in the Moscow region not included in the transaction were discontinued during H1/2018. (Stock exchange release 16.2.2018)

Kesko Corporation's Board of Directors decided that the target group for the 2018–2019 performance period of Kesko's performance and share based commitment and incentive plan will comprise approximately 130 members of Kesko's management and other specified key persons. The Board also confirmed the criteria for 2018 for both the 2017–2020 plan initiated in 2017 and the 2018–2021 plan. The Board also decided to initiate a restricted share-based commitment and incentive plan for 2018–2020. (Stock exchange release 21.3.2018)

In the first interim report for 2018, the discontinuation of the building and home improvement trade operations in Russia was presented as discontinued operations in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. The standard requires comparison data to be adjusted, thus prompting changes in the presentation of data for 2017. The stock exchange release depicted comparison figures for 2017 for key continuing operations segment data. (Stock exchange release 23.3.2018)

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

Kesko Corporation's subsidiary Byggmakker Handel AS agreed to acquire Norwegian building and home improvement trade companies Skattum Handel AS and Gipling AS. In 2017, Skattum Handel AS recorded net sales of approximately €94 million and Gipling AS net sales of some €151 million. Both companies operate Byggmakker stores under the retailer business model, and the Byggmakker chain will control the stores following the acquisitions. 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. 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 will make Kesko Senukai one of the leading e-commerce operators in the Baltics with online operations in Estonia, Latvia and Lithuania. The completion of the acquisition 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 shares in its Baltic machinery trade subsidiaries and Konekesko Finland's agricultural machinery trade operations to Danish Agro Group. Danish Agro Group has used its call options announced in February 2017 to buy the remaining shares in Konekesko Ltd's Baltic subsidiaries and its agricultural machinery trade operations in Finland. As a result, Danish Agro Group 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 the 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.

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

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

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

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

The General Meeting also approved the Board's proposal to authorise the Board to decide on the donations in a total maximum of €300,000 for charitable or corresponding purposes until the Annual General Meeting to be held in 2019, and to decide on the donation recipients, purposes of use and other terms of the donations.

After the Annual General Meeting, Kesko Corporation's Board of Directors held an organisational meeting, in which it elected retailer Esa Kiiskinen (Business College Graduate) as Chairman of the Board and Peter Fagernäs (Master of Laws) as Deputy Chairman. Jannica Fagerholm (M.Sc. Econ.) was elected as Chairman of the Board's Audit Committee, Matti Kyytsönen (M.Sc. Econ.) as Deputy Chairman, and Piia Karhu (Doctor of Science, Economics and Business Administration) as a Committee member. Esa Kiiskinen was elected as Chairman of the Board's Remuneration Committee, Peter Fagernäs as Deputy Chairman, and Matti Kyytsönen as a Committee member.

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

SUSTAINABILITY

Kesko was again included in the prestigious Dow Jones Sustainability Indices, the DJSI World and DJSI Europe. Kesko received the industry best overall score in the Environmental Dimension.

More than 40 K-food stores across Finland are already using the ResQ Club app in an effort to reduce food waste, and the cooperation is expanding.

K Group conducted an extensive assessment regarding the water risks related to its avocado purchasing, and as a result, K Group will increasingly focus its purchasing in areas with the smallest water risks.

One of the biggest solar power plants in Finland was built in August on the roof of the Veturi shopping centre in Kouvola. The plant has 3,339 solar panels and it generates electricity for the K-Citymarket located on the premises.

K Group joined the Accord on Fire and Building Safety in Bangladesh to improve the safety of clothing factories in the country.

In autumn 2018, K Group will open the first 10 electric car charging points in its K Charge network at K-store locations across Finland.

RISK MANAGEMENT

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

No material change is estimated to have taken place in 2018 in the risks described in Kesko's 2017 Report by the Board of Directors, financial statements and the risks described on Kesko's website. The most significant near-future risks in Kesko's business operations are associated with price competition in the Finnish grocery trade, the integration of acquisitions and the realisation of synergies and country-specific strategies in the building and technical trade, changes caused by digitalisation in the trading sector, cyber threats, and the potential impact of the regulatory initiative concerning trading practices in the food chain underway in the EU. The new WLTP emissions testing, implemented from September onwards, is slowing down car trade in Europe in the latter half of the year.

The risks and uncertainties related to economic development are described in the outlook section of this release.

OUTLOOK

Estimates for the outlook for the net sales and comparable operating profit for Kesko Group's continuing operations are given for the 12-month period following the reporting period (10/2018-9/2019) in comparison with the 12 months preceding the end of the reporting period (10/2017-9/2018).

The general economic situation and the expected trend in consumer demand vary in Kesko's different operating countries. In Finland, the trading sector is expected to grow. In the Finnish grocery trade, intense competition is expected to continue, although, as purchasing power increases, the importance of quality will be emphasised more than previously. In the building and technical trade, the growth in B2B sales is expected to continue stronger than the growth in the retail market. The market is expected to grow in the Nordic and Baltic countries, but at a somewhat slower rate.

In comparable terms, the net sales for continuing operations for the next 12 months are expected to exceed the level of the previous 12 months. The comparable operating profit for continuing operations for the next 12-month period is expected to exceed the level of the preceding 12 months. However, investments in the expansion of logistics operations and in information systems and digital services will burden profitability during the period. Furthermore, in the car trade, profitability is burdened by the shift to WLTP emissions testing, which postpones car delivery times.

Helsinki, 23 October 2018
Kesko Corporation
Board of Directors

The information in this 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 briefing 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 2018 financial statements release will be published on 6 February 2019. 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

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

TABLES SECTION

Accounting policies

This interim report has been prepared in accordance with IAS 34. The interim report has been prepared in accordance with the same accounting principles as the annual financial statements for 2017, except for the impact of new or amended IFRS effective as of 1 January 2018. As of the start of the financial year, the Group has adopted the new standards IFRS 9 Financial instruments and IFRS 15 Revenue from Contracts with Customers and the amendments to the standard IFRS 2 Share-based 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							
	1-9/2018	**1-9/2017**	**Change, %**	**7-9/2018**	**7-9/2017**	**Change, %**	**1-12/2017**
Continuing operations							
Net sales	7,728	7,917	-2.4	2,642	2,596	1.8	10,492
Cost of goods sold	-6,717	-6,812	-1.4	-2,283	-2,235	2.1	-9,026
Gross profit	**1,011**	**1,105**	**-8.6**	**359**	**361**	**-0.5**	**1,466**
Other operating income	583	593	-1.7	191	176	9.0	787
Employee benefit expense	-507	-557	-9.1	-164	-168	-2.3	-738
Depreciation and impairment charges	-106	-94	12.9	-36	-31	18.5	-130
Other operating expenses	-752	-779	-3.5	-240	-241	-0.5	-1,046
Operating profit	**228**	**268**	**-14.8**	**110**	**97**	**13.8**	**339**
Interest income and other finance income	10	15	-31.9	3	5	-29.2	18
Interest expense and other finance costs	-9	-10	-9.9	-2	-4	-44.6	-14
Foreign exchange differences	-2	-2	6.3	-1	-1	49.1	-2
Share of result of associates and joint ventures	-3	0	(..)	-1	0	(..)	2
Profit before tax	**224**	**271**	**-17.2**	**109**	**96**	**13.1**	**342**
Income tax	-47	-45	4.1	-23	-24	-0.5	-58
Net profit for the period from continuing operations	177	226	-21.5	86	73	17.5	284
Discontinued operations							
Net profit for the period from discontinued operations	-54	-1	(..)	-3	1	(..)	-16
Net profit for the period	**123**	**224**	**-45.1**	**83**	**74**	**11.8**	**269**
Attributable to							
Owners of the parent	108	215	-49.8	76	68	11.5	258
Non-controlling interests	15	9	64.4	7	6	15.4	11
Earnings per share (€) for profit attributable to owners of the parent							
Basic and diluted, continuing operations	1.63	2.18	-25.0	0.79	0.67	17.9	2.75
Basic and diluted, discontinued operations	-0.54	-0.01	(..)	-0.03	0.01	(..)	-0.16
Basic and diluted, Group total	1.09	2.16	-49.7	0.77	0.69	11.7	2.59

Consolidated statement of comprehensive income (€ million)							
	1-9/2018	1-9/2017	Change, %	7-9/2018	7-9/2017	Change, %	1-12/2017
Net profit for the period	123	224	-45.1	83	74	11.8	269
Continuing operations							
Items that will not be reclassified subsequently to profit or loss							
Actuarial gains/losses	12	16	-24.9	12	4	(..)	36
Items that may be reclassified subsequently to profit or loss							
Currency translation differences related to a foreign operation	-1	-10	-85.3	1	-1	(..)	-15
Cash flow hedge revaluation	1	0	(..)	-1	1	(..)	1
Revaluation of available-for-sale financial assets	-	1	-	-	0	-	0
Other items	0	0	-44.6	-	-	-	0
Total other comprehensive income for the period, net of tax, continuing operations	12	7	69.8	13	3	(..)	21
Total other comprehensive income for the period, net of tax, discontinued operations	35	-11	(..)	0	-2	-95.8	-14
Total comprehensive income for the period	**170**	**220**	**-22.7**	**95**	**76**	**26.3**	**276**
Attributable to							
Owners of the parent	156	214	-27.2	89	71	26.1	269
Non-controlling interests	14	6	(..)	6	5	28.7	7

(..) Change over 100%

Consolidated statement of financial position (€ million), condensed				
	30.9.2018	**30.9.2017**	**Change, %**	**31.12.2017**
ASSETS				
Non-current assets				
Tangible assets	1,180	1,234	-4.4	1,293
Intangible assets	488	384	27.2	376
Shares in associates and joint ventures and other financial assets	152	139	9.3	140
Loans and receivables	71	75	-6.4	71
Pension assets	164	183	-10.4	207
Total	2,053	2,014	1.9	2,088
Current assets				
Inventories	869	951	-8.6	939
Trade receivables	937	904	3.6	836
Other receivables	233	223	4.7	209
Financial assets at fair value through profit or loss	51	181	-71.6	171
Financial assets at amortised cost	68	-	-	-
Available-for-sale financial assets	-	56	-	57
Cash and cash equivalents	198	133	48.6	170
Total	2,357	2,449	-3.7	2,382
Non-current assets held for sale	88	0	(..)	2
Total assets	**4,498**	**4,464**	**0.8**	**4,472**
	30.9.2018	**30.9.2017**	**Change, %**	**31.12.2017**
EQUITY AND LIABILITIES				
Equity	2,057	2,078	-1.0	2,133
Non-controlling interests	109	97	12.3	99
Total equity	2,167	2,176	-0.4	2,232
Non-current liabilities				
Interest-bearing liabilities	181	132	37.2	129
Non-interest-bearing liabilities	30	37	-19.7	31
Deferred tax liabilities	51	47	9.7	52
Pension obligations	1	0	34.4	0
Provisions	24	14	72.0	25
Total	287	230	24.6	238
Current liabilities				
Interest-bearing liabilities	367	398	-7.7	405
Trade payables	1,123	1,103	1.8	1,024
Other non-interest-bearing liabilities	506	516	-1.9	541
Provisions	27	41	-34.6	32
Total	2,024	2,058	-1.7	2,001
Liabilities related to non-current assets held for sale	21	-	-	0
Total equity and liabilities	**4,498**	**4,464**	**0.8**	**4,472**

(..) Change over 100%

Consolidated statement of changes in equity (€ million)

	Share capital	Reserves	Currency translation differ-ences	Re-valuation reserve	Treasury shares	Retained earnings	Non-cont-rolling interests	Total
Balance at 1.1.2018	**197**	**465**	**-50**	**3**	**-18**	**1,536**	**99**	**2,232**
Impact of new IFRS adoption				-4	4	3	0	2
Adjusted opening balance 1 Jan.	197	465	-50	0	-14	1,539	99	2,234
Share-based payments					1			1
Acquisition of treasury shares					-25			-25
Dividends						-219	-4	-223
Increase in share capital							1	1
Other changes						8		8
Transactions with owners, total					-23	-211	-3	-238
Comprehensive income								
Profit for the period, continuing operations						162	15	177
Profit for the period, discontinued operations						-54		-54
Items that will not be reclassified subsequently to profit or loss								
Actuarial gains/losses						15		15
Items that may be reclassified subsequently to profit or loss								
Translation differences on foreign operations			0			0	-1	-1
Cash flow hedge revaluation				2				2
Tax related to comprehensive income				0		-3		-3
Comprehensive income, discontinued operations			35					35
Total comprehensive income for the period			35	1		120	14	170
Balance at 30.9.2018	**197**	**465**	**-15**	**1**	**-38**	**1,447**	**109**	**2,167**

	Share capital	Reserves	Currency translation differ-ences	Re-valuation reserve	Treasury shares	Retained earnings	Non-cont-rolling interests	Total
Balance at 1.1.2017	**197**	**463**	**-24**	**3**	**-23**	**1,412**	**97**	**2,126**
Share-based payments					6			6
Disposals of subsidiaries		0	-1		0	1		0
Purchases of non-controlling interests							-1	-1
Disposals of non-controlling interests						21		21
Dividends						-199	-5	-204
Other changes						7	0	7

Transactions with owners, total		0	-1		6	-169	-5	-170
Comprehensive income								
Profit for the period, continuing operations						216	9	226
Profit for the period, discontinued operations						-1		-1
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								
Translation differences on foreign operations		0	-6				-4	-10
Cash flow hedge revaluation				1				1
Revaluation of available-for-sale financial assets				1				1
Income taxes related to comprehensive income				0		-4		-4
Comprehensive income, discontinued operations			-11					-11
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

	1-9/2018	1-9/2017	Change, %	7-9/2018	7-9/2017	Change, %	1-12/2017
Cash flows from operating activities							
Profit before tax, continuing operations	224	271	-17.4	109	97	12.8	343
Depreciation according to plan	103	94	9.3	36	31	18.5	130
Finance income and costs	1	-3	(..)	0	0	50.7	-2
Other adjustments	50	-75	(..)	-6	7	(..)	-78
Change in working capital							
Current non-interest-bearing receivables, increase (-)/decrease (+)	-108	-158	-31.6	78	43	84.7	-78
Inventories, increase (-)/decrease (+)	11	-20	(..)	23	-3	(..)	-13
Current non-interest-bearing liabilities, increase (+)/decrease(-)	66	101	-34.2	-84	-58	46.2	32
Financial items and tax	-38	-29	30.4	-27	-19	44.8	-43
Net cash from operating activities, continuing operations	310	181	70.8	131	98	33.5	292
Net cash from operating activities, discontinued operations	-23	5	(..)	-20	4	(..)	10
Net cash from operating activities, total	**286**	**186**	**54.0**	**111**	**102**	**8.3**	**302**

Cash flows from investing activities							
Investing activities	-338	-194	74.2	-216	-63	(..)	-305
Proceeds from sale of subsidiaries, net of cash	-	144	-	-	8	-	144
Proceeds from sale of tangible and intangible assets	22	88	-74.8	0	5	-99.1	97
Increase in non-current receivables	0	-10	(..)	0	-3	(..)	-7
Net cash used in investing activities, continuing operations	-316	28	(..)	-216	-53	(..)	-72
Net cash used in investing activities, discontinued operations	163	-17	(..)	-3	0	(..)	-17
Net cash used in investing activities, total	**-152**	**11**	**(..)**	**-220**	**-52**	**(..)**	**-88**
Cash flows from financing activities							
Interest-bearing liabilities, increase (+)/decrease (-)	34	-10	(..)	-23	-48	-53.1	0
Current interest-bearing receivables, increase (-)/ decrease (+)	-1	-1	61.9	1	0	(..)	0
Dividends paid	-219	-204	7.6	0	-	-	-204
Acquisition of treasury shares	-25	-	-	0	-	-	-
Short-term money market investments, increase (-)/ decrease (+)	108	-45	(..)	100	-75	(..)	-36
Other items	1	-4	(..)	1	2	-51.6	-3
Net cash used in financing activities, continuing operations	-102	-264	-61.4	79	-121	(..)	-243
Net cash used in financing activities, discontinued operations	-	-	-	-	-	-	-
Net cash used in financing activities, total	**-102**	**-264**	**-61.4**	**79**	**-121**	**(..)**	**-243**
Change in cash and cash equivalents	**32**	**-67**	**(..)**	**-30**	**-71**	**-57.3**	**-30**
Cash and cash equivalents at 1 Jan., continuing operations	164	199	-17.6	225	202	11.5	199
Cash and cash equivalents at 1 Jan., discontinued operations	7	2	(..)	2	3	-14.4	2
Exchange differences and cash and cash equivalents related to assets held for sale	-3	0	(..)	3	0	(..)	-1
Cash and cash equivalents at 30 Sep., continuing operations	198	130	52.8	198	130	52.8	164
Cash and cash equivalents at 30 Sep., discontinued operations	2	4	-56.7	2	4	-56.7	7

(..) Change over 100%

Group's performance indicators				
	1-9/2018	**1-9/2017**	**Change, pp**	**1-12/2017**
Return on capital employed, %*	12.9	16.1	-3.2	15.2
Return on capital employed, %, rolling 12 mo*	12.8	10.8	2.0	15.2
Return on capital employed, comparable, %*	13.7	13.0	0.7	13.3
Return on capital employed, comparable, %, rolling 12 mo*	13.8	12.4	1.4	13.3
Return on equity, %	7.5	13.9	-6.4	12.3
Return on equity, %, rolling 12 mo	7.7	8.6	-0.9	12.3
Return on equity, comparable, %	11.3	10.6	0.7	10.9
Return on equity, comparable, %, rolling 12 mo	11.6	9.9	1.7	10.9
Equity ratio, %	48.5	49.1	-0.6	50.4
Gearing, %	10.6	7.3	3.2	6.1
Interest-bearing net debt/EBITDA, rolling 12 mo	0.6	0.4	0.1	0.3
			Change, %	
Capital expenditure, € million*	349.9	216.4	61.7	333.5
Capital expenditure, % of net sales*	4.5	2.7	65.7	3.2
Cash flow from operating activities, € million*	309.6	181.2	70.8	291.9
Cash flow from investing activities, € million*	-315.7	27.8	(..)	-71.5
Cash flow from operating activities/share, €*	3.12	1.82	71.2	2.94
Equity per share, €	20.78	20.89	-0.6	21.45
Interest-bearing net debt, € million	229	159	43.6	136
Diluted number of shares, average for the reporting period, 1,000 pcs	99,237	99,414	-0.2	99,426
Personnel, average	20,005	22,419	-2,414	22,077
Earnings per share, basic and diluted, €				
Continuing operations	1.63	2.18	-25.0	2.75
Discontinued operations	-0.54	-0.01	(..)	-0.16
Group total	1.09	2.16	-49.7	2.59
Earnings per share, comparable, basic, €				
Continuing operations	1.77	1.64	8.5	2.29

(..) Change over 100%

*Continuing operations

Group's performance indicators by quarter	1-3/2017	4-6/2017	7-9/2017	10-12/2017	1-3/2018	4-6/2018	7-9/2018
Net sales, € million*	2,558	2,763	2,596	2,575	2,413	2,673	2,642
Change in net sales, %*	29.1	7.7	-5.3	-5.3	-5.7	-3.3	1.8
Operating profit, € million*	19.4	151.8	96.7	70.8	36.6	81.6	110.0
Operating margin, %*	0.8	5.5	3.7	2.8	1.5	3.1	4.2
Operating profit, comparable, € million*	31.5	83.8	100.5	80.4	40.0	89.0	112.6
Operating margin, comparable, %*	1.2	3.0	3.9	3.1	1.7	3.3	4.3
Finance income/costs, € million*	4.2	-1.1	-0.2	-0.7	0.0	-0.9	-0.3
Profit before tax, € million*	24.3	150.0	96.5	71.7	36.5	78.5	109.1
Profit before tax, %*	0.9	5.4	3.7	2.8	1.5	2.9	4.1
Return on capital employed, %*	3.5	27.1	17.8	12.6	6.3	14.2	18.2
Return on capital employed, comparable, %*	5.7	15.0	18.5	14.3	6.9	15.5	18.7
Return on equity, %	3.2	24.8	13.9	8.1	1.0	6.4	15.7
Return on equity, comparable, %	5.1	12.2	14.6	12.2	5.4	12.6	16.5
Cash flow from operating activities/share, €*	-0.48	1.32	0.98	1.11	0.40	1.41	1.32
Equity ratio, %	47.4	47.0	49.1	50.4	49.3	46.2	48.5
Capital expenditure, € million*	75.8	77.7	62.9	117.1	54.5	74.2	221.2
Equity per share, €	20.98	20.18	20.89	21.45	21.52	19.87	20.78
Earnings per share, basic and diluted, €							
Continuing operations	0.21	1.29	0.67	0.57	0.32	0.52	0.79
Discontinued operations	-0.03	0.00	0.01	-0.14	-0.24	-0.28	-0.03
Group total	0.18	1.29	0.69	0.43	0.08	0.24	0.77

*Continuing operations

Segment information, continuing operations

Net sales by segment (€ million)	1-9/2018	1-9/2017	Change, %	7-9/2018	7-9/2017	Change, %	1-12/2017	Rolling 12 mo 9/2018
Grocery trade, Finland	3,956	3,883	1.9	1,352	1,313	3.0	5,282	5,355
Grocery trade total	**3,956**	**3,883**	**1.9**	**1,352**	**1,313**	**3.0**	**5,282**	**5,355**
- of which intersegment trade	4	5	-20.7	2	1	8.9	7	6
Building and technical trade, Finland	1,495	1,738	-13.9	516	502	2.8	2,190	1,948
Building and technical trade, other countries*	1,573	1,607	-2.2	573	568	0.9	2,111	2,077
Building and technical trade total	**3,068**	**3,345**	**-8.3**	**1,089**	**1,070**	**1.8**	**4,302**	**4,025**
- of which intersegment trade	0	2	-85.2	0	0	-73.5	3	1
Car trade, Finland	703	691	1.7	200	212	-5.6	909	921
Car trade total	**703**	**691**	**1.7**	**200**	**212**	**-5.6**	**909**	**921**
- of which intersegment trade	1	0	(..)	0	0	61.8	1	1
Common functions and eliminations	1	-2	(..)	0	0	-86.5	-1	1
Finland total	**6,155**	**6,310**	**-2.5**	**2,069**	**2,028**	**2.0**	**8,380**	**8,226**
Other countries total*	**1,573**	**1,607**	**-2.2**	**573**	**568**	**0.9**	**2,111**	**2,077**
Continuing operations, total	**7,728**	**7,917**	**-2.4**	**2,642**	**2,596**	**1.8**	**10,492**	**10,302**

(..) Change over 100%

* Net sales in countries other than Finland

Operating profit by segment (€ million)	1-9/2018	1-9/2017	Change	7-9/2018	7-9/2017	Change	1-12/2017	Rolling 12 mo 9/2018
Grocery trade	149.4	115.9	33.5	63.5	59.3	4.3	181.3	214.8
Building and technical trade	71.4	156.6	-85.2	44.7	38.0	6.7	168.7	83.5
Car trade	27.5	26.4	1.1	7.8	8.8	-1.0	33.1	34.2
Common functions and eliminations	-20.2	-31.1	10.9	-6.1	-9.4	3.4	-44.5	-33.6
Continuing operations, total	**228.2**	**267.8**	**-39.7**	**110.0**	**96.7**	**13.3**	**338.6**	**299.0**

Operating profit by segment, comparable (€ million)	1-9/2018	1-9/2017	Change	7-9/2018	7-9/2017	Change	1-12/2017	Rolling 12 mo 9/2018
Grocery trade	156.2	136.3	19.9	64.7	59.4	5.2	203.4	223.2
Building and technical trade	77.1	81.3	-4.2	45.9	40.7	5.2	95.2	91.0
Car trade	27.5	26.4	1.1	7.8	8.8	-1.0	33.1	34.2
Common functions and eliminations	-19.1	-28.2	9.1	-5.8	-8.5	2.7	-35.6	-26.4
Continuing operations, total	**241.7**	**215.8**	**25.9**	**112.6**	**100.5**	**12.1**	**296.2**	**322.0**

Operating margin by segment, comparable (%)	1-9/2018	1-9/2017	Change, pp	7-9/2018	7-9/2017	Change, pp	1-12/2017	Rolling 12 mo 9/2018
Grocery trade	3.9	3.5	0.4	4.8	4.5	0.3	3.9	4.2
Building and technical trade	2.5	2.4	0.1	4.2	3.8	0.4	2.2	2.3
Car trade	3.9	3.8	0.1	3.9	4.2	-0.3	3.6	3.7
Continuing operations, total	**3.1**	**2.7**	**0.4**	**4.3**	**3.9**	**0.4**	**2.8**	**3.1**

Capital employed by segment, cumulative average (€ million)	1-9/2018	1-9/2017	Change	7-9/2018	7-9/2017	Change	1-12/2017	Rolling 12 mo 9/2018
Grocery trade	911	774	137	914	800	114	791	895
Building and technical trade	927	938	-11	991	870	121	923	916
Car trade	160	150	10	148	145	3	154	159
Common functions and eliminations	354	352	2	359	360	0	355	356
Continuing operation, total	**2,352**	**2,213**	**139**	**2,413**	**2,175**	**238**	**2,224**	**2,327**

Return on capital employed by segment, comparable (%)	1-9/2018	1-9/2017	Change, pp	7-9/2018	7-9/2017	Change, pp	1-12/2017	Rolling 12 mo 9/2018
Grocery trade	22.9	23.5	-0.6	28.3	29.7	-1.4	25.7	24.9
Building and technical trade	11.1	11.6	-0.5	18.5	18.7	-0.2	10.3	9.9
Car trade	22.9	23.5	-0.6	21.1	24.4	-3.2	21.5	21.5
Continuing operations, total	**13.7**	**13.0**	**0.7**	**18.7**	**18.5**	**0.2**	**13.3**	**13.8**

Capital expenditure by segment, € million	1-9/2018	1-9/2017	Change	7-9/2018	7-9/2017	Change	1-12/2017	Rolling 12 mo 9/2018
Grocery trade	97	143	-46	37	45	-8	224	178
Building and technical trade	183	41	142	160	9	151	64	206
Car trade	36	14	22	9	5	4	17	40
Common functions and eliminations	33	18	15	15	4	11	28	43
Continuing operations, total	**350**	**216**	**134**	**221**	**63**	**158**	**334**	**467**

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

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**
Grocery trade	16.7	39.9	59.3	65.4	37.6	48.3	63.5
Building and technical trade	4.0	114.6	38.0	12.1	-4.2	31.0	44.7
Car trade	10.0	7.6	8.8	6.7	11.0	8.7	7.8
Common functions and eliminations	-11.4	-10.3	-9.4	-13.4	-7.7	-6.4	-6.1
Continuing operations, total	**19.4**	**151.8**	**96.7**	**70.8**	**36.6**	**81.6**	**110.0**

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**
Grocery trade	-9.7	-10.6	-0.2	-1.7	-1.2	-4.5	-1.1
Building and technical trade	-1.8	79.8	-2.7	-1.8	-2.0	-2.4	-1.3
Car trade	-	-	-	-	-	-	-
Common functions and eliminations	-0.6	-1.3	-1.0	-6.0	-0.3	-0.5	-0.3
Continuing operations, total	**-12.1**	**67.9**	**-3.8**	**-9.5**	**-3.4**	**-7.5**	**-2.7**

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**
Grocery trade	26.4	50.5	59.4	67.0	38.7	52.8	64.7
Building and technical trade	5.8	34.8	40.7	14.0	-2.2	33.4	45.9
Car trade	10.0	7.6	8.8	6.7	11.0	8.7	7.8
Common functions and eliminations	-10.8	-9.0	-8.5	-7.4	-7.4	-5.9	-5.8
Continuing operations, total	**31.5**	**83.8**	**100.5**	**80.4**	**40.0**	**89.0**	**112.6**

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
Grocery trade	2.1	3.8	4.5	4.8	3.0	4.0	4.8
Building and technical trade	0.5	2.9	3.8	1.5	-0.3	3.0	4.2
Car trade	4.1	3.2	4.2	3.1	4.2	3.6	3.9
Continuing operations, total	**1.2**	**3.0**	**3.9**	**3.1**	**1.7**	**3.3**	**4.3**

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 (€155 million).

	Skattum Handel AS and Gipling AS	Kalatukku E. Eriksson Oy and Reinin Liha Oy
Consideration paid	155	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	33	2
Receivables	38	4
Deferred tax asset	1	-
Cash and cash equivalents	6	1
Total assets	**91**	**21**
Trade payables, other payables, provisions	29	6
Deferred tax liability	2	2
Total liabilities	**32**	**8**
Net assets acquired, total	**59**	**13**
Goodwill	96	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 €96 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-September was €17 million. The impact on the comparable operating profit for July-September was €2.3 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 €48 million, and the impact on comparable operating profit would have been €6.6 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-September 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-September 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. Kesko discontinued the operations of its two remaining K-Rauta properties in the Moscow region, included in assets held for sale in the consolidated statement of financial position.

The divestment of the properties resulted in a positive cash flow of €171 million for Kesko Corporation in February. All divested properties had been handed over to the buyer by 30 June 2018. The divestment of the properties and the valuation of the remaining properties resulted in a net €15 million sales gain for discontinued operations. The operative result after taxes for the operations was €-1.7 million. In addition, a cost of €21 million related to the discontinuation of operations was recorded as were translation differences of €-39 million related to the equity financing of Russian subsidiaries. The 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 interim report. The comparison data for the 2017 income statement, statement of cash flows and certain performance indicators have been adjusted.

Result for the Russian building and home improvement trade (€ million)					
	1-9/2018	**1-9/2017**	**7-9/2018**	**7-9/2017**	**1-12/2017**
Income	47	156	-1	55	203
Expense	-48	-157	1	-54	-217
Profit/loss before tax	-1	-1	0	2	-15
Income tax	0	-1	0	0	-1
Net profit/loss after tax	-2	-1	0	1	-16
Loss on discontinued Russian building and home improvement trade before tax	-45		-3		
Income tax	-8		0		
Loss on discontinued Russian building and home improvement trade after tax	-52		-3		
Net loss for the period from discontinued operations	**-54**		**-3**		

Statement of financial position for the Russian building and home improvement trade (€ million), condensed	
	30.9.2018
ASSETS	
Non-current assets	
Tangible assets	6
Total	6
Current assets	
Trade receivables	0
Other receivables	7
Cash and cash equivalents	2
Total	9
Total assets	**15**

	30.9.2018
LIABILITIES	
Current liabilities	
Trade payables	0
Other non-interest-bearing liabilities	0
Provisions	0
Total	0
Total liabilities	**0**

Impact of new and amended standards

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

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

Impact of new and amended standards on the opening balance sheet (€ million)

	31.12.2017	Adjustments	Opening balance sheet 1.1.2018
ASSETS			
Current assets			
Trade receivables	836	-2	834
Financial assets at fair value through profit or loss	171	10	181
Financial assets at amortised cost		57	57
Available-for-sale financial assets	68	-68	
Total current assets		-2	
EQUITY AND LIABILITIES			
Equity	2,133	2	2,135
Non-controlling interests	99	0	99
Total equity	2,232	2	2,234
Non-current liabilities			
Deferred tax liabilities	52	0	52
Total non-current liabilities		0	
Current liabilities			
Other non-interest-bearing liabilities	541	-4	537
Total current liabilities		-4	

Impact of new and amended standards on shareholder's equity in the opening balance sheet (€ million)

	Share capital	Reserves	Currency translation differences	Re-valuation reserve	Treasury shares	Retained earnings	Non-cont-rolling 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	2,234

IFRS 9 Financial instruments

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

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

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

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

Reclassification of financial assets (€ million)

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

IFRS 15 Revenue from Contracts with Customers

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

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

IFRS 2 Share-based Payment

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

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

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

IFRS 16 Leases

IFRS 16 concerns the definition, recognition and measurement of lease agreements and notes related to leases. According to the standard, the lessee recognises in its balance sheet right-of-use assets and lease liabilities. The standard includes optional exemptions for leases with a term of less than 12 months and for asset items of low value. The lessor's reporting remains unchanged, meaning leases are still divided into finance lease agreements and operating leases. The effective date of the standard is 1 January 2019. The standard has been endorsed for adoption by the EU.

Kesko Group leases store sites for use in its business operations in all of its operating countries. The store site network is a strategic competitive factor for the Group. At the end of 2017, Kesko Group had over 1,500 leased properties, the lease liability for which was €2,892 million, in addition to which the Group had other lease liabilities of €21 million. At the end of September 2018, the lease liability for Kesko Group's properties totalled €2,868 million and other lease liabilities amounted to €22 million. 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 are estimated to be at €2,008 million, and the corresponding interest-bearing liabilities at €2,214 million.

Change in tangible and intangible assets (€ million)

	30.9.2018	30.9.2017
Opening net carrying amount	**1,669**	**1,581**
Depreciation, amortisation and impairment charges	-107	-101
Investments in tangible and intangible assets	274	238
Deductions	-18	-30
Acquisitions	27	-
Disposals	-11	-55
Transfers to non-current assets held for sale	-168	-
Exchange differences	1	-15
Closing net carrying amount	**1,667**	**1,617**

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:		
	1-9/2018	**1-9/2017**
Sales of goods and services	71	62
Purchases of goods and services	6	6
Other operating income	12	12
Other operating expenses	46	50
Finance income and costs	4	1
	30.9.2018	**30.9.2017**
Receivables	71	68
Liabilities	37	37

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

	Level 1	Level 2	Level 3	30.9.2018
Financial assets at fair value through profit or loss	**51.3**		**15.9**	**67.3**
Derivative financial instruments at fair value through profit or loss				
Derivative financial assets		3.8		3.8
Derivative financial liabilities		-2.7		-2.7

	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**

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	1-9/2018	1-9/2017	Change
Grocery trade	6,102	6,977	-875
Building and technical trade	11,534	12,078	-544
Car trade	837	807	30
Common functions	985	849	136
Continuing operations, total	19,457	20,710	-1,254
Discontinued operations	548	1,709	-1,162
Group total	**20,005**	**22,419**	**-2,414**
Personnel at 30.9.* by segment	**2018**	**2017**	**Change**
Grocery trade	7,691	8,826	-1,135
Building and technical trade	13,260	12,753	507
Car trade	843	821	22
Common functions	1,047	929	118
Continuing operations, total	22,841	23,329	-488
Discontinued operations	63	1,959	-1,896
Group total	**22,904**	**25,288**	**-2,384**

* Total number including part-time employees

Group's commitments (€ million)

	30.9.2018	30.9.2017	Change, %
Own commitments	373	196	90.6
For others	26	19	36.4
Lease liabilities for machinery and equipment	22	24	-4.4
Lease liabilities for real estate	2,868	2,933	-2.2
Liabilities arising from derivative instruments (€ million)			
			Fair value
Values of underlying instruments at 30.9.	**30.9.2018**	**30.9.2017**	**30.9.2018**
Interest rate derivatives			
Interest rate options	70	70	0.19
Interest rate swaps	280	180	-0.57
Currency derivatives			
Forward and future contracts	182	109	-0.27
Currency swaps	20	20	0.65
Commodity derivatives			
Electricity derivatives	10	7	1.49

Calculation of performance indicators

Kesko uses alternative performance measures to reflect business performance and profitability. These indicators should be examined together with the IFRS-compliant performance indicators.

Change in comparable net sales is used to reflect changes in the Group's business volume between periods. The indicator reflects the change in net sales excluding the impact of acquisitions and divestments, in local currencies. The comparable net sales have been calculated by including in the net sales the business operations that have been part of Kesko Group in both the reporting period as well as the comparison period. Other structural arrangements related to acquisitions and divestments have been adjusted in the same manner as acquisitions. The changes in Suomen Lähikauppa Oy's store site network in 2017 and 2018 have been handled in this manner.

Performance indicators reflecting comparable profit and profitability are used to improve the comparability of operational performance between periods. Gains and losses on disposal of real estate, shares and business operations, impairment charges and significant restructuring costs are identified as items affecting comparability. Gains on disposal have been presented within other operating income, and losses on disposal within other operating expenses in the income statement.

In addition, the financial performance indicators required by the Decree of the Ministry of Finance on obligation of securities issuers to disclose periodic information have been presented as alternative performance measures. The management uses these indicators to monitor and analyse business performance, profitability and financial position.

Operating profit, comparable	Operating profit +/– items affecting comparability
Items affecting comparability	– gains on disposal + losses on disposal + impairment charges +/- structural arrangements
Return on capital employed*, %	Operating profit x 100 / (Non-current assets + Inventories + Receivables + Other current assets - Non-interest-bearing liabilities) on average for the reporting period
Return on capital employed, %, rolling 12 months	Operating profit for the preceding 12 months x 100 / (Non-current assets + Inventories + Receivables + Other current assets - Non-interest-bearing liabilities) on average for 12 months
Return on capital employed*, %, comparable	Comparable operating profit x 100 / (Non-current assets + Inventories + Receivables + Other current assets - Non-interest-bearing liabilities) on average for the reporting period
Return on capital employed, %, comparable, rolling 12 months	Comparable operating profit for the preceding 12 months x 100 / (Non-current assets + Inventories + Receivables + Other current assets - Non-interest-bearing liabilities) on average for 12 months
Return on equity*, %	(Profit/loss before tax - Income tax) x 100 / Shareholders' equity, average of the beginning and end of the reporting period
Return on equity, %, rolling 12 months	(Profit/loss for the preceding 12 months before tax - Income tax for the preceding 12 months) x 100 / Shareholders' equity, average of the beginning and end of the reporting period
Return on equity*, %, comparable	(Profit/loss adjusted for items affecting comparability before tax - Income tax adjusted for the tax effect of items affecting comparability) x 100 / Shareholders' equity, average of the beginning and end of the reporting period
Return on equity, %, comparable, rolling 12 months	(Profit/loss for the preceding 12 months adjusted for items affecting comparability before tax - Income tax for the preceding 12 months adjusted for the tax effect of items affecting comparability) x 100 / Shareholders' equity, average of the beginning and end of the reporting period

Equity ratio, %	Shareholders' equity x 100 / (Total assets – Advances received)
Gearing, %	Interest-bearing net liabilities x 100 / Shareholders' equity
Interest-bearing net debt	Interest-bearing liabilities – Current financial assets at fair value through profit or loss – Current financial assets at amortised cost – Cash and cash equivalents
Interest-bearing net debt/EBITDA	Interest-bearing net debt/EBITDA
EBITDA	Operating profit + Depreciation and amortisation + Impairments
Capital expenditure	Investments in tangible and intangible assets, subsidiary shares, shares in associates and joint ventures and other shares
Earnings/share, basic	(Profit/loss - Non-controlling interests) / Average number of shares
Earnings/share, diluted	(Profit – Non-controlling interest)/Average diluted number of shares
Earnings/share, basic, comparable	(Profit/loss adjusted for items affecting comparability - Non-controlling interests) / Average number of shares
Equity/share	Equity attributable to owners of the parent / Basic number of shares at the balance sheet date
Cash flow from operating activities/share	Cash flow from operating activities / Average number of shares

* Indicators for return on capital have been annualised.

Reconciliation of performance indicators to IFRS financial statements

€ million	**1-3/ 2017**	**4-6/ 2017**	**7-9/ 2017**	**10-12/ 2017**	**1-3/ 2018**	**4-6/ 2018**	**7-9/ 2018**	**1-9/ 2018**	**1-9/ 2017**	**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	6.7	82.7	83.4
Losses on disposal	-0.4	-1.2	-0.1	-0.1	0.0	-	0.0	-0.1	-1.7	-1.8
Impairment charges	-	-	-0.5	-	-	-3.4	-	-3.4	-0.5	-0.5
Structural arrangements	-12.1	-12.6	-3.9	-10.1	-5.8	-8.4	-2.6	-16.8	-28.5	-38.6
Items in operating profit affecting comparability	**-12.1**	**67.9**	**-3.8**	**-9.5**	**-3.4**	**-7.5**	**-2.7**	**-13.5**	**52.0**	**42.5**
Items in financial items affecting comparability	-	-	-	-0.4	-	-	-	-	-	-0.4
Items in income taxes affecting comparability	2.0	-0.4	0.1	2.1	0.4	2.0	0.3	2.6	1.7	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**	**-14.1**	**53.7**	**45.9**
Operating profit, comparable										
Operating profit	19.4	151.8	96.7	70.8	36.6	81.6	110.0	228.2	267.8	338.6
Net of										
Items in operating profit affecting comparability	-12.1	67.9	-3.8	-9.5	-3.4	-7.5	-2.7	-13.5	52.0	42.5
Operating profit, comparable	**31.5**	**83.8**	**100.5**	**80.4**	**40.0**	**89.0**	**112.6**	**241.7**	**215.8**	**296.2**
Profit before tax, comparable										
Profit before tax	24.3	150.0	96.5	71.7	36.5	78.5	109.1	224.2	270.7	342.4
Net of										
Items in operating profit affecting comparability	-12.1	67.9	-3.8	-9.5	-3.4	-7.5	-2.7	-13.5	52.0	42.5
Items in financial items affecting comparability	-	-	-	-0.4	-	-	-	-	-	-0.4
Profit before tax, comparable	**36.3**	**82.1**	**100.3**	**81.6**	**39.9**	**86.0**	**111.8**	**237.7**	**218.7**	**300.3**
Net profit, comparable										
Profit before tax, comparable	36.3	82.1	100.3	81.6	39.9	86.0	111.8	237.7	218.7	300.3
Net of										
Income tax	4.2	17.4	23.6	12.7	7.3	16.3	23.5	47.1	45.2	57.9
Items in income tax affecting comparability	2.0	-0.4	0.1	2.1	0.4	2.0	0.3	2.6	1.7	3.8
Net profit, comparable	**30.2**	**65.1**	**76.6**	**66.7**	**32.2**	**67.8**	**88.0**	**188.0**	**171.8**	**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	188.0	171.8	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	15.1	9.2	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**	**176.0**	**162.6**	**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	176.0	162.6	227.5
Average number of shares, basic, 1,000 pcs	99,308	99,387	99,414	99,426	99,468	99,347	99,237	99,237	99,414	99,426
Earnings per share, comparable, €	**0.31**	**0.61**	**0.71**	**0.65**	**0.35**	**0.61**	**0.81**	**1.77**	**1.64**	**2.29**
Return on capital employed, %										
Operating profit	19.4	151.8	96.7	70.8	36.6	81.6	110.0	228.2	267.8	338.6
Capital employed, average	2,224	2,239	2,175	2,248	2,317	2,294	2,413	2,352	2,213	2,224
Return on capital employed, %	**3.5**	**27.1**	**17.8**	**12.6**	**6.3**	**14.2**	**18.2**	**12.9**	**16.1**	**15.2**
Return on capital employed, comparable, %										
Operating profit, comparable	31.5	83.8	100.5	80.4	40.0	89.0	112.6	241.7	215.8	296.2
Capital employed, average	2,224	2,239	2,175	2,248	2,317	2,294	2,413	2,352	2,213	2,224
Return on capital employed, comparable, %	**5.7**	**15.0**	**18.5**	**14.3**	**6.9**	**15.5**	**18.7**	**13.7**	**13.0**	**13.3**
Group										
Return on equity, %										
Net profit	17.2	132.8	74.1	44.7	5.8	34.3	82.9	123.0	224.1	268.8
Equity, average	2,155	2,142	2,138	2,204	2,235	2,154	2,118	2,199	2,151	2,179
Return on equity, %	**3.2**	**24.8**	**13.9**	**8.1**	**1.0**	**6.4**	**15.7**	**7.5**	**13.9**	**12.3**
Return on equity, comparable, %										
Net profit, comparable	27.4	65.2	77.9	67.0	30.4	67.8	87.5	185.7	170.5	237.5
Equity, average	2,155	2,142	2,138	2,204	2,235	2,154	2,118	2,199	2,151	2,179
Return on equity, comparable, %	**5.1**	**12.2**	**14.6**	**12.2**	**5.4**	**12.6**	**16.5**	**11.3**	**10.6**	**10.9**
Equity ratio, %										
Shareholders' equity	2,183	2,100	2,176	2,232	2,238	2,070	2,167	2,167	2,176	2,232
Total assets	4,638	4,496	4,464	4,472	4,774	4,504	4,498	4,498	4,464	4,472
Advances received	32	27	32	39	240	28	30	30	32	39
Equity ratio, %	**47.4**	**47.0**	**49.1**	**50.4**	**49.3**	**46.2**	**48.5**	**48.5**	**49.1**	**50.4**

K Group's retail and B2B sales, VAT 0% (preliminary data, pro forma*):				
	1.1.-30.9.2018		**1.7.-30.9.2018**	
K Group's retail and B2B sales	**€ million**	**Change, %**	**€ million**	**Change, %**
K Group's grocery trade				
K-Citymarket, food	1,185	4.3	403	4.8
K-Citymarket, non-food	400	0.3	139	-0.4
K-Supermarket	1,459	8.0	504	9.0
K-Market	1,373	1.4	485	3.8
Neste K	100	14.4	34	13.2
Others	33	-8.8	12	-4.1
Retail sales, total	**4,549**	**4.3**	**1,578**	**5.4**
Kespro	651	6.0	226	5.4
Grocery trade, total	**5,200**	**4.5**	**1,804**	**5.4**
K Group’s building and technical trade				
K-Rauta and Rautia	811	1.5	304	-0.8
Rautakesko B2B Service	197	6.2	69	5.3
Onninen, Finland	671	8.8	239	9.4
Machinery trade, Finland	23	-7.3	8	15.4
Leisure trade, Finland	201	-0.2	64	-4.7
Finland, total	**1,902**	**4.1**	**686**	**2.9**
K-Rauta, Sweden	136	-14.8	47	-15.5
Onninen, Sweden	115	-23.8	34	-19.0
Byggmakker, Norway	389	-20.5	141	-20.9
Onninen, Norway	199	-7.6	63	-6.0
Kesko Senukai, Baltic countries	424	13.6	158	9.9
Onninen, Baltic countries	57	12.1	21	13.0
Machinery trade, Baltic countries	127	8.6	52	2.4
OMA, Belarus	96	5.8	38	16.2
Onninen, Poland	175	10.7	67	9.8
Other countries, total	**1,718**	**-4.8**	**621**	**-4.5**
Building and technical trade, total	**3,620**	**-0.3**	**1,307**	**-0.7**
K Group's car trade				
K Caara	343	3.6	101	-0.7
K-Auto, import	323	-3.9	83	-15.1
AutoCarrera	55	27.8	22	34.5
Car trade, total	**721**	**1.5**	**207**	**-4.5**
Finland, total	**7,823**	**4.1**	**2,696**	**3.9**
Other countries, total	**1,718**	**-4.8**	**621**	**-4.5**
Retail and B2B sales, total	**9,540**	**2.4**	**3,317**	**2.3**

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