



Q1/2017

Kesko Corporation
Interim report
January-March 2017



Kesko's interim report for the period 1 January to 31 March 2017: strong growth in all divisions

FINANCIAL PERFORMANCE IN BRIEF:

- Group's net sales for January-March were €2,597 million (€2,013 million), up 29.0%, and in local currencies, acquisitions and disposals excluded, they were up 2.4%
- Comparable operating profit was €28.7 million (€32.3 million)
- Operating profit was €16.6 million (€33.5 million)
- Comparable return on capital employed was 11.2% (rolling 12 mo)
- Comparable profit before tax was €33.6 million (€34.5 million)
- Comparable earnings per share were €0.29 (€0.26)
- Kesko Group's net sales for the next 12-month period are expected to remain at the level of the preceding 12 months. The net sales expectation takes account of the divestment of the K-maatalous business expected no later than the third quarter of 2017, the divestment of the Russian grocery trade in November 2016, as well as the transfer of the stores included in the acquisition of Suomen Lähikauppa to retailers and store closures. The comparable net sales for the next 12-month period are expected to exceed the level of the preceding 12 months. The comparable operating profit for the next 12-month period is expected to exceed the level of the preceding 12 months.

KEY PERFORMANCE INDICATORS

	1-3/2017	1-3/2016
Net sales, € million	2,597	2,013
Operating profit, comparable, € million	28.7	32.3
Operating profit, € million	16.6	33.5
Profit before tax, comparable, € million	33.6	34.5
Profit before tax, € million	21.5	35.7
Capital expenditure, € million	78.3	51.4
Earnings per share, €, diluted	0.18	0.28
Earnings per share, comparable, €, basic	0.29	0.26
	31.3.2017	31.3.2016
Equity ratio, %	47.4	54.8
Equity per share, €	20.98	22.13

PRESIDENT AND CEO MIKKO HELANDER:

"Kesko's first quarter sales increased in all divisions. The growth was strongest in the building and technical trade. Net sales growth was significantly strengthened by the acquisitions of Suomen Lähikauppa, Onninen and AutoCarrera. Net sales increased by 29.0%, and in local currencies excluding the impact of acquisitions and disposals by 2.4%.

Kesko's comparable operating profit was €28.7 million. Profitability and the return on capital employed remained at a good level despite significant renewal projects.

The extensive chain renewal going on in the grocery trade is progressing well. Following the acquisition of Suomen Lähikauppa in April 2016, more than 400 Siwas and Valintatalos will be converted into K-Markets by spring 2017 and transferred to retailers in stages by the end of 2018. By the end of March, 382 stores had already been converted and 49 had been transferred to retailers. The renewal enables K Group to offer the most comprehensive and service oriented neighbourhood store network in Finland.

In the building and technical trade, the beginning of the year has started well. Growth was strong especially in B2B trade, boosted by the acquisition of Onninen and its integration which is progressing well. K-Rautas and Rautias were combined into the new K-Rauta chain, which forms the largest network of building and home improvement stores in Finland. At the end of March, a completely renewed k-rauta.fi online store was also launched.

In the car trade, sales were boosted by the first time registrations of vans. The integration of AutoCarrera's Porsche business is progressing as planned and customer orders increased markedly.

In line with our growth strategy, we start building a new kind of store chain specialising in overall health and wellbeing jointly with Oriola. The plan is to expand the business to include pharmaceuticals, if legislation changes.

Corporate responsibility manifests itself in our everyday activities. Since the beginning of this year, all electricity purchased by Kesko in Finland is renewable.

The impact of the first quarter on Kesko's full year profit is smallest, whereas the second and third quarter are strongest in terms of the operating profit level. We continue to confidently implement our growth strategy aiming at a stronger, renewing and unified K Group.

In the first quarter, Kesko also published its 2016 Annual Report, which describes K Group's significant social impact. K Group is the third biggest retail operator in Northern Europe and its sales total approximately €13.2 billion (pro forma). K Group employs approximately 45,000 trading sector professionals in nine countries. In Finland, K Group is one of the biggest employers and taxpayers. K Group's purchases of goods in Finland were more than €6.2 billion, its remitted and paid taxes over €810 million and capital expenditure nearly €740 million."

FINANCIAL PERFORMANCE

Net sales and profit for January-March 2017

The Group's net sales for January-March 2017 were €2,597 million, which is 29.0% up on the corresponding period of the previous year (€2,013 million). Net sales increased significantly due to the acquisitions completed in 2016. Acquisitions and disposals excluded, net sales in local currencies grew by 2.4%.

In the grocery trade, the 13.6% net sales growth was significantly attributable to the acquisition of Suomen Lähikauppa. Net sales were up 0.1%, excluding the impact of the acquisition of Suomen Lähikauppa in April 2016, and the divestment of the Russian business operations in November 2016. In the building and technical trade, net sales increased markedly, by 59.9%, and in local currencies, excluding the impact of the acquisition of Onninen in June 2016, by 5.9%. In the car trade, net sales were up by 8.9%, and excluding the impact of the acquisition of AutoCarrera in December 2016, by 3.4%. The Group's net sales in Finland increased by 23.6%, and acquisitions excluded, by 2.1%. In the other countries, net sales increased by 57.7% and in local currencies, acquisitions and disposals excluded, by 4.4%. International operations accounted for 19.5% (15.9%) of the Group's net sales.

1-3/2017	Net sales, € million	Change, %	Change in local currency excl. acquisitions and disposals, %	Operating profit, comparable, € million	Change, € million
Grocery trade	1,243	+13.6	+0.1	26.4	-4.8
Building and technical trade	1,112	+59.9	+5.9	3.0	+2.7
Car trade	245	+8.9	+3.4	10.0	+0.6
Common functions and eliminations	-2	(..)		-10.8	-2.1
Total	2,597	+29.0	+2.4	28.7	-3.6

(..) Change over 100%

The Group's comparable operating profit for January-March was €28.7 million (€32.3 million). In the grocery trade, profitability remained at a good level despite the significant costs involved in renewing Suomen Lähikauppa's stores. Suomen Lähikauppa has increased the cyclical nature of the grocery trade business, especially as the profit for the first quarter of the year is lowest. In the building and technical trade, profitability was improved by the good profit performances of Onninen, the Finnish and Norwegian operations of the building and home improvement trade and the furniture trade, as well as the divestment of Intersport's Russian business operations in July 2016. In the car trade, comparable operating profit continued at a good level; profitability was improved by good sales performance.

The operating profit was €16.6 million (€33.5 million). The items affecting comparability totalled €-12.1 million (€1.3 million). The most significant items affecting comparability were the €9.4 million costs related to the conversion of Suomen Lähikauppa's chains. In the previous year, the items affecting the comparability of the operating profit totalled €1.3 million.

Items affecting comparability, € million	1-3/2017	1-3/2016
Operating profit, comparable	28.7	32.3
Items affecting comparability		
+gains on disposal	+0.3	+1.3
-losses on disposal	-0.4	-
+/-structural arrangements	-11.3	0.0
+/-others	-0.8	-
Items affecting comparability, total	-12.1	+1.3
Operating profit	16.6	33.5

The Group's profit before tax for January-March was €21.5 million (€35.7 million). The Group's earnings per share were €0.18 (€0.28). The Group's equity per share was €20.98 (€22.13).

In January-March, K Group's (i.e. Kesko's and the chain stores') retail and B2B sales (VAT 0%) were €3,033 million, up 3.5% compared to the previous year (pro forma). The K-Plussa customer loyalty programme gained 17,789 new households in January-March 2017. At the end of March, there were 2.3 million K-Plussa households and 3.6 million K-Plussa cardholders.

Finance

In January-March, the cash flow from operating activities was €-57.3 million (€-96.3 million). Due to seasonal fluctuations, cash flow from operating activities for the first quarter is negative. The cash flow from investing activities was €-34.5 million (€-52.9 million). The cash flow from investing activities includes a €21.3 million positive cash flow from the sale of a 45% interest in Konekesko's Baltic subsidiaries sold to Danish Agro group.

At the end of the period, liquid assets totalled €365 million (€746 million). Interest-bearing liabilities were €591 million (€435 million) and interest-bearing net debt was €226 million (€-311 million) at the end of March. The equity ratio was 47.4% (54.8%) at the end of the period.

The Group's net finance income was €4.2 million (€2.7 million) in January-March. It includes interest income on cooperative capital from Suomen Luotto-osuuskunta in the amount of €2.3 million.

Taxes

In January-March, the Group's taxes were €4.3 million (€7.0 million). The effective tax rate was 20.0% (19.7%).

Capital expenditure

In January-March, the Group's capital expenditure totalled €78.3 million (€51.4 million), or 3.0% (2.6%) of net sales. Capital expenditure in store sites was €53.8 million (€36.9 million), in IT €9.0 million (€2.7 million) and other capital expenditure was €15.6 million (€11.8 million).

Personnel

In January-March, the average number of personnel in Kesko Group was 22,651 (18,405) converted into full-time employees. The increase was due to the acquisitions of Suomen Lähikauppa and Onninen.

At the end of March 2017, the number of personnel was 27,356 (21,780), of whom 14,460 (9,878) worked in Finland and 12,896 (11,902) outside Finland. The number of Suomen Lähikauppa's personnel was 2,846, that of Onninen 2,955 and that of AutoCarrera 36.

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 strongest, whereas the impact of the first quarter on the full year profit is smallest. The acquisitions of Suomen Lähikauppa and Onninen increase the seasonal fluctuations between quarters. The operating profit levels of Onninen and Suomen Lähikauppa are lowest for the first quarter.

Grocery trade

	1-3/2017	1-3/2016
Net sales, € million	1,243	1,094
Operating profit, comparable, € million	26.4	31.3
Operating margin, comparable, %	2.1	2.9
Capital expenditure, € million	53.3	34.7

Net sales, € million	1-3/2017	Change, %
Sales to K-food stores	746	-0.2
K-Citymarket, non-food	127	-0.3
K-Market, own retail trade	158	-
Kespro	191	+5.2
Others	21	-44.0
Total	1,243	+13.6

January-March 2017

The net sales of the grocery trade for January-March were €1,243 million (€1,094 million), representing a growth of 13.6%. Suomen Lähikauppa and the Russian business excluded, net sales performance was 0.1%. K Group's grocery sales increased by 15.8%, and excluding the impact of the acquisition of Suomen Lähikauppa, by 0.2% (incl. VAT). In the Finnish grocery market, retail prices are estimated to have changed by approximately -0.2% compared with the previous year (incl. VAT; Kesko's own estimate based on the Consumer Price Index of Statistics Finland) and the total market (incl. VAT) is estimated to have increased by approximately 0.1% in January-March (Kesko's own estimate).

The acquisition of Suomen Lähikauppa was completed in April in the previous year and the conversion of Siwas and Valintatalos into K-Markets was begun in May 2016. By the end of March 2017, 382 Siwas and Valintatalos had been converted into K-Markets, 49 of which have been transferred to retailers. The conversion of the stores into K-Markets will be completed within the second quarter of the year and the transfer of stores to retailers by the end of 2018.

In January-March, the comparable operating profit of the grocery trade was €26.4 million (€31.3 million). Profitability remained at a good level despite a significant renewal and changes in Suomen Lähikauppa's business operations. Suomen Lähikauppa's impact on the comparable operating profit for January-March was €-6.7 million (pro forma for January-March 2016 €-8.0 million), which was affected by the seasonal fluctuation in the profitability of the business, as well as a significant store site network change programme. The loss on the Russian business operations divested in November 2016 was €5.0 million for the comparative period. The operating profit of the grocery trade was €16.7 million (€30.2 million). The items affecting comparability were €-9.7 million (€-1.1 million), the most important of which, €-9.4 million, are related to the restructuring of Suomen Lähikauppa.

The capital expenditure of the grocery trade in January-March was €53.3 million (€34.7 million), of which €46.5 million (€32.8 million) was in store sites.

In January-March, five new K-Markets were opened. Renewals and extensions were made in a total of 206 stores, of which 159 were conversions of Siwas and Valintatalos into K-Markets.

The most significant store sites being built are a K-Citymarket (a replacement new building) and the Easton shopping centre in Helsinki. A new K-Supermarket is being built in Tesoma and Kaukajärvi in Tampere, in Turku, in Niittykumpu, Espoonlahti and Suurpelto in Espoo, in Ilmajoki, in Kalasatama, Viikki and Pasila in Helsinki, in Oulu, Lapua, Kerava, Vantaa, Kouvola, Juva and Kauniainen.

Number of stores at 31.3.	2017	2016
K-Citymarket	80	81
K-Supermarket	227	221
K-Market**	799	418
Neste K	69	66
Valintatalo and Siwa**	99	-
K-ruoka, Russia	-	9
Others*	90	98

* Including online stores

** The total number of Suomen Lähikauppa's stores was 481.

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

Building and technical trade

	1-3/2017	1-3/2016
Net sales, € million	1,112	695
Operating profit, comparable, € million	3.0	0.3
Operating margin, %, comparable	0.3	0.0
Capital expenditure, € million	13.6	8.2

Net sales, € million	1-3/2017	Change, %
Building and home improvement trade, Finland	218	+12.1
K-Rauta, Sweden	43	-2.9
Bygghälsan, Norway	100	+13.6
K-Rauta, Russia	39	+20.9
Kesko Senukai, the Baltics	98	+8.1
OMA, Belarus	25	+31.4
Onninen	363	-
Agricultural and machinery trade	136	+5.1
Intersport, Finland	46	-1.0
Indoor	45	+6.9
Others	5	-53.3
Total	1,112	+59.9

January-March 2017

The net sales of the building and technical trade for January-March were €1,112 million (€695 million), up 59.9%. Net sales in local currencies, excluding acquisitions, increased by 5.9%.

In January-March, the net sales of the building and technical trade in Finland were €606 million (€400 million), up 51.6%. Acquisitions excluded, net sales in Finland grew by 7.0%. In January-March, the net sales from foreign operations were €506 million (€296 million), up 71.0%. In local currencies, excluding acquisitions, the net sales from foreign operations increased by 4.4%. Foreign operations contributed 45.5% (42.5%) to the net sales of the building and technical trade.

In January-March, the net sales of the building and home improvement trade were €522 million (€467 million), an increase of 12.0%. In local currencies, net sales were up by 8.3%. In respective local currencies, net sales grew in Norway by 7.2%, decreased in Sweden by 1.0% and in Russia by 8.3%. In the building and home improvement trade, growth strengthened especially in B2B trade. The market share of K Group's building and technical trade is estimated to have strengthened especially in Finland. K Group's sales of building and home improvement products in Finland increased by a total of 10.0% and the total market (VAT 0%) is estimated to have grown by approximately 9.4% (Kesko's own estimate).

The net sales of the agricultural and machinery trade for January-March were €136 million (€129 million), up 5.1% compared to the previous year. Net sales in Finland were €116 million, up 3.6%. The net sales from foreign operations were €19 million, up 15.7%. The retail sales of the K-maatalous chain in Finland were €83 million, down 3.9%.

The net sales of the leisure trade were €51 million (€56 million), a decrease of 0.8% excluding the Russian Intersport business divested in July 2016.

The net sales of the furniture trade were €45 million (€42 million), which was up 6.9%.

In January-March, the comparable operating profit of the building and technical trade was €3.0 million (€0.3 million), up €2.7 million compared to the previous year, despite the K-Rauta chain renewal in Finland and the launch of K-Senukai stores in Estonia and Latvia. Profitability was improved by the good profit performances of Onninen, the Finnish and Norwegian building and home improvement trade operations and the furniture trade, as well as the divestment of Intersport's Russian business operations in July 2016. Onninen's contribution to the comparable operating profit for January-March was €2.5 million.

The operating profit of the building and technical trade was €1.2 million (€1.8 million). The most significant items affecting comparability were the €1.8 million costs related to the structural changes in the Swedish business operations.

In January-March, the capital expenditure of the building and technical trade totalled €13.6 million (€8.2 million), of which €7.1 million (€3.6 million) was in store sites.

In January-March 2017, a building and home improvement store was opened in Savonlinna and in St. Petersburg, an Onninen Express store in Iisalmi and a The Athlete's Foot store in Helsinki. The most significant store site being built is a building and home improvement store in Belarus.

The K-Rauta and Rautia stores were combined to form the K-Rauta chain, launched with a new brand image in March 2017. The new k-rauta.fi online store was launched at the same time.

Number of stores at 31.3.	2017	2016
K-Rauta*	139	46
Rautia	-	95
K-maatalous*	78	80
K-Rauta, Sweden	19	20
Byggmakker, Norway	82	88
K-Rauta, Estonia	8	8
K-Rauta and K-Senukai, Latvia	8	8
K-Senukai, Lithuania	22	20
K-Rauta, Russia	14	13
OMA, Belarus	16	13
Onninen	145	-
Intersport, Finland**	58	60
Budget Sport**	11	11
The Athlete's Foot	4	-
Asko and Sotka**	88	87
Kookenkä**	38	38
Intersport, Russia	-	16
Asko and Sotka, the Baltics**	12	12
Konekesko	-	1

* In 2017, 39 (45) Rautia stores also operated as K-maatalous stores

** Including online stores

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

Car trade

	1-3/2017	1-3/2016
Net sales, € million	245	225
Operating profit, comparable, € million	10.0	9.4
Operating margin, comparable, %	4.1	4.2
Capital expenditure, € million	3.6	4.6

Net sales, € million	1-3/2017	Change, %
VV-Auto	232	3.4
AutoCarrera	13	-
Total	245	8.9

January-March 2017

The net sales of the car trade for January-March were €245 million (€225 million), up 8.9%. Excluding the impact of the acquisition of AutoCarrera in December 2016, the change in net sales was +3.4%. The combined market performance of first time registered passenger cars and vans in January-March was +2.8% (12.5%). The combined market share of passenger cars and vans imported by VV-Auto was 17.8% (18.5%) in January-March.

In the car trade, profitability continued to improve thanks to good sales performance. The comparable operating profit for January-March was €10.0 million (€9.4 million). The operating profit for January-March was €10.0 million (€9.4 million).

The capital expenditure of the car trade in January-March was €3.6 million (€4.6 million).

Number of stores at 31.3.	2016	2015
VV-Auto, retail trade	10	10
AutoCarrera	3	-

Changes in the Group composition

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

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

Shares, securities market and Board authorisations

At the end of March 2017, the total number of Kesko Corporation shares was 100,019,752, of which 31,737,007, or 31.7%, were A shares and 68,282,745, or 68.3%, were B shares. At 31 March 2017, Kesko Corporation held 553,287 own B shares as treasury shares. These treasury shares accounted for 0.81% of the number of B shares, 0.55% of the total number of shares, and 0.14% of votes attached to all shares of the Company. The total number of votes attached to all shares was 385,652,815. Each A share carries ten (10) votes and each B share one (1) vote. The Company cannot vote with own shares held by it as treasury shares and no dividend is paid on them. At the end of March 2017, Kesko Corporation's share capital was €197,282,584.

The price of a Kesko A share quoted on Nasdaq Helsinki was €43.85 at the end of 2016, and €44.24 at the end of March 2017, representing an increase of 0.9%. Correspondingly, the price of a B share was €47.48 at the end of 2016, and €44.70 at the end of March 2017, representing a decrease of 5.9%. In January-March, the highest A share price was €44.50 and the lowest was €40.11. The highest B share price was €48.59 and the lowest was €42.05. In January-March, the Nasdaq Helsinki All-Share index (OMX Helsinki) was up by 3.0% and the weighted OMX Helsinki Cap index by 2.7%. The Retail Sector Index was down by 1.0%.

At the end of March 2017, the market capitalisation of A shares was €1,404 million, while that of B shares was €3,028 million, excluding the shares held by the parent company as treasury shares. The combined market capitalisation of A and B shares was €4,432 million, a decrease of €167 million from the end of 2016.

In January-March 2017, a total of 0.4 million (0.5 million) A shares were traded on Nasdaq Helsinki, a decrease of 10.1%. The exchange value of A shares was €19 million. The number of B shares traded was 14.3 million (16.6 million), a decrease of 14.2%. The exchange value of B shares was €637 million. Nasdaq Helsinki accounted for 61% of the Kesko A and B share trading in January-March 2017. Kesko shares were also traded on multilateral trading facilities, the most significant of which were BATS Chi-X with 28% and Turquoise with 9% of the trading (source: Fidessa).

The Board holds a valid authorisation to decide on the transfer of a maximum of 1,000,000 own B shares held by the Company as treasury shares (the 2016 share issue authorisation). On 1 February 2017, the Board decided to grant own B shares held by the Company as treasury shares to persons included in the target group of the 2016 vesting period, based on this share issue authorisation and the fulfilment of the vesting criteria of the 2016 vesting period of Kesko's three-year share-based compensation plan. This transfer of a total of 192,822 own B shares was announced in a stock exchange release on 15 March 2017. Based on the 2014-2016 share-based compensation plan decided by the Board, a total maximum of 600,000 own B shares held by the Company as treasury shares could be granted within a period of three years based on the fulfilment of the vesting criteria. The Board decided on the vesting criteria and the target group separately for each vesting period. No shares granted based on the fulfilment of the vesting criteria of the 2014-2016 share-based compensation plan were returned to the Company during the reporting period. The share-based compensation plan 2014-2016 was announced in a stock exchange release on 4 February 2014.

On 1 February 2017, Kesko Corporation's Board of Directors made a decision to establish a new share-based long-term incentive scheme for Kesko's top management and key persons selected separately. The scheme consists of a performance share plan (PSP) as the main structure, and of a restricted share pool (RSP), which is a complementary share plan for special situations. Besides the PSP, the Board has made a decision to establish a share-based bridge plan to cover the transitional phase during which Kesko transfers from a one-year performance period to a longer performance period in its long-term incentive scheme structure. If the performance criteria set for the PSP 2017-2020 plan are achieved in full, the maximum number of series B shares to be paid based on this plan is 340,000 shares. If all the performance criteria set for the Bridge Plan are achieved in full, the maximum number of series B shares to be paid based on the Bridge Plan is 340,000 shares. The total maximum amount of share awards payable under the RSP 2017-2019 is 20,000. The new share-based incentive scheme was announced in a stock exchange release on 2 February 2017.

Kesko's Board of Directors holds a valid authorisation decided by the Annual General Meeting held on 4 April 2016 to transfer of a total maximum of 1,000,000 own B shares held by the Company as treasury shares (the 2016 share issue authorisation). Based on the authorisation, own B shares held by the Company as treasury shares can be issued for subscription by shareholders in a directed issue in proportion to their existing holdings of the Company shares, regardless of whether they own A or B shares. Shares can also be issued in a directed issue, departing from the shareholder's pre-emptive right, for a weighty financial reason of the

Company, such as using the shares to develop the Company's capital structure, to finance possible acquisitions, capital expenditure or other arrangements within the scope of the Company's business operations, and to implement the Company's commitment and incentive scheme. Own B shares held by the Company as treasury shares can be transferred either against or without payment. A share issue can only be without payment, if the Company, taking into account the best interests of all of its shareholders, has a particularly weighty financial reason for it. The authorisation also includes the Board's authority to make decisions concerning any other matters related to share issues. The amount possibly paid for the Company's own shares is recorded in the reserve of unrestricted equity. The authorisation is valid until 30 June 2020.

Kesko's Board of Directors also holds a valid authorisation decided by the Annual General Meeting held on 4 April 2016 to acquire a maximum of 1,000,000 own B shares of the Company (the 2016 authorisation to acquire own shares). B shares are acquired with the Company's distributable unrestricted equity, not in proportion to the shareholdings of shareholders, at the market price quoted in public trading organised by Nasdaq Helsinki Ltd ("the exchange") at the date of acquisition. The shares are acquired and paid in accordance with the rules of the exchange. The acquisition of own shares reduces the amount of the Company's distributable unrestricted equity. B shares are acquired for use in the development of the Company's capital structure, to finance possible acquisitions, capital expenditure and/or other arrangements within the scope of the Company's business operations, and to implement the Company's commitment and incentive scheme. The Board makes decisions concerning any other issues related to the acquisition of own B shares. The authorisation is valid until 30 September 2017.

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

At the end of March 2017, the number of shareholders was 41,728, which is 2,324 more than at the end of 2016. At the end of March, foreign ownership of all shares was 31%. Foreign ownership of B shares was 44% at the end of March.

Flagging notifications

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

Key events during the reporting period

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

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

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

Kesko Corporation and Oriola-KD Corporation start building a completely new kind of store chain in Finland, specialising in overall wellbeing. The companies have signed an agreement to establish a joint venture. The establishment of the joint venture is subject to the approval of the competition authorities. The first phase objective is to build a chain of 100 stores and an online store. The plan is, if legislation is amended, to expand the business to include pharmaceuticals. (Stock exchange release on 13 March 2017)

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

Events after the reporting period

Kesko Corporation signed an agreement to sell its K-maatalous business to the Swedish Lantmännen ek för. The debt free price of the sale, structured as a share transaction, is €38.5 million. As the transaction is completed, Kesko Corporation will record a profit of €13 million on the disposal. The completion of the transaction is subject to the approval of the competition authorities and the fulfilment of the other terms and conditions of the transaction. The transaction is expected to be completed no later than the third quarter of 2017. (Stock exchange release on 11 April 2017)

Resolutions of the 2017 Annual General Meeting and decisions of the Board's organisational meeting

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

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

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

In addition, the General Meeting approved the Board's proposal for its authorisation to decide on donations in a total maximum of €300,000 for charitable or corresponding purposes until the Annual General Meeting to be held in 2018, and to decide on the donation recipients, purposes of use and other terms of the donations.

After the Annual General Meeting, Kesko Corporation's Board of Directors held an organisational meeting in which it elected M.Sc. (Econ.) Jannica Fagerholm as the Chair of the

Audit Committee, eMBA Mikael Aro as its Deputy Chair, and M.Sc. (Econ.) Matti Kyytsönen as its member. Business College Graduate Esa Kiiskinen (Ch.), eMBA Mikael Aro (Dep. Ch.) and M.Sc. (Econ.) Anu Nissinen were elected to the Board's Remuneration Committee.

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

Corporate responsibility

At the beginning of 2017, Kesko started purchasing 100% renewable electricity in Finland. This electricity is used in K-stores and K Group's other properties. Kesko purchases renewable electricity that has The Renewable Energy Guarantee of Origin (REGO) from the Nordic countries.

In January, Kesko was ranked 25th in the Global 100 Most Sustainable Corporations in the World list and, at the same time, as the most sustainable trading sector company in the world.

Kesko was one of the first reporting companies to adopt the new GRI standards in its Annual Report and joined the Global Reporting Initiative (GRI) Standards Pioneers.

The Pirkka ESSI circular economy bags were introduced in K-food stores' shopping bag selections in January. For the first time in Finland, plastic packaging recycled by households is used in their manufacture.

Save the Children Finland and K Group continue their long-term cooperation for the benefit of children and young people. In March, K-food stores introduced Pirkka paper bags, with five cents of each purchased bag going to the "Eväitä Elämälle" programme that supports children and young people threatened by social exclusion.

Risk management

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

The most significant near-future risks in Kesko's business operations continue to be associated with the development of purchasing power and the trading sector demand especially in Finland, price competition in the Finnish grocery trade, the implementation of the neighbourhood market strategy of the grocery trade, business arrangements in the building and technical trade, as well as the change in the trading sector caused by digitalisation. No material change is estimated to have taken place in 2017 in the risks described in Kesko's 2016 Report by the Board of Directors, financial statements and the risks described on Kesko's website. The risks and uncertainties related to economic development are described in the outlook section of this release.

Outlook

Estimates for the outlook of Kesko Group's net sales and comparable operating profit are given for the 12-month period following the reporting period (4/2017-3/2018) in comparison with the 12 months preceding the end of the reporting period (4/2016-3/2017).

The general economic situation and the expected trend in consumer demand vary in Kesko's different operating countries. In Finland, the trading sector is expected to grow. In the Finnish grocery trade, intense competition is expected to continue. The market for the Finnish building and technical trade is expected to grow. In Sweden and Norway, the market is expected to grow but at a somewhat slower rate. The trend in the Russian market is expected to remain modest. In the Baltic countries, the market is expected to grow.

Kesko Group's net sales for the next 12-month period are expected to remain at the level of the preceding 12 months. The net sales expectation takes account of the divestment of the

K-maatalous business expected no later than the third quarter of 2017, the divestment of the Russian grocery trade in November 2016, as well as the transfer of the stores included in the acquisition of Suomen Lähikauppa to retailers and store closures. The comparable net sales for the next 12-month period are expected to exceed the level of the preceding 12 months. The comparable operating profit for the next 12-month period is expected to exceed the level of the preceding 12 months.

Helsinki, 26 April 2017
Kesko Corporation
Board of Directors

The information in the interim report is unaudited.

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

Kesko Corporation's half year financial report for January-June 2017 will be published on 27 July 2017. In addition, Kesko Group's sales figures are published each month. News releases and other Company information are available on Kesko's website at www.kesko.fi.

KESKO CORPORATION

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Accounting policies

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

Consolidated income statement (€ million), condensed				
	1-3/2017	1-3/2016	Change, %	1-12/2016
Net sales	2,597	2,013	29.0	10,180
Cost of goods sold	-2,229	-1,755	27.0	-8,719
Gross profit	369	259	42.5	1,462
Other operating income	160	165	-2.9	699
Employee benefit expense	-200	-136	47.0	-723
Depreciation and impairment charges	-34	-28	22.3	-162
Other operating expenses	-278	-226	22.9	-1,129
Operating profit	17	34	-50.5	147
Interest income and other finance income	6	3	72.6	15
Interest expense and other finance costs	-3	-2	70.7	-12
Exchange differences	2	1	42.6	-4
Share of results of equity accounted investments	1	0	(..)	-1
Profit before tax	22	36	-39.7	145
Income tax	-4	-7	-38.7	-31
Net profit for the period	17	29	-40.0	114
Attributable to				
Owners of the parent	18	27	-33.5	99
Non-controlling interests	-1	1	(..)	15
Earnings per share (€) for profit attributable to equity holders of the parent				
Basic and diluted				
	0.18	0.28	-33.6	0.99
Consolidated statement of comprehensive income (€ million)				
	1-3/2017	1-3/2016	Change,%	1-12/2016
Net profit for the period	17	29	-40.0	114
Items that will not be reclassified subsequently to profit or loss				
Actuarial gains/losses	7	4	64.3	-11
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation of foreign operations	11	-2	(..)	10
Cash flow hedge revaluation	-1	-1	-23.3	2
Revaluation of available-for-sale financial assets	0	0	42.9	1
Other items	-	-	-	0
Total other comprehensive income for the period, net of tax	18	2	(..)	2
Total comprehensive income for the period	35	30	16.1	116
Attributable to				
Owners of the parent	36	33	9.4	101
Non-controlling interests	-1	-2	-77.9	15

(..) Change over 100%

Consolidated statement of financial position (€ million), condensed				
	31.3.2017	31.3.2016	Change, %	31.12.2016
ASSETS				
Non-current assets				
Tangible assets	1,194	1,301	-8.3	1,150
Intangible assets	431	170	(..)	431
Equity accounted investments and other financial assets	124	114	8.8	123
Loans and receivables	68	65	5.1	68
Pension assets	173	183	-5.6	165
Total	1,991	1,833	8.6	1,937
Current assets				
Inventories	1,040	770	35.0	979
Trade receivables	935	656	42.5	831
Other receivables	267	195	36.9	223
Financial assets at fair value through profit or loss	98	243	-59.5	93
Available-for-sale financial assets	122	213	-42.6	157
Cash and cash equivalents	144	291	-50.4	141
Total	2,606	2,368	10.1	2,425
Non-current assets held for sale	41	0	(..)	46
Total assets	4,638	4,201	10.4	4,408

	31.3.2017	31.3.2016	Change, %	31.12.2016
EQUITY AND LIABILITIES				
Equity	2,087	2,197	-5.0	2,029
Non-controlling interests	97	90	6.9	97
Total equity	2,183	2,287	-4.5	2,126
Non-current liabilities				
Interest-bearing liabilities	363	256	41.9	359
Non-interest-bearing liabilities	38	35	8.9	40
Deferred tax liabilities	50	68	-26.6	48
Pension obligations	1	1	-11.7	1
Provisions	14	13	3.0	15
Total	465	373	24.8	463
Current liabilities				
Interest-bearing liabilities	228	179	27.1	156
Trade payables	1,188	866	37.2	1,069
Other non-interest-bearing liabilities	534	460	16.2	552
Provisions	39	37	5.5	41
Total	1,989	1,542	29.0	1,818
Liabilities related to available-for-sale assets	1	-	-	1
Total equity and liabilities	4,638	4,201	10.4	4,408

(..) Change over 100%

Consolidated statement of changes in equity (€ million)								
	Share capital	Reserves	Currency translation differences	Revaluation reserve	Treasury shares	Retained earnings	Non-controlling interests	Total
Balance at 1.1.2016	197	463	-45	0	-27	1,575	79	2,242
Share-based payments					0			0
Share capital increase							13	13
Acquisition of subsidiary							2	2
Transactions with owners, total					0		14	15
Comprehensive income								
Profit for the year						27	1	29
Items that will not be reclassified subsequently to profit or loss								
Actuarial gains/losses						5		5
Items that may be reclassified subsequently to profit or loss								
Exchange differences on translating foreign operations		0	2				-4	-2
Cash flow hedge revaluation				-1				-1
Revaluation of available-for-sale financial assets				0				0
Tax related to comprehensive income				0		-1		-1
Total comprehensive income for the period		0	2	-1		4	-4	2
Balance at 31.3.2016	197	463	-43	0	-27	1,606	90	2,287

Balance at 1.1.2017	197	463	-24	3	-23	1,412	97	2,126
Share-based payments					0			0
Disposal of subsidiary			0			0		0
Sale to non-controlling interest						21		21
Other changes						0	0	0
Transactions with owners, total			0		0	21	0	22
Comprehensive income								
Profit for the year						18	-1	17
Items that will not be reclassified subsequently to profit or loss								
Actuarial gains/losses						9		9
Items that may be reclassified subsequently to profit or loss								
Exchange differences on translating foreign operations			11				0	11
Cash flow hedge revaluation				-1				-1
Revaluation of available-for-sale financial assets				1				1
Tax related to comprehensive income				0		-2		-2
Total comprehensive income for the period			11	0		25	-1	35
Balance at 31.3.2017	197	463	-13	3	-23	1,459	97	2,183

Consolidated statement of cash flows (€ million), condensed				
	1-3/2017	1-3/2016	Change,%	1-12/2016
Cash flows from operating activities				
Profit before tax	22	36	-39.7	145
Depreciation according to plan	34	28	22.3	138
Finance income and costs	-4	-3	58.4	1
Other adjustments	-5	-1	(..)	91
Change in working capital				
Current non-interest-bearing receivables, increase (-)/decrease (+)	-163	-140	16.4	-44
Inventories, increase (-)/decrease (+)	-53	-35	50.4	5
Current non-interest-bearing liabilities, increase (+)/decrease(-)	106	27	(..)	-79
Financial items and tax	6	-8	(..)	-87
Net cash from operating activities	-57	-96	-40.6	170

Cash flows from investing activities				
Investing activities	-68	-49	40.3	-705
Sales of fixed assets	33	-3	(..)	205
Increase in non-current receivables	0	-1	(..)	-1
Net cash used in investing activities	-34	-53	-34.9	-501
Cash flows from financing activities				
Interest-bearing liabilities, increase (+)/decrease (-)	68	-9	(..)	59
Current interest-bearing receivables, increase (-)/decrease (+)	0	-1	(..)	2
Dividends paid	-	-	-	-250
Equity increase	0	13	(..)	13
Short-term money market investments, increase (-)/decrease (+)	-3	169	(..)	365
Other items	-4	5	(..)	7
Net cash used in financing activities	61	178	-65.5	196
Change in cash and cash equivalents	-30	28	(..)	-135
Cash and cash equivalents and current portion of available-for-sale financial assets at 1 Jan.	201	334	-39.9	334
Currency translation difference adjustment and revaluation	0	-1	(..)	2
Cash and cash equivalents and current portion of available-for-sale financial assets at 31 Mar.	171	361	-52.7	201

(..) Change over 100%

Group's performance indicators				
	1-3/2017	1-3/2016	Change, pp	1-12/2016
Return on capital employed, %	2.7	6.7	-4.0	6.4
Return on capital employed, %, rolling 12 mo	5.4	16.4	-11.0	6.4
Return on capital employed, comparable, %	4.7	6.5	-1.8	11.9
Return on capital employed, comparable, %, rolling 12 mo	11.2	12.4	-1.2	11.9
Return on equity, %	3.2	5.1	-1.9	5.2
Return on equity, %, rolling 12 mo	4.6	11.5	-6.9	5.2
Return on equity, comparable, %	5.1	4.8	0.2	9.8
Return on equity, comparable, %, rolling 12 mo	9.6	8.7	0.9	9.8
Equity ratio, %	47.4	54.8	-7.4	48.6
Gearing, %	10.4	-13.6	24.0	5.8
Interest-bearing net debt/EBITDA, rolling 12 mo	0.8	-0.7	1.4	0.4
			Change, %	
Capital expenditure, € million	78.3	51.4	52.5	743.1
Capital expenditure, % of net sales	3.0	2.6	18.2	7.3
Earnings per share, basic, €	0.18	0.28	-33.6	0.99
Earnings per share, diluted, €	0.18	0.28	-33.6	0.99
Earnings per share, comparable, basic, €	0.29	0.26	8.8	2.01
Cash flows from operating activities, € million	-57	-96	-40.6	170
Cash flows from investing activities, € million	-34	-53	-34.9	-501
Cash flow from operating activities/share, €	-0.58	-0.97	-40.6	1.71
Equity per share, €	20.98	22.13	-5.2	20.44
Interest-bearing net debt, € million	226	-311	(..)	123
Diluted number of shares, average for the reporting period, 1,000 pcs	99,308	99,163	0.1	99,249
Personnel, average	22,651	18,405	23.1	22,476

(..) Change over 100%

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

Segment information

Net sales by segment (€ million)	1-3/2017	1-3/2016	Change,%	1-12/2016
Grocery trade, Finland	1,243	1,069	16.3	5,131
Grocery trade, other countries*	-	25	-	105
Grocery trade, total	1,243	1,094	13.6	5,236
- of which intersegment trade	2	3	-28.9	10
Building and technical trade, Finland	606	400	51.6	2,142
Building and technical trade, other countries*	506	296	71.0	1,959
Building and technical trade total	1,112	695	59.9	4,100
- of which intersegment trade	2	3	-48.1	11
Car trade, Finland	245	225	8.9	849
Car trade total	245	225	8.9	849
- of which intersegment trade	0	0	34.9	0
Common functions and eliminations	-2	-1	(..)	-5
Finland total	2,091	1,693	23.6	8,117
Other countries total*	506	321	57.7	2,063
Group total	2,597	2,013	29.0	10,180

(..) Change over 100%

* Net sales in countries other than Finland

Operating profit by segment (€ million)	1-3/2017	1-3/2016	Change	1-12/2016
Grocery trade	16.7	30.2	-13.5	93.0
Building and technical trade	1.2	1.8	-0.5	60.8
Car trade	10.0	9.4	0.6	28.9
Common functions and eliminations	-11.4	-7.8	-3.5	-36.0
Group total	16.6	33.5	-16.9	146.8
Operating profit by segment, comparable (€ million)	1-3/2017	1-3/2016	Change	1-12/2016
Grocery trade	26.4	31.3	-4.8	175.9
Building and technical trade	3.0	0.3	2.7	97.9
Car trade	10.0	9.4	0.6	29.5
Common functions and eliminations	-10.8	-8.7	-2.1	-30.5
Group total	28.7	32.3	-3.6	272.9

Operating margin by segment, comparable (%)	1-3/2017	1-3/2016	Change, pp	1-12/2016	Rolling 12 mo 3/2017
Grocery trade	2.1	2.9	-0.7	3.4	3.2
Building and technical trade	0.3	0.0	0.2	2.4	2.2
Car trade	4.1	4.2	-0.1	3.5	3.5
Group total	1.1	1.6	-0.5	2.7	2.5

Capital employed by segment, cumulative average (€ million)	1-3/2017	1-3/2016	Change	1-12/2016	Rolling 12 mo 3/2017
Grocery trade	753	795	-42	828	826
Building and technical trade	1,181	773	408	1,000	1,099
Car trade	146	119	27	124	129
Common functions and eliminations	350	303	47	336	349
Group total	2,430	1,990	439	2,288	2,403

Return on capital employed by segment, comparable (%)	1-3/2017	1-3/2016	Change, pp	1-12/2016	Rolling 12 mo 3/2017
Grocery trade	14.0	15.7	-1.7	21.3	20.7
Building and technical trade	1.0	0.2	0.9	9.8	9.2
Car trade	27.5	31.6	-4.1	23.8	23.3
Group total	4.7	6.5	-1.8	11.9	11.2

Items affecting comparability

€ million	1-3/2016	4-6/2016	7-9/2016	10-12/2016	1-3/2017
Items affecting comparability					
Gains on disposal	1.3	2.9	0.8	-0.8	0.3
Losses on disposal	-	-0.3	-0.1	-70.6	-0.4
Impairment charges	-	-7.9	-3.1	-18.9	-
Structural arrangements	0.0	-9.1	-4.6	-9.4	-11.3
Others	-	3.3	-5.7	-3.9	-0.8
Items in operating profit affecting comparability	1.3	-11.1	-12.7	-103.6	-12.1
Items in income taxes affecting comparability	0.1	0.8	2.7	21.6	2.0
Total items affecting comparability	1.4	-10.3	-10.0	-82.0	-10.1
Operating profit, comparable					
Operating profit	33.5	68.0	85.5	-40.3	16.6
Net of					
Items in operating profit affecting comparability	1.3	-11.1	-12.7	-103.6	-12.1
Operating profit, comparable	32.3	79.1	98.2	63.3	28.7
Operating margin, %, comparable	1.6	3.0	3.5	2.3	1.1
Capital employed, average	1,990	2,207	2,523	2,497	2,430
Return on capital employed, comparable, %	6.5	14.3	15.6	10.1	4.7
Profit before tax, comparable					
Profit before tax	35.7	68.1	84.8	-43.5	21.5
Net of					
Items in operating profit affecting comparability	1.3	-11.1	-12.7	-103.6	-12.1
Profit before tax, comparable	34.5	79.2	97.5	60.2	33.6
Profit, comparable					
Profit before tax, comparable	34.5	79.2	97.5	60.2	33.6
Net of					
Income tax	-7.0	-14.3	-16.4	6.4	-4.3
Items in income tax affecting comparability	-0.1	-0.8	-2.7	-21.6	-2.0
Profit, comparable	27.3	64.0	78.4	44.9	27.4
Equity, average	2,265	2,195	2,131	2,143	2,155
Return on equity, comparable, %	4.8	11.7	14.7	8.4	5.1

Profit attributable to owners of the parent, comparable					
Profit, comparable	27.3	64.0	78.4	44.9	27.4
Profit attributable to non-controlling interests	1.3	5.5	5.7	2.8	-1.0
Profit attributable to owners of the parent, comparable	26.0	58.6	72.7	42.1	28.4
Average number of shares, basic, 1,000 pcs	99,163	99,221	99,240	99,249	99,308
Earnings per share, comparable, €	0.26	0.59	0.73	0.42	0.29

Capital expenditure by segment, € million	1-3/2017	1-3/2016	Change	1-12/2016
Grocery trade	53	35	19	238
Building and technical trade	14	8	5	452
Car trade	4	5	-1	41
Common functions and eliminations	8	4	4	12
Group total	78	51	27	743

Segment information by quarter

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

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

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

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

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

Change in tangible and intangible assets (€ million)		
	31.3.2017	31.3.2016
Opening net carrying amount	1,581	1,451
Depreciation, amortisation and impairment charges	-34	-28
Investments in tangible and intangible assets	78	50
Deductions	-12	-3
Currency translation differences	11	1
Closing net carrying amount	1,625	1,471

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:		
	1-3/2017	1-3/2016
Sales of goods and services	20	12
Purchases of goods and services	2	2
Other operating income	3	2
Other operating expenses	17	16
Finance income and costs	1	1
	31.3.2017	31.3.2016
Receivables	70	60
Liabilities	31	23

Fair value hierarchy of financial assets and liabilities (€ million)				
	Level 1	Level 2	Level 3	31.3.2017
Financial assets at fair value through profit or loss	59.8	38.5		98.3
Derivative financial instruments at fair value through profit or loss				
Derivative financial assets		4.1		4.1
Derivative financial liabilities		5.9		5.9
Available-for-sale financial assets	95.5	26.6	15.8	137.9
Fair value hierarchy of financial assets and liabilities (€ million)				
	Level 1	Level 2	Level 3	31.3.2016
Financial assets at fair value through profit or loss	112.7	129.9		242.7
Derivative financial instruments at fair value through profit or loss				
Derivative financial assets		4.0		4.0
Derivative financial liabilities		9.8		9.8
Available-for-sale financial assets	142.3	70.5	15.6	228.4

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

Personnel, average and as at 31.3.			
Personnel average by segment	1-3/2017	1-3/2016	Change
Grocery trade	7,161	6,174	986
Building and technical trade	13,902	10,775	3,127
Car trade	792	767	25
Common functions	795	688	107
Group total	22,651	18,405	4,246

Personnel as at 31.3.* by segment	2017	2016	Change
Grocery trade	9,899	8,037	1,862
Building and technical trade	15,735	12,190	3,545
Car trade	819	795	24
Common functions	903	758	145
Group total	27,356	21,780	5,576

* Total number including part-time employees

Group's commitments (€ million)			
	31.3.2017	31.3.2016	Change, pp
Own commitments	192	154	+25.0
For others	14	16	-15.4
Lease liabilities for machinery and equipment	42	26	+58.1
Lease liabilities for real estate	2,966	2,535	+17.0
Liabilities arising from derivative instruments (€ million)			
			Fair value
Values of underlying instruments at 31.3.	31.3.2017	31.3.2016	31.3.2017
Interest rate derivatives			
Interest rate swaps	40	100	-0.19
Currency derivatives			
Forward and future contracts	177	211	-1.41
Currency swaps	20	50	2.37
Commodity derivatives			
Electricity derivatives	9	8	-2.36

Calculation of performance indicators

Return on capital employed*, %	Operating profit x 100 / (Non-current assets + Inventories + Receivables + Other current assets - Non-interest-bearing liabilities) on average for the reporting period
Return on capital employed, %, rolling 12 months	Operating profit for the preceding 12 months x 100 / (Non-current assets + Inventories + Receivables + Other current assets - Non-interest-bearing liabilities) on average for 12 months
Return on capital employed*, %, comparable	Comparable operating profit x 100 / (Non-current assets + Inventories + Receivables + Other current assets - Non-interest-bearing liabilities) on average for the reporting period
Return on capital employed, comparable, %, rolling 12 months	Comparable operating profit for the preceding 12 months x 100 / (Non-current assets + Inventories + Receivables + Other current assets - Non-interest-bearing liabilities) on average for 12 months

Return on equity*, %	$(\text{Profit/loss before tax} - \text{Income tax}) \times 100 / \text{Shareholders' equity, average of the beginning and end of the reporting period}$
Return on equity, %, rolling 12 months	$(\text{Profit/loss for the preceding 12 months before tax} - \text{Income tax for the preceding 12 months}) \times 100 / \text{Shareholders' equity, average of the beginning and end of the reporting period}$
Return on equity*, %, comparable	$(\text{Profit/loss adjusted for items affecting comparability before tax} - \text{Income tax adjusted for the tax effect of items affecting comparability}) \times 100 / \text{Shareholders' equity, average of the beginning and end of the reporting period}$
Return on equity, %, comparable, rolling 12 months	$(\text{Profit/loss for the preceding 12 months adjusted for items affecting comparability before tax} - \text{Income tax for the preceding 12 months adjusted for the tax effect of items affecting comparability}) \times 100 / \text{Shareholders' equity, average of the beginning and end of the reporting period}$
Equity ratio, %	$\text{Shareholders' equity} \times 100 / (\text{Total assets} - \text{Prepayments received})$
Gearing, %	$\text{Interest-bearing net liabilities} \times 100 / \text{Shareholders' equity}$
Interest-bearing net debt	$\text{Interest-bearing liabilities} - \text{Financial assets at fair value through profit or loss} - \text{Available-for-sale financial assets} - \text{Cash and cash equivalents}$
EBITDA, rolling 12 mo	$\text{Operating profit} + \text{Depreciation, amortisation and impairment} + \text{Depreciation and impairment charges for the preceding 12 months}$
Interest-bearing net debt/EBITDA	$\text{Interest-bearing net debt} / \text{EBITDA}$
Earnings/share, basic	$(\text{Profit/loss} - \text{Non-controlling interests}) / \text{Average number of shares}$
Earnings/share, diluted	$(\text{Profit} - \text{Non-controlling interest}) / \text{Average diluted number of shares}$
Earnings/share, basic, comparable	$(\text{Profit/loss adjusted for items affecting comparability} - \text{Non-controlling interests}) / \text{Average number of shares}$
Equity/share	$\text{Equity attributable to equity holders of the parent} / \text{Basic number of shares at the balance sheet date}$
Cash flow from operating activities/share	$\text{Cash flow from operating activities} / \text{Average number of shares}$

* Indicators for return on capital have been annualised.

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

	1.1.-31.3.2017	
K Group's retail and B2B sales	€ million	Change, %
K Group's grocery trade		
K-food stores, Finland	1,095	2.1
K-Citymarket, non-food	127	-0.4
K-Market, own retail trade	154	-17.3
Kespro	194	5.3
Grocery trade, total	1,570	0.0
K Group's building and technical trade		
K-Rauta and Rautia	183	7.8
Rautakesko B2B Service	56	17.7
Onninen	184	13.5
K-maatalous	83	-3.9
Machinery trade, Finland	34	-1.6
Speciality goods trade, Finland	115	-2.3
Finland, total	656	6.0
Building and technical trade, other Nordic countries	313	10.2
Building and technical trade, the Baltic countries	135	9.9
Building and technical trade, other countries	110	16.6
Building and technical trade, total	1,213	8.5
K Group's car trade		
VV-Autotalot	114	7.8
VV-Auto, import	123	-0.7
AutoCarrera	12	4.6
Car trade, total	250	3.3
Finland, total	2,475	1.8
Other countries, total	559	11.4
Retail and B2B sales, total	3,033	3.5

* The pro forma comparatives have been calculated to illustrate a situation in which the acquisitions of Suomen Lähikauppa, Onninen and AutoCarrera, the divestments of Intersport's Russian business and the Russian grocery trade business completed in 2016 had been completed on 1 January 2016.