Q4/2019

Kesko Corporation
Financial statements release

January-December 2019

5.2.2020

KESKO CORPORATION FINANCIAL STATEMENTS RELEASE 5.2.2020 AT 9.00

Kesko's financial statements release for the period 1 Jan. to 31 Dec. 2019: Growth strategy yields record result

FINANCIAL PERFORMANCE IN BRIEF, CONTINUING OPERATIONS:

- Group net sales in January-December totalled €10,720.3 million (€10,382.8 million), an increase of 1.4% in comparable terms, reported net sales grew by 3.3%
- Comparable operating profit totalled €461.6 million (€428.5 million)
- Operating profit totalled €447.8 million (€404.3 million)
- Comparable return on capital employed was 9.6% (9.8%)
- Comparable profit before tax totalled €370.7 million (€325.2 million)
- Comparable earnings per share totalled €2.97 (€2.45)
- The Board proposes a dividend of €2.52 per share, proposed to be paid in two instalments
- The Board proposes to the Annual General Meeting that shareholders be issued, without payment, three (3) new A shares for each current A share held and three (3) new B shares for each current B share held (share split)
- Kesko continues the determined customer-oriented transformation of its business and execution of its strategy. 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.

KEY PERFORMANCE INDICATORS

	1-12/2019	1-12/2018	10-12/2019	10-12/2018
Continuing operations				
Net sales, € million	10,720.3	10,382.8	2,734.2	2,655.1
Operating profit, comparable, € million	461.6	428.5	129.7	114.5
Operating margin, comparable, %	4.3	4.1	4.7	4.3
Operating profit, € million	447.8	404.3	127.8	103.8
Profit before tax, comparable, € million	370.7	325.2	107.7	90.8
Profit before tax, € million	403.3	294.5	105.7	73.6
Cash flow from operating activities, € million	893.1	748.4	273.2	209.0
Capital expenditure, € million	686.1	417.6	83.3	67.7
Earnings per share, €, basic and diluted				
Continuing operations	3.31	2.16	0.90	0.55
Discontinued operations	0.12	-0.56	0.02	-0.02
Group, total	3.42	1.59	0.92	0.53
Earnings per share, comparable, €, basic				
Continuing operations	2.97	2.45	0.90	0.70

	1-12/2019	1-12/2018
Continuing operations		
Return on capital employed, comparable, %	9.6	9.8
Group		
Return on equity, comparable, %	15.1	12.5

	31.12.2019	31.12.2018
Group		
Equity ratio, %	31.2	31.9
Equity per share, €	20.44	19.33

ADOPTION OF IFRS 16 LEASES

At the start of the financial year, the Group adopted the new standard IFRS 16 Leases, which took effect on 1 January 2019. The Group adopted the standard using a retrospective method, and reporting for the 2018 comparison period has been restated to be comparable. The change increases the comparable operating profit and capital employed, and decreases the return on capital employed. At Group level, the change increases the Group's net finance costs and interest-bearing liabilities. The change has a significant impact on the presentation of the Group's cash flow, as cash flow based lease expenditure is partly presented under cash flow from operating activities and partly under cash flow from financing activities. The change does not have an impact on the Group's cash flow overall.

	1-12/2019, reported	Impact of IFRS 16	1-12/2019 excluding the impact of IFRS 16	1-12/2018, reported comparison period	Impact of IFRS 16	1-12/2018 excluding the impact of IFRS 16
Continuing operations						
EBITDA, comparable, € million	948.9	-419.3	529.6	875.8	-403.4	472.4
Operating profit, comparable, € million	461.6	-91.1	370.5	428.5	-96.4	332.2
Profit before tax, comparable, € million	370.7	+4.3	375.1	325.2	+2.3	327.5
Cash flow from operating activities, € million	893.1	-328.3	564.8	748.4	-311.3	437.1

	10-12/2019, reported	Impact of IFRS 16	10-12/2019 excluding the impact of IFRS 16	10-12/2018, reported comparison period	Impact of IFRS 16	10-12/2018 excluding the impact of IFRS 16
Continuing operations						
EBITDA, comparable, € million	258.0	-108.8	149.1	232.1	-103.1	129.0
Operating profit, comparable, € million	129.7	-23.1	106.6	114.5	-24.0	90.5
Profit before tax, comparable, € million	107.7	+0.5	108.1	90.8	-1.0	89.8
Cash flow from operating activities, € million	273.2	-85.4	187.7	209.0	-81.5	127.4

Kesko Corporation has provided information on the adoption of IFRS 16 Leases in a 19 December 2018 release containing comparison figures for January-September 2018, in the 2018 financial statements release published on 6 February 2019, in the 2018 financial statements published on 8 March 2019, and in a 25 March 2019 release which contained comparison figures for the financial year 2018. Detailed information regarding the impacts of IFRS 16 Leases is provided in the Tables section of this release: information on impacts on the consolidated financial statements on page 40, and on operating profit and EBITDA by segment on page 33 and onwards.

PRESIDENT AND CEO MIKKO HELANDER:

"Kesko had a very strong year in 2019. Our net sales continued to grow and totalled €10,720 million, and our comparable operating profit rose to a record €462 million, improving by €33 million on 2018. The final quarter of 2019 was the best ever Q4 for Kesko: our operating profit increased by €15 million and totalled €130 million. The investments in growth made in line with our strategy have significantly improved our profitability. In addition to financial success, we once again also ranked as the most sustainable grocery trade company in the world.

Our great success is based on the strategy established in 2015 and its successful execution. Customer-orientation drives everything we do. The cornerstones of our strategy are profitable growth, business focus, sustainability and combatting climate change, and "One unified K". The fact that trust towards K Group has significantly improved in recent years is another sign of our success.

In 2019, we continued our strong transformation and improving competitiveness in all our divisions, while also carrying out various acquisitions in line with our growth strategy. Our good ability to produce profit and strong financial position enable not only investments but also good dividend capacity. Kesko's Board of Directors proposes to the Annual General Meeting a total dividend payment of €249,702,740.28 million, i.e. €2.52 per share, and proposes that the dividend be paid in two instalments.

In the grocery trade, our success is founded on good customer experiences. Our sales and market share have been growing at a good pace for some time, and continued to do so also in 2019. Online sales of groceries also continued to grow strongly. Profitability has improved not only thanks to sales growth, but also due to more extensive utilisation of technology and improved efficiency in logistics. At the core of our strategy are store-specific business ideas built on top of our chain concepts. I have been pleased to see how sales have grown in those K-stores where store-specific business ideas have resulted in even better selections and services for our customers. I still see significant potential to increase sales and profit by supporting and encouraging K-retailers to implement store-specific business ideas throughout our network of 1,200 K-food stores.

In the building and technical trade division, sales grew and profit strengthened. Profitability for the division has been improving for several years now. I am very pleased with the strong performance of K-Rauta in Finland, which translated into a market share of over 42% and an even stronger profit. Onninen has developed well as part of Kesko, and the growing technical wholesale market provides good potential for growth and further profitability improvement in Onninen. In Sweden, we carried out a significant acquisition to focus on professional builders: the acquisition of Fresks and its integration have been successful, and we are now well-positioned to grow our business in Sweden and further improve profitability. We will also continue efforts to improve the profitability of K-rauta in Sweden. In Norway, we have increased the share of our own retailing in the Byggmakker chain in line with our strategy, and will continue the integration of related acquisitions in 2020. Both the Swedish and the Norwegian market offer significant growth potential for Kesko.

In the car trade, the situation improved during the final quarter of the year, with better demand and availability. However, the situation has not fully returned to normal yet. Our collaboration with the world's biggest car manufacturer, the Volkswagen Group, enables great competitiveness in the changing market. An updated range – all-electric cars, rechargeable hybrids and also new internal combustion engine vehicles with lower emissions – and new mobility services will improve our ability to serve our customers even better in all their car-related needs.

K Group has once again been ranked as the most sustainable grocery trade company in the world. This is thanks to years of effort. As a trading sector company, we have a unique opportunity and the responsibility to enable sustainable lifestyles for our customers. This requires transparently disclosing the origin and carbon footprint of products we purchase, thus offering customers in K-stores the chance to make sustainable choices.

Our outlook for 2020 is good. We expect the comparable net sales for continuing operations for the next 12 months to exceed the level of the previous 12 months, and the comparable operating profit for continuing operations for the next 12-month period to exceed the level of the preceding 12 months.

I want to thank all our customers, shareholders, suppliers and other stakeholders for their trust and collaboration in 2019. I also want to express my sincerest thanks to all the people in K Group for their productive work and commitment to K Group's transformation."

FINANCIAL PERFORMANCE FOR CONTINUING OPERATIONS

NET SALES AND PROFIT FOR JANUARY-DECEMBER 2019

The net sales for the Group's continuing operations in January-December 2019 totalled €10,720.3 million, which is 3.3% up on the corresponding period of the previous year (€10,382.8 million). In comparable terms, net sales increased by 1.4% in local currencies, excluding the impact of acquisitions and divestments. Net sales grew in the grocery trade and building and technical trade, but decreased in the car trade and – following divestments in the machinery trade – in the speciality goods trade. The Group's net sales increased by 1.6% in Finland, or by 1.1% in comparable terms. In other countries, net sales increased by 9.8%, or by 2.6% in comparable terms. International operations accounted for 21.8% (20.5%) of the Group's net sales.

Net sales for the grocery trade grew by 2.7%, or by 3.2% in comparable terms. Net sales grew in all food store chains and Kespro. 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 including in the net sales the comparable months of Reinin Liha and Kalatukku E. Eriksson, both acquired in 2018.

In the building and technical trade, net sales grew by 5.6%. In comparable terms, net sales grew by 2.1%. The net sales for the building and technical trade excluding the speciality goods trade increased by 6.9%, or by 2.7% in comparable terms. Net sales grew in comparable terms in Finland, the Baltics and Belarus. In Norway and Sweden, net sales increased due to the acquisitions completed. The comparable change % has been calculated in local currencies and by including in the net sales the comparable months of Skattum Handel AS, Gipling AS and 1A Group, all acquired in 2018, and by excluding the impact of the acquisitions of the DIY business of Sørbø on 31 January 2019 and Fresks Group on 17 May 2019, as well as the impact of the divestment of Onninen AB’s HEPAC contractor business on 15 May 2019. Net sales for the speciality goods trade decreased by 7.5%, or by 3.7% in comparable terms. The comparable change % has been calculated by excluding the impact of the Finnish agricultural machinery trade, divested on 1 August 2019.

In the car trade, net sales decreased by 3.3%, or by 11.6% in comparable terms. Demand in the consumer market in 2019 was affected by uncertainties regarding car taxation and debate over motive power choices as well as changes related to WLTP emissions testing. The comparable change % has been calculated by excluding the impact of the car trade businesses acquired from Huittisten Laatuauto and LänsiAuto on 1 March 2019, and the Volkswagen, Audi and SEAT businesses acquired from Laakkonen Group on 1 July 2019.

Reinin Liha and Kalatukku E. Eriksson became part of Kesko Group’s foodservice wholesale company Kespro following acquisitions completed on 1 June 2018 and 2 July 2018, respectively. Kesko Corporation’s subsidiary Byggmakker Handel AS took over the Norwegian building and home improvement trade companies Skattum Handel AS and Gipling AS, which previously operated Byggmakker stores under the retailer business model, on 2 July 2018 and 23 July 2018, respectively. Kesko Senukai assumed ownership of 1A Group, an online retail company operating in the Baltic States, on 1 October 2018. On 31 January 2019, Kesko Corporation subsidiaries Skattum Handel AS and Rake Eiendom AS assumed ownership of the DIY retail business and properties of the Sørbø retailer group in Norway, which had been operating Byggmakker stores under the retailer business model. K-Caara assumed ownership of car trade businesses acquired from Huittisten Laatuauto and LänsiAuto on 1 March 2019. Kesko Corporation’s subsidiary K-rauta AB assumed ownership of the Swedish building and home improvement group Fresks on 17 May 2019. Fresks strengthens Kesko’s position in Sweden, especially in the professional builders customer segment. The divestment of Onninen AB’s HEPAC contractor business was completed on 15 May 2019. K-Caara assumed ownership of the Volkswagen, Audi and SEAT businesses acquired from Laakkonen Group on 1 July 2019. The Finnish agricultural machinery trade operations were divested on 1 August 2019.

1-12/2019	Net sales, € million	Change, %	Change, comparable, %	Operating profit, comparable, € million	Change, € million
Grocery trade	5,531.2	+2.7	+3.2	327.9	+33.4
Building and technical trade excluding the speciality goods trade	3,984.5	+6.9	+2.7	133.3	+15.7
Speciality goods trade	346.7	-7.5	-3.7	9.5	+0.2
Building and technical trade, total	4,331.1	+5.6	+2.1	142.8	+16.0
Car trade	863.9	-3.3	-11.6	26.8	-8.5
Common functions and eliminations	-5.9	(..)	(..)	-35.9	-7.8
Total	**10,720.3**	**+3.3**	**+1.4**	**461.6**	**+33.1**

(...) Change over 100%

The Group's comparable operating profit for continuing operations in January-December totalled €461.6 million (€428.5 million). Profitability improved in the grocery trade due to good sales performance and improved operational efficiency. The comparable operating profit for the building and technical trade grew in Finland, Sweden, Norway and Belarus. Profitability in Norway and Sweden improved due to acquisitions and divestments carried out. In the Baltic States, the comparable operating profit fell short of the level of the comparison period.

The acquisitions carried out in 2018 and the first half of 2019 accounted for €13.4 million (€2.1 million) of the comparable operating profit for the building and technical trade. The comparable operating profit for the car trade was down by €8.5 million due to a decline in net sales.

Operating profit totalled €447.8 million (€404.3 million). Items affecting comparability totalled €-13.8 million (€-24.2 million). The most significant items affecting comparability were the €7.8 million costs related to the divestment of Onninen's HEPAC contractor business in the building and technical trade in Sweden, the €4.3 million costs related to acquisitions, and the net €+4.8 million items related to the subsidiary consolidation of Kruunuvuoren Satama Oy. The most significant items affecting comparability in the comparison period were the €7.6 million costs related to conversions of Suomen Lähikauppa's chains and changes in the store site network, the €8.1 million costs in building and technical trade related to acquisitions and divestments and structural changes in the Swedish operations, and gains and losses on disposal of real estate and other non-current assets and impairment charges, totalling €-3.8 million.

Items affecting comparability, € million	**1-12/2019**	**1-12/2018**
Operating profit, comparable	**+461.6**	**+428.5**
Items affecting comparability		
+gains on disposal	+4.6	+6.7
-losses on disposal	-0.9	-0.1
-impairment charges	-	-5.6
+/-structural arrangements	-17.5	-25.3
Items affecting comparability, total	-13.8	-24.2
Operating profit	**+447.8**	**+404.3**

The comparable profit before tax for the Group's continuing operations in January-December totalled €370.7 million (€325.2 million). The profit before tax for the Group's continuing operations in January-December totalled €403.3 million (€294.5 million). The earnings per share for the Group's continuing operations were €3.31 (€2.16), and the comparable earnings per share €2.97 (€2.45). The Group's equity per share was €20.44 (€19.33).

K Group's (Kesko and chain stores) retail and B2B sales (VAT 0%) in January-December totalled €13,340.8 million, which is a growth of 1.8% compared to the previous year (pro forma). The K-Plussa customer loyalty programme added 98,902 new households between January and December 2019. The number of K-Plussa households stood at 2.4 million at the end of December and there were 3.5 million K-Plussa cardholders in total.

NET SALES AND PROFIT FOR OCTOBER-DECEMBER 2019

The net sales for the Group's continuing operations in October-December 2019 totalled €2,734.2 million, which is 3.0% up on the corresponding period of the previous year (€2,655.1 million). In comparable terms, net sales increased by 0.9% in local currencies, excluding the impact of acquisitions and divestments. The Group's net sales increased by 2.9% in Finland, or by 1.5% in comparable terms. In other countries, net sales grew by 3.4%, or decreased by 1.7% in comparable terms. The growth in net sales was impacted by the strong performance in the grocery trade and by acquisitions in line with the Group's growth strategy in the building and technical trade in Sweden and Norway and the car trade in Finland. International operations accounted for 21.1% (21.0%) of the Group's net sales.

Net sales for the grocery trade grew by 1.8%. Net sales grew in all food store chains and Kespro.

In the building and technical trade, net sales grew by 1.6%. In comparable terms, net sales decreased by 0.7%. The net sales for the building and technical trade excluding the speciality goods trade increased by 2.5%, or decreased by 0.5% in comparable terms. Net sales grew in comparable terms in Finland, the Baltics and Belarus. The comparable change % has been calculated in local currencies and by deducting from the net sales the impact of the acquisitions of the DIY business of Sørbø on 31 January 2019 and Fresks Group on 17 May 2019, as well as the impact of the divestment of Onninen AB's HEPAC contractor business on 15 May 2019. Net sales for the speciality goods trade decreased by 8.6%, or by 3.0% in comparable terms. The comparable change % has been calculated by excluding the impact of the Finnish agricultural machinery trade, divested on 1 August 2019.

In the car trade, net sales increased by 20.1%, or by 2.6% in comparable terms. Net sales development in the car trade was affected by uncertainties regarding car taxation and debate over motive power choices as well as changes related to WLTP emissions testing. The comparable change % has been calculated by excluding the impact of the car trade businesses acquired from Huittisten Laatuauto and LänsiAuto on 1 March 2019, and the Volkswagen, Audi and SEAT businesses acquired from Laakkonen Group on 1 July 2019.

Reinin Liha and Kalatukku E. Eriksson became part of Kesko Group's foodservice wholesale company Kespro following acquisitions completed on 1 June 2018 and 2 July 2018, respectively. Kesko Corporation's subsidiary Byggmakker Handel AS took over the Norwegian building and home improvement trade companies Skattum Handel AS and Gipling AS, which previously operated Byggmakker stores under the retailer business model, on 2 July 2018 and 23 July 2018, respectively. Kesko Senukai assumed ownership of 1A Group, an online retail company operating in the Baltic States, on 1 October 2018. On 31 January 2019, Kesko Corporation subsidiaries Skattum Handel AS and Rake Eiendom AS assumed ownership of the DIY retail business and properties of the Sørbø retailer group in Norway, which had been operating Byggmakker stores under the retailer business model. K-Caara assumed ownership of car trade businesses acquired from Huittisten Laatuauto and LänsiAuto on 1 March 2019. Kesko Corporation's subsidiary K-rauta AB assumed ownership of the Swedish building and home improvement group Fresks on 17 May 2019. The divestment of Onninen AB's HEPAC contractor business was completed on 15 May 2019. K-Caara assumed ownership of the Volkswagen, Audi and SEAT businesses acquired from Laakkonen Group on 1 July 2019. The Finnish agricultural machinery trade operations were divested on 1 August 2019.

10-12/2019	Net sales, € million	Change, %	Change, comparable, %	Operating profit, comparable, € million	Change, € million
Grocery trade	1,456.0	+1.8	+1.9	98.6	+10.1
Building and technical trade excluding the speciality goods trade	976.6	+2.5	-0.5	29.4	+2.4
Speciality goods trade	75.0	-8.6	-3.0	1.6	+0.2
Building and technical trade, total	1,051.6	+1.6	-0.7	30.9	+2.6
Car trade	228.5	+20.1	+2.6	9.0	+1.8
Common functions and eliminations	-1.9	(..)	(..)	-8.9	+0.6
Total	**2,734.2**	**+3.0**	**+0.9**	**129.7**	**+15.2**

(...) Change over 100%

The Group's comparable operating profit for continuing operations in October-December totalled €129.7 million (€114.5 million). Profitability improved in the grocery trade due to good sales performance and improved operational efficiency. The comparable operating profit for the building and technical trade grew especially in Finland and Sweden. Profitability in Sweden improved due to acquisitions and divestments carried out. In the Baltic States and Norway, the comparable operating profit fell short of the level of the comparison period. The acquisitions carried out in 2018 and the first half of 2019 accounted for €1.6 million (€-0.4 million) of the comparable operating profit for the building and technical trade. The comparable operating profit for the car trade grew year-on-year thanks to growth in sales.

Operating profit totalled €127.8 million (€103.8 million). Items affecting comparability totalled €-1.9 million (€-10.7 million). Items affecting comparability the year before were related to the Group's structural arrangements and impairment charges on other non-current assets.

Items affecting comparability, € million	**10-12/2019**	**10-12/2018**
Operating profit, comparable	**+129.7**	**+114.5**
Items affecting comparability		
+gains on disposal	+3.3	+0.0
-losses on disposal	-0.9	-
-impairment charges	-	-2.2
+/-structural arrangements	-4.3	-8.5
Items affecting comparability, total	-1.9	-10.7
Operating profit	**+127.8**	**+103.8**

The comparable profit before tax for the Group's continuing operations in October-December totalled €107.7 million (€90.8 million). The profit before tax for the Group's continuing operations in October-December was €105.7 million (€73.6 million). The earnings per share for the Group's continuing operations were €0.90 (€0.55), and the comparable earnings per share €0.90 (€0.70). The Group's equity per share was €20.44 (€19.33).

K Group's (Kesko and chain stores) retail and B2B sales (VAT 0%) in October-December totalled €3,362.6 million, which is a growth of 0.9% compared to the previous year (pro forma).

FINANCE

In January-December, the Group's cash flow from operating activities for continuing operations totalled €893.1 million (€748.4 million). The cash flow from operating activities excluding the impact of IFRS 16 was €564.8 million (€437.1 million). Cash flow was strengthened by improved capital efficiency, the €48.3 million (€57.8 million) return of surplus assets paid by Kesko Pension Fund in March 2019, the dividend payment and repayment of capital by Kruunuvuoren Satama Oy in May 2019 totalling €44.1 million, and the dividend of €39.3 million paid by the associate Valluga-sijoitus Oy in H2/2019. The cash flow from operating activities for discontinued operations totalled €3.5 million (€-23.3 million). The Group's cash flow from operating activities totalled €896.6 million (€725.2 million).

The Group's cash flow from investing activities totalled €-616.8 million (€-209.0 million). Kruunuvuoren Satama Oy's ownership arrangement had a €-84.6 million impact on the cash flow from investing activities. Cash flow from investing activities for the comparison period includes the €161.3 million transaction price obtained from the divestment of properties in Russia.

The Group had liquid assets of €169.0 million at the end of the reporting period (€249.6 million). Interest-bearing liabilities at the end of December totalled €3,037.3 million (€2,700.3 million), and interest-bearing net debt €2,868.4 million (€2,450.7 million), of which lease liabilities accounted for €2,422.2 million (€2,289.0 million). Interest-bearing net debt excluding lease liabilities totalled €446.1 million (€161.6 million). The equity ratio was 31.2% (31.9%) at the end of the period.

The net finance costs for the Group's continuing operations in January-December totalled €91.4 million (€99.7 million), including interests on lease liabilities of €95.4 million (€98.6 million). The share of result of associates and joint ventures was €46.8 million (€-10.1 million). Kruunuvuoren Satama Oy had a €17.8 million impact on the result of associates and joint ventures and a €0.3 million impact on the comparable share of result in January-December, taking into account the sales gains and impairment charges related to Kruunuvuoren Satama Oy's ownership arrangement, net €17.4 million. Kruunuvuoren Satama Oy was consolidated in Kesko Group as an associate until 14 June 2019, after which it has been consolidated as a subsidiary in the consolidated financial statements. Other associates had a combined impact of €29.1 million on the result of associates and joint ventures in January-December and the impact on the comparable share of result was €0.3 million excluding the sales gains amounting to €28.7 million included in the results of associates and reported as items affecting comparability. Kesko and Oriola's joint venture, the Hehku wellbeing chain, had an impact of €-11.2 million of the share of result of the previous year.

In October-December, the Group's cash flow from operating activities in continuing operations totalled €273.2 million (€209.0 million). The cash flow from operating activities excluding the impact of IFRS 16 was €187.7 million (€127.4 million). The cash flow was strengthened by improved capital efficiency and the dividend of €30.1 million paid by the associate Valluga-sijoitus Oy in October. The cash flow from operating activities for discontinued operations totalled €0.1 million (€0.0 million). The Group's cash flow from operating activities totalled €273.3 million (€209.0 million).

The Group's cash flow from investing activities in October-December totalled €-61.1 million (€-56.7 million).

The net finance costs for the Group's continuing operations in October-December totalled €21.3 million (€23.1 million), including interests on lease liabilities of €23.5 million (€23.1 million). The share of result of associates and joint ventures was €-0.8 million (€-7.2 million), or €-0.5 million excluding the sales gains included in the share of result of associates and reported as items affecting comparability.

TAXES
The taxes for the Group's continuing operations totalled €69.6 million (€62.1 million) in January-December. The effective tax rate was 17.3% (21.1%), impacted by the share of result of associates and joint ventures. In October-December, the taxes for the Group's continuing operations totalled €14.9 million (€15.5 million). The effective tax rate was 14.1% (21.1%), impacted by the share of result of associates and joint ventures.

CAPITAL EXPENDITURE
The capital expenditure for the Group's continuing operations in January-December totalled €686.1 million (€417.6 million), or 6.4% (4.0%) of net sales. Capital expenditure in store sites totalled €227.7 million (€111.8 million), in acquisitions €290.5 million (€172.0 million), and in IT €33.9 million (€48.8 million) and other capital expenditure totalled €134.0 million (€85.1 million). Kruunuvuoren Satama Oy's ownership arrangement had a €85.3 million impact on capital expenditure in store sites.

The capital expenditure for the Group's continuing operations in October-December totalled €83.3 million (€67.7 million), or 3.0% (2.6%) of net sales. Capital expenditure in store sites totalled €32.3 million (€24.2 million), in acquisitions €0.2 million (€6.0 million), and in IT €11.9 million (€11.2 million) and other capital expenditure totalled €38.8 million (€26.4 million).

PERSONNEL
In January-December, the average number of personnel for the Group's continuing operations was 20,846 (19,579) converted into full-time employees. The growth in personnel numbers is attributable to the acquisitions carried out in Finland, Sweden and Norway.

At the end of December 2019, the number of personnel was 25,168 (23,401), of whom 12,657 (11,878) worked in Finland and 12,511 (11,523) outside Finland.

DISCONTINUED OPERATIONS
The Russian building and home improvement trade operations, discontinued in 2018, are reported as discontinued operations in the consolidated financial statements, and are not included in the figures for the Group's continuing operations or the figures for the building and technical trade for the financial year or the comparison period in this financial statements release. The dissolution of the Russian subsidiaries was completed during the reporting period.

SEGMENTS

SEASONAL NATURE OF OPERATIONS
The Group's operating activities are affected by seasonal fluctuations. The net sales and the operating profits of the reportable segments are not earned evenly throughout the year. Instead, they vary by quarter depending on the characteristics of each segment. In terms of the level of operating profit, the second and third quarter are the strongest, whereas the impact of the first quarter on the full year profit is the smallest. The acquisitions of Suomen Lähikauppa, Onninen and the Norwegian Skattum Handel AS, Gipling AS and the DIY retail business of Sørbø and the Swedish Fresks Group have increased seasonal fluctuations between quarters. The operating profit levels of these companies are at their lowest in the first quarter.

GROCERY TRADE

	1-12/2019	1-12/2018	10-12/2019	10-12/2018
Net sales, € million	5,531.2	5,385.7	1,456.0	1,429.8
Operating profit, comparable, € million	327.9	294.5	98.6	88.6
Operating margin, comparable, %	5.9	5.5	6.8	6.2
Return on capital employed, comparable, %, rolling 12 months	14.5	13.1	14.5	13.1
Capital expenditure, € million	180.8	124.1	32.2	27.1
Personnel, average	6,063	6,094	5,956	6,072

Net sales, € million	1-12/2019	1-12/2018	Change, %	10-12/2019	10-12/2018	Change, %
Sales to K-food stores						
K-Citymarket, food	1,150.4	1,108.1	+3.8	312.9	300.6	+4.1
K-Supermarket	1,417.0	1,377.4	+2.9	367.4	363.5	+1.1
K-Market*	1,336.3	1,250.6	+6.9	337.2	321.9	+4.8
K-Citymarket, non-food	584.6	581.2	+0.6	176.2	182.7	-3.6
Kespro	944.9	871.5	+8.4	243.4	226.4	+7.5
Others	98.0	196.9	-50.2	18.9	34.7	-45.5
Total	**5,531.2**	**5,385.7**	**+2.7**	**1,456.0**	**1,429.8**	**1.8**

* The comparable change in net sales attributable to K-Market was 5.3% in January-December and 4.8% in October-December.

January-December 2019

The net sales for the grocery trade in January-December amounted to €5,531.2 million (€5,385.7 million), an increase of 2.7%. Net sales grew in all food store chains and Kespro. 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 in the first half of 2018. In comparable terms, net sales grew by 3.2%. 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 including in the net sales the comparable months of Reinin Liha and Kalatukku E. Eriksson, both acquired in 2018.

The total grocery market in Finland (incl. VAT) is estimated to have grown by approximately 2.6% in January-December (Kesko's own estimate) and retail prices are estimated to have risen by some 1.4% (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 3.7% (incl. VAT), thus clearly exceeding the market growth. K Group's sales grew in all food store chains.

The comparable operating profit for the grocery trade in January-December amounted to €327.9 million (€294.5 million), an increase of €33.4 million. Profitability improved in the grocery trade following good sales performance due to the redesign of the store site network and store-specific business ideas, and improved operational efficiency.

Operating profit for the grocery trade totalled €334.6 million (€285.9 million). Items affecting comparability totalled €6.7 million (€-8.7 million). Profits affecting comparability of €5.9 million are related to the consolidation of Kruunuvuoren Satama Oy. Items affecting comparability in the comparison period were mainly related to the restructuring of Suomen Lähikauppa, €-7.6 million.

Capital expenditure for the grocery trade in January-December totalled €180.8 million (€124.1 million), of which €157.0 million (€89.5 million) was in store sites. Kruunuvuoren Satama Oy's share of capital expenditure in store sites was €62.8 million. Store redesigns and expansions accounted for 73% of other capital expenditure in store sites.

October-December 2019

Net sales for the grocery trade in October-December amounted to €1,456.0 million (€1,429.8 million), an increase of 1.8%. Net sales grew in all food store chains and Kespro. Grocery sales grew well throughout the reporting period. In home and speciality goods trade, sales were weakened by exceptionally warm winter weather and changes concerning tax refunds, which impacted purchasing power.

The total grocery market in Finland (incl. VAT) is estimated to have grown by approximately 2.9% in October-December (Kesko's own estimate) and retail prices are estimated to have risen by some 1.2% (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 3.3% (incl. VAT), thus exceeding the market growth. K Group's sales grew in all food store chains.

The comparable operating profit for the grocery trade in October-December amounted to €98.6 million (€88.6 million), an increase of €10.1 million. Profitability improved in the grocery trade due to sales growth and further improvements in operational efficiency.

Operating profit for the grocery trade totalled €98.5 million (€86.7 million). Items affecting comparability totalled €-0.2 million (€-1.9 million).

Capital expenditure for the grocery trade in October-December totalled €32.2 million (€27.1 million), of which €20.5 million (€18.0 million) was in store sites.

One new K-Citymarket (replacement new building), one new K-Supermarket, and five new K-Market stores (one replacement new building) opened in October-December. Remodelling and expansions took place at a total of 18 stores.

The most significant store sites under construction are K-Supermarket stores in the centre of Jyväskylä and at Vaajakoski. K-Market Pirkanpoika in Pirkkala is being expanded to turn it into a K-Supermarket.

Store numbers at 31 Dec.	**2019**	**2018**
K-Citymarket	81	81
K-Supermarket	243	244
K-Market	777	782
Neste K	73	72
Others	78	80
Total	1,252	1,259

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

BUILDING AND TECHNICAL TRADE

	1-12/2019	**1-12/2018**	**10-12/2019**	**10-12/2018**
Net sales, € million	4,331.1	4,102.6	1,051.6	1,034.6
Building and technical trade, excl. speciality goods trade	3,984.5	3,728.0	976.6	952.5
Speciality goods trade	346.7	374.6	75.0	82.1
Operating profit, comparable, € million	142.8	126.8	30.9	28.3
Building and technical trade, excl. speciality goods trade	133.3	117.5	29.4	26.9
Speciality goods trade	9.5	9.3	1.6	1.3
Operating margin, comparable, %	3.3	3.1	2.9	2.7
Building and technical trade, excl. speciality goods trade	3.3	3.2	3.0	2.8
Speciality goods trade	2.7	2.5	2.1	1.6
Return on capital employed, comparable, %, rolling 12 months	7.4	7.9	7.4	7.9
Capital expenditure, € million	332.7	200.7	18.2	17.3
Personnel, average	12,630	11,668	13,012	12,081

Net sales, € million	1-12/2019	1-12/2018	Change, %	10-12/2019	10-12/2018	Change, %
Building and home improvement trade, Finland	908.4	892.1	+1.8	201.0	200.5	+0.2
K-Rauta, Sweden	163.7	174.6	-6.3	33.9	39.1	-13.2
K-Bygg, Sweden	132.8	-	-	49.6	-	-
Byggmakker, Norway	386.9	370.4	+4.4	86.3	100.1	-13.8
Kesko Senukai, Baltics	715.5	602.1	+18.8	187.5	178.0	+5.3
OMA, Belarus	146.6	128.2	+14.4	37.7	32.0	+18.0
Onninen, Finland	909.6	881.4	+3.2	226.8	222.4	+2.0
Onninen, Sweden	121.2	150.9	-19.7	25.8	39.0	-33.9
Onninen, Norway	237.8	251.9	-5.6	59.9	67.8	-11.7
Onninen, Baltics	85.2	77.2	+10.4	23.1	20.5	+12.3
Onninen, Poland	237.2	239.0	-0.7	63.7	64.3	-0.9
Building and technical trade, excl. speciality goods trade, total	**3,984.5**	**3,728.0**	**+6.9**	**976.6**	**952.5**	**+2.5**
Leisure trade, Finland	203.7	201.6	+1.1	57.8	57.5	+0.6
Machinery trade	143.0	173.0	-17.4	17.2	24.6	-30.0
Speciality goods trade, total	**346.7**	**374.6**	**-7.5**	**75.0**	**82.1**	**-8.6**
Total	**4,331.1**	**4,102.6**	**+5.6**	**1,051.6**	**1,034.6**	**+1.6**

January-December 2019

Net sales for the building and technical trade in January-December totalled €4,331.1 million (€4,102.6 million), up by 5.6%. In comparable terms, net sales grew by 2.1%. Net sales grew in comparable terms in Finland, the Baltics and Belarus. In Norway and Sweden, net sales increased due to the acquisitions and divestments completed.

The comparable change % has been calculated in local currencies and by including in the net sales the comparable months of Skattum Handel AS, Gipling AS and 1A Group, all acquired in 2018, and excluding the impact of the acquisitions of the DIY business of Sørbø on 31 January 2019 and Fresks Group on 17 May 2019, as well as the impact of the divestments of Onninen AB's HEPAC contractor business on 15 May 2019 and the Finnish agricultural machinery trade on 1 August 2019.

On 31 January 2019, Kesko Corporation subsidiaries Skattum Handel AS and Rake Eiendom AS assumed ownership of the DIY retail business and properties of the Sørbø retailer group in Norway, which had been operating Byggmakker stores under the retailer business model. Kesko Corporation's subsidiary K-rauta AB assumed ownership of Fresks Group on 17 May 2019. A new K-Bygg brand, aimed at professional builders, was launched in Sweden, and Fresks stores serve customers under the new brand. The Finnish agricultural machinery trade operations were divested on 1 August 2019.

In Finland, net sales for the building and technical trade in January-December totalled €1,991.6 million (€1,972.0 million), up by 1.0%. In comparable terms, net sales increased by 1.5% in Finland. Net sales from foreign operations amounted to €2,339.6 million (€2,130.6 million) in January-December, an increase of 9.8%. In comparable terms, net sales from foreign operations were up by 2.6%. Foreign operations contributed 54.0% (51.9%) of the net sales for the building and technical trade.

Net sales for the building and technical trade excluding the speciality goods trade totalled €3,984.5 million (€3,728.0 million) in January-December, an increase of 6.9%. In comparable terms, net sales grew by 2.7%.

Net sales for the building and home improvement trade in January-December totalled €2,447.8 million (€2,161.8 million), an increase of 13.2%. In comparable terms, net sales grew by 3.3%. Net sales in Finland grew by 1.8% and in the Baltics by 18.8% Net sales increased in local currencies in Belarus by 11.4%, in Norway by 7.2% and in Sweden by 75.1%. In comparable terms, net sales increased by 1.3% in Finland and by 13.3% in the Baltics, and decreased by 3.3% in Sweden and by 7.8% in Norway.

Onninen’s net sales amounted to €1,587.7 million (€1,597.3 million) in January-December, a decrease of 0.6%. In comparable terms, net sales increased by 3.0%. Net sales in Finland grew by 3.2% and in the Baltics by 10.4%. In Poland, net sales in local currency were at the same level as the year before. Net sales decreased in local currencies in Norway by 3.1% and in Sweden by 17.1%. In comparable terms, net sales in Sweden grew by 20.8%, taking into account the divestment of the HEPAC contractor business during the review period.

Net sales for the speciality goods trade amounted to €346.7 million (€374.6 million) in January-December, a decrease of 7.5%. In comparable terms, net sales decreased by 3.7%. The comparable change % has been calculated by excluding the impact of the Finnish agricultural machinery trade, divested on 1 August 2019. Net sales for the leisure trade totalled €203.7 million (€201.6 million), an increase of 1.1%. Net sales for the machinery trade totalled €143.0 million (€173.0 million) in January-December, down by 17.4%. Net sales for the machinery trade in Finland totalled €13.4 million (€28.2 million), down by 52.5%. The net sales from foreign operations totalled €129.6 million (€144.8 million), down by 10.5%.

The comparable operating profit for the building and technical trade in January-December totalled €142.8 million (€126.8 million), up by €16.0 million compared to the previous year. The comparable operating profit for the building and technical trade, excluding the speciality goods trade, totalled €133.3 million (€117.5 million), an increase of €15.7 million. The comparable operating profit for the building and home improvement trade in January-December totalled €83.3 million (€72.5 million), up by €10.8 million. Comparable operating profit grew in the building and home improvement trade in Finland, Norway, Sweden and Belarus. Profitability in Norway and Sweden improved due to acquisitions and divestments carried out. In the Baltic States, the comparable operating profit fell short of the level of the comparison period. The acquisitions carried out in 2018 and the first half of 2019 accounted for €13.4 million (€2.1 million) of the comparable operating profit. Onninen's comparable operating profit in January-December totalled €50.0 million (€45.0 million). Onninen’s comparable operating profit grew in Finland, Sweden and Poland. In the Baltics, Onninen’s comparable operating profit remained at level of the previous year. The comparable operating profit for the speciality goods trade totalled €9.5 million (€9.3 million)

Operating profit of the building and technical trade totalled €127.6 million (€113.3 million). Items affecting comparability totalled €-15.3 million (€-13.5 million). The most significant items affecting comparability were the €7.8 million costs related to the divestment of Onninen’s HEPAC contractor business in Sweden. The most significant items affecting comparability in the comparison period were the €8.1 million costs related to acquisitions and the restructuring of operations in Sweden, and gains and losses on disposal of real estate and other non-current assets and impairment charges, totalling €-3.8 million.

In January-December, capital expenditure for the building and technical trade totalled €332.7 million (€200.7 million), of which €60.2 million (€21.8 million) was in store sites and €233.2 million (€159.0 million) in acquisitions. Kruunuvuoren Satama Oy’s share of capital expenditure in store sites was €22.4 million. During the reporting period, the acquisitions of Sørbø’s DIY retail business in Norway and Fresks Group in Sweden were completed.

October-December 2019

Net sales for the building and technical trade in October-December totalled €1,051.6 million (€1,034.6 million), up by 1.6%. In comparable terms, net sales decreased by 0.7%. Net sales grew in comparable terms in Finland, the Baltics and Belarus. In Norway and Sweden, net sales increased due to the acquisitions and divestments completed. The comparable change % has been calculated in local currencies and by deducting from the net sales the impact of the acquisitions of the DIY business of Sørbø on 31 January 2019 and Fresks Group on 17 May 2019, as well as the impact of the divestments of Onninen AB’s HEPAC contractor business on 15 May 2019 and the Finnish agricultural machinery trade on 1 August 2019. On 31 January 2019, Kesko Corporation subsidiaries Skattum Handel AS and Rake Eiendom AS assumed ownership of the DIY retail business and properties of the Sørbø retailer group in Norway, which had been operating Byggmakker stores under the retailer business model. Kesko Corporation’s subsidiary K-rauta AB assumed ownership of Fresks Group on 17 May 2019. The Finnish agricultural machinery trade operations were divested on 1 August 2019.

In Finland, net sales for the building and technical trade in October-December totalled €474.7 million (€476.7 million), a decrease of 0.4%. In comparable terms, net sales in Finland increased by 0.4%. Net sales from foreign operations amounted to €577.0 million (€557.9 million) in October-December, an increase of 3.4%. In comparable terms, net sales from foreign operations decreased by 1.7%. Foreign operations contributed 54.9% (53.9%) 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 €976.6 million (€952.5 million) in October-December, an increase of 2.5%. In comparable terms, net sales decreased by 0.5%.

Net sales for the building and home improvement trade in October-December totalled €594.7 million (€548.0 million), an increase of 8.5%. In comparable terms, net sales decreased by 0.5%. Net sales in Finland were at the same level as the year before. In the Baltics, net sales increased by 5.3%. Net sales increased in local currencies in Sweden by 119.8% and in Belarus by 11.5%. Net sales in Norway decreased by 9.1% in local currency. In comparable terms, net sales decreased by 10.4% in Sweden and by 12.2% in Norway.

Onninen's net sales amounted to €398.4 million (€413.2 million) in October-December, a decrease of 3.6%. In comparable terms, net sales increased by 1.6%. Net sales in Finland grew by 2.0% and in the Baltics by 12.3% Net sales decreased in local currencies in Poland by 1.1%, in Norway by 7.4% and in Sweden by 31.7%. Net sales in Sweden grew by 23.0% in comparable terms, taking into account the divestment of the HEPAC contractor business carried out.

Net sales for the speciality goods trade amounted to €75.0 million (€82.1 million) in October-December, a decrease of 8.6%. In comparable terms, net sales decreased by 3.0%. The comparable change % has been calculated by excluding the impact of the Finnish agricultural machinery trade, divested on 1 August 2019. Net sales for the leisure trade totalled €57.8 million (€57.5 million), up by 0.6%. Net sales for the machinery trade in October-December amounted to €17.2 million (€24.6 million), a decrease of 30.0% from the previous year. The Finnish agricultural machinery trade operations were divested on 1 August 2019, which had an impact on the net sales. The net sales from foreign operations totalled €16.9 million (€19.6 million), down by 13.7%.

The comparable operating profit for the building and technical trade in October-December totalled €30.9 million (€28.3 million), up by €2.6 million compared to the previous year. The comparable operating profit for the building and technical trade excluding the speciality goods trade operations totalled €29.4 million (€26.9 million), up by €2.4 million. The comparable operating profit for the building and home improvement trade in October-December totalled €15.6 million (€15.8 million), down by €0.2 million. The comparable operating profit for the building and home improvement trade grew in Finland and Sweden. In Belarus, the comparable operating profit was at the same level as the year before. Profitability in Sweden improved due to acquisitions and divestments carried out. In the Baltic States and Norway, the comparable operating profit fell short of the level of the comparison period. The acquisitions carried out in 2018 and the first half of 2019 accounted for €1.6 million (€-0.4 million) of the comparable operating profit. Onninen's comparable operating profit in October-December totalled €13.9 million (€11.1 million). The comparable operating profit for the speciality goods trade totalled €1.6 million (€1.3 million), up by €0.2 million.

Operating profit for the building and technical trade totalled €28.4 million (€20.4 million). Items affecting comparability totalled €-2.6 million (€-7.8 million). The most significant items affecting comparability in the comparison period were the €2.0 million costs related to the restructuring of operations in Sweden, and the €2.2 million impairment charges on other non-current assets.

In October-December, capital expenditure for the building and technical trade totalled €18.2 million (€17.3 million), of which €7.5 million (€6.0 million) was in store sites. Acquisitions for the comparison period amounted to €6.0 million.

In October-December, one Onninen Express store was opened in Kemi, Finland, one Byggmakker store in Hamar, Norway, one K-Senukai store in Riga, Latvia, and one OMA store in Minsk, Belarus. In Finland, one Intersport store was opened in Vantaa, and one Intersport, one The Athlete's Foot, and one Kookenkä in Helsinki.

The most significant store sites under construction are one building and home improvement store in Finland and one in Lithuania, and one K-Bygg in Sweden. Onninen's most significant store sites under construction are two Onninen Express stores in Finland and two in Poland.

Store numbers at 31 Dec.	2019	2018
Building and technical trade		
K-Rauta, Finland	131	135
K-Rauta, Sweden	18	18
K-Bygg, Sweden	34	-
Byggmakker, Norway	63	65
K-Rauta, Estonia	8	8
K-Senukai, Latvia	11	9
K-Senukai, Lithuania	23	23
OMA, Belarus	17	17
Onninen, Finland	57	56
Onninen, Sweden	-	13
Onninen, Norway	18	25
Onninen, Baltics	17	15
Onninen, Poland	36	36
Speciality goods trade		
Intersport, Finland	54	55
Budget Sport	10	11
The Athlete's Foot	9	7
Kookenkä	34	36
Total	540	529

In addition, building and technical trade stores offer e-commerce services to their customers.

Two Onninen stores in Finland operate on the same store premises with K-Rauta.

CAR TRADE

	1-12/2019	1-12/2018	10-12/2019	10-12/2018
Net sales, € million	863.9	893.1	228.5	190.2
Operating profit, comparable, € million	26.8	35.2	9.0	7.2
Operating margin, comparable, %	3.1	3.9	3.9	3.8
Return on capital employed, comparable, %, rolling 12 months	9.5	20.8	9.5	20.8
Capital expenditure, € million	131.3	49.0	21.6	12.7
Personnel, average	1,179	835	1,334	830

Net sales, € million	1-12/2019	1-12/2018	Change, %	10-12/2019	10-12/2018	Change, %
K-Auto	816.1	830.9	-1.8	209.7	182.5	+14.9
AutoCarrera	49.5	63.1	-21.5	20.0	7.9	+152.0
Total	**863.9**	**893.1**	**-3.3**	**228.5**	**190.2**	**+20.1**

January-December 2019

Net sales for the car trade in January-December totalled €863.9 million (€893.1 million), a decrease of 3.3%. In comparable terms net sales decreased by 11.6%. Demand in the consumer market in 2019 was affected by uncertainties regarding car taxation and debate over motive power choices as well as changes related to WLTP emissions testing. The comparable change % has been calculated by excluding the impact of the car trade businesses acquired from Huittisten Laatuauto and LänsiAuto on 1 March 2019, and the Volkswagen, Audi and SEAT businesses acquired from Laakkonen Group on 1 July 2019.

The combined market performance of first registrations of passenger cars and vans was -5.4% (1.3%) in January-December. The combined market share of the Volkswagen, Audi, SEAT and Porsche passenger cars and Volkswagen and MAN vans imported by the car trade division was 16.9% (18.5%) in January-December.

The comparable operating profit for the car trade in January-December totalled €26.8 million (€35.2 million), down by €8.5 million due to the decline in net sales. The comparable operating profit for AutoCarrera totalled €1.1 million (€4.5 million).

Operating profit for the car trade in January-December totalled €25.5 million (€35.1 million). Items affecting comparability totalled €-1.2 million (€-0.1 million), related to the efficiency improvement measures and structural arrangements carried out.

Capital expenditure for the car trade in January-December totalled €131.3 million (€49.0 million). The acquisitions of car trade businesses from Huittisten Laatuauto and LänsiAuto and the Volkswagen, Audi and SEAT businesses of Laakkonen Group totalled €57.4 million. Capital expenditure includes cars obtained for the leasing fleet and rental cars sold with repurchase commitments.

October-December 2019

Net sales for the car trade in October-December totalled €228.5 million (€190.2 million), an increase of 20.1%. In comparable terms, net sales increased by 2.6%. Demand in the consumer market in 2019 was affected by uncertainties regarding car taxation and debate over motive power choices as well as changes related to WLTP emissions testing. Uncertainties regarding car taxation and motive power choices have increased the demand for leasing services offered by Kesko's car trade division. The comparable change % has been calculated by excluding the impact of the car trade businesses acquired from Huittisten Laatuauto and LänsiAuto on 1 March 2019, and the Volkswagen, Audi and SEAT businesses acquired from Laakkonen Group on 1 July 2019.

The combined market performance of first registrations of passenger cars and vans was 11.6% (-12.1%) in October-December. The combined market share of the Volkswagen, Audi, SEAT and Porsche passenger cars and Volkswagen and MAN vans imported by the car trade division was 16.4% (18.4%) in October-December.

The comparable operating profit for the car trade in October-December totalled €9.0 million (€7.2 million), up by €1.8 million. The comparable operating profit for AutoCarrera totalled €1.3 million (€-0.6 million).

Operating profit for the car trade in October-December totalled €8.0 million (€7.0 million). Items affecting comparability totalled €-1.0 million (€-0.1 million).

Capital expenditure for the car trade in October-December totalled €21.6 million (€12.7 million). Capital expenditure includes cars obtained for the leasing fleet and rental cars sold with repurchase commitments.

Store numbers at 31 Dec.	2019	2018
K-Auto	42	13
AutoCarrera	3	3
Total	45	16

CHANGES IN GROUP COMPOSITION

Kesko Corporation's subsidiary Byggmakker completed the acquisition of the DIY retail business of Sørbø Trelast AS and Tau & Jørpeland Bygg AS. The transaction included two Byggmakker stores and a B2B logistics centre in Norway.

Kesko Group company K Caara Oy completed the acquisition of Volkswagen and SEAT businesses from Huittisten Laatuauto Oy in Forssa and Huittinen, and Volkswagen, Audi and SEAT businesses from LänsiAuto Oy in Kotka, Kouvola and Lappeenranta.

Kesko Group company K-rauta AB completed the acquisition of Fresks Group from Litorina, Oscarson Invest and the group's management. Fresks Group is a significant operator in the Swedish builders' merchant business. The acquisition significantly strengthens Kesko's market position in Sweden, especially in the growing professional builders customer segment.

Kruunuvuoren Satama Oy became a wholly-owned subsidiary of Kesko Corporation on 14 June 2019 when Kesko Corporation, Kesko Pension Fund and Ilmarinen Mutual Pension Insurance Company carried out their agreement to dissolve their joint ownership of Kruunuvuoren Satama Oy.

Kesko Group company K Caara Oy completed the acquisition of the Volkswagen, Audi and SEAT businesses of Laakkonen Group on.

Kesko Group company Konekesko Oy sold its Finnish agricultural machinery trade operations to Danish Agro Machinery's Finnish subsidiary Finnish Agro Machinery.

SHARES, SECURITIES MARKET AND BOARD AUTHORISATIONS

At the end of December 2019, the total number of Kesko Corporation shares was 100,019,752, of which 31,737,007, or 31.7%, were A shares and 68,282,745, or 68.3%, were B shares. On 31 December 2019, Kesko Corporation held 931,363 of its own B shares as treasury shares. These treasury shares accounted for 1.36% of the total number of B shares, 0.93% of the total number of shares, and 0.24% of votes attached to all shares in the Company. The total number of votes attached to all shares was 385,652,815. Each A share carries ten (10) votes and each B share one (1) vote. The Company cannot vote with own shares held by it as treasury shares and no dividend is paid on them. At the end of December 2019, Kesko Corporation's share capital was €197,282,584.

The price of a Kesko A share quoted on Nasdaq Helsinki was €43.60 at the end of 2018, and €58.80 at the end of December 2019, representing an increase of 34.9%. Correspondingly, the price of a B share was €47.10 at the end of 2018, and €63.08 at the end of December 2019, representing an increase of 33.9%. In January-December 2019, the highest price for an A share was €59.20 and the lowest €42.10. The highest price for a B share was €64.12 and the lowest €45.19. In January-December 2019, the Nasdaq Helsinki All-Share index (OMX Helsinki) was up by 12.2% and the weighted OMX Helsinki Cap index by 13.7%. The Retail Sector Index was up by 34.4%.

At the end of December 2019, the market capitalisation of the A shares was €1,866.1 million. The market capitalisation of the B shares was €4,248.5 million, excluding the shares held by the parent company. The combined market capitalisation of the A and B shares was €6,114.7 million, an increase of €1,562.0 million from the end of 2018.

In January-December, a total of 6.7 million A shares were traded on Nasdaq Helsinki. The exchange value of the A shares was €329.7 million. Meanwhile, 45.5 million B shares were traded, with an exchange value of €2,459.8 million. Nasdaq Helsinki accounted for approximately 66.0% of the trading on Kesko's A and B shares in January-December 2019. Kesko shares were also traded on multilateral trading facilities, the most significant of which was Cboe (source: Euroland).

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 5 February 2019, the Board decided, based on this authorisation and the fulfilment of the performance criteria for the 2017-2018 performance period of Kesko's share-based commitment and incentive plan (PSP), to transfer own B shares held by the Company as treasury shares to persons included in the target group for the plan. This transfer of a total of 71,432 own B shares was communicated in stock exchange releases on 6 February 2019 and 20 March 2019.

Kesko Corporation's Annual General Meeting of 8 April 2019 resolved that approximately 30% of the annual fees to the members of Kesko's Board of Directors be paid in B series shares in the Company (Stock exchange release 8 April 2019). According to the resolution by the Annual General Meeting, the shares will be acquired or transferred to the Board members on the first working day to follow the publication of the interim report for the first quarter of 2019. Kesko's Board of Directors decided 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 25.4.2019). These shares, totalling 2,378, were transferred to the Company's Board members on 26 April 2019 (Stock exchange release 26.4.2019). 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.

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. 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 some 130 members of Kesko's management and other specified key persons. The Board of Directors decided to set the development of Kesko Group's comparable 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. 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 RSP 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 initiated in 2018 will be paid out in the spring of 2021. The PSP 2018-2021 and RSP 2018-2020 share plans were communicated in a stock exchange release on 21 March 2018.

The Board of Directors of Kesko Corporation decided on 19 March 2019 to initiate a performance share plan (PSP) for 2019-2022. The Board of Directors also decided that the target group for the plan will comprise some 130 members of Kesko's management and other specified key persons. The Board decided to set the development of Kesko Group's comparable 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 2019 calendar year, matching the 2018 criteria. The performance criteria concern the performance year 2019 of the PSP 2018-2021 and PSP 2019-2022. A maximum total of 310,000 Kesko B shares may be granted in relation to the PSP 2019-2022. 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 2019–2021. The plan includes a three-year commitment period, after which the potentially granted share awards for an individual plan will be paid to the participants in Kesko B shares, provided that their employment or service relationships with Kesko Group continue until the payment of the awards. The purpose of the RSP 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 2019–2021 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 2019 will be paid out in the spring of 2022. The new PSP 2019-2022 and RSP 2019-2021 share plans were communicated in a stock exchange release on 20 March 2019.

In January-December 2019, a total of 3,774 shares were returned to the Company in accordance with the terms and conditions of the share-based compensation plan 2014-2016, the Bridge Plan 2017-2020, and the performance share plan PSP 2017. The returns during the reporting period were communicated in stock exchange releases on 8 March 2019, and 14 June 2019 and 24 September 2019. The share-based compensation plan 2014-2016 was announced in a stock exchange release on 4 February 2014, and the Bridge Plan and the PSP 2017 were announced in a stock exchange release on 2 February 2017.

Kesko's Board of Directors holds a valid authorisation granted by the Annual General Meeting held on 4 April 2016 to transfer of a total maximum of 1,000,000 own B shares held by the Company as treasury shares (2016 Share issue authorisation). Based on the authorisation, own B shares held by the Company as treasury shares can be issued for subscription by shareholders in a directed issue in proportion to their existing holdings of the Company's shares, regardless of whether they own A or B shares. Shares can also be issued in a directed issue, departing from the shareholder's pre-emptive right, for a weighty financial reason for the Company, such as using the shares to develop the Company's capital structure, to finance possible acquisitions, capital expenditure or other arrangements within the scope of the Company's business operations, and to implement the Company's commitment and incentive scheme. Own B shares held by the Company as treasury shares can be issued either against or without payment. A share issue can only be without payment if the Company, taking into account the best interests of all of its shareholders, has a particularly weighty financial reason for it. The authorisation also includes the Board's authority to make decisions concerning any other matters related to the share issues. The amount possibly paid for the Company's own shares is recorded in the reserve for invested non-restricted equity. The authorisation is valid until 30 June 2020.

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 would 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 would be acquired and paid for in accordance with the rules of the exchange. The acquisition of own shares would reduce the amount of the Company's distributable unrestricted equity. The B shares would 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 would make decisions concerning any other issues related to the acquisition of B shares. The authorisation was 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 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 on 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 for 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 out the authorisation granted to the Board by the General Meeting of 13 April 2015 to issue a total maximum of 20,000,000 new B shares, which the Board did not use.

At the end of December 2019, the number of shareholders was 41,175, which is 430 more than at the end of 2018. At the end of December, foreign ownership of all shares was 36.35%, and foreign ownership of B shares 52.11%.

FLAGGING NOTIFICATIONS

According to a notification received by Kesko Corporation, on 28 May 2019, Ilmarinen Mutual Pension Insurance Company’s holding exceeded the threshold of five (5) per cent for shares and ten (10) per cent for voting rights in Kesko. (Stock exchange release 28.5.2019)

According to a notification received by Kesko Corporation, Kruunuvuoren Satama Oy’s holding of shares and voting rights in Kesko decreased to zero due to a share transaction carried out on 28 May 2019. (Stock exchange release 28.5.2019)

According to a notification received by Kesko Corporation, on 30 August 2019, K-Retailers’ Association’s holding exceeded the threshold of five (5) per cent for shares in Kesko. (Stock exchange release 30.8.2019)

According to a notification received by Kesko Corporation, on 28 October 2019, Ilmarinen Mutual Pension Insurance Company's holding in Kesko fell below the threshold of five (5) per cent for shares. (Stock exchange release 29.10.2019)

KEY EVENTS DURING THE REPORTING PERIOD

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

Kesko Group company K Caara Oy completed the acquisitions of the Volkswagen and SEAT businesses of Huittisten Laatuauto Oy in Forssa and Huittinen, and the Volkswagen, Audi and SEAT businesses of LänsiAuto Oy in Kotka, Kouvola and Lappeenranta. (Press release 1.3.2019)

Kesko Corporation agreed to sell Onninen AB's HEPAC contractor business in Sweden to Solar A/S. The transaction was completed on 15 May 2019. (Press releases 12.3.2019 and 15.5.2019)

Kesko Group company K-rauta AB agreed to acquire Fresks Group, a significant building material retailer in Sweden. The transaction was completed on 17 May 2019. (Press releases 29.3.2019 and 17.5.2019)

The new medium-term financial targets for profitability, as approved by the Board of Directors of Kesko Corporation, are a comparable operating margin of 5.0% and a comparable return on capital employed of 11.0%. The profitability targets take into account the impacts of IFRS 16 Leases. In terms of financial position, as before, the Group uses interest-bearing net debt/EBITDA and targets a maximum level of 2.5, excluding the impact of IFRS 16. (Stock exchange release 25.4.2019)

Kesko Group company K Caara Oy agreed to acquire the Volkswagen, Audi and SEAT businesses of Laakkonen Group. The combined pro forma net sales of the businesses totalled some €259 million in 2018 and operating profit €5.4 million. The 470 employees of the businesses transferred to Kesko. The transaction was completed on 1 July 2019. (Press releases 25.4.2019 and 1.7.2019)

Kesko agreed to acquire the wholesaler Heinon Tukku Oy from the family-owned company Tukkuheino Oy and private individuals to implement Kesko's growth strategy and increase its offering in the growing foodservice market. The Finnish Competition and Consumer Authority (KKV) announced on 13 September 2019 that it would extend the investigation of the matter until 31 October 2019. On 18 November 2019, KKV proposed to the Market Court that the transaction be prohibited. Proceedings concerning the acquisition continue in the Market Court, which is expected to issue a decision on the matter within three months. (Press releases 17.5.2019 and 18.11.2019)

Kesko Corporation, Kesko Pension Fund and Ilmarinen Mutual Pension Insurance Company agreed on 28 May 2019 to dissolve their joint ownership of Kruunuvuoren Satama Oy. Ilmarinen furthermore acquired the 3,438,885 Kesko A shares held by Kruunuvuoren Satama Oy. Kruunuvuoren Satama Oy became a wholly-owned subsidiary of Kesko Corporation on 14 June 2019. (Stock exchange release 28.5.2019)

Konekesko Oy and Danish Agro Machinery A/S, a Danish Agro Group company, agreed that Konekesko's Finnish agricultural machinery trade operations were to be transferred to Danish Agro Machinery's Finnish subsidiary Finnish Agro Machinery on 1 August 2019. (Press release 3.7.2019)

The codetermination negotiations of the car importer K-Auto and the car retailer K-Caara, initiated in August, were concluded. As a result of the negotiations, the personnel numbers of both companies were adjusted and changes were made to the organisational structures. The employment of some 100 people in total was terminated. (Press release 4.10.2019)

Kesko made financing agreements totalling €700 million, where the interest margin will increase or decrease depending on Kesko's ability to meet the sustainability targets set for its carbon footprint, food waste, and audits in high-risk countries. Kesko drew down €300 million, and has the possibility to draw down more later on. (Press release 7.10.2019)

Kesko Corporation reorganised its Legal Affairs function. Lasse Luukkainen, Master of Laws, 41, was appointed Kesko's Group General Counsel as of 1 January 2020. He will also act as Company Secretary for Kesko's Board of Directors and its Committees and the Group Management Board. Luukkainen reports to President and CEO

Mikko Helander. Kesko's previous Group General Counsel and member of Group Management Board Mika Majoinen left the company. (Stock exchange release 13.12.2019)

RESOLUTIONS OF THE 2019 ANNUAL GENERAL MEETING AND DECISIONS OF THE BOARD'S ORGANISATIONAL MEETING

Kesko Corporation's Annual General Meeting was held on 8 April 2019. The meeting adopted the financial statements and consolidated financial statements for 2018 and discharged the Board members and the Managing Director from liability. The Annual General Meeting resolved to distribute a dividend of €2.34 per share on shares held outside the Company, to be paid in two instalments of €1.17. The first dividend instalment record date was 10 April 2019 and pay date 17 April 2019. The second dividend instalment record date was 10 October 2019 and pay date 17 October 2019.

The Annual General Meeting resolved that the number of Board members be seven (7). Retailer Esa Kiiskinen (Chairman), Peter Fagernäs, Master of Laws (Deputy Chairman), Jannica Fagerholm, Master of Science (Economics), Piia Karhu, Doctor of Science (Economics and Business Administration), Matti Kyytsönen, Master of Science (Economics), retailer Matti Naumanen, and retailer Toni Pokela, eMBA continue as Board members. The Board members were elected by the 2018 Annual General Meeting to serve the three-year terms provided in the Company's Articles of Association, ending at the close of the 2021 Annual General Meeting. The Annual General Meeting resolved to keep the Board members' fees unchanged.

The Annual General Meeting elected Authorised Public Accountants PricewaterhouseCoopers Oy as the Company's Auditor, with Mikko Nieminen, APA, as the Auditor with principal responsibility.

The Annual General Meeting resolved to amend section 6 "Auditor", section 9 "Notice of the General Meeting", and section 10 "Annual General Meeting" of the Company's Articles of Association in accordance with the Board's proposal.

The Annual 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 2020, and to decide on the donation recipients, purposes of use and other terms of the donations.

The Board of Kesko Corporation elects its Chairman and Deputy Chairman for the Board's whole three-year term of office, and the Chairmen, Deputy Chairmen and members of the Committees for one year at a time. In the organisational meeting held by the Board after the Annual General Meeting of 11 April 2018, the Board elected Esa Kiiskinen as Chairman and Peter Fagernäs as Deputy Chairman. The Board of did not make changes to the compositions of its Audit Committee or Remuneration Committee in its organisational meeting held after the Annual General Meeting on 8 April 2019. Jannica Fagerholm was elected as Chairman of the Board's Audit Committee, Matti Kyytsönen as Deputy Chairman, and Piia Karhu 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 8 April 2019.

SUSTAINABILITY

K Group's K Charge network for electric car charging became the biggest fast charging network in Finland.

We introduced a carbon footprint calculator to the K-Ostokset service, enabling customers to track the environmental impact of their food purchases and make more sustainable choices for the climate.

A new energy recycling model was developed for K-food stores. The model can reduce heat consumption by as much as 95% and turn a store property almost carbon neutral in terms of energy.

K Group and its customers collected a record donation sum of over €770,000 in the 2019 Pink Ribbon campaign for breast cancer research.

The WWF environmental organisation granted the Green Office certificate to Kesko's main office building K-Kampus.

Kesko's Annual Report was named winner in the human rights category of a Finnish sustainability reporting competition.

Fish counters at five K-Supermarket stores were granted the MSC and ASC traceability certificates.

RISK MANAGEMENT

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

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

The following describes the risks and uncertainties assessed as significant.

SIGNIFICANT RISKS AND UNCERTAINTIES

Economic slowdown

There are uncertainties related to the outlook for economic growth in Kesko's operating countries. A significant weakening in the economy would impact especially the car trade, and the construction market. In the grocery trade, an economic slowdown would shift emphasis in consumer behaviour more towards price.

Critical information falling into the wrong hands

Crimes are increasingly committed through data networks and crime has become more international and professional. A failure in the security of payment transactions and personal data in particular, can cause losses, claims for damages and reputational harm.

Integration of acquisitions in the building and technical trade

There are operational risks related to the ongoing integration of acquisitions carried out in Sweden and Norway.

Market for the car trade

Uncertainty among consumers regarding the motive power choices and resale value of cars, and potential changes in car taxation can weaken the market for the car trade.

Business interruptions and information system failures

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

Staff availability

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

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

Compliance with laws and agreements
Changes in legislation and authority regulations could necessitate significant changes and result in additional costs. Compliance with laws and agreements is an important part of Kesko's corporate responsibility. Non-compliance can result in fines, claims for damages and other financial losses, and loss of trust and reputation. The EU General Data Protection Regulation has placed more importance on the need to protect personal data.

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

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

Climate change
The risks related to climate change are twofold. Risks for Kesko are related to increasing regulation and extreme weather phenomena. Increasing regulation necessitates changes in business operations and leads to additional costs. Increase in extreme weather phenomena can impact product availability and cause disturbances in logistics and the store site network. The impacts of Kesko’s operations on the climate, in turn, are related to Kesko’s energy solutions and emissions and the lifecycle impact of products and services sold.

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

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

OUTLOOK
Estimates for the outlook for the net sales and comparable operating profit for Kesko Group's continuing operations are given for the 12-month period following the reporting period (1/2020-12/2020) in comparison with the 12 months preceding the end of the reporting period (1/2019-12/2019). The outlook estimate includes the impact of IFRS 16 Leases on the Group’s comparable operating profit for both the 12-month period following the reporting period as well as the 12-month period preceding the reporting period.

The general economic situation and the expected trend in consumer demand vary in Kesko's different operating countries. Uncertainty related to general economic development has grown in Kesko’s operating countries and the pace of economic growth is expected to slow down. In the Finnish grocery trade, intense competition is expected to continue, but the market is expected to grow. In the Northern European construction market, volumes in new housing construction have returned to normal from the high levels of top years, and the focus is expected to shift to renovation building and business premises construction. In the Finnish car trade, the market is expected to be slightly lower than the long-term average.

Kesko continues the determined customer-oriented transformation of its business and execution of its strategy. 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.

PROPOSAL FOR PROFIT DISTRIBUTION

The Board of Directors of Kesko Corporation proposes to the Annual General Meeting to be held on 30 March 2020 that based on the adopted balance sheet, a dividend of €2.52 per share be paid for the year 2019 on shares held outside the Company at the date of dividend distribution. The remaining distributable assets will remain in equity. The Board proposes that the dividend be paid in two instalments.

The first instalment, €1.28 per share, is to be paid to shareholders registered in the Company's register of shareholders kept by Euroclear Finland Ltd on the first dividend instalment payment record date 1 April 2020. The Board proposes that the first dividend instalment pay date be 8 April 2020.

The second instalment is to be paid to shareholders registered in the Company's register of shareholders kept by Euroclear Finland Ltd on the second dividend instalment payment record date, 1 October 2020. The Board also proposes to the Annual General Meeting a resolution on a share issue without payment. If the Board proposal concerning a share issue without payment is approved, the second instalment will be divided between one current and three new shares, so that a dividend of €0.31 per share is paid on each share. If the Annual General Meeting does not approve the Board proposal concerning a share issue without payment, the second dividend instalment will be paid as the first, i.e. €1.24 per share. The Board proposes 8 October 2020 as the second dividend instalment pay date. The Board proposes that it be authorised to decide, if necessary, on a new dividend payment record date and pay date for the second instalment if the rules and statutes of the Finnish book-entry system change or otherwise so require.

As at the date of the proposal for the distribution of profit, 4 February 2020, a total of 99,088,389 shares were held outside the Company, and the corresponding total amount of dividends is €249,702,740.28.

The distributable assets of Kesko Corporation total €1,447,026,389.20, of which profit for the financial year is €393,877,216.77.

ANNUAL GENERAL MEETING

The Board of Directors has decided to convene the Annual General Meeting of shareholders at Messukeskus in Helsinki on 30 March 2020 at 13.00 (EET). Kesko Corporation will publish a notice of the General Meeting at a later date.

ANNUAL REPORT 2019 AND CORPORATE GOVERNANCE STATEMENT

Kesko will publish the Annual Report for 2019 in week 10 on its website at www.kesko.fi. The report will contain a strategy review, Report by the Board of Directors and the financial statements for 2019, sustainability reporting indicators (GRI), and Kesko's Corporate Governance Statement and Remuneration Statement.

Helsinki, 4 February 2020
Kesko Corporation
Board of Directors

The information in the financial statements release is unaudited.

Further information is available from Jukka Erlund, Executive Vice President, Chief Financial Officer, telephone +358 105 322 113, Hanna Jaakkola, Vice President, Investor Relations, telephone +358 105 323 540, and Eva Kaukinen, Vice President, Group Controller, telephone +358 105 322 338. A Finnish-language webcast of the results briefing can be viewed at 11.00 (EET) at www.kesko.fi. An English-language audio conference on the results briefing will be held today at 12.30 (EET). The audio conference login is available on Kesko's website at www.kesko.fi.

Kesko Corporation's interim report for January-March 2020 will be published on 28 April 2020. In addition, Kesko Group's sales figures are published monthly. News releases and other Company information are available on Kesko's website at www.kesko.fi.

KESKO CORPORATION

ATTACHMENTS: TABLES SECTION

TABLES SECTION

Accounting policies

This financial statements release has been prepared in accordance with IAS 34. The financial statements release has been prepared in accordance with the same accounting principles as the annual financial statements for 2018, except for the impact of the new standard IFRS 16 Leases, which took effect on 1 January 2019. The standard has been adopted using a retrospective method. Due to the adoption of the standard, the opening balance of 1 January 2018 and the reporting for the 2018 comparison period have been adjusted and the figures restated. The impact of the change in standard on the consolidated financial statements have been presented under 'Impact of new and amended standards'.

	1-12/2019	1-12/2018	Change, %	10-12/2019	10-12/2018	Change, %
Continuing operations						
Net sales	10,720.3	10,382.8	3.3	2,734.2	2,655.1	3.0
Cost of goods sold	-9,190.6	-8,989.5	2.2	-2,316.6	-2,272.5	1.9
Gross profit	**1,529.7**	**1,393.2**	**9.8**	**417.6**	**382.6**	**9.1**
Other operating income	823.1	789.8	4.2	220.2	207.0	6.3
Employee benefit expense	-775.4	-694.1	11.7	-207.4	-187.5	10.6
Depreciation, amortisation and impairment charges	-161.5	-146.9	13.7	-43.4	-40.2	7.8
Depreciation and impairment charges for right-of-use assets	-325.0	-315.5	1.5	-85.4	-84.0	1.6
Other operating expenses	-643.0	-622.3	3.3	-174.0	-174.1	-0.1
Operating profit	**447.8**	**404.3**	**10.8**	**127.8**	**103.8**	**23.1**
Interest income and other finance income	14.0	14.1	-0.6	3.7	3.7	-1.5
Interest expense and other finance costs	-9.1	-12.4	-26.5	-0.5	-3.2	-84.9
Interest expense for lease liabilities	-95.4	-98.6	-3.2	-23.5	-23.1	2.0
Foreign exchange differences	-0.8	-2.8	-70.5	-0.9	-0.5	77.1
Share of result of associates and joint ventures	46.8	-10.1	(..)	-0.8	-7.2	-88.6
Profit before tax	**403.3**	**294.5**	**36.9**	**105.7**	**73.6**	**43.6**
Income tax	-69.6	-62.1	12.2	-14.9	-15.5	-3.9
Net profit for the period from continuing operations	333.6	232.4	43.5	90.7	58.0	56.4
Discontinued operations						
Net profit for the period from discontinued operations	11.6	-55.9	(..)	2.1	-1.8	(..)
Net profit for the period	**345.2**	**176.5**	**95.6**	**92.8**	**56.2**	**65.2**
Attributable to						
Owners of the parent	339.2	158.0	(..)	91.0	52.3	74.0
Non-controlling interests	6.0	18.5	-67.3	1.8	3.9	-53.6
Earnings per share (€) for profit attributable to owners of the parent						
Basic and diluted, continuing operations	3.31	2.16	53.3	0.90	0.55	64.4
Basic and diluted, discontinued operations	0.12	-0.56	(..)	0.02	-0.02	(..)
Basic and diluted, Group total	3.42	1.59	(..)	0.92	0.53	74.2

Consolidated statement of comprehensive income (€ million)						
	1-12/2019	1-12/2018	Change, %	10-12/2019	10-12/2018	Change, %
Net profit for the period	345.2	176.5	95.6	92.8	56.2	65.2
Continuing operations						
Items that will not be reclassified subsequently to profit or loss						
Actuarial gains/losses	-3.6	-1.9	85.9	-23.5	-13.8	70.1
Items that may be reclassified subsequently to profit or loss						
Currency translation differences related to a foreign operation	3.8	-10.1	(..)	4.5	-8.8	(..)
Cash flow hedge revaluation	-1.0	2.1	(..)	-0.1	0.7	(..)
Other items	-0.3	-0.1	(..)	-	-	-
Total other comprehensive income for the period, net of tax, continuing operations	-1.2	-10.1	-87.5	-19.1	-21.9	-13.2
Total other comprehensive income for the period, net of tax, discontinued operations	-	35.1	-	-	0.0	-
Total comprehensive income for the period	**344.1**	**201.5**	**70.7**	**73.7**	**34.2**	**(..)**
Attributable to						
Owners of the parent	336.7	184.5	82.4	73.2	30.6	(..)
Non-controlling interests	7.4	17.0	-56.4	0.5	3.6	-85.8

(..) Change over 100 %

Consolidated statement of financial position (€ million), condensed			
	31.12.2019	**31.12.2018**	Change, %
ASSETS			
Non-current assets			
Property, plant and equipment	1,487.9	1,196.4	24.4
Right-of-use assets	2,191.3	2,057.0	6.5
Intangible assets	684.6	492.1	39.1
Shares in associates and joint ventures and other financial assets	78.4	144.3	-45.7
Loans and receivables	67.5	73.8	-8.5
Pension assets	93.2	148.0	-37.0
Total	4,602.9	4,111.5	12.0
Current assets			
Inventories	1,037.7	913.0	13.7
Trade receivables	804.7	820.3	-1.9
Other receivables	223.2	197.2	13.2
Financial assets at fair value through profit or loss	10.1	50.9	-80.2
Financial assets at amortised cost	34.5	59.1	-41.6
Cash and cash equivalents	124.4	139.2	-10.6
Total	2,234.5	2,179.7	2.5
Non-current assets held for sale	61.9	75.6	-18.1

Total assets	**6,899.3**	**6,366.8**	**8.4**
	31.12.2019	**31.12.2018**	**Change, %**
EQUITY AND LIABILITIES			
Equity	2,025.8	1,914.1	5.8
Non-controlling interests	115.0	107.0	7.5
Total equity	2,140.8	2,021.1	5.9
Non-current liabilities			
Interest-bearing liabilities	477.3	177.8	(..)
Lease liabilities	2,039.0	1,979.6	3.0
Non-interest-bearing liabilities	29.8	29.4	1.1
Deferred tax liabilities	6.8	5.4	27.1
Pension obligations	0.4	0.4	1.3
Provisions	19.7	23.6	-16.7
Total	2,573.0	2,216.2	16.1
Current liabilities			
Interest-bearing liabilities	137.8	233.4	-41.0
Lease liabilities	383.2	309.5	23.8
Trade payables	1,029.9	982.7	4.8
Other non-interest-bearing liabilities	607.3	569.3	6.7
Provisions	16.4	19.2	-14.2
Total	2,174.7	2,114.1	2.8
Liabilities related to non-current assets held for sale	10.9	15.5	-29.7
Total equity and liabilities	**6,899.3**	**6,366.8**	**8.4**

(..) 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-controlling interests**	**Total**
Balance at 1.1.2019	**197.3**	**464.7**	**-23.7**	**1.7**	**-36.9**	**1,311.0**	**107.0**	**2,021.1**
Share-based payments					1.5			1.5
Dividends						-231.9	-6.2	-238.2
Increase in share capital							6.4	6.4
Other changes		0.1				5.4	0.4	5.9
Transactions with owners, total		0.1			1.5	-226.5	0.6	-224.3
Comprehensive income								
Profit for the period, continuing operations						327.6	6.0	333.3
Profit for the period, discontinued operations						11.6		11.6
Items that will not be reclassified subsequently to profit or loss								

Actuarial gains/losses						-4.5		-4.5
Items that may be reclassified subsequently to profit or loss								
Translation differences on foreign operations			2.4			0.0	1.4	3.8
Cash flow hedge revaluation				-1.3				-1.3
Tax related to comprehensive income				0.3		0.9		1.2
Other changes						-0.3		-0.3
Total comprehensive income for the period			2.4	-1.0		335.3	7.4	344.1
Balance at 31.12.2019	**197.3**	**464.8**	**-21.3**	**0.6**	**-35.4**	**1,419.8**	**115.0**	**2,140.8**

	Share capital	Reserves	Currency translation differ-ences	Re-valuation reserve	Treasury shares	Retained earnings	Non-controlling interests	Total
Balance at 1.1.2018	**197.3**	**464.7**	**-50.1**	**-0.4**	**-14.2**	**1,538.5**	**98.7**	**2,234.5**
Impact of new IFRS 16 adoption						-169.5	-5.7	-175.2
Adjusted opening balance 1 Jan.	**197.3**	**464.7**	**-50.1**	**-0.4**	**-14.2**	**1,369.0**	**93.0**	**2,059.3**
Share-based payments					1.8			1.8
Acquisition of treasury shares					-24.4			-24.4
Dividends						-221.8	-3.9	-225.7
Share capital increase							0.7	0.7
Other changes		0.0	0.0			7.7		7.8
Transactions with owners, total		0.0	0.0		-22.6	-214.2	-3.0	-239.9
Comprehensive income								
Profit for the period, continuing operations						214.0	18.5	232.4
Profit for the period, discontinued operations						-55.9		-55.9
Items that will not be reclassified subsequently to profit or loss								
Actuarial gains/losses						-2.3		-2.3
Items that may be reclassified subsequently to profit or loss								
Translation differences on foreign operations			-8.7			0.1	-1.4	-10.1
Cash flow hedge revaluation				2.6				2.6
Tax related to comprehensive income				-0.5		0.4		-0.1
Other changes						-0.1		-0.1

Comprehensive income, discontinued operations			35.1					35.1
Total comprehensive income for the period			26.4	2.1		156.1	17.0	201.5
Balance at 31.12.2018	**197.3**	**464.7**	**-23.7**	**1.7**	**-36.9**	**1,311.0**	**107.0**	**2,021.1**

Consolidated statement of cash flows (€ million), condensed

	1-12/2019	1-12/2018	Change, %	10-12/2019	10-12/2018	Change, %
Cash flows from operating activities						
Profit before tax, continuing operations	403.3	294.5	36.9	105.7	73.6	43.6
Depreciation according to plan	486.6	459.0	6.0	128.7	124.3	3.6
Finance income and costs	91.4	99.7	-8.4	21.3	23.1	-7.7
Other adjustments	0.3	54.0	-99.4	0.4	2.8	-85.4
Change in working capital						
Current non-interest-bearing receivables, increase (-)/decrease (+)	26.3	46.7	-43.7	123.7	154.5	-19.9
Inventories, increase (-)/decrease (+)	-47.8	-33.9	41.1	-22.9	-45.1	-49.1
Current non-interest-bearing liabilities, increase (+)/decrease(-)	33.1	-24.5	(..)	-57.8	-90.7	-36.3
Financial items and tax	-100.0	-147.1	-32.0	-26.0	-33.5	-22.5
Net cash from operating activities, continuing operations	893.1	748.4	19.3	273.2	209.0	30.7
Net cash from operating activities, discontinued operations	3.5	-23.3	(..)	0.1	0.0	(..)
Net cash from operating activities, total	**896.6**	**725.2**	**23.6**	**273.3**	**209.0**	**30.7**
Cash flows from investing activities						
Investing activities	-658.3	-398.1	65.4	-74.6	-60.1	24.0
Proceeds from sale of tangible and intangible assets	34.4	26.2	31.1	15.1	4.0	(..)
Increase in non-current receivables	3.6	-1.5	(..)	-1.6	-1.5	3.9
Net cash used in investing activities, continuing operations	-620.3	-373.3	66.2	-61.1	-57.6	6.0
Net cash used in investing activities, discontinued operations	3.5	164.3	-97.9	0.0	0.9	-96.8
Net cash used in investing activities, total	**-616.8**	**-209.0**	**(..)**	**-61.1**	**-56.7**	**7.7**
Cash flows from financing activities						
Interest-bearing liabilities, increase (+)/decrease (-)	209.1	-97.6	(..)	-16.8	-135.2	-87.6
Lease liabilities, increase (+)/decrease (-)	-330.9	-315.6	4.8	-87.9	-82.6	6.4
Current interest-bearing receivables, increase (-)/ decrease (+)	-0.4	0.1	(..)	-1.4	1.0	(..)
Dividends paid	-238.2	-225.4	5.6	-116.0	-6.2	(..)
Increase in share capital	6.4	-	-	6.4	-	-
Acquisition of treasury shares	-	-24.4	-	-	0.3	-

Short-term money market investments, increase (-)/decrease (+)	64.6	116.5	-44.5	-2.5	8.7	(..)
Other items	-6.2	0.8	(..)	1.1	-0.1	(..)
Net cash used in financing activities, continuing operations	-295.4	-545.7	-45.9	-217.0	-214.1	1.4
Net cash used in financing activities, discontinued operations	-	-	-	-	-	-
Net cash used in financing activities, total	**-295.4**	**-545.7**	**-45.9**	**-217.0**	**-214.1**	**1.4**
Change in cash and cash equivalents	**-15.6**	**-29.5**	**-47.1**	**-4.9**	**-61.8**	**-92.1**
Cash and cash equivalents at 1 Jan., continuing operations	139.2	163.7	-15.0	129.6	198.3	-34.7
Cash and cash equivalents at 1 Jan., discontinued operations	0.4	6.5	-93.5	-	1.6	-
Exchange differences and cash and cash equivalents related to assets held for sale	0.4	-1.1	(..)	-0.3	1.5	(..)
Cash and cash equivalents at 30 Dec., continuing operations	124.4	139.2	-10.6	124.4	139.2	-10.6
Cash and cash equivalents at 30 Dec., discontinued operations	-	0.4	-	-	0.4	-

(..) Change over 100%

Cash flow from operating activities in continuing operations excluding the impact of IFRS 16 (€ million)						
	1-12/2019	**1-12/2018**	**Change, %**	**10-12/2019**	**10-12/2018**	**Change, %**
Cash flows from operating activities, IFRS	893.1	748.4	19.3	273.2	209.0	30.7
Interest expense for lease liabilities	95.4	98.6	-3.2	23.5	23.1	2.0
Cash flow based lease expenditure	-423.7	-410.0	3.3	-109.0	-104.6	4.2
Cash flows from operating activities excluding the impact of IFRS 16	564.8	437.1	29.2	187.7	127.4	47.3

Cash flow from financing activities in continuing operations excluding the impact of IFRS 16 (€ million)						
	1-12/2019	**1-12/2018**	**Change, %**	**10-12/2019**	**10-12/2018**	**Change, %**
Cash flows from financing activities, IFRS	-295.4	-545.7	-45.9	-217.0	-214.1	1.4
Lease liabilities increase (-) / decrease (+)	328.3	311.3	5.4	85.4	81.5	4.8
Cash flows from financing activities excluding the impact of IFRS 16	32.9	-234.3	(..)	-131.6	-132.6	-0.8

(..) Change over 100%

Group's performance indicators			
	1-12/2019	**1-12/2018**	**Change, pp**
Continuing operations			
Return on capital employed, %	9.3	9.2	0.1
Return on capital employed, comparable. %	9.6	9.8	-0.2
			Change, %
Capital expenditure, € million	686.1	417.6	64.3
Capital expenditure, % of net sales	6.4	4.0	59.1
Cash flow from operating activities, € million	893.1	748.4	19.3

Cash flow from investing activities, € million	-620.3	-373.3	66.2
Cash flow from operating activities/share, €	9.01	7.55	19.5

Group			
Return on equity, %	16.6	8.7	7.9
Return on equity, comparable, %	15.1	12.5	2.5
Equity ratio, %	31.2	31.9	-0.7
Gearing, %	134.0	121.3	12.7
Interest-bearing net debt/EBITDA excluding the impact of IFRS 16, rolling 12 mo	0.9	0.4	0.5
Equity per share, €	20.44	19.33	5.8
Interest-bearing net debt, € million	2,868.4	2,450.7	17.0
Interest-bearing net debt excluding lease liabilities, € million	446.1	161.6	(..)
Diluted number of shares, average for the reporting period, 1,000 pcs	99,074	99,182	-0.1
Personnel, average, continuing operations	20,846	19,579	6.5
Earnings per share, basic and diluted, €			
Continuing operations	3.31	2.16	53.3
Discontinued operations	0.12	-0.56	(..)
Group total	3.42	1.59	(..)
Earnings per share, comparable, basic, €			
Continuing operations	2.97	2.45	21.2

(..) Change over 100%

Group's performance indicators by quarter	**1-3/2018**	**4-6/2018**	**7-9/2018**	**10-12/2018**	**1-3/2019**	**4-6/2019**	**7-9/2019**	**10-12/2019**
Continuing operations								
Net sales, € million	2,413.2	2,672.7	2,641.8	2,655.1	2,400.8	2,781.4	2,803.9	2,734.2
Change in net sales, %	-5.7	-3.3	1.8	3.1	-0.5	4.1	6.1	3.0
EBITDA, comparable, € million	170.7	221.9	251.0	232.1	173.4	242.2	275.4	258.0
Operating profit, € million	60.4	105.8	134.3	103.8	51.6	119.9	148.6	127.8
Operating margin, %	2.5	4.0	5.1	3.9	2.1	4.3	5.3	4.7
Operating profit, comparable, € million	63.8	113.2	137.0	114.5	57.5	122.5	152.0	129.7
Operating margin, comparable, %	2.6	4.2	5.2	4.3	2.4	4.4	5.4	4.7
Finance income/costs, € million	-25.3	-26.1	-25.3	-23.1	-23.7	-23.1	-23.3	-21.3
Interest expense for lease liabilities	-25.4	-25.2	-25.0	-23.1	-24.6	-24.2	-23.1	-23.5
Profit before tax, € million	34.9	77.5	108.5	73.6	28.8	114.1	154.8	105.7
Profit before tax, %	1.4	2.9	4.1	2.8	1.2	4.1	5.5	3.9
Return on capital employed, %	5.6	9.9	12.2	9.2	4.6	10.3	12.0	10.1
Return on capital employed, comparable, %	5.9	10.6	12.5	10.2	5.1	10.5	12.3	10.2
Cash flow from operating activities/share, €	1.17	2.17	2.10	2.11	1.59	2.74	1.93	2.76
Capital expenditure, € million	54.5	74.2	221.2	67.7	97.3	373.4	132.2	83.3

Group								
Return on equity, %	0.9	6.8	17.0	11.2	4.3	20.3	25.7	17.7
Return on equity, comparable, %	5.7	13.5	17.9	14.5	5.4	17.7	20.7	17.8
Equity ratio, %	31.4	29.3	30.8	31.9	31.8	27.9	29.6	31.2
Equity per share, €	19.81	18.14	19.04	19.33	19.79	18.44	19.69	20.44
Earnings per share, basic and diluted, €								
Continuing operations	0.31	0.51	0.79	0.55	0.28	0.86	1.27	0.90
Discontinued operations	-0.24	-0.28	-0.03	-0.02	-0.00	0.11	-0.01	0.02
Group total	0.07	0.23	0.76	0.53	0.27	0.97	1.26	0.92
Earnings per share, comparable, basic and diluted, €								
Continuing operations	0.34	0.60	0.81	0.70	0.33	0.73	1.01	0.90

Segment information, continuing operations

Net sales by segment, € million	1-12/2019	1-12/2018	Change, %	10-12/2019	10-12/2018	Change, %
Grocery trade, Finland	5,531.2	5,385.7	2.7	1,456.0	1,429.8	1.8
Grocery trade total	**5,531.2**	**5,385.7**	**2.7**	**1,456.0**	**1,429.8**	**1.8**
- of which intersegment trade	10.2	5.8	75.7	2.3	1.4	61.7
Building and technical trade, Finland	1,991.6	1,972.0	1.0	474.7	476.7	-0.4
Building and technical trade, other countries*	2,339.6	2,130.6	9.8	577.0	557.9	3.4
Building and technical trade total	**4,331.1**	**4,102.6**	**5.6**	**1,051.6**	**1,034.6**	**1.6**
- of which intersegment trade	-0.6	0.1	(..)	-0.2	-0.2	19.4
Car trade, Finland	863.9	893.1	-3.3	228.5	190.2	20.1
Car trade total	**863.9**	**893.1**	**-3.3**	**228.5**	**190.2**	**20.1**
- of which intersegment trade	3.4	1.6	(..)	1.3	0.6	(..)
Common functions and eliminations	-5.9	1.4	(..)	-1.9	0.5	(..)
Finland total	**8,380.7**	**8,252.2**	**1.6**	**2,157.3**	**2,097.2**	**2.9**
Other countries total*	**2,339.6**	**2,130.6**	**9.8**	**577.0**	**557.9**	**3.4**
Continuing operations, total	**10,720.3**	**10,382.8**	**3.3**	**2,734.2**	**2,655.1**	**3.0**

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

Operating profit by segment, € million	1-12/2019	1-12/2018	Change	10-12/2019	10-12/2018	Change
Grocery trade	334.6	285.9	48.7	98.5	86.7	11.8
Building and technical trade	127.6	113.3	14.2	28.4	20.4	7.9
Car trade	25.5	35.1	-9.5	8.0	7.0	1.0
Common functions and eliminations	-39.9	-30.0	-9.9	-7.1	-10.3	3.2
Continuing operations, total	**447.8**	**404.3**	**43.5**	**127.8**	**103.8**	**23.9**

Operating profit by segment, comparable, € million	1-12/2019	1-12/2018	Change	10-12/2019	10-12/2018	Change
Grocery trade	327.9	294.5	33.4	98.6	88.6	10.1
Building and technical trade	142.8	126.8	16.0	30.9	28.3	2.6
Car trade	26.8	35.2	-8.5	9.0	7.2	1.8
Common functions and eliminations	-35.9	-28.1	-7.8	-8.9	-9.5	0.6
Continuing operations, total	**461.6**	**428.5**	**33.1**	**129.7**	**114.5**	**15.2**

Operating margin by segment, %, comparable	1-12/2019	1-12/2018	Change, pp	10-12/2019	10-12/2018	Change, pp
Grocery trade	5.9	5.5	0.5	6.8	6.2	0.6
Building and technical trade	3.3	3.1	0.2	2.9	2.7	0.2
Car trade	3.1	3.9	-0.8	3.9	3.8	0.2
Continuing operations, total	**4.3**	**4.1**	**0.2**	**4.7**	**4.3**	**0.4**

Operating profit by segment excluding the impact of IFRS 16, comparable, € million	1-12/2019	1-12/2018	Change	10-12/2019	10-12/2018	Change
Grocery trade	265.6	228.0	37.6	83.1	71.8	11.3
Building and technical trade	116.1	98.4	17.7	24.1	21.3	2.7
Car trade	25.8	34.5	-8.7	8.7	7.0	1.7
Common functions and eliminations	-37.1	-28.7	-8.3	-9.2	-9.6	0.4
Continuing operation, total	**370.5**	**332.2**	**38.3**	**106.6**	**90.5**	**16.1**

Operating margin by segment excluding the impact of IFRS 16, %, comparable	1-12/2019	1-12/2018	Change, pp	10-12/2019	10-12/2018	Change, pp
Grocery trade	4.8	4.2	0.6	5.7	5.0	0.7
Building and technical trade	2.7	2.4	0.3	2.3	2.1	0.2
Car trade	3.0	3.9	-0.9	3.8	3.7	0.1
Continuing operation, total	**3.5**	**3.2**	**0.3**	**3.9**	**3.4**	**0.5**

EBITDA by segment, comparable, € million	1-12/2019	1-12/2018	Change	10-12/2019	10-12/2018	Change
Grocery trade	604.4	557.9	46.5	171.4	156.5	14.9
Building and technical trade	291.9	267.0	24.9	68.2	65.4	2.8
Car trade	52.7	50.6	2.1	17.0	11.7	5.3
Common functions and eliminations	-0.1	0.2	-0.3	1.3	-1.5	2.8
Continuing operation, total	**948.9**	**875.8**	**73.1**	**258.0**	**232.1**	**25.9**

EBITDA by segment excluding the impact of IFRS 16, comparable, € million	1-12/2019	1-12/2018	Change	10-12/2019	10-12/2018	Change
Grocery trade	338.9	294.5	44.3	103.0	90.0	13.0
Building and technical trade	152.1	133.5	18.6	32.8	30.4	2.4
Car trade	44.7	46.7	-2.0	14.2	10.7	3.5
Common functions and eliminations	-6.2	-2.4	-3.8	-0.9	-2.1	1.2
Continuing operation, total	**529.6**	**472.4**	**57.2**	**149.1**	**129.0**	**20.1**

Capital employed by segment, cumulative average, € million	1-12/2019	1-12/2018	Change	10-12/2019	10-12/2018	Change
Grocery trade	2,261.8	2,243.5	18.3	2,317.6	2,228.4	89.2
Building and technical trade	1,923.8	1,611.2	312.5	2,024.5	1,725.7	298.8
Car trade	280.5	169.6	110.9	368.2	167.9	200.3
Common functions and eliminations	337.2	359.5	-22.3	353.8	368.3	-14.4
Continuing operation, total	**4,803.3**	**4,383.8**	**419.5**	**5,064.1**	**4,490.3**	**573,8**

Return on capital employed by segment, %, comparable	1-12/2019	1-12/2018	Change, pp	10-12/2019	10-12/2018	Change, pp
Grocery trade	14.5	13.1	1.4	17.0	15.9	1.1
Building and technical trade	7.4	7.9	-0.4	6.1	6.6	-0.4
Car trade	9.5	20.8	-11.2	9.8	17.1	-7.3
Continuing operations, total	**9.6**	**9.8**	**-0.2**	**10.2**	**10.2**	**0.0**

Capital expenditure by segment, € million	1-12/2019	1-12/2018	Change	10-12/2019	10-12/2018	Change
Grocery trade	180.8	124.1	56.7	32.2	27.1	5.0
Building and technical trade	332.7	200.7	132.1	18.2	17.3	0.9
Car trade	131.3	49.0	82.3	21.6	12.7	8.8
Common functions and eliminations	41.3	43.8	-2.5	11.3	10.6	0.8
Continuing operations, total	**686.1**	**417.6**	**268.5**	**83.3**	**67.7**	**15.5**

Segment information by quarter, continuing operations

Net sales by segment, € million	1-3/2018	4-6/2018	7-9/2018	10-12/2018	1-3/2019	4-6/2019	7-9/2019	10-12/2019
Grocery trade	1,276.2	1,327.3	1,352.4	1,429.8	1,263.9	1,408.6	1,402.7	1,456.0
Building and technical trade	877.3	1,101.7	1,089.0	1,034.6	937.6	1,161.8	1,180.1	1,051.6
Car trade	258.9	243.6	200.3	190.2	200.5	211.9	222.9	228.5
Common functions and eliminations	0.8	0.1	0.1	0.5	-1.2	-1.0	-1.8	-1.9
Continuing operations, total	**2,413.2**	**2,672.7**	**2,641.8**	**2,655.1**	**2,400.8**	**2,781.4**	**2,803.9**	**2,734.2**

Operating profit by segment, € million	**1-3/2018**	**4-6/2018**	**7-9/2018**	**10-12/2018**	**1-3/2019**	**4-6/2019**	**7-9/2019**	**10-12/2019**
Grocery trade	54.1	65.0	80.2	86.7	56.8	85.6	93.7	98.5
Building and technical trade	2.7	38.2	52.0	20.4	-2.1	43.7	57.7	28.4
Car trade	11.1	8.9	8.0	7.0	7.6	4.9	4.9	8.0
Common functions and eliminations	-7.5	-6.3	-5.9	-10.3	-10.7	-14.3	-7.8	-7.1
Continuing operations, total	**60.4**	**105.8**	**134.3**	**103.8**	**51.6**	**119.9**	**148.6**	**127.8**

Items in operating profit affecting comparability, € million	**1-3/2018**	**4-6/2018**	**7-9/2018**	**10-12/2018**	**1-3/2019**	**4-6/2019**	**7-9/2019**	**10-12/2019**
Grocery trade	-1.2	-4.5	-1.1	-1.9	0.0	6.6	0.3	-0.2
Building and technical trade	-2.0	-2.4	-1.3	-7.8	-5.4	-4.7	-2.6	-2.6
Car trade	-	-	-	-0.1	-0.1	-0.1	-0.1	-1.0
Common functions and eliminations	-0.3	-0.5	-0.3	-0.8	-0.4	-4.3	-1.0	1.8
Continuing operations, total	**-3.4**	**-7.5**	**-2.7**	**-10.7**	**-5.8**	**-2.6**	**-3.5**	**-1.9**

Operating profit by segment, comparable, € million	**1-3/2018**	**4-6/2018**	**7-9/2018**	**10-12/2018**	**1-3/2019**	**4-6/2019**	**7-9/2019**	**10-12/2019**
Grocery trade	55.2	69.5	81.3	88.6	56.8	79.0	93.5	98.6
Building and technical trade	4.7	40.6	53.3	28.3	3.2	48.4	60.3	30.9
Car trade	11.1	8.9	8.0	7.2	7.7	5.0	5.0	9.0
Common functions and eliminations	-7.2	-5.7	-5.6	-9.5	-10.3	-10.0	-6.7	-8.9
Continuing operations, total	**63.8**	**113.2**	**137.0**	**114.5**	**57.5**	**122.5**	**152.0**	**129.7**

Operating margin by segment, %, comparable	**1-3/2018**	**4-6/2018**	**7-9/2018**	**10-12/2018**	**1-3/2019**	**4-6/2019**	**7-9/2019**	**10-12/2019**
Grocery trade	4.3	5.2	6.0	6.2	4.5	5.6	6.7	6.8
Building and technical trade	0.5	3.7	4.9	2.7	0.3	4.2	5.1	2.9
Car trade	4.3	3.7	4.0	3.8	3.8	2.4	2.3	3.9
Continuing operations, total	**2.6**	**4.2**	**5.2**	**4.3**	**2.4**	**4.4**	**5.4**	**4.7**

Operating profit by segment excluding the impact of IFRS 16, comparable, € million	**1-3/2018**	**4-6/2018**	**7-9/2018**	**10-12/2018**	**1-3/2019**	**4-6/2019**	**7-9/2019**	**10-12/2019**
Grocery trade	38.7	52.8	64.7	71.8	41.3	63.5	77.7	83.1
Building and technical trade	-2.2	33.4	45.9	21.3	-3.5	41.6	54.0	24.1
Car trade	11.0	8.7	7.8	7.0	7.5	4.8	4.7	8.7
Common functions and eliminations	-7.4	-5.9	-5.8	-9.6	-10.4	-10.3	-7.2	-9.2
Continuing operations, total	**40.0**	**89.0**	**112.6**	**90.5**	**34.9**	**99.7**	**129.3**	**106.6**

Operating margin by segment excluding the impact of IFRS 16, %, comparable	**1-3/2018**	**4-6/2018**	**7-9/2018**	**10-12/2018**	**1-3/2019**	**4-6/2019**	**7-9/2019**	**10-12/2019**
Grocery trade	3.0	4.0	4.8	5.0	3.3	4.5	5.5	5.7
Building and technical trade	-0.3	3.0	4.2	2.1	-0.4	3.6	4.6	2.3
Car trade	4.2	3.6	3.9	3.7	3.8	2.3	2.1	3.8
Continuing operations, total	**1.7**	**3.3**	**4.3**	**3.4**	**1.5**	**3.6**	**4.6**	**3.9**

EBITDA by segment, comparable, € million	**1-3/2018**	**4-6/2018**	**7-9/2018**	**10-12/2018**	**1-3/2019**	**4-6/2019**	**7-9/2019**	**10-12/2019**
Grocery trade	119.1	134.6	147.8	156.5	123.9	147.3	161.8	171.4
Building and technical trade	38.3	74.7	88.7	65.4	39.6	86.2	97.8	68.2
Car trade	14.3	12.3	12.3	11.7	12.4	10.5	12.7	17.0
Common functions and eliminations	-0.9	0.4	2.2	-1.5	-2.6	-1.9	3.1	1.3
Continuing operations, total	**170.7**	**221.9**	**251.0**	**232.1**	**173.4**	**242.2**	**275.4**	**258.0**

EBITDA by segment excluding the impact of IFRS 16, comparable, € million	**1-3/2018**	**4-6/2018**	**7-9/2018**	**10-12/2018**	**1-3/2019**	**4-6/2019**	**7-9/2019**	**10-12/2019**
Grocery trade	54.1	69.4	81.1	90.0	57.8	81.3	96.7	103.0
Building and technical trade	6.0	42.2	54.9	30.4	5.1	50.6	63.6	32.8
Car trade	13.3	11.4	11.4	10.7	11.3	9.2	10.0	14.2
Common functions and eliminations	-1.6	-0.3	1.6	-2.1	-3.2	-3.0	0.9	-0.9
Continuing operations, total	**71.8**	**122.6**	**148.9**	**129.0**	**71.1**	**138.0**	**171.4**	**149.1**

Acquisitions

In January, Kesko Corporation subsidiaries Skattum Handel AS and Rake Eiendom AS acquired the DIY retail business and related properties of the Norwegian Sørbø retailer group as well as a B2B logistics centre. The acquired stores previously operated Byggmakker stores under the retailer business model. The debt-free price of the transaction, structured as a share purchase and business acquisition, totalled NOK 238.2 million (€24.2 million).

Kesko Group company K-rauta AB completed the acquisition of Fresks Group from Litorina, Oscarson Invest and the group's management. The debt-free price of the transaction, structured as a share purchase, was SEK 2,192.0 million (€209.8 million).

In March, Kesko Group company K Caara Oy completed the acquisitions of the Volkswagen and SEAT businesses of Huittisten Laatuauto Oy in Forssa and Huittinen, and the Volkswagen, Audi and SEAT businesses of LänsiAuto Oy in Kotka, Kouvola and Lappeenranta. In July, K Caara Oy completed the acquisition of the Volkswagen, Audi and SEAT businesses of Laakkonen Group. The combined debt-free transaction price of the acquisitions, structured as business acquisitions, was €57.4 million.

€ million	DIY business of Sørbø retailer group	Fresks Group	Car trade acquisitions
Consideration paid	**24.2**	**209.8**	**57.4**
Fair values of assets acquired and liabilities assumed at the date of acquisition			
Intangible assets	-	4.8	0.5
Tangible assets, right-of-use assets and investments	18.8	48.5	57.6
Inventories	4.9	36.4	31.9
Receivables	1.4	24.2	0.7
Deferred tax asset	0.1	0.0	-
Cash and cash equivalents	0.3	10.5	-
Total assets	**25.4**	**124.4**	**90.8**
Trade payables, other payables, provisions, lease liabilities	2.2	81.3	56.2
Deferred tax liability	3.7	3.7	0.1
Total liabilities	**5.9**	**85.0**	**56.3**
Net assets acquired, total	**19.6**	**39.4**	**34.5**
Goodwill	**4.6**	**170.5**	**22.9**
Cash flow impact of acquisition			
Consideration paid	-24.2	-207.0	-57.4
Cash and cash equivalents acquired	0.3	10.3	-
Unpaid share	-	-	1.0
Cash flow impact of acquisition	**-23.9**	**-196.7**	**-56.4**

The DIY business of the Sørbø retailer group

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 acquisitions resulted in goodwill totalling €4.6 million. The Group profit for January-December 2019 includes minor acquisition-related costs, which are presented as items affecting comparability. The impact of the acquired businesses on the Group's net sales and operating profit in February-December was minor.

Fresks Group (K-Bygg)

The acquisition of Fresks Group significantly strengthens Kesko's market position in Sweden, especially in the growing professional builders customer segment. With the acquisition, Kesko assumed ownership of 33 stores and some 500 employees, who mainly serve small and medium-sized renovation companies. Since June, Fresks Group has served customers under the K-Bygg brand.

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 €4.8 million. The €170.5 million goodwill arising from the acquisition reflects the synergies expected to be achieved in sales, purchasing, selections, logistics and operational efficiency. The Group profit for January-December 2019 includes acquisition-related costs of €1.4 million, which are presented as items affecting comparability.

Fresks Group's impact on net sales in May-December was €132.8 million. The impact on the comparable operating profit in May-December was €+9.6 million. If the acquisitions had taken place on 1 January 2019, according to management estimates, the impact on Group net sales would have been approximately €199.1 million, and the impact on the comparable operating profit would have been €+12.1 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 2019.

Car trade acquisitions from Huittisten Laatuauto, LänsiAuto and Laakkonen Group

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 €0.5 million. The €5.3 million goodwill arising from the acquisitions reflects the synergies expected to be achieved in efficiency in retail and other operations.

The Group profit for January-December 2019 includes minor acquisition-related costs, which are presented as items affecting comparability. The impact of the acquired businesses on the Group's net sales and operating profit in March-December was minor.

Discontinued operations

The Russian building and home improvement trade operations discontinued in 2018 are reported as discontinued operations in the consolidated financial statements, and are not included in this interim report in the figures for the Group's continuing operations or the figures for the building and technical trade for the financial year or the comparison period.

The dissolution of the Russian subsidiaries was completed during the reporting period. The dissolution resulted in a €0.8 million liquidation gain for discontinued operations. The sales result and dissolution costs of the Russian building and home improvement trade operations totalled €-1.5 million after costs resulting from the discontinuation of the companies in the reporting period.

Result for the Russian building and home improvement trade (€ million)				
	1-12/2019	**1-12/2018**	**10-12/2019**	**10-12/2018**
Income	-	46.2	-	-0.4
Expense	-	-47.6	-	0.4
Profit/loss before tax	-	-1.4	-	0.0
Income tax	-	-0.3	-	0.0
Net profit/loss after tax	-	-1.7	-	0.0
Loss on discontinued Russian building and home improvement trade before tax	-1.5	-46.2	0.0	-1.4
Income tax	13.2	-7.9	2.1	-0.4
Loss on discontinued Russian building and home improvement trade after tax	11.6	-54.1	2.1	-1.8
Net loss for the period from discontinued operations	**11.6**	**-55.9**	**2.1**	**-1.8**
Comprehensive income for the period, net of tax	-	35.1	-	0.0
Comprehensive income from discontinued operations	**11.6**	**-20.8**	**2.1**	**-1.9**

Assets and liabilities of the Russian building and home improvement trade (€ million)		
	31.12.2019	**31.12.2018**
ASSETS		
Non-current assets		
Tangible assets	-	0.4
Total	-	0.4
Current assets		
Trade receivables	-	0.0
Other receivables	-	9.7
Cash and cash equivalents	-	0.4
Total	-	10.1
Total assets	**-**	**10.5**

	31.12.2019	**31.12.2018**
LIABILITIES		
Current liabilities		
Trade payables	-	0.1
Other non-interest-bearing liabilities	-	0.3
Provisions	-	0.2
Total	-	0.5
Total liabilities	**-**	**0.5**

Impact of new and amended standards, IFRS 16 Leases

At the start of the financial year, the Group adopted the new standard IFRS 16 Leases, which took effect on 1 January 2019. The Group adopted the standard using a retrospective method, and reporting for the 2018 comparison period has been adjusted to be comparable.

Kesko Corporation has provided information on the adoption of IFRS 16 Leases in a 19 December 2018 release containing comparison figures for January-September 2018, in the 2018 financial statements release published on 6 February 2019, in the 2018 financial statements published on 8 March 2019, and in a 25 March 2019 release containing comparison figures for the whole financial year 2018.

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

Kesko Group leases store sites and other properties for use in its business operations in all of its operating countries. Kesko has a significant number of lease agreements that before the implementation of IFRS 16 Leases were categorised as operating leases and were recognised as lease expenditure in the income statement on a time apportionment basis. According to the new standard that took effect on 1 January 2019, assets and liabilities corresponding to the present value of minimum lease payments of most of these leases are recognised in the balance sheet at the commencement date of the leases, meaning assets and liabilities recognised in the balance sheet increase significantly.

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

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

Change in tangible and intangible assets (€ million)

	31.12.2019	31.12.2018
Opening net carrying amount	**1,688.5**	**1,669.4**
Depreciation, amortisation and impairment charges	-161.5	-147.2
Investments in tangible and intangible assets	534.9	357.0
Deductions	-33.6	-46.3
Acquisitions	146.2	30.7
Transfers to non-current assets held for sale and between items	-6.2	-168.3
Exchange differences	4.3	-6.7
Closing net carrying amount	**2,172.6**	**1,688.5**

Right-of-use assets (€ million)

	31.12.2019	31.12.2018
Opening net carrying amount	**2,057.0**	**1,996.0**
Depreciation, amortisation and impairment charges	-334.9	-315.8
Net increases	427.4	361.0
Acquisitions	35.8	20.8
Transfers between items	5.3	-
Exchange differences	0.8	-4.9
Closing net carrying amount	**2,191.3**	**2,057.0**

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, their family members and companies controlled by the family members, the Group's subsidiaries, associates and joint ventures as well as Kesko Pension Fund.

The following transactions were carried out with related parties:		
	1-12/2019	**1-12/2018**
Sales of goods and services	97.1	96.2
Purchases of goods and services	8.0	8.1
Other operating income	16.2	15.7
Other operating expenses	4.1	5.2
Finance income and costs	5.6	5.7
	31.12.2019	**31.12.2018**
Receivables	67.6	66.3
Liabilities	13.8	32.4
Items related to leases	**2019**	**2018**
Cash flow from leases	-53.0	-56.0
Lease liabilities	369.8	434.1

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

	Level 1	Level 2	Level 3	31.12.2019
Financial assets at fair value through profit or loss		**10.1**	**20.6**	**30.6**
Derivative financial instruments at fair value through profit or loss				
Derivative financial assets		1.3		1.3
Derivative financial liabilities		6.8		6.8

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

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

Personnel, average and at 31.12.

Personnel average by segment	1-12/2019	1-12/2018	Muutos
Grocery trade	6,063	6,094	-31
Building and technical trade	12,630	11,663	967
Car trade	1,179	835	344
Common functions	975	987	-12
Continuing operations. total	20,846	19,579	1,267

Personnel at 31.12.*by segment	2019	2018	Change
Grocery trade	8,086	7,971	115
Building and technical trade	14,743	13,559	1,184
Car trade	1,337	824	513
Common functions	1,002	1,047	-45
Continuing operations, total	25,168	23,401	1,767

* Total number including part-time employees

Group's commitments (€ million)

	31.12.2019	31.12.2018	Change, %
Own commitments	438.1	410.1	6.8
For others	26.7	23.1	15.6
Lease liabilities for leases not recognised in the balance sheet	101.6	230.3	-55.9
Liabilities arising from derivative instruments (€ million)			
			Fair value
Values of underlying instruments at 30.9.	31.12.2019	31.12.2018	31.12.2019
Interest rate derivatives			
Interest rate options	-	70.0	-
Interest rate swaps	340.0	280.2	-3.6
Currency derivatives			
Forward and future contracts	154.4	129.1	-2.7
Currency swaps	-	20.1	-
Commodity derivatives			
Electricity futures	15.7	10.2	0.8
Electricity options	-	0.8	-

Lease liabilities not recognised in the balance sheet include primarily the nominal amount of liability for agreements that will enter into force in the future.

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.

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.

Alternative performance measures that have been adjusted for the impact of IFRS 16 are used to illustrate continuity in business profitability and financial position and the achievement of certain financial targets. The EBITDA excluding the impact of IFRS 16 corresponds to EBITDA before the adoption of IFRS 16, and the interest-bearing net debt excluding lease liabilities correspond to interest-bearing net debt before the adoption of the standard. These restated indicators are included as components in the Group's financial targets' performance indicators. Cash flows from operating activities and from financing activities excluding the impact of IFRS 16 are used to illustrate the presentation of the Group's cash flows before the accounting standard changes took effect. The alternative presentation of cash flows is necessary for following the Group's cash flows.

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

Operating profit, comparable	Operating profit +/– items affecting comparability
Items affecting comparability	– gains on disposal + losses on disposal + impairment charges +/- structural arrangements
Return on capital employed*, %	Operating profit x 100 / (Non-current assets + Inventories + Receivables + Other current assets - Non-interest-bearing liabilities) on average for the reporting period
Return on capital employed*, %, comparable	Comparable operating profit x 100 / (Non-current assets + Inventories + Receivables + Other current assets - Non-interest-bearing liabilities) on average for the reporting period
Return on equity*, %	(Profit/loss before tax - Income tax) x 100 / Shareholders' equity, average of the beginning and end of the reporting period
Return on equity*, %, comparable	(Profit/loss adjusted for items affecting comparability before tax - Income tax adjusted for the tax effect of items affecting comparability) x 100 / Shareholders' equity, average of the beginning and end of the reporting period
Equity ratio, %	Shareholders' equity x 100 / (Total assets – Advances received)
Gearing, %	Interest-bearing net liabilities x 100 / Shareholders' equity
Interest-bearing net debt	Interest-bearing liabilities + Lease 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 excluding lease liabilities	Interest-bearing net debt – Lease liabilities
EBITDA	Operating profit + Depreciation and amortisation + Impairments
EBITDA excluding the impact of IFRS 16	EBITDA – Rents for right-of-use assets
Interest-bearing net debt excluding lease liabilities / EBITDA excluding the impact of IFRS 16	Interest-bearing net debt excluding lease liabilities / EBITDA excluding the impact of IFRS 16
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/ 2018**	**4-6/ 2018**	**7-9/ 2018**	**10-12/ 2018**	**1-3/ 2019**	**4-6/ 2019**	**7-9/ 2019**	**10-12/2019**	**1-12/ 2019**	**1-12/ 2018**
Continuing operations										
Items affecting comparability										
Gains on disposal	2.5	4.3	0.0	0.0	0.0	1.0	0.4	3.3	4.6	6.7
Losses on disposal	0.0	-	0.0	-	-0.0	-	-	-0.9	-0.9	-0.1
Impairment charges	-	-3.4	-	-2.2	-	-	0.0	-	-	-5.6
Structural arrangements	-5.8	-8.4	-2.6	-8.5	-5.8	-3.5	-3.8	-4.3	-17.5	-25.3
Items in operating profit affecting comparability	**-3.4**	**-7.5**	**-2.7**	**-10.7**	**-5.8**	**-2.6**	**-3.5**	**-1.9**	**-13.8**	**-24.2**
Items in financial items affecting comparability	-	-	-	-6.5	-	17.4	29.0	-0.1	46.3	-6.5
Items in income taxes affecting comparability	0.4	2.0	0.3	1.8	0.1	-1.5	0.5	1.3	0.4	4.5
Items in net profit attributable to non-controlling interests affecting comparability	-	-3.7	0.5	-	-	-	-	-	-	-3.2
Total items affecting comparability	**-3.0**	**-9.2**	**-1.8**	**-15.4**	**-5.8**	**13.4**	**26.0**	**-0.7**	**32.9**	**-29.4**
Items in EBITDA affecting comparability	**-1.5**	**-1.2**	**-2.5**	**-4.0**	**-5.6**	**-5.4**	**-2.0**	**-1.5**	**-14.5**	**-9.2**
Operating profit, comparable										
Operating profit	60.4	105.8	134.3	103.8	51.6	119.9	148.6	127.8	447.8	404.3
Net of										
Items in operating profit affecting comparability	-3.4	-7.5	-2.7	-10.7	-5.8	-2.6	-3.5	-1.9	-13.8	-24.2
Operating profit, comparable	**63.8**	**113.2**	**137.0**	**114.5**	**57.5**	**122.5**	**152.0**	**129.7**	**461.6**	**428.5**

Operating profit excluding the impact of IFRS 16, comparable										
Operating profit, comparable	63.8	113.2	137.0	114.5	57.5	122.5	152.0	129.7	461.6	428.5
Net of										
Rents for right-of-use assets	-98.9	-99.3	-102.1	-103.1	-102.3	-104.2	-104.0	-108.6	-419.1	-403.4
Plus										
Depreciation and impairment charges for right-of-use assets	75.1	75.1	77.7	79.0	79.7	81.4	81.3	85.8	328.2	307.0
Operating profit excluding the impact of IFRS 16, comparable	**40.0**	**89.0**	**112.6**	**90.5**	**34.9**	**99.7**	**129.3**	**106.6**	**370.5**	**332.2**
EBITDA										
Operating profit	60.4	105.8	134.3	103.8	51.6	119.9	148.6	127.8	447.8	404.3
Plus										
Depreciation and impairment charges	31.0	36.3	34.5	40.2	35.3	41.1	41.7	43.4	161.5	146.9
Depreciation and impairment charges for right-of-use assets	77.9	78.7	79.7	84.0	80.8	75.8	83.1	85.4	325.0	315.5
EBITDA	**169.2**	**220.7**	**248.6**	**228.1**	**167.8**	**236.8**	**273.3**	**256.5**	**934.4**	**866.6**
EBITDA, comparable										
EBITDA	169.2	220.7	248.6	228.1	167.8	236.8	273.3	256.5	934.4	866.6
Net of										
Items in EBITDA affecting comparability	-1.5	-1.2	-2.5	-4.0	-5.6	-5.4	-2.0	-1.5	-14.5	-9.2
EBITDA, comparable	**170.7**	**221.9**	**251.0**	**232.1**	**173.4**	**242.2**	**275.4**	**258.0**	**948.9**	**875.8**
EBITDA excluding the impact of IFRS 16										
EBITDA	169.2	220.7	248.6	228.1	167.8	236.8	273.3	256.5	934.4	866.6
Net of										
Rents for right-of-use assets	-100.2	-101.7	-102.3	-107.7	-102.5	-105.7	-106.0	-110.4	-424.6	-411.8
EBITDA excluding the impact of IFRS 16	**69.1**	**119.1**	**146.3**	**120.4**	**65.2**	**131.1**	**167.4**	**145.8**	**509.6**	**454.8**
EBITDA excluding the impact of IFRS 16, comparable										
EBITDA, comparable	170.7	221.9	251.0	232.1	173.4	242.2	275.4	258.0	948.9	875.8
Net of										
Rents for right-of-use assets	-98.9	-99.3	-102.1	-103.1	-102.3	-104.2	-104.0	-108.6	-419.1	-403.4
EBITDA excluding the impact of IFRS 16, comparable	**71.8**	**122.6**	**148.9**	**129.0**	**71.1**	**138.0**	**171.4**	**149.1**	**529.6**	**472.4**

Profit before tax, comparable										
Profit before tax	34.9	77.5	108.5	73.6	28.8	114.1	154.8	105.7	403.3	294.5
Net of										
Items in operating profit affecting comparability	-3.4	-7.5	-2.7	-10.7	-5.8	-2.6	-3.5	-1.9	-13.8	-24.2
Items in financial items affecting comparability	-	-	-	-6.5	-	17.4	29.0	-0.1	46.3	-6.5
Profit before tax, comparable	**38.3**	**85.0**	**111.2**	**90.8**	**34.6**	**99.2**	**129.3**	**107.7**	**370.7**	**325.2**
Profit before tax excluding the impact of IFRS 16, comparable										
Profit before tax, comparable	38.3	85.0	111.2	90.8	34.6	99.2	129.3	107.7	370.7	325.2
Net of										
Rents for right-of-use assets	-98.9	-99.3	-102.1	-103.1	-102.3	-104.2	-104.0	-108.6	-419.1	-403.4
Plus										
Depreciation and impairment charges for right-of-use assets	75.1	75.1	77.7	79.0	79.7	81.4	81.3	85.8	328.2	307.0
Interest expense for lease liabilities	25.4	25.2	25.0	23.1	24.6	24.2	23.1	23.5	95.4	98.6
Profit before tax excluding the impact of IFRS 16, comparable	**39.9**	**86.0**	**111.8**	**89.8**	**36.6**	**100.7**	**129.6**	**108.1**	**375.1**	**327.5**
Net profit, comparable										
Profit before tax, comparable	38.3	85.0	111.2	90.8	34.6	99.2	129.3	107.7	370.7	325.2
Net of										
Income tax	7.0	16.1	23.4	15.5	6.1	23.3	25.3	14.9	69.6	62.1
Items in income tax affecting comparability	0.4	2.0	0.3	1.8	0.1	-1.5	0.5	1.3	0.4	4.5
Net profit, comparable	**30.9**	**66.9**	**87.5**	**73.4**	**28.4**	**77.3**	**103.5**	**91.4**	**300.7**	**258.7**
Net profit attributable to owners of the parent, comparable										
Net profit, comparable	30.9	66.9	87.5	73.4	28.4	77.3	103.5	91.4	300.7	258.7
Net of										
Net profit attributable to non-controlling interests	-2.9	10.7	6.7	3.9	-4.7	5.2	3.7	1.8	6.0	18.5
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	**33.8**	**59.9**	**80.2**	**69.5**	**33.2**	**72.1**	**99.8**	**89.7**	**294.7**	**243.4**
Earnings per share, comparable, €										
Net profit attributable to the owners of the parent, comparable	33.8	59.9	80.2	69.5	33.2	72.1	99.8	89.7	294.7	243.4
Average number of shares, basic, 1,000 pcs	99,468	99,347	99,237	99,182	99,027	90,059	99,069	99,074	99,074	99,182
Earnings per share, comparable, €	**0.34**	**0.60**	**0.81**	**0.70**	**0.33**	**0.73**	**1.01**	**0.90**	**2.97**	**2.45**
Return on capital employed, %										
Operating profit	60.4	105.8	134.3	103.8	51.6	119.9	148.6	127.8	447.8	404.3
Capital employed, average	4,323.5	4,291.1	4,396.5	4,490.3	4,537.4	4,673.8	4,956.6	5,064.1	4,803.3	4,383.8
Return on capital employed, %	**5.6**	**9.9**	**12.2**	**9.2**	**4.6**	**10.3**	**12.0**	**10.1**	**9.3**	**9.2**
Return on capital employed, comparable, %										
Operating profit, comparable	63.8	113.2	137.0	114.5	57.5	122.5	152.0	129.7	461.6	428.5
Capital employed, average	4,323.5	4,291.1	4,396.5	4,490.3	4,537.4	4,673.8	4,956.6	5,064.1	4,803.3	4,383.8
Return on capital employed, comparable, %	**5.9**	**10.6**	**12.5**	**10.2**	**5.1**	**10.5**	**12.3**	**10.2**	**9.6**	**9.8**

Group										
Return on equity, %										
Net profit	4.5	33.5	82.4	56.2	22.2	101.7	128.6	92.8	345.2	176.5
Equity, average	2,059.2	1,977.1	1,940.9	2,005.0	2,042.7	2,000.3	1,997.6	2,099.8	2,080.9	2,039.0
Return on equity, %	**0.9**	**6.8**	**17.0**	**11.2**	**4.3**	**20.3**	**25.7**	**17.7**	**16.6**	**8.7**
Return on equity, comparable, %										
Net profit, comparable	29.1	66.9	87.0	72.7	27.6	88.6	103.5	93.5	313.2	255.8
Equity, average	2,059.2	1,977.1	1,940.9	2,005.0	2,042.7	2,000.3	1,997.6	2,099.8	2,080.9	2,039.0
Return on equity, comparable, %	**5.7**	**13.5**	**17.9**	**14.5**	**5.4**	**17.7**	**20.7**	**17.8**	**15.1**	**12.5**
Equity ratio, %										
Shareholders' equity	2,061.3	1,892.9	1,989.0	2,021.1	2,064.4	1,936.3	2,058.8	2,140.8	2,140.8	2,021.1
Total assets	6,798.9	6,486.7	6,494.0	6,366.8	6,523.8	6,985.0	6,987.9	6,899.3	6,899.3	6,366.8
Advances received	239.7	28.0	29.7	26.0	35.4	37.0	24.4	34.6	34.6	26.0
Equity ratio, %	**31.4**	**29.3**	**30.8**	**31.9**	**31.8**	**27.9**	**29.6**	**31.2**	**31.2**	**31.9**

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

	1.1.-31.12.2019		1.10.-31.12.2019	
K Group's retail and B2B sales	**€ million**	**Change, %**	**€ million**	**Change, %**
K Group's grocery trade				
K-Citymarket, food	1,711.3	5.4	460.8	5.0
K-Citymarket, non-food	586.5	0.5	176.6	-3.7
K-Supermarket	2,051.3	4.1	522.2	2.2
K-Market	1,863.7	2.1	458.4	2.6
Neste K	130.9	-1.2	31.7	-3.6
Others	43.6	5.9	11.0	28.4
Retail sales, total	**6,387.3**	**3.4**	**1,660.9**	**2.4**
Kespro	944.3	7.6	242.7	6.9
Grocery trade, total	**7,331.5**	**3.9**	**1,903.6**	**3.0**
K Group's building and technical trade				
K-Rauta	1,075.1	1.9	239.1	-2.0
Rautakesko B2B Service	255.5	-2.4	63.4	-2.5
Onninen, Finland	926.6	3.3	231.4	2.1
Leisure trade, Finland	283.5	-0.2	78.3	-5.7
Finland, total	**2,540.7**	**1.7**	**612.3**	**-1.0**
K-Rauta, Sweden	164.3	-6.3	33.9	-13.9
K-Bygg, Sweden	204.4	-2.3	50.5	-9.0
Onninen, Sweden	99.4	17.7	26.2	19.3
Byggmakker, Norway	485.6	-6.6	113.9	-13.4
Onninen, Norway	258.1	-5.1	65.2	-10.9
Kesko Senukai, Baltic countries	723.1	12.6	186.1	2.4
Onninen, Baltic countries	85.4	10.5	23.1	12.3
Machinery trade, Baltic countries	131.4	-10.4	17.2	-13.4
OMA, Belarus	146.6	14.4	37.7	18.0
Onninen, Poland	238.3	-0.8	64.0	-0.9
Other countries, total	**2,536.5**	**1.6**	**617.9**	**-3.5**
Building and technical trade, total	**5,077.2**	**1.7**	**1,230.2**	**-2.3**
K Group's car trade				
K-Caara	616.0	-18.2	148.3	-5.2
K-Auto, import	268.0	8.3	61.6	1.1
AutoCarrera	48.0	-23.1	19.0	142.9
Car trade, total	**932.0**	**-12.3**	**228.9**	**1.6**
Finland, total	**10,804.3**	**1.8**	**2,744.7**	**1.9**
Other countries, total	**2,536.5**	**1.6**	**617.9**	**-3.5**
Retail and B2B sales, total	**13,340.8**	**1.8**	**3,362.6**	**0.9**

* Pro forma comparison figures have been calculated to illustrate a situation in which the acquisition of 1A Group, which took place in 2018, the acquisitions in the car trade division, which took place in March and July 2019, and the acquisition of Fresks Group, which took place in May, would have taken place on 1 January.