



January-September 2023

KESKO CORPORATION INTERIM REPORT Q3/2023

26.10.2023



KESKO CORPORATION JANUARY-SEPTEMBER INTERIM REPORT 26.10.2023 AT 8.00

Kesco interim report 1 Jan. -30 Sept. 2023: A fine performance in a weak market

FINANCIAL PERFORMANCE IN BRIEF:

7-9/2023

- Group net sales in July-September totalled €2,949.1 million (€3,009.8 million). Reported net sales were down by 2.0%, in comparable terms net sales decreased by 2.7%
- Comparable operating profit totalled €208.1 million (€242.8 million)
- Operating profit totalled €206.6 million (€242.4 million)
- Cash flow from operating activities totalled €394.9 million (€318.8 million)
- Comparable earnings per share €0.38 (€0.47), reported earnings per share €0.37 (€0.47)

1-9/2023

- Group net sales in January-September totalled €8,881.8 million (€8,825.5 million). Reported net sales increased by 0.6%, in comparable terms net sales increased by 0.2%
- Comparable operating profit totalled €541.6 million (€622.5 million)
- Operating profit totalled €535.5 million (€625.3 million)
- Cash flow from operating activities totalled €707.1 million (€652.2 million)
- Comparable earnings per share €0.97 (€1.18), reported earnings per share €0.96 (€1.18)

KEY PERFORMANCE INDICATORS

	7-9/2023	7-9/2022	1-9/2023	1-9/2022	1-12/2022
Net sales, € million	2,949.1	3,009.8	8,881.8	8,825.5	11,809.0
Operating profit, comparable, € million	208.1	242.8	541.6	622.5	815.1
Operating margin, comparable, %	7.1	8.1	6.1	7.1	6.9
Operating profit, € million	206.6	242.4	535.5	625.3	816.5
Profit before tax, comparable, € million	188.4	231.7	485.3	584.7	763.2
Profit before tax, € million	186.8	231.3	479.1	583.9	761.1
Cash flow from operating activities, € million	394.9	318.8	707.1	652.2	915.2
Capital expenditure, € million	127.5	89.9	520.5	340.7	449.2
Earnings per share, €, basic and diluted	0.37	0.47	0.96	1.18	1.53
Earnings per share, comparable, €, basic	0.38	0.47	0.97	1.18	1.54

	7-9/2023	7-9/2022	1-9/2023	1-9/2022	1-12/2022
Return on capital employed, comparable, %, rolling 12 months	14.1	17.6	14.1	17.6	16.9
Return on equity, comparable, %, rolling 12 months	20.2	25.3	20.2	25.3	23.2

In this interim report release, the comparable change % in net sales has been calculated in local currencies and excluding the impact of acquisitions and divestments completed in 2022 and 2023. Comparable operating profit has been calculated by deducting items affecting comparability from the reported operating profit.

GUIDANCE FOR 2023 (SPECIFIED)

Kesko Group's profit guidance is given for the year 2023, in comparison with the year 2022. Kesko estimates that its comparable operating profit in 2023 will be in the range of €680–730 million. Before, the company estimated that the comparable operating profit would be in the range of €680–760 million.

The guidance specification is based on developments in the first 9 months of 2023, as well as updated estimates concerning weaker construction market development. Key uncertainties impacting Kesko's outlook are developments in inflation and interest rate levels, and Russia's ongoing offensive war in Ukraine.

OUTLOOK FOR 2024

Kesko's operating environment is estimated to remain challenging in 2024. Kesko's operating profit is expected to remain at a good level also in 2024 despite the challenges in the company's operating environment.

In grocery trade, B2C trade and the foodservice market are expected to remain stable, and inflation is expected to slow down in 2024. Profitability in grocery trade is estimated to remain good also in 2024.

In building and technical trade, the market is expected to continue to decline in 2024. The economic cycle will have the biggest impact on new residential building, while the decline in other building construction, renovation building, and infrastructure construction is expected to be smaller. The cycle is expected to turn in 2025. Profitability in building and technical trade is estimated to fall short of the 2023 level, but to still remain at a reasonably good level in 2024.

In car trade, orders for new cars are expected to fall short of the 2023 level. Demand for used cars and services is estimated to stay at a good level. Profitability in car trade is estimated to decrease from the excellent level of 2023, but to continue to remain at a good level in 2024.

PRESIDENT AND CEO MIKKO HELANDER:

Kesko managed a fine performance in a challenging market in the third quarter of 2023. We recorded net sales of €2,949.1 million, down by 2.0% year-on-year. Our comparable operating profit totalled €208.1 million, and was thus at the same level as in the second quarter, but fell short of the level seen a year ago. Our cost-efficiency has improved further thanks to measures implemented. Our cash flow in the third quarter stood strong at €395 million. In August, we announced Kesko would be acquiring Davidsen Koncernen A/S, a leading Danish builders' merchant, thus expanding our operations to Denmark and gaining a solid foothold on the local building and home improvement market. Kesko's objective is to take part in the consolidation of Northern European building and technical trade on the B2B side also going forward, and to be a leading operator in the sector not only in Finland and Norway, but also in Sweden and Denmark. In technical trade, growth will also be important in Poland and the Baltics.

In the grocery trade division, net sales totalled €1,593.5 million, and comparable operating profit amounted to €118.2 million. K Group's grocery sales grew by 3.6%. Sales also grew in the foodservice business: Kespro's net sales increased by 4.7% and profitability stood at 7.3%. Price continues to be an important factor in grocery trade, but demand for premium products has started to recover. Customer flows have grown stronger thanks to campaigns and other marketing efforts. Kesko continues to update its existing stores, and will be opening many new grocery stores in Finnish growth centres in the near future. Sales of Kesko's K-Citymarket hypermarket stores in particular have been growing considerably, and they have a crucial impact on the profitability and market share of Kesko's grocery store business. In the food trade market, Kesko's annual retail and B2B sales total over €8 billion, and the company holds a market share of approximately 37%. In contrast to many other European operators, Kesko holds a strong position in all areas of food trade.

In the building and technical trade division, net sales amounted to €1,050.3 million, with a comparable operating profit of €69.8 million. Profitability weakened, but stayed at a good level of 6.6%. In our biggest market Finland, the operating margin for building and home improvement trade was 7.2% and the margin for Onninen 8.6%. Inflation and rising interest rates have seen construction activity decline in 2023. Cyclical fluctuations are natural for the construction sector, and the down-cycle is currently impacting new residential building in particular, which accounts for 20-30% of all construction. However, in the long term, the outlook for building and technical trade is positive. Urbanisation, renovation and investment debt, infrastructure projects and the green transition

sustain construction over cycles. Kesko is a leading operator in building and technical trade in Northern Europe, and has great potential to grow further.

In the car trade division, sales grew clearly in all car trade business segments. The division's net sales grew by 7.2% in comparable terms and totalled €310.8 million, and its comparable operating profit was €24.3 million. New car deliveries grew markedly year-on-year. Used car sales grew clearly, and our market share strengthened. Service sales also developed well. The order book for new cars continues to be at a good level, but demand and orders are clearly below normal levels.

Kesko's outlook for the remainder of 2023 continues to be positive. Kesko specifies its profit guidance and now estimates that its comparable operating profit in 2023 will be in the range of €680–730 million. Kesko's operating profit is expected to remain at a good level also in 2024 despite the challenges in our operating environment.

FINANCIAL PERFORMANCE

NET SALES AND PROFIT IN JULY-SEPTEMBER 2023

7-9/2023	Net sales, € million	Change, %	Change, comparable, %	Operating profit, comparable, € million	Change, € million
Grocery trade	1,593.5	+1.3	+1.3	118.2	-15.2
Building and home improvement trade	477.3	-17.2	-12.5	27.4	-14.1
Technical trade	588.9	-0.5	-9.4	37.7	-14.8
Kesko Senukai	-	-	-	4.7	+0.6
Building and technical trade, total	1,050.3	-8.6	-10.9	69.8	-29.8
Car trade	310.8	+5.1	+7.2	24.3	+7.9
Common functions and eliminations	-5.4	-	-	-4.3	+2.4
Total	2,949.1	-2.0	-2.7	208.1	-34.7

Group net sales decreased by 2.0% year-on-year in July-September. In comparable terms, net sales decreased by 2.7%. Net sales decreased in comparable terms by 1.3% in Finland and by 9.0% in other Kesko operating countries. The comparable change % has been calculated in local currencies and excluding the impact of acquisitions and divestments completed.

Net sales for the grocery trade division increased by 1.3%. Sales to K Group grocery store chains grew by 1.2%. Net sales for Kespro's foodservice business grew by 4.7% in July-September.

Net sales for the building and technical trade division decreased by 8.6% in July-September, or by 10.9% in comparable term, as the construction market was down on the comparison period. Net sales for technical trade decreased by 0.5%, or by 9.4% in comparable terms. A significant part of the decrease in technical trade comparable net sales was due to solar power products, where sales in the comparison period were exceptionally high due to a fast rise in electricity prices at the time. Excluding the impact of solar power products, net sales for technical trade decreased by 5.5% in comparable terms. Net sales for building and home improvement trade decreased by 12.5% in comparable terms, and net sales decreased in all operating countries.

Net sales for the car trade division increased by 5.1% in July-September, or by 7.2% in comparable terms. Net sales grew in all car trade business segments. New car deliveries increased clearly year-on-year. Net sales for sports trade decreased.

The Group's comparable operating profit in July-September amounted to €208.1 million, representing a decrease of €34.7 million. The comparable operating profit for the grocery trade division decreased by €15.2 million. Operating profit was weakened by campaigns and other marketing efforts as well as increased real estate costs. Profitability was improved by sales growth and good profitability in Kespro's foodservice business. The comparable operating profit for the building and technical trade division decreased by €29.8 million. Comparable operating profit decreased in all operating countries mainly as a result of a decrease in net sales. In Finland, profitability remained good for Onninen and building and home improvement trade. The share of result from

Kesko Senukai had a €0.6 million positive impact on the division's comparable operating profit year-on-year. The comparable operating profit for the car trade division increased by €7.9 million. Comparable operating profit increased in the car trade business segments by €9.1 million thanks to net sales growth and transformation and efficiency improvement measures. In sports trade, comparable operating profit decreased. Despite cost inflation, the Group managed to maintain its cost ratio at 15.3% (15.3%), in part due to cost savings implemented.

Items affecting comparability, € million	7-9/2023	7-9/2022	1-12/2022
Operating profit, comparable	208.1	242.8	815.1
Items affecting comparability			
+gains on disposal	-	-	+0.0
-losses on disposal	-	+0.0	-0.1
+/-structural arrangements	-1.5	-0.4	+1.6
Items affecting comparability, total	-1.5	-0.4	+1.5
Operating profit	206.6	242.4	816.5

The most significant items affecting comparability were related to structural arrangements.

K Group's (Kesko and the chain stores) retail and B2B sales (0% VAT) in July-September totalled €4,062.8 million, representing a decrease of 3.4% compared to the previous year.

Net finance costs, income tax and earnings per share

	7-9/2023	7-9/2022	1-12/2022
Net finance costs, € million	-20.2	-11.6	-56.0
Interests on lease liabilities, € million	-18.6	-17.2	-68.4
Profit before tax, comparable, € million	188.4	231.7	763.2
Profit before tax, € million	186.8	231.3	761.1
Income tax, € million	-38.0	-45.7	-151.2
Earnings per share, comparable, €	0.38	0.47	1.54
Earnings per share, €	0.37	0.47	1.53
Equity per share, €	6.62	6.61	6.90

The growth in Group net finance costs in July-September was impacted by an increase in interest-bearing net debt and the rise in interest rate levels. In the comparison period, net finance costs were reduced by a positive change in the fair value of interest rate derivatives. The share of result of associates was €0.4 million (€0.5 million).

The Group's effective tax rate was 20.4% (19.8%).

The Group's earnings per share and comparable earnings per share decreased compared to the year before.

NET SALES AND PROFIT IN JANUARY-SEPTEMBER 2023

1-9/2023	Net sales, € million	Change, %	Change, comparable, %	Operating profit, comparable, € million	Change, € million
Grocery trade	4,712.5	+4.6	+4.6	320.6	-17.0
Building and home improvement trade	1,502.7	-19.1	-15.6	59.9	-55.3
Technical trade	1,768.0	+3.7	-3.2	106.4	-29.8
Kesko Senukai	-	-	-	5.5	-4.3
Building and technical trade, total	3,222.1	-8.2	-9.6	171.9	-91.2
Car trade	964.9	+15.8	+17.5	68.2	+21.3
Common functions and eliminations	-17.6	-	-	-19.0	+6.0
Total	8,881.8	+0.6	+0.2	541.6	-80.9

Group net sales increased by 0.6% in January-September. In comparable terms, net sales increased by 0.2%. Net sales grew in comparable terms by 2.5% in Finland, and decreased by 9.7% in other Kesko operating countries. The comparable change % has been calculated in local currencies and excluding the impact of acquisitions and divestments completed.

Net sales for the grocery trade division grew by 4.6%. Sales to K Group grocery store chains grew by 3.2%. Net sales for Kespro's foodservice business grew by 13.0% in January-September. Without Covid-19 restrictions, consumption was relatively more geared towards foodservice than retail than in the comparison period.

Net sales for the building and technical trade division in January-September decreased by 8.2%, or by 9.6% in comparable terms. Net sales for technical trade increased by 3.7%, but decreased by 3.2% in comparable terms. Net sales for building and home improvement trade decreased by 15.6% in comparable terms. Net sales for building and home improvement trade decreased in all operating countries, impacted by a weaker construction market than in the comparison period.

Net sales for the car trade division increased by 15.8% in January-September. In comparable terms, net sales increased by 17.5%. Net sales grew in all car trade business segments. Net sales for sports trade decreased.

The Group's comparable operating profit in January-September amounted to €541.6 million, representing a decrease of €80.9 million.

The comparable operating profit for the grocery trade division decreased by €17.0 million. Operating profit was weakened by campaigns and other marketing efforts as well as increased real estate costs. Profitability was improved by sales growth and good profitability in Kespro's foodservice business. The comparable operating profit for the building and technical trade division decreased by €91.2 million. Comparable operating profit decreased in all operating countries, mainly as a result of a decrease in net sales. In addition to the decrease in net sales, profitability for technical trade was impacted by Elektroskandia, where profitability was below that of the rest of the business, burdened by a €2.0 million expense recorded for the allocation of fair value of inventories. In Finland, profitability remained good for Onninen and building and home improvement trade. The share of result from Kesko Senukai had a €4.3 million negative impact on the division's comparable operating profit year-on-year. The comparable operating profit for the car trade division increased by €21.3 million. Comparable operating profit increased in the car trade business segments by €26.4 million thanks to strong net sales growth and transformation and efficiency improvement measures. In sports trade, comparable operating profit decreased.

Items affecting comparability, € million	1-9/2023	1-9/2022	1-12/2022
Operating profit, comparable	541.6	622.5	815.1
Items affecting comparability			
+gains on disposal	+0.4	+0.0	+0.0
-losses on disposal	-1.0	-0.1	-0.1
+/-structural arrangements	-5.5	+2.9	+1.6
Items affecting comparability, total	-6.1	+2.8	+1.5
Operating profit	535.5	625.3	816.5

The most significant items affecting comparability were related to structural arrangements.

K Group's (Kesko and the chain stores) retail and B2B sales (0% VAT) in January-September totalled €11,939.7 million, representing a decrease of 1.2%. During the 12-month period that ended in September 2023, the number of Finnish households belonging to the K-Plussa loyalty scheme and using the Plussa network totalled 2.5 million, with 3.3 million customers using their K-Plussa card.

Net finance costs, income tax and earnings per share

	1-9/2023	1-9/2022	1-12/2022
Net finance costs, € million	-58.4	-40.7	-56.0
Interests on lease liabilities, € million	-54.4	-51.4	-68.4
Profit before tax, comparable, € million	485.3	584.7	763.2
Profit before tax, € million	479.1	583.9	761.1
Income tax, € million	-96.4	-115.6	-151.2
Earnings per share, comparable, €	0.97	1.18	1.54
Earnings per share, €	0.96	1.18	1.53
Equity per share, €	6.62	6.61	6.90

The growth in Group net finance costs in January-September was impacted by an increase in interest-bearing net debt and the rise in interest rate levels. In the comparison period, net finance costs were reduced by a positive change in the fair value of interest rate derivatives. The share of result of associates was €2.0 million (€-0.7 million).

The Group's effective tax rate was 20.1% (19.8%).

The Group's earnings per share and comparable earnings per share decreased compared to the year before.

CASH FLOW AND FINANCIAL POSITION

€ million	7-9/2023	7-9/2022	1-9/2023	1-9/2022	1-12/2022
Cash flow from operating activities	394.9	318.8	707.1	652.2	915.2
Cash flow from investing activities	-131.2	-92.7	-452.7	-265.0	-344.3
Cash flow from financing activities	-365.3	-250.6	-351.3	-434.3	-604.7

€ million	30.9.2023	30.9.2022	31.12.2022
Liquid assets	169.6	313.4	314.1
Interest-bearing liabilities	2,723.6	2,429.1	2,418.3
Lease liabilities	1,994.2	1,948.6	1,920.1
Interest-bearing net debt excl. lease liabilities	559.8	167.1	184.1
Interest-bearing net debt/EBITDA, excl. IFRS 16 impact, rolling 12 months	0.7	0.2	0.2
Gearing, %	97.0	80.6	76.7
Equity ratio, %	34.2	35.1	36.9

The Group's cash flow from operating activities in July-September totalled €394.9 million (€318.8 million). The cash flow from operating activities strengthened on the comparison period thanks to further improvement in working capital management in all divisions.

The Group's cash flow from investing activities in July-September totalled €-131.2 million (€-92.7 million).

The Group's cash flow from operating activities in January-September totalled €707.1 million (€652.2 million).

The Group's cash flow from investing activities in January-September totalled €-452.7 million (€-265.0 million). The cash flow from investing activities included a positive item of €48.1 million (€24.1 million) from the redemption of money market funds, included in the Group's liquid assets.

The Group's net debt excluding lease liabilities increased due to investments in store sites and logistics, acquisitions, and rise in working capital.

CAPITAL EXPENDITURE

€ million	7-9/2023	7-9/2022	1-9/2023	1-9/2022	1-12/2022
Capital expenditure	127.5	89.9	520.5	340.7	449.2
Store sites	74.2	53.2	201.9	209.5	268.1
Acquisitions	-0.4	12.9	134.6	45.3	50.1
IT	4.6	7.7	15.6	31.3	41.8
Other investments	49.0	16.0	168.4	54.6	89.2

Capital expenditure in store sites increased by €21.0 million in July-September from the comparison period. In January-September, capital expenditure in store sites decreased by €7.7 million compared to the year before. In the comparison period, capital expenditure in store sites included the property of K-Citymarket Turtola in Tampere, €40.3 million: the ownership of the property was transferred to the Group as a result of a return of surplus assets by Kesko Pension Fund in March 2022. The investment did not have a cash flow impact.

Other capital expenditure in January-September included an investment of €64.7 million in the construction of Onninen and K-Auto's shared logistics centre in Hyvinkää, Finland. The total investment in the logistics centre in 2023 is estimated to amount to some €81 million, and construction is estimated to be completed in 2025.

Capital expenditure in January-September included the acquisition of Elektroskandia Norge AS in Norway, completed on 1 March 2023, and the acquisition of Zenitec Sweden AB in Sweden, completed on 5 April 2023. Capital expenditure in the comparison period included the acquisitions of the Swedish Kungälv Trävaruaktiebolag, Föllinge Såg AB, and Djurbergs Järnhandel Aktiebolag, and the Norwegian Seljord Elektriske AS.

PERSONNEL

	1-9/2023	1-9/2022	1-12/2022
Average number of personnel converted into full-time employees	14,853	14,652	14,633
Personnel at the end of the reporting period	30.9.2023	30.9.2022	31.12.2022
Finland	12,286	12,576	12,665
Other operating countries	5,341	5,209	5,176
Total	17,627	17,785	17,841

SEGMENTS

NEW SEGMENT STRUCTURE

Kesko changed its division structure and segment reporting as of 1 April 2023. Sports trade is now part of the car trade division, while it previously was part of the building and technical trade division. Data concerning the comparison periods have been adjusted to correspond to the new segment structure. Kesko published comparison figures for the new segment structure for 2022 and for the first quarter of 2023 on 25 May 2023.

SEASONAL NATURE OF OPERATIONS

The Group's operating activities are affected by seasonal fluctuations. The net sales and 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.

GROCERY TRADE

July-September 2023

	7-9/2023	7-9/2022	1-12/2022
Net sales, € million	1,593.5	1,573.6	6,124.7
Operating profit, comparable, € million	118.2	133.4	460.4
Operating margin, comparable, %	7.4	8.5	7.5
Return on capital employed, comparable, %, rolling 12 months	17.6	20.5	19.6
Capital expenditure, € million	77.4	48.3	257.6
Personnel, average	6,398	6,400	6,288

Net sales, € million	7-9/2023	7-9/2022	Change, %	Change, comparable, %	1-12/2022
Sales to K Group grocery stores	1,122.4	1,109.4	+1.2	+1.2	4,367.4
K-Citymarket, non-food	150.9	147.9	+2.0	+2.0	605.1
Kespro	296.2	282.8	+4.7	+4.7	1,041.3
Others	24.0	33.5	-28.2	-28.2	110.8
Total	1,593.5	1,573.6	+1.3	+1.3	6,124.7

Net sales for the grocery trade division totalled €1,593.5 million (€1,573.6 million) in July-September, up by 1.3%. Sales to K Group grocery store chains grew by 1.2%. Net sales for Kespro's foodservice business grew by 4.7% in July-September.

The total retail grocery market in Finland (incl. VAT) is estimated to have grown by approximately 5.3% in July-September (Finnish Grocery Trade Association PTY), and retail prices are estimated to have risen by some 6.7% (incl. VAT, Kesko's own estimate). K Group's grocery sales grew by 3.6% (incl. VAT). New store openings by competitors are estimated to continue impact market shares in 2023, but to a lesser extent than in 2022. Online

grocery sales grew by 15.4%, and accounted for approximately 2.8% of K Group's grocery sales (incl. VAT). All K Group grocery store chains offer online grocery sales services. The number of K Group stores offering online grocery services was 704 at the end of the reporting period, up by 114 year-on-year. The total market for the foodservice business is estimated to have grown by 0.9% in July-September (PTY). Kespro's market share is estimated to have continued to grow in 2023. The popularity of eating out is expected to be a growing trend.

The comparable operating profit for the grocery trade division in July-September totalled €118.2 million (€133.4 million), down by €15.2 million. Operating profit was weakened by campaigns and other marketing efforts as well as increased real estate costs. Profitability was improved by sales growth and good profitability in Kespro's foodservice business. Operating profit for the grocery trade division totalled €118.2 million (€133.4 million).

Capital expenditure for the grocery trade division in July-September totalled €77.4 million (€48.3 million). Capital expenditure for the reporting period was increased by the acquisition of the Espoontori shopping centre.

Capital expenditure in store sites totalled €67.8 million (€42.5 million).

January-September 2023

	1-9/2023	1-9/2022	1-12/2022
Net sales, € million	4,712.5	4,506.8	6,124.7
Operating profit, comparable, € million	320.6	337.6	460.4
Operating margin, comparable, %	6.8	7.5	7.5
Return on capital employed, comparable, %, rolling 12 months	17.6	20.5	19.6
Capital expenditure, € million	227.7	203.9	257.6
Personnel, average	6,300	6,329	6,288

Net sales, € million	1-9/2023	1-9/2022	Change, %	Change, comparable, %	1-12/2022
Sales to K Group grocery stores	3,342.6	3,239.2	+3.2	+3.2	4,367.4
K-Citymarket, non-food	428.0	418.3	+2.3	+2.3	605.1
Kespro	867.9	767.8	+13.0	+13.0	1,041.3
Others	74.0	81.5	-9.2	-9.2	110.8
Total	4,712.5	4,506.8	+4.6	+4.6	6,124.7

Net sales for the grocery trade division totalled €4,712.5 million (€4,506.8 million) in January-September, up by 4.6%. Sales to K Group grocery store chains grew by 3.2%. Net sales for Kespro's foodservice business grew by 13.0% in January-September. Without Covid-19 restrictions, consumption was relatively more geared towards foodservice than retail than in the comparison period.

The total retail grocery market in Finland (incl. VAT) is estimated to have grown by approximately 6.7% in January-September (Finnish Grocery Trade Association PTY), and retail prices are estimated to have risen by some 10.8% (incl. VAT, Kesko's own estimate). K Group's grocery sales grew by 3.5% (incl. VAT). New store openings by competitors are estimated to continue impact market shares in 2023, but to a lesser extent than in 2022. Online grocery sales grew by 1.5%, and accounted for approximately 3.0% of K Group's grocery sales (incl. VAT). Online grocery sales have risen clearly above pre-pandemic levels. All K Group grocery store chains offer online grocery sales services. The number of K Group stores offering online grocery services was 704 at the end of the reporting period, up by 114 year-on-year. The total market for the foodservice business is estimated to have grown by 9.1% in January-September (PTY). Kespro's market share is estimated to have continued to grow in 2023. The popularity of eating out is expected to be a growing trend.

The comparable operating profit for the grocery trade division totalled €320.6 million (€337.6 million) in January-September, down by €17.0 million. Operating profit was weakened by campaigns and other marketing efforts as well as increased real estate costs. Profitability was improved by sales growth and good profitability in Kespro's foodservice business. Operating profit for the grocery trade division totalled €318.9 million (€338.7 million). Items affecting comparability totalled €-1.6 million (€1.1 million).

Capital expenditure for the grocery trade division in January-September totalled €227.7 million (€203.9 million). Capital expenditure in store sites totalled €184.3 million (€184.5 million).

BUILDING AND TECHNICAL TRADE

July-September 2023

	7-9/2023	7-9/2022	1-12/2022
Net sales, € million	1,050.3	1,149.7	4,591.1
Building and home improvement trade	477.3	576.5	2,377.2
Technical trade	588.9	591.9	2,286.2
Operating profit, comparable, € million	69.8	99.6	323.8
Building and home improvement trade	27.4	41.6	127.5
Technical trade	37.7	52.5	173.7
Kesko Senukai	4.7	4.1	20.9
Operating margin, comparable, %	6.6	8.7	7.1
Building and home improvement trade	5.7	7.2	5.4
Technical trade	6.4	8.9	7.6
	7-9/2023	7-9/2022	1-12/2022
Return on capital employed, comparable, %, rolling 12 months	12.8	19.7	19.1
Capital expenditure, € million	29.2	24.2	108.2
Personnel, average	6,108	5,949	5,871

Average number of personnel calculated to correspond to the new segment structure, in which sports trade has been part of the car trade division since 1 April 2023, having previously been part of the building and technical trade division.

	7-9/2023	7-9/2022	Change, %	Change, comparable, %	1-12/2022
Net sales, € million					
Building and home improvement trade, Finland	228.7	262.6	-12.9	-12.9	1,126.7
K-Rauta, Sweden	40.5	51.7	-21.7	-13.3	189.1
K-Bygg, Sweden	67.2	88.5	-24.0	-19.8	352.8
Byggmakker, Norway	141.4	174.1	-18.8	-8.0	711.4
Building and home improvement trade, total	477.3	576.5	-17.2	-12.5	2,377.2
Technical trade, Finland	307.3	351.4	-12.6	-12.6	1,319.0
Technical trade, Sweden	30.7	33.4	-7.9	-9.9	147.0
Technical trade, Norway	130.0	82.0	+58.6	+0.8	346.5
Technical trade, Baltics	34.7	36.1	-4.0	-4.0	130.8
Technical trade, Poland	87.2	90.3	-3.4	-8.3	349.2
Technical trade, total	588.9	591.9	-0.5	-9.4	2,286.2
Total	1,050.3	1,149.7	-8.6	-10.9	4,591.1

Net sales for the building and technical trade division decreased by 8.6% in July-September, or by 10.9% in comparable terms, as the construction market was down on the comparison period. Net sales for technical trade decreased by 0.5%, or by 9.4% in comparable terms. A significant part of the decrease in technical trade comparable net sales was due to solar power products, where sales in the comparison period were exceptionally high due to a fast rise in electricity prices at the time. Excluding the impact of solar power products, net sales for technical trade decreased by 5.5% in comparable terms. Net sales for technical trade grew in Norway, underpinned by the Elektroskandia AS acquisition, but decreased in the other operating countries. Net sales for building and home improvement trade decreased by 12.5% in comparable terms, as net sales decreased in all operating countries and in both B2B and B2C trade. Net sales development in euro terms was increased by the strengthening of the Polish zloty against the euro, and decreased by the weakening of the Swedish krona and the Norwegian krone against the euro.

In Finland, net sales for building and technical trade totalled €522.3 million (€598.0 million) in July-September, down by 12.7%. Net sales from international operations totalled €528.0 million in July-September (€551.6 million), down by 4.3%. In comparable terms, net sales from international operations decreased by 9.0%.

The comparable operating profit for the building and technical trade division totalled €69.8 million (€99.6 million) in July-September, down by €29.8 million. Comparable operating profit decreased in all operating countries, mainly due to a decrease in net sales. In Finland, profitability remained good for Onninen and building and home improvement trade. The share of result from Kesko Senukai had a €0.6 million positive impact on the division's comparable operating profit year-on-year.

Operating profit for the building and technical trade division totalled €68.3 million (€99.3 million). Items affecting comparability totalled €-1.5 million (€-0.3 million).

Capital expenditure for the building and technical trade division in July-September totalled €29.2 million (€24.2 million). Capital expenditure included an investment of €14.8 million in the construction of Onninen and K-Auto's shared logistics centre in Hyvinkää, Finland. The total investment in the logistics centre in 2023 is estimated to amount to some €81 million, and construction is estimated to be completed in 2025. Capital expenditure in the comparison period included the acquisitions of the Swedish Föllinge Såg AB and Djurbergs Järnhandel Aktiebolag.

January-September 2023

	1-9/2023	1-9/2022	1-12/2022
Net sales, € million	3,222.1	3,508.5	4,591.1
Building and home improvement trade	1,502.7	1,857.2	2,377.2
Technical trade	1,768.0	1,705.6	2,286.2
Operating profit, comparable, € million	171.9	263.1	323.8
Building and home improvement trade	59.9	115.3	127.5
Technical trade	106.4	136.3	173.7
Kesko Senukai	5.5	9.8	20.9
Operating margin, comparable, %	5.3	7.5	7.1
Building and home improvement trade	4.0	6.2	5.4
Technical trade	6.0	8.0	7.6
	1-9/2023	1-9/2022	1-12/2022
Return on capital employed, comparable, %, rolling 12 months	12.8	19.7	19.1
Capital expenditure, € million	220.9	76.9	108.2
Personnel, average	6,097	5,855	5,871

Average number of personnel calculated to correspond to the new segment structure, in which sports trade has been part of the car trade division since 1 April 2023, having previously been part of the building and technical trade division.

Net sales, € million	1-9/2023	1-9/2022	Change, %	Change, comparable, %	1-12/2022
Building and home improvement trade, Finland	752.1	894.8	-15.9	-15.9	1,126.7
K-Rauta, Sweden	119.7	154.2	-22.3	-15.3	189.1
K-Bygg, Sweden	213.0	264.1	-19.4	-19.3	352.8
Bygghandlaren, Norway	420.1	546.1	-23.1	-13.1	711.4
Building and home improvement trade, total	1,502.7	1,857.2	-19.1	-15.6	2,377.2
Technical trade, Finland	951.3	988.8	-3.8	-3.8	1,319.0
Technical trade, Sweden	102.1	109.9	-7.1	-8.8	147.0
Technical trade, Norway	374.7	251.8	+48.8	+5.0	346.5
Technical trade, Baltics	96.6	97.2	-0.7	-0.7	130.8
Technical trade, Poland	247.7	261.9	-5.4	-7.3	349.2
Technical trade, total	1,768.0	1,705.6	+3.7	-3.2	2,286.2
Total	3,222.1	3,508.5	-8.2	-9.6	4,591.1

Net sales for the building and technical trade division decreased by 8.2% in January-September, or by 9.6% in comparable terms. Net sales for technical trade increased by 3.7%, but decreased by 3.2% in comparable terms. Net sales for technical trade grew in Norway, underpinned by the Elektroskandia AS acquisition, but decreased in the other operating countries. Net sales for building and home improvement trade decreased by 15.6% in comparable terms. Net sales in building and home improvement trade decreased in all operating countries and in both B2B and B2C trade as the construction market was down on the comparison period. Net sales development in euro terms was increased by the strengthening of the Polish zloty against the euro, and decreased by the weakening of the Swedish krona and the Norwegian krone against the euro.

In Finland, net sales for the building and technical trade division in January-September totalled €1,659.7 million (€1,836.7 million), down by 9.6%. Net sales from international operations amounted to €1,562.4 million (€1,671.8 million) in January-September, a decrease of 6.5%. In comparable terms, net sales from international operations decreased by 9.7%.

The comparable operating profit for the building and technical trade division totalled €171.9 million (€263.1 million) in January-September, down by €91.2 million. Comparable operating profit decreased in all operating countries, mainly due to a decrease in net sales. In addition to the decrease in net sales, profitability for technical trade was impacted by Elektroskandia, where profitability was below that of the rest of the business, burdened by a €2.0 million expense recorded for the allocation of fair value of inventories. In Finland, Onninen's profitability remained good. The share of result from Kesko Senukai had a €4.3 million negative impact on the division's comparable operating profit year-on-year.

Operating profit for the building and technical trade division totalled €168.7 million (€264.9 million). Items affecting comparability totalled €-3.2 million (€1.9 million).

Capital expenditure for the building and technical trade division in January-September totalled €220.9 million (€76.9 million). Capital expenditure included an investment of €64.7 million in the construction of Onninen and K-Auto's shared logistics centre in Hyvinkää, Finland. The total investment in the logistics centre in 2023 is estimated to amount to some €81 million, and construction is estimated to be completed in 2025. Capital expenditure also included the acquisition of Elektroskandia Norge AS in Norway, completed on 1 March 2023, and the acquisition of Zenitec Sweden AB in Sweden, completed on 5 April 2023. Capital expenditure in the comparison period included the acquisitions of the Swedish Kungälv's Trävaruaktiebolag, Föllinge Såg AB, and Djurbergs Järnhandel Aktiebolag, and the Norwegian Seljord Elektriske AS.

CAR TRADE

July-September 2023

	7-9/2023	7-9/2022	1-12/2022
Net sales, € million	310.8	295.6	1,124.8
Car trade	266.0	242.2	910.9
Sports trade	44.8	53.4	214.0
Operating profit, comparable, € million	24.3	16.5	64.3
Car trade	22.3	13.3	48.4
Sports trade	2.0	3.2	16.0
Operating margin, comparable, %	7.8	5.6	5.7
Car trade	8.4	5.5	5.3
Sports trade	4.5	5.9	7.5
	7-9/2023	7-9/2022	1-12/2022
Return on capital employed, comparable, %, rolling 12 months	16.8	14.9	14.7
Capital expenditure, € million	17.6	9.7	45.1
Personnel, average	1,547	1,561	1,519

Average number of personnel calculated to correspond to the new segment structure, in which sports trade has been part of the car trade division since 1 April 2023, having previously been part of the building and technical trade division.

	7-9/2023	7-9/2022	Change, %	Change, comparable, %	1-12/2022
Net sales, € million					
Car trade	266.0	242.2	+9.8	+12.5	910.9
Sports trade	44.8	53.4	-16.2	-16.2	214.0
Total	310.8	295.6	+5.1	+7.2	1,124.8

Net sales for the car trade division increased by 5.1% in July-September, or by 7.2% in comparable terms. Net sales for car trade increased by 12.5% in comparable terms, and net sales grew in all car trade business segments. New and used car deliveries grew clearly year-on-year. Net sales for sports trade decreased by 16.2%.

The combined market performance of first registrations of passenger cars and vans in Finland was +10.6% in July-September. The combined market share of the Volkswagen, Audi, SEAT, CUPRA, Porsche and Bentley passenger cars and Volkswagen vans imported by Kesko's car trade division was 13.9% (15.1%) in July-September.

The comparable operating profit for the car trade division in July-September totalled €24.3 million (€16.5 million). Comparable operating profit increased in the car trade business segments by €9.1 million thanks to net sales growth and transformation and efficiency improvement measures. In sports trade, comparable operating profit decreased.

Operating profit for the car trade division in July-September totalled €24.3 million (€16.5 million).

Capital expenditure for the car trade division in July-September totalled €17.6 million (€9.7 million).

January-September 2023

	1-9/2023	1-9/2022	1-12/2022
Net sales, € million	964.9	833.3	1,124.8
Car trade	832.2	679.5	910.9
Sports trade	132.8	153.9	214.0
Operating profit, comparable, € million	68.2	46.8	64.3
Car trade	62.5	36.1	48.4
Sports trade	5.6	10.7	16.0
Operating margin, comparable, %	7.1	5.6	5.7
Car trade	7.5	5.3	5.3
Sports trade	4.2	7.0	7.5
	1-9/2023	1-9/2022	1-12/2022
Return on capital employed, comparable, %, rolling 12 months	16.8	14.9	14.7
Capital expenditure, € million	57.6	31.9	45.1
Personnel, average	1,541	1,506	1,519

Average number of personnel calculated to correspond to the new segment structure, in which sports trade has been part of the car trade division since 1 April 2023, having previously been part of the building and technical trade division.

	1-9/2023	1-9/2022	Change, %	Change, comparable, %	1-12/2022
Net sales, € million					
Car trade	832.2	679.5	+22.5	+24.7	910.9
Sports trade	132.8	153.9	-13.7	-13.7	214.0
Total	964.9	833.3	+15.8	+17.5	1,124.8

Net sales for the car trade division increased by 15.8% in January-September. In comparable terms, net sales increased by 17.5%. Net sales for car trade increased by 24.7% in comparable terms, and net sales grew in all car trade business segments. Net sales for sports trade decreased by 13.7%.

The combined market performance of first registrations of passenger cars and vans in Finland was +8.6% in January-September. The combined market share of the Volkswagen, Audi, SEAT, CUPRA, Porsche and Bentley passenger cars and Volkswagen vans imported by Kesko's car trade division was 15.5% (14.0%) in January-September.

The comparable operating profit for the car trade division in January-September totalled €68.2 million (€46.8 million). Comparable operating profit increased in the car trade business segments by €26.4 million thanks to strong net sales growth and transformation and efficiency improvement measures. In sports trade, comparable operating profit decreased.

Operating profit for the car trade division in January-September totalled €68.3 million (€46.8 million). Items affecting comparability totalled €0.1 million.

Capital expenditure for the car trade division in January-September totalled €57.6 million (€31.9 million).

CHANGES IN GROUP COMPOSITION

Kesko's subsidiary Onninen acquired the Norwegian technical trade company Elektroskandia Norge AS on 1 March 2023. Kesko sold its MAN business, which focuses on trucks and buses, to Adampolis Finland Oy on 31 March 2023. Kesko's subsidiary Kesko AB acquired Zenitec Sweden AB on 5 April 2023.

SHARES, SECURITIES MARKET AND BOARD AUTHORISATIONS

At the end of September 2023, the total number of shares in Kesko Corporation was 400,079,008, of which 126,948,028 or 31.7%, were A shares, and 273,130,980 or 68.3%, were B shares. On 30 September 2023, Kesko Corporation held 2,309,497 of its own B shares as treasury shares.

These treasury shares accounted for 0.85% of the total number of B shares, 0.58% of the total number of shares, and 0.15% of the votes attached to all shares in the company. The total number of votes attached to all shares was 1,542,611,260. 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 such shares. At the end of September 2023, Kesko Corporation's share capital was €197,282,584.

The price of a Kesko A share quoted on Nasdaq Helsinki was €20.35 at the end of 2022, and €17.30 at the end of September 2023, representing a decrease of 15.0%. Meanwhile, the price of a Kesko B share was €20.62 at the end of 2022, and €16.97 at the end of September 2023, representing a decrease of 17.7%. In January-September 2023, the highest price for an A share was €21.95 and the lowest €16.78., while the highest price for a B share was €22.20 and the lowest €16.56. The Nasdaq Helsinki All-Share index (OMX Helsinki) was down by 11.4% and the weighted OMX Helsinki Cap index by 10.3% in January-September 2023. The Retail Sector Index was up by 20.8%.

The market capitalisation of Kesko's A shares was €2,196 million at the end of September 2023, while the market capitalisation of Kesko's B shares was €4,596 million, excluding the shares held by the parent company as treasury shares. The combined market capitalisation of the A and B shares was €6,792 million, down by €1,369 million from the end of 2022.

In January-September, a total of 3.8 million A shares were traded on Nasdaq Helsinki. The exchange value of the A shares was €73.4 million. Meanwhile, 108.1 million B shares were traded, for an exchange value of €2,056.6 million. Nasdaq Helsinki accounted for over 95% of the trading on Kesko's A and B shares. Kesko shares were also traded on multilateral trading facilities, the most significant of which was Turquoise (source: Euroland).

At the end of September 2023, the number of registered shareholders was 98,698, the highest figure in the company's history. At the end of September, foreign ownership of all shares was 34.9%, and foreign ownership of B shares 50.3%.

Kesko has a share-based commitment and incentive scheme. To implement the scheme, Kesko's Board of Directors may decide, within share issue authorisations granted by the company's General Meeting, to transfer Kesko B shares held by the company as treasury shares. In January-September 2023, Kesko Corporation transferred 304,864 Kesko B shares held as treasury shares to members of management and other key persons in the company. Kesko issued related stock exchange releases on 15 March 2023 and 2 May 2023. Kesko issued a stock exchange release on 2 February 2023 regarding the most recent share-based commitment and incentive plans. Kesko Corporation also transferred a total of 6,000 of its own B shares held by the company as treasury shares to the members of Kesko's Board of Directors as part of the Board members' annual remuneration, and issued a related stock exchange release on 2 May 2023.

Kesko's Annual General Meeting of 30 March 2023 authorised the Board to decide on the issuance of a maximum of 33,000,000 new B series shares or B shares held by the company as treasury shares, and on the repurchase of a maximum of 16,000,000 of the company's own B shares. The authorisations are valid until 30 June 2024. The authorisations were communicated in a stock exchange release on 30 March 2023.

KEY EVENTS IN JANUARY-SEPTEMBER 2023

Kesko announced on 30 January 2023 that it would acquire the Norwegian technical trade company Elektroskandia Norge AS from Rexel Group. The acquisition strengthens Onninen's position in technical trade in Norway. Elektroskandia Norge AS had net sales of some €250 million in 2022 and it employs some 270 people. The company has 13 stores and sales offices and a highly automated distribution centre. The transaction was completed on 1 March 2023. (Investor news releases 30.1.2023 and 2.3.2023)

Kesko published its 2022 Annual Report, including a strategy review, the Report by the Board of Directors and financial statements for 2022, the Corporate Governance Statement, the Remuneration Report for Governing

Bodies, and a sustainability report, on 6 March 2023 on its website at www.kesko.fi. (Stock exchange release 6.3.2023)

Kesko announced it would be combining its customer loyalty scheme and share ownership in a new way with Shareholder's K-Plussa, which offers Finnish loyalty customers with shareholdings in Kesko an alternative way to access K Group's 'Best Customer' benefits. Shareholder's K-Plussa is available to Plussa loyalty customers in Finland with registered annual personal purchases from K Group stores of at least €3,000 for the past year and holdings of at least 100 shares in Kesko. (Investor news release 30.3.2023)

Kesko Corporation's Annual General Meeting was held on 30 March 2023 at Messukeskus in Helsinki. The Annual General Meeting adopted the 2022 financial statements and resolved to distribute a dividend of €1.08 per share. The Annual General Meeting discharged the Board members and the Managing Director from liability, approved the Remuneration Report for Governing Bodies, made resolutions concerning the Board members' remuneration, elected the firm of authorised public accountants Deloitte Oy as the company's Auditor, resolved to change the term of office of Board members from three years to one year, and authorised the Board to decide on the repurchase of the company's own shares, on the issuance of shares, and on donations for charitable purposes. Read more in the section: Resolutions of the 2023 Annual General Meeting. (Stock exchange releases 2.2.2023 and 30.3.2023)

Sami Kiiski, M. Sc. (Economics and Business), 47, was appointed as the new President of Kesko's car trade division and a member of Group Management Board, as the previous division President Matti Virtanen retired. Sami Kiiski had acted as Senior Vice President in charge of Kesko's leisure trade since 2020. He is also a member of the Board of Management of Intersport International Corporation. The changes came to effect on 1 June 2023. Kesko also changed its Group structure, and sports trade became part of the car trade division. Prior to this, sports trade had been part of the building and technical trade division. The segment structure in Kesko's financial reporting has depicted the changes in Group structure as of 1 April 2023. Kesko published comparison figures for the new segment structure for 2022 and for the first quarter of 2023 on 25 May 2023. (Stock exchange releases 31.3.2023 and 25.5.2023)

Kesko agreed to acquire Davidsen Koncernen A/S, a leading builders' merchant in Denmark, thus expanding Kesko's operations to Denmark and strengthening its market position in Northern Europe. The Davidsen family will maintain a 10% minority holding in the company. The completion of the acquisition is subject to EU Commission's merger approval and the fulfilment of certain other conditions. The transaction is expected to be completed in the first quarter of 2024 at the latest. (Investor news release 23.8.2023)

Kesko announced that it will concentrate its building and home improvement trade operations in Sweden under the K-Bygg chain, and that it will increasingly focus on serving building professionals alongside consumers. K-Rauta stores in Sweden will either be converted into K-Bygg stores or closed. Kesko's building and home improvement trade operations in Sweden will be concentrated under one brand by the end of 2024. (Investor news release 29.8.2023)

RESOLUTIONS OF THE 2023 ANNUAL GENERAL MEETING

The Annual General Meeting of Kesko Corporation held on 30 March 2023 adopted the company's financial statements for 2022. The Annual General Meeting resolved to distribute a dividend of €1.08 per share on shares held outside the company, to be paid in four instalments of €0.27 per share. The record date of the first dividend instalment was 3 April 2023 and the pay date 12 April 2023. The record date of the second dividend instalment was 21 June 2023 and the pay date 28 June 2023. The record date of the third dividend instalment was 12 September 2023 and the pay date 19 September 2023. The record date of the fourth dividend instalment is 12 December 2023 and the pay date 19 December 2023. The Board was authorised to decide, if necessary, on new dividend payment record dates and pay dates for the second, third and/or fourth instalments, if the rules and statutes of the Finnish book-entry system change or otherwise so require. The remaining distributable assets will remain in equity.

The resolutions of the Annual General Meeting were communicated in more detail in a stock exchange release on 30 March 2023.

SUSTAINABILITY

PROGRESS MADE WITH KESKO'S 2022-2024 SUSTAINABILITY STRATEGY

Kesko updated its sustainability strategy in spring 2022, with key sustainability targets and indicators set for measuring progress in strategy execution.

Key sustainability targets and indicators

Theme	Target	Indicators	2022	1-9/2023
Climate	Achieving carbon neutrality in 2025 and making Kesko's own operations and transports emissions free by the end of 2030	Carbon dioxide emissions (tCO2e)	75,500 tCO2e	Kesko commits to setting net zero emission targets in line with the Science Based Targets initiative. <ul style="list-style-type: none"> Kesko commits to reducing greenhouse gas emissions from its whole value chain to net zero by the year 2050. Kesko commits to reducing absolute greenhouse gas emissions from its own operations and its value chain (Scope 1, 2 and 3 emissions) by 90% by the year 2050, using 2020 as the base level. Kesko is moving towards its net-zero targets by establishing a roadmap and reviewing new measures needed. During the first phase, Kesko will expand its current measures: suppliers will be encouraged to set their own science-based emission targets, and the share of sustainable products in selections will be increased.
	Having 67% of Kesko's biggest suppliers (by spend) set science-based emission reduction targets by the end of 2026	% of suppliers (CDP)	27.7%	
Value chain	Ensuring the social responsibility of Kesko's direct imports from high-risk countries by having 100% of the production facilities audited by 2024	Audited production facilities, %	91.5%	<ul style="list-style-type: none"> Kesko's grocery trade and building and technical trade require all of their new direct suppliers in high-risk countries to have approved audits when cooperation is initiated. In addition to social responsibility audits, Kesko aims to expand climate and environmental audits for supplier factories. Annual sustainability training is arranged for suppliers to increase their understanding of sustainability issues.
People	Tangible actions to promote employee health, wellbeing and capabilities by the end of 2024	Wellbeing index	81 (on a scale of 0 to 100, 'Our People 2022' survey)	<ul style="list-style-type: none"> Kesko is set to promote its new DEI (Diversity, Equity and Inclusion) targets, which address diversity, gender distribution, equal pay, and the diversity programme in Kesko. One objective is to raise the share of female presentation in Group and division management boards and teams to 33% by 2030. Another objective is to ensure that there are no unfounded differences in pay between genders.

RISK MANAGEMENT

The objective of risk management is to support Kesko in achieving targets and implementing strategy. Risk management in Kesko Group is an essential part of internal control and guided by the risk management policy approved by Kesko's Board of Directors. The policy defines the purpose and principles of Kesko Group's risk management, as well as the related steering model and responsibilities. In the management of financial risks, the Group's treasury policy, approved by Kesko's Board of Directors, is observed. The management of business operations and common functions are responsible for the execution of risk management. Strategic risks at Kesko Group are identified and assessed as part of the strategy process. Risks related to climate change are assessed

applying the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. In assessing climate risks, the Group utilises selected scenarios for the future that enable identifying and assessing transitional and physical risks and opportunities significant for the strategy. The likelihood and impact of strategic risks is assessed not only for the strategy period but also in the medium term (3-5 years) and long term (over 5 years). Operational and financial risks related to achieving strategic targets are assessed in the short term (1-2 years), using loss scenarios, simulation and stress testing. The purpose of risk management is to ensure 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.

Kesko's risk appetite is driven by strategy, vision, values and its risk tolerance and risk bearing capacity. The risk tolerance and risk bearing capacity are assessed and tested at regular intervals based on selected financial figures and indicators and loss scenarios. Kesko's risk appetite is divided into three categories depending on the risk assessed. Risk appetite is considered low in cases where it does not involve significant financial or business opportunities (e.g. risks related to personnel and customer safety). Risk appetite is considered moderate with risks where the Group is able to optimise the cost-efficiency of risk management (e.g. property risk and business disruption risks). High risk appetite is limited to risks that also involve significant opportunities. Risk appetite is also materially impacted by the likelihood of realisation and related financial impacts.

The Group's most significant risks and uncertainties, as well as material changes in, responses to, and indicators for 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 most significant risks are related to weakened consumer and business confidence, high inflation, high interest rates and tightened financing and the impact of these especially on the construction and car trade markets, lower investment levels, a global slowdown in growth, and geopolitical tensions and cyber threats.

Helsinki, 25 October 2023
Kesko Corporation
Board of Directors

The information in this interim report is unaudited.

Further information is available from Jukka Erlund, Executive Vice President, Chief Financial Officer, tel. +358 105 322 113, Hanna Jaakkola, Vice President, Investor Relations, tel. +358 105 323 540, and Eva Kaukinen, Vice President, Group Controller, tel. +358 105 322 338. An English-language audio conference on the results briefing will be held on 26 October 2023 at 9.00 am (EET/EEST). The audio conference login is available on Kesko's website at www.kesko.fi. A Finnish-language webcast of the interim report briefing can be viewed at 11.30 am (EET/EEST) at www.kesko.fi.

Kesko's financial statements release for January-December 2023 will be published on 30 January 2024. 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.

ATTACHMENTS: TABLES SECTION

Accounting policies
Consolidated statement of comprehensive income
Consolidated statement of financial position
Consolidated statement of changes in equity
Consolidated statement of cash flows
Cash flow from leases
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TABLES SECTION

Accounting policies

The interim report has been prepared in accordance with the same accounting principles as the annual financial statements for 2022.

Consolidated income statement (€ million), condensed					
	1-9/2023	1-9/2022	7-9/2023	7-9/2022	1-12/2022
Net sales	8,881.8	8,825.5	2,949.1	3,009.8	11,809.0
Material and services	-7,620.4	-7,732.8	-2,493.0	-2,600.5	-10,304.5
Change in inventory	-7.3	202.1	-38.7	33.7	237.0
Other operating income	716.8	749.1	237.8	256.5	998.7
Employee benefit expense	-578.9	-581.2	-176.4	-181.1	-785.8
Depreciation, amortisation and impairment charges	-134.6	-124.3	-46.3	-42.3	-169.0
Depreciation and impairment charges for right-of-use assets	-261.4	-240.6	-89.0	-82.3	-322.1
Other operating expenses	-466.0	-485.0	-141.6	-155.5	-670.2
Share of result of joint ventures	5.5	12.4	4.7	4.1	23.5
Operating profit	535.5	625.3	206.6	242.4	816.5
Interest income and other finance income	14.3	9.5	4.3	3.9	13.0
Interest expense and other finance costs*	-17.0	3.6	-7.5	2.8	2.9
Interest expense for lease liabilities	-54.4	-51.4	-18.6	-17.2	-68.4
Foreign exchange differences	-1.3	-2.4	1.6	-1.1	-3.5
Share of result of associates	2.0	-0.7	0.4	0.5	0.6
Profit before tax	479.1	583.9	186.8	231.3	761.1
Income tax	-96.4	-115.6	-38.0	-45.7	-151.2
Net profit for the period	382.7	468.3	148.8	185.6	609.9
Attributable to					
Owners of the parent	382.7	468.3	148.8	185.6	609.9
Earnings per share (€) for profit attributable to owners of the parent					
Basic and diluted	0.96	1.18	0.37	0.47	1.53

* The positive change in fair value of interest rate derivatives is recorded in the line item for interest expenses and other finance costs.

Consolidated statement of comprehensive income (€ million)					
	1-9/2023	1-9/2022	7-9/2023	7-9/2022	1-12/2022
Net profit for the period	382.7	468.3	148.8	185.6	609.9
Items that will not be reclassified subsequently to profit or loss					
Actuarial gains and losses	4.2	33.6	-0.7	49.3	30.6
Items that may be reclassified subsequently to profit or loss					
Currency translation differences related to a foreign operation	-36.6	-42.5	20.9	-16.3	-41.9
Share of other comprehensive income of associates and joint ventures	-0.9	2.5	-0.2	1.5	-0.5
Cash flow hedge revaluation	-34.2	48.7	-6.2	11.3	26.2
Total other comprehensive income for the period, net of tax	-67.6	42.2	13.8	45.8	14.3
Total comprehensive income for the period	315.1	510.5	162.6	231.4	624.2
Attributable to					
Owners of the parent	315.1	510.5	162.6	231.4	624.2

Consolidated statement of financial position (€ million), condensed			
	30.9.2023	30.9.2022	31.12.2022
ASSETS			
Non-current assets			
Property, plant and equipment	1,965.4	1,683.8	1,745.5
Right-of-use assets	1,816.2	1,764.0	1,737.6
Goodwill	653.6	597.4	588.9
Intangible assets	210.5	188.5	190.2
Shares in associates and joint ventures	240.5	238.6	231.9
Other investments	13.4	13.0	13.2
Loans and other receivables	80.0	107.3	93.0
Pension assets	91.1	90.7	86.9
Total	5,070.8	4,683.4	4,687.2
Current assets			
Inventories	1,137.6	1,090.0	1,115.4
Trade receivables	1,080.7	1,078.6	969.3
Other receivables	295.6	338.4	387.6
Other financial assets	21.4	81.1	68.6
Cash and cash equivalents	148.2	232.4	245.5
Total	2,683.5	2,820.4	2,786.4
Non-current assets held for sale	-	0.5	0.5
Total assets	7,754.3	7,504.3	7,474.0



	30.9.2023	30.9.2022	31.12.2022
EQUITY AND LIABILITIES			
Equity	2,633.2	2,625.3	2,742.2
Non-current liabilities			
Interest-bearing liabilities	544.1	247.5	245.5
Lease liabilities	1,646.1	1,621.6	1,592.0
Non-interest-bearing liabilities	24.3	24.4	24.3
Deferred tax liabilities	63.6	58.2	63.2
Provisions	7.5	12.2	10.3
Total	2,285.6	1,963.8	1,935.3
Current liabilities			
Interest-bearing liabilities	185.2	233.1	252.6
Lease liabilities	348.1	327.0	328.1
Trade payables	1,512.0	1,543.9	1,499.4
Other non-interest-bearing liabilities	781.2	798.7	704.4
Provisions	8.9	12.5	11.9
Total	2,835.4	2,915.2	2,796.5
Total equity and liabilities	7,754.3	7,504.3	7,474.0

Consolidated statement of changes in equity (€ million)							
	Share capital	Reserves	Currency translation differences	Revaluation reserve	Treasury shares	Retained earnings	Total
Balance at 1.1.2023	197.3	464.7	-52.2	35.3	-28.1	2,125.2	2,742.2
Share-based payments					0.4		0.4
Dividends						-429.6	-429.6
Other changes						5.0	5.0
Transactions with owners, total					0.4	-424.5	-424.1
Comprehensive income							
Profit for the period						382.7	382.7
Actuarial gains and losses						4.2	4.2
Translation differences on foreign operations			-36.6				-36.6
Share of other comprehensive income of associates and joint ventures						-0.9	-0.9
Cash flow hedge revaluation				-34.2			-34.2
Total other comprehensive income for the period, net of tax			-36.6	-34.2		3.3	-67.6
Total comprehensive income for the period			-36.6	-34.2		385.9	315.1
Balance at 30.9.2023	197.3	464.7	-88.8	1.2	-27.7	2,086.6	2,633.2

	Share capital	Reserves	Currency translation differences	Revaluation reserve	Treasury shares	Retained earnings	Total
Balance at 1.1.2022	197.3	464.7	-10.2	9.1	-30.3	1,898.9	2,529.5
Share-based payments					0.5		0.5
Dividends						-421.3	-421.3
Other changes						6.1	6.1
Transactions with owners, total					0.5	-415.2	-414.7
Comprehensive income							
Profit for the period						468.3	468.3
Actuarial gains and losses						33.6	33.6
Share of other comprehensive income of associates and joint ventures			-42.5				-42.5
Translation differences on foreign operations						2.5	2.5
Cash flow hedge revaluation				48.7			48.7
Total other comprehensive income for the period, net of tax			-42.5	48.7		36.1	42.2
Total comprehensive income for the period			-42.5	48.7		504.3	510.5
Balance at 30.9.2022	197.3	464.7	-52.8	57.8	-29.8	1,988.0	2,625.3

Consolidated statement of cash flows (€ million), condensed					
	1-9/2023	1-9/2022	7-9/2023	7-9/2022	1-12/2022
Cash flows from operating activities					
Profit before tax	479.1	583.9	186.8	231.3	761.1
Depreciation according to plan	134.6	124.3	46.3	42.3	169.0
Depreciation and impairment for right-of-use assets	261.4	240.6	89.0	82.3	322.1
Finance income and costs	4.0	-10.7	1.6	-5.6	-12.4
Interest expense for lease liabilities	54.4	51.4	18.6	17.2	68.4
Other adjustments	1.1	-9.0	-4.6	-4.4	-20.2
Change in working capital					
Current non-interest-bearing receivables, increase (-)/decrease (+)	-40.4	-170.1	72.4	118.1	-107.2
Inventories, increase (-)/decrease (+)	-4.9	-206.2	41.4	-29.1	-225.8
Current non-interest-bearing liabilities, increase (+)/decrease(-)	-45.9	204.7	-10.7	-67.1	163.7
Financial items and tax	-136.3	-156.6	-45.9	-66.2	-203.6
Net cash from operating activities, total	707.1	652.2	394.9	318.8	915.2
Cash flows from investing activities					
Investing activities	-528.7	-301.9	-138.3	-102.7	-397.7
Proceeds from sale of tangible and intangible assets	18.0	10.6	7.0	3.6	14.4
Proceeds from sale of subsidiaries and business operations, net cash deducted	9.9	2.2	-	-0.0	2.2
Other financial assets, increase (-)/decrease (+)	48.1	24.1	-	6.5	36.8
Net cash used in investing activities, total	-452.7	-265.0	-131.2	-92.7	-344.3
Cash flows from financing activities					
Interest-bearing liabilities, increase (+)/decrease (-)	226.0	115.5	-170.4	-62.2	132.6
Repayments of lease liabilities	-265.6	-248.7	-89.0	-83.1	-332.7
Current interest-bearing receivables, increase (-)/ decrease (+)	0.5	1.4	-0.4	-0.1	2.1
Dividends paid	-322.5	-302.3	-107.7	-106.9	-406.7
Other items	10.3	-0.2	2.1	1.7	0.0
Net cash used in financing activities, total	-351.3	-434.3	-365.3	-250.6	-604.7
Change in cash and cash equivalents	-96.9	-47.0	-101.6	-24.5	-33.8
Cash and cash equivalents at 1 Jan.	245.5	279.8	249.8	257.0	279.8
Exchange differences and change in value of cash and cash equivalents	-0.4	-0.4	0.0	-0.1	-0.5
Cash and cash equivalents at 30 Sep.	148.2	232.4	148.2	232.4	245.5

Cash flow from leases (€ million)	1-9/2023	1-9/2022	7-9/2023	7-9/2022	1-12/2022
Interest expense for lease liabilities	-54.4	-51.4	-18.6	-17.2	-68.4
Repayments of lease liabilities	-265.6	-248.7	-89.0	-83.1	-332.7
Lease payments in the income statement	-5.5	-5.2	-1.7	-1.8	-7.4
Total	-325.5	-305.3	-109.2	-102.1	-408.5

Group's performance indicators	1-9/2023	1-9/2022	7-9/2023	7-9/2022	1-12/2022
Net sales, € million	8,881.8	8,825.5	2,949.1	3,009.8	11,809.0
Operating profit, € million	535.5	625.3	206.6	242.4	816.5
Operating margin, %	6.0	7.1	7.0	8.1	6.9
Operating profit, comparable, € million	541.6	622.5	208.1	242.8	815.1
Operating margin, comparable, %	6.1	7.1	7.1	8.1	6.9
Profit before tax, € million	479.1	583.9	186.8	231.3	761.1
Profit before tax, comparable, € million	485.3	584.7	188.4	231.7	763.2
Earnings per share, basic and diluted, €	0.96	1.18	0.37	0.47	1.53
Earnings per share, comparable, basic and diluted, €	0.97	1.18	0.38	0.47	1.54
Return on capital employed, %	13.5	17.5	15.3	19.9	17.0
Return on capital employed, %, rolling 12 months	13.9	17.7	-	-	17.0
Return on capital employed, comparable, %	13.7	17.4	15.4	19.9	16.9
Return on capital employed, comparable, %, rolling 12 months	14.1	17.6	-	-	16.9
Capital expenditure, € million	520.5	340.7	127.5	89.9	449.2
Cash flow from operating activities, € million	707.1	652.2	394.9	318.8	915.2
Cash flow from investing activities, € million	-452.7	-265.0	-131.2	-92.7	-344.3
Cash flow from operating activities/share, €	1.78	1.64	0.99	0.80	2.30
Return on equity, %	19.0	24.2	23.3	29.6	23.1
Return on equity, %, rolling 12 months	19.9	25.4	-	-	23.1
Return on equity, comparable, %	19.2	24.3	23.5	29.6	23.2
Return on equity, comparable, %, rolling 12 months	20.2	25.3	-	-	23.2
Equity ratio, %	34.2	35.1	34.2	35.1	36.9
Equity per share, €	6.62	6.61	6.62	6.61	6.90
Interest-bearing net debt/EBITDA excluding the impact of IFRS 16, rolling 12 months	0.7	0.2	-	-	0.2
Interest-bearing net debt, € million	2,554.0	2,115.7	2,554.0	2,115.7	2,104.2
Interest-bearing net debt excluding lease liabilities, € million	559.8	167.1	559.8	167.1	184.1
Diluted number of shares, average for the reporting period, 1,000 pcs	397,684	397,413	397,684	397,413	397,383
Personnel, average	14,853	14,652	14,969	14,879	14,633

Segment information

Net sales by segment, € million	1-9/2023	1-9/2022	7-9/2023	7-9/2022	1-12/2022	Rolling 12 mo 9/2023
Grocery trade, Finland	4,712.5	4,506.8	1,593.5	1,573.6	6,124.7	6,330.4
Grocery trade total	4,712.5	4,506.8	1,593.5	1,573.6	6,124.7	6,330.4
- of which intersegment trade	12.7	17.2	3.8	6.7	23.3	18.8
Building and technical trade, Finland	1,659.7	1,836.7	522.3	598.0	2,382.3	2,205.3
Building and technical trade, other countries*	1,562.4	1,671.8	528.0	551.6	2,208.8	2,099.4
Building and technical trade total	3,222.1	3,508.5	1,050.3	1,149.7	4,591.1	4,304.7
- of which intersegment trade	-0.7	0.2	-0.2	0.2	0.6	-0.3
Car trade, Finland	964.9	833.3	310.8	295.6	1,124.8	1,256.4
Car trade total	964.9	833.3	310.8	295.6	1,124.8	1,256.4
- of which intersegment trade	5.6	5.5	1.9	2.3	7.5	7.6
Common functions and eliminations	-17.6	-23.1	-5.4	-9.1	-31.6	-26.2
Finland total	7,319.4	7,153.7	2,421.1	2,458.2	9,600.2	9,765.8
Other countries total*	1,562.4	1,671.8	528.0	551.6	2,208.8	2,099.4
Group total	8,881.8	8,825.5	2,949.1	3,009.8	11,809.0	11,865.3

* Net sales in countries other than Finland

Operating profit by segment, € million	1-9/2023	1-9/2022	7-9/2023	7-9/2022	1-12/2022	Rolling 12 mo 9/2023
Grocery trade	318.9	338.7	118.2	133.4	461.5	441.8
Building and technical trade	168.7	264.9	68.3	99.3	324.8	228.5
Car trade	68.3	46.8	24.3	16.5	63.9	85.3
Common functions and eliminations	-20.4	-25.2	-4.3	-6.8	-33.6	-28.8
Group total	535.5	625.3	206.6	242.4	816.5	726.7

Operating profit by segment, comparable, € million	1-9/2023	1-9/2022	7-9/2023	7-9/2022	1-12/2022	Rolling 12 mo 9/2023
Grocery trade	320.6	337.6	118.2	133.4	460.4	443.4
Building and technical trade	171.9	263.1	69.8	99.6	323.8	232.6
Car trade	68.2	46.8	24.3	16.5	64.3	85.6
Common functions and eliminations	-19.0	-25.0	-4.3	-6.7	-33.5	-27.5
Group total	541.6	622.5	208.1	242.8	815.1	734.2

Operating margin by segment, %, comparable	1-9/2023	1-9/2022	7-9/2023	7-9/2022	1-12/2022	Rolling 12 mo 9/2023
Grocery trade	6.8	7.5	7.4	8.5	7.5	7.0
Building and technical trade	5.3	7.5	6.6	8.7	7.1	5.4
Car trade	7.1	5.6	7.8	5.6	5.7	6.8
Group total	6.1	7.1	7.1	8.1	6.9	6.2

EBITDA by segment, comparable, € million	1-9/2023	1-9/2022	7-9/2023	7-9/2022	1-12/2022	Rolling 12 mo 9/2023
Grocery trade	562.8	559.9	201.6	209.2	759.7	762.5
Building and technical trade	259.9	344.5	99.5	127.2	432.8	348.2
Car trade	106.1	83.5	37.3	29.0	113.3	136.0
Common functions and eliminations	8.7	1.0	5.0	1.9	2.0	9.7
Group total	937.5	989.0	343.4	367.4	1,307.8	1,256.3

Operating profit by segment excluding the impact of IFRS 16, comparable, € million	1-9/2023	1-9/2022	7-9/2023	7-9/2022	1-12/2022	Rolling 12 mo 9/2023
Grocery trade	279.4	296.7	104.4	119.9	406.3	389.0
Building and technical trade	157.3	249.6	65.0	95.1	305.9	213.7
Car trade	66.5	45.0	23.8	15.9	61.9	83.5
Common functions and eliminations	-20.0	-25.8	-4.6	-7.1	-34.7	-28.8
Group total	483.3	565.4	188.6	223.8	739.5	657.4

Capital employed by segment, cumulative average, € million	1-9/2023	1-9/2022	7-9/2023	7-9/2022	1-12/2022	Rolling 12 mo 9/2023
Grocery trade	2,532.4	2,320.8	2,588.8	2,416.1	2,353.6	2,518.6
Building and technical trade	1,852.2	1,696.7	1,906.0	1,698.0	1,693.5	1,811.3
Car trade	524.5	429.1	536.6	454.0	438.2	509.8
Common functions and eliminations	375.5	314.2	373.5	308.8	326.7	374.7
Group total	5,284.6	4,760.8	5,404.9	4,876.9	4,811.9	5,214.4

Return on capital employed by segment, %, comparable	1-9/2023	1-9/2022	7-9/2023	7-9/2022	1-12/2022	Rolling 12 mo 9/2023
Grocery trade	16.9	19.4	18.3	22.1	19.6	17.6
Building and technical trade	12.4	20.7	14.7	23.5	19.1	12.8
Car trade	17.3	14.6	18.1	14.5	14.7	16.8
Group total	13.7	17.4	15.4	19.9	16.9	14.1

Capital expenditure by segment, € million	1-9/2023	1-9/2022	7-9/2023	7-9/2022	1-12/2022	Rolling 12 mo 9/2023
Grocery trade	227.7	203.9	77.4	48.3	257.6	281.4
Building and technical trade	220.9	76.9	29.2	24.2	108.2	252.3
Car trade	57.6	31.9	17.6	9.7	45.1	70.8
Common functions and eliminations	14.2	28.0	3.3	7.6	38.2	24.5
Group total	520.5	340.7	127.5	89.9	449.2	629.0

Acquisitions

Kesko's subsidiary Onninen acquired Elektroskandia Norge AS, a Norwegian technical trade operator, on 1 March 2023. The consideration paid was €120.8 million. The acquisition strengthens Kesko's position in Norwegian technical trade, and further increases its growing role in advancing the green transition. Based on the preliminary purchase price allocation, the fair value of the assets acquired for Kesko Group amounted to €122.1 million and the fair value of the liabilities assumed to €85.4 million. The fair value of intangible assets acquired at the date of acquisition totalled €15.6 million. The goodwill arising from the acquisition, €84.1 million, represents the synergies that are expected to be realised in sales, procurement, selections, and logistics as well as in efficiency of operations. The goodwill arising from the acquisition is not tax deductible. The consolidated income statement includes minor acquisition-related costs under "Other operating expenses", presented as items affecting comparability.

Kesko's subsidiary Kesko AB acquired Zenitec Sweden AB, a solar power system wholesaler, on 5 April 2023. The consideration paid was €5.3 million. Based on the preliminary purchase price allocation, the fair value of the assets acquired for Kesko Group amounted to €6.0 million and the fair value of the liabilities assumed €4.6 million.

€ million	Elektroskandia Norge AS	Zenitec Sweden AB
Acquisition price	120.8	5.3
Fair values of assets acquired and liabilities assumed at the date of acquisition		
Intangible assets	15.6	0.6
Property, plant, equipment, right-of-use assets and investments	15.1	0.3
Inventories	38.6	2.8
Receivables	46.3	2.3
Deferred tax asset	1.3	-
Cash and cash equivalents	5.3	-0.0
Total assets	122.1	6.0
Trade payables, other payables, provisions, lease liabilities	81.6	4.5
Deferred tax liability	3.8	0.1
Total liabilities	85.4	4.6
Net assets acquired, total	36.7	1.4
Goodwill	84.1	3.9
Cash flow impact of acquisition		
Consideration paid	-120.8	-5.3
Cash and cash equivalents acquired	5.3	-0.0
Cash flow impact of acquisition	-115.5	-5.3

Change in tangible and intangible assets (€ million)

	30.9.2023	30.9.2022
Opening net carrying amount	2,524.6	2,316.5
Depreciation, amortisation and impairment charges	-134.8	-124.2
Investments in tangible and intangible assets	385.8	294.8
Deductions	-22.4	-13.6
Acquisitions	103.0	28.2
Transfers to non-current assets held for sale and between items	-0.1	-0.1
Exchange differences	-26.5	-31.9
Closing net carrying amount	2,829.6	2,469.8

Right-of-use assets (€ million)

	30.9.2023	30.9.2022
Opening net carrying amount	1,737.6	1,735.0
Depreciation, amortisation and impairment charges	-261.5	-242.2
Net increases	340.6	270.8
Acquisitions	12.8	13.9
Exchange differences	-13.1	-13.6
Closing net carrying amount	1,816.2	1,764.0

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:	1-9/2023	1-9/2022
Sales of goods and services	73.9	78.3
Purchases of goods and services	-8.1	-10.8
Other operating income	14.7	15.2
Other operating expenses	-2.7	-2.9
Finance income and costs	4.3	4.2
	30.9.2023	30.9.2022
Receivables	77.1	83.7
Liabilities	17.5	22.6
	30.9.2023	30.9.2022
Items related to leases		
Cash flow from leases	-33.2	-31.5
Lease liabilities	271.4	280.6

Credit and counterparty risk, ageing analysis of trade receivables

Ageing analysis of trade receivables (€ million)	30.9.2023	30.9.2022
Trade receivables fully performing	1,015.9	1,022.3
1–7 days past due trade receivables	35.6	23.1
8–30 days past due trade receivables	7.3	14.9
31–60 days past due trade receivables	3.6	5.6
over 60 days past due trade receivables	18.4	12.8
Total	1,080.7	1,078.6

Trade receivables include impairment charges totalling €22.3 million (30 September 2022: €19.0 million).

Financial assets and liabilities by category and fair value hierarchy (€ million)

30.9.2023 Balance, € million	Fair value through profit or loss	Amortised cost	Fair value through other comprehensive income	Carrying amount	Fair value	Level 1	Level 2	Level 3
Non-current financial assets								
Other investments	13.4			13.4	13.4			13.4
Loans and receivables		65.6		65.6	65.6			
Other non-current receivables, derivatives	9.3		2.0	11.3	11.3		11.3	
Current financial assets								
Trade receivables		1,080.7		1,080.7	1,080.7			
Other receivables		290.1		290.1	290.1			
Other receivables, derivatives	3.2		2.3	5.5	5.5		5.5	
Other financial assets		21.4		21.4	21.5			
Cash and cash equivalents		148.2		148.2	148.2			
Total financial assets	25.9	1,605.9	4.3	1,636.1	1,636.2		16.8	13.4
Non-current financial liabilities								
Non-current interest-bearing liabilities		544.1		544.1	543.2			
Non-current lease liabilities		1,646.1		1,646.1	1,646.1			
Non-current non-interest-bearing liabilities		22.7		22.7	22.7			
Non-current non-interest-bearing liabilities, derivatives			1.4	1.4	1.4		1.4	
Current financial liabilities								
Current interest-bearing liabilities		185.2		185.2	184.7			
Current lease liabilities		348.1		348.1	348.1			
Trade payables		1,512.0		1,512.0	1,512.0			
Other non-interest-bearing liabilities		722.1		722.1	722.1			
Other non-interest-bearing liabilities, derivatives	1.3		1.5	2.8	2.8		2.8	
Total financial liabilities	1.3	4,980.5	2.9	4,984.6	4,983.3		4.2	

30.9.2022 Balance, € million	Fair value through profit or loss	Amortised cost	Fair value through other comprehensive income	Carrying amount	Fair value	Level 1	Level 2	Level 3
Non-current financial assets								
Other investments	13.0			13.0	13.0			13.0
Loans and receivables		67.9		67.9	67.9			
Other non-current receivables, derivatives	11.2		26.3	37.5	37.5		37.5	
Current financial assets								
Trade receivables		1,078.6		1,078.6	1,078.6			
Other receivables		285.7		285.7	285.7			
Other receivables, derivatives	6.1		46.6	52.7	52.7		52.7	
Other financial assets	32.2	48.9		81.1	81.1		32.2	
Cash and cash equivalents		232.4		232.4	232.4			
Total financial assets	62.5	1,713.4	72.9	1,848.8	1,848.8		122.4	13.0
Non-current financial liabilities								
Non-current interest- bearing liabilities		247.5		247.5	246.8			
Non-current lease liabilities		1,621.6		1,621.6	1,621.6			
Non-current non-interest- bearing liabilities		24.1		24.1	24.1			
Non-current non-interest- bearing liabilities, derivatives			0.1	0.1	0.1		0.1	
Current financial liabilities								
Current interest-bearing liabilities		233.1		233.1	232.9			
Current lease liabilities		327.0		327.0	327.0			
Trade payables		1,543.9		1,543.9	1,543.9			
Other non-interest-bearing liabilities		738.0		738.0	738.0			
Other non-interest-bearing liabilities, derivatives	0.1		0.6	0.7	0.7		0.7	
Total financial liabilities	0.1	4,735.1	0.7	4,735.8	4,734.9		0.7	

Loans and receivables do not include deferred tax assets of €3.1 million (€1.9 million). Income tax liabilities of €8.6 million (€24.8 million) and prepayments received of €47.7 million (€35.2 million) are not categorised as financial liabilities and are not included in the table above.

Personnel, average and at 30.9.

Personnel average by segment	1-9/2023	1-9/2022	Change
Grocery trade	6,300	6,329	-29
Building and technical trade	6,097	5,855	242
Car trade	1,541	1,506	35
Common functions	915	962	-46
Group total	14,853	14,652	201

Personnel at 30.9.*by segment	2023	2022	Change
Grocery trade	8,054	8,232	-178
Building and technical trade	6,994	6,903	91
Car trade	1,642	1,644	-2
Common functions	937	1,006	-69
Group total	17,627	17,785	-158

* Total number including part-time employees

Group's commitments (€ million)

	30.9.2023	30.9.2022	
Own commitments	319.7	319.8	
For others	-	-	
Lease commitments related to leases not yet commenced	110.1	91.7	
Liabilities arising from derivative instruments (€ million)			
			Fair value
Values of underlying instruments at	30.9.2023	30.9.2022	30.9.2023
Interest rate derivatives			
Interest rate swaps	330.0	330.0	10.8
Currency derivatives			
Forward and future contracts	166.5	161.9	0.4
Commodity derivatives			
Electricity derivatives	33.3	100.7	1.4

The lease commitments are for leases not commenced on 30 September 2023 to which the Group is committed.

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 monitor 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 target "interest-bearing net debt excluding lease liabilities divided by EBITDA excluding the impact of IFRS 16".

In addition, financial performance indicators for the Group have been presented as alternative performance measures. The management uses these indicators to monitor and analyse business performance, profitability and financial position.

Operating profit, comparable	Operating profit +/- items affecting comparability
Items affecting comparability	- gains on disposal + losses on disposal + impairment charges +/- structural arrangements
Return on capital employed*, %	Operating profit x 100 / (Non-current assets + Inventories + Receivables + Other current assets - Non-interest-bearing liabilities) on average for the reporting period
Return on capital employed*, %, rolling 12 months	Operating profit for the preceding 12 months x 100 / (Non-current assets + Inventories + Receivables + Other current assets - Non-interest-bearing liabilities) on average for 12 months
Return on capital employed*, %, comparable	Comparable operating profit x 100 / (Non-current assets + Inventories + Receivables + Other current assets - Non-interest-bearing liabilities) on average for the reporting period
Return on capital employed*, %, comparable, rolling 12 months	Comparable operating profit for the preceding 12 months x 100 / (Non-current assets + Inventories + Receivables + Other current assets - Non-interest-bearing liabilities) on average for 12 months
Return on equity*, %	(Profit/loss before tax - Income tax) x 100 / Shareholders' equity, average of the beginning and end of the reporting period
Return on equity*, %, rolling 12 months	(Profit/loss for the preceding 12 months before tax - Income tax for the preceding 12 months) x 100 / Shareholders' equity on average for 12 months
Return on equity*, %, comparable	(Profit/loss adjusted for items affecting comparability before tax - Income tax adjusted for the tax effect of items affecting comparability) x 100 / Shareholders' equity, average of the beginning and end of the reporting period
Return on equity*, %, comparable, rolling 12 months	(Profit/loss adjusted for items affecting comparability before tax for the preceding 12 months - Income tax adjusted for the tax effect of items affecting comparability for the preceding 12 months) x 100 / Shareholders' equity on average for 12 months
Equity ratio, %	Shareholders' equity x 100 / (Total assets - Advances received)
Interest-bearing net debt	Interest-bearing liabilities + Lease liabilities - Current other financial assets - 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 from lease agreements
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	Performance indicator includes investments in tangible and intangible assets, subsidiary shares, shares in associates and joint ventures and other shares. Additions of right-of-use assets for leases in the consolidated statement of financial position are not capital expenditure. Redemption of a leased property (right-of-use asset) is reported as capital expenditure.
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 adjusted for items affecting comparability) / Average number of shares
Equity/share	Equity attributable to owners of the parent / Basic number of shares at the balance sheet date
Cash flow from operating activities/share	Cash flow from operating activities / Average number of shares

* Indicators for return on capital have been annualised.

Reconciliation of performance indicators to IFRS financial statements

€ million	1-9/2023	1-9/2022	7-9/2023	7-9/2022	1-12/2022
Items affecting comparability					
Gains on disposal	0.4	0.0	-	-	0.0
Losses on disposal	-1.0	-0.1	-	0.0	-0.1
Structural arrangements	-5.5	2.9	-1.5	-0.4	1.6
Items in operating profit affecting comparability	-6.1	2.8	-1.5	-0.4	1.5
Items in financial items affecting comparability	-0.2	-3.6	-0.2	-0.0	-3.6
Items in income taxes affecting comparability	1.2	-0.2	0.3	0.0	-0.0
Total items affecting comparability	-5.0	-1.0	-1.3	-0.4	-2.2
Items in EBITDA affecting comparability	-6.1	1.2	-1.5	-0.4	-0.1
Operating profit, comparable					
Operating profit	535.5	625.3	206.6	242.4	816.5
Net of					
Items in operating profit affecting comparability	-6.1	2.8	-1.5	-0.4	1.5
Operating profit, comparable	541.6	622.5	208.1	242.8	815.1
EBITDA					
Operating profit	535.5	625.3	206.6	242.4	816.5
Plus					
Depreciation and impairment charges	134.6	124.3	46.3	42.3	169.0
Depreciation and impairment charges for right-of-use assets	261.4	240.6	89.0	82.3	322.1
EBITDA	931.5	990.2	341.9	367.0	1 307.7
EBITDA excluding the impact of IFRS 16					
EBITDA	931.5	990.2	341.9	367.0	1 307.7
Net of					
Rents from lease agreements	-319.6	-299.1	-108.5	-101.2	-399.1
EBITDA excluding the impact of IFRS 16	611.8	691.0	233.4	265.8	908.5
Profit before tax, comparable					
Profit before tax	479.1	583.9	186.8	231.3	761.1
Net of					
Items in operating profit affecting comparability	-6.1	2.8	-1.5	-0.4	1.5
Items in financial items affecting comparability	-0.2	-3.6	-0.2	-0.0	-3.6
Profit before tax, comparable	485.3	584.7	188.4	231.7	763.2
Net profit, comparable					
Profit before tax, comparable	485.3	584.7	188.4	231.7	763.2
Net of					
Income tax	96.4	115.6	38.0	45.7	151.2
Items in income tax affecting comparability	1.2	-0.2	0.3	0.0	-0.0
Net profit, comparable	387.7	469.3	150.1	185.9	612.0

Net profit attributable to owners of the parent, comparable					
Net profit, comparable	387.7	469.3	150.1	185.9	612.0
Net profit attributable to owners of the parent, comparable	387.7	469.3	150.1	185.9	612.0
Earnings per share, comparable, €					
Net profit attributable to the owners of the parent, comparable	387.7	469.3	150.1	185.9	612.0
Average number of shares, basic, 1,000 pcs	397,684	397,413	397,684	397,413	397,383
Earnings per share, comparable, €	0.97	1.18	0.38	0.47	1.54
Return on capital employed, %					
Operating profit	535.5	625.3	206.6	242.4	816.5
Capital employed, average	5,284.6	4,760.8	5,404.9	4,876.9	4,811.9
Return on capital employed, %	13.5	17.5	15.3	19.9	17.0
Return on capital employed, comparable, %					
Operating profit, comparable	541.6	622.5	208.1	242.8	815.1
Capital employed, average	5,284.6	4,760.8	5,404.9	4,876.9	4,811.9
Return on capital employed, comparable, %	13.7	17.4	15.4	19.9	16.9
Return on equity, %					
Net profit	382.7	468.3	148.8	185.6	609.9
Equity, average	2,687.7	2,577.4	2,550.4	2,508.5	2,635.8
Return on equity, %	19.0	24.2	23.3	29.6	23.1
Return on equity, comparable, %					
Net profit, comparable	387.7	469.3	150.1	185.9	612.0
Equity, average	2,687.7	2,577.4	2,550.4	2,508.5	2,635.8
Return on equity, comparable, %	19.2	24.3	23.5	29.6	23.2
Equity ratio, %					
Shareholders' equity	2,633.2	2,625.3	2,633.2	2,625.3	2,742.2
Total assets	7,754.3	7,504.3	7,754.3	7,504.3	7,474.0
Advances received	47.7	35.2	47.7	35.2	46.9
Equity ratio, %	34.2	35.1	34.2	35.1	36.9

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

Kesko and K-retailers together form K Group. The table below depicts K Group's retail and B2B sales by chain, comprising the combined retail and B2B sales of Kesko's own retailing and B2B trade and retailer-owned chain stores.

K Group's retail and B2B sales	1.1.-30.9.2023		1.7.-30.9.2023	
	€ million	Change, % ^{*)}	€ million	Change, % ^{*)}
K Group's grocery trade				
K-food stores	4,977.0	3.4	1,717.5	3.4
K-Citymarket, non-food	430.2	2.4	151.6	2.1
Kespro	891.4	13.3	303.9	4.8
Grocery trade, total	6,298.6	4.6	2,173.1	3.5
K Group's building and technical trade				
K-Rauta, Finland	887.6	-12.6	318.3	-12.0
K-Rauta B2B Service, Finland	199.8	-21.3	63.6	-26.2
Onninen, Finland	930.8	-3.6	301.8	-12.3
Finland, total	2,018.2	-9.7	683.7	-13.7
K-Rauta, Sweden	120.0	-22.4	40.7	-21.6
K-Bygg, Sweden	216.7	-25.8	68.4	-28.3
Onninen and Mark & Infra i Sverige, Sweden	104.5	-10.0	29.5	-18.3
Byggmakker, Norway	495.9	-21.2	165.6	-21.1
Onninen and Elektroskandia, Norway	440.8	-9.0	138.6	-12.0
Onninen, Baltic countries	96.5	-0.5	34.6	-4.0
Onninen, Poland	247.6	-5.7	87.3	-3.6
Other countries, total	1,722.0	-15.4	564.7	-16.6
Kesko Senukai	876.8	-3.7	311.7	-5.4
Building and technical trade, total	4,617.1	-10.9	1,560.1	-13.3
K Group's car trade				
Car trade	839.2	22.6	269.6	10.4
Sports trade	184.8	-6.7	60.0	-5.7
Car trade, total	1,024.1	16.0	329.6	7.1
Finland, total	9,340.9	2.2	3,186.4	-0.4
Other countries, total	2,598.8	-11.8	876.4	-12.9
Retail and B2B sales, total	11,939.7	-1.2	4,062.8	-3.4

*) The change, % compared to the year before has been calculated to illustrate a situation in which the acquisitions had been completed on 1 January 2022. In 2022, completed acquisitions comprised Seljord Elektriske AS in Norway on 1 June 2022 and Kungälv's Trävaruaktiebolag on 11 March 2022, Föllinge Såg AB and Djurbergs Järnhandel Aktiebolag on 1 September 2022 and XL Bygg Bergslagen AB on 1 October 2022 in Sweden. In 2023, completed acquisitions comprise Elektroskandia Norge AS in Norway on 1 March 2023 and Zenitec Sweden AB in Sweden on 5 April 2023.