



January-December 2022

**KESKO CORPORATION
FINANCIAL
STATEMENTS RELEASE
Q4/2022**

2.2.2023

KESKO CORPORATION JANUARY-DECEMBER FINANCIAL STATEMENTS RELEASE 2.2.2023 AT 8.00

Kesco's financial statements release for 1 Jan.-31 Dec. 2022: All divisions generated good results in 2022

FINANCIAL PERFORMANCE IN BRIEF:

10-12/2022

- Group net sales in October-December totalled €2,983.4 million (€2,870.3 million), an increase of 4.3% in comparable terms, reported net sales grew by 3.9%
- Comparable operating profit totalled €192.6 million (€203.5 million), a decrease of €10.9 million
- Operating profit totalled €191.2 million (€204.9 million)
- Comparable earnings per share €0.36 (€0.40)
- Reported Group earnings per share €0.36 (€0.41)

1-12/2022

- Group net sales in January-December totalled €11,809.0 million (€11,300.2 million), an increase of 4.4% in comparable terms, reported net sales grew by 4.5%
- Comparable operating profit totalled €815.1 million (€775.5 million), an increase of €39.6 million
- Operating profit totalled €816.5 million (€775.2 million)
- Comparable earnings per share €1.54 (€1.43)
- Reported Group earnings per share €1.53 (€1.44)
- Board proposes a dividend of €1.08 per share, proposed to be paid in four instalments

KEY PERFORMANCE INDICATORS

	10-12/2022	10-12/2021	1-12/2022	1-12/2021
Net sales, € million	2,983.4	2,870.3	11,809.0	11,300.2
Operating profit, comparable, € million	192.6	203.5	815.1	775.5
Operating margin, comparable, %	6.5	7.1	6.9	6.9
Operating profit, € million	191.2	204.9	816.5	775.2
Profit before tax, comparable, € million	178.6	187.9	763.2	710.4
Profit before tax, € million	177.2	189.2	761.1	712.9
Cash flow from operating activities, € million	263.0	269.2	915.2	1,152.0
Capital expenditure, € million	108.5	80.6	449.2	276.6
Earnings per share, €, basic and diluted	0.36	0.41	1.53	1.44
Earnings per share, comparable, €, basic	0.36	0.40	1.54	1.43

	1-12/2022	1-12/2021
Return on capital employed, comparable, %	16.9	17.2
Return on equity, comparable, %	23.2	24.1

In this financial statements release, the comparable change (%) in net sales has been calculated in local currencies and excluding the impact of the acquisitions and divestments completed in 2021 and 2022. The comparable operating profit has been calculated by deducting items affecting comparability from the reported operating profit.

OUTLOOK AND GUIDANCE FOR 2023

Kesko Group's guidance is given for the year 2023, in comparison with the year 2022. Kesko's net sales and operating profit are estimated to remain at a good level in 2023 despite the challenges in the company's operating environment. Kesko estimates that its comparable operating profit in 2023 will be in the range of €680-800 million.

The guidance is based on an estimated relatively short recession in Kesko's operating countries. Key uncertainties impacting Kesko's outlook are developments in inflation and interest rate levels, and Russia's ongoing offensive war in Ukraine.

In the grocery trade division, B2C trade as a whole is estimated to remain stable, and the foodservice market is predicted to continue to grow. Price inflation will support sales development in euro terms, but will also increase costs. Operating profit is expected to remain at a good level.

The construction market is expected to decrease somewhat compared to 2022. New building construction is estimated to decrease, but renovation building and construction related to the green transition are estimated to continue to grow. Operating profit is expected to remain at a good level also in building and technical trade.

In the car trade division, car availability is estimated to improve, but demand is estimated to remain below long-term average. Profitability in the car trade division is expected to remain at a good level.

PRESIDENT AND CEO MIKKO HELANDER:

All Kesko divisions generated a good result in 2022. Our annual result has now improved for eight consecutive years. The result we achieved is strong proof that Kesko is a unique trading sector operator whose strategy works in a rapidly changing operating environment.

In 2022, our net sales grew by 4.3% in comparable terms and totalled €11,809 million. Our comparable operating profit amounted to €815 million, representing an increase of €40 million. Good progress was made in strategy execution in all areas. Our good ability to produce a profit and strong financial position enable investments in growth and good dividend capacity. Kesko's Board proposes to the Annual General Meeting a dividend of €1.08 per share, which totals nearly €430 million, proposed to be paid in four instalments.

In the grocery trade division, profitability was good also in 2022. Profitability improved thanks to good performance by Kespro. The division's net sales grew by 3.6%, and its comparable operating profit rose to €460 million. Profitability for the division was good, with a comparable operating margin of 7.5%. The basis for good profitability in the grocery trade division is our strong position in all areas of Finnish food trade. Our strength in food trade lies in our extensive network of physical grocery stores combined with efficient online sales and our foodservice business, as well as our well-functioning retailer business model. Our strategic goal is to continue to grow sales and improve customer experience.

The building and technical trade division posted its all-time best result in 2022. The division's net sales grew by 9.4% in comparable terms and totalled €4,805 million. The comparable operating margin for the division was 7.1%. Strong performance continued for Onninen and K-Rauta in Finland. In Norway and Sweden, sales development was good in the B2B segment in both technical trade and building and home improvement trade. Onninen's sales continued to grow also in Poland and the Baltic countries. B2B trade now accounts for over 80% of the division's sales. Sales growth in B2B trade continued strong, underpinned by good construction activity. Demand was very strong especially in products related to the green transition and to improving energy efficiency. Good demand in renovation building also underpinned the positive performance. Renovation building accounts for over half of the division's sales. During the year, we continued acquisitions in line with our strategy and the integration of the acquired businesses.

Our transformation process in the car trade division is proceeding well and yielding results. The division's net sales totalled €911 million, and its comparable operating margin was 5.3%. Availability issues with cars caused net sales to decrease in 2022, but profitability remained at a good level thanks to improved sales margins and transformation measures and efficiency improvements. Kesko's car trade is No 1 in Finland when it comes to the sales of electric cars and the EV charging network.

Kesko's long-standing work for sustainability and corporate responsibility brings results that gather also international recognition. The most recent examples are the assessments for the Dow Jones Sustainability Indices

and the Global 100 listing of the most sustainable companies in the world: Kesko ranked among the best in its sector in both.

Kesko's outlook for 2023 is also positive. We estimate that our comparable operating profit will be in the range of €680-800 million.

I want to thank all our customers, shareholders, Kesko employees, K-retailers and their staff, as well as our partners for their trust and collaboration in 2022.

IMPORTANT EVENTS

POSITIVE PROFIT WARNING ON 25 APRIL 2022

Kesko raised its profit guidance for 2022 on 25 April 2022, estimating that its comparable operating profit in 2022 will be in the range of €730 – 840 million. Before, the company estimated that the comparable operating profit would be in the range of €680–800 million.

FINANCIAL PERFORMANCE

NET SALES AND PROFIT OCTOBER-DECEMBER 2022

10-12/2022	Net sales, € million	Change, %	Change, comparable, %	Operating profit, comparable, € million	Change, € million
Grocery trade	1,617.9	+3.9	+3.9	122.8	-8.2
Building and technical trade excl. speciality goods trade	1,082.7	+4.1	+5.1	49.7	-12.7
Speciality goods trade	60.1	-2.9	-2.9	5.2	-2.0
Kesko Senukai	-	-	-	11.1	+6.9
Building and technical trade, total	1,142.8	+3.7	+4.6	66.0	-7.8
Car trade	231.5	+5.7	+5.7	12.3	+3.7
Common functions and eliminations	-8.7	-	-	-8.5	+1.4
Total	2,983.4	+3.9	+4.3	192.6	-10.9

Group net sales increased by 4.3% in comparable terms. Net sales increased in comparable terms by 3.9% in Finland and by 6.0% in other operating countries. The comparable change % has been calculated in local currencies and excluding the impact of acquisitions and divestments completed. Reported Group net sales in October-December grew by 3.9%.

Net sales for the grocery trade division grew by 3.9%. Sales to K Group grocery store chains grew by 2.3%. Net sales for Kespro's foodservice business grew by 14.3% in October-December. 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 increased by 3.7% or by 4.6% in comparable terms. Net sales grew in comparable terms in all operating countries. Net sales growth continued strong in Onninen's technical wholesale. In building and home improvement trade, net sales decreased by 1.7% in comparable terms. Sales increased in B2B trade, but decreased in B2C trade.

Net sales for the car trade division increased by 5.7% in October-December. Net sales growth was slowed by the weaker than normal availability of cars.

The Group's comparable operating profit in October-December totalled €192.6 million, a decrease of €10.9 million. In the grocery trade division, changes in customer behaviour due to the rise in food prices and growth in the share of campaign sales year-on-year had a diminishing impact on profitability. In the building and technical trade division, profit increased in Onninen's technical wholesale. Onninen's comparable operating profit grew in Finland, Sweden, Norway and the Baltics. In building and home improvement trade, comparable operating profit

decreased in all operating countries. Share of result from Kesko Senukai had a €6.9 million positive impact on the building and technical trade division's comparable operating profit. The comparable operating profit for the car trade division increased by €3.7 million. Profit was improved by growth in sales and sales margins, cost adjustments, and a reduction in a provision related to warranty expenses.

Items affecting comparability, € million	10-12/2022	10-12/2021
Operating profit, comparable	192.6	203.5
Items affecting comparability		
+gains on disposal	+0.0	-
-losses on disposal	-0.0	-
-impairment charges	-	-5.4
+/-structural arrangements	-1.4	+6.7
Items affecting comparability, total	-1.4	+1.3
Operating profit	191.2	204.9

K Group's (Kesko and the chain stores) retail and B2B sales (0% VAT) in October-December totalled €3,968.6 million, representing an increase of 2.4% compared to the previous year.

Net finance costs, income tax and earnings per share

	10-12/2022	10-12/2021
Net finance costs, € million	-15.3	-16.0
Interests on lease liabilities, € million	-17.0	-17.1
Profit before tax, comparable, € million	178.6	187.9
Profit before tax, € million	177.2	189.2
Income tax, € million	-35.6	-27.6
Earnings per share, comparable, €	0.36	0.40
Earnings per share, €	0.36	0.41
Equity per share, €	6.90	6.37

The Group's net finance costs in October-December were positively impacted by the change in the fair value of interest rate derivatives, €1.1 million. The share of result of associates was €1.3 million (€0.4 million).

The Group's comparable profit before tax in October-December grew thanks to growth in comparable operating profit and a reduction in net finance costs. The Group's effective tax rate was 20.1% (14.6%). In the comparison period, the Group's effective tax rate was impacted by tax-exempt sales gains.

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

NET SALES AND PROFIT JANUARY-DECEMBER 2022

1-12/2022	Net sales, € million	Change, %	Change, comparable, %	Operating profit, comparable, € million	Change, € million
Grocery trade	6,124.7	+3.6	+3.6	460.4	+17.5
Building and technical trade excl. speciality goods trade	4,591.1	+10.3	+9.7	302.8	+27.4
Speciality goods trade	214.0	-4.3	+1.8	16.1	-5.1
Kesko Senukai	-	-	-	20.9	-0.5
Building and technical trade, total	4,805.1	+9.5	+9.4	339.8	+21.8
Car trade	910.9	-11.4	-11.4	48.4	-3.9
Common functions and eliminations	-31.8	-	-	-33.5	+4.2
Total	11,809.0	+4.5	+4.4	815.1	+39.6

Group net sales grew by 4.4% in comparable terms. Net sales grew in comparable terms by 3.6% in Finland and by 8.4% in other operating countries. The comparable change % has been calculated in local currencies and excluding the impact of acquisitions and divestments completed. The reported Group net sales in January-December grew by 4.5%.

Net sales for the grocery trade division grew by 3.6%. Sales to K Group grocery store chains grew by 0.8%. Net sales for Kespro's foodservice business grew by 20.7% in January-December. As Covid-19 restrictions were less severe than in the comparison period, consumption was relatively more geared towards foodservice than retail.

Net sales for the building and technical trade division increased by 9.5%, or by 9.4% in comparable terms. Net sales grew in comparable terms in all operating countries. Net sales growth continued strong in Onninen's technical wholesale. The growth was underpinned by good volume development and rising prices in some product categories. In building and home improvement trade, sales increased in B2B trade, but decreased in B2C trade.

Net sales for the car trade division decreased by 11.4% in January-December due to the poor availability of cars.

The Group's comparable operating profit in January-December totalled €815.1 million, an increase of €39.6 million. In the grocery trade division, profitability improved in particular thanks to strong growth in Kespro's foodservice business. In the building and technical trade division, profit continued to strengthen in Onninen's technical wholesale. Onninen's comparable operating profit grew in all operating countries. In building and home improvement trade, comparable operating profit decreased in all operating countries. Share of result from Kesko Senukai had a €0.5 million negative impact on the building and technical trade division's comparable operating profit. In the car trade division, net sales and comparable operating profit decreased due to the weakened availability of cars in 2022.

Items affecting comparability, € million	1-12/2022	1-12/2021
Operating profit, comparable	815.1	775.5
Items affecting comparability		
+gains on disposal	+0.0	+1.4
-losses on disposal	-0.1	-0.0
-impairment charges	-	-5.4
+/-structural arrangements	+1.6	+3.7
Items affecting comparability, total	+1.5	-0.3
Operating profit	816.5	775.2

K Group's (Kesko and the chain stores) retail and B2B sales (0% VAT) in January-December totalled €15,832.5 million, representing a growth of 3.6% compared to the previous year. During the 12-month period that ended in December 2022, the number of Finnish households belonging to the K-Plussa loyalty scheme and using the Plussa network totalled 2.4 million, with 3.3 million customers using their K-Plussa card.

Net finance costs, income tax and earnings per share

	1-12/2022	1-12/2021
Net finance costs, € million	-56.0	-68.2
Interests on lease liabilities, € million	-68.4	-71.3
Profit before tax, comparable, € million	763.2	710.4
Profit before tax, € million	761.1	712.9
Income tax, € million	-151.2	-141.1
Earnings per share, comparable, €	1.54	1.43
Earnings per share, €	1.53	1.44
Equity per share, €	6.90	6.37

The Group's net finance costs in January-December were positively impacted by the change in the fair value of interest rate derivatives, €13.5 million, and a decrease in interest expenses for lease liabilities. The share of result of associates amounted to €0.6 million (€5.9 million, or €2.0 million in comparable terms).

The Group's comparable profit before tax in January-December grew thanks to growth in comparable operating profit and a reduction in net finance costs. The Group's effective tax rate was 19.9% (19.8%).

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

CASH FLOW AND FINANCIAL POSITION

€ million	10-12/2022	10-12/2021	1-12/2022	1-12/2021
Cash flow from operating activities	263.0	269.2	915.2	1,152.0
Cash flow from investing activities	-79.4	-84.7	-344.3	-292.3
Cash flow from financing activities	-170.3	-334.7	-604.7	-834.4

€ million	31.12.2022	31.12.2021
Liquid assets	314.1	387.7
Interest-bearing liabilities	2,418.3	2,295.1
Lease liabilities	1,920.1	1,928.6
Interest-bearing net debt excl. lease liabilities	184.1	-21.3
Interest-bearing net debt/EBITDA, excl. IFRS 16 impact	0.2	0.0
Gearing, %	76.7	75.4
Equity ratio, %	36.9	36.6

The Group's cash flow from operating activities in October-December totalled €263.0 million (€269.2 million).

The Group's cash flow from investing activities in October-December totalled €-79.4 million (€-84.7 million).

The Group's cash flow from operating activities in January-December totalled €915.2 million (€1,152.0 million). The cash flow was weakened by growth in working capital. In addition, the cash flow from operating activities for the comparison period included a €38.6 million return of surplus assets paid by Kesko Pension Fund.

The Group's cash flow from investing activities in January-December totalled €-344.3 million (€-292.3 million). In the comparison period, the cash flow from investing activities included a negative item of €55.9 million in investment of Group liquid assets in money market funds.

CAPITAL EXPENDITURE

€ million	10-12/2022	10-12/2021	1-12/2022	1-12/2021
Capital expenditure	108.5	80.6	449.2	276.6
Store sites	58.6	52.8	268.1	129.0
Acquisitions	4.8	-0.1	50.1	13.8
IT	10.5	16.3	41.8	42.2
Other investments	34.7	11.7	89.2	91.6

Capital expenditure in store sites increased by €5.8 million in October-December from the comparison period. In January-December, capital expenditure in store sites increased by €139.1 million on 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. The investment did not have a cash flow impact.

Capital expenditure included the acquisitions of Kungälv's Trävaruaktiebolag, Föllinge Såg AB, Djurbergs Järnhandel Aktiebolag and XL-BYGG Bergslagen AB in Sweden and Seljord Elektriske AS in Norway.

PERSONNEL

	1-12/2022	1-12/2021
Average number of personnel converted into full-time employees	14,633	14,232
Personnel at the end of the reporting period	31.12.2022	31.12.2021
Finland	12,665	12,442
Other countries	5,176	4,960
Total	17,841	17,402

SEGMENTS

SEASONAL NATURE OF OPERATIONS

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

GROCERY TRADE

October-December 2022

	10-12/2022	10-12/2021
Net sales, € million	1,617.9	1,556.9
Operating profit, comparable, € million	122.8	131.0
Operating margin, comparable, %	7.6	8.4
Return on capital employed, comparable, %	19.6	20.6
Capital expenditure, € million	53.7	46.1
Personnel, average	6,165	6,098

Net sales, € million	10-12/2022	10-12/2021	Change, %	Change, comparable, %
Sales to K-food stores	1,128.2	1,102.5	+2.3	+2.3
K-Citymarket, non-food	186.8	189.5	-1.4	-1.4
Kespro	273.6	239.4	+14.3	+14.3
Others	29.3	25.4	+15.2	+15.2
Total	1,617.9	1,556.9	+3.9	+3.9

Net sales for the grocery trade division totalled €1,617.9 million (€1,556.9 million) in October-December, up by 3.9%. Sales to K Group grocery store chains grew by 2.3%. Net sales for Kespro's foodservice business grew by 14.3% in October-December. 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 6.0% in October-December (Finnish Grocery Trade Association PTY) due to strong price inflation, and retail prices are estimated to have risen by some 14.0% (incl. VAT, Kesko's own estimate). K Group's grocery sales grew by 1.1% (incl. VAT). Online grocery sales grew by 1.0%, and accounted for approximately 3.1% of K Group's grocery sales (incl. VAT). The number of K Group stores offering online grocery services was 619 at the end of the reporting period, up by 29 since the previous quarter. The total market for the foodservice business is estimated to have grown by 10.9% in October-December (Finnish Grocery Trade Association PTY).

The comparable operating profit for the grocery trade division in October-December totalled €122.8 million (€131.0 million), down by €8.2 million. Changes in customer behaviour due to the rise in food prices and growth in the share of campaign sales year-on-year had a diminishing impact on profitability. The increase in costs resulting from rising inflation also had a negative impact on profitability. Operating profit for the grocery trade division totalled €122.8 million (€131.0 million).

Capital expenditure for the grocery trade division in October-December totalled €53.7 million (€46.1 million), of which €46.0 million (€41.5 million) was in store sites.

January-December 2022

	1-12/2022	1-12/2021
Net sales, € million	6,124.7	5,909.0
Operating profit, comparable, € million	460.4	442.9
Operating margin, comparable, %	7.5	7.5
Return on capital employed, comparable, %	19.6	20.6
Capital expenditure, € million	257.6	122.8
Personnel, average	6,288	6,126

Net sales, € million	1-12/2022	1-12/2021	Change, %	Change, comparable, %
Sales to K-food stores	4,367.4	4,333.2	+0.8	+0.8
K-Citymarket, non-food	605.1	618.6	-2.2	-2.2
Kespro	1,041.3	862.7	+20.7	+20.7
Others	110.8	94.5	+17.1	+17.1
Total	6,124.7	5,909.0	+3.6	+3.6

Net sales for the grocery trade division in January-December amounted to €6,124.7 million (€5,909.0 million), an increase of 3.6%. Sales to K Group grocery store chains grew by 0.8%. Net sales for Kespro's foodservice business grew by 20.7% in January-December. As Covid-19 restrictions were less severe than in the comparison period, consumption was relatively more geared towards foodservice than retail.

The total retail grocery market in Finland (incl. VAT) is estimated to have grown by approximately 3.3% in January-December (Finnish Grocery Trade Association PTY) and retail prices are estimated to have risen by some 8.9% (incl. VAT, Kesko's own estimate). K Group's grocery sales decreased by 0.2% (incl. VAT). Online grocery sales decreased by 3.3%, and accounted for approximately 3.1% 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 619 at the end of the reporting period, up by 102 year-on-year. The total market for the foodservice business is estimated to have grown by 16.1% in January-December (Finnish Grocery Trade Association PTY).

The comparable operating profit for the grocery trade division in January-December totalled €460.4 million (€442.9 million), up by €17.5 million. Profitability improved in particular thanks to strong growth in Kespro's foodservice sales. Operating profit for the grocery trade division totalled €461.5 million (€443.9 million). Items affecting comparability totalled €1.1 million (€0.9 million).

Capital expenditure for the grocery trade division in January-December totalled €257.6 million (€122.8 million). Capital expenditure in store sites totalled €230.5 million (€101.2 million). Capital expenditure in store sites included the property for 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. The investment did not have a cash flow impact.

BUILDING AND TECHNICAL TRADE

October-December 2022

	10-12/2022	10-12/2021
Net sales, € million	1,142.8	1,101.7
Building and technical trade, excl. speciality goods trade	1,082.7	1,039.8
Building and home improvement trade	520.0	530.0
Onninen	580.6	525.2
Speciality goods trade	60.1	61.9
Operating profit, comparable, € million	66.0	73.8
Building and technical trade, excl. speciality goods trade	49.7	62.4
Building and home improvement trade	12.2	28.3
Onninen	37.5	34.4
Speciality goods trade	5.2	7.2
Kesko Senukai	11.1	4.2
Operating margin, comparable, %	5.8	6.7
Building and technical trade, excl. speciality goods trade	4.6	6.0
Building and home improvement trade	2.4	5.3
Onninen	6.5	6.6
Speciality goods trade	8.7	11.7
	10-12/2022	10-12/2021
Return on capital employed, comparable, %	19.4	19.0
Capital expenditure, € million	31.5	11.0
Personnel, average	6,197	5,927

Net sales, € million	10-12/2022	10-12/2021	Change, %	Change, comparable, %
Building and home improvement trade, Finland	231.9	239.2	-3.1	-3.1
K-Rauta, Sweden	35.0	41.7	-16.1	-8.2
K-Bygg, Sweden	88.7	76.6	+15.8	+4.6
Byggmakker, Norway	165.3	173.1	-4.5	-1.0
Building and home improvement trade, total	520.0	530.0	-1.9	-1.7
Onninen, Finland	330.2	298.1	+10.8	+10.8
Onninen and MIAB, Sweden	37.1	29.8	+24.6	+34.6
Onninen, Norway	94.7	85.9	+10.3	+15.0
Onninen, Baltics	33.6	27.5	+22.1	+22.1
Onninen, Poland	87.2	85.0	+2.6	+5.2
Onninen, total	580.6	525.2	+10.5	+12.3
Building and technical trade, excl. speciality goods trade, total	1,082.7	1,039.8	+4.1	+5.1
Sports trade, Finland	60.1	61.9	-2.9	-2.9
Speciality goods trade, total	60.1	61.9	-2.9	-2.9
Total	1,142.8	1,101.7	+3.7	+4.6

Net sales for the building and technical trade division increased by 3.7%, or by 4.6% in comparable terms. Net sales grew in comparable terms in all operating countries. Net sales growth continued strong in Onninen's technical wholesale. In building and home improvement trade, net sales decreased by 1.7% in comparable terms.

Sales increased in B2B trade, but decreased in B2C trade. The weakening of the Norwegian krone, Swedish krona and Polish zloty against the euro diminished net sales development in euro terms.

In Finland, net sales for the building and technical trade division in October-December totalled €605.8 million (€585.9 million), up by 3.4%. In comparable terms, net sales in Finland increased by 3.4%. Net sales from international operations totalled €537.0 million in October-December (€515.8 million), up by 4.1%. In comparable terms, net sales from international operations grew by 6.0%.

Net sales for building and home improvement trade decreased in comparable terms in Finland and Norway, and were flat year-on-year in Sweden. Net sales for Onninen's technical wholesale increased in comparable terms by 12.3% and grew in all operating countries. Sports trade net sales in speciality goods trade decreased by 2.9% in comparable terms. Reported net sales for speciality goods trade decreased due to the discontinuation of the KooKenkä and The Athlete's Foot chains in 2021.

The comparable operating profit for the building and technical trade division in October-December totalled €66.0 million (€73.8 million), a decrease of €7.8 million year-on-year. Profit increased in Onninen's technical wholesale. Onninen's comparable operating profit grew in Finland, Sweden, Norway and the Baltics. In building and home improvement trade, comparable operating profit decreased in all operating countries. Share of result from Kesko Senukai had a €6.9 million positive impact on the division's comparable operating profit. In speciality goods trade, comparable operating profit decreased.

Operating profit for the building and technical trade division totalled €65.2 million (€79.6 million). Items affecting comparability totalled €-0.8 million (€5.8 million). The most significant item affecting comparability in the comparison period was the €6.5 million gain on disposal included in the share of result of joint ventures.

Capital expenditure for the building and technical trade division in October-December totalled €31.5 million (€11.0 million).

January-December 2022

	1-12/2022	1-12/2021
Net sales, € million	4,805.1	4,387.7
Building and technical trade, excl. speciality goods trade	4,591.1	4,164.0
Building and home improvement trade	2,377.2	2,292.3
Onninen	2,286.2	1,930.3
Speciality goods trade	214.0	223.7
Operating profit, comparable, € million	339.8	318.0
Building and technical trade, excl. speciality goods trade	302.8	275.4
Building and home improvement trade	127.5	154.2
Onninen	173.7	122.3
Speciality goods trade	16.1	21.2
Kesko Senukai	20.9	21.5
Operating margin, comparable, %	7.1	7.2
Building and technical trade, excl. speciality goods trade	6.6	6.6
Building and home improvement trade	5.4	6.7
Onninen	7.6	6.3
Speciality goods trade	7.5	9.5
	1-12/2022	1-12/2021
Return on capital employed, comparable, %	19.4	19.0
Capital expenditure, € million	108.7	43.1
Personnel, average	6,155	5,977

Net sales, € million	1-12/2022	1-12/2021	Change, %	Change, comparable, %
Building and home improvement trade, Finland	1,126.7	1,078.5	+4.5	+4.6
K-Rauta, Sweden	189.1	200.6	-5.7	-1.2
K-Bygg, Sweden	352.8	294.6	+19.8	+5.8
Byggmakker, Norway	711.4	721.0	-1.3	-2.3
Building and home improvement trade, total	2,377.2	2,292.3	+3.7	+2.0
Onninen, Finland	1,319.0	1,121.0	+17.7	+17.7
Onninen and MIAB, Sweden	147.0	118.7	+23.9	+29.8
Onninen, Norway	346.5	296.1	+17.0	+17.2
Onninen, Baltics	130.8	94.8	+38.0	+38.0
Onninen, Poland	349.2	303.3	+15.1	+18.2
Onninen, total	2,286.2	1,930.3	+18.4	+19.3
Building and technical trade excl. speciality goods trade, total	4,591.1	4,164.0	+10.3	+9.7
Sports trade, Finland	214.0	215.5	-0.7	+1.8
Speciality goods trade, total	214.0	223.7	-4.3	+1.8
Total	4,805.1	4,387.7	+9.5	+9.4

Net sales for the building and technical trade division increased by 9.5%, or by 9.4% in comparable terms. Net sales grew in comparable terms in all operating countries. Net sales growth continued strong especially in Onninen's technical wholesale. The growth was underpinned by good volume development and rising prices in some product categories. In building and home improvement trade, sales grew in B2B trade but decreased in B2C trade. The weakening of the Swedish krona and Polish zloty against the euro diminished net sales development in euro terms, while the strengthening of the Norwegian krone against the euro positively impacted net sales in euro-terms.

In Finland, net sales for the building and technical trade division in January-December totalled €2,596.3 million (€2,371.4 million), up by 9.5%. In comparable terms, net sales in Finland increased by 10.2%. Net sales from international operations amounted to €2,208.8 million (€2,016.4 million) in January-December, an increase of 9.5%. In comparable terms, net sales from international operations grew by 8.4%.

Net sales for building and home improvement trade increased in Finland and Sweden and decreased in Norway. Net sales for Onninen's technical wholesale grew in all operating countries. Sports trade net sales in speciality goods trade grew by 1.8% in comparable terms. Reported net sales for speciality goods trade decreased due to the discontinuation of the KooKenkä and The Athlete's Foot chains in 2021.

The comparable operating profit for the building and technical trade division totalled €339.8 million (€318.0 million) in January-December, an increase of €21.8 million year-on-year. In the building and technical trade division, profit continued to strengthen in Onninen's technical wholesale. Onninen's comparable operating profit grew in all operating countries. In building and home improvement trade, comparable operating profit decreased in all operating countries. Share of result from Kesko Senukai had a €0.5 million negative impact on the division's comparable operating profit. The comparable operating profit for speciality goods trade decreased.

Operating profit for the building and technical trade division totalled €340.8 million (€323.1 million). Items affecting comparability totalled €1.0 million (€5.1 million). The most significant item affecting comparability in the comparison period was the €6.5 million gain on disposal included in the share of result of joint ventures.

Capital expenditure for the building and technical trade division in January-December totalled €108.7 million (€43.1 million). Capital expenditure included the acquisitions of Kungälv's Trävaruaktiebolag, Föllinge Såg AB, Djurbergs Järnhandel Aktiebolag and XL-BYGG Bergslagen AB in Sweden and Seljord Elektriske AS in Norway.

Kesko Senukai financials, € million	10-12/2022	10-12/2021	1-12/2022	1-12/2021
Net sales	308.9	290.4	1 224.3	1 091.4
Operating profit	27.7	28.0	70.2	80.2
Operating profit, comparable	27.7	14.2	64.8	66.3
Net profit for the period	22.2	22.1	47.1	56.0
Net profit for the period, comparable	22.2	9.0	41.8	42.9
Kesko Group's share of result of joint ventures	11.1	10.7	23.5	28.0
Kesko Group's share of result of joint ventures, comparable	11.1	4.2	20.9	21.5
			31.12.2022	31.12.2021
Assets			849.5	856.6
Liabilities			582.0	570.8
Equity			267.6	285.6

The table figures include Kesko Senukai's business and real estate companies.

CAR TRADE

October-December 2022

	10-12/2022	10-12/2021
Net sales, € million	231.5	218.9
Operating profit, comparable, € million	12.3	8.6
Operating margin, comparable, %	5.3	3.9
Return on capital employed, comparable, %	12.7	14.0
Capital expenditure, € million	13.1	8.7
Personnel, average	1,278	1,166

Net sales, € million	10-12/2022	10-12/2021	Change, %	Change, comparable, %
Car trade	231.5	218.9	+5.7	+5.7

Net sales for the car trade division increased by 5.7% in October-December. Net sales growth was slowed by the weaker than normal availability of cars.

The combined market performance of first registrations of passenger cars and vans was -3.6% in October-December. The combined market share of the Volkswagen, Audi, SEAT, CUPRA, Porsche and Bentley passenger cars and Volkswagen and MAN vans imported by Kesko's car trade division was 14.2% (14.7%) in October-December.

The comparable operating profit for the car trade division in October-December totalled €12.3 million (€8.6 million). The division's comparable operating profit grew by €3.7 million. Operating profit for the car trade division in October-December totalled €11.7 million (€4.3 million). Profit was improved by growth in sales and sales margins, cost adjustments, and a reduction in a provision related to warranty expenses. Items affecting comparability totalled €-0.6 million (€-4.3 million), related to division restructuring.

Capital expenditure for the car trade division in October-December totalled €13.1 million (€8.7 million).

January-December 2022

	1-12/2022	1-12/2021
Net sales, € million	910.9	1,028.3
Operating profit, comparable, € million	48.4	52.2
Operating margin, comparable, %	5.3	5.1
Return on capital employed, comparable, %	12.7	14.0
Capital expenditure, € million	44.7	71.2
Personnel, average	1,235	1,225

Net sales, € million	1-12/2022	1-12/2021	Change, %	Change, comparable, %
Car trade	910.9	1,028.3	-11.4	-11.4

Net sales for the car trade division decreased by 11.4% in January-December, impacted by the weakened availability of cars in 2022.

The combined market performance of first registrations of passenger cars and vans was -15.9% in January-December. The combined market share of the Volkswagen, Audi, SEAT, CUPRA, Porsche and Bentley passenger cars and Volkswagen and MAN vans imported by Kesko's car trade division was 14.1% (17.3%) in January-December.

The comparable operating profit for the car trade division in January-December totalled €48.4 million (€52.2 million). The comparable operating profit was weakened by the decrease in net sales due to weaker availability of cars. Operating profit for the car trade division in January-December totalled €47.8 million (€46.2 million). Items affecting comparability totalled €-0.6 million (€-6.1 million), related to division restructuring.

Capital expenditure for the car trade division totalled €44.7 million (€71.2 million).

CHANGES IN GROUP COMPOSITION

Kesko acquired Kungälv's Trävaruaktiebolag in Sweden on 1 March 2022, Seljord Elektriske AS in Norway on 1 June 2022, Föllinge Såg AB and Djurbergs Järnhandel Aktiebolag in Sweden on 1 September 2022, and XL-BYGG Bergslagen AB in Sweden on 1 October 2022. During the financial year, subsidiary mergers were carried out in Finland, Sweden and Norway in an effort to streamline Group structure.

SHARES, SECURITIES MARKET AND BOARD AUTHORISATIONS

At the end of December 2022, 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 31 December 2022, Kesko Corporation held 2,620,361 of its own B shares as treasury shares.

These treasury shares accounted for 0.96% of the total number of B shares, 0.65% of the total number of shares, and 0.17% 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 the shares. At the end of December 2022, Kesko Corporation's share capital totalled €197,282,584.

The price of a Kesko A share quoted on Nasdaq Helsinki was €27.15 at the end of 2021, and €20.35 at the end of December 2022, representing a decrease of 25.05%. Correspondingly, the price of a B share was €29.34 at the end of 2021, and €20.62 at the end of December 2022, representing a decrease of 29.72%. In January-December 2022, the highest price for an A share was €27.30 and the lowest €17.24. The highest price for a B share was €29.65 and the lowest €17.81. The Nasdaq Helsinki All-Share index (OMX Helsinki) was down by 16.0% and the weighted OMX Helsinki Cap index by 16.4% in January-December 2022. The Retail Sector Index was down by 44.3%.

At the end of December 2022, the market capitalisation of the A shares was €2,583 million. The market capitalisation of the B shares was €5,578 million, excluding the shares held by the parent company. The combined market capitalisation of the A and B shares was €8,161 million, down by €3,212 million from the end of 2021.

In January-December, a total of 7.3 million A shares were traded on Nasdaq Helsinki. The exchange value of the A shares was €160.5 million. Meanwhile, 143.9 million B shares were traded, with an exchange value of €3,325 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 December 2022, the number of registered Kesko shareholders was 82,983, the highest figure in the company's history. At the end of December, foreign ownership of all shares was 38.46%, and foreign ownership of B shares 55.47%.

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-December 2022, Kesko Corporation transferred 345,104 Kesko B shares held as treasury shares to members of management and other selected key persons in accordance with the terms and conditions of share award plans, while 1,719 B shares were returned to the company without consideration based on the same terms and conditions. Kesko issued related stock exchange releases on 7 December 2022, 8 July 2022, 20 May 2022, 18 March 2022, 15 March 2022 and 17 February 2022. Kesko issued a stock exchange release on 3 February 2022 regarding the most recent share-based commitment and incentive plans. Kesko Corporation also transferred a total of 4,918 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 2022.

Kesko's Annual General Meeting of 7 April 2022 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 2023. The authorisations were communicated in a stock exchange release on 7 April 2022.

KEY EVENTS IN 2022

On 4 March 2022, Kesko published its 2021 financial statements, Report by the Board of Directors, Corporate Governance Statement, Remuneration Report for Governing Bodies, and the 'Kesko's direction' section of its Annual Report. The 2021 Sustainability Report and Data Balance Sheet were published on 11 March 2022. (Stock exchange release 4.3.2022, investor news 11.3.2022)

Kesko's Board of Directors approved a new sustainability strategy for the company, setting clear sustainability targets for the operations of Kesko and its three divisions. The focus areas of the strategy are climate and nature, value chain sustainability, responsibility for people, and good governance. (Investor news 21.3.2022)

Kesko Corporation's Annual General Meeting was held on Thursday, 7 April 2022, at Kesko Corporation's headquarters K-Kampus, with special arrangements in place and without any shareholders or their representatives present. To prevent the spread of the Covid-19 pandemic, Kesko's Board of Directors decided to have exceptional meeting procedures based on the temporary legislative act 375/2021 in place. Read more in the section: Resolutions of the 2022 Annual General Meeting (Stock exchange releases 11.2.2022 and 7.4.2022)

Kesko issued a positive profit warning and raised its profit guidance for 2022 on 25 April 2022, estimating that its comparable operating profit in 2022 would be in the range of €730-840 million. Before, the company estimated that the comparable operating profit would be in the range of €680-800 million. (Stock exchange release 25.4.2022)

The acquisitions of the Swedish building and home improvement trade companies Föllinge Såg AB and Djurbergs Järnhandel Aktiebolag were completed in September, and the acquisition of the Swedish XL-BYGG Bergslagen in October. These acquisitions complement Kesko's growing K-Bygg chain, which serves professional builders.

A change in Kesko's Group Management Board: Chief Digital Officer (CDO) Anni Ronkainen announced she would be leaving her duties in Kesko Corporation. Ronkainen had been the CDO and member of Group Management Board since April 2015. Ronkainen's last day was 30 September 2022. (Stock exchange release 4.8.2022)

Kesko announced it would invest over €300 million to build an 82,000 square metre logistics centre for Onninen and K-Auto in Hyvinkää, Finland. The project will be completed in stages between 2025 and 2030. (Investor news 23.9.2022)

EVENTS AFTER THE REPORTING PERIOD

Kesko announced on 30 January 2023 that it would acquire Elektroskandia Norge AS, a company operating in technical wholesale in Norway, from Rexel Group. The acquisition will strengthen Onninen's position in technical trade in Norway. Elektroskandia Norge AS's net sales in 2022 totalled some €250 million and the company has 270 employees, 13 sales points, and a highly automated distribution centre. The completion of the acquisition is subject to the approval of the local competition authority.

RESOLUTIONS OF THE 2022 ANNUAL GENERAL MEETING

The Annual General Meeting of Kesko Corporation on 7 April 2022 adopted the company's financial statements for 2021. The Annual General Meeting resolved to distribute a dividend of €1.06 per share on shares held outside the company. The dividend was paid in four instalments. The record date of the first dividend instalment of €0.27/share was 11 April 2022 and the pay date 20 April 2022. The record date of the second dividend instalment of €0.26/share was 22 June 2022 and the pay date 29 June 2022. The record date of the third dividend instalment of €0.27/share was 13 September 2022 and the pay date 20 September 2022. The record date of the fourth dividend instalment of €0.26/share was 13 December 2022 and the pay date 20 December 2022. 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 Annual General Meeting discharged the Board members and the Managing Director from liability for the financial year 2021, and approved the Remuneration Report for Governing Bodies for 2021. The resolution concerning the Remuneration Report is advisory in nature.

As proposed by the Shareholders' Nomination Committee, the General Meeting resolved to leave the Board members' fees and the basis for reimbursement of their expenses unchanged. Board members' remuneration and the basis for reimbursement of their expenses for the 2022-2023 period are as follows:

- Board Chair, an annual fee of €102,000
- Board Deputy Chair, an annual fee of €63,000
- Board member, an annual fee of €47,500
- Board member who is the Chair of the Audit Committee, an annual fee of €63,000
- A meeting fee of €600/meeting for a Board meeting and its Committee's meeting. A meeting fee of €1,200/Board meeting for the Board Chair. However, a meeting fee of €1,200/Committee meeting is to be paid to a Committee Chair who is not the Chair or Deputy Chair of the Board. The meeting fees are to be paid in cash.
- Daily allowances and reimbursements of travel expenses are paid to the Board members in accordance with the general travel rules of Kesko.

The aforementioned annual fees will be made in Kesko Corporation's B shares and in cash, with approximately 30% of the fees paid in shares. After the transfer of shares, the remaining amount will be paid in cash. The company will acquire the shares or transfer shares held by the company as treasury shares in the name and on behalf of the Board members. The company is responsible for the costs arising from the acquisition of the shares. The shares will be acquired or transferred to the Board members on the first working day to follow the publication of the interim report for the first quarter of 2022. A Board member cannot transfer shares obtained in this manner until either three years have passed from the day the member has received the shares or their membership on the Board has ended, whichever comes first.

As proposed by the Board, the Annual General Meeting re-elected the firm of authorised public accountants Deloitte Oy as the company's Auditor, with APA Jukka Vattulainen continuing as the auditor with principal

responsibility. The Annual General Meeting resolved that the Auditor's fee and the reimbursement of the Auditor's expenses are to be paid according to an invoice approved by the company.

As proposed by the Board, the Annual General Meeting resolved to authorise the Board to decide on the repurchase of the company's B series shares. Under the authorisation, the Board will be entitled to decide on the acquisition of a maximum of 16,000,000 of the company's own B shares. The authorisation is valid until 30 June 2023.

As proposed by the Board, the Annual General Meeting resolved to authorise the Board to decide on the issuance of new B series shares as well as of own B shares held by the company as treasury shares. The number of B shares thereby issued would total at maximum 33,000,000. The authorisation is valid until 30 June 2023.

The Annual General meeting resolved to authorise the Board to decide on donations in a total maximum of €300,000 for charitable or corresponding purposes until the Annual General Meeting to be held in 2023, and to decide on the donation recipients, purposes of use, and other terms and conditions of the donations.

The resolutions of the Annual General Meeting were communicated in more detail in a stock exchange release on 7 April 2022.

SUSTAINABILITY

The sustainability strategy published in spring 2022 sets clear sustainability targets for the operations of Kesko and its three divisions. The focus areas of the strategy are climate and nature, value chain, our people, and good governance.

Progress is measured with sustainability indices and assessments, including the Dow Jones Sustainability Indices, MSCI ESG, Sustainalytics and CDP.

As part of the sustainability strategy, Kesko's Board of Directors decided to set sustainability-linked criteria for Kesko's share-based commitment and incentive plans (Performance Share Plans) PSP 2021-2024 and PSP 2022-2025. In addition to financial indicators, the share award plans include targets linked to emission reductions and international sustainability indices and assessments for the year 2022.

Key topics in Q4:

Kesko was included in the esteemed Dow Jones Sustainability Indices the DJSI World and the DJSI Europe, as the best company in its sector in Europe. In the global DJSI World index, Kesko ranked third highest in its sector.

In H2, K Group launched extensive energy savings measures in more than 1,300 stores and offices and warehouses in Finland. Measures to adjust e.g. store lighting, heating and refrigerating equipment are estimated to have reduced K Group's energy consumption in Finland in October-December by some 6%, compared to the year before.

The K-Lataus EV charging network doubled in size in 2022: at the end of the year, there were 200 K-Lataus stations across Finland.

RISK MANAGEMENT

Risk management at Kesko is proactive and an integral part of day-to-day management to assess and manage business-related opportunities and risks.

Kesko's divisions and common operations are responsible for identifying, assessing, handling and managing risks related to their operations, and they report on risks, risk management responses and the results of those responses to their management and the Group risk management function. Members of the Group Management Board are responsible for the effective and efficient implementation of internal control and risk management in their respective areas of responsibility.

Risk management function independent of businesses is responsible for providing a framework and guidance for internal control and risk management and supports, coordinates and supervises risk management implementation in Kesko Group. The Risk Management Steering Group headed by the Chief Financial Officer is responsible for establishing the Group's overview of the risk situation.

The President and CEO is responsible for the effectiveness and efficiency of the Group's risk management, and approves Group risk reports before they are reviewed by the Board of Directors. Kesko's Board of Directors monitors and assesses the effectiveness of risk management and supervises the assessment of risks related to the Company's strategy and operations and their management, supported by the Audit Committee.

The Group's most significant risks and uncertainties, as well as material changes in and management responses to them, including indicators, are reported to Kesko Board's Audit Committee quarterly in connection with the review of interim reports, the half-year financial report, and the financial statements. The Audit Committee Chair reports on risk management to the Board as part of Audit Committee reporting. The most significant risks and uncertainties and emerging risks 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.

SIGNIFICANT RISKS AND UNCERTAINTIES

Weakened demand due to inflation, rising interest rates and economic downturn

Inflation, rising interest rates, high energy prices and economic uncertainty have an impact on consumer purchasing power and companies' willingness to invest. In grocery trade, product price has an emphasised impact on consumer purchase decisions, while customers in car trade may postpone their purchases. In building and technical trade, construction and renovation projects may be postponed, which would impact sales and inventory management.

Geopolitical risks

Growing tensions in security policy as a result of the war in Ukraine and the potential expansion of the conflict, as well as tightened military and economic competition between superpowers could have a significant impact on Kesko's operating environment, supply chain continuity, and product availability.

Cybercrime

Growing, professional cybercrime has resulted in higher risk on business continuity and loss of critical information. Targets of cyber-attacks may include, for example, data systems critical for business continuity or personal data. Cyber-attacks may result in business disruptions, loss of customer trust, or fines imposed by authorities.

Business continuity

Serious disturbances affecting resources and operations that are critical for business continuity, such as personnel, logistics, and information systems, could cause business disruptions. For example, a personnel strike related to the labour market situation, an extensive fire at the central warehouse, or a telecommunications issue caused by a power outage could result in a significant problem for business continuity.

Compliance with laws and agreements

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

Availability and retention of personnel

The implementation of strategies and the achievement of objectives require competent and motivated personnel. The Covid-19 pandemic made the workforce more mobile and lowered the threshold of changing jobs. Issues related to the availability of skilled personnel in logistics and retail have also become more prominent.

Climate change

The impact of risks related to climate change for Kesko are assessed using selected climate scenarios. Increase in extreme weather phenomena can impact product availability and cause disturbances in logistics and the store site network. The impacts of Kesko's operations on the climate, in turn, are related to Kesko's energy solutions and emissions, and the lifecycle impact of products and services sold in the whole supply chain.

Product safety

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

Store sites and properties

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

Responsible operating practices and reputation management

Various aspects of corporate responsibility, such as ensuring responsibility in the purchasing chain of products, fair and equal treatment of employees, the prevention of corruption, and environmental protection, are increasingly important to customers. Any failures in corporate responsibility could result in negative publicity for Kesko and cause operational and financial damage. Challenges in Kesko's corporate responsibility work include communicating responsibility principles to customers and ensuring responsibility in the purchasing chain of products.

Reporting to the market

In its investor communication and financial reporting, Kesko follows the disclosure policy approved by Kesko's Board of Directors. Kesko's objective is to produce and publish reliable and timely information. Disclosure follows the principle of providing all market participants information in a timely manner and non-selectively to form the basis for the price formation of Kesko's financial instruments such as shares. Should the information published by Kesko prove incorrect, or should communications fail to meet regulations in other respects, it could result in losing investor and other stakeholder trust and in possible sanctions. Significant business arrangements, tight disclosure schedules and the dependency on information systems create challenges for the accuracy of financial information.

Risks of damage

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

PROPOSAL FOR PROFIT DISTRIBUTION

The Board of Directors of Kesko Corporation proposes to the Annual General Meeting to be held on 30 March 2023 that a dividend of €1.08 per share be paid for the year 2022 based on the adopted balance sheet on shares held outside the company at the date of dividend distribution. The remaining distributable assets will remain in equity. The Board proposes that the dividend be paid in four instalments.

The first instalment of €0,27 per share is to be paid to shareholders registered in the company's register of shareholders kept by Euroclear Finland Ltd on the instalment's record date 3 April 2023. The Board proposes that the dividend instalment pay date be 12 April 2023.

The second instalment of €0,27 per share is to be paid to shareholders registered in the company's register of shareholders kept by Euroclear Finland Ltd on the instalment's record date 21 June 2023. The Board proposes that the dividend instalment pay date be 28 June 2023.

The third instalment of €0,27 per share is to be paid to shareholders registered in the company's register of shareholders kept by Euroclear Finland Ltd on the instalment's record date 12 September 2023. The Board proposes that the dividend instalment pay date be 19 September 2023.

The fourth instalment of €0,27 per share is to be paid to shareholders registered in the company's register of shareholders kept by Euroclear Finland Ltd on the instalment's record date 12 December 2023. The Board proposes that the dividend instalment pay date be 19 December 2023.

The Board proposes it be 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.

As at the date of the proposal for the distribution of profit, 1 February 2023, a total of 397,458,647 shares were held outside the company, and the corresponding total amount of dividends is €429,255,338.76.

The distributable assets of Kesko Corporation total €1,498,545,852.49, of which profit for the financial year is €408,925,619.88.

ANNUAL GENERAL MEETING

The Board of Directors decided that the Annual General Meeting will be held on 30 March 2023 at 1.00 pm (EET). Kesko Corporation will publish a notice of the General Meeting on the company's website and as a stock exchange release on 2 February 2023.

ANNUAL REPORT 2022, CORPORATE GOVERNANCE STATEMENT AND REMUNERATION REPORT FOR GOVERNING BODIES

Kesko will publish 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 sustainability reporting indicators (GRI) in week 10 at the latest on its website at www.kesko.fi.

Helsinki, 1 February 2023
Kesko Corporation
Board of Directors

The information in the financial statements release is unaudited.

Further information is available from Jukka Erlund, Executive Vice President, Chief Financial Officer, 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 2 February 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) at www.kesko.fi.

Kesko Corporation's interim report for January-March 2023 will be published on 28 April 2023. 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.



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Accounting policies

The interim report has been prepared in accordance with the same accounting principles as the annual financial statements for 2021.

Consolidated income statement (€ million), condensed				
	1-12/2022	1-12/2021	10-12/2022	10-12/2021
Net sales	11,809.0	11,300.2	2,983.4	2,870.3
Material and services	-10,304.5	-9,695.3	-2,571.8	-2,457.6
Change in inventory	237.0	43.1	34.9	28.8
Other operating income	998.7	957.3	249.6	258.0
Employee benefit expense	-785.8	-764.0	-204.6	-201.0
Depreciation, amortisation and impairment charges	-169.0	-176.8	-44.7	-48.9
Depreciation and impairment charges for right-of-use assets	-322.1	-310.3	-81.6	-78.6
Other operating expenses	-670.2	-607.2	-185.2	-176.9
Share of result of joint ventures	23.5	28.0	11.1	10.7
Operating profit	816.5	775.2	191.2	204.9
Interest income and other finance income	13.0	12.5	3.9	2.6
Interest expense and other finance costs*	2.9	-8.6	-1.0	-1.2
Interest expense for lease liabilities	-68.4	-71.3	-17.0	-17.1
Foreign exchange differences	-3.5	-0.8	-1.2	-0.3
Share of result of associates	0.6	5.9	1.3	0.4
Profit before tax	761.1	712.9	177.2	189.2
Income tax	-151.2	-141.1	-35.6	-27.6
Net profit for the period	609.9	571.8	141.6	161.6
Attributable to				
Owners of the parent	609.9	571.8	141.6	161.6
Earnings per share (€) for profit attributable to owners of the parent				
Basic and diluted	1.53	1.44	0.36	0.41

* 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)				
	1-12/2022	1-12/2021	10-12/2022	10-12/2021
Net profit for the period	609.9	571.8	141.6	161.6
Items that will not be reclassified subsequently to profit or loss				
Actuarial gains and losses	30.6	40.0	-3.0	14.5
Items that may be reclassified subsequently to profit or loss				
Currency translation differences related to a foreign operation	-41.9	9.8	0.6	5.0
Share of other comprehensive income of associates and joint ventures	-0.5	-0.5	-3.0	-0.5
Cash flow hedge revaluation	26.2	11.1	-22.5	3.6
Total other comprehensive income for the period, net of tax	14.3	60.4	-27.9	22.5
Total comprehensive income for the period	624.2	632.1	113.7	184.1
Attributable to				
Owners of the parent	624.2	632.1	113.7	184.1

Consolidated statement of financial position (€ million), condensed		
	31.12.2022	31.12.2021
ASSETS		
Non-current assets		
Property, plant and equipment	1,745.5	1,537.6
Right-of-use assets	1,737.6	1,735.0
Goodwill	588.9	588.8
Intangible assets	190.2	190.1
Shares in associates and joint ventures	231.9	234.6
Other investments	13.2	15.5
Loans and other receivables	93.0	73.7
Pension assets	86.9	94.7
Total	4,687.2	4,470.1
Current assets		
Inventories	1,115.4	894.3
Trade receivables	969.3	909.2
Other receivables	387.6	304.1
Other financial assets	68.6	107.9
Cash and cash equivalents	245.5	279.8
Total	2,786.4	2,495.4
Non-current assets held for sale	0.5	0.5
Total assets	7,474.0	6,966.0

	31.12.2022	31.12.2021
EQUITY AND LIABILITIES		
Equity	2,742.2	2,529.5
Non-current liabilities		
Interest-bearing liabilities	245.5	206.4
Lease liabilities	1,592.0	1,610.7
Non-interest-bearing liabilities	24.3	25.2
Deferred tax liabilities	63.2	37.9
Provisions	10.3	15.4
Total	1,935.3	1,895.6
Current liabilities		
Interest-bearing liabilities	252.6	160.1
Lease liabilities	328.1	317.9
Trade payables	1,499.4	1,332.6
Other non-interest-bearing liabilities	704.4	716.0
Provisions	11.9	14.3
Total	2,796.5	2,540.9
Total equity and liabilities	7,474.0	6,966.0

Consolidated statement of changes in equity (€ million)							
	Share capital	Reserves	Currency translation differences	Revaluation reserve	Treasury shares	Retained earnings	Total
Balance at 1.1.2022	197.3	464.7	-10.2	9.1	-30.3	1,898.9	2,529.5
Share-based payments					2.1		2.1
Dividends						-421.3	-421.3
Other changes		-0.0				7.7	7.7
Transactions with owners, total		-0.0			2.1	-413.6	-411.4
Comprehensive income							
Profit for the period						609.9	609.9
Actuarial gains and losses						30.6	30.6
Translation differences on foreign operations			-41.9				-41.9
Share of other comprehensive income of associates and joint ventures						-0.5	-0.5
Cash flow hedge revaluation				26.2			26.2
Total other comprehensive income for the period, net of tax			-41.9	26.2		30.0	14.3
Total comprehensive income for the period			-41.9	26.2		639.9	624.2
Balance at 31.12.2022	197.3	464.7	-52.2	35.3	-28.1	2,125.2	2,742.2

Consolidated statement of changes in equity (€ million)							
	Share capital	Reserves	Currency translation differences	Revaluation reserve	Treasury shares	Retained earnings	Total
Balance at 1.1.2021	197.3	464.7	-20.0	-2.0	-31.4	1,580.7	2,189.3
Share-based payments					1.1		1.1
Dividends						-297.8	-297.8
Other changes		0.0				4.7	4.7
Transactions with owners, total		0.0			1.1	-293.1	-291.9
Comprehensive income							
Profit for the period						571.8	571.8
Actuarial gains and losses						40.0	40.0
Translation differences on foreign operations			9.8				9.8
Share of other comprehensive income of associates and joint ventures						-0.5	-0.5
Cash flow hedge revaluation				11.1			11.1
Total other comprehensive income for the period, net of tax			9.8	11.1		39.5	60.4
Total comprehensive income for the period			9.8	11.1		611.2	632.1
Balance at 31.12.2021	197.3	464.7	-10.2	9.1	-30.3	1,898.9	2,529.5

Consolidated statement of cash flows (€ million), condensed				
	1-12/2022	1-12/2021	10-12/2022	10-12/2021
Cash flows from operating activities				
Profit before tax	761.1	712.9	177.2	189.2
Depreciation according to plan	169.0	171.4	44.7	43.5
Depreciation and impairment for right-of-use assets	322.1	310.3	81.6	78.6
Finance income and costs	-12.4	-3.1	-1.7	-1.1
Interest expense for lease liabilities	68.4	71.3	17.0	17.1
Other adjustments	-20.2	9.0	-11.2	-8.9
Change in working capital				
Current non-interest-bearing receivables, increase (-)/decrease (+)	-107.2	-146.8	62.8	57.5
Inventories, increase (-)/decrease (+)	-225.8	-53.2	-19.6	-22.7
Current non-interest-bearing liabilities, increase (+)/decrease(-)	163.7	283.7	-41.0	-20.0
Financial items and tax	-203.6	-203.4	-46.9	-64.1
Net cash from operating activities, total	915.2	1,152.0	263.0	269.2
Cash flows from investing activities				
Investing activities	-397.7	-252.7	-95.8	-77.0
Proceeds from sale of tangible and intangible assets	14.4	13.5	3.7	2.5
Proceeds from sale of subsidiaries and business operations, net cash deducted	2.2	2.8	-	-
Other financial assets, increase (-)/decrease (+)	36.8	-55.9	12.7	-10.2
Net cash used in investing activities, total	-344.3	-292.3	-79.4	-84.7
Cash flows from financing activities				
Interest-bearing liabilities, increase (+)/decrease (-)	132.6	-223.4	17.0	-115.5
Repayments of lease liabilities	-332.7	-323.2	-84.0	-83.1
Current interest-bearing receivables, increase (-)/ decrease (+)	2.1	10.7	0.7	9.1
Dividends paid	-406.7	-297.8	-104.3	-146.9
Other items	0.0	-0.7	0.2	1.6
Net cash used in financing activities, total	-604.7	-834.4	-170.3	-334.7
Change in cash and cash equivalents	-33.8	25.2	13.2	-150.2
Cash and cash equivalents at 1 January	279.8	254.3	232.4	430.0
Exchange differences and change in value of cash and cash equivalents	-0.5	0.2	-0.1	0.0
Cash and cash equivalents at 31 December	245.5	279.8	245.5	279.8

Cash flow from leases (€ million)	1-12/2022	1-12/2021	10-12/2022	10-12/2021
Interest expense for lease liabilities	-68.4	-71.3	-17.0	-17.1
Repayments of lease liabilities	-332.7	-323.2	-84.0	-83.1
Lease payments in the income statement	-7.4	-7.6	-2.2	-1.6
Total	-408.5	-402.1	-103.2	-101.8

Group's performance indicators	1-12/2022	1-12/2021	10-12/2022	10-12/2021
Net sales, € million	11,809.0	11,300.2	2,983.4	2,870.3
Operating profit, € million	816.5	775.2	191.2	204.9
Operating margin, %	6.9	6.9	6.4	7.1
Operating profit, comparable, € million	815.1	775.5	192.6	203.5
Operating margin, comparable, %	6.9	6.9	6.5	7.1
Profit before tax, € million	761.1	712.9	177.2	189.2
Profit before tax, comparable, € million	763.2	710.4	178.6	187.9
Earnings per share, basic and diluted, €	1.53	1.44	0.36	0.41
Earnings per share, comparable, basic and diluted, €	1.54	1.43	0.36	0.40
Return on capital employed, %	17.0	17.2	15.4	18.4
Return on capital employed, comparable, %	16.9	17.2	15.5	18.2
Capital expenditure, € million	449.2	276.6	108.5	80.6
Cash flow from operating activities, € million	915.2	1,152.0	263.0	269.2
Cash flow from investing activities, € million	-344.3	-292.3	-79.4	-84.7
Cash flow from operating activities/share, €	2.30	2.90	0.66	0.68
Return on equity, %	23.1	24.2	21.1	26.5
Return on equity, comparable, %	23.2	24.1	21.3	26.2
Equity ratio, %	36.9	36.6	36.9	36.6
Equity per share, €	6.90	6.37	6.90	6.37
Interest-bearing net debt/EBITDA excluding the impact of IFRS 16	0.2	0.0	-	-
Interest-bearing net debt, € million	2,104.2	1,907.3	2,104.2	1,907.3
Interest-bearing net debt excluding lease liabilities, € million	184.1	-21.3	184.1	-21.3
Diluted number of shares, average for the reporting period, 1,000 pcs	397,383	397,033	397,383	397,033
Personnel, average	14,633	14,232	14,576	14,122

Segment information

Net sales by segment, € million	1-12/2022	1-12/2021	10-12/2022	10-12/2021
Grocery trade, Finland	6,124.7	5,909.0	1,617.9	1,556.9
Grocery trade total	6,124.7	5,909.0	1,617.9	1,556.9
- of which intersegment trade	23.3	17.8	6.1	5.1
Building and technical trade, Finland	2,596.3	2,371.4	605.8	585.9
Building and technical trade, other countries*	2,208.8	2,016.4	537.0	515.8
Building and technical trade total	4,805.1	4,387.7	1,142.8	1,101.7
- of which intersegment trade	-0.0	-0.2	0.2	-0.1
Car trade, Finland	910.9	1,028.3	231.5	218.9
Car trade total	910.9	1,028.3	231.5	218.9
- of which intersegment trade	8.2	6.7	2.2	1.6
Common functions and eliminations	-31.8	-24.8	-8.7	-7.1
Finland total	9,600.2	9,283.9	2,446.4	2,354.5
Other countries total*	2,208.8	2,016.4	537.0	515.8
Group total	11,809.0	11,300.2	2,983.4	2,870.3

* Net sales in countries other than Finland

Operating profit by segment, € million	1-12/2022	1-12/2021	10-12/2022	10-12/2021
Grocery trade	461.5	443.9	122.8	131.0
Building and technical trade	340.8	323.1	65.2	79.6
Car trade	47.8	46.2	11.7	4.3
Common functions and eliminations	-33.6	-38.0	-8.5	-10.0
Group total	816.5	775.2	191.2	204.9

Operating profit by segment, comparable, € million	1-12/2022	1-12/2021	10-12/2022	10-12/2021
Grocery trade	460.4	442.9	122.8	131.0
Building and technical trade	339.8	318.0	66.0	73.8
Car trade	48.4	52.2	12.3	8.6
Common functions and eliminations	-33.5	-37.7	-8.5	-9.9
Group total	815.1	775.5	192.6	203.5

Operating margin by segment, %, comparable	1-12/2022	1-12/2021	10-12/2022	10-12/2021
Grocery trade	7.5	7.5	7.6	8.4
Building and technical trade	7.1	7.2	5.8	6.7
Car trade	5.3	5.1	5.3	3.9
Group total	6.9	6.9	6.5	7.1

EBITDA by segment, comparable, € million	1-12/2022	1-12/2021	10-12/2022	10-12/2021
Grocery trade	759.7	728.3	199.7	205.1
Building and technical trade	461.0	438.3	96.4	103.8
Car trade	85.0	90.2	21.7	17.9
Common functions and eliminations	2.0	0.7	1.0	-0.6
Group total	1,307.8	1,257.6	318.8	326.2

Operating profit by segment excluding the impact of IFRS 16, comparable, € million	1-12/2022	1-12/2021	10-12/2022	10-12/2021
Grocery trade	406.3	385.2	109.6	116.8
Building and technical trade	320.6	300.5	61.3	69.6
Car trade	47.2	51.3	12.0	8.3
Common functions and eliminations	-34.7	-38.9	-8.8	-10.1
Group total	739.5	698.0	174.1	184.6

Capital employed by segment, cumulative average, € million	1-12/2022	1-12/2021	10-12/2022	10-12/2021
Grocery trade	2,353.6	2,145.6	2,458.5	2,152.8
Building and technical trade	1,752.1	1,673.5	1,741.9	1,653.3
Car trade	379.5	374.4	400.5	340.5
Common functions and eliminations	326.7	315.5	370.8	318.6
Group total	4,811.9	4,508.9	4,971.7	4,465.2

Return on capital employed by segment, %, comparable	1-12/2022	1-12/2021	10-12/2022	10-12/2021
Grocery trade	19.6	20.6	20.0	24.3
Building and technical trade	19.4	19.0	15.2	17.9
Car trade	12.7	14.0	12.2	10.1
Group total	16.9	17.2	15.5	18.2

Capital expenditure by segment, € million	1-12/2022	1-12/2021	10-12/2022	10-12/2021
Grocery trade	257.6	122.8	53.7	46.1
Building and technical trade	108.7	43.1	31.5	11.0
Car trade	44.7	71.2	13.1	8.7
Common functions and eliminations	38.2	39.6	10.2	14.8
Group total	449.2	276.6	108.5	80.6

Acquisitions

Kesko's Swedish subsidiary Fresks Försäljning AB acquired Kungälv's Trävaruaktiebolag, a company that serves professional builders, on 1 March 2022, Djurbergs Järnhandel Aktiebolag and Föllinge Såg AB on 1 September 2022, and XL-BYGG Bergslagen AB on 1 October 2022. The consideration paid for the acquisitions totalled €38.3 million. The acquisitions complete Kesko's growing K-Bygg chain for professional builders.

The fair value of the assets acquired for Kesko Group amounted to €43.1 million and the fair value of the liabilities assumed to €23.8 million. The fair value of the intangible assets acquired at the date of acquisitions totalled €4.0 million. 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. The impact of the acquired businesses to the Group's net sales and operating profit was minor.

Kesko's Norwegian subsidiary Bygghakker CF AS acquired the entire capital stock of the Norwegian Seljord Elektriske AS on 1 June 2022. The consideration paid was €12.5 million.

The fair value of the assets acquired for Kesko Group amounted to €9.2 million and the fair value of the liabilities assumed to €4.0 million. The fair value of the intangible assets acquired at the date of acquisition totalled €1.1 million. 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. The impact of the acquired business to the Group's net sales and operating profit was minor.

€ million	Acquisitions in Sweden	Acquisitions in Norway
Debt-free acquisition price	38,3	12,5
Fair values of assets acquired and liabilities assumed at the date of acquisition		
Intangible assets	4,0	1,1
Property, plant, equipment, right-of-use assets and investments	14,5	2,5
Inventories	10,2	2,8
Receivables	8,5	1,4
Deferred tax asset	0,0	0,1
Cash and cash equivalents	5,9	1,3
Total assets	43,1	9,2
Trade payables, other payables, provisions, lease liabilities	22,2	3,7
Deferred tax liability	1,6	0,3
Total liabilities	23,8	4,0
Net assets acquired, total	19,3	5,2
Goodwill	19,0	7,3
Cash flow impact of acquisition		
Consideration paid	-38,3	-12,5
Cash and cash equivalents acquired	5,9	1,3
Cash flow impact of acquisition	-32,4	-11,2

Change in tangible and intangible assets (€ million)

	31.12.2022	31.12.2021
Opening net carrying amount	2,316.5	2,228.2
Depreciation, amortisation and impairment charges	-169.0	-176.8
Investments in tangible and intangible assets	398.6	264.4
Deductions	-19.5	-18.1
Acquisitions	31.7	12.8
Transfers to non-current assets held for sale and between items	0.1	-2.2
Exchange differences	-33.8	8.2
Closing net carrying amount	2,524.6	2,316.5

Right-of-use assets (€ million)

	31.12.2022	31.12.2021
Opening net carrying amount	1,735.0	1,819.0
Depreciation, amortisation and impairment charges	-323.7	-309.8
Net increases	324.5	218.9
Acquisitions	15.5	1.2
Exchange differences	-13.9	5.7
Closing net carrying amount	1,737.5	1,735.0

Related party transactions (€ million)

The Group's related parties include its management (the Board of Directors, the Managing Director and the Group Management Board) and the companies controlled by them, their family members and companies controlled by the family members, the Group's subsidiaries, associates and joint ventures as well as Kesko Pension Fund.

The following transactions were carried out with related parties:	1-12/2022	1-12/2021
Sales of goods and services	104.6	107.9
Purchases of goods and services	-13.8	-13.6
Other operating income	19.9	18.6
Other operating expenses	-4.2	-4.1
Finance income and costs	5.7	6.3
	31.12.2022	31.12.2021
Receivables	97.7	85.1
Liabilities	17.1	21.0
Items related to leases	31.12.2022	31.12.2021
Cash flow from leases	-42.1	-45.2
Lease liabilities	273.6	291.5

Kesko Pension Fund paid in total €42.9 million in return of surplus assets to Finnish Group companies in March 2022. The return of surplus assets included the property of K-Citymarket Turtola in Tampere, €40.3 million. The ownership of the property was transferred to Kesko Corporation.

The Group joint ventures UAB Kesko Senukai Lithuania and UAB KS Holding decided to distribute in total €33.0 million as dividends to Kesko Group companies in the 2022 financial year.

Credit and counterparty risk, ageing analysis of trade receivables

Ageing analysis of trade receivables (€ million)	31.12.2022	31.12.2021
Trade receivables fully performing	886.7	853.7
1-7 days past due trade receivables	38.1	21.9
8-30 days past due trade receivables	23.6	17.5
31-60 days past due trade receivables	4.1	3.9
over 60 days past due trade receivables	16.8	12.2
Total	969.3	909.2

Trade receivables include impairment charges totalling €19.4 million (31 December 2021: €19.6 million).

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

31.12.2022 Balance, € million	Fair value through profit or loss	Amortised cost	Fair value through other comprehens ive income	Carrying amount	Fair value	Level 1	Level 2	Level 3
Non-current financial assets								
Other investments	13.2			13.2	13.2			13.2
Loans and receivables		66.0		66.0	66.0			
Other non-current receivables, derivatives	12.1		12.8	24.9	24.9		24.9	
Current financial assets								
Trade receivables		969.3		969.3	969.3			
Other receivables		331.2		331.2	331.2			
Other receivables, derivatives	2.4		32.1	34.4	34.4		34.4	
Other financial assets	29.9	38.7		68.6	68.6		29.9	
Cash and cash equivalents		245.5		245.5	245.5			
Total financial assets	57.6	1,650.6	44.8	1,753.1	1,753.1		89.2	13.2
Non-current financial liabilities								
Non-current interest- bearing liabilities		245.5		245.5	243.4			
Non-current lease liabilities		1,592.0		1,592.0	1,592.0			
Non-current non-interest- bearing liabilities		24.1		24.1	24.1			
Current financial liabilities								
Current interest-bearing liabilities		252.6		252.6	252.2			
Current lease liabilities		328.1		328.1	328.1			
Trade payables		1,499.4		1,499.4	1,499.4			
Other non-interest-bearing liabilities		636.9		636.9	636.9			
Other non-interest-bearing liabilities, derivatives	0.6		0.7	1.2	1.2		1.2	
Total financial liabilities	0.6	4,578.7	0.7	4,579.9	4,577.3		1.2	

31.12.2021 Balance, € million	Fair value through profit or loss	Amortised cost	Fair value through other comprehens ive income	Carrying amount	Fair value	Level 1	Level 2	Level 3
Non-current financial assets								
Other investments	15.5			15.5	15.5			15.5
Loans and receivables		68.9		68.9	68.9			
Other non-current receivables, derivatives			3.6	3.6	3.6		3.6	
Current financial assets								
Trade receivables		909.2		909.2	909.2			
Other receivables		294.4		294.4	294.4			
Other receivables, derivatives	1.7		7.9	9.6	9.6		9.6	
Other financial assets	55.2	52.7		107.9	108.0		55.2	
Cash and cash equivalents	50.0	229.9		279.8	279.8		50.0	
Total financial assets	122.3	1,555.1	11.6	1,689.0	1,689.1		118.4	15.5
Non-current financial liabilities								
Non-current interest- bearing liabilities		206.4		206.4	207.3			
Non-current lease liabilities		1,610.7		1,610.7	1,610.7			
Non-current non-interest- bearing liabilities		24.8		24.8	24.8			
Non-current non-interest- bearing liabilities, derivatives			0.0	0.0	0.0		0.0	
Current financial liabilities								
Current interest-bearing liabilities		160.1		160.1	160.1			
Current lease liabilities		317.9		317.9	317.9			
Trade payables		1,332.6		1,332.6	1,332.6			
Other non-interest-bearing liabilities		637.5		637.5	637.5			
Other non-interest-bearing liabilities, derivatives	3.2		0.2	3.4	3.4		3.4	
Total financial liabilities	3.2	4,290.0	0.2	4,293.4	4,294.4		3.4	

Loans and receivables do not include deferred tax assets of €2.2 million (€1.1 million). Income tax receivables €21,9 million (€0,1 million), Income tax liabilities of €19.4 million (€28.9 million) and prepayments received of €46.9 million (€46.2 million) are not categorised as financial liabilities and are not included in the table above.

Personnel, average and at 31.12.

Personnel average by segment	1-12/2022	1-12/2021	Change
Grocery trade	6,288	6,126	162
Building and technical trade	6,155	5,977	178
Car trade	1,235	1,225	10
Common functions	955	905	50
Group total	14,633	14,232	401

Personnel at 31.12.*by segment	2022	2021	Change
Grocery trade	8,316	8,303	13
Building and technical trade	7,226	6,940	286
Car trade	1,298	1,164	134
Common functions	1,001	995	6
Group total	17,841	17,402	439

* Total number including part-time employees

Group's commitments (€ million)

	31.12.2022	31.12.2021	
Own commitments	308.6	308.0	
For others	-	-	
Lease commitments related to leases not yet commenced	102.4	127.9	
Liabilities arising from derivative instruments (€ million)			
			Fair value
Values of underlying instruments at	31.12.2022	31.12.2021	31.12.2022
Interest rate derivatives			
Interest rate swaps	330.0	420.0	12.1
Currency derivatives			
Forward and future contracts	141.7	204.6	1.8
Commodity derivatives			
Electricity futures	69.7	35.2	44.2

The lease commitments are for leases not commenced on 31 December 2022 to which the Group is committed.

Legal disputes and possible legal proceedings

Group companies act as plaintiffs, defendants or parties to certain legal proceedings, disputes or investigations related to the Group's business operations. Although according to Kesko's management's estimate, the outcome of pending disputes and legal and authority proceedings is unlikely to have any material impact on the Group's financial position, the outcome of disputes and legal and authority proceedings is difficult to predict.

Investigation by the Finnish Competition and Consumer Authority regarding Onninen Oy – The Finnish Competition and Consumer Authority has been investigating Kesko Group company Onninen's suspected violation of competition law for almost 10 years, and finally decided on 8 September 2022 to take the matter to the Market Court. The investigation has concerned a wide range of companies operating in the HPAC infra plastic pipe product market in Finland. The FCCA proposes a penalty payment of €16 million for Onninen for the alleged infringement. The suspected violation concerns almost in its entirety a period of time before Kesko acquired the capital stock of Onninen from Onvest Oy on 1 June 2016. Consequences resulting to Onninen from the investigation were addressed in the acquisition terms and conditions. Onninen denies the FCCA claims of suspected violation of competition law as unfounded. Kesko is not suspected of participation in the alleged infringement.

Legal proceedings concerning UAB Kesko Senukai Lithuania – Kesko has disclosed, for example in its financial statements for 2021, that it was party to two legal proceedings concerning the shareholder agreement of Kesko's joint venture UAB Kesko Senukai Lithuania and the disagreements concerning the management and development of the company and its subsidiary. The other parties to these legal proceedings have included, for example, the minority shareholders of UAB Kesko Senukai Lithuania. Both legal proceedings have ended, and final judgements have been given. The minority shareholders have brought a claim to the District Court of Helsinki to annul and reverse the arbitral award given in one of the legal proceedings. Minority shareholders have also initiated a new arbitration proceeding against Kesko regarding the company's shareholder agreement.

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*, %, comparable	Comparable operating profit x 100 / (Non-current assets + Inventories + Receivables + Other current assets - Non-interest-bearing liabilities) on average for the reporting period
Return on equity*, %	(Profit/loss before tax - Income tax) x 100 / Shareholders' equity, average of the beginning and end of the reporting period
Return on equity*, %, comparable	(Profit/loss adjusted for items affecting comparability before tax - Income tax adjusted for the tax effect of items affecting comparability) x 100 / Shareholders' equity, average of the beginning and end of the reporting period
Equity ratio, %	Shareholders' equity x 100 / (Total assets - Advances received)
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	1-12/2022	1-12/2021	10-12/2022	10-12/2021
Items affecting comparability				
Gains on disposal	0.0	1.4	0.0	-
Losses on disposal	-0.1	-0.0	-0.0	-
Impairment charges	-	-5.4	-	-5.4
Structural arrangements	1.6	3.7	-1.4	6.7
Items in operating profit affecting comparability	1.5	-0.3	-1.4	1.3
Items in financial items affecting comparability	-3.6	2.9	-0.0	0.0
Items in income taxes affecting comparability	-0.0	1.0	0.2	0.9
Total items affecting comparability	-2.2	3.5	-1.1	2.3
Items in EBITDA affecting comparability	-0.1	4.7	-1.3	6.1
Operating profit, comparable				
Operating profit	816.5	775.2	191.2	204.9
Net of				
Items in operating profit affecting comparability	1.5	-0.3	-1.4	1.3
Operating profit, comparable	815.1	775.5	192.6	203.5
EBITDA				
Operating profit	816.5	775.2	191.2	204.9
Plus				
Depreciation and impairment charges	169.0	176.8	44.7	48.9
Depreciation and impairment charges for right-of-use assets	322.1	310.3	81.6	78.6
EBITDA	1,307.7	1,262.2	317.5	332.4
EBITDA excluding the impact of IFRS 16				
EBITDA	1,307.7	1,262.2	317.5	332.4
Net of				
Rents from lease agreements	-399.1	-388.3	-100.0	-97.7
EBITDA excluding the impact of IFRS 16	908.5	873.8	217.5	234.6
Profit before tax, comparable				
Profit before tax	761.1	712.9	177.2	189.2
Net of				
Items in operating profit affecting comparability	1.5	-0.3	-1.4	1.3
Items in financial items affecting comparability	-3.6	2.9	-0.0	0.0
Profit before tax, comparable	763.2	710.4	178.6	187.9
Net profit, comparable				
Profit before tax, comparable	763.2	710.4	178.6	187.9
Net of				
Income tax	151.2	141.1	35.6	27.6
Items in income tax affecting comparability	-0.0	1.0	0.2	0.9

Net profit, comparable	612.0	568.2	142.7	159.4
Net profit attributable to owners of the parent, comparable				
Net profit, comparable	612.0	568.2	142.7	159.4
Net profit attributable to owners of the parent, comparable	612.0	568.2	142.7	159.4
Earnings per share, comparable, €				
Net profit attributable to the owners of the parent, comparable	612.0	568.2	142.7	159.4
Average number of shares, basic, 1,000 pcs	397,383	397,033	397,383	397,003
Earnings per share, comparable, €	1.54	1.43	0.36	0.40
Return on capital employed, %				
Operating profit	816.5	775.2	191.2	204.9
Capital employed, average	4,811.9	4,508.9	4,971.7	4,465.2
Return on capital employed, %	17.0	17.2	15.4	18.4
Return on capital employed, comparable, %				
Operating profit, comparable	815.1	775.5	192.6	203.5
Capital employed, average	4,811.9	4,508.9	4,971.7	4,465.2
Return on capital employed, comparable, %	16.9	17.2	15.5	18.2
Return on equity, %				
Net profit	609.9	571.8	141.6	161.6
Equity, average	2,635.8	2,359.4	2,683.7	2,435.5
Return on equity, %	23.1	24.2	21.1	26.5
Return on equity, comparable, %				
Net profit, comparable	612.0	568.2	142.7	159.4
Equity, average	2,635.8	2,359.4	2,683.7	2,435.5
Return on equity, comparable, %	23.2	24.1	21.3	26.2
Equity ratio, %				
Shareholders' equity	2,742.2	2,529.5	2,742.2	2,529.5
Total assets	7,474.0	6,966.0	7,474.0	6,966.0
Advances received	46.9	46.2	46.9	46.2
Equity ratio, %	36.9	36.6	36.9	36.6

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.-31.12.2022		1.10.-31.12.2022	
	€ million	Change, % ^{*)}	€ million	Change, % ^{*)}
K Group's grocery trade				
K-food stores	6,456.5	-0.2	1,642.6	1.0
K-Citymarket, non-food	607.8	-2.1	187.5	-1.5
Kespro	1,067.0	21.6	280.2	15.5
Grocery trade, total	8,131.3	2.1	2,110.3	2.5
K Group's building and technical trade				
K-Rauta, Finland	1,279.6	0.3	263.7	-4.7
K-Rauta B2B Service, Finland	331.9	17.8	78.0	3.6
Onninen, Finland	1,289.2	17.5	323.3	10.6
Leisure trade, Finland	274.8	-3.7	76.8	-7.2
Finland, total	3,175.6	8.0	741.8	2.0
K-Rauta, Sweden	189.8	-5.7	35.2	-15.9
K-Bygg, Sweden	382.4	0.9	90.2	-3.9
Onninen and Mark & Infra i Sverige, Sweden	142.4	21.6	35.6	21.8
Byggmakker, Norway	817.3	-3.0	187.8	-9.5
Onninen, Norway	374.0	19.6	102.7	13.2
Onninen, Baltic countries	130.7	37.9	33.6	22.1
Onninen, Poland	350.1	15.1	87.6	2.8
Other countries, total	2,386.7	6.0	572.7	-0.6
Kesko Senukai	1,220.5	11.7	310.0	6.5
Building and technical trade, total	6,782.7	7.9	1,624.5	1.9
K Group's car trade				
Car trade, total	918.5	-11.5	233.9	5.6
Finland, total	12,225.3	2.4	3,085.9	2.6
Other countries, total	3,607.2	7.9	882.7	1.8
Retail and B2B sales, total	15,832.5	3.6	3,968.6	2.4

*) The Change, % compared to the year before has been calculated to illustrate a situation in which the acquisition of Byggarnas Partner i Sverige AB on 1 September 2021, the acquisition of Kungälv's Trävaruaktiebolag on 1 March 2022, the acquisition of Seljord Elektriske AS in Norway on 1 June 2022, the acquisitions of Föllinge Såg AB and Djurbergs Järnhandel Aktiebolg in Sweden on 1 September 2022, and the acquisition of XL Bygg Bergslagen AB on 1 October 2022, had been completed on 1 January 2021.