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**Kesko Corporation
Half-year financial report**

January-June 2021

23.7.2021



KESKO CORPORATION HALF-YEAR FINANCIAL REPORT 23.7.2021 AT 9.00

Kesko's half-year financial report for 1 Jan. - 30 June 2021: Another record-result

FINANCIAL PERFORMANCE IN BRIEF:

4-6/2021

- Group net sales in April-June totalled €2,988.2 million (€2,814.5 million), an increase of 12.0% in comparable terms, reported net sales up by 6.2%
- The comparable operating profit totalled €219.4 million (€155.2 million), up by €77.9 million when Kesko Senukai is treated as a joint venture also in the comparison period (illustrative comparison figures)
- Operating profit totalled €218.1 million (€154.1 million)
- Comparable earnings per share €0.40 (€0.24)
- Reported Group earnings per share €0.41 (€0.24)

1-6/2021

- Group net sales in January-June totalled €5,527.5 million (€5,355.0 million), an increase of 9.1% in comparable terms, reported net sales up by 3.2%
- The comparable operating profit totalled €335.6 million (€220.3 million), up by €129.4 million when Kesko Senukai is treated as a joint venture also in the comparison period (illustrative comparison figures)
- Operating profit totalled €333.8 million (€220.0 million)
- Comparable earnings per share €0.60 (€0.32)
- Reported Group earnings per share €0.60 (€0.33)

KEY PERFORMANCE INDICATORS

	4-6/2021	4-6/2020	1-6/2021	1-6/2020	1-12/2020
Net sales, € million	2,988.2	2,814.5	5,527.5	5,355.0	10,669.2
Operating profit, comparable, € million	219.4	155.2	335.6	220.3	567.8
Operating margin, comparable, %	7.3	5.5	6.1	4.1	5.3
Operating profit, € million	218.1	154.1	333.8	220.0	600.2
Profit before tax, comparable, € million	203.6	135.2	303.2	167.9	481.9
Profit before tax, € million	204.5	136.2	303.7	169.3	527.6
Cash flow from operating activities, € million	346.6	421.8	501.7	557.4	1,152.4
Capital expenditure, € million	82.7	69.1	126.9	168.2	398.4
Earnings per share, €, basic and diluted	0.41	0.24	0.60	0.33	1.09
Earnings per share, comparable, €, basic	0.40	0.24	0.60	0.32	0.97

	1-6/2021	1-6/2020	1-12/2020
Return on capital employed, comparable, %, rolling 12 months	15.0	10.1	12.0
Return on equity, comparable, %, rolling 12 months	24.0	16.7	17.8

Kesko has reported Kesko Senukai Group, which is part of Kesko's building and technical trade segment and operates in the Baltic countries and Belarus, as a joint venture as of 1 July 2020. Kesko Senukai Group was reported as a subsidiary until 30 June 2020. In order to enable the comparison of financial performance indicators between reporting periods, Kesko reports illustrative Group performance indicators to be used alongside indicators based on IFRS consolidated financial statements. In segment data, Kesko Senukai is reported consolidated as a joint venture also for the comparison periods, as this method is used in management reporting.

Illustrative Group performance indicators	4-6/2021*	4-6/2020	1-6/2021*	1-6/2020	1-12/2020
Net sales, € million	2,988.2	2,572.7	5,527.5	4,928.3	10,242.6
Operating profit, comparable, € million	219.4	141.5	335.6	206.2	553.6
Operating margin, comparable, %	7.3	5.5	6.1	4.2	5.4
Operating profit, € million	218.1	140.4	333.8	205.9	540.0

* Reported

In this report, the comparable change % in net sales has been calculated in local currencies and excluding the impact of Kesko Senukai and the acquisitions and divestments completed in 2020 and 2021. The comparable operating profit has been calculated by deducting items affecting comparability from the reported operating profit. The illustrative performance indicators have been calculated for the comparison periods as if Kesko Senukai had been consolidated as a joint venture.

OUTLOOK AND GUIDANCE FOR 2021

Kesko Group's outlook is given for the year 2021, in comparison with the year 2020.

Kesko estimates that its comparable operating profit in 2021 will be in the range of €650-750 million.

The company issued a stock exchange release on 14 June 2021 and raised its profit guidance. Before, the company estimated that its comparable operating profit would be in the range of €570-670 million. In 2020, Kesko's illustrative comparable operating profit totalled €554 million.

The guidance upgrade was based on better-than-anticipated sales growth and profit development especially in the building and technical trade division, and the division's more positive outlook for the remainder of the year.

Growth in the building and technical trade division has continued better than anticipated in both B2B trade and B2C trade in all operating countries. The division is also positively impacted by the continued strengthening of the market and general rise in prices.

In the grocery trade division, retail sales have developed well while Kespro's foodservice business has clearly strengthened compared to the year before. In the car trade division, growth in sales and improvement in operational efficiency are proceeding as planned.

Expectations regarding the remainder of the year are more positive than before, especially in the building and technical trade. The outlook for the remainder of the year is more positive also in the grocery trade and car trade.

Due to various uncertainties, the guidance range for the 2021 comparable operating profit remains wide. Especially factors such as consumption predictability, product availability, price inflation and the duration of the pandemic make estimates for the remainder of the year more difficult.

PRESIDENT AND CEO MIKKO HELANDER:

Kesko posted its best-ever quarter result in Q2. Sales grew and profitability improved in all divisions. Net sales grew by 12.0% in comparable terms, totalling €2,988.2 million. The Q2 comparable operating profit totalled €219.4 million, representing a growth of €77.9 million (illustrative comparison figures). Our growth strategy is working, and sets us up well also for upcoming years.

The grocery trade division continued to perform strongly in the second quarter. The division's net sales grew by 3.2% and its comparable operating profit totalled €108.6 million. Profitability in grocery trade continued to improve and sales development was good. In the foodservice business, sales growth was very strong, underpinned by market recovery, and totalled 38.4%. Online grocery sales came in below the exceptional levels of the year before. Nonetheless, we believe online grocery is set to continue to grow in Finland, which is why we decided to invest in the first automated collection system to be built in a Finnish grocery store.

In the building and technical trade division, growth continued strong in all operating countries especially in B2B trade. Activity was high also in B2C trade. The division's net sales grew by 17.7% in comparable terms, and its comparable operating profit rose to €108.4 million. Sales in Finland were strong and good development continued for both K-Rauta and Onninen. In Norway, we managed to raise sales and profitability to a whole new level. In Sweden, sales continued to grow and profitability improve in all businesses. We have been able to ensure good

product availability even though global challenges related to availability have been apparent in certain product categories.

In the car trade division we saw a clear turnaround in both sales and profitability. Demand for new cars is returning to a normal level and demand for used cars is growing. Net sales for the division grew by 50.3%. The good progress in car trade was attributable not only to growing customer demand but also to our competitive range, the improved availability of cars compared to the year before, and measures taken to transform and improve the efficiency of our operations. We now hold a nearly 50% market share in all-electric cars.

In May, Kesko's Board of Directors confirmed an updated version of the company's strategy, as well as new medium-term financial targets for the company. The main conclusion of our strategy review process was to continue the execution of our growth strategy. The results we have achieved act as proof that the strategy is working and that we have made the right choices. Kesko's growth strategy centres on profitable growth in three selected business divisions: grocery trade, building and technical trade, and car trade. The strategy also emphasises continuous improvement of customer experience and further development of digital services, corporate responsibility and sustainability, and operating as 'one unified K'.

In the grocery trade, we aim to grow sales and improve profitability further by offering the best customer experience in the business and differentiating ourselves from the competition. In the building and technical trade, we continue to execute our growth strategy through sector consolidation in Northern Europe, continuously improving our operations in each operating country. Today we announced the acquisition of Byggarnas Partner, a company serving professional builders in Sweden. This acquisition further strengthens our position in the Swedish building and home improvement trade market, especially in the Stockholm area. In the car trade, we aim to raise sales and profitability to a new level by offering the best customer experience in the car trade sector, transforming and updating our operations, and collaborating more closely with the Volkswagen Group.

The new medium-term financial targets for profitability are a comparable operating margin of over 6.0% (previously 5.5%) and a comparable return on capital employed of over 14.5% (previously 12.5%).

The outlook for this year is positive and we expect significant profit improvement also in 2021. We estimate that Kesko's comparable operating profit in 2021 will be in the range of €650-750 million.

IMPORTANT EVENTS

POSITIVE PROFIT WARNING ON 14 JUNE 2021

Kesko issued a positive profit warning based in particular on stronger-than-anticipated development in building and technical trade, and raised its profit guidance for 2021. Kesko estimates that its comparable operating profit in 2021 will be in the range of €650-750 million. Before, the company estimated that the comparable operating profit would be in the range of €570-670 million. (Stock exchange release 14.6.2021)

UPDATED STRATEGY AND NEW FINANCIAL TARGETS

The Board of Directors of Kesko Corporation confirmed an updated version of the company's strategy as well as new medium-term financial targets for the company. Kesko's growth strategy centres on profitable growth in three selected business divisions: grocery trade, building and technical trade, and car trade. The new medium-term financial targets for profitability are a comparable operating margin of over 6.0% (previously 5.5%) and a comparable return on capital employed of over 14.5% (previously 12.5%). (Stock exchange release 27.5.2021)

POSITIVE PROFIT WARNING ON 15 APRIL 2021

Kesko raised its guidance for its comparable operating profit in 2021, estimating that its comparable operating profit in 2021 would be in the range of €570-670 million. Before, the company had estimated that the comparable operating profit would be in the range of €520-620 million. The guidance upgrade was based on better-than-anticipated sales development in all divisions and a more positive outlook for the remainder of the year. The illustrative comparable operating profit in 2020 was €554 million. (Stock exchange release 15.4.2021)

FINANCIAL PERFORMANCE

In the table of key performance indicators of this "Financial performance" section, illustrative Group performance indicators are used alongside the reported performance indicators that are based on the consolidated financial statements, to depict the change in comparable operating profit as if Kesko Senukai had been consolidated in the

consolidated financial statements as a joint venture also in the comparison period. The change based on the illustrative comparison figures is reported in the column “Change, € million, Illustrative comparison figures.”

NET SALES AND PROFIT APRIL-JUNE 2021

4-6/2021	Net sales, € million	Change, %	Change, comparable, %	Operating profit, comparable, € million	Change, € million	Change, € million Illustrative comparison figures*
Grocery trade	1,476.3	+3.2	+3.2	108.6	+25.7	+25.7
Building and technical trade, excl. speciality goods trade	1,177.7	+28.5	+16.9	92.3	+37.6	+37.6
Speciality goods trade	51.4	+36.8	+36.8	4.0	+2.3	+2.3
Kesko Senukai	-	-100.0	-	12.0	-8.9	+4.7
Building and technical trade, total	1,229.1	+2.7	+17.7	108.4	+31.0	+44.7
Car trade	288.6	+50.3	+50.3	14.3	+10.5	+10.5
Common functions and eliminations	-5.9	+21.9	+22.2	-11.8	-2.9	-2.9
Total	2,988.2	+6.2	+12.0	219.4	+64.2	+77.9

* Kesko Senukai treated as a joint venture in the illustrative comparison figures

In comparable terms, Group net sales increased by 12.0%. Net sales grew in comparable terms by 10.1% in Finland and by 21.1% in other Kesko operating countries. The comparable change % has been calculated in local currencies and excluding the impact of Kesko Senukai and acquisitions and divestments completed. Reported Group net sales grew by 6.2% in April-June.

In the grocery trade division, net sales for Kespro’s foodservice business grew by 38.4% and net sales for K-Citymarket’s home and speciality goods by 8.6%. Sales to K Group’s grocery stores decreased year-on-year due to high demand caused by the Covid-19 pandemic in the comparison period and the fact that in 2020 Easter wholesale sales fell on the second quarter.

In the building and technical trade division, net sales grew in comparable terms in all operating countries. Net sales grew in comparable terms in building and home improvement trade, Onninen’s technical trade, and speciality goods trade. Reported net sales in the building and technical trade increased by 2.7%. Reported net sales were negatively impacted by the change in the consolidation method of Kesko Senukai and positively impacted by the acquisitions carried out in 2020 and the strengthening of the Swedish krona and the Norwegian krone against the euro.

In the car trade division, net sales were boosted by an increase in the demand for brands imported by Kesko and bigger market share.

The Group’s comparable operating profit grew by €64.2 million in April-June, or by €77.9 million with Kesko Senukai treated as a joint venture also in the comparison period (illustrative comparison figures). In addition to net sales growth, profitability improved thanks to better sales margin development and further improvements in cost efficiency. Net sales development in April-June was also positively affected by the Covid-19 pandemic and resulting changes in consumer behaviour. In the grocery trade division, profitability improved thanks to better operational efficiency and growth in the sales and margin of Kespro and K-Citymarket’s home and speciality goods. In the building and technical trade division, there was marked growth in both net sales and comparable operating profit. Comparable operating profit grew in the building and home improvement trade in all operating countries and in Onninen’s technical trade in Finland, Norway, the Baltics and Poland. Kesko Senukai had a €12.0 million impact on the Group’s comparable operating profit (€20.9 million, consolidated as a subsidiary). Kesko Senukai has been consolidated as a joint venture from 1 July 2020 onwards. In the car trade division, comparable operating profit rose due to growth in net sales.

Items affecting comparability, € million	4-6/2021	4-6/2020
Operating profit, comparable	219.4	155.2
Items affecting comparability		
+gains on disposal	+0.0	-
-losses on disposal	-	-0.1
+/-structural arrangements	-1.4	-1.0
Items affecting comparability, total	-1.4	-1.1
Operating profit	218.1	154.1

The most significant items affecting comparability were the €1.2 million expenses related to restructuring in the car trade division.

K Group's (Kesko and the chain stores) retail and B2B sales (0% VAT) in April-June totalled €4,087.2 million, representing a growth of 12.4% compared to the previous year.

Net finance costs, income tax and earnings per share

	4-6/2021	4-6/2020
Net finance costs, € million	-18.4	-20.4
Interests on lease liabilities, € million	-18.1	-22.5
Profit before tax, comparable, € million	203.6	135.2
Profit before tax, € million	204.5	136.2
Income tax, € million	-42.9	-31.0
Earnings per share, comparable, €	0.40	0.24
Earnings per share, €	0.41	0.24
Equity per share, €	5.46	4.68

The decrease in the Group's net finance costs in April-June was impacted by the decrease in interest expenses due to a decline in lease liabilities. The decline in lease liabilities was partly impacted by the change in Kesko Senukai's consolidation method as of 1 July 2020. Net finance costs were increased by foreign exchange differences and decreased by changes in the fair value of interest rate derivatives. In the comparison period, net finance costs were positively impacted by a change in the value of investments of liquid assets and negatively impacted by changes in the fair value of interest rate derivatives. The share of result of associates amounted to €4.8 million (€2.6 million), or €1.5 million (€0.4 million) in comparable terms.

The Group's comparable profit before tax grew in April-June thanks to operating profit growth and a reduction in net finance costs compared to the year before. The Group's effective tax rate was 21.0% (22.7%).

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

NET SALES AND PROFIT JANUARY-JUNE 2021

1-6/2021	Net sales, € million	Change, %	Change, comparable, %	Operating profit, comparable, € million	Change, € million	Change, € million Illustrative comparison figures*
Grocery trade	2,836.9	+3.1	+3.1	189.7	+46.4	+46.4
Building and technical trade, excl. speciality goods trade	2,046.3	+22.8	+12.3	122.1	+54.7	+54.7
Speciality goods trade	107.1	+3.1	+32.1	8.9	+9.5	+9.5
Kesko Senukai	-	-100.0	-	8.8	-8.9	+5.3
Building and technical trade, total	2,153.4	-2.0	+13.2	139.7	+55.4	+69.5
Car trade	548.7	+32.3	+32.3	25.4	+15.5	+15.5
Common functions and eliminations	-11.5	+19.7	+19.9	-19.3	-2.0	-2.0
Total	5,527.5	+3.2	+9.1	335.6	+115.3	+129.4

* Kesko Senukai treated as a joint venture in the illustrative comparison figures

In comparable terms, Group net sales increased by 9.1%. Net sales increased in comparable terms by 8.0% in Finland and by 16.0% in other operating countries. The comparable change % has been calculated in local currencies and excluding the impact of Kesko Senukai and acquisitions and divestments completed. The Group's reported net sales grew by 3.2% in January-June.

In the grocery trade division, sales to K Group's grocery store chains grew, as did the net sales of K-Citymarket's home and speciality goods trade and Kespro.

In the building and technical trade division, net sales grew in comparable terms in all operating countries. Net sales grew in comparable terms in building and home improvement trade, Onninen's technical trade, and speciality goods trade. Reported net sales in the building and technical trade division decreased by 2.0%. Reported net sales were negatively impacted by the change in the consolidation method of Kesko Senukai and positively impacted by the acquisitions carried out in 2020 and the strengthening of the Swedish krona and the Norwegian krone against the euro.

In the car trade division, net sales were boosted by an increase in the demand for brands imported by Kesko and bigger market share.

The Group's comparable operating profit grew by €115.3 million in January-June, or by €129.4 million with Kesko Senukai treated as a joint venture also in the comparison period (illustrative comparison figures). In addition to net sales growth, profitability improved thanks to better sales margin development and further improvements in cost efficiency. Net sales development in January-June was also positively affected by the Covid-19 pandemic and resulting changes in consumer behaviour. In the grocery trade division, profitability improved thanks to good retail sales development, better operational efficiency, and positive profit development in Kespro and K-Citymarket. In the building and technical trade division, there was marked growth in both net sales and comparable operating profit. Comparable operating profit grew in the building and home improvement trade and Onninen's technical trade in all operating countries. Kesko Senukai had a €8.8 million impact on the Group's comparable operating profit (€17.6 million, consolidated as a subsidiary). Kesko Senukai has been consolidated as a joint venture from 1 July 2020 onwards. In the car trade division, comparable operating profit rose due to growth in net sales.

Items affecting comparability, € million	1-6/2021	1-6/2020	1-12/2020
Operating profit, comparable	335.6	220.3	567.8
Items affecting comparability			
+gains on disposal	+0.6	+6.4	+9.8
-losses on disposal	-0.0	-0.1	-0.2
+/-structural arrangements	-2.3	-6.6	+22.8
Items affecting comparability, total	-1.8	-0.3	+32.4
Operating profit	333.8	220.0	600.2

The most significant items affecting comparability were the €1.2 million expenses related to restructuring in the car trade division. In the comparison period, the most significant items affecting comparability were the €6.4 million sales gain from the divestment of machinery trade operations in the Baltics in the building and technical trade division, completed on 31 March 2020, and the €5.2 million costs related to corporate restructuring in common functions.

K Group's (Kesko and the chain stores) retail and B2B sales (0% VAT) in January-June totalled €7,355.3 million, representing a growth of 8.9% compared to the previous year. During the 12-month period that ended in June, 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

	1-6/2021	1-6/2020	1-12/2020
Net finance costs, € million	-34.7	-52.7	-86.8
Interests on lease liabilities, € million	-36.6	-45.6	-83.3
Profit before tax, comparable, € million	303.2	167.9	481.9
Profit before tax, € million	303.7	169.3	527.6
Income tax, € million	-63.7	-37.4	-92.3
Earnings per share, comparable, €	0.60	0.32	0.97
Earnings per share, €	0.60	0.33	1.09
Equity per share, €	5.46	4.68	5.52

The decrease in the Group's net finance costs in January-June was impacted by the decrease in interest expenses due to a decline in lease liabilities. The decline in lease liabilities was partly impacted by the change in Kesko Senukai's consolidation method as of 1 July 2020. Net finance costs were decreased by changes in the fair value of interest rate derivatives. In the comparison period, net finance costs were increased by foreign exchange differences, change in the fair value of interest rate derivatives, and valuation losses on investments of liquid assets. Of the foreign exchange differences in the comparison period, €-2.8 million was due to exchange rate losses on euro-denominated loan financing of Kesko Senukai's Belarussian subsidiary OMA, and €-1.6 million due to the weakening of the Norwegian krone, the Swedish krona and the Polish zloty. The share of result of associates amounted to €4.6 million (€2.0 million), or €1.2 million (€0.3 million) in comparable terms.

The Group's comparable profit before tax grew in January-June thanks to operating profit growth and a reduction in net finance costs compared to the year before. The Group's effective tax rate was 21.0% (22.1%).

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

CASH FLOW AND FINANCIAL POSITION

€ million	4-6/2021	4-6/2020	1-6/2021	1-6/2020	1-12/2020
Cash flow from operating activities	346.6	421.8	501.7	557.4	1,152.4
Cash flow from investing activities	-60.9	-57.9	-98.3	-113.0	-421.3
Cash flow from financing activities	-236.0	-156.2	-344.0	-156.8	-600.0

€ million	30.6.2021	30.6.2020	31.12.2020
Liquid assets	366.7	461.8	306.0
Interest-bearing liabilities	2,526.7	3,103.9	2,616.3
Lease liabilities	1,965.6	2,312.1	2,025.0
Interest-bearing net debt excl. lease liabilities	194.4	330.0	285.3
Interest-bearing net debt/EBITDA, excl. IFRS 16 impact, rolling 12 months	0.2	0.6	0.4
Gearing, %	99.5	134.4	105.5
Equity ratio, %	30.9	27.4	33.1

The Group's cash flow from operating activities totalled €346.6 million (€421.8 million) in April-June. In the comparison period, Kesko Senukai had a positive impact of €83.3 million on cash flow from operating activities.

The Group's cash flow from investing activities in April-June totalled €-60.9 million (€-57.9 million).

The Group's cash flow from operating activities in January-June totalled €501.7 million (€557.4 million). EBITDA growth and a €38.6 million return of surplus assets paid by Kesko Pension Fund had an increasing impact on cash flow. In the comparison period, Kesko Senukai had a positive impact of €88.0 million on cash flow from operating activities.

The Group's cash flow from investing activities in January-June totalled €-98.3 million (€-113.0 million). In the comparison period, cash flow from investing activities was improved by the positive cash flow impact of €19.6 million derived from the divestment of the Baltic machinery trade operations.

CAPITAL EXPENDITURE

€ million	4-6/2021	4-6/2020	1-6/2021	1-6/2020	1-12/2020
Capital expenditure	82.7	69.1	126.9	168.2	398.4
Store sites	33.6	30.4	48.9	93.6	125.8
Acquisitions	1.7	10.8	2.9	10.8	159.1
IT	10.9	9.7	17.2	15.3	25.6
Other investments	36.5	18.3	57.9	48.5	87.9

Capital expenditure in store sites decreased by €44.7 million compared to the year before in January-June. In the comparison period, capital expenditure in store sites was increased by the acquisition of the property of K-Citymarket in Järvenpää.

PERSONNEL

	1-6/2021	1-6/2020	1-12/2020
Average number of personnel converted into full-time employees	14,192	20,895	17,629
Personnel at the end of the reporting period	30.6.2021	30.6.2020	31.12.2020
Finland	12,883	12,750	12,647
Other countries	5,172	12,231	5,003
Total	18,055	24,982	17,650

The change in the consolidation method of Kesko Senukai as of 1 July 2020 had a marked impact on the number of Group employees outside Finland.

SEGMENTS

SEASONAL NATURE OF OPERATIONS

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

GROCERY TRADE

April-June 2021

	4-6/2021	4-6/2020
Net sales, € million	1,476.3	1,431.1
Operating profit, comparable, € million	108.6	83.0
Operating margin, comparable, %	7.4	5.8
Return on capital employed, comparable, %, rolling 12 months	19.4	14.8
Capital expenditure, € million	28.0	29.9
Personnel, average	6,253	6,185

Net sales, € million	4-6/2021	4-6/2020	Change, %	Change, comparable, %
Sales to K-food stores				
K-Citymarket, food	326.9	337.4	-3.1	-3.1
K-Supermarket	394.6	410.0	-3.7	-3.7
K-Market	379.8	380.4	-0.2	-0.2
K-Citymarket, non-food	145.2	133.7	+8.6	+8.6
Kespro	207.7	150.0	+38.4	+38.4
Others	22.1	19.6	+12.9	+12.9
Total	1,476.3	1,431.1	+3.2	+3.2

Net sales for the grocery trade division totalled €1,476.3 million (€1,431.1 million) in April-June, up by 3.2%. Net sales for Kespro's foodservice business grew by 38.4% and net sales for K-Citymarket's home and speciality goods by 8.6%. Sales to K Group's grocery stores decreased year-on-year due to the high demand caused by the Covid-19 pandemic in the comparison period and the fact that in 2020 Easter wholesale sales fell on the second quarter.

The total grocery market in Finland (incl. VAT) is estimated to have grown by approximately 2.2% in April-June (Finnish Grocery Trade Association PTY) and retail prices are estimated to have risen by some 1.5% (incl. VAT, Kesko's own estimate). Growth in K Group's grocery sales totalled 0.6% (incl. VAT), which was below the market growth due to the exceptionally strong performance of online in particular in the comparison period. Online sales of groceries decreased by 22.9%, but were 513% above the 2019 level, and accounted for approximately 3.2% of K Group's grocery sales (incl. VAT). Online grocery sales have risen to a clearly higher level than before the pandemic. All K Group grocery store chains offer online grocery sales services. The number of K-food stores offering online grocery sales services grew by 19 to 502 during the reporting period.

The comparable operating profit for the grocery trade division totalled €108.6 million (€83.0 million) in April-June, up by €25.7 million. Profitability improved thanks to better operational efficiency and growth in the sales and margin of Kespro and K-Citymarket's home and speciality goods. Operating profit for the grocery trade division totalled €108.7 million (€82.3 million). Items affecting comparability totalled €0.1 million (€-0.7 million).

Capital expenditure for the grocery trade division in April-June totalled €28.0 million (€29.9 million), of which €24.1 million (€25.8 million) was in store sites.

January-June 2021

	1-6/2021	1-6/2020	1-12/2020
Net sales, € million	2,836.9	2,752.6	5,732.0
Operating profit, comparable, € million	189.7	143.3	375.2
Operating margin, comparable, %	6.7	5.2	6.5
Return on capital employed, comparable, %, rolling 12 months	19.4	14.8	16.9
Capital expenditure, € million	42.7	92.5	125.4
Personnel, average	6,062	6,067	6,197

Net sales, € million	1-6/2021	1-6/2020	Change, %	Change, comparable, %	1-12/2020
Sales to K-food stores					
K-Citymarket, food	651.8	630.4	+3.4	+3.4	1,291.7
K-Supermarket	768.9	767.4	+0.2	+0.2	1,549.6
K-Market	718.8	700.7	+2.6	+2.6	1,434.9
K-Citymarket, non-food	277.1	256.4	+8.1	+8.1	585.5
Kespro	377.5	358.9	+5.2	+5.2	784.1
Others	42.8	38.7	+10.7	+10.7	86.1
Total	2,836.9	2,752.6	+3.1	+3.1	5,732.0

Net sales for the grocery trade division totalled €2,836.9 million (€2,752.6 million) in January-June, up by 3.1%. Net sales were boosted by growth in sales to K Group grocery stores as well as growth in the net sales of K-Citymarket's home and speciality goods trade and Kespro.

The total grocery market in Finland (incl. VAT) is estimated to have grown by approximately 3.9% in January-June (Finnish Grocery Trade Association PTY) and retail prices are estimated to have risen by some 1.5% (incl. VAT, Kesko's own estimate). K Group's grocery sales grew by 3.2% (incl. VAT). K Group's sales grew in all chains. Online sales of groceries grew by 30.6%, and accounted for approximately 3.7% of K Group's grocery sales (incl. VAT). Online grocery sales have risen to a clearly higher level than before the pandemic. All K Group grocery store chains offer online grocery sales services. The number of K-food stores offering online grocery sales services grew by 37 to 502 in January-June.

The comparable operating profit for the grocery trade division totalled €189.7 million (€143.3 million) in January-June, up by €46.4 million. Profitability improved thanks to good retail sales development, better operational efficiency, and positive profit development in Kespro and K-Citymarket. Operating profit for the grocery trade division totalled €189.8 million (€142.1 million). Items affecting comparability totalled €0.1 million (€-1.2 million).

Capital expenditure for the grocery trade division in January-June totalled €42.7 million (€92.5 million), of which €36.8 million (€81.4 million) was in store sites. Capital expenditure for the comparison period was increased by the acquisition of the property of K-Citymarket in Järvenpää.

BUILDING AND TECHNICAL TRADE

The change in Kesko Senukai's consolidation method from a subsidiary to a joint venture as of 1 July 2020 has impacted the performance indicators for the building and technical trade in segment information. Due to the change in consolidation method, the Group changed the internal reporting to its highest operative decision-maker, i.e. the Group Management Board. Consequently, Kesko Senukai has been reported in the segment figures and the 1-12/2020, 1-6/2020 and 4-6/2020 income statement figures for the building and technical trade as if it had been consolidated on one line before operating profit in accordance with ownership interest, as opposed to the subsidiary consolidation method used up until 30 June 2020. Such a change has not been made to internally reported balance sheet figures or personnel numbers.

April-June 2021

	4-6/2021	4-6/2020
Net sales, € million	1,229.1	954.4
Building and technical trade, excl. speciality goods trade and Kesko Senukai	1,177.7	916.8
Building & home improvement trade	699.2	522.7
Onninen	493.1	397.9
Speciality goods trade	51.4	37.6
Operating profit, comparable, € million	108.4	63.7
Building and technical trade, excl. speciality goods trade and Kesko Senukai	92.3	54.7
Building & home improvement trade	62.1	39.5
Onninen	30.5	15.9
Speciality goods trade	4.0	1.7
Kesko Senukai	12.0	7.3
Operating margin, comparable, %	8.8	6.7
Building and technical trade, excl. speciality goods trade and Kesko Senukai	7.8	6.0
Building & home improvement trade	8.9	7.6
Onninen	6.2	4.0
Speciality goods trade	7.8	4.4
	4-6/2021	4-6/2020
Return on capital employed, comparable, %, rolling 12 months	15.4	8.8
Capital expenditure, € million	12.8	18.7
Personnel, average	6,019	12,559

	4-6/2021	4-6/2020	Change, %	Change, comparable, %
Net sales, € million				
Building and home improvement trade, Finland	326.9	291.1	+12.3	+13.8
K-Rauta, Sweden	69.6	62.1	+12.1	+6.7
K-Bygg, Sweden	86.4	63.4	+36.3	+22.3
Bygghälsan, Norway	216.9	107.3	(..)	+17.4
Building and home improvement trade, total	699.2	522.7	+33.8	+14.9
Onninen, Finland	286.7	252.9	+13.4	+13.4
Onninen and MIAB, Sweden*	37.6	23.4	+18.6	+12.9
Onninen, Norway	72.5	51.7	+40.1	+28.2
Onninen, Baltics	22.5	18.8	+19.3	+19.3
Onninen, Poland	74.8	51.7	+44.6	+45.3
Onninen, total	493.1	397.9	+23.9	+19.6
Building and technical trade, excl. speciality goods trade, total	1,177.7	916.8	+28.5	+16.9
Leisure trade, Finland	51.4	37.6	+36.8	+36.8
Speciality goods trade, total	51.4	37.6	+36.8	+36.8
Total	1,229.1	954.4	+28.8	+17.7

(..) Over 100%

* The effect of change in internal net sales in Sweden due to a merger has been taken into account when calculating Onninen's reported change in net sales and comparable change in net sales in Sweden in the comparison period.

Net sales for the building and technical trade division increased by 28.8%, or by 17.7% in comparable terms. Net sales grew in comparable terms in all operating countries. In euro-terms, net sales were positively impacted by the

acquisitions completed in 2020 and the strengthening of the Swedish krona and Norwegian krone against the euro. The weakening of the Polish zloty against the euro diminished net sales development in Poland in euro terms.

In Finland, net sales for the building and technical trade division amounted to €652.0 million (€568.8 million) in April-June, an increase of 14.6%. In comparable terms, net sales in Finland increased by 15.4%. Net sales from international operations totalled €577.2 million in April-June (€385.6 million), up by 49.7%. In comparable terms, net sales from international operations grew by 21.1%.

Net sales for the building and home improvement trade and Onninen's technical trade grew in all operating countries. Net sales also grew in leisure trade in the speciality goods trade.

The comparable operating profit for the building and technical trade division totalled €108.4 million (€63.7 million) in April-June, up by €44.7 million year-on-year. In addition to net sales growth, profitability improved thanks to better sales margin development and further improvements in cost efficiency. The comparable operating profit for the building and home improvement trade increased by €22.6 million, and grew in Finland, Sweden and Norway. The acquisitions carried out in Norway and Sweden in 2018-2020 accounted for €28.4 million (€12.1 million) of the comparable operating profit. Onninen's comparable operating profit grew by €14.6 million. Onninen's profitability improved in Finland, Norway, the Baltics and Poland. In Sweden, Onninen's comparable operating profit remained at the level of the previous year. Comparable operating profit grew clearly in leisure trade in the speciality goods trade.

Operating profit for the building and technical trade division totalled €108.2 million (€63.3 million). Items affecting comparability totalled €-0.2 million (€-0.4 million).

Capital expenditure for the building and technical trade division totalled €12.8 million (€18.7 million) in April-June.

January-June 2021

	1-6/2021	1-6/2020	1-12/2020
Net sales, € million	2,153.4	1,770.7	3,639.5
Building and technical trade, excl. speciality goods trade and Kesko Senukai	2,046.3	1,666.8	3,424.3
Building & home improvement trade	1,178.9	900.1	1,845.8
Onninen	894.9	789.3	1,625.5
Speciality goods trade	107.1	103.9	215.2
Operating profit, comparable, € million	139.7	70.2	187.7
Building and technical trade, excl. speciality goods trade and Kesko Senukai	122.1	67.4	169.4
Building & home improvement trade	75.6	41.5	99.5
Onninen	47.1	26.6	70.7
Speciality goods trade	8.9	-0.6	7.4
Kesko Senukai	8.8	3.5	11.0
Operating margin, comparable, %	6.5	4.0	5.2
Building and technical trade, excl. speciality goods trade and Kesko Senukai	6.0	4.0	4.9
Building & home improvement trade	6.4	4.6	5.4
Onninen	5.3	3.4	4.4
Speciality goods trade	8.3	-0.6	3.4
	1-6/2021	1-6/2020	1-12/2020
Return on capital employed, comparable, %, rolling 12 months	15.4	8.8	11.2
Capital expenditure, € million	18.3	29.5	186.3
Personnel, average	5,991	12,704	9,308

Net sales, € million	1-6/2021	1-6/2020	Change, %	Change, comparable, %	1-12/2020
Building and home improvement trade, Finland	567.6	513.8	+10.5	+11.0	971.6
K-Rauta, Sweden	107.0	94.4	+13.4	+7.7	186.1
K-Bygg, Sweden	141.7	105.9	+33.9	+19.6	228.4
Byggmakker, Norway	363.6	187.8	+93.6	+15.4	463.0
Building and home improvement trade, total	1,178.9	900.1	+31.0	+12.7	1,845.8
Onninen, Finland	520.5	481.9	+8.0	+8.0	985.2
Onninen and MIAB, Sweden	58.9	52.9	+11.3	-3.4	101.5
Onninen, Norway	139.9	110.0	+27.3	+20.7	227.6
Onninen, Baltics	41.0	37.6	+8.9	+8.9	80.1
Onninen, Poland	136.3	108.4	+25.7	+29.3	234.1
Onninen, total	894.9	789.3	+13.4	+12.0	1,625.5
Building and technical trade, excl. speciality goods trade, total	2,046.3	1,666.8	+22.8	+12.3	3,424.3
Leisure trade, Finland	107.1	81.1	+32.1	+32.1	192.4
Machinery trade	-	22.8	-100.0	-	22.8
Speciality goods trade, total	107.1	103.9	+3.1	+32.1	215.2
Total	2,153.4	1,770.7	+21.6	+13.2	3,639.5

Net sales for the building and technical trade division increased by 21.6%, or by 13.2% in comparable terms. Net sales grew in comparable terms in all operating countries. In euro-terms, net sales were positively impacted by the acquisitions completed in 2020 and the strengthening of the Swedish krona and Norwegian krone against the euro. The weakening of the Polish zloty against the euro diminished net sales development in Poland in euro terms.

In Finland, net sales for the building and technical trade division in January-June totalled €1,170.6 million (€1,053.8 million), up by 11.1%. In comparable terms, net sales in Finland increased by 11.3%. Net sales from international operations totalled €982.9 million (€717.0 million) in January-June, up by 37.1%. In comparable terms, net sales from international operations grew by 16.0%.

Net sales for the building and home improvement trade grew in all operating countries. Onninen's net sales grew in Finland, Norway, the Baltics and Poland. In Sweden, net sales decreased compared to the year before. In the speciality goods trade leisure trade, net sales increased.

The comparable operating profit for the building and technical trade division totalled €139.7 million (€70.2 million) in January-June, up by €69.5 million year-on-year. In addition to net sales growth, profitability improved thanks to better sales margin development and further improvements in cost efficiency. The comparable operating profit for the building and home improvement trade increased by €34.0 million, and grew in Finland, Sweden and Norway. The acquisitions carried out in Norway and Sweden in 2018-2020 accounted for €30.3 million (€9.1 million) of the comparable operating profit. Onninen's comparable operating profit grew by €20.5 million. Onninen's profitability improved in Finland, Sweden, Norway, the Baltics and Poland. Comparable operating profit grew clearly in leisure trade in the speciality goods trade.

Operating profit for the building and technical trade division totalled €139.2 million (€76.3 million). Items affecting comparability totalled €-0.5 million (€6.1 million). In the comparison period, the most significant item affecting comparability was the €6.4 million sales gain from the divestment of machinery trade operations in the Baltics, completed on 31 March 2020.

Capital expenditure for the building and technical trade division totalled €18.3 million (€29.5 million) in January-June.

CAR TRADE

April-June 2021

	4-6/2021	4-6/2020
Net sales, € million	288.6	192.0
Operating profit, comparable, € million	14.3	3.8
Operating margin, comparable, %	4.9	2.0
Return on capital employed, comparable, %, rolling 12 months	10.4	6.6
Capital expenditure, € million	31.3	13.4
Personnel, average	1,279	1,268

Net sales, € million	4-6/2021	4-6/2020	Change, %	Change, comparable, %
Car trade	288.6	192.0	+50.3	+50.3

Net sales for the car trade division grew by 50.3% in April-June, positively impacted by an increase in the demand for brands imported by Kesko and growth in market share as well as improved availability of cars compared to the comparison period and measures taken to transform and improve the efficiency of operations.

The combined market performance of first registrations of passenger cars and vans was 47.7% (-37.9%) in April-June. The combined market share of the Volkswagen, Audi, SEAT, Porsche and Bentley passenger cars and Volkswagen and MAN vans imported by Kesko's car trade division was 19.3% (17.3%) in April-June.

The comparable operating profit for the car trade division totalled €14.3 million (€3.8 million) in April-June. The comparable operating profit increased thanks to growth in net sales. Operating profit for the car trade division in April-June totalled €13.1 million (€3.8 million). Items affecting comparability consisted of €1.2 million expenses related to division restructuring.

Capital expenditure for the car trade division in April-June totalled €31.3 million (€13.4 million).

January-June 2021

	1-6/2021	1-6/2020	1-12/2020
Net sales, € million	548.7	414.6	892.6
Operating profit, comparable, € million	25.4	9.9	23.4
Operating margin, comparable, %	4.6	2.4	2.6
Return on capital employed, comparable, %, rolling 12 months	10.4	6.6	6.3
Capital expenditure, € million	49.0	33.1	64.7
Personnel, average	1,261	1,280	1,283

Net sales, € million	1-6/2021	1-6/2020	Change, %	Change, comparable, %	1-12/2020
Car trade	548.7	414.6	+32.3	+32.3	892.6

Net sales for the car trade division increased by 32.3% in January-June, positively impacted by an increase in the demand for brands imported by Kesko and growth in market share. The improved availability of cars and measures taken towards the end of the period to transform and improve the efficiency of operations also contributed to net sales growth.

The combined market performance of first registrations of passenger cars and vans was 19.3% (-21.4%) in January-June. The combined market share of the Volkswagen, Audi, SEAT, Porsche and Bentley passenger cars and Volkswagen and MAN vans imported by Kesko's car trade division was 18.1% (16.5%) in January-June.

The comparable operating profit for the car trade division in January-June totalled €25.4 million (€9.9 million). The comparable operating profit increased thanks to growth in net sales. Operating profit for the car trade division in January-June totalled €24.2 million (€9.9 million). Items affecting comparability consisted of €1.2 million expenses related to division restructuring.

Capital expenditure for the car trade division totalled €49.0 million (€33.1 million).

CHANGES IN GROUP COMPOSITION

No significant changes were made to the Group composition during the reporting period.

SHARES, SECURITIES MARKET AND BOARD AUTHORISATIONS

At the end of June 2021, the total number of shares in Kesko Corporation was 400,079,008, of which 126,948,028 or 31.7%, were A shares, and 273,130,980 or 68.3%, were B shares. On 30 June 2021, Kesko Corporation held 2,962,836 of its own B shares as treasury shares.

These treasury shares accounted for 1.08% of the total number of B shares, 0.74% of the total number of shares, and 0.19% 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 them. At the end of June 2021, Kesko Corporation's share capital was €197,282,584.

The price of a Kesko A share quoted on Nasdaq Helsinki was €20.00 at the end of 2020, and €27.90 at the end of June 2021, representing an increase of 39.5%. Correspondingly, the price of a B share was €21.04 at the end of 2020, and €31.15 at the end of June 2021, representing an increase of 48.1%. In January-June 2021, the highest A share price was €28.40 and the lowest €19.82. The highest B share price was €31.61 and the lowest €20.70. The Nasdaq Helsinki All-Share index (OMX Helsinki) was up by 14.1% and the weighted OMX Helsinki Cap index by 16.9% in January-June 2021. The Retail Sector Index was up by 30.4%.

At the end of June 2021, the market capitalisation of the A shares was €3,542 million. The market capitalisation of the B shares was €8,416 million, excluding the shares held by the parent company. The combined market capitalisation of the A and B shares was €11,958 million, an increase of €3,742 million from the end of 2020.

In January-June 2021, a total of 3.6 million A shares were traded on Nasdaq Helsinki. The exchange value of the A shares was €84.0 million. Meanwhile, 95.1 million B shares were traded, with an exchange value of €2,359.5 million. Nasdaq Helsinki accounted for over 90% of the trading on Kesko's A and B shares in January-June. Kesko shares were also traded on multilateral trading facilities, the most significant of which was Turquoise (source: Euroland).

At the end of June 2021, the number of registered shareholders was 61,327, which is 4,195 more than at the end of 2020. At the end of June, foreign ownership of all shares was 38.5%, and foreign ownership of B shares 55.4%.

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-June 2021, Kesko Corporation transferred 378,476 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, and 6,272 B shares were returned to the company without consideration based on the same terms and conditions. Kesko issued related stock exchange releases on 19 March 2021, 25 March 2021, 29 April 2021 and 9 February 2021. Kesko issued a stock exchange release on 3 February 2021 regarding the most recent share-based commitment and incentive plans. Kesko Corporation also transferred a total of 4,822 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 29 April 2021.

Kesko's Annual General Meeting of 12 April 2021 authorised the Board to decide on the issuance of a total maximum of 40,000,000 new B shares and B shares held by the company as treasury shares. The authorisation is valid until 30 June 2022. The authorisation was communicated in a stock exchange release on 12 April 2021.

KEY EVENTS DURING THE REPORTING PERIOD

Riikka Joukio, M.Sc. (Tech.), eMBA, was appointed Executive Vice President in charge of sustainability and public affairs, and a member of Kesko's Group Management Board. Joukio assumed her position on 12 April 2021. (Stock exchange release 11.1.2021)

On 19 March 2021, Kesko published its 2020 Annual Report in Finnish and in English. The report contains the 2020 financial statements, Report by the Board of Directors, Corporate Governance Statement and Remuneration Report for Governing Bodies, as well sections on Kesko's direction and sustainability. (Stock exchange release 19.3.2021)

Matti Virtanen, M.Sc. (Tech.), was appointed as President of Kesko's car trade division and a member of Group Management Board as of 9 April 2021. (Stock exchange release 9.4.2021)

The Board of Directors of Kesko Corporation and the company's President and CEO Mikko Helander agreed to amend Helander's managing director's contract so that Helander will continue to act as President and CEO for the time being. According to the previous contract, Helander would have retired in June 2023 when he turns 63. Helander has acted as the President and CEO of Kesko since 2015. (Stock exchange release 12.4.2021)

Kesko Corporation's Annual General Meeting was held on Monday 12 April 2021 at the K-Kampus headquarters 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 677/2020 in place. Read more in the section: Resolutions of the 2021 Annual General Meeting and decisions of the Board's organisational meeting (Stock exchange releases 15.3.2021 and 12.4.2021)

Positive profit warning 15 April: Kesko raised its guidance for its comparable operating profit in 2021, estimating that its comparable operating profit in 2021 would be in the range of €570-670 million. Before, the company estimated that the comparable operating profit would be in the range of €520-620 million. The guidance upgrade was based on better-than-anticipated sales development in all divisions and a more positive outlook for the remainder of the year. The illustrative comparable operating profit in 2020 was €554 million. (Stock exchange release 15.4.2021)

The Board of Directors of Kesko Corporation confirmed an updated version of the company's strategy and new medium-term financial targets for the company. Kesko's growth strategy centres on profitable growth in three selected business divisions: grocery trade, building and technical trade, and car trade. The new medium-term financial targets for profitability are a comparable operating margin of over 6.0% (previously 5.5%) and a comparable return on capital employed of over 14.5% (previously 12.5%). (Stock exchange release 27.5.2021)

Positive profit warning 14 June: Kesko issued a positive profit warning based in particular on stronger-than-anticipated development in building and technical trade, and raised its profit guidance for 2021. Kesko estimates that its comparable operating profit in 2021 will be in the range of €650-750 million. Before, the company estimated that the comparable operating profit would be in the range of €570-670 million. (Stock exchange release 14.6.2021)

K Group invests tens of millions of euros in upcoming years in automating the collection of online grocery orders. The objective is to improve customer experience further while ensuring more efficient processes and an even stronger market-leading position. The first partially-automated collection system in a grocery store in Finland will be located in the Helsinki metropolitan area, where online grocery sales volumes are now at a level that enables more extensive utilisation of automation. (Investor news 22.6.2021)

KEY EVENTS AFTER THE REPORTING PERIOD

Kesko will acquire Byggarnas Partner, a company that serves professional builders in Sweden. The acquisition further strengthens Kesko's position in the Swedish building and home improvement trade market, especially in the Stockholm area. (Investor news 23.7.2021)

RESOLUTIONS OF THE 2021 ANNUAL GENERAL MEETING AND DECISIONS OF THE BOARD'S ORGANISATIONAL MEETING

The Annual General Meeting of Kesko Corporation on 12 April 2021 adopted the financial statements for 2020. The Annual General Meeting resolved to distribute a dividend of €0.75 per share on shares held outside the

company. The dividend will be paid in two instalments. The record date of the first dividend instalment of €0.38/share was 14 April 2021 and the pay date 21 April 2021. The record date of the second dividend instalment of €0.37/share is 1 October 2021 and the pay date 8 October 2021.

The resolutions of the Annual General Meeting and the decisions of the Board's organisational meeting were communicated in more detail in stock exchange releases on 12 April 2021.

SUSTAINABILITY

K Group increases the use of Finnish wind power: from 2023 onwards, some 20% of the electricity purchased by K Group will be generated using Finnish wind power. All electricity purchased in Finland is renewable.

Investments in the K Charge network for electric and hybrid cars continue in 2021 with 20 new charging stations established in Finland; focus is on High Power Charging (HPC) stations in particular.

Tuna is one of the most sold canned foods. By the end of 2021, all own-brand Pirkka and K-Menu tuna cans will have QR codes that enable customers to access information on the products' origin and fishing methods on K Group's 'Tracing our products' website.

All packaging for own-brand Pirkka, Pirkka Parhaat and K-Menu products will be equipped with new easy-to-understand recycling instructions.

K Group began the fifth and last year of its K Fishpaths collaboration with WWF Finland: so far, 25 obstacles have been removed and over 30 locations restored for endangered migratory fish.

RISK MANAGEMENT

The most significant changes to the risks presented in Kesko's 2020 Report by the Board of Directors and financial statements are the better-than-anticipated economy during the first half of 2021, which had a positive impact on Kesko's sales and profit, and the minor negative impacts of the Covid-19 pandemic on Kesko's operations.

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

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

Helsinki, 22 July 2021
Kesko Corporation
Board of Directors

The information in this half-year financial report is unaudited.

Further information is available from Jukka Erlund, Executive Vice President, Chief Financial Officer, tel. +358 105 322 113, Hanna Jaakkola, Vice President, Investor Relations, tel. +358 105 323 540, and Eva Kaukinen, Vice President, Group Controller, tel. +358 105 322 338. A Finnish-language webcast of the results briefing can

be viewed today at 11.00 am (EEST) at www.kesko.fi. An English-language audio conference on the results will be held today at 12.30 pm (EEST). The audio conference login is available on Kesko's website at www.kesko.fi.

Kesko Corporation's interim report for January-September 2021 will be published on 29 October 2021. 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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TABLES SECTION

Accounting policies

This half-year financial report has been prepared in accordance with IAS 34. The half-year report has been prepared in accordance with the same accounting principles as the annual financial statements for 2020, with the exception of the reclassification of cash and cash equivalents in the consolidated statement of financial position and the consolidated statement of cash flows, as detailed below.

Consolidated income statement (€ million), condensed					
	1-6/2021	1-6/2020	4-6/2021	4-6/2020	1-12/2020
Net sales	5,527.5	5,355.0	2,988.2	2,814.5	10,669.2
Material and services	-4,789.5	-4,598.8	-2,518.3	-2,341.4	-9,148.3
Change in inventory	47.6	-8.6	-32.7	-73.3	-6.9
Other operating income	463.1	429.0	244.9	223.2	930.9
Employee benefit expense	-388.1	-391.0	-202.7	-194.0	-750.7
Depreciation, amortisation and impairment charges	-84.0	-84.7	-43.1	-43.8	-170.2
Depreciation and impairment charges for right-of-use assets	-154.1	-166.6	-77.4	-82.7	-325.8
Other operating expenses	-297.4	-314.2	-152.8	-148.4	-605.5
Share of result of joint ventures	8.8	-	12.0	-	7.5
Operating profit	333.8	220.0	218.1	154.1	600.2
Interest income and other finance income	4.7	5.0	2.5	2.7	11.7
Interest expense and other finance costs	-2.8	-7.7	-2.3	-2.2	-10.5
Interest expense for lease liabilities	-36.6	-45.6	-18.1	-22.5	-83.3
Foreign exchange differences	0.0	-4.4	-0.5	1.5	-4.7
Share of result of associates	4.6	2.0	4.8	2.6	14.3
Profit before tax	303.7	169.3	204.5	136.2	527.6
Income tax	-63.7	-37.4	-42.9	-31.0	-92.3
Net profit for the period	240.0	131.9	161.6	105.3	435.3
Attributable to					
Owners of the parent	240.0	129.9	161.6	95.4	433.4
Non-controlling interests	-	2.0	-	9.9	2.0
Earnings per share (€) for profit attributable to owners of the parent					
Basic and diluted	0.60	0.33	0.41	0.24	1.09

Consolidated statement of comprehensive income (€ million)					
	1-6/2021	1-6/2020	4-6/2021	4-6/2020	1-12/2020
Net profit for the period	240.0	131.9	161.6	105.3	435.3
Items that will not be reclassified subsequently to profit or loss					
Actuarial gains/losses	27.9	-7.1	10.6	-6.4	0.8
Items that may be reclassified subsequently to profit or loss					
Currency translation differences related to a foreign operation	7.5	-26.0	-1.3	21.1	-2.8
Cash flow hedge revaluation	2.7	-3.9	1.9	2.3	-2.7
Other items	-	-0.3	-	-0.3	-0.3
Total other comprehensive income for the period, net of tax	38.1	-37.3	11.2	16.7	-4.9
Total comprehensive income for the period	278.1	94.6	172.8	122.0	430.5
Attributable to					
Owners of the parent	278.1	96.8	172.8	111.0	432.6
Non-controlling interests	-	-2.2	-	11.0	-2.2

Consolidated statement of financial position (€ million), condensed			
	30.6.2021	30.6.2020	31.12.2020
ASSETS			
Non-current assets			
Property, plant and equipment	1,488.4	1,541.6	1,450.8
Right-of-use assets	1,764.8	2,089.2	1,819.0
Goodwill	581.3	479.2	572.1
Intangible assets	200.1	204.7	205.2
Shares in associates and joint ventures	212.2	59.4	199.1
Other investments	21.6	20.5	22.7
Loans and other receivables	72.7	68.2	75.3
Pension assets	83.1	82.0	89.6
Total	4,424.3	4,544.9	4,433.8
Current assets			
Inventories	904.0	1,024.3	836.9
Trade receivables	1,104.2	945.9	776.5
Other receivables	251.0	221.9	278.8
Other financial assets*	52.8	50.8	51.7
Cash and cash equivalents*	313.9	411.0	254.3
Total	2,625.9	2,653.9	2,198.2
Non-current assets held for sale	0.5	0.5	9.9
Total assets	7,050.7	7,199.2	6,641.9

* The change in the accounting policy regarding the classification of cash and cash equivalents is detailed on page 26.

	30.6.2021	30.6.2020	31.12.2020
EQUITY AND LIABILITIES			
Equity	2,170.1	1,855.4	2,189.3
Non-controlling interests	-	109.9	-
Total equity	2,170.1	1,965.3	2,189.3
Non-current liabilities			
Interest-bearing liabilities	334.6	459.7	408.7
Lease liabilities	1,651.5	1,999.4	1,712.3
Non-interest-bearing liabilities	25.8	29.5	29.5
Deferred tax liabilities	23.5	7.3	16.4
Pension obligations	0.4	0.4	0.4
Provisions	17.6	19.8	20.3
Total	2,053.4	2,516.0	2,187.7
Current liabilities			
Interest-bearing liabilities	226.4	332.2	182.6
Lease liabilities	314.1	312.7	312.7
Trade payables	1,421.5	1,313.1	1,091.3
Other non-interest-bearing liabilities	846.7	746.9	658.4
Provisions	18.3	13.2	17.7
Total	2,827.1	2,718.0	2,262.6
Liabilities related to non-current assets held for sale	-	-	2.3
Total equity and liabilities	7,050.7	7,199.2	6,641.9

Consolidated statement of changes in equity (€ million)							
	Share capital	Reserves	Currency translation differences	Re-valuation 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					-1.7		-1.7
Dividends						-297.8	-297.8
Other changes						2.4	2.4
Transactions with owners, total					-1.7	-295.4	-297.2
Comprehensive income							
Profit for the period						240.0	240.0
Items that will not be reclassified subsequently to profit or loss							
Actuarial gains/losses						34.9	34.9
Items that may be reclassified subsequently to profit or loss							
Translation differences on foreign operations			7.5				7.5
Cash flow hedge revaluation				3.3			3.3
Tax related to comprehensive income				-0.7		-7.0	-7.6
Total comprehensive income for the period			7.5	2.7		267.9	278.1
Balance at 30.6.2021	197.3	464.7	-12.5	0.6	-33.1	1,553.2	2,170.1

	Share capital	Reserves	Currency translation differences	Re-valuation reserve	Treasury shares	Retained earnings	Non-controlling interests	Total
Balance at 1.1.2020	197.3	464.8	-21.3	0.6	-35.4	1,419.8	115.0	2,140.8
Share-based payments					1.7			1.7
Dividends						-249.9		-249.9
Increase in share capital							1.2	1.2
Disposal of subsidiaries		0.0	0.2			-21.2	-4.1	-25.3
Other changes		0.0				2.1		2.1
Transactions with owners, total		0.0	0.2		1.7	-269.1	-2.9	-270.1
Comprehensive income								
Profit for the period						129.9	2.0	131.9
Items that will not be reclassified subsequently to profit or loss								
Actuarial gains/losses						-8.8		-8.8
Items that may be reclassified subsequently to profit or loss								
Translation differences on foreign operations			-21.9			0.0	-4.1	-26.0
Cash flow hedge revaluation				-4.9				-4.9
Tax related to comprehensive income				1.0		1.8		2.7
Other changes						-0.3		-0.3
Total comprehensive income for the period			-21.9	-3.9		122.6	-2.2	94.6
Balance at 30.6.2020	197.3	464.8	-43.1	-3.3	-33.7	1,273.3	109.9	1,965.3

Consolidated statement of cash flows (€ million), condensed					
	1-6/2021	1-6/2020	4-6/2021	4-6/2020	1-12/2020
Cash flows from operating activities					
Profit before tax	303.7	169.3	204.5	136.2	527.6
Depreciation according to plan	84.0	84.7	43.1	43.8	170.2
Depreciation and impairment for right-of-use assets	154.1	166.6	77.4	82.7	325.8
Finance income and costs	-2.0	7.1	0.3	-2.0	3.5
Interest expense for lease liabilities	36.6	45.6	18.1	22.5	83.3
Other adjustments	26.1	0.8	-15.8	4.9	-54.3
Change in working capital					
Current non-interest-bearing receivables, increase (-)/decrease (+)	-291.7	-171.9	-206.6	-74.2	-64.3
Inventories, increase (-)/decrease (+)	-66.1	-7.9	33.0	71.9	5.5
Current non-interest-bearing liabilities, increase (+)/decrease(-)	344.2	332.1	224.5	168.8	287.9
Financial items and tax	-87.4	-69.0	-31.9	-32.7	-132.9
Net cash from operating activities, total	501.7	557.4	346.6	421.8	1,152.4
Cash flows from investing activities					
Investing activities	-106.8	-129.5	-63.9	-72.8	-359.6
Proceeds from sale of tangible and intangible assets	6.3	4.2	3.4	2.2	16.4
Proceeds from sale of subsidiaries and business operations, net cash deducted	2.8	19.6	-	-	-73.2
Loan receivables and other financial assets, increase (-)/decrease (+)	-0.7	-7.3	-0.4	12.7	-4.9
Net cash used in investing activities, total	-98.3	-113.0	-60.9	-57.9	-421.3
Cash flows from financing activities					
Interest-bearing liabilities, increase (+)/decrease (-)	-29.4	178.6	-3.9	43.5	18.9
Payments for lease liabilities	-159.7	-205.6	-80.1	-82.8	-363.3
Current interest-bearing receivables, increase (-)/ decrease (+)	1.5	0.6	1.7	0.4	-0.9
Dividends paid	-150.9	-127.0	-150.9	-127.0	-249.9
Other items	-5.5	-3.5	-2.8	9.6	-4.7
Net cash used in financing activities, total	-344.0	-156.8	-236.0	-156.2	-600.0
Change in cash and cash equivalents	59.4	287.6	49.7	207.6	131.2
Cash and cash equivalents at 1 January	254.3	124.4	264.3	203.1	124.4
Exchange differences and change in value of cash and cash equivalents	0.2	-1.1	0.0	0.3	-1.2
Cash and cash equivalents at 30 June	313.9	411.0	313.9	411.0	254.3

Cash flow from leases (€ million)	1-6/2021	1-6/2020	4-6/2021	4-6/2020	1-12/2020
Interest expense for lease liabilities	-36.6	-45.6	-18.1	-22.5	-83.3
Decrease in lease liabilities	-159.7	-167.7	-80.1	-81.7	-363.3
Total	-196.3	-213.3	-98.2	-104.2	-446.7

Change in accounting policy

The classification of cash and cash equivalents in the consolidated statement of financial position and the consolidated statement of cash flows has been changed. Some of the assets previously reported in the consolidated statement of financial position under current assets on line "Financial assets at fair value through profit or loss" are now classified in the consolidated statement of financial position and the consolidated statement of cash flows on line "Cash and cash equivalents". On 31 December 2020, the reclassified assets totalled €99.9 million. The cash and cash equivalents subject to reclassification are investments in money market funds with an investment horizon of less than three months. The Group makes short-term investments with extra liquidity in money market funds as an alternative to bank deposits. The risk profile of these fund investments is very low, and in terms of liquidity and return, they correspond to bank deposits. Assets reclassified as cash and cash equivalents belong to level 1 on the hierarchy of financial assets at fair value presented in the table on page 32.

Following the reclassification, the presentation of change in financial assets at fair value through profit or loss in the consolidated statement of cash flows was changed so that changes in these financial instruments are presented under cash flow from investing activities instead of cash flow from financing activities.

The balance sheet lines "Financial assets at fair value through profit or loss" and "Financial assets at amortised cost", previously reported under current assets, have also been combined on the balance sheet line "Other financial assets." The reclassification has been made to the consolidated statement of financial position and the consolidated statement of cash flows for the comparison periods. The management sees that the reclassification enables better and more meaningful information and corresponds to operational liquidity management.

Effect of reclassification of cash and cash equivalents			
Consolidated statement of financial position	30.6.2021	30.6.2020	31.12.2020
Cash and cash equivalents, reported	313.9	331.0	154.5
Effect of reclassification	-	+80.0	+99.9
Cash and cash equivalents, reclassified	313.9	411.0	254.3
In the consolidated statement of cash flows	1-6/2021	1-6/2020	1-12/2020
Net cash used in investing activities, reported	-98.3	-105.6	-413.7
Effect of reclassification	-	-7.3	-7.6
Net cash used in investing activities, reclassified	-98.3	-113.0	-421.3
Net cash used in financing activities, reported	-344.0	-244.2	-707.5
Effect of reclassification	-	+87.3	+107.5
Net cash used in financing activities, reclassified	-344.0	-156.8	-600.0

Group's performance indicators	1-6/2021	1-6/2020	4-6/2021	4-6/2020	1-12/2020
Net sales, € million	5,527.5	5,355.0	2,988.2	2,814.5	10,669.2
Operating profit, € million	333.8	220.0	218.1	154.1	600.2
Operating margin, %	6.0	4.1	7.3	5.5	5.6
Operating profit, comparable, € million	335.6	220.3	219.4	155.2	567.8
Operating margin, comparable, %	6.1	4.1	7.3	5.5	5.3
Profit before tax, € million	303.7	169.3	204.5	136.2	527.6
Profit before tax, comparable, € million	303.2	167.9	203.6	135.2	481.9
Earnings per share, basic and diluted, €	0.60	0.33	0.41	0.24	1.09
Earnings per share, comparable, basic and diluted, €	0.60	0.32	0.40	0.24	0.97
Return on capital employed, %	14.6	9.0	19.1	12.8	12.7
Return on capital employed, %, rolling 12 months	15.7	10.0	-	-	12.7
Return on capital employed, comparable, %	14.7	9.0	19.2	12.9	12.0
Return on capital employed, comparable, %, rolling 12 months	15.0	10.1	-	-	12.0
Capital expenditure, € million	126.9	168.2	82.7	69.1	398.4
Cash flow from operating activities, € million	501.7	557.4	346.6	421.8	1,152.4
Cash flow from investing activities, € million	-98.3	-113.0	-60.9	-57.9	-421.3
Cash flow from operating activities/share, €	1.26	1.41	0.87	1.06	2.91
Return on equity, %	22.0	12.8	29.0	20.8	20.1
Return on equity, %, rolling 12 months	26.3	18.1	-	-	20.1
Return on equity, comparable, %	22.0	12.6	28.8	20.5	17.8
Return on equity, comparable, %, rolling 12 months	24.0	16.7	-	-	17.8
Equity ratio, %	30.9	27.4	30.9	27.4	33.1
Equity per share, €	5.46	4.68	5.46	4.68	5.52
Interest-bearing net debt/EBITDA excluding the impact of IFRS 16, rolling 12 months	0.2	0.6	-	-	0.4
Interest-bearing net debt, € million	2,160.0	2,642.1	2,160.0	2,642.1	2,310.3
Interest-bearing net debt excluding lease liabilities, € million	194.4	330.0	194.4	330.0	285.3
Diluted number of shares, average for the reporting period, 1,000 pcs	396,950	396,583	396,950	396,583	396,661
Personnel, average	14,192	20,895	14,453	20,854	17,629

Segment information

The change in Kesko Senukai's consolidation method from a subsidiary to a joint venture as of 1 July 2020 has impacted the performance indicators for the building and technical trade in segment information. Due to the change in consolidation method, the Group changed the internal reporting to its highest operative decision-maker, i.e. the Group Management Board. Consequently, Kesko Senukai has been reported in the segment figures and the 1-12/2020, 1-6/2020 and 4-6/2020 income statement figures for the building and technical trade as if it had been consolidated on one line before operating profit in accordance with ownership interest, as opposed to the subsidiary consolidation method used up until 30 June 2020. Such a change has not been made to internally reported balance sheet figures or personnel numbers.

Net sales by segment, € million	1-6/2021	1-6/2020	4-6/2021	4-6/2020	1-12/2020	Rolling mo 6/2021
Grocery trade, Finland	2,836.9	2,752.6	1,476.3	1,431.1	5,732.0	5,816.3
Grocery trade total	2,836.9	2,752.6	1,476.3	1,431.1	5,732.0	5,816.3
- of which intersegment trade	8.5	7.5	4.0	3.8	15.3	16.3
Building and technical trade, Finland	1,170.6	1,053.8	652.0	568.8	2,102.7	2,219.5
Building and technical trade, other countries*	982.9	717.0	577.2	385.6	1,536.8	1,802.7
Building and technical trade total	2,153.4	1,770.7	1,229.1	954.4	3,639.5	4,022.2
- of which intersegment trade	-0.4	-0.6	-0.1	-0.4	-0.7	-0.6
Car trade, Finland	548.7	414.6	288.6	192.0	892.6	1,026.7
Car trade total	548.7	414.6	288.6	192.0	892.6	1,026.7
- of which intersegment trade	3.3	2.8	1.8	1.4	6.7	7.2
Common functions and eliminations	-11.5	-9.6	-5.9	-4.8	-21.4	-23.3
Finland total	4,544.7	4,211.3	2,411.0	2,187.1	8,705.8	9,039.1
Other countries total*	982.9	717.0	577.2	385.6	1,536.8	1,802.7
Segment information, total	5,527.5	4,928.3	2,988.2	2,572.7	10,242.6	10,841.8
Impact of change in Kesko Senukai's consolidation method**	-	426.6	-	241.9	426.6	-
Reported group	5,527.5	5,355.0	2,988.2	2,814.5	10,669.2	10,841.8

* Net sales in countries other than Finland

** Kesko Senukai's net sales, net of Group company net sales from sales of products and services to Kesko Senukai, have been consolidated in the consolidated income statement. The sum is not presented in the segment reporting as net sales due to a different accounting policy.

Operating profit by segment, € million	1-6/2021	1-6/2020	4-6/2021	4-6/2020	1-12/2020	Rolling mo 6/2021
Grocery trade	189.8	142.1	108.7	82.3	373.7	421.4
Building and technical trade	139.2	76.3	108.2	63.3	177.7	240.6
Car trade	24.2	9.9	13.1	3.8	23.3	37.7
Common functions and eliminations	-19.4	-22.4	-11.9	-8.9	-34.8	-31.8
Segment information, total	333.8	205.9	218.1	140.4	540.0	667.9
Impact of change in Kesko Senukai's consolidation method*	-	14.1	-	13.7	60.2	46.1
Reported group	333.8	220.0	218.1	154.1	600.2	714.0

* 100% of the operating profit reported by Kesko Senukai 1-6/2020 and the realised profit of €46.1 million from the change in consolidation method in 7-12/2020 are consolidated in the comparison period operating profit in the consolidated income statement. In segment reporting, the share of joint venture's net profit equivalent to ownership interest has been consolidated in the 1-12/2020 operating profit.

Operating profit by segment, comparable, € million	1-6/2021	1-6/2020	4-6/2021	4-6/2020	1-12/2020	Rolling mo 6/2021
Grocery trade	189.7	143.3	108.6	83.0	375.2	421.6
Building and technical trade	139.7	70.2	108.4	63.7	187.7	257.2
Car trade	25.4	9.9	14.3	3.8	23.4	39.0
Common functions and eliminations	-19.3	-17.3	-11.8	-8.9	-32.7	-34.7
Segment information, total	335.6	206.2	219.4	141.5	553.6	683.1
Impact of change in Kesko Senukai's consolidation method*	-	14.1	-	13.7	14.1	-
Reported group	335.6	220.3	219.4	155.2	567.8	683.1

* 100% of the comparable operating profit reported by Kesko Senukai in 1-6/2020 has been consolidated in the comparison period operating profit in the consolidated income statement. In segment reporting, the share of joint venture's net profit equivalent to ownership interest has been consolidated in the 1-12/2020 operating profit.

Operating margin by segment, %, comparable	1-6/2021	1-6/2020	4-6/2021	4-6/2020	1-12/2020	Rolling mo 6/2021
Grocery trade	6.7	5.2	7.4	5.8	6.5	7.2
Building and technical trade	6.5	4.0	8.8	6.7	5.2	6.4
Car trade	4.6	2.4	4.9	2.0	2.6	3.8
Segment information, total	6.1	4.2	7.3	5.5	5.4	6.3
Impact of change in Kesko Senukai's consolidation method*	-	0.1	-	0,0	0.1	-
Reported group	6.1	4.1	7.3	5.5	5.3	6.3

* The difference between the operating margin in segment reporting and the operating margin calculated based on the consolidated income statement.

EBITDA by segment, comparable, € million	1-6/2021	1-6/2020	4-6/2021	4-6/2020	1-12/2020	Rolling mo 6/2021
Grocery trade	329.6	283.4	179.5	154.2	657.7	703.9
Building and technical trade	200.6	124.7	138.9	90.1	300.8	376.7
Car trade	44.2	27.4	23.9	12.7	58.6	75.5
Common functions and eliminations	-0.5	1.7	-2.0	1.1	5.0	2.8
Segment information, total	573.9	437.3	340.2	258.0	1,022.2	1,158.8
Impact of change in Kesko Senukai's consolidation method*	-	35.0	-	23.7	35.0	-
Reported group	573.9	472.2	340.2	281.8	1,057.1	1,158.8

*100% of the comparable EBITDA reported by Kesko Senukai in 1-6/2020 is consolidated in the comparison period in the comparable EBITDA calculated based on the consolidated income statement EBITDA. In segment reporting, the share of joint venture's net profit equivalent to ownership interest has been consolidated in the 1-12/2020 comparable EBITDA.

Operating profit by segment excluding the impact of IFRS 16, comparable, € million	1-6/2021	1-6/2020	4-6/2021	4-6/2020	1-12/2020	Rolling mo 6/2021
Grocery trade	160.0	113.7	94.0	68.4	316.2	362.5
Building and technical trade	130.8	63.3	103.9	60.5	171.5	239.1
Car trade	25.0	9.3	14.0	3.5	23.0	38.8
Common functions and eliminations	-20.0	-17.9	-12.1	-9.2	-34.3	-36.3
Segment information, total	295.9	168.3	199.8	123.1	476.5	604.1
Impact of change in Kesko Senukai's consolidation method*	-	9.5	-	10.6	9.5	-
Reported group	295.9	177.8	199.8	133.8	486.0	604.1

* 100% of the comparable operating profit excluding the impact of IFRS 16 reported by Kesko Senukai in 1-6/2020 has been consolidated in the comparison period operating profit excluding the impact of IFRS 16 in the consolidated income statement. In segment reporting, the share of joint venture's net profit equivalent to ownership interest has been consolidated in the 1-12/2020 comparable operating profit excluding the impact of IFRS 16.

The capital employed, comparable return on capital employed (%), and capital expenditure of the reporting segments are presented in accordance with IFRS reporting, with Kesko Senukai consolidated in the consolidated financial statements as a subsidiary until 30 June 2020 and as a joint venture as of 1 July 2020.

Capital employed by segment, cumulative average, € million	1-6/2021	1-6/2020	4-6/2021	4-6/2020	1-12/2020	Rolling mo 6/2021
Grocery trade	2,149.9	2,252.4	2,142.3	2,238.2	2,223.7	2,171.9
Building and technical trade	1,699.3	1,966.0	1,709.6	1,904.8	1,804.5	1,674.5
Car trade	394.1	390.6	408.5	391.7	372.8	373.7
Common functions and eliminations	317.6	300.4	315.0	275.9	317.4	327.3
Group total	4,560.9	4,909.4	4,575.4	4,810.5	4,718.5	4,547.4

Return on capital employed by segment, %, comparable	1-6/2021	1-6/2020	4-6/2021	4-6/2020	1-12/2020	Rolling mo 6/2021
Grocery trade	17.7	12.7	20.3	14.8	16.9	19.4
Building and technical trade	16.4	8.6	25.4	16.2	11.2	15.4
Car trade	12.9	5.1	14.0	3.9	6.3	10.4
Group total	14.7	9.0	19.2	12.9	12.0	15.0

Capital expenditure by segment, € million	1-6/2021	1-6/2020	4-6/2021	4-6/2020	1-12/2020	Rolling mo 6/2021
Grocery trade	42.7	92.5	28.0	29.9	125.4	75.6
Building and technical trade	18.3	29.5	12.8	18.7	186.3	175.0
Car trade	49.0	33.1	31.3	13.4	64.7	80.6
Common functions and eliminations	16.9	13.0	10.6	7.2	22.0	25.9
Group total	126.9	168.2	82.7	69.1	398.4	357.2

Change in tangible and intangible assets (€ million)

	30.6.2021	30.6.2020
Opening net carrying amount	2,228.2	2,172.6
Depreciation, amortisation and impairment charges	-84.0	-84.7
Investments in tangible and intangible assets	130.1	165.1
Deductions	-9.0	-8.2
Acquisitions	-	2.2
Transfers to non-current assets held for sale and between items	-2.0	-0.3
Exchange differences	6.6	-21.1
Closing net carrying amount	2,269.9	2,225.5

Right-of-use assets (€ million)

	30.6.2021	30.6.2020
Opening net carrying amount	1,819.0	2,191.3
Depreciation, amortisation and impairment charges	-154.5	-166.7
Net increases	96.1	75.9
Exchange differences	4.2	-11.3
Closing net carrying amount	1,764.8	2,089.2

The net increase in right-of-use assets in 2020 includes a €-33.8 million transfer to tangible assets due to the use of a lease purchase option.

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:	1-6/2021	1-6/2020
Sales of goods and services	55.4	53.3
Purchases of goods and services	-6.1	-3.4
Other operating income	9.0	8.2
Other operating expenses	-1.8	-1.8
Finance income and costs	3.0	2.8
	30.6.2021	30.6.2020
Receivables	92.4	74.2
Liabilities	11.6	16.8
Items related to leases	30.6.2021	30.6.2020
Cash flow from leases	-23.6	-24.7
Lease liabilities	306.8	371.7

Kesko Pension Fund paid in total €38.6 million in return of surplus assets to Finnish Group companies in March 2021.

Credit and counterparty risk, ageing analysis of trade receivables

Ageing analysis of trade receivables (€ million)	30.6.2021	30.6.2021
Trade receivables fully performing	1,054.2	884.6
1-7 days past due trade receivables	21.5	20.4
8-30 days past due trade receivables	12.0	13.8
31-60 days past due trade receivables	3.8	4.8
over 60 days past due trade receivables	12.8	22.3
Total	1,104.2	945.9

Trade receivables include impairment charges totalling €19.9 million (30 June 2020: €25.6 million).

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

30.6.2021 Balance, € million	Fair value through profit or loss	Amortised cost	Fair value in comprehensive income	Carrying amount	Fair value	Level 1	Level 2	Level 3
Non-current financial assets								
Other investments	21.6			21.6	21.6			21.6
Loans and receivables		71.7		71.7	71.7			
Non-current receivables, derivatives			0.8	0.8	0.8		0.8	
Current financial assets								
Trade receivables		1 104.2		1 104.2	1 104.2			
Other receivables		250.2		250.2	250.2			
Other receivables, derivatives			0.9	0.9	0.9		0.9	
Other financial assets	10.2	42.6		52.8	53.0	10.2		
Cash and cash equivalents		313.9		313.9	313.9			
Total financial assets	31.7	1 782.6	1.6	1 816.0	1 816.2	10.2	1.6	21.6
Non-current financial liabilities								
Non-current interest-bearing liabilities		334.6		334.6	334.6			
Non-current lease liabilities		1 651.5		1 651.5	1 651.5			
Non-current non-interest-bearing liabilities		25.0		25.0	25.0			
Non-current non-interest-bearing liabilities, derivatives			0.8	0.8	0.8		0.8	
Current financial liabilities								
Current interest-bearing liabilities		226.4		226.4	226.4			
Current lease liabilities		314.1		314.1	314.1			
Trade payables		1 421.5		1 421.5	1 421.5			
Other non-interest-bearing liabilities		770.2		770.2	770.2			
Other non-interest-bearing liabilities, derivatives	5.2		0.1	5.3	5.3		5.3	
Total financial liabilities	5.2	4 743.3	0.9	4 749.4	4 749.4		6.2	

30.6.2020 Balance, € million	Fair value through profit or loss	Amortised cost	Fair value in comprehensive income	Carrying amount	Fair value	Level 1	Level 2	Level 3
Non-current financial assets								
Other investments	20.5			20.5	20.5			20.5
Loans and receivables		60.7		60.7	60.7			
Current financial assets								
Trade receivables		945.9		945.9	945.9			
Other receivables		220.0		220.0	220.0			
Other receivables, derivatives	2.0			2.0	2.0		2.0	
Other financial assets	19.8	31.1		50.8	50.9	19.8		
Cash and cash equivalents	80.0	331.0		411.0	411.0	80.0		
Total financial assets	122.2	1 588.6		1 710.8	1 710.8	99.7	2.0	20.5
Non-current financial liabilities								
Non-current interest-bearing liabilities		459.7		459.7	459.7			
Non-current lease liabilities		1 999.4		1 999.4	1 999.4			
Non-current non-interest-bearing liabilities		27.3		27.3	27.3			
Non-current non-interest-bearing liabilities, derivatives			2.2	2.2	2.2		2.2	
Current financial liabilities								
Current interest-bearing liabilities		332.2		332.2	332.2			
Current lease liabilities		312.7		312.7	312.7			
Trade payables		1 313.1		1 313.1	1 313.1			
Other non-interest-bearing liabilities		699.0		699.0	699.0			
Other non-interest-bearing liabilities, derivatives	7.9		1.9	9.8	9.8		9.8	
Total financial liabilities	7.9	5 143.4	4.1	5 155.4	5 155.4		12.0	

Loans and receivables do not include deferred tax assets of €0.3 million (€7.5 million). Income tax liabilities of €45.0 million (€8.7 million) and prepayments received of €26.3 million (€29.4 million) are not categorised as financial liabilities and are not included in the table above.

Personnel, average and at 30.6.

Personnel average by segment	1-6/2021	1-6/2020	Change
Grocery trade	6.062	6.067	-5
Building and technical trade	5.991	12.704	-6.713
Car trade	1.261	1.280	-19
Common functions	878	844	34
Group total	14.192	20.895	-6.703

Personnel at 30.6.*by segment	2021	2020	Change
Grocery trade	8.504	8.257	247
Building and technical trade	7.290	14.532	-7.242
Car trade	1.306	1.315	-9
Common functions	955	878	77
Group total	18.055	24.982	-6.927

* Total number including part-time employees

Group's commitments (€ million)

	30.6.2021	30.6.2020
Own commitments	311.0	424.0
For others	-	3.3
Lease liabilities for leases not recognised in the balance sheet	72.8	85.3
Liabilities arising from derivative instruments (€ million)		
		Fair value
Values of underlying instruments at	30.6.2021	30.6.2020
Interest rate derivatives		
Interest rate swaps	420.0	420.0
Currency derivatives		
Forward and future contracts	217.8	199.6
Commodity derivatives		
Electricity futures	22.8	15.2

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

Calculation of performance indicators

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

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

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

Alternative performance measures that have been adjusted for the impact of IFRS 16 are used to monitor the achievement of certain financial targets. The EBITDA excluding the impact of IFRS 16 corresponds to EBITDA before the adoption of IFRS 16, and the interest-bearing net debt excluding lease liabilities correspond to interest-bearing net debt before the adoption of the standard. These restated indicators are included as components in the Group's financial target "interest-bearing net debt excluding lease liabilities divided by EBITDA excluding the impact of IFRS 16".

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

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

Interest-bearing net debt	Interest-bearing liabilities + Lease liabilities – Current other financial assets – Cash and cash equivalents
Interest-bearing net debt excluding lease liabilities	Interest-bearing net debt – Lease liabilities
EBITDA	Operating profit + Depreciation and amortisation + Impairments
EBITDA excluding the impact of IFRS 16	EBITDA – Rents for right-of-use assets
Interest-bearing net debt excluding lease liabilities / EBITDA excluding the impact of IFRS 16	Interest-bearing net debt excluding lease liabilities / EBITDA excluding the impact of IFRS 16
Capital expenditure	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	1-6/ 2021	1-6/ 2020	4-6/ 2021	4-6/ 2020	1-12/ 2020
Items affecting comparability					
Gains on disposal	0.6	6.4	0.0	-	9.8
Losses on disposal	-0.0	-0.1	-	-0.1	-0.2
Structural arrangements	-2.3	-6.6	-1.4	-1.0	22.8
Items in operating profit affecting comparability	-1.8	-0.3	-1.4	-1.1	32.4
Items in financial items affecting comparability	2.3	1.7	2.3	2.1	13.4
Items in income taxes affecting comparability	0.1	1.2	0.2	0.2	4.1
Total items affecting comparability	0.6	2.6	1.1	1.2	49.9
Items in EBITDA affecting comparability	-2.0	-0.9	-1.6	-1.1	39.1
Operating profit, comparable					
Operating profit	333.8	220.0	218.1	154.1	600.2
Net of					
Items in operating profit affecting comparability	1.8	0.3	1.4	1.1	32.4
Operating profit, comparable	335.6	220.3	219.4	155.2	567.8
EBITDA					
Operating profit	333.8	220.0	218.1	154.1	600.2
Plus					
Depreciation and impairment charges	84.0	84.7	43.1	43.8	170.2
Depreciation and impairment charges for right-of-use assets	154.1	166.6	77.4	82.7	325.8
EBITDA	571.9	471.3	338.6	280.6	1,096.2
EBITDA excluding the impact of IFRS 16					
EBITDA	571.9	471.3	338.6	280.6	1,096.2
Net of					
Rents for right-of-use assets	-194.2	-209.3	-97.5	-104.0	-408.0
EBITDA excluding the impact of IFRS 16	377.7	261.9	241.1	176.5	680.7
Profit before tax, comparable					
Profit before tax	303.7	169.3	204.5	136.2	527.6
Net of					
Items in operating profit affecting comparability	-1.8	-0.3	-1.4	-1.1	32.4
Items in financial items affecting comparability	2.3	1.7	2.3	2.1	13.4
Profit before tax, comparable	303.2	167.9	203.6	135.2	481.9
Net profit, comparable					
Profit before tax, comparable	303.2	167.9	203.6	135.2	481.9
Net of					
Income tax	63.7	37.4	42.9	31.0	92.3
Items in income tax affecting comparability	0.1	1.2	0.2	0.2	4.1

Net profit, comparable	239.3	129.3	160.5	104.1	385.5
Net profit attributable to owners of the parent, comparable					
Net profit, comparable	239.3	129.3	160.5	104.1	385.5
Net of					
Net profit attributable to non-controlling interests	-	2.0	-	9.9	2.0
Net profit attributable to owners of the parent, comparable	239.3	127.3	160.5	94.2	383.5
Earnings per share, comparable, €					
Net profit attributable to the owners of the parent, comparable	239.3	127.3	160.5	94.2	383.5
Average number of shares, basic, 1.000 pcs	396,950	396,583	396,950	396,583	396,661
Earnings per share, comparable, €	0.60	0.32	0.40	0.24	0.97
Return on capital employed, %					
Operating profit	333.8	220.0	218.1	154.1	600.2
Capital employed, average	4,560.9	4,909.4	4,575.4	4,810.5	4,718.5
Return on capital employed, %	14.6	9.0	19.1	12.8	12.7
Return on capital employed, comparable, %					
Operating profit, comparable	335.6	220.3	219.4	155.2	567.8
Capital employed, average	4,560.9	4,909.4	4,575.4	4,810.5	4,718.5
Return on capital employed, comparable, %	14.7	9.0	19.2	12.9	12.0
Return on equity, %					
Net profit	240.0	131.9	161.6	105.3	435.3
Equity, average	2,179.7	2,053.0	2,232.8	2,027.7	2,165.0
Return on equity, %	22.0	12.8	29.0	20.8	20.1
Return on equity, comparable, %					
Net profit, comparable	239.3	129.3	160.5	104.1	385.5
Equity, average	2,179.7	2,053.0	2,232.8	2,027.7	2,165.0
Return on equity, comparable, %	22.0	12.6	28.8	20.5	17.8
Equity ratio, %					
Shareholders' equity	2,170.1	1,965.3	2,170.1	1,965.3	2,189.3
Total assets	7,050.7	7,199.2	7,050.7	7,199.2	6,641.9
Advances received	25.7	29.3	25.7	29.3	32.8
Equity ratio, %	30.9	27.4	30.9	27.4	33.1

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

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

K Group's retail and B2B sales	1.1.-30.6.2021		1.4.-30.6.2021	
	€ million	Change, % ^{*)}	€ million	Change, % ^{*)}
K Group's grocery trade				
K-Citymarket, food	991.9	5.2	508.7	0.0
K-Citymarket, non-food	278.3	8.1	145.8	8.7
K-Supermarket	1,120.4	1.1	586.2	-1.1
K-Market	1,004.7	2.5	534.7	1.4
Neste K	55.8	-0.4	30.3	13.0
Others	22.3	3.1	12.6	1.0
Retail sales, total	3,473.5	3.2	1,818.4	0.9
Kespro	357.2	-0.9	193.8	29.5
Grocery trade, total	3,830.7	2.8	2,012.2	3.1
K Group's building and technical trade				
K-Rauta, Finland	631.9	7.7	421.5	11.2
K-Rauta B2B Service, Finland	128.7	0.8	72.7	9.3
Onninen, Finland	508.7	8.2	280.4	13.6
Leisure trade, Finland	152.9	34.7	75.8	23.9
Finland, total	1,422.2	9.5	850.4	12.8
K-Rauta, Sweden	107.4	13.6	69.9	11.9
K-Bygg, Sweden	143.5	25.8	87.4	28.2
Onninen and Mark & Infra i Sverige, Sweden	58.2	-1.6	37.0	14.8
Byggmakker, Norway	416.7	19.3	253.2	24.1
Onninen, Norway	149.5	26.8	77.6	39.7
Onninen, Baltic countries	40.9	9.1	22.4	19.4
Onninen, Poland	136.6	25.4	74.9	44.0
Other countries, total	1,052.8	19.5	622.4	26.2
Kesko Senukai	489.6	14.8	306.6	26.4
Building and technical trade, total	2,964.6	13.8	1,779.3	19.5
K Group's car trade				
K-Caara	378.7	29.5	197.4	41.0
K-Auto, import	147.4	42.9	76.6	94.0
AutoCarrera	34.0	25.0	21.6	32.1
Car trade, total	560.1	32.5	295.7	50.9
Finland, total	5,813.0	6.7	3,158.2	8.8
Other countries, total	1,542.4	17.9	929.0	26.2
Retail and B2B sales, total	7,355.3	8.9	4,087.2	12.4

^{*)} The Change, % compared to the year before has been calculated to illustrate a situation in which the divestment of the Baltic machinery trade operations completed in March 2020, and the acquisition of Mark & Infra i Sverige AB completed in April 2020, and the acquisitions of Carlsen Fritzøe Handel AS and Bygg & Interiör completed in September 2020, had been completed on 1 January 2020.