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**Kesko Corporation
Interim report**

January-September 2021
29.10.2021



KESKO CORPORATION JANUARY-SEPTEMBER INTERIM REPORT 29.10.2021 AT 9.00

Kesko's interim report for 1 Jan.- 30 Sept. 2021: The best result in Kesko's history

FINANCIAL PERFORMANCE IN BRIEF:

7-9/2021

- Group net sales in July-September totalled €2,902.4 million (€2,651.9 million), an increase of 7.8% in comparable terms, reported net sales grew by 9.4%
- Comparable operating profit totalled €236.4 million (€181.8 million), up by €54.5 million
- Operating profit totalled €236.5 million (€224.6 million)
- Comparable earnings per share €0.43 (€0.33)
- Reported Group earnings per share €0.43 (€0.48)

1-9/2021

- Group net sales in January-September totalled €8,429.9 million (€8,006.9 million), an increase of 8.6% in comparable terms, reported net sales grew by 5.3%
- Comparable operating profit totalled €572.0 million (€402.1 million), up by €184.0 million when Kesko Senukai is treated as a joint venture also for the comparison period (illustrative comparison figures)
- Operating profit totalled €570.3 million (€444.6 million)
- Comparable earnings per share €1.03 (€0.66)
- Reported Group earnings per share €1.03 (€0.81)

KEY PERFORMANCE INDICATORS

	7-9/2021	7-9/2020	1-9/2021	1-9/2020	1-12/2020
Net sales, € million	2,902.4	2,651.9	8,429.9	8,006.9	10,669.2
Operating profit, comparable, € million	236.4	181.8	572.0	402.1	567.8
Operating margin, comparable, %	8.1	6.9	6.8	5.0	5.3
Operating profit, € million	236.5	224.6	570.3	444.6	600.2
Profit before tax, comparable, € million	219.3	163.6	522.5	331.5	481.9
Profit before tax, € million	220.0	220.0	523.7	389.3	527.6
Cash flow from operating activities, € million	381.2	286.6	882.8	844.0	1,152.4
Capital expenditure, € million	69.1	174.8	196.0	342.9	398.4
Earnings per share, €, basic and diluted	0.43	0.48	1.03	0.81	1.09
Earnings per share, comparable, €, basic	0.43	0.33	1.03	0.66	0.97

	1-9/2021	1-9/2020	1-12/2020
Return on capital employed, comparable, %, rolling 12 months	16.3	11.0	12.0
Return on equity, comparable, %, rolling 12 months	24.3	17.3	17.8

Kesko is reporting 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 as a joint venture also for the comparison periods, as this method is used in management reporting.

Illustrative Group performance indicators	7-9/2021*	7-9/2020	1-9/2021*	1-9/2020	1-12/2020
Net sales, € million	2,902.4	2,651.9	8,429.9	7,580.2	10,242.6
Operating profit, comparable, € million	236.4	181.8	572.0	388.0	553.6
Operating margin, comparable, %	8.1	6.9	6.8	5.1	5.4
Operating profit, € million	236.5	176.9	570.3	382.8	540.0

* Reported

In this interim 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 €740 – 800 million.

The company issued a stock exchange release on 14 October 2021 and raised its profit guidance. Before, the company estimated that the comparable operating profit would be in the range of €650 – 750 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.

In the building and technical trade division, growth in B2B trade has continued stronger than anticipated in all operating countries. The growth has been underpinned by stronger-than-anticipated volume development in the construction market and continued rise in raw material prices. Raw material prices have risen the most in building materials such as wood products, metals and plastic products. Expectations regarding the remainder of the year are more positive than before, especially in the building and technical trade division.

In the grocery trade division, retail sales have developed well while Kespro's foodservice business has strengthened compared to the year before.

In the car trade division, sales margin growth and cost adjustments have supported profitability, but availability issues caused by component shortages may weaken profitability in the fourth quarter.

The company has managed to improve its cost ratio in all divisions by further increasing operational efficiency.

Estimates for the remainder of the year are made more difficult by the continuing pandemic and challenges in predicting customer behaviour. Estimates are also made more difficult by uncertainties regarding the availability of goods and price inflation.

PRESIDENT AND CEO MIKKO HELANDER:

Kesko posted its best-ever result in Q3. Sales grew and profitability improved in all divisions. Net sales grew by 7.8% in comparable terms, totalling €2,902.4 million. Our comparable operating profit totalled €236.4 million, representing an increase of €54.5 million. The grocery trade division and the building and technical trade division both recorded their all-time best profitability. Profit for the car trade division improved markedly. Profitability in both grocery trade and building and technical trade has risen to the level of the best European operators. The strong growth is based on the successful execution of our growth strategy and a favourable market situation.

Strong development continued in food trade. Our strength there lies in our extensive network of well-placed stores combined with efficient online grocery operations and our foodservice business, as well as our well-functioning retailer business model. Our strategic goal is to constantly improve customer experiences. Sales grew in all our grocery store chains. The division's comparable operating profit totalled €122.2 million. Online grocery sales grew by 17.3% despite the strong comparison figures. Our market share in food trade grew. K Group's grocery sales grew by 3.3% and net sales for Kespro's foodservice business by 8.9%.

In the building and technical trade division, growth continued strong in all operating countries, driven by B2B trade. The successful execution of country-specific strategies and strong demand resulted in a record third quarter. Strong development continued for Onninen and K-Rauta in Finland. Sales and profitability development was good also in Norway and Sweden both in building and home improvement trade and technical trade. Profitability was also supported by the changes made in recent years and the acquisitions completed and their successful integration. The division's net sales grew by 14.6% in comparable terms, and its comparable operating profit rose to €104.5 million. The growth has been underpinned by strong construction market performance and the continued rise in raw material prices.

Our transformation process in the car trade division is proceeding well and yielding results. The division's net sales grew by 6.7%, and its comparable operating profit rose to €18.2 million. The division's profitability was underpinned by sales margin growth and cost adjustment measures. Demand was strong for both new and used cars, although availability issues related to component shortages have slowed down new car deliveries and hindered used car availability. The planned exemption of all-electric vehicles from car tax in Finland as of 1 October impacted the timing of car deliveries.

The importance of sustainability continues to grow. Concrete efforts to stop climate change will be in the forefront in upcoming years. In mitigating climate change, the role of the trading sector extends clearly beyond reducing emissions from its own operations. In all our business divisions, we provide our customers with information on their choices and encourage them to adopt more sustainable lifestyles. We also challenge our suppliers and the whole supply chain to cut emissions and set their own tangible emission reduction targets.

The Nordic countries are among the most stable and well-functioning societies globally. Good overall economic development is estimated to continue in our operating countries. Household savings have grown and people have money to spend. Domestic demand is expected to continue to stay high. The so-called green transition will also increase public and private investment and offer growth opportunities for all our divisions.

We will continue the execution of our growth strategy. Our strong food trade operations form a foundation for ongoing profitable growth in the grocery trade division. Our grocery stores together with Kespro's foodservice business form a strong, unique combination. In the building and technical trade division, our strong country-specific actions will support growth. Over 75% of the division's net sales now come from B2B trade and demand in B2B trade is growing forcefully. In the car trade division, wider sector transformation and our own transformation efforts support sales growth. We will continue our efforts to grow our sales and improve profitability. The results we have achieved act as proof that our strategy is working and we have made the right choices.

IMPORTANT EVENTS

POSITIVE PROFIT WARNING ON 14 OCTOBER 2021

Kesko raised its profit guidance for 2021 on 14 October 2021. Kesko estimates that its comparable operating profit in 2021 will be in the range of €740-800 million. Before, the company estimated that the comparable operating profit would be in the range of €650-750 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. In 2020, Kesko's illustrative comparable operating profit totalled €554 million. (Stock exchange release 14.10.2021)

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 estimated that its comparable operating profit in 2021 would be in the range of €650-750 million. Before, the company estimated that its 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 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%). As for financial position, the Group

continues to target a maximum interest-bearing net debt/EBITDA of 2.5, excluding the impact of IFRS 16. (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 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 performance indicators that are based on the reported 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. In the table depicting financial performance in January-September, the change based on the illustrative comparison figures is reported in the column “Change, € million, Illustrative comparison figures.”

NET SALES AND PROFIT FOR JULY-SEPTEMBER 2021

7-9/2021	Net sales, € million	Change, %	Change, comparable, %	Operating profit, comparable, € million	Change, € million
Grocery trade	1,515.3	+3.6	+3.6	122.2	+13.5
Building and technical trade excl. speciality goods trade	1,078.0	+20.4	+15.0	90.9	+27.2
Speciality goods trade	54.7	-2.3	+7.7	5.1	+1.6
Kesko Senukai	-	-	-	8.5	+2.5
Building and technical trade, total	1,132.7	+19.1	+14.6	104.5	+31.3
Car trade	260.7	+6.7	+6.7	18.2	+10.8
Common functions and eliminations	-6.2	+9.0	+9.2	-8.5	-1.1
Total	2,902.4	+9.4	+7.8	236.4	+54.5

In comparable terms, Group net sales increased by 7.8%. Net sales increased in comparable terms by 6.1% in Finland and by 17.3% in other operating countries. The comparable change % has been calculated in local currencies and excluding the impact of acquisitions and divestments completed. The Group’s reported net sales in July-September increased by 9.4%.

In the grocery trade division, sales to K Group grocery store chains grew by 2.5%. Net sales for Kespro’s foodservice business grew by 8.9% and net sales for K-Citymarket’s home and speciality goods trade by 3.3%.

Net sales for the building and technical trade division increased by 19.1%, or by 14.6% in comparable terms. Net sales grew in comparable terms in all operating countries. Growth in B2B trade continued strong in all operating countries. Growth has been underpinned by stronger-than-anticipated volume development in the construction market and continued rise in raw material prices. In euro-terms, net sales were positively impacted by the acquisitions completed in 2020 and 2021 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.

Net sales for the car trade division increased by 6.7% in July-September, positively impacted by an increase in the demand for brands imported by Kesko and growth in market share.

The Group’s comparable operating profit grew by €54.5 million in July-September. In addition to net sales growth, profitability improved thanks to better sales margin development and further improvements in cost efficiency. In the grocery trade division, profitability improved thanks to good retail sales development, the strengthening of Kespro’s foodservice business, and further improvement of cost ratio. Net sales and comparable

operating profit increased especially in the building and technical trade division, underpinned by a strong market. The changes implemented in the building and technical trade division in recent years have had a significant positive impact on profitability alongside the acquisitions carried out and their successful integration. Comparable operating profit grew in both building and home improvement trade and Onninen's technical trade in all operating countries. Kesko Senukai had a €8.5 million impact on the Group's comparable operating profit (€6.0 million). In the car trade division, comparable operating profit grew by €10.8 million thanks to sales and sales margin growth, cost adjustment measures and exceptional items.

Items affecting comparability, € million	7-9/2021	7-9/2020
Operating profit, comparable	236.4	181.8
Items affecting comparability		
+gains on disposal	+0.9	-
-losses on disposal	-	-0.1
+/-structural arrangements	-0.8	+42.8
Items affecting comparability, total	+0.1	+42.8
Operating profit	236.5	224.6

The most significant items affecting comparability were the €0.9 million gains on disposal of grocery trade properties and the €0.5 million expenses related to restructuring in the car trade division. In the comparison period, the most significant items affecting comparability were the positive €47.7 million profit impact of the change in Kesko Senukai's consolidation method, and the negative €2.4 million profit impact of changes in the store network in Sweden.

K Group's (Kesko and the chain stores) retail and B2B sales (0% VAT) in July-September totalled €3,990.1 million, representing a growth of 8.9% compared to the previous year.

Net finance costs, income tax and earnings per share

	7-9/2021	7-9/2020
Net finance costs, € million	-17.5	-19.1
Interests on lease liabilities, € million	-17.5	-19.0
Profit before tax, comparable, € million	219.3	163.6
Profit before tax, € million	220.0	220.0
Income tax, € million	-49.8	-30.2
Earnings per share, comparable, €	0.43	0.33
Earnings per share, €	0.43	0.48
Equity per share, €	5.90	5.15

The development of the Group's net finance costs in July-September was impacted by a decrease in interest expenses for lease liabilities. The share of result of associates amounted to €1.0 million (€14.4 million), or €0.4 million (€0.9 million) in comparable terms. In the comparison period, the share of result of associates included a €13.6 million profit related to the dissolution of Valluga-sijoitus Oy, recognised as an item affecting comparability.

The Group's comparable profit before tax grew in July-September due to operating profit growth and a reduction in net finance costs compared to the year before. The Group's effective tax rate was 22.6% (13.7%). In the comparison period, the Group's effective tax rate decreased due to the positive profit impact of €47.7 million arising from the change in the consolidation method of Kesko Senukai, recognised as an item affecting comparability.

The Group's comparable earnings per share grew compared to the year before. The Group's earnings per share decreased from the comparison period due to the profit impact of the change in Kesko Senukai's consolidation method.

NET SALES AND PROFIT FOR JANUARY-SEPTEMBER 2021

1-9/2021	Net sales, € million	Change, %	Change, comparable, %	Operating profit, comparable, € million	Change, € million	Change, € million Illustrative comparison figures*
Grocery trade	4,352.2	+3.3	+3.3	311.9	+59.9	+59.9
Building and technical trade excl. speciality goods trade	3,124.3	+21.9	+13.2	213.0	+81.9	+81.9
Speciality goods trade	161.8	+1.2	+18.1	14.0	+11.1	+11.1
Kesko Senukai	-	-100.0	-	17.2	-6.4	+7.8
Building and technical trade, total	3,286.1	+4.4	+13.5	244.2	+86.7	+100.8
Car trade	809.4	+22.8	+22.8	43.7	+26.4	+26.4
Common functions and eliminations	-17.7	+15.7	+15.9	-27.8	-3.1	-3.1
Total	8,429.9	+5.3	+8.6	572.0	+169.8	+184.0

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

In comparable terms, Group net sales increased by 8.6%. Net sales increased in comparable terms by 7.3% in Finland and by 16.4% 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 increased by 5.3% in January-September.

In the grocery trade division, sales to K Group's grocery store chains grew, as did the net sales for 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 increased by 4.4%. 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 2021 and the strengthening of the Swedish krona and the Norwegian krone against the euro.

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

The Group's comparable operating profit totalled €572.0 million in January-September. Operating profit growth totalled €184.0 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. In the grocery trade division, profitability improved thanks to good retail sales development, the strengthening of Kespro's foodservice business, and further improvement of cost ratio. In the building and technical trade division, there was marked growth in both net sales and comparable operating profit. Comparable operating profit grew in both building and home improvement trade and Onninen's technical trade in all operating countries. Kesko Senukai had a €17.2 million impact on the Group's comparable operating profit (€23.6 million, consolidated as a subsidiary in 1-6/2020 and as a joint venture in 7-9/2020). Kesko Senukai has been consolidated as a joint venture from 1 July 2020 onwards. In the car trade division, comparable operating profit grew thanks to growth in sales margin and cost adjustment measures.

Items affecting comparability, € million	1-9/2021	1-9/2020	1-12/2020
Operating profit, comparable	572.0	402.1	567.8
Items affecting comparability			
+gains on disposal	+1.4	+6.4	+9.8
-losses on disposal	-0.0	-0.2	-0.2
+/-structural arrangements	-3.1	+36.3	+22.8
Items affecting comparability, total	-1.7	+42.5	+32.4
Operating profit	570.3	444.6	600.2

The most significant items affecting comparability were the €0.9 million gain on disposal of grocery trade properties and the €1.7 million expenses related to restructuring in the car trade division. In the comparison period, the most significant items affecting comparability were the positive profit impact of €47.7 million resulting from the change in the consolidation method of Kesko Senukai; the €2.4 million negative profit impact of changes in the store site network in Sweden; the €6.4 million gain on disposal of machinery trade operations in the Baltics, completed on 31 March 2020 – all in the building and technical trade division – 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-September totalled €11,376.9 million, representing a growth of 9.1% compared to the previous year. During the 12-month period that ended in September, 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

	1-9/2021	1-9/2020	1-12/2020
Net finance costs, € million	-52.2	-71.8	-86.8
Interests on lease liabilities, € million	-54.1	-64.5	-83.3
Profit before tax, comparable, € million	522.5	331.5	481.9
Profit before tax, € million	523.7	389.3	527.6
Income tax, € million	-113.5	-67.6	-92.3
Earnings per share, comparable, €	1.03	0.66	0.97
Earnings per share, €	1.03	0.81	1.09
Equity per share, €	5.90	5.15	5.52

The development of the Group's net finance costs in January-September was impacted by a decrease in interest expenses for lease liabilities. The decrease in lease liabilities was impacted by the change in Kesko Senukai's consolidation method as of 1 July 2020. In the comparison period, net finance costs were increased by foreign exchange differences and change in the fair value of interest rate derivatives. 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 €-1.9 million due to the weakening of the Norwegian krone, the Swedish krona and the Polish zloty. The share of result of associates amounted to €5.6 million (€16.4 million), or €1.6 million (€1.2 million) in comparable terms. In the comparison period, the share of result of associates included a €13.6 million profit related to the dissolution of Valluga-sijoitus Oy, recognised as an item affecting comparability.

The Group's comparable profit before tax grew in January-September due to operating profit growth and a decrease in net finance costs compared to the year before. The Group's effective tax rate was 21.7% (17.4%). In the comparison period, the Group's effective tax rate decreased due to a positive profit impact of €47.7 million arising from the change in the consolidation method of Kesko Senukai, recognised as an item affecting comparability.

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

CASH FLOW AND FINANCIAL POSITION

€ million	7-9/2021	7-9/2020	1-9/2021	1-9/2020	1-12/2020
Cash flow from operating activities	381.2	286.6	882.8	844.0	1,152.4
Cash flow from investing activities	-109.3	-265.5	-207.6	-378.5	-421.3
Cash flow from financing activities	-155.8	-178.9	-499.7	-335.7	-600.0

€ million	30.9.2021	30.9.2020	31.12.2020
Liquid assets	527.7	304.1	306.0
Interest-bearing liabilities	2,435.7	2,665.5	2,616.3
Lease liabilities	1,953.9	2,014.1	2,025.0
Interest-bearing net debt excl. lease liabilities	-46.0	347.3	285.3
Interest-bearing net debt/EBITDA, excl. IFRS 16 impact, rolling 12 months	-0.1	0.5	0.4
Gearing, %	81.5	115.6	105.5
Equity ratio, %	33.1	30.8	33.1

The Group's cash flow from operating activities in July-September totalled €381.2 million (€286.6 million). Cash flow increased due to EBITDA growth and improved working capital efficiency.

The Group's cash flow from investing activities in July-September totalled €-109.3 million (€-265.5 million). Cash flow from investing activities included €45.0 million in investments of Group liquid assets in money market funds, which are reported under other financial assets in the consolidated statement of financial position. In the comparison period, the cash flow from investing activities included €135.8 million in acquisitions, and a negative €92.7 million impact of the change in Kesko Senukai's consolidation method, with Kesko Senukai's cash and cash equivalents no longer recognised in the consolidated statement of financial position.

The Group's cash flow from operating activities in January-September totalled €882.8 million (€844.0 million). EBITDA growth, improved working capital efficiency, and a €38.6 million return of surplus assets paid by Kesko Pension Fund had an increasing impact on the cash flow. In the comparison period, Kesko Senukai had a positive impact of €84.0 million on the cash flow from operating activities.

The Group's cash flow from investing activities in January-September totalled €-207.6 million (€-378.5 million). Cash flow from investing activities included €45.0 million in investments of Group liquid assets in money market funds, which are reported under other financial assets in the consolidated statement of financial position. In the comparison period, cash flow from investing activities included €146.0 million in acquisitions, a negative €92.7 million impact of the change in Kesko Senukai's consolidation method, and a positive €19.6 million cash flow impact of the divestment of Baltic machinery trade operations.

CAPITAL EXPENDITURE

€ million	7-9/2021	7-9/2020	1-9/2021	1-9/2020	1-12/2020
Capital expenditure	69.1	174.8	196.0	342.9	398.4
Store sites	27.4	15.4	76.2	109.0	125.8
Acquisitions	11.0	135.9	13.9	146.7	159.1
IT	8.7	4.8	25.9	20.0	25.6
Other investments	22.0	18.7	79.9	67.2	87.9

Capital expenditure in store sites increased by €12.0 million in July-September from the comparison period. In January-September, capital expenditure in store sites decreased by €32.7 million compared to the year before. In the comparison period, capital expenditure in store sites in January-September was increased by the acquisition of the property of K-Citymarket in Järvenpää.

Acquisitions comprise Byggarnas Partner i Sverige AB in Sweden. In the comparison period, acquisitions comprised Mark & Infra i Sverige AB (MIAB) and Bygg & Interiör in Sweden and Carlsen Fritzøe Handel in Norway.

PERSONNEL

	1-9/2021	1-9/2020	1-12/2020
Average number of personnel converted into full-time employees	14,269	18,658	17,629
Personnel at the end of the reporting period	30.9.2021	30.9.2020	31.12.2020
Finland	12,266	12,388	12,647
Other countries	5,141	4,958	5,003
Total	17,407	17,346	17,650

The change in the consolidation method of Kesko Senukai as of 1 July 2020 had an impact on the number of Group employees outside Finland. The impact can be seen on the average number of personnel in 1-9/2021 compared to 1-9/2020.

SEGMENTS

SEASONAL NATURE OF OPERATIONS

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

GROCERY TRADE

July-September 2021

	7-9/2021	7-9/2020
Net sales, € million	1,515.3	1,462.1
Operating profit, comparable, € million	122.2	108.7
Operating margin, comparable, %	8.1	7.4
Return on capital employed, comparable, %, rolling 12 months	20.2	15.5
Capital expenditure, € million	34.1	17.3
Personnel, average	6,280	6,310

Net sales, € million	7-9/2021	7-9/2020	Change, %	Change, comparable, %
Sales to K-food stores				
K-Citymarket, food	318.5	312.6	+1.9	+1.9
K-Supermarket	393.2	380.4	+3.4	+3.4
K-Market	379.6	371.2	+2.3	+2.3
K-Citymarket, non-food	151.9	147.0	+3.3	+3.3
Kespro	245.8	225.7	+8.9	+8.9
Others	26.3	25.2	+4.3	+4.3
Total	1,515.3	1,462.1	+3.6	+3.6

Net sales for the grocery trade division totalled €1,515.3 million (€1,462.1 million) in July-September, up by 3.6%. Sales to K Group grocery store chains grew by 2.5%. Net sales for Kespro's foodservice business grew by 8.9% and net sales for K-Citymarket's home and speciality goods trade by 3.3%.

The total grocery retail market in Finland (incl. VAT) is estimated to have grown by approximately 3.3% in July-September (Finnish Grocery Trade Association PTY) and retail prices are estimated to have risen by some 1.2% (incl. VAT, Kesko's own estimate). K Group's grocery sales grew by 3.3% (incl. VAT), thus matching market growth. Online grocery sales grew by 17.3% and accounted for approximately 2.4% of K Group's grocery sales (incl. VAT). Online grocery sales have risen clearly above pre-pandemic levels. All K Group grocery store chains offer online grocery sales services. The number of K Group stores offering online grocery services was 497 at the

end of the reporting period. The total market for the foodservice business is estimated to have grown by 5.2% in July-September (PTY).

The comparable operating profit for the grocery trade division totalled €122.2 million (€108.7 million) in July-September, up by €13.5 million. Profitability improved thanks to good retail sales development, the strengthening of Kespro's foodservice business, and further improvement of cost ratio. Operating profit for the grocery trade totalled €123.0 million (€108.6 million). Items affecting comparability totalled €0.9 million (€-0.1 million).

Capital expenditure for the grocery trade division in July-September totalled €34.1 million (€17.3 million), of which €22.9 million (€14.2 million) was in store sites.

January-September 2021

	1-9/2021	1-9/2020	1-12/2020
Net sales, € million	4,352.2	4,214.7	5,732.0
Operating profit, comparable, € million	311.9	252.0	375.2
Operating margin, comparable, %	7.2	6.0	6.5
Return on capital employed, comparable, %, rolling 12 months	20.2	15.5	16.9
Capital expenditure, € million	76.7	109.9	125.4
Personnel, average	6,135	6,148	6,197

Net sales, € million	1-9/2021	1-9/2020	Change, %	Change, comparable, %	1-12/2020
Sales to K-food stores					
K-Citymarket, food	970.3	943.0	+2.9	+2.9	1,291.7
K-Supermarket	1,162.1	1,147.8	+1.2	+1.2	1,549.6
K-Market	1,098.3	1,071.9	+2.5	+2.5	1,434.9
K-Citymarket, non-food	429.1	403.4	+6.4	+6.4	585.5
Kespro	623.2	584.6	+6.6	+6.6	784.1
Others	69.1	63.9	+8.2	+8.2	86.1
Total	4,352.2	4,214.7	+3.3	+3.3	5,732.0

Net sales for the grocery trade division totalled €4,352.2 million (€4,214.7 million) in January-September, up by 3.3%. Sales to K Group grocery store chains grew by 2.2%. Net sales for Kespro's foodservice business grew by 6.6% and net sales for K-Citymarket's home and speciality goods trade by 6.4%.

The total grocery retail market in Finland (incl. VAT) is estimated to have grown by approximately 3.7% in January-September (Finnish Grocery Trade Association PTY) and retail prices are estimated to have risen by some 1.3% (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 25.2% and accounted for approximately 3.2% of K Group's grocery sales (incl. VAT). The total market for the foodservice business is estimated to have grown by 2.8% in January-September (PTY).

The comparable operating profit for the grocery trade division totalled €311.9 million (€252.0 million) in January-September, up by €59.9 million. Profitability improved thanks to good retail sales development, the strengthening of Kespro's foodservice business, and further improvement of cost ratio. Operating profit for the grocery trade division totalled €312.9 million (€250.7 million). Items affecting comparability totalled €0.9 million (€-1.3 million).

Capital expenditure for the grocery trade division in January-September totalled €76.7 million (€109.9 million), of which €59.7 million (€95.6 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 chief operating decision-maker, i.e. the Group Management Board. Consequently, Kesko Senukai has been reported in the segment figures and the 1-12/2020 and 1-9/2020 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.

July-September 2021

	7-9/2021	7-9/2020
Net sales, € million	1,132.7	951.2
Building and technical trade excl. speciality goods trade and Kesko Senukai	1,078.0	895.2
Building & home improvement trade	583.4	487.4
Onninen	510.1	419.3
Speciality goods trade	54.7	56.0
Operating profit, comparable, € million	104.5	73.2
Building and technical trade excl. speciality goods trade and Kesko Senukai	90.9	63.7
Building & home improvement trade	50.4	38.4
Onninen	40.8	25.7
Speciality goods trade	5.1	3.5
Kesko Senukai	8.5	6.0
Operating margin, comparable, %	9.2	7.7
Building and technical trade excl. speciality goods trade and Kesko Senukai	8.4	7.1
Building & home improvement trade	8.6	7.9
Onninen	8.0	6.1
Speciality goods trade	9.3	6.3
	7-9/2021	7-9/2020
Return on capital employed, comparable, %, rolling 12 months	17.2	10.0
Capital expenditure, € million	13.7	139.9
Personnel, average	5,997	5,747

Net sales, € million	7-9/2021	7-9/2020	Change, %	Change, comparable, %
Building and home improvement trade, Finland	271.7	250.1	+8.6	+10.0
K-Rauta, Sweden	51.9	50.7	+2.3	+0.6
K-Bygg, Sweden	76.2	60.6	+25.7	+15.8
Byggmakker, Norway	184.3	126.8	+45.4	+9.9
Building and home improvement trade, total	583.4	487.4	+19.7	+9.8
Onninen, Finland	302.5	259.3	+16.6	+16.6
Onninen and MIAB, Sweden	30.0	25.0	+19.9	+18.2
Onninen, Norway	70.3	53.0	+32.6	+28.4
Onninen, Baltics	26.3	20.8	+26.5	+26.5
Onninen, Poland	81.9	61.9	+32.3	+36.0
Onninen, total	510.1	419.3	+21.7	+21.6
Building and technical trade excl. speciality goods trade, total	1,078.0	895.2	+20.4	+15.0
Leisure trade, Finland	54.7	56.0	-2.3	+7.7
Speciality goods trade, total	54.7	56.0	-2.3	+7.7
Total	1,132.7	951.2	+19.1	+14.6

Net sales for the building and technical trade division increased by 19.1%, or by 14.6% in comparable terms. Net sales grew in comparable terms in all operating countries. Growth in B2B trade continued strong in all operating countries. The growth has been underpinned by stronger-than-anticipated volume development in the construction markets and the continued rise in raw material prices. Raw material prices have risen the most in building materials such as wood products, metals and plastic products. In euro-terms, net sales were positively impacted by the acquisitions completed in 2020 and 2021 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 July-September totalled €614.9 million (€554.2 million), up by 11.0%. In comparable terms, net sales in Finland increased by 12.7%. Net sales from international operations totalled €517.7 million (€397.0 million) in July-September, up by 30.4%. In comparable terms, net sales from international operations grew by 17.3%.

Net sales for building and home improvement trade and Onninen's technical trade grew in all operating countries. In the speciality goods trade, net sales for sports trade increased by 7.7% in comparable terms. Reported net sales for leisure trade decreased due to the discontinuation of the KooKenkä and The Athlete's Foot shoe store chains.

The comparable operating profit for the building and technical trade division totalled €104.5 million (€73.2 million) in July-September, up by €31.3 million year-on-year. Net sales and comparable operating profit for the division grew underpinned by the strong market. The changes implemented in recent years have had a significant positive impact on the division's profitability alongside the acquisitions carried out and their successful integration. The comparable operating profit for building and home improvement trade increased by €12.0 million, and grew in all operating countries. Carlsen Fritzøe, acquired in September 2020, accounted for €8.0 million (€2.2 million) of the comparable operating profit. Onninen's profitability improved in all operating countries. In the speciality goods trade leisure trade, comparable operating profit increased.

Operating profit for the building and technical trade division totalled €104.3 million (€69.0 million). Items affecting comparability totalled €-0.2 million (€-4.1 million). In the comparison period, the most significant item affecting comparability was the €2.4 million negative profit impact of changes in the store site network in Sweden.

Capital expenditure for the building and technical trade division in July-September totalled €13.7 million (€139.9 million). Capital expenditure for the comparison period included €135.9 million in acquisitions.

January-September 2021

	1-9/2021	1-9/2020	1-12/2020
Net sales, € million	3,286.1	2,721.9	3,639.5
Building and technical trade excl. speciality goods trade and Kesko Senukai	3,124.3	2,562.1	3,424.3
Building & home improvement trade	1,762.3	1,387.5	1,845.8
Onninen	1,405.1	1,208.6	1,625.5
Speciality goods trade	161.8	159.8	215.2
Operating profit, comparable, € million	244.2	143.4	187.7
Building and technical trade excl. speciality goods trade and Kesko Senukai	213.0	131.1	169.4
Building & home improvement trade	126.0	79.9	99.5
Onninen	87.9	52.3	70.7
Speciality goods trade	14.0	2.9	7.4
Kesko Senukai	17.2	9.5	11.0
Operating margin, comparable, %	7.4	5.3	5.2
Building and technical trade excl. speciality goods trade and Kesko Senukai	6.8	5.1	4.9
Building & home improvement trade	7.1	5.8	5.4
Onninen	6.3	4.3	4.4
Speciality goods trade	8.6	1.8	3.4
	1-9/2021	1-9/2020	1-12/2020
Return on capital employed, comparable, %, rolling 12 months	17.2	10.0	11.2
Capital expenditure, € million	32.0	169.5	186.3
Personnel, average	5,993	10,385	9,308

	1-9/2021	1-9/2020	Change, %	Change, comparable, %	1-12/2020
Net sales, € million					
Building and home improvement trade, Finland	839.3	764.0	+9.9	+10.7	971.6
K-Rauta, Sweden	158.9	145.1	+9.5	+5.3	186.1
K-Bygg, Sweden	218.0	166.5	+30.9	+18.3	228.4
Byggmakker, Norway	547.9	314.6	+74.2	+13.2	463.0
Building and home improvement trade, total	1,762.3	1,387.5	+27.0	+11.7	1,845.8
Onninen, Finland	822.9	741.2	+11.0	+11.0	985.2
Onninen and MIAB, Sweden	88.9	77.9	+14.1	+3.5	101.5
Onninen, Norway	210.2	163.0	+29.0	+23.2	227.6
Onninen, Baltics	67.3	58.4	+15.2	+15.2	80.1
Onninen, Poland	218.2	170.3	+28.1	+31.7	234.1
Onninen, total	1,405.1	1,208.6	+16.3	+15.3	1,625.5
Building and technical trade excl. speciality goods trade, total	3,124.3	2,562.1	+21.9	+13.2	3,424.3
Leisure trade, Finland	161.8	137.1	+18.1	+18.1	192.4
Machinery trade	-	22.8	-100.0	-	22.8
Speciality goods trade, total	161.8	159.8	+1.2	+18.1	215.2
Total	3,286.1	2,721.9	+20.7	+13.5	3,639.5

Net sales for the building and technical trade division increased by 20.7%, or by 13.5% 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 2021 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-September totalled €1,785.5 million (€1,608.0 million), up by 11.0%. In comparable terms, net sales in Finland increased by 11.4%. Net sales from international operations totalled €1,500.6 million (€1,113.9 million) in January-September, up by 34.7%. In comparable terms, net sales from international operations grew by 16.4%.

Net sales for building and home improvement trade and Onninen grew in all operating countries. In the speciality goods trade leisure trade, net sales increased markedly.

The comparable operating profit for the building and technical trade division totalled €244.2 million (€143.4 million) in January-September, up by €100.8 million year-on-year. There was marked growth in both net sales and comparable operating profit. The comparable operating profit for building and home improvement trade increased by €46.1 million, and grew in Finland, Sweden and Norway. Carlsen Fritzøe, acquired in September 2020, accounted for €20.8 million (€2.2 million) of the comparable operating profit. Onninen's profitability improved in all operating countries. Comparable operating profit grew clearly in the speciality goods trade leisure trade.

Operating profit for the building and technical trade division totalled €243.5 million (€145.3 million). Items affecting comparability totalled €-0.7 million (€1.9 million). In the comparison period, the most significant items affecting comparability were the €2.4 million negative profit impact of changes to the store site network in Sweden, and the €6.4 million gain on disposal of machinery trade operations in the Baltics, completed on 31 March 2020.

Capital expenditure for the building and technical trade division totalled €32.0 million (€169.5 million) in January-September. Capital expenditure for the comparison period included €146.7 million in acquisitions.

CAR TRADE

July-September 2021

	7-9/2021	7-9/2020
Net sales, € million	260.7	244.3
Operating profit, comparable, € million	18.2	7.4
Operating margin, comparable, %	7.0	3.0
Return on capital employed, comparable, %, rolling 12 months	13.3	7.1
Capital expenditure, € million	13.5	14.1
Personnel, average	1,213	1,282

Net sales, € million	7-9/2021	7-9/2020	Change, %	Change, comparable, %
Car trade	260.7	244.3	+6.7	+6.7

Net sales for the car trade division increased by 6.7% in July-September, positively impacted by an increase in the demand for brands imported by Kesko and growth in market share.

The combined market performance of first registrations of passenger cars and vans was -15.5% (-7.5%) in July-September. The combined market share of the Volkswagen, Audi, SEAT, CUPRA, Porsche and Bentley passenger cars and Volkswagen and MAN vans imported by Kesko's car trade division was 16.9% (16.3%) in July-September.

The comparable operating profit for the car trade division in July-September totalled €18.2 million (€7.4 million). Comparable operating profit grew by €10.8 million thanks to sales and sales margin growth, cost adjustment measures and exceptional items. Operating profit for the car trade division in July-September totalled €17.7 million (€7.3 million). Items affecting comparability totalled €-0.5 million (€-0.1 million), related to division restructuring.

Capital expenditure for the car trade division in July-September totalled €13.5 million (€14.1 million).

January-September 2021

	1-9/2021	1-9/2020	1-12/2020
Net sales, € million	809.4	658.9	892.6
Operating profit, comparable, € million	43.7	17.3	23.4
Operating margin, comparable, %	5.4	2.6	2.6
Return on capital employed, comparable, %, rolling 12 months	13.3	7.1	6.3
Capital expenditure, € million	62.5	47.2	64.7
Personnel, average	1,245	1,281	1,283

Net sales, € million	1-9/2021	1-9/2020	Change, %	Change, comparable, %	1-12/2020
Car trade	809.4	658.9	+22.8	+22.8	892.6

Net sales for the car trade division increased by 22.8% in January-September, positively impacted by an increase in the demand for brands imported by Kesko and growth in market share.

The combined market performance of first registrations of passenger cars and vans was 6.8% (-17.4%) in January-September. The combined market share of the Volkswagen, Audi, SEAT, CUPRA, Porsche and Bentley passenger cars and Volkswagen and MAN vans imported by Kesko's car trade division was 18.0% (16.5%) in January-September.

The comparable operating profit for the car trade division in January-September totalled €43.7 million (€17.3 million). The division's comparable operating profit grew thanks to growth in sales margin and cost adjustment measures. Operating profit for the car trade division in January-September totalled €41.9 million (€17.2 million). Items affecting comparability totalled €-1.7 million (€-0.1 million), related to division restructuring.

Capital expenditure for the car trade division totalled €62.5 million (€47.2 million).

CHANGES IN GROUP COMPOSITION

Kesko acquired 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)

SHARES, SECURITIES MARKETS AND BOARD AUTHORISATIONS

At the end of September 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 September 2021, Kesko Corporation held 2,964,360 of its own B shares as treasury shares.

These treasury shares accounted for 1.09% 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 September 2021, Kesko Corporation's share capital totalled €197,282,584.

The price of a Kesko A share quoted on Nasdaq Helsinki was €20.00 at the end of 2020, and €26.90 at the end of September 2021, representing an increase of 34.5%. Correspondingly, the price of a B share was €21.04 at the end of 2020, and €29.84 at the end of September 2021, representing an increase of 41.8%. In January-September 2021, the highest A share price was €34.20 and the lowest €19.82. The highest B share price was €37.72 and the lowest €20.70. The Nasdaq Helsinki All-Share index (OMX Helsinki) was up by 14.7% and the weighted OMX Helsinki Cap index by 16.16% in January-September 2021. The Retail Sector Index was up by 21.39%.

At the end of September 2021, the market capitalisation of the A shares was €3,415 million. The market capitalisation of the B shares was €8,062 million, excluding the shares held by the parent company. The combined market capitalisation of the A and B shares was €11,477 million, an increase of €3,261 million from the end of 2020.

In January-September, a total of 6.7 million A shares were traded on Nasdaq Helsinki, with an exchange value of €178.5 million. Meanwhile, 130.7 million B shares were traded, with an exchange value of €3,577.2 million. Nasdaq Helsinki accounted for over 95% of the trading on Kesko's A and B shares in January-September. Kesko shares were also traded on multilateral trading facilities, the most significant of which was Turquoise (source: Euroland).

At the end of September 2021, the number of registered shareholders was 62,129, which is 4,997 more than at the end of 2020. At the end of September, foreign ownership of all shares was 40.2%, and foreign ownership of B shares 57.67%.

Kesko has a share-based commitment and incentive scheme. To implement the scheme, Kesko's Board of Directors may decide, within share issue authorisations granted by the company's General Meeting, to transfer Kesko B shares held by the company as treasury shares. In January-September 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, while 7,796 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, 9 Feb. 2021 and 17 Sept. 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. The meeting was held on Kesko Corporation's 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: 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 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%). As for financial position, the Group continues to target a maximum interest-bearing net debt/EBITDA of 2.5, excluding the impact of IFRS 16. (Stock exchange release 27.5.2021)

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 estimated that its comparable operating profit in 2021 would be in the range of €650-750 million. Before, the company estimated that its comparable operating profit would be in the range of €570-670 million. (Stock exchange release 14.6.2021)

K Group will be investing 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 K-Citymarket Ruoholahti. The store's central location in Helsinki translates into large customer volumes for online grocery that make utilising automation sensible. The system is expected to be ready in H1/2022. (Investor news release 22.6.2021, press release 25.10.2021)

Kesko acquired 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 release 23.7.2021)

KEY EVENTS AFTER THE REPORTING PERIOD

Kesko Corporation issued a positive profit warning and provided preliminary information on its third-quarter net sales and comparable operating profit (Stock exchange release 14.10.2021)

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 was 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 was 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

In 2017, K Group committed to the Energy Efficiency Agreement for the commerce sector in Finland and to reducing its energy consumption by 79 GWh by 2025, equalling 7.5% of the energy consumption in 2015. The target was met four years ahead of schedule and K Group now saves over 80 GWh of energy per year compared to 2015, which corresponds to the annual consumption of some 100 K-Supermarket stores.

Almost all 800 K-Market stores in Finland declared themselves as "anti-bullying zones" for children and teenagers, in a collaboration effort with the Mannerheim League for Child Welfare.

The international retail research organisation IGD named K-Citymarket Tammisto as its "Store of the Month" in September, citing the store's commitment to sustainability as one criterion.

The five-year K Fishpaths collaboration between WWF Finland and K Group came to an end. During the collaboration, the parties and volunteers together removed 27 obstacles and restored over 30 habitats for endangered migratory fish.

Products made from edible food waste have become an important tool in reducing the amount of food waste: K Group store selections now include a new glögg made from discarded apples at K Group's central warehouse.

The increase in electric car numbers is reflected in increased charging at K Charge stations. Currently K Charge stations can be found at 88 store locations.

RISK MANAGEMENT

The most significant changes to the risks presented in Kesko's 2020 Report by the Board of Directors and financial statements have this year been the more-positive-than-anticipated economic development, which has had a positive impact on Kesko's sales and profit, as well as the minor negative impacts of the Covid-19 pandemic on Kesko's operations. Risks related to global supply chains have been growing as component shortage has resulted in issues with product deliveries, sea freight container availability has weakened, and prices have increased. The risk of negative price inflation impacts has also grown.

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, 28 October 2021
Kesko Corporation
Board of Directors

The information in this interim report is unaudited.

Further information is available from Jukka Erlund, Executive Vice President, Chief Financial Officer, tel. +358 105 322 113, Hanna Jaakkola, Vice President, Investor Relations, tel. +358 105 323 540, and Eva Kaukinen, Vice President, Group Controller, tel. +358 105 322 338. A Finnish-language webcast of the results briefing can be viewed on 29 October 2021 at 11.00 am (EET/EST) at www.kesko.fi. An English-language audio conference on the interim report briefing will be held at 12.30 pm (EET/EST). The audio conference login is available on Kesko's website at www.kesko.fi.

Kesko Corporation's 2021 January-December financial statements release will be published on 3 February 2022. 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 interim report has been prepared in accordance with IAS 34. The interim 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					
	1-9/2021	1-9/2020	7-9/2021	7-9/2020	1-12/2020
Net sales	8,429.9	8,006.9	2,902.4	2,651.9	10,669.2
Material and services	-7,237.7	-6,858.8	-2,448.1	-2,260.1	-9,148.3
Change in inventory	14.3	-31.7	-33.3	-23.0	-6.9
Other operating income	699.3	693.1	236.2	264.1	930.9
Employee benefit expense	-563.0	-566.2	-174.9	-165.2	-750.7
Depreciation, amortisation and impairment charges	-127.9	-126.4	-43.9	-41.7	-170.2
Depreciation and impairment charges for right-of-use assets	-231.7	-244.4	-77.6	-77.8	-325.8
Other operating expenses	-430.2	-443.8	-132.8	-129.6	-605.5
Share of result of joint ventures	17.2	6.0	8.5	6.0	7.5
Operating profit	570.3	444.6	236.5	224.6	600.2
Interest income and other finance income	6.6	7.3	1.8	2.2	11.7
Interest expense and other finance costs	-4.0	-9.7	-1.3	-2.0	-10.5
Interest expense for lease liabilities	-54.1	-64.5	-17.5	-19.0	-83.3
Foreign exchange differences	-0.5	-4.8	-0.6	-0.3	-4.7
Share of result of associates	5.6	16.4	1.0	14.4	14.3
Profit before tax	523.7	389.3	220.0	220.0	527.6
Income tax	-113.5	-67.6	-49.8	-30.2	-92.3
Net profit for the period	410.2	321.7	170.2	189.8	435.3
Attributable to					
Owners of the parent	410.2	319.7	170.2	189.8	433.4
Non-controlling interests	-	2.0	-	-	2.0
Earnings per share (€) for profit attributable to owners of the parent					
Basic and diluted	1.03	0.81	0.43	0.48	1.09

Consolidated statement of comprehensive income (€ million)					
	1-9/2021	1-9/2020	7-9/2021	7-9/2020	1-12/2020
Net profit for the period	410.2	321.7	170.2	189.8	435.3
Items that will not be reclassified subsequently to profit or loss					
Actuarial gains/losses	25.5	-4.9	-2.5	2.1	0.8
Items that may be reclassified subsequently to profit or loss					
Currency translation differences related to a foreign operation	5.5	-33.4	-2.0	-7.4	-2.8
Share of other comprehensive income of associates and joint ventures	-0.7	-	-0.7	-	-
Cash flow hedge revaluation	7.6	-3.7	4.9	0.3	-2.7
Other items	-	-0.3	-	-	-0.3
Total other comprehensive income for the period, net of tax	37.8	-42.3	-0.2	-5.0	-4.9
Total comprehensive income for the period	448.0	279.5	169.9	184.8	430.5
Attributable to					
Owners of the parent	448.0	281.6	169.9	184.8	432.6
Non-controlling interests	-	-2.2	-	-	-2.2

Consolidated statement of financial position (€ million), condensed			
	30.9.2021	30.9.2020	31.12.2020
ASSETS			
Non-current assets			
Property, plant and equipment	1,509.7	1,453.5	1,450.8
Right-of-use assets	1,755.9	1,808.5	1,819.0
Goodwill	585.3	541.0	572.1
Intangible assets	188.7	201.6	205.2
Shares in associates and joint ventures	220.7	207.2	199.1
Other investments	15.5	20.4	22.7
Loans and other receivables	74.5	80.2	75.3
Pension assets	77.4	83.1	89.6
Total	4,427.7	4,395.6	4,433.8
Current assets			
Inventories	870.7	838.4	836.9
Trade receivables	1,004.4	878.0	776.5
Other receivables	269.9	237.2	278.8
Other financial assets*	97.7	51.4	51.7
Cash and cash equivalents*	430.0	252.7	254.3
Total	2,672.7	2,257.7	2,198.2
Non-current assets held for sale	0.5	0.5	9.9
Total assets	7,100.8	6,653.7	6,641.9

* The change in the accounting policy regarding the classification of cash and cash equivalents is detailed on page 27

	30.9.2021	30.9.2020	31.12.2020
EQUITY AND LIABILITIES			
Equity	2,341.6	2,042.0	2,189.3
Non-current liabilities			
Interest-bearing liabilities	318.5	418.5	408.7
Lease liabilities	1,636.5	1,719.1	1,712.3
Non-interest-bearing liabilities	24.8	29.7	29.5
Deferred tax liabilities	29.7	12.0	16.4
Pension obligations	0.4	0.4	0.4
Provisions	17.3	20.1	20.3
Total	2,027.2	2,199.8	2,187.7
Current liabilities			
Interest-bearing liabilities	163.2	232.9	182.6
Lease liabilities	317.4	295.0	312.7
Trade payables	1,405.3	1,160.2	1,091.3
Other non-interest-bearing liabilities	829.0	709.2	658.4
Provisions	17.0	14.7	17.7
Total	2,732.0	2,411.9	2,262.6
Liabilities related to non-current assets held for sale	-	-	2.3
Total equity and liabilities	7,100.8	6,653.7	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					-0.2		-0.2
Dividends						-297.8	-297.8
Other changes						2.4	2.4
Transactions with owners, total					-0.2	-295.4	-295.6
Comprehensive income							
Profit for the period						410.2	410.2
Items that will not be reclassified subsequently to profit or loss							
Actuarial gains/losses						31.8	31.8
Items that may be reclassified subsequently to profit or loss							
Translation differences on foreign operations			5.5				5.5
Share of other comprehensive income of associates and joint ventures						-0.7	-0.7
Cash flow hedge revaluation				9.5			9.5
Tax related to comprehensive income				-1.9		-6.4	-8.3
Total comprehensive income for the period			5.5	7.6		434.9	448.0
Balance at 30.9.2021	197.3	464.7	-14.5	5.6	-31.6	1,720.2	2,341.6



	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					3.8			3.8
Dividends						-249.9		-249.9
Increase in share capital							1.2	1.2
Disposal of subsidiaries		-0.0				-21.2	-4.1	-25.4
Change in Kesko Senukai's consolidation method		-0.1					-109.9	-110.0
Other changes		0.0				2.1		2.1
Transactions with owners, total		-0.2			3.8	-269.1	-112.8	-378.3
Comprehensive income								
Profit for the period						319.7	2.0	321.7
Items that will not be reclassified subsequently to profit or loss								
Actuarial gains/losses						-6.2		-6.2
Items that may be reclassified subsequently to profit or loss								
Translation differences on foreign operations			-29.3			0.1	-4.1	-33.4
Cash flow hedge revaluation				-4.6				-4.6
Tax related to comprehensive income				0.9		1.2		2.1
Other changes						-0.3		-0.3
Total comprehensive income for the period			-29.3	-3.7		314.6	-2.2	279.5
Balance at 30.9.2020	197.3	464.7	-50.6	-3.0	-31.6	1,465.3	0.0	2,042.0

Consolidated statement of cash flows (€ million), condensed					
	1-9/2021	1-9/2020	7-9/2021	7-9/2020	1-12/2020
Cash flows from operating activities					
Profit before tax	523.7	389.3	220.0	220.0	527.6
Depreciation according to plan	127.9	126.4	43.9	41.7	170.2
Depreciation and impairment for right-of-use assets	231.7	244.4	77.6	77.8	325.8
Finance income and costs	-2.0	7.3	0.0	0.1	3.5
Interest expense for lease liabilities	54.1	64.5	17.5	19.0	83.3
Other adjustments	17.9	-64.6	-8.3	-65.4	-54.3
Change in working capital					
Current non-interest-bearing receivables, increase (-)/decrease (+)	-204.4	-134.7	87.3	37.2	-64.3
Inventories, increase (-)/decrease (+)	-30.6	2.4	35.6	10.3	5.5
Current non-interest-bearing liabilities, increase (+)/decrease(-)	303.8	315.6	-40.5	-16.5	287.9
Financial items and tax	-139.3	-106.6	-51.9	-37.6	-132.9
Net cash from operating activities, total	882.8	844.0	381.2	286.6	1,152.4
Cash flows from investing activities					
Investing activities	-175.8	-306.8	-69.0	-177.3	-359.6
Proceeds from sale of tangible and intangible assets	11.0	7.3	4.7	3.0	16.4
Proceeds from sale of subsidiaries and business operations, net cash deducted	2.8	-73.2	-	-92.7	-73.2
Loan receivables and other financial assets, increase (-)/decrease (+)	-45.7	-5.8	-45.0	1.5	-4.9
Net cash used in investing activities, total	-207.6	-378.5	-109.3	-265.5	-421.3
Cash flows from financing activities					
Interest-bearing liabilities, increase (+)/decrease (-)	-107.9	78.5	-78.5	-100.1	18.9
Repayments of lease liabilities	-240.1	-282.7	-80.4	-77.1	-363.3
Current interest-bearing receivables, increase (-)/ decrease (+)	1.5	-1.0	0.0	-1.7	-0.9
Dividends paid	-150.9	-127.0	-	-	-249.9
Other items	-2.3	-3.5	3.1	0.0	-4.7
Net cash used in financing activities, total	-499.7	-335.7	-155.8	-178.9	-600.0
Change in cash and cash equivalents	175.5	129.8	116.1	-157.8	131.2
Cash and cash equivalents at 1 January	254.3	124.4	313.9	411.0	124.4
Exchange differences and change in value of cash and cash equivalents	0.2	-1.5	0.0	-0.5	-1.2
Cash and cash equivalents at 30 September	430.0	252.7	430.0	252.7	254.3

Cash flow from leases (€ million)	1-9/2021	1-9/2020	7-9/2021	7-9/2020	1-12/2020
Interest expense for lease liabilities	-54.1	-64.5	-17.5	-19.0	-83.3
Repayments of lease liabilities	-240.1	-282.7	-80.4	-77.1	-363.3
Total	-294.3	-347.3	-97.9	-96.1	-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 33.

Following the reclassification, presentation of those financial assets at fair value through profit or loss that are not classified as cash and cash equivalents in the new classification was changed in the consolidated statements of cash flows so that the changes in those financial instruments are presented under cash flows from investing activities instead of cash flows 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	30.9.2021	30.9.2020	31.12.2020
Cash and cash equivalents, reported	430.0	172.8	154.5
Effect of reclassification	-	+79.9	+99.9
Cash and cash equivalents, reclassified	430.0	252.7	254.3
In the consolidated statement of cash flows	1-9/2021	1-9/2020	1-12/2020
Net cash used in investing activities, reported	-207.6	-371.0	-413.7
Effect of reclassification	-	-7.5	-7.6
Net cash used in investing activities, reclassified	-207.6	-378.5	-421.3
Net cash used in financing activities, reported	-499.7	-423.2	-707.5
Effect of reclassification	-	+87.5	+107.5
Net cash used in financing activities, reclassified	-499.7	-335.7	-600.0

Group's performance indicators	1-9/2021	1-9/2020	7-9/2021	7-9/2020	1-12/2020
Net sales, € million	8,429.9	8,006.9	2,902.4	2,651.9	10,669.2
Operating profit, € million	570.3	444.6	236.5	224.6	600.2
Operating margin, %	6.8	5.6	8.1	8.5	5.6
Operating profit, comparable, € million	572.0	402.1	236.4	181.8	567.8
Operating margin, comparable, %	6.8	5.0	8.1	6.9	5.3
Profit before tax, € million	523.7	389.3	220.0	220.0	527.6
Profit before tax, comparable, € million	522.5	331.5	219.3	163.6	481.9
Earnings per share, basic and diluted, €	1.03	0.81	0.43	0.48	1.09
Earnings per share, comparable, basic and diluted, €	1.03	0.66	0.43	0.33	0.97
Return on capital employed, %	16.8	12.4	21.3	19.9	12.7
Return on capital employed, %, rolling 12 months	16.0	11.8	-	-	12.7
Return on capital employed, comparable, %	16.9	11.2	21.2	16.1	12.0
Return on capital employed, comparable, %, rolling 12 months	16.3	11.0	-	-	12.0
Capital expenditure, € million	196.0	342.9	69.1	174.8	398.4
Cash flow from operating activities, € million	882.8	844.0	381.2	286.6	1,152.4
Cash flow from investing activities, € million	-207.6	-378.5	-109.3	-265.5	-421.3
Cash flow from operating activities/share, €	2.22	2.13	0.96	0.72	2.91
Return on equity, %	24.1	20.5	30.2	37.9	20.1
Return on equity, %, rolling 12 months	23.9	20.2	-	-	20.1
Return on equity, comparable, %	24.1	16.7	30.1	26.5	17.8
Return on equity, comparable, %, rolling 12 months	24.3	17.3	-	-	17.8
Equity ratio, %	33.1	30.8	33.1	30.8	33.1
Equity per share, €	5.90	5.15	5.90	5.15	5.52
Interest-bearing net debt/EBITDA excluding the impact of IFRS 16, rolling 12 months	-0.1	0.5	-	-	0.4
Interest-bearing net debt, € million	1,907.9	2,361.4	1,907.9	2,361.4	2,310.3
Interest-bearing net debt excluding lease liabilities, € million	-46.0	347.3	-46.0	347.3	285.3
Diluted number of shares, average for the reporting period, 1,000 pcs	397,006	396,635	397,006	396,635	396,661
Personnel, average	14,269	18,658	14,422	14,184	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 chief operating decision-maker, i.e. the Group Management Board. Consequently, Kesko Senukai has been reported in the segment figures and the 1-12/2020 and 1-9/2020 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	1-9/2021	1-9/2020	7-9/2021	7-9/2020	1-12/2020	Rolling mo 9/2021
Grocery trade, Finland	4,352.2	4,214.7	1,515.3	1,462.1	5,732.0	5,869.4
Grocery trade total	4,352.2	4,214.7	1,515.3	1,462.1	5,732.0	5,869.4
- of which intersegment trade	12.7	11.4	4.3	3.9	15.3	16.7
Building and technical trade, Finland	1,785.5	1,608.0	614.9	554.2	2,102.7	2,280.2
Building and technical trade, other countries*	1,500.6	1,113.9	517.7	397.0	1,536.8	1,923.4
Building and technical trade total	3,286.1	2,721.9	1,132.7	951.2	3,639.5	4,203.7
- of which intersegment trade	-0.1	-0.7	0.3	-0.2	-0.7	-0.1
Car trade, Finland	809.4	658.9	260.7	244.3	892.6	1,043.0
Car trade total	809.4	658.9	260.7	244.3	892.6	1,043.0
- of which intersegment trade	5.1	5.1	1.8	2.2	6.7	6.8
Common functions and eliminations	-17.7	-15.3	-6.2	-5.7	-21.4	-23.8
Finland total	6,929.3	6,466.3	2,384.7	2,255.0	8,705.8	9,168.8
Other countries total*	1,500.6	1,113.9	517.7	397.0	1,536.8	1,923.4
Segment information, total	8,429.9	7,580.2	2,902.4	2,651.9	10,242.6	11,092.2
Impact of change in Kesko Senukai's consolidation method**	-	426.7	-	-	426.6	-
Reported group	8,429.9	8,006.9	2,902.4	2,651.9	10,669.2	11,092.2

* 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	1-9/2021	1-9/2020	7-9/2021	7-9/2020	1-12/2020	Rolling mo 9/2021
Grocery trade	312.9	250.7	123.0	108.6	373.7	435.9
Building and technical trade	243.5	145.3	104.3	69.0	177.7	274.2
Car trade	41.9	17.2	17.7	7.3	23.3	48.1
Common functions and eliminations	-28.0	-30.4	-8.6	-8.0	-34.8	-32.4
Segment information, total	570.3	382.8	236.5	176.9	540.0	725.8
Impact of change in Kesko Senukai's consolidation method*	-	61.9	-	47.7	60.2	-
Reported group	570.3	444.6	236.5	224.6	600.2	725.8

* 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	1-9/2021	1-9/2020	7-9/2021	7-9/2020	1-12/2020	Rolling mo 9/2021
Grocery trade	311.9	252.0	122.2	108.7	375.2	435.1
Building and technical trade	244.2	143.4	104.5	73.2	187.7	288.5
Car trade	43.7	17.3	18.2	7.4	23.4	49.8
Common functions and eliminations	-27.8	-24.7	-8.5	-7.4	-32.7	-35.8
Segment information, total	572.0	388.0	236.4	181.8	553.6	737.6
Impact of change in Kesko Senukai's consolidation method*	-	14.1	-	-	14.1	-
Reported group	572.0	402.1	236.4	181.8	567.8	737.6

* 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	1-9/2021	1-9/2020	7-9/2021	7-9/2020	1-12/2020	Rolling mo 9/2021
Grocery trade	7.2	6.0	8.1	7.4	6.5	7.4
Building and technical trade	7.4	5.3	9.2	7.7	5.2	6.9
Car trade	5.4	2.6	7.0	3.0	2.6	4.8
Segment information, total	6.8	5.1	8.1	6.9	5.4	6.6
Impact of change in Kesko Senukai's consolidation method*	-	0.1	-	-	0.1	-
Reported group	6.8	5.0	8.1	6.9	5.3	6.6

* 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	1-9/2021	1-9/2020	7-9/2021	7-9/2020	1-12/2020	Rolling mo 9/2021
Grocery trade	523.2	463.3	193.6	179.9	657.7	717.6
Building and technical trade	334.5	225.9	133.9	101.1	300.8	409.5
Car trade	72.3	44.0	28.1	16.6	58.6	86.9
Common functions and eliminations	1.3	3.5	1.9	1.8	5.0	2.9
Segment information, total	931.3	736.6	357.4	299.4	1,022.2	1,216.9
Impact of change in Kesko Senukai's consolidation method*	-	35.0	-	-	35.0	-
Reported group	931.3	771.6	357.4	299.4	1,057.1	1,216.9

*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	1-9/2021	1-9/2020	7-9/2021	7-9/2020	1-12/2020	Rolling mo 9/2021
Grocery trade	268.4	207.6	108.4	93.9	316.2	377.0
Building and technical trade	230.8	132.0	100.0	68.8	171.5	270.3
Car trade	43.0	16.4	17.9	7.1	23.0	49.6
Common functions and eliminations	-28.8	-25.9	-8.8	-7.9	-34.3	-37.2
Segment information, total	513.4	330.2	217.5	161.8	476.5	659.7
Impact of change in Kesko Senukai's consolidation method*	-	9.5	-	-	9.5	-
Reported group	513.4	339.6	217.5	161.8	486.0	659.7

* 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	1-9/2021	1-9/2020	7-9/2021	7-9/2020	1-12/2020	Rolling mo 9/2021
Grocery trade	2,144.0	2,238.4	2,131.0	2,207.8	2,223.7	2,153.8
Building and technical trade	1,677.4	1,842.2	1,635.5	1,627.2	1,804.5	1,677.2
Car trade	382.3	376.0	368.5	349.2	372.8	373.9
Common functions and eliminations	316.8	312.9	315.8	336.9	317.4	323.8
Group total	4,520.5	4,769.4	4,450.7	4,521.0	4,718.5	4,528.7

Return on capital employed by segment, %, comparable	1-9/2021	1-9/2020	7-9/2021	7-9/2020	1-12/2020	Rolling mo 9/2021
Grocery trade	19.4	15.0	22.9	19.7	16.9	20.2
Building and technical trade	19.4	11.4	25.6	18.0	11.2	17.2
Car trade	15.2	6.1	19.8	8.4	6.3	13.3
Group total	16.9	11.2	21.2	16.1	12.0	16.3

Capital expenditure by segment, € million	1-9/2021	1-9/2020	7-9/2021	7-9/2020	1-12/2020	Rolling mo 9/2021
Grocery trade	76.7	109.9	34.1	17.3	125.4	92.3
Building and technical trade	32.0	169.5	13.7	139.9	186.3	48.8
Car trade	62.5	47.2	13.5	14.1	64.7	80.0
Common functions and eliminations	24.7	16.4	7.9	3.4	22.0	30.4
Group total	196.0	342.9	69.1	174.8	398.4	251.5

Change in tangible and intangible assets (€ million)

	30.9.2021	30.9.2020
Opening net carrying amount	2,228.2	2,172.6
Depreciation, amortisation and impairment charges	-127.9	-126.4
Investments in tangible and intangible assets	183.8	176.0
Deductions	-14.4	-140.2
Acquisitions	11.2	140.4
Transfers to non-current assets held for sale and between items	-2.2	-0.4
Exchange differences	5.0	-25.8
Closing net carrying amount	2,283.7	2,196.1

Right-of-use assets (€ million)

	30.9.2021	30.9.2020
Opening net carrying amount	1,819.0	2,191.3
Depreciation, amortisation and impairment charges	-232.2	-245.6
Net increases	164.4	99.3
Acquisitions	1.1	76.6
Change in Kesko Senukai's consolidation method	-	-297.2
Exchange differences	3.6	-16.0
Closing net carrying amount	1,755.9	1,808.5

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:	1-9/2021	1-9/2020
Sales of goods and services	79.8	80.3
Purchases of goods and services	-9.6	-5.3
Other operating income	14.0	13.0
Other operating expenses	-3.3	-4.0
Finance income and costs	4.7	4.4
	30.9.2021	30.9.2020
Receivables	92.4	97.1
Liabilities	7.4	25.6
Items related to leases	30.9.2021	30.9.2020
Cash flow from leases	-34.3	-36.5
Lease liabilities	299.2	355.6

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)	30.9.2021	30.9.2020
Trade receivables fully performing	958.3	827.9
1-7 days past due trade receivables	18.9	18.0
8-30 days past due trade receivables	10.7	11.5
31-60 days past due trade receivables	4.7	3.7
over 60 days past due trade receivables	11.9	16.8
Total	1,004.4	878.0

Trade receivables include impairment charges totalling €19.4 million (30 September 2020: €22.1 million).

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

30.9.2021 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	15.5			15.5	15.5			15.5
Loans and receivables		71.1		71.1	71.1			
Other non-current receivables, derivatives			3.2	3.2	3.2		3.2	
Current financial assets								
Trade receivables		1,004.4		1,004.4	1,004.4			
Other receivables		264.0		264.0	264.0			
Other receivables, derivatives			5.9	5.9	5.9		5.9	
Other financial assets	55.2	42.6		97.7	97.7	55.2		
Cash and cash equivalents	50.0	380.1		430.0	430.0	50.0		
Total financial assets	120.7	1,762.1	9.1	1,891.8	1,891.8	105.1	9.1	15.5
Non-current financial liabilities								
Non-current interest-bearing liabilities		318.5		318.5	318.5			
Non-current lease liabilities		1,636.5		1,636.5	1,636.5			
Non-current non-interest-bearing liabilities		24.8		24.8	24.8			
Non-current non-interest-bearing liabilities, derivatives			0.0	0.0	0.0		0.0	
Current financial liabilities								
Current interest-bearing liabilities		163.2		163.2	163.2			
Current lease liabilities		317.4		317.4	317.4			
Trade payables		1,405.3		1,405.3	1,405.3			
Other non-interest-bearing liabilities		741.8		741.8	741.8			
Other non-interest-bearing liabilities, derivatives	3.9		0.0	3.9	3.9		3.9	
Total financial liabilities	3.9	4,607.5	0.0	4,611.4	4,611.4		4.0	

30.9.2020 Balance, € million	Fair value through profit or loss	Amortised cost	Fair value comprehensive income	Carrying amount	Fair value	Level 1	Level 2	Level 3
Non-current financial assets								
Other investments	20.4			20.4	20.4			20.4
Loans and receivables		78.4		78.4	78.4			
Other non-current receivables, derivatives			0.2	0.2	0.2		0.2	
Current financial assets								
Trade receivables		878.0		878.0	878.0			
Other receivables		233.4		233.4	233.4			
Other receivables, derivatives	3.7		0.1	3.8	3.8		3.8	
Other financial assets	19.9	31.5		51.4	51.5	19.9		
Cash and cash equivalents	79.9	172.8		252.7	252.7	79.9		
Total financial assets	124.0	1,394.1	0.3	1,518.4	1,518.5	99.8	4.0	20.4
Non-current financial liabilities								
Non-current interest-bearing liabilities		418.5		418.5	418.5			
Non-current lease liabilities		1,719.1		1,719.1	1,719.1			
Non-current non-interest-bearing liabilities		27.1		27.1	27.1			
Non-current non-interest-bearing liabilities, derivatives			2.6	2.6	2.6		2.6	
Current financial liabilities								
Current interest-bearing liabilities		232.9		232.9	232.9			
Current lease liabilities		295.0		295.0	295.0			
Trade payables		1,160.2		1,160.2	1,160.2			
Other non-interest-bearing liabilities		659.3		659.3	659.3			
Other non-interest-bearing liabilities, derivatives	8.1		1.2	9.3	9.3		9.3	
Total financial liabilities	8.1	4,512.1	3.7	4,523.9	4,523.9		11.9	

Loans and receivables do not include deferred tax assets of €0.3 million (€1.5 million). Income tax liabilities of €53.2 million (€18.5 million) and prepayments received of €30.1 million (€22.1 million) are not categorised as financial liabilities and are not included in the table above.

Personnel, average and at 30.9.

Personnel average by segment	1-9/2021	1-9/2020	Change
Grocery trade	6,135	6,148	-13
Building and technical trade	5,993	10,385	-4,392
Car trade	1,245	1,281	-36
Common functions	896	845	51
Group total	14,269	18,658	-4,389

Personnel at 30.9.*by segment	2021	2020	Change
Grocery trade	8,142	8,031	111
Building and technical trade	7,103	7,166	-63
Car trade	1,186	1,294	-108
Common functions	976	855	121
Group total	17,407	17,346	61

* Total number including part-time employees

Group's commitments (€ million)

	30.9.2021	30.9.2020	
Own commitments	309.7	312.0	
For others	-	2.6	
Lease liabilities for leases not recognised in the balance sheet	69.4	91.3	
Liabilities arising from derivative instruments (€ million)			
			Fair value
Values of underlying instruments at	30.9.2021	30.9.2020	30.9.2021
Interest rate derivatives			
Interest rate swaps	420.0	420.0	-3.4
Currency derivatives			
Forward and future contracts	208.2	200.6	1.0
Commodity derivatives			
Electricity futures	28.5	14.9	6.9

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	1-9/ 2021	1-9/ 2020	7-9/ 2021	7-9/ 2020	1-12/ 2020
Items affecting comparability					
Gains on disposal	1.4	6.4	0.9	-	9.8
Losses on disposal	-0.0	-0.2	-	-0.1	-0.2
Structural arrangements	-3.1	36.3	-0.8	42.8	22.8
Items in operating profit affecting comparability	-1.7	42.5	0.1	42.8	32.4
Items in financial items affecting comparability	2.9	15.3	0.6	13.6	13.4
Items in income taxes affecting comparability	0.1	2.1	0.0	0.9	4.1
Total items affecting comparability	1.3	59.9	0.7	57.2	49.9
Items in EBITDA affecting comparability	-1.5	43.9	0.5	44.8	39.1
Operating profit, comparable					
Operating profit	570.3	444.6	236.5	224.6	600.2
Net of					
Items in operating profit affecting comparability	-1.7	42.5	0.1	42.8	32.4
Operating profit, comparable	572.0	402.1	236.4	181.8	567.8
EBITDA					
Operating profit	570.3	444.6	236.5	224.6	600.2
Plus					
Depreciation and impairment charges	127.9	126.4	43.9	41.7	170.2
Depreciation and impairment charges for right-of-use assets	231.7	244.4	77.6	77.8	325.8
EBITDA	929.9	815.5	357.9	344.2	1,096.2
EBITDA excluding the impact of IFRS 16					
EBITDA	929.9	815.5	357.9	344.2	1,096.2
Net of					
Rents for right-of-use assets	-290.6	-307.1	-96.5	-97.8	-408.0
EBITDA excluding the impact of IFRS 16	639.2	500.9	261.5	239.0	680.7
Profit before tax, comparable					
Profit before tax	523.7	389.3	220.0	220.0	527.6
Net of					
Items in operating profit affecting comparability	-1.7	42.5	0.1	42.8	32.4
Items in financial items affecting comparability	2.9	15.3	0.6	13.6	13.4
Profit before tax, comparable	522.5	331.5	219.3	163.6	481.9
Net profit, comparable					
Profit before tax, comparable	522.5	331.5	219.3	163.6	481.9
Net of					
Income tax	113.5	67.6	49.8	30.2	92.3
Items in income tax affecting comparability	0.1	2.1	0.0	0.9	4.1

Net profit, comparable	408.8	261.9	169.5	132.6	385.5
Net profit attributable to owners of the parent, comparable					
Net profit, comparable	408.8	261.9	169.5	132.6	385.5
Net of					
Net profit attributable to non-controlling interests	-	2.0	-	-	2.0
Net profit attributable to owners of the parent, comparable	408.8	259.9	169.5	132.6	383.5
Earnings per share, comparable, €					
Net profit attributable to the owners of the parent, comparable	408.8	259.9	169.5	132.6	383.5
Average number of shares, basic, 1.000 pcs	397,006	396,635	397,006	396,635	396,661
Earnings per share, comparable, €	1.03	0.66	0.43	0.33	0.97
Return on capital employed, %					
Operating profit	570.3	444.6	236.5	224.6	600.2
Capital employed, average	4,520.5	4,769.4	4,450.7	4,521.0	4,718.5
Return on capital employed, %	16.8	12.4	21.3	19.9	12.7
Return on capital employed, comparable, %					
Operating profit, comparable	572.0	402.1	236.4	181.8	567.8
Capital employed, average	4,520.5	4,769.4	4,450.7	4,521.0	4,718.5
Return on capital employed, comparable, %	16.9	11.2	21.2	16.1	12.0
Return on equity, %					
Net profit	410.2	321.7	170.2	189.8	435.3
Equity, average	2,265.4	2,091.4	2,255.9	2,003.6	2,165.0
Return on equity, %	24.1	20.5	30.2	37.9	20.1
Return on equity, comparable, %					
Net profit, comparable	408.8	261.9	169.5	132.6	385.5
Equity, average	2,265.4	2,091.4	2,255.9	2,003.6	2,165.0
Return on equity, comparable, %	24.1	16.7	30.1	26.5	17.8
Equity ratio, %					
Shareholders' equity	2,341.6	2,042.0	2,341.6	2,042.0	2,189.3
Total assets	7,100.8	6,653.7	7,100.8	6,653.7	6,641.9
Advances received	30.1	21.9	30.1	21.9	32.8
Equity ratio, %	33.1	30.8	33.1	30.8	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.-30.9.2021		1.7.-30.9.2021	
	€ million	Change, % ^{*)}	€ million	Change, % ^{*)}
K Group's grocery trade				
K-Citymarket, food	1,482.4	4.7	490.5	3.7
K-Citymarket, non-food	430.8	6.4	152.5	3.3
K-Supermarket	1,695.7	2.0	575.3	3.8
K-Market	1,540.2	2.4	535.5	2.1
Neste K	86.8	0.3	31.0	1.8
Others	36.4	3.1	14.1	3.1
Retail sales, total	5,272.4	3.2	1,798.9	3.2
Kespro	626.5	6.1	248.1	8.7
Grocery trade, total	5,898.8	3.5	2,047.0	3.8
K Group's building and technical trade				
K-Rauta, Finland	999.7	8.9	367.8	10.9
K-Rauta B2B Service, Finland	206.4	8.6	77.7	24.5
Onninen, Finland	804.4	11.1	295.7	16.5
Leisure trade, Finland	222.9	21.7	69.9	0.5
Finland, total	2,233.3	10.8	811.1	13.1
K-Rauta, Sweden	159.4	9.7	52.0	2.4
K-Bygg, Sweden	234.7	21.8	80.9	16.7
Onninen and Mark & Infra i Sverige, Sweden	87.9	4.0	29.7	16.9
Byggmakker, Norway	635.0	17.4	218.3	14.0
Onninen, Norway	224.2	28.6	74.7	32.3
Onninen, Baltic countries	67.2	15.3	26.3	26.5
Onninen, Poland	218.8	27.9	82.2	32.3
Other countries, total	1,627.2	19.0	564.2	18.4
Kesko Senukai	801.1	18.2	311.6	24.0
Building and technical trade, total	4,661.7	14.8	1,686.9	16.7
K Group's car trade				
K-Auto, retail	555.8	20.2	177.1	4.3
K-Auto, import	211.4	32.8	64.0	14.2
AutoCarrera	49.1	-0.8	15.2	-32.1
Car trade, total	816.4	21.7	256.3	3.2
Finland, total	8,948.5	6.7	3,114.4	6.0
Other countries, total	2,428.4	18.8	875.7	20.3
Retail and B2B sales, total	11,376.9	9.1	3,990.1	8.9

^{*)} 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, the acquisitions of Carlsen Fritzøe Handel AS and Bygg & Interiör completed in September 2020, and the acquisition of Byggarnas Partner i Sverige AB completed in September 2021, had been completed on 1 January 2020.