



January-December 2023

**KESKO CORPORATION
FINANCIAL
STATEMENTS RELEASE**

Q4/2023

30.1.2024

KESKO CORPORATION JANUARY-DECEMBER FINANCIAL STATEMENTS RELEASE 30.1.2024 AT 8.00

Kesco's financial statements release 1 Jan. -31 Dec. 2023: A good result from all divisions

FINANCIAL PERFORMANCE IN BRIEF:

10-12/2023

- Group net sales in October-December totalled €2,902.0 million (€2,983.4 million); reported net sales were down by 2.7%, or by 3.7% in comparable terms
- Comparable operating profit totalled €170.5 million (€192.6 million)
- Operating profit totalled €159.8 million (€191.2 million)
- Cash flow from operating activities totalled €342.4 million (€263.0 million)
- Comparable earnings per share €0.31 (€0.36); reported earnings per share €0.28 (€0.36)

1-12/2023

- Group net sales in January-December totalled €11,783.8 million (€11,809.0 million); reported net sales were flat year-on-year, while in comparable terms net sales decreased by 0.8%
- Comparable operating profit totalled €712.0 million (€815.1 million)
- Operating profit totalled €695.4 million (€816.5 million)
- Cash flow from operating activities totalled €1,049.5 million (€915.2 million)
- Comparable earnings per share €1.28 (€1.54); reported earnings per share €1.25 (€1.53)
- The Board proposes a dividend of €1.02 per share, proposed to be paid in four instalments

KEY PERFORMANCE INDICATORS

	10-12/2023	10-12/2022	1-12/2023	1-12/2022
Net sales, € million	2,902.0	2,983.4	11,783.8	11,809.0
Operating profit, comparable, € million	170.5	192.6	712.0	815.1
Operating margin, comparable, %	5.9	6.5	6.0	6.9
Operating profit, € million	159.8	191.2	695.4	816.5
Profit before tax, comparable, € million	145.1	178.6	630.4	763.2
Profit before tax, € million	134.4	177.2	613.5	761.1
Cash flow from operating activities, € million	342.4	263.0	1,049.5	915.2
Capital expenditure, € million	158.5	108.5	678.9	449.2
Earnings per share, €, basic and diluted	0.28	0.36	1.25	1.53
Earnings per share, comparable, €, basic	0.31	0.36	1.28	1.54

	1-12/2023	1-12/2022
Return on capital employed, comparable, %	13.4	16.9
Return on equity, comparable, %	18.5	23.2

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

OUTLOOK AND GUIDANCE FOR 2024

Kesko Group's profit guidance is given for the year 2024, in comparison with the year 2023. Kesko's operating environment is estimated to remain challenging in 2024. Kesko's net sales and operating profit are estimated to remain at a good level in 2024 despite the challenges in the company's operating environment. Kesko estimates that its comparable operating profit in 2024 will be in the range of €620–720 million.

The profit guidance is based on an estimate of a relatively short recession in Kesko's operating countries. Key uncertainties impacting Kesko's outlook are developments in inflation and interest rate levels, and geopolitical crises and tensions.

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

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

In car trade, new car sales are expected to fall short of the 2023 level. Sales of used cars and services are expected to grow. Profitability in car trade is estimated to still remain good in 2024, but to fall short of the 2023 level.

PRESIDENT AND CEO MIKKO HELANDER:

All Kesko divisions generated good results in 2023. Our net sales for the year totalled €11,783.8 million, and our comparable operating profit €712.0 million. Our strong profitability shows that Kesko's growth strategy and its successful execution in all three divisions have managed to yield results also in a more challenging operating environment. Our good ability to generate profits and our strong financial position enable investments in growth and also good dividend capacity. Kesko's Board of Directors proposes to the Annual General Meeting that a dividend of €1.02 per share, in total nearly €406 million, be paid in four instalments.

In the grocery trade division, sales grew in both the grocery store business and the foodservice business. The good performance was based on our strong position in all areas of Finnish food trade. Kesko's performance in 2023 was particularly strong. Improved purchasing power and slowing inflation have begun to have a positive impact on the market. Demand for premium products recovered in the second year-half. Campaigns and other marketing efforts strengthened our customer flows and sales. Tight price competition continued in Finnish grocery trade. Net sales for the division totalled € 6,351.6 million, up by 3.7%, and the comparable operating profit amounted to €444.8 million.

In the building and technical trade division, profitability remained good even though it declined year-on-year as construction activity and cycle weakened. Construction activity declined in all our operating countries due to inflation and rising interest rates. In the longer term, however, the outlook for building and technical trade is positive. Urbanisation, repair and infrastructure investment debt, infrastructure projects and the green transition sustain construction across cycles. We continued the determined execution of our growth strategy also in 2023, for example, by acquiring Elektroskandia in Norway and agreeing to acquire Davidsen, one of Denmark's leading building and home improvement operators, thus expanding our operations to Denmark. The division's net sales totalled €4,193.2 million, down by 8.7%, and its comparable operating profit amounted to €212.5 million.

In the car trade division, new car sales and the transformation of our operations have led to markedly improved profitability. Sales grew in all car trade business areas. New car deliveries grew clearly on the comparison period, and sales of used cars and services also increased markedly. Kesko's car trade division today is a leading operator in the electrification of transport in Finland. The division's net sales totalled €1,262.3 million, up by 13.9% in comparable terms, while the comparable operating profit totalled €82.6 million.

Kesko today is an efficient, profitable trading sector operator. Our good success acts as strong proof of the effectiveness of our strategy, which yields results also in a changing operating environment. Throughout the history of Kesko and K Group, our strength has been our ability to quickly adapt to our surroundings as necessary. A key objective for a listed company is to generate value for its shareholders. Over the past ten years,

our total shareholder return – including the dividend suggested to be paid for 2023 – is approximately €8.3 billion. At the same time, we have paid total performance bonuses of some €308 million to our personnel.

I have had the privilege of leading Kesko for over nine years. My successor Jorma Rauhala will be heading a strong and modern international trading sector company that is set to continue to grow profitably also in years and decades to come. Kesko's success has been built together. As I retire, I want to express my gratitude to all our customers, shareholders, the people of K Group, and our partners for their trust and collaboration over these past nine years.

FINANCIAL PERFORMANCE

NET SALES AND PROFIT IN OCTOBER-DECEMBER 2023

10-12/2023	Net sales, € million	Change, %	Change, comparable, %	Operating profit, comparable, € million	Change, € million
Grocery trade	1,639.1	+1.3	+1.3	124.2	+1.4
Building and home improvement trade	409.4	-21.3	-17.8	5.0	-7.2
Technical trade	576.8	-0.7	-9.4	22.1	-15.3
Kesko Senukai	-	-	-	13.5	+2.3
Building and technical trade, total	971.1	-10.3	-13.4	40.6	-20.2
Car trade	297.4	+2.0	+3.8	14.4	-3.1
Common functions and eliminations	-5.7	-	-	-8.8	-0.3
Total	2,902.0	-2.7	-3.7	170.5	-22.1

Group net sales decreased by 2.7% in October-December. In comparable terms, net sales decreased by 3.7%. Net sales decreased in comparable terms by 2.3% in Finland and by 10.2% in the other operating countries. The comparable change % has been calculated in local currencies and excluding the impact of acquisitions and divestments completed.

Net sales for the grocery trade division increased by 1.3%. Sales to K Group grocery store chains grew by 1.2%. Net sales for Kespro's foodservice business grew by 4.9% in October-December.

Net sales for the building and technical trade division decreased in October-December by 10.3%, or by 13.4% in comparable terms, due to the weakening of the construction market year-on-year. Net sales for technical trade decreased by 0.7%, or by 9.4% in comparable terms. In Norway, net sales for technical trade grew, underpinned by the Elektroskandia AS acquisition. In the other operating countries, net sales decreased in local currencies. In building and home improvement trade, net sales decreased in comparable terms by 17.8%: net sales were down in all operating countries.

Net sales for the car trade division grew by 2.0% in October-December, or by 3.8% in comparable terms. Net sales grew in all car trade segments. Net sales for sports trade decreased by 15.1%.

The Group's comparable operating profit in October-December totalled €170.5 million, a decrease of €22.1 million. The grocery trade division's comparable operating profit grew by €1.4 million. Profitability was improved by the sales growth and good profitability of Kespro's foodservice business. The comparable operating profit for the building and technical trade division decreased by €20.2 million. The comparable operating profit decreased in all operating countries primarily as a result of the decrease in net sales. In Finland, profitability for Onninen and building and home improvement trade remained good. The share of result from Kesko Senukai had a €2.3 million positive impact on the division's comparable operating profit year-on-year. The comparable operating profit for the car trade division decreased by €3.1 million, impacted by the reduction in a provision related to warranty expenses in car trade in the comparison period, which has a positive impact on the comparison period profit, and by the decline in sports trade sales. Comparable operating profit decreased in both car trade and sports trade.

Items affecting comparability, € million	10-12/2023	10-12/2022
Operating profit, comparable	170.5	192.6
Items affecting comparability		
+gains on disposal	-	+0.0
-losses on disposal	-0.0	-0.0
+/-structural arrangements	-10.6	-1.4
Items affecting comparability, total	-10.6	-1.4
Operating profit	159.8	191.2

The most significant items affecting comparability were related to the reorganisation of the K-Rauta chain in Sweden, in which the Swedish building and home improvement trade operations will be concentrated in the K-Bygg chain, and to acquisitions.

K Group's (Kesko and the chain stores) retail and B2B sales (0% VAT) in October-December totalled €3,902.3 million, representing a decrease of 3.6% compared to the previous year.

Net finance costs, income tax and earnings per share

	10-12/2023	10-12/2022
Net finance costs, € million	-25.5	-15.3
Interests on lease liabilities, € million	-19.0	-17.0
Profit before tax, comparable, € million	145.1	178.6
Profit before tax, € million	134.4	177.2
Income tax, € million	-21.5	-35.6
Earnings per share, comparable, €	0.31	0.36
Earnings per share, €	0.28	0.36
Equity per share, €	6.93	6.90

The growth in Group net finance costs in October-December was impacted by the increase in interest-bearing net debt and rise in interest rate levels. The share of result of associates was €0.1 million (€1.3 million).

The Group's effective tax rate was 16.0% (20.1%). The rate declined due to a recording of a deferred tax asset for some of the losses accrued in Sweden.

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

NET SALES AND PROFIT IN JANUARY-DECEMBER 2023

1-12/2023	Net sales, € million	Change, %	Change, comparable, %	Operating profit, comparable, € million	Change, € million
Grocery trade	6,351.6	+3.7	+3.7	444.8	-15.6
Building and home improvement trade	1,912.1	-19.6	-16.1	65.0	-62.5
Technical trade	2,344.7	+2.6	-4.8	128.5	-45.2
Kesko Senukai	-	-	-	19.0	-1.9
Building and technical trade, total	4,193.2	-8.7	-10.5	212.5	-111.4
Car trade	1,262.3	+12.2	+13.9	82.6	+18.2
Common functions and eliminations	-23.3	-	-	-27.8	+5.7
Total	11,783.8	-0.2	-0.8	712.0	-103.0

Group net sales decreased by 0.2% in January-December. In comparable terms, net sales decreased by 0.8%. Net sales increased in comparable terms by 1.3% in Finland, and decreased by 9.8% in the other Kesko operating

countries. The comparable change % has been calculated in local currencies and excluding the impact of acquisitions and divestments completed.

Net sales for the grocery trade division grew by 3.7%. Sales to K Group grocery store chains grew by 2.7%. Net sales for Kespro's foodservice business grew by 10.9% in January-December. Without Covid-19 restrictions, consumption was relatively more geared towards foodservice than retail than in the comparison period.

Net sales for the building and technical trade division in January-December decreased by 8.7%, or by 10.5% in comparable terms. Net sales for technical trade increased by 2.6%, but decreased by 4.8% in comparable terms. Net sales for building and home improvement trade decreased by 16.1% in comparable terms. Net sales in building and home improvement trade decreased in all operating countries, impacted by a weaker construction market year-on-year.

In the car trade division, net sales increased by 12.2% in January-December, or by 13.9% in comparable terms. Net sales grew in all car trade segments. Net sales for sports trade decreased.

The Group's comparable operating profit in January-December totalled €712.0 million, a decrease of €103.0 million. The comparable operating profit for the grocery trade division decreased by €15.6 million, weakened by campaigns and other marketing efforts as well as increased real estate costs. The division's profitability was improved by the sales growth and good profitability of Kespro's foodservice business. The comparable operating profit for the building and technical trade division decreased by €111.4 million. The comparable operating profit decreased in all operating countries primarily as a result of the decrease in net sales. In addition to the decrease in net sales, profitability for technical trade was impacted by Elektroskandia, where profitability was below that of the rest of the business, burdened by a €2.0 million expense recorded for the allocation of fair value of inventories. In Finland, profitability for Onninen and building and home improvement trade remained good. The share of result from Kesko Senukai had a €1.9 million negative impact on the division's comparable operating profit year-on-year. The comparable operating profit for the car trade division increased by €18.2 million. The comparable operating profit increased in the car trade segments by €24.7 million thanks to net sales growth and transformation and efficiency improvement measures. In sports trade, comparable operating profit decreased.

Items affecting comparability, € million	1-12/2023	1-12/2022
Operating profit, comparable	712.0	815.1
Items affecting comparability		
+gains on disposal	+0.4	+0.0
-losses on disposal	-1.0	-0.1
+/-structural arrangements	-16.1	+1.6
Items affecting comparability, total	-16.7	+1.5
Operating profit	695.4	816.5

The most significant items affecting comparability were related to the reorganisation of the K-Rauta chain in Sweden, in which the Swedish building and home improvement trade operations will be concentrated in the K-Bygg chain, and to acquisitions.

K Group's (Kesko and the chain stores) retail and B2B sales (0% VAT) in January-December totalled €15,850.0 million, representing a decrease of 1.8%. During the 12-month period that ended in December 2023, the number of Finnish households belonging to the K-Plussa loyalty scheme and using the Plussa network totalled 2.5 million, with 3.3 million customers using their K-Plussa card.

Net finance costs, income tax and earnings per share

	1-12/2023	1-12/2022
Net finance costs, € million	-83.9	-56.0
Interests on lease liabilities, € million	-73.4	-68.4
Profit before tax, comparable, € million	630.4	763.2
Profit before tax, € million	613.5	761.1
Income tax, € million	-118.0	-151.2
Earnings per share, comparable, €	1.28	1.54
Earnings per share, €	1.25	1.53
Equity per share, €	6.93	6.90

The growth in Group net finance costs in January-December was impacted by the increase in interest-bearing net debt and rise in interest rate levels. In the comparison period, net finance costs were reduced by a positive change in the fair value of interest rate derivatives. The share of result of associates was €2.1 million (€0.6 million).

The Group's effective tax rate was 19.2% (19.9%).

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

CASH FLOW AND FINANCIAL POSITION

€ million	10-12/2023	10-12/2022	1-12/2023	1-12/2022
Cash flow from operating activities	342.4	263.0	1,049.5	915.2
Cash flow from investing activities	-137.5	-79.4	-590.2	-344.3
Cash flow from financing activities	-140.9	-170.3	-492.2	-604.7

€ million	31.12.2023	31.12.2022
Liquid assets	227.3	314.1
Interest-bearing liabilities	2,787.0	2,418.3
Lease liabilities	1,997.9	1,920.1
Interest-bearing net debt excl. lease liabilities	561.9	184.1
Interest-bearing net debt/EBITDA, excl. IFRS 16 impact	0.7	0.2
Gearing, %	92.8	76.7
Equity ratio, %	35.8	36.9

The Group's cash flow from operating activities in October-December totalled €342.4 million (€263.0 million). The cash flow from operating activities strengthened on the comparison period thanks to further improvements in working capital management in all divisions.

The Group's cash flow from investing activities in October-December totalled €-137.5 million (€-79.4 million).

The Group's cash flow from operating activities in January-December totalled €1,049.5 million (€915.2 million).

The Group's cash flow from investing activities in January-December totalled €-590.2 million (€-344.3 million). Cash flow from investing activities included a positive item of €54.3 million (€36.8 million) from the redemption of money market funds, included in the Group's liquid assets.

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

CAPITAL EXPENDITURE

€ million	10-12/2023	10-12/2022	1-12/2023	1-12/2022
Capital expenditure	158.5	108.5	678.9	449.2
Store sites	84.6	58.6	286.5	268.1
Acquisitions	6.5	4.8	141.1	50.1
IT	9.4	10.5	25.0	41.8
Other investments	57.9	34.7	226.3	89.2

In October-December, capital expenditure in store sites increased by €26.0 million from the comparison period. In January-December, capital expenditure in store sites increased by €18.4 million on the comparison period. In the comparison period, capital expenditure in store sites included the property of K-Citymarket Turtola in Tampere, €40.3 million: the ownership of the property was transferred to the Group as a result of a return of surplus assets by Kesko Pension Fund in March 2022. The investment did not have a cash flow impact.

In January-December, other capital expenditure included an investment of €90.1 million in the construction of Onninen and K-Auto's shared logistics centre in Hyvinkää, Finland. The construction project is expected to be completed in 2025.

Capital expenditure in January-December included the acquisition of Elektroskandia Norge AS in Norway, completed on 1 March 2023, the acquisition of Zenitec Sweden AB in Sweden, completed on 5 April 2023, and the acquisition of Geitanger Bygg AS in Norway, completed on 2 October 2023. Capital expenditure in the comparison period included the acquisitions of the Swedish Kungälv's Trävaruaktiebolag, Föllinge Såg AB, Djurbergs Järnhandel Aktiebolag and XL-BYGG Bergslagen AB, and the Norwegian Seljord Elektriske AS.

PERSONNEL

	1-12/2023	1-12/2022
Average number of personnel converted into full-time employees	14,766	14,633
Personnel at the end of the reporting period	31.12.2023	31.12.2022
Finland	12,384	12,665
Other countries	5,318	5,176
Total	17,702	17,841

SEGMENTS

NEW SEGMENT STRUCTURE

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

SEASONAL NATURE OF OPERATIONS

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

GROCERY TRADE

October-December 2023

	10-12/2023	10-12/2022
Net sales, € million	1,639.1	1,617.9
Operating profit, comparable, € million	124.2	122.8
Operating margin, comparable, %	7.6	7.6
Return on capital employed, comparable, %, rolling 12 months	17.4	19.6
Capital expenditure, € million	76.0	53.7
Personnel, average	6,128	6,165

Net sales, € million	10-12/2023	10-12/2022	Change, %	Change, comparable, %
Sales to K-food stores	1,141.4	1,128.2	+1.2	+1.2
K-Citymarket, non-food	187.4	186.8	+0.3	+0.3
Kespro	287.0	273.6	+4.9	+4.9
Others	23.3	29.3	-20.2	-20.2
Total	1,639.1	1,617.9	+1.3	+1.3

Net sales for the grocery trade division in October-December totalled €1,639.1 million (€1,617.9 million), an increase of 1.3%. Sales to K Group grocery store chains grew by 1.2%. Net sales for Kespro's foodservice business grew by 4.9% in October-December.

The total retail grocery market in Finland (incl. VAT) is estimated to have grown by approximately 3.9% in October-December (Finnish Grocery Trade Association PTY), and retail prices are estimated to have risen by some 3.7% (incl. VAT, Kesko's own estimate). K Group's grocery sales grew by 2.5% (incl. VAT). New store openings by competitors are estimated to have continued to impact market shares in 2023, but to a lesser extent than in 2022. Online grocery sales grew by 17.9%, and accounted for approximately 3.5% of K Group's grocery sales (incl. VAT). The total market for the foodservice business is estimated to have grown by 0.1% in October-December (Finnish Grocery Trade Association PTY). Kespro's market share is estimated to have continued to grow in 2023.

The comparable operating profit for the grocery trade division in October-December totalled €124.2 million (€122.8 million), up by €1.4 million. Profitability was improved by the sales growth and good profitability of Kespro's foodservice business. Kespro's comparable operating profit totalled €17.9 million (€15.5 million). Operating profit for the grocery trade division totalled €124.6 million (€122.8 million). Items affecting comparability totalled €0.4 million (€0.0 million).

Capital expenditure for the grocery trade division in October-December totalled €76.0 million (€53.7 million). Capital expenditure in store sites totalled €66.9 million (€46.0 million).

January-December 2023

	1-12/2023	1-12/2022
Net sales, € million	6,351.6	6,124.7
Operating profit, comparable, € million	444.8	460.4
Operating margin, comparable, %	7.0	7.5
Return on capital employed, comparable, %	17.4	19.6
Capital expenditure, € million	303.7	257.6
Personnel, average	6,257	6,288

Net sales, € million	1-12/2023	1-12/2022	Change, %	Change, comparable, %
Sales to K Group grocery stores	4,484.0	4,367.4	+2.7	+2.7
K-Citymarket, non-food	615.5	605.1	+1.7	+1.7
Kespro	1,154.9	1,041.3	+10.9	+10.9
Others	97.3	110.8	-12.1	-12.1
Total	6,351.6	6,124.7	+3.7	+3.7

Net sales for the grocery trade division in January-December totalled €6,351.6 million (€6,124.7 million), an increase of 3.7%. Sales to K Group grocery store chains grew by 2.7%. Net sales for Kespro's foodservice business grew by 10.9% in January-December. Without Covid-19 restrictions, consumption was relatively more geared towards foodservice than retail than in the comparison period.

The total retail grocery market in Finland (incl. VAT) is estimated to have grown by approximately 6.0% in January-December (Finnish Grocery Trade Association PTY), and retail prices are estimated to have risen by some 9.0% (incl. VAT, Kesko's own estimate). K Group's grocery sales grew by 3.2% (incl. VAT). New store openings by competitors are estimated to have continued to impact market shares in 2023, but to a lesser extent than in 2022. Online grocery sales grew by 5.7%, and accounted for approximately 3.2% 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 729 at the end of the reporting period, up by 110 year-on-year. The total market for the foodservice business is estimated to have grown by 6.7% in January-December (Finnish Grocery Trade Association PTY). Kespro's market share is estimated to have continued to grow in 2023. The popularity of eating out is expected to be growing trend.

The comparable operating profit for the grocery trade division in January-December totalled €444.8 million (€460.4 million), down by €15.6 million, weakened by campaigns and other marketing efforts as well as increased real estate costs. Profitability was improved by sales growth and good profitability in Kespro's foodservice business. Kespro's comparable operating profit totalled €75.0 million (€59.2 million). Operating profit for the grocery trade division totalled €443.6 million (€461.5 million). Items affecting comparability totalled €-1.3 million (€1.1 million).

Capital expenditure for the grocery trade division in January-December totalled €303.7 million (€257.6 million). Capital expenditure in store sites totalled €251.2 million (€230.5 million).

BUILDING AND TECHNICAL TRADE

October-December 2023

	10-12/2023	10-12/2022
Net sales, € million	971.1	1,082.7
Building and home improvement trade	409.4	520.0
Technical trade	576.8	580.6
Operating profit, comparable, € million	40.6	60.8
Building and home improvement trade	5.0	12.2
Technical trade	22.1	37.5
Kesko Senukai	13.5	11.1
Operating margin, comparable, %	4.2	5.6
Building and home improvement trade	1.2	2.4
Technical trade	3.8	6.5
	10-12/2023	10-12/2022
Return on capital employed, comparable, %, rolling 12 months	11.4	19.1
Capital expenditure, € million	52.1	31.3
Personnel, average	6,002	5,919

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

Net sales, € million	10-12/2023	10-12/2022	Change, %	Change, comparable, %
Building and home improvement trade, Finland	185.5	231.9	-20.0	-20.0
K-Rauta, Sweden	30.1	35.0	-14.1	-11.0
K-Bygg, Sweden	67.1	88.7	-24.4	-20.7
Byggmakker, Norway	127.4	165.3	-22.9	-14.6
Building and home improvement trade, total	409.4	520.0	-21.3	-17.8
Technical trade, Finland	282.7	330.2	-14.4	-14.4
Technical trade, Sweden	30.7	37.1	-17.2	-16.3
Technical trade, Norway	142.8	94.7	+50.7	+2.3
Technical trade, Baltics	32.5	33.6	-3.0	-3.0
Technical trade, Poland	89.2	87.2	+2.2	-4.2
Technical trade, total	576.8	580.6	-0.7	-9.4
Total	971.1	1,082.7	-10.3	-13.4

Net sales for the building and technical trade division decreased in October-December by 10.3%, or by 13.4% in comparable terms, due to the weakening of the construction market year-on-year. Net sales for technical trade decreased by 0.7%, or by 9.4% in comparable terms. In Norway, net sales for technical trade grew, underpinned by the Elektroskandia AS acquisition. In the other operating countries, net sales decreased in local currencies. In building and home improvement trade, net sales decreased in comparable terms by 17.8%: net sales were down in all operating countries. Net sales development in euro terms was increased by the strengthening of the Polish zloty against the euro, and decreased by the weakening of the Swedish krona and the Norwegian krone against the euro.

In Finland, net sales for the building and technical trade division in October-December totalled €455.4 million (€545.7 million), a decrease of 16.5%. Net sales from international operations totalled €515.8 million (€537.0 million), down by 4.0%, or by 10.2% in comparable terms.

The comparable operating profit for the building and technical trade division in October-December totalled €40.6 million (€60.8 million), down by €20.2 million. The comparable operating profit decreased in all operating

countries primarily as a result of the decrease in net sales. In Finland, the comparable operating profit for Onninen totalled €14.3 million and for building and home improvement trade €7.5 million. The share of result from Kesko Senukai had a €2.3 million positive impact on the division's comparable operating profit year-on-year.

Operating profit for the building and technical trade division totalled €33.3 million (€59.8 million). Items affecting comparability totalled €-7.3 million (€-1.0 million). The most significant items affecting comparability were related to the reorganisation of the K-Rauta chain in Sweden, in which the Swedish building and home improvement trade operations will be concentrated in the K-Bygg chain, and to acquisitions.

Capital expenditure for the building and technical trade division in October-December totalled €52.1 million (€31.3 million). Capital expenditure included an investment of €25.4 million in the construction of Onninen and K-Auto's shared logistics centre in Hyvinkää, Finland. The logistics centre is expected to be completed in 2025. Capital expenditure in the comparison period included the acquisition of XL-BYGG Bergslagen AB in Sweden.

January-December 2023

	1-12/2023	1-12/2022
Net sales, € million	4,193.2	4,591.1
Building and home improvement trade	1,912.1	2,377.2
Technical trade	2,344.7	2,286.2
Operating profit, comparable, € million	212.5	323.8
Building and home improvement trade	65.0	127.5
Technical trade	128.5	173.7
Kesko Senukai	19.0	20.9
Operating margin, comparable, %	5.1	7.1
Building and home improvement trade	3.4	5.4
Technical trade	5.5	7.6
	1-12/2023	1-12/2022
Return on capital employed, comparable, %	11.4	19.1
Capital expenditure, € million	273.0	108.2
Personnel, average	6,073	5,871

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

	1-12/2023	1-12/2022	Change, %	Change, comparable, %
Net sales, € million				
Building and home improvement trade, Finland	937.6	1,126.7	-16.8	-16.8
K-Rauta, Sweden	149.8	189.1	-20.8	-14.5
K-Bygg, Sweden	280.0	352.8	-20.6	-19.7
Byggmakker, Norway	547.6	711.4	-23.0	-13.4
Building and home improvement trade, total	1,912.1	2,377.2	-19.6	-16.1
Technical trade, Finland	1,234.0	1,319.0	-6.4	-6.4
Technical trade, Sweden	132.8	147.0	-9.7	-10.7
Technical trade, Norway	517.5	346.5	+49.3	+4.3
Technical trade, Baltics	129.1	130.8	-1.3	-1.3
Technical trade, Poland	336.9	349.2	-3.5	-6.5
Technical trade, total	2,344.7	2,286.2	+2.6	-4.8
Total	4,193.2	4,591.1	-8.7	-10.5

Net sales for the building and technical trade division in January-December decreased by 8.7%, or by 10.5% in comparable terms. Net sales for technical trade increased by 2.6%, but decreased by 4.8% in comparable terms. Net sales for technical trade grew in Norway, underpinned by the Elektroskandia AS acquisition, but decreased in

other operating countries. Net sales for building and home improvement trade decreased by 16.1% in comparable terms: net sales decreased in all operating countries, impacted by a weaker construction market year-on-year. Net sales development in euro terms was increased by the strengthening of the Polish zloty against the euro, and decreased by the weakening of the Swedish krona and the Norwegian krone against the euro.

In Finland, net sales for the building and technical trade division in January-December totalled €2,115.0 million (€2,382.3 million), down by 11.2%. Net sales from international operations totalled €2,078.2 million (€2,208.8 million), down by 5.9%, or by 9.8% in comparable terms.

The comparable operating profit for the building and technical trade division in January-December totalled €212.5 million (€323.8 million), down by €111.4 million. The comparable operating profit decreased in all operating countries primarily as a result of the decrease in net sales. In addition to the decrease in net sales, profitability for technical trade was impacted by Elektroskandia, where profitability was below that of the rest of the business, burdened by a €2.0 million expense recorded for the allocation of fair value of inventories. In Finland, profitability for Onninen and building and home improvement trade remained good. The share of result from Kesko Senukai had a €1.9 million negative impact on the division's comparable operating profit year-on-year.

Operating profit for the building and technical trade division totalled €201.9 million (€324.8 million). Items affecting comparability totalled €-10.5 million (€0.9 million). The most significant items affecting comparability were related to the reorganisation of the K-Rauta chain in Sweden, in which the Swedish building and home improvement trade operations will be concentrated in the K-Bygg chain, and to acquisitions.

Capital expenditure for the building and technical trade division in January-December totalled €273.0 million (€108.2 million). Capital expenditure included an investment of €90.1 million in the construction of Onninen and K-Auto's shared logistics centre in Hyvinkää, Finland. The construction project is expected to be completed in 2025. Capital also expenditure included the acquisition of Elektroskandia Norge AS in Norway, completed on 1 March 2023, the acquisition of Zenitec Sweden AB in Sweden, completed on 5 April 2023, and the acquisition of Geitanger Bygg AS in Norway, completed on 2 October 2023. Capital expenditure in comparison period included the acquisitions of the Swedish Kungälv's Trävaruaktiebolag, Föllinge Såg AB, Djurbergs Järnhandel Aktiebolag and XL-BYGG Bergslagen AB, and the Norwegian Seljord Elektriske AS.

CAR TRADE

October-December 2023

	10-12/2023	10-12/2022
Net sales, € million	297.4	291.5
Car trade	246.4	231.5
Sports trade	51.0	60.1
Operating profit, comparable, € million	14.4	17.5
Car trade	10.6	12.3
Sports trade	3.8	5.2
Operating margin, comparable, %	4.8	6.0
Car trade	4.3	5.3
Sports trade	7.5	8.7
	10-12/2023	10-12/2022
Return on capital employed, comparable, %, rolling 12 months	15.8	14.7
Capital expenditure, € million	22.7	13.3
Personnel, average	1,500	1,557

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

Net sales, € million	10-12/2023	10-12/2022	Change, %	Change, comparable, %
Car trade	246.4	231.5	+6.5	+8.8
Sports trade	51.0	60.1	-15.1	-15.1
Total	297.4	291.5	+2.0	+3.8

Net sales for the car trade division grew by 2.0% in October-December, or by 3.8% in comparable terms. Net sales grew in all car trade segments. Net sales for sports trade decreased by 15.1%.

The combined market performance of first registrations of passenger cars and vans was -1.4% in October-December. The combined market share of the Volkswagen, Audi, SEAT, CUPRA, Porsche and Bentley passenger cars and Volkswagen vans imported by the car trade division was 13.8% (14.1%) in October-December.

The comparable operating profit for the car trade division in October-December totalled €14.4 million (€17.5 million), down by €3.1 million. The comparable operating profit in car trade decreased by €1.7 million, partly impacted by the reduction in a provision related to warranty expenses in the comparison period, which had a positive impact on the comparison period profit. The comparable operating profit for sports trade was down by €1.4 million due to the decline in net sales.

Operating profit for the car trade division in October-December totalled €14.2 million (€17.0 million). Items affecting comparability totalled €-0.2 million (€-0.4 million).

Capital expenditure for the car trade division in October-December totalled €22.7 million (€13.3 million).

January-December 2023

	1-12/2023	1-12/2022
Net sales, € million	1,262.3	1,124.8
Car trade	1,078.6	910.9
Sports trade	183.9	214.0
Operating profit, comparable, € million	82.6	64.3
Car trade	73.1	48.4
Sports trade	9.5	16.0
Operating margin, comparable, %	6.5	5.7
Car trade	6.8	5.3
Sports trade	5.1	7.5
	1-12/2023	1-12/2022
Return on capital employed, comparable, %	15.8	14.7
Capital expenditure, € million	80.3	45.1
Personnel, average	1,531	1,519

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

Net sales, € million	1-12/2023	1-12/2022	Change, %	Change, comparable, %
Car trade	1,078.6	910.9	+18.4	+20.7
Sports trade	183.9	214.0	-14.1	-14.1
Total	1,262.3	1,124.8	+12.2	+13.9

Net sales for the car trade division increased by 12.2% in January-December, or by 13.9% in comparable terms. Net sales grew in all car trade segments. Net sales for sports trade decreased by 14.1%.

The combined market performance of first registrations of passenger cars and vans was +6.2% in January-December. The combined market share of the Volkswagen, Audi, SEAT, CUPRA, Porsche and Bentley passenger cars and Volkswagen vans imported by the car trade division was 15.1% (14.1%) in January-December.

The comparable operating profit for the car trade division in January-December totalled €82.6 million (€64.3 million). The comparable operating profit increased in the car trade segments by €24.7 million thanks to net sales growth and transformation and efficiency improvement measures. In sports trade, comparable operating profit decreased due to the decline in net sales.

Operating profit for the car trade division in January-December totalled €82.4 million (€63.9 million). Items affecting comparability totalled €-0.1 million (€-0.4 million).

Capital expenditure for the car trade division in January-December totalled €80.3 million (€45.1 million).

CHANGES IN GROUP COMPOSITION

Kesko's subsidiary Onninen acquired the Norwegian technical trade company Elektroskandia Norge AS on 1 March 2023. Kesko sold its MAN business, which focuses on trucks and buses, to Adampolis Finland Oy on 31 March 2023. Kesko's subsidiary Kesko AB acquired Zenitec Sweden AB on 5 April 2023. Kesko's subsidiary Bygghandeln Handel AS acquired Geitanger Bygg AS on 2 October 2023. During the financial year, Group structure was simplified with mergers in Finland and Norway.

SHARES, SECURITIES MARKET AND BOARD AUTHORISATIONS

At the end of December 2023, the total number of shares in Kesko Corporation was 400,079,008, of which 126,948,028 or 31.7%, were A shares, and 273,130,980 or 68.3%, were B shares. On 31 December 2023, Kesko Corporation held 2,309,497 of its own B shares as treasury shares.

These treasury shares accounted for 0.85% of the total number of B shares, 0.58% of the total number of shares, and 0.15% of the votes attached to all shares in the company. The total number of votes attached to all shares was 1,542,611,260. Each A share carries ten (10) votes and each B share one (1) vote. The company cannot vote with own shares held by it as treasury shares and no dividend is paid on such shares. At the end of 2023, Kesko Corporation's share capital was €197,282,584.

The price of a Kesko A share quoted on Nasdaq Helsinki was €20.35 at the end of 2022, and €18.02 at the end of 2023, representing a decrease of 11.4%. Meanwhile, the price of a Kesko B share was €20.62 at the end of 2022, and €17.93 at the end of 2023, representing a decrease of 13.0%. In January-December 2023, the highest price for an A share was €21.95 and the lowest €15.26., while the highest price for a B share was €22.20 and the lowest €15.02. The Nasdaq Helsinki All-Share index (OMX Helsinki) was down by 6.6% and the weighted OMX Helsinki Cap index by 5.0% in January-December 2023. The Retail Sector Index was up by 43.4%.

The market capitalisation of Kesko's A shares was €2,288 million at the end of 2023, while the market capitalisation of Kesko's B shares was €4,856 million, excluding the shares held by the parent company as treasury shares. The combined market capitalisation of the A and B shares was €7,143 million, down by €1,018 million from the end of 2022.

In January-December, a total of 5.6 million A shares were traded on Nasdaq Helsinki. The exchange value of the A shares was €102.9 million. Meanwhile, 142.9 million B shares were traded, for an exchange value of €2,642.3 million. Nasdaq Helsinki accounted for over 95% of the trading on Kesko's A and B shares. Kesko shares were also traded on multilateral trading facilities, the most significant of which was Turquoise (source: Euroland).

At the end of December 2023, the number of registered shareholders was 105,550, the highest figure in the company's history. At the end of the year, foreign ownership of all shares was 33.9%, and foreign ownership of B shares 48.8%. Foreign ownership decreased by 4.6 percentage points during the year.

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

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

KEY EVENTS IN JANUARY-DECEMBER 2023

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

Kesko published its 2022 Annual Report, including a strategy review, the Report by the Board of Directors and financial statements for 2022, the Corporate Governance Statement, the Remuneration Report for Governing Bodies, and a sustainability report, on 6 March 2023 on its website at www.kesko.fi. (Stock exchange release 6.3.2023)

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

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

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

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

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

Kesko's Board of Directors appointed Jorma Rauhala as the managing director of Kesko Corporation and President and CEO of Kesko Group as of 1 February 2024, after Mikko Helander announced his intentions to retire in 2024. Rauhala currently acts as President of Kesko's building and technical trade division and Deputy CEO. (Stock exchange releases on 8.12.2023 and 19.12.2023)

KEY EVENTS AFTER THE REPORTING PERIOD

Kesko announced in August 2023 it would expand its operations to Denmark by acquiring 90% of Davidsen Koncernen A/S. In January 2024, the EU Commission approved the acquisition, and it is expected to be completed by the end of January 2024.

Kesko is set to withdraw from operating the Neste K service stations. Kesko is currently responsible for the grocery trade operations and additional services at Neste K stations. Kesko plans to withdraw from operating 64 Neste K service stations by the end of 2024. The stations will continue as a service offered by Neste. Kesko's motive is that role of grocery trade at service stations has diminished. (Investor news release 23.1.2024)

RESOLUTIONS OF THE 2023 ANNUAL GENERAL MEETING

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

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



SUSTAINABILITY

PROGRESS MADE WITH KESKO'S 2022-2024 SUSTAINABILITY STRATEGY

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

Key sustainability targets and indicators

Theme	Target	Indicators	2022	1-12/2023
Climate	Achieving carbon neutrality in 2025 and making Kesko's own operations and transports emissions free by the end of 2030	Carbon dioxide emissions (tCO2e)	75,500 tCO2e	<ul style="list-style-type: none"> The carbon dioxide emissions from Kesko's own operations (Scope 1 and 2) in Q4/2022-Q3/2023 totalled 75,138 tCO2e.
	Having 67% of Kesko's suppliers (by spend) set science-based emission reduction targets by the end of 2026	% of suppliers	27.7%	<ul style="list-style-type: none"> Kesko monitors the target primarily via the CDP Climate Change Questionnaire. In 2023, 32.0% of Kesko's biggest suppliers (by spend) set science-based emission reduction targets.
Value chain	Ensuring the social responsibility of Kesko's direct imports from high-risk countries by having 100% of the production facilities audited by 2024.	Audited production facilities, %	91.5%	<ul style="list-style-type: none"> In 2023, 97.0% the production facilities for Kesko's direct imports from high-risk countries were audited. Kesko's grocery trade and building and technical trade require all of their new direct suppliers in high-risk countries to have approved audits when cooperation is initiated.
People	Tangible actions to promote employee health, wellbeing and capabilities by the end of 2024.	Wellbeing index	81 (on a scale of 0 to 100, 'Our People 2022' survey)	<ul style="list-style-type: none"> In addition to a personnel survey, we measure perceived personnel wellbeing with the 'Our People' sustainability survey. The next results for the Wellbeing index are obtained once the personnel survey is completed in spring 2024. In 2024, Kesko will promote its new DEI (Diversity, Equity and Inclusion) targets, which address the perceived realisation of equity among Kesko personnel, management gender distribution, equal pay, and the diversity programme.

RISK MANAGEMENT

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

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

A risk management function independent of businesses is responsible for providing a framework and guidance for internal control and risk management and supports, coordinates and supervises risk management implementation in Kesko Group. The Chief Audit and Risk Officer reports functionally to the Chair of the Audit Committee and administratively to Kesko's President and CEO on matters related to internal audit, and to the Group's Chief Financial Officer on matters related to risk management. The Risk Management Steering Group headed by the Chief Financial Officer is responsible for establishing the Group's overview of the risk situation. The President and CEO is responsible for the effectiveness and efficiency of the Group's risk management, and approves Group risk reports before they are reviewed by the Board of Directors. Kesko's Board of Directors monitors and assesses the effectiveness of risk management and supervises the assessment of risks related to the company's strategy and operations and their management, aided by the Audit Committee.

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

SIGNIFICANT RISKS AND UNCERTAINTIES

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

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

Geopolitical risks

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

Cybercrime

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

Compliance with laws and agreements

Changes in legislation and authority regulations could necessitate significant changes and result in additional costs. Compliance with laws and agreements is an important part of Kesko's corporate responsibility. Non-compliance can result in fines, claims for damages and other financial losses, as well as loss of trust and reputation.

Climate change

Delays in actions aimed at mitigating climate change and an increase in extreme weather phenomena can impact product availability and cause disturbances in logistics and the store site network. The impacts of Kesko's operations on the climate, in turn, are related to Kesko's energy solutions and emissions, and the lifecycle impact of products and services sold in the whole supply chain.

Product safety

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

Store sites and properties

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

Responsible operating practices and reputation management

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

Reporting to the market

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

Risks of damage

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

PROPOSAL FOR PROFIT DISTRIBUTION

The Board of Directors of Kesko Corporation proposes to the Annual General Meeting to be held on 26 March 2024 that a dividend of €1.02 per share be paid for the year 2023 based on the adopted balance sheet on shares held outside the company at the date of dividend distribution. The remaining distributable assets will remain in equity. The Board proposes that the dividend be paid in four instalments.

The first instalment of €0.26 per share is to be paid to shareholders registered in the company's register of shareholders kept by Euroclear Finland Ltd on the instalment's record date 28 March 2024. The Board proposes that the dividend instalment pay date be 9 April 2024.

The second instalment of €0.25 per share is to be paid to shareholders registered in the company's register of shareholders kept by Euroclear Finland Ltd on the instalment's record date 16 July 2024. The Board proposes that the dividend instalment pay date be 23 July 2024.

The third instalment of €0.26 per share is to be paid to shareholders registered in the company's register of shareholders kept by Euroclear Finland Ltd on the instalment's record date 15 October 2024. The Board proposes that the dividend instalment pay date be 22 October 2024.

The fourth instalment of €0.25 per share is to be paid to shareholders registered in the company's register of shareholders kept by Euroclear Finland Ltd on the instalment's record date 14 January 2025. The Board proposes that the dividend instalment pay date be 21 January 2025.

The Board proposes it be authorised to decide, if necessary, on new dividend payment record dates and pay dates for the second, third and/or fourth instalments, if the rules and statutes of the Finnish book-entry system change or otherwise so require.

As at the date of the proposal for the distribution of profit, 29 January 2024, a total of 397,769,511 shares were held outside the company, and the corresponding total amount of dividends is €405,724,901.22.

The distributable assets of Kesko Corporation total €1,584,703,413.17, of which profit for the financial year is €509,617,838.22.

ANNUAL GENERAL MEETING

The Board of Directors decided that Kesko's Annual General Meeting will be held on 26 March 2024 at 1.00 pm (EET). Kesko Corporation will publish a notice of the General Meeting on the company's website and as a stock exchange release on 30 January 2024.

ANNUAL REPORT 2023, CORPORATE GOVERNANCE STATEMENT, AND REMUNERATION REPORT FOR GOVERNING BODIES

Kesko will publish its 2023 Annual Report, including a strategy review, the Report by the Board of Directors and financial statements for 2023, the Corporate Governance Statement, the Remuneration Report for Governing Bodies, and sustainability reporting indicators (GRI) in week 10 at the latest on its website at www.kesko.fi.

Helsinki, 29 January 2024
Kesko Corporation
Board of Directors

The information in this financial statements release is unaudited.

Further information is available from Jukka Erlund, Executive Vice President, Chief Financial Officer, tel. +358 105 322 113, Hanna Jaakkola, Vice President, Investor Relations, tel. +358 105 323 540, and Eva Kaukinen, Vice President, Group Controller, tel. +358 105 322 338. An English-language audio conference on the results briefing will be held on 30 January 2024 at 9.00 am (EET). The audio conference login is available on Kesko's website at www.kesko.fi. A Finnish-language webcast of the interim report briefing can be viewed at 12.00 noon (EET) at www.kesko.fi.

Kesko's interim report for January-March 2024 will be published on 25 April 2024. In addition, Kesko Group's sales figures are published monthly. News releases and other company information are available on Kesko's website at www.kesko.fi



ATTACHMENTS: TABLES SECTION

Accounting policies
Consolidated statement of comprehensive income
Consolidated statement of financial position
Consolidated statement of changes in equity
Consolidated statement of cash flows
Cash flow from leases
Group performance indicators
Segment information
Acquisitions
Change in tangible and intangible assets
Right-of-use assets
Related party transactions
Credit and counterparty risk, trade receivables
Financial assets and liabilities by category and fair value hierarchy
Personnel average and at the end of the reporting period
Group's commitments
Legal disputes and possible legal proceedings
Calculation of performance indicators
Reconciliation of performance indicators to IFRS financial statements
K Group's retail and B2B sales

DISTRIBUTION

Nasdaq Helsinki Ltd
Main news media
www.kesko.fi

TABLES SECTION

Accounting policies

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

Consolidated income statement (€ million), condensed				
	1-12/2023	1-12/2022	10-12/2023	10-12/2022
Net sales	11,783.8	11,809.0	2,902.0	2,983.4
Material and services	-10,035.0	-10,304.5	-2,414.6	-2,571.8
Change in inventory	-72.0	237.0	-64.7	34.9
Other operating income	975.2	998.7	258.4	249.6
Employee benefit expense	-786.6	-785.8	-207.7	-204.6
Depreciation, amortisation and impairment charges	-184.0	-169.0	-49.5	-44.7
Depreciation and impairment charges for right-of-use assets	-353.2	-322.1	-91.8	-81.6
Other operating expenses	-651.8	-670.2	-185.8	-185.2
Share of result of joint ventures	19.0	23.5	13.5	11.1
Operating profit	695.4	816.5	159.8	191.2
Interest income and other finance income	16.9	13.0	4.2	3.9
Interest expense and other finance costs*	-26.3	2.9	-10.9	-1.0
Interest expense for lease liabilities	-73.4	-68.4	-19.0	-17.0
Foreign exchange differences	-1.1	-3.5	0.2	-1.2
Share of result of associates	2.1	0.6	0.1	1.3
Profit before tax	613.5	761.1	134.4	177.2
Income tax	-118.0	-151.2	-21.5	-35.6
Net profit for the period	495.6	609.9	112.9	141.6
Attributable to				
Owners of the parent	495.6	609.9	112.9	141.6
Earnings per share (€) for profit attributable to owners of the parent				
Basic and diluted	1.25	1.53	0.28	0.36

* In 2022 the positive change in fair value of interest rate derivatives is recorded in the line item for interest expenses and other finance costs.

Consolidated statement of comprehensive income (€ million)				
	1-12/2023	1-12/2022	10-12/2023	10-12/2022
Net profit for the period	495.6	609.9	112.9	141.6
Items that will not be reclassified subsequently to profit or loss				
Actuarial gains and losses	-5.5	30.6	-9.7	-3.0
Items that may be reclassified subsequently to profit or loss				
Currency translation differences related to a foreign operation	-19.5	-41.9	17.1	0.6
Share of other comprehensive income of associates and joint ventures	-1.8	-0.5	-0.9	-3.0
Cash flow hedge revaluation	-31.0	26.2	3.2	-22.5
Total other comprehensive income for the period, net of tax	-57.9	14.3	9.7	-27.9
Total comprehensive income for the period	437.7	624.2	122.6	113.7
Attributable to				
Owners of the parent	437.7	624.2	122.6	113.7

Consolidated statement of financial position (€ million), condensed		
	31.12.2023	31.12.2022
ASSETS		
Non-current assets		
Property, plant and equipment	2,055.6	1,745.5
Right-of-use assets	1,816.9	1,737.6
Goodwill	663.7	588.9
Intangible assets	211.4	190.2
Shares in associates and joint ventures	232.8	231.9
Other investments	14.0	13.2
Loans and other receivables	85.1	93.0
Pension assets	79.6	86.9
Total	5,159.1	4,687.2
Current assets		
Inventories	1,083.9	1,115.4
Trade receivables	970.5	969.3
Other receivables	313.6	387.6
Other financial assets	15.4	68.6
Cash and cash equivalents	211.9	245.5
Total	2,595.2	2,786.4
Non-current assets held for sale	-	0.5
Total assets	7,754.3	7,474.0



	31.12.2023	31.12.2022
EQUITY AND LIABILITIES		
Equity	2,758.4	2,742.2
Non-current liabilities		
Interest-bearing liabilities	690.7	245.5
Lease liabilities	1,647.2	1,592.0
Non-interest-bearing liabilities	24.5	24.3
Deferred tax liabilities	70.9	63.2
Provisions	6.9	10.3
Total	2,440.2	1,935.3
Current liabilities		
Interest-bearing liabilities	98.5	252.6
Lease liabilities	350.6	328.1
Trade payables	1,418.3	1,499.4
Other non-interest-bearing liabilities	676.3	704.4
Provisions	12.0	11.9
Total	2,555.7	2,796.5
Total equity and liabilities	7,754.3	7,474.0

Consolidated statement of changes in equity (€ million)							
	Share capital	Reserves	Currency translation differences	Revaluation reserve	Treasury shares	Retained earnings	Total
Balance at 1.1.2023	197.3	464.7	-52.2	35.3	-28.1	2,125.2	2,742.2
Share-based payments					1.4		1.4
Dividends						-429.6	-429.6
Other changes		-0.0	-0.0			6.7	6.7
Transactions with owners, total		-0.0	-0.0		1.4	-422.8	-421.5
Comprehensive income							
Profit for the period						495.6	495.6
Actuarial gains and losses						-5.5	-5.5
Translation differences on foreign operations			-19.5				-19.5
Share of other comprehensive income of associates and joint ventures						-1.8	-1.8
Cash flow hedge revaluation				-31.0			-31.0
Total other comprehensive income for the period, net of tax			-19.5	-31.0		-7.3	-57.9
Total comprehensive income for the period			-19.5	-31.0		488.2	437.7
Balance at 31.12.2023	197.3	464.7	-71.7	4.3	-26.7	2,190.6	2,758.4

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

Consolidated statement of cash flows (€ million), condensed				
	1-12/2023	1-12/2022	10-12/2023	10-12/2022
Cash flows from operating activities				
Profit before tax	613.5	761.1	134.4	177.2
Depreciation according to plan	184.0	169.0	49.5	44.7
Depreciation and impairment for right-of-use assets	353.2	322.1	91.8	81.6
Finance income and costs	10.5	-12.4	6.5	-1.7
Interest expense for lease liabilities	73.4	68.4	19.0	17.0
Other adjustments	-10.8	-20.2	-11.9	-11.2
Change in working capital				
Current non-interest-bearing receivables, increase (-)/decrease (+)	69.3	-107.2	109.7	62.8
Inventories, increase (-)/decrease (+)	58.3	-225.8	63.2	-19.6
Current non-interest-bearing liabilities, increase (+)/decrease(-)	-137.1	163.7	-91.2	-41.0
Financial items and tax	-164.8	-203.6	-28.4	-46.9
Net cash from operating activities, total	1,049.5	915.2	342.4	263.0
Cash flows from investing activities				
Investing activities	-679.3	-397.7	-150.6	-95.8
Proceeds from sale of tangible and intangible assets	24.9	14.4	6.8	3.7
Proceeds from sale of subsidiaries and business operations, net cash deducted	9.9	2.2	-	-
Other financial assets, increase (-)/decrease (+)	54.3	36.8	6.2	12.7
Net cash used in investing activities, total	-590.2	-344.3	-137.5	-79.4
Cash flows from financing activities				
Interest-bearing liabilities, increase (+)/decrease (-)	283.4	132.6	57.4	17.0
Repayments of lease liabilities	-354.3	-332.7	-88.7	-84.0
Current interest-bearing receivables, increase (-)/ decrease (+)	2.2	2.1	1.7	0.7
Dividends paid	-430.3	-406.7	-107.8	-104.3
Other items	6.8	0.0	-3.5	0.2
Net cash used in financing activities, total	-492.2	-604.7	-140.9	-170.3
Change in cash and cash equivalents	-32.9	-33.8	64.0	13.2
Cash and cash equivalents at 1 January	245.5	279.8	148.2	232.4
Exchange differences and change in value of cash and cash equivalents	-0.7	-0.5	-0.3	-0.1
Cash and cash equivalents at 31 December	211.9	245.5	211.9	245.5

Cash flow from leases (€ million)	1-12/2023	1-12/2022	10-12/2023	10-12/2022
Interest expense for lease liabilities	-73.4	-68.4	-19.0	-17.0
Repayments of lease liabilities	-354.3	-332.7	-88.7	-84.0
Lease payments in the income statement	-7.7	-7.4	-2.2	-2.2
Total	-435.4	-408.5	-109.9	-103.2

Group's performance indicators	1-12/2023	1-12/2022	10-12/2023	10-12/2022
Net sales, € million	11,783.8	11,809.0	2,902.0	2,983.4
Operating profit, € million	695.4	816.5	159.8	191.2
Operating margin, %	5.9	6.9	5.5	6.4
Operating profit, comparable, € million	712.0	815.1	170.5	192.6
Operating margin, comparable, %	6.0	6.9	5.9	6.5
Profit before tax, € million	613.5	761.1	134.4	177.2
Profit before tax, comparable, € million	630.4	763.2	145.1	178.6
Earnings per share, basic and diluted, €	1.25	1.53	0.28	0.36
Earnings per share, comparable, basic and diluted, €	1.28	1.54	0.31	0.36
Return on capital employed, %	13.1	17.0	11.8	15.4
Return on capital employed, comparable, %	13.4	16.9	12.6	15.5
Capital expenditure, € million	678.9	449.2	158.5	108.5
Cash flow from operating activities, € million	1,049.5	915.2	342.4	263.0
Cash flow from investing activities, € million	-590.2	-344.3	-137.5	-79.4
Cash flow from operating activities/share, €	2.64	2.30	0.86	0.66
Return on equity, %	18.0	23.1	16.8	21.1
Return on equity, comparable, %	18.5	23.2	18.0	21.3
Equity ratio, %	35.8	36.9	35.8	36.9
Equity per share, €	6.93	6.90	6.93	6.90
Interest-bearing net debt/EBITDA excluding the impact of IFRS 16	0.7	0.2	-	-
Interest-bearing net debt, € million	2,559.8	2,104.2	2,559.8	2,104.2
Interest-bearing net debt excluding lease liabilities, € million	561.9	184.1	561.9	184.1
Diluted number of shares, average for the reporting period, 1,000 pcs	397,706	397,383	397,706	397,383
Average number of personnel converted into full-time employees	14,766	14,633	14,503	14,576

Segment information

Net sales by segment, € million	1-12/2023	1-12/2022	10-12/2023	10-12/2022
Grocery trade, Finland	6,351.6	6,124.7	1,639.1	1,617.9
Grocery trade total	6,351.6	6,124.7	1,639.1	1,617.9
- of which intersegment trade	16.5	23.3	3.8	6.1
Building and technical trade, Finland	2,115.0	2,382.3	455.4	545.7
Building and technical trade, other countries*	2,078.2	2,208.8	515.8	537.0
Building and technical trade total	4,193.2	4,591.1	971.1	1,082.7
- of which intersegment trade	-0.9	0.6	-0.2	0.4
Car trade, Finland	1,262.3	1,124.8	297.4	291.5
Car trade total	1,263.2	1,124.8	297.4	291.5
- of which intersegment trade	7.4	7.5	1.7	2.0
Common functions and eliminations	-23.3	-31.6	-5.7	-8.6
Finland total	9,705.6	9,600.2	2,386.2	2,446.4
Other countries total*	2,078.2	2,208.8	515.8	537.0
Group total	11,783.8	11,809.0	2,902.0	2,983.4

* Net sales in countries other than Finland

Operating profit by segment, € million	1-12/2023	1-12/2022	10-12/2023	10-12/2022
Grocery trade	443.6	461.5	124.6	122.8
Building and technical trade	201.9	324.8	33.3	59.8
Car trade	82.4	63.9	14.2	17.0
Common functions and eliminations	-32.6	-33.6	-12.2	-8.5
Group total	695.4	816.5	159.8	191.2

Operating profit by segment, comparable, € million	1-12/2023	1-12/2022	10-12/2023	10-12/2022
Grocery trade	444.8	460.4	124.2	122.8
Building and technical trade	212.5	323.8	40.6	60.8
Car trade	82.6	64.3	14.4	17.5
Common functions and eliminations	-27.8	-33.5	-8.8	-8.5
Group total	712.0	815.1	170.5	192.6

Operating margin by segment, %, comparable	1-12/2023	1-12/2022	10-12/2023	10-12/2022
Grocery trade	7.0	7.5	7.6	7.6
Building and technical trade	5.1	7.1	4.2	5.6
Car trade	6.5	5.7	4.8	6.0
Group total	6.0	6.9	5.9	6.5

EBITDA by segment, comparable, € million	1-12/2023	1-12/2022	10-12/2023	10-12/2022
Grocery trade	770.5	759.7	207.7	199.7
Building and technical trade	331.3	432.8	71.4	88.2
Car trade	134.0	113.3	27.9	29.8
Common functions and eliminations	9.6	2.0	0.8	1.0
Group total	1,245.3	1,307.8	307.8	318.8

Operating profit by segment excluding the impact of IFRS 16, comparable, € million	1-12/2023	1-12/2022	10-12/2023	10-12/2022
Grocery trade	389.9	406.3	110.6	109.6
Building and technical trade	193.1	305.9	35.8	56.3
Car trade	80.5	61.9	13.9	17.0
Common functions and eliminations	-29.1	-34.7	-9.1	-8.8
Group total	634.4	739.5	151.2	174.1

Capital employed by segment, cumulative average, € million	1-12/2023	1-12/2022	10-12/2023	10-12/2022
Grocery trade	2,555.4	2,353.6	2,622.0	2,458.5
Building and technical trade	1,865.1	1,693.5	1,908.0	1,678.5
Car trade	523.6	438.2	522.8	463.9
Common functions and eliminations	369.2	326.7	351.9	370.8
Group total	5,313.3	4,811.9	5,404.7	4,971.7

Return on capital employed by segment, %, comparable	1-12/2023	1-12/2022	10-12/2023	10-12/2022
Grocery trade	17.4	19.6	19.0	20.0
Building and technical trade	11.4	19.1	8.5	14.5
Car trade	15.8	14.7	11.0	15.1
Group total	13.4	16.9	12.6	15.5

Capital expenditure by segment, € million	1-12/2023	1-12/2022	10-12/2023	10-12/2022
Grocery trade	303.7	257.6	76.0	53.7
Building and technical trade	273.0	108.2	52.1	31.3
Car trade	80.3	45.1	22.7	13.3
Common functions and eliminations	22.0	38.2	7.7	10.2
Group total	678.9	449.2	158.5	108.5

Acquisitions

Kesko's subsidiary Onninen acquired Elektroskandia Norge AS, a Norwegian technical trade operator, on 1 March 2023. The consideration paid was €120.8 million. The acquisition strengthens Kesko's position in Norwegian technical trade, and further increases its growing role in advancing the green transition. The fair value of the assets acquired for Kesko Group amounted to €121.6 million and the fair value of the liabilities assumed to €85.4 million. The fair value of intangible assets acquired at the date of acquisition totalled €15.6 million. The goodwill arising from the acquisition, €84.7 million, represents the synergies that are expected to be realised in sales, procurement, selections, and logistics as well as in efficiency of operations. The goodwill arising from the acquisition is not tax deductible. The consolidated income statement includes minor acquisition-related costs under "Other operating expenses", presented as items affecting comparability.

Kesko's Norwegian subsidiary Byggmakker Handel AS acquired the Norwegian building and home improvement trade company Geitanger Bygg AS on 2 October 2023. The consideration paid was €8.0 million. The fair value of the assets acquired for Kesko Group amounted to €9.6 million and the fair value of the liabilities assumed to €3.1 million.

Kesko's subsidiary Kesko AB acquired Zenitec Sweden AB, a solar power system wholesaler, on 5 April 2023. The consideration paid was €4.9 million. The fair value of the assets acquired for Kesko Group amounted to €6.0 million and the fair value of the liabilities assumed €4.6 million.

€ million	Elektroskandia Norge AS	Geitanger Bygg AS	Zenitec Sweden AB
Acquisition price	120.8	8.0	4.9
Fair values of assets acquired and liabilities assumed at the date of acquisition			
Intangible assets	15.6	0.6	0.6
Property, plant, equipment, right-of-use assets and investments	15.1	1.8	0.3
Inventories	38.6	3.0	2.8
Receivables	45.8	1.9	2.3
Deferred tax asset	1.3	-	-
Cash and cash equivalents	5.3	2.4	0.0
Total assets	121.6	9.6	6.0
Trade payables, other payables, provisions, lease liabilities	81.6	2.9	4.5
Deferred tax liability	3.8	0.2	0.1
Total liabilities	85.4	3.1	4.6
Net assets acquired, total	36.2	6.5	1.4
Goodwill	84.7	1.5	3.5
Cash flow impact of acquisition			
Consideration paid	-120.8	-8.0	-4.9
Cash and cash equivalents acquired	5.3	2.4	0.0
Cash flow impact of acquisition	-115.5	-5.6	-5.0

Change in tangible and intangible assets (€ million)

	31.12.2023	31.12.2022
Opening net carrying amount	2,524.6	2,316.5
Depreciation, amortisation and impairment charges	-184.3	-169.0
Investments in tangible and intangible assets	533.1	398.6
Deductions	-34.6	-19.5
Acquisitions	110.0	31.7
Transfers between items	-0.1	0.1
Exchange differences	-18.0	-33.8
Closing net carrying amount	2,930.7	2,524.6

Right-of-use assets (€ million)

	31.12.2023	31.12.2022
Opening net carrying amount	1,737.6	1,735.0
Depreciation, amortisation and impairment charges	-353.2	-323.7
Net increases	426.7	324.5
Acquisitions	15.7	15.6
Exchange differences	-9.8	-13.9
Closing net carrying amount	1,816.9	1,737.6

Related party transactions (€ million)

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

The following transactions were carried out with related parties:	1-12/2023	1-12/2022
Sales of goods and services	100.5	104.6
Purchases of goods and services	-10.7	-13.8
Other operating income	19.9	19.9
Other operating expenses	-4.8	-4.2
Finance income and costs	5.7	5.7
	31.12.2023	31.12.2022
Receivables	78.9	97.7
Liabilities	12.4	17.1
	31.12.2023	31.12.2022
Items related to leases		
Cash flow from leases	-44.7	-42.1
Lease liabilities	263.1	273.6

The Group joint ventures UAB Kesko Senukai Lithuania and UAB KS Holding distributed in total €21.7 million as dividends and equity repayments to Kesko Group companies in the 2023 financial year. The Group associate Vähittäiskaupan Takaus Oy distributed €2.6 million as dividend to Kesko Corporation in the 2023 financial year.

Credit and counterparty risk, ageing analysis of trade receivables

Ageing analysis of trade receivables (€ million)	31.12.2023	31.12.2022
Trade receivables fully performing	875.8	886.7
1-7 days past due trade receivables	58.0	38.1
8-30 days past due trade receivables	14.7	23.6
31-60 days past due trade receivables	4.7	4.1
over 60 days past due trade receivables	17.1	16.8
Total	970.5	969.3

Trade receivables include impairment charges totalling €24.4 million (31 December 2022: €19.4 million).

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

31.12.2023 Balance, € million	Fair value through profit or loss	Amortised cost	Fair value through other comprehens ive income	Carrying amount	Fair value	Level 1	Level 2	Level 3
Non-current financial assets								
Other investments	14.0			14.0	14.0			14.0
Loans and receivables		64.1		64.1	64.1			
Other non-current receivables, derivatives	5.6		1.7	7.3	7.3		7.3	
Current financial assets								
Trade receivables		970.5		970.5	970.5			
Other receivables		299.9		299.9	299.9			
Other receivables, derivatives	1.2		5.8	7.0	7.0		7.0	
Other financial assets		15.4		15.4	15.5			
Cash and cash equivalents		211.9		211.9	211.9			
Total financial assets	20.8	1,561.7	7.5	1,590.1	1,590.2		14.3	14.0
Non-current financial liabilities								
Non-current interest- bearing liabilities		690.7		690.7	691.0			
Non-current lease liabilities		1,647.2		1,647.2	1,647.2			
Non-current non-interest- bearing liabilities		22.6		22.6	22.6			
Non-current non-interest- bearing liabilities, derivatives			1.6	1.6	1.6		1.6	
Current financial liabilities								
Current interest-bearing liabilities		98.5		98.5	98.1			
Current lease liabilities		350.6		350.6	350.6			
Trade payables		1,418.3		1,418.3	1,418.3			
Other non-interest-bearing liabilities		606.1		606.1	606.1			
Other non-interest-bearing liabilities, derivatives	1.8		0.6	2.3	2.3		2.3	
Total financial liabilities	1.8	4,834.0	2.1	4,837.8	4,837.8		3.9	

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

Loans and receivables do not include deferred tax assets of €13.7 million (€2.2 million) and income tax receivables €6,6 million (€21,9 million). Income tax liabilities of €11.2 million (€19.4 million) and prepayments received of €56.7 million (€46.9 million) are not categorised as financial liabilities and are not included in the table above.

Personnel, average and at 31.12.

Average number of personnel converted into full-time employees by segment	1-12/2023	1-12/2022	Change
Grocery trade	6,257	6,288	-31
Building and technical trade	6,073	5,871	202
Car trade	1,531	1,519	12
Common functions	905	955	-50
Group total	14,766	14,633	133

Personnel at 31.12.*by segment	2023	2022	Change
Grocery trade	8,184	8,316	-132
Building and technical trade	6,934	6,863	71
Car trade	1,641	1,661	-20
Common functions	943	1,001	-58
Group total	17,702	17,841	-139

* Total number including part-time employees

Group's commitments (€ million)

	31.12.2023	31.12.2022	
Own commitments	314.2	308.6	
For others	-	-	
Lease commitments related to leases not yet commenced	233.2	102.4	
Liabilities arising from derivative instruments (€ million)			Fair value
Values of underlying instruments at	31.12.2023	31.12.2022	31.12.2023
Interest rate derivatives			
Interest rate swaps	530.0	330.0	6.3
Currency derivatives			
Forward and future contracts	125.3	141.7	-1.6
Commodity derivatives			
Electricity derivatives	39.4	69.7	5.7

The lease commitments are for leases not commenced on 31 December 2023 to which the Group is committed.

Legal disputes and possible legal proceedings

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

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

Legal proceedings concerning UAB Kesko Senukai Lithuania – Kesko has disclosed, for example in its financial statements 2022, that it was party to an arbitration and a legal proceeding concerning the shareholder agreement of Kesko's joint venture UAB Kesko Senukai Lithuania and the disagreements concerning the management and development of the company and its subsidiary. The other parties to these legal proceedings have included, for example, the minority shareholders of UAB Kesko Senukai Lithuania. The arbitration process ended during 2023 and the judgement given is final. In the legal proceeding concerning the annulment and reversal of the arbitral award issued in 2022, the District Court of Helsinki gave its decision in 2023. The opposing parties have appealed the District Court decision to the Helsinki Court of Appeal, where the matter is pending.

Calculation of performance indicators

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

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

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

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

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

Operating profit, comparable	Operating profit +/- items affecting comparability
Items affecting comparability	- gains on disposal + losses on disposal + impairment charges +/- structural arrangements
Return on capital employed*, %	Operating profit x 100 / (Non-current assets + Inventories + Receivables + Other current assets - Non-interest-bearing liabilities) on average for the reporting period
Return on capital employed*, %, comparable	Comparable operating profit x 100 / (Non-current assets + Inventories + Receivables + Other current assets - Non-interest-bearing liabilities) on average for the reporting period
Return on equity*, %	(Profit/loss before tax - Income tax) x 100 / Shareholders' equity, average of the beginning and end of the reporting period
Return on equity*, %, comparable	(Profit/loss adjusted for items affecting comparability before tax - Income tax adjusted for the tax effect of items affecting comparability) x 100 / Shareholders' equity, average of the beginning and end of the reporting period
Equity ratio, %	Shareholders' equity x 100 / (Total assets - Advances received)
Interest-bearing net debt	Interest-bearing liabilities + Lease liabilities - Current other financial assets - Cash and cash equivalents
Interest-bearing net debt excluding lease liabilities	Interest-bearing net debt - Lease liabilities

EBITDA	Operating profit + Depreciation and amortisation + Impairments
EBITDA excluding the impact of IFRS 16	EBITDA – Rents from lease agreements
Interest-bearing net debt excluding lease liabilities / EBITDA excluding the impact of IFRS 16	Interest-bearing net debt excluding lease liabilities / EBITDA excluding the impact of IFRS 16
Capital expenditure	Performance indicator includes investments in tangible and intangible assets, subsidiary shares, shares in associates and joint ventures and other shares. Additions of right-of-use assets for leases in the consolidated statement of financial position are not capital expenditure. Redemption of a leased property (right-of-use asset) is reported as capital expenditure.
Earnings/share, basic	(Profit/loss - Non-controlling interests) / Average number of shares
Earnings/share, diluted	(Profit – Non-controlling interest) / Average diluted number of shares
Earnings/share, basic, comparable	(Profit/loss adjusted for items affecting comparability - Non-controlling interests adjusted for items affecting comparability) / Average number of shares
Equity/share	Equity attributable to owners of the parent / Basic number of shares at the balance sheet date
Cash flow from operating activities/share	Cash flow from operating activities / Average number of shares

* Indicators for return on capital have been annualised.

Reconciliation of performance indicators to IFRS financial statements

€ million	1-12/2023	1-12/2022	10-12/2023	10-12/2022
Items affecting comparability				
Gains on disposal	0.4	0.0	-	0.0
Losses on disposal	-1.0	-0.1	-0.0	-0.0
Structural arrangements	-16.1	1.6	-10.6	-1.4
Items in operating profit affecting comparability	-16.7	1.5	-10.6	-1.4
Items in financial items affecting comparability	-0.2	-3.6	-	-0.0
Items in income taxes affecting comparability	3.1	-0.0	1.9	0.2
Total items affecting comparability	-13.7	-2.2	-8.7	-1.1
Items in EBITDA affecting comparability	-12.8	-0.1	-6.7	-1.3
Operating profit, comparable				
Operating profit	695.4	816.5	159.8	191.2
Net of				
Items in operating profit affecting comparability	-16.7	1.5	-10.6	-1.4
Operating profit, comparable	712.0	815.1	170.5	192.6
EBITDA				
Operating profit	695.4	816.5	159.8	191.2
Plus				
Depreciation and impairment charges	184.0	169.0	49.5	44.7
Depreciation and impairment charges for right-of-use assets	353.2	322.1	91.8	81.6
EBITDA	1,232.5	1,307.7	301.1	317.5
EBITDA excluding the impact of IFRS 16				
EBITDA	1,232.5	1,307.7	301.1	317.5
Net of				
Rents from lease agreements	-430.7	-399.1	-111.1	-100.0
EBITDA excluding the impact of IFRS 16	801.8	908.5	190.0	217.5
Profit before tax, comparable				
Profit before tax	613.5	761.1	134.4	177.2
Net of				
Items in operating profit affecting comparability	-16.7	1.5	-10.6	-1.4
Items in financial items affecting comparability	-0.2	-3.6	-	-0.0
Profit before tax, comparable	630.4	763.2	145.1	178.6
Net profit, comparable				
Profit before tax, comparable	630.4	763.2	145.1	178.6
Net of				
Income tax	118.0	151.2	21.5	35.6
Items in income tax affecting comparability	3.1	-0.0	1.9	0.2
Net profit, comparable	509.3	612.0	121.6	142.7

Net profit attributable to owners of the parent, comparable				
Net profit, comparable	509.3	612.0	121.6	142.7
Net profit attributable to owners of the parent, comparable	509.3	612.0	121.6	142.7
Earnings per share, comparable, €				
Net profit attributable to the owners of the parent, comparable	509.3	612.0	121.6	142.7
Average number of shares, basic, 1,000 pcs	397,706	397,383	397,706	397,383
Earnings per share, comparable, €	1.28	1.54	0.31	0.36
Return on capital employed, %				
Operating profit	695.4	816.5	159.8	191.2
Capital employed, average	5,313.3	4,811.9	5,404.5	4,971.7
Return on capital employed, %	13.1	17.0	11.8	15.4
Return on capital employed, comparable, %				
Operating profit, comparable	712.0	815.1	170.5	192.6
Capital employed, average	5,313.3	4,811.9	5,404.5	4,971.7
Return on capital employed, comparable, %	13.4	16.9	12.6	15.5
Return on equity, %				
Net profit	495.6	609.9	112.9	141.6
Equity, average	2,750.3	2,635.8	2,695.8	2,683.7
Return on equity, %	18.0	23.1	16.8	21.1
Return on equity, comparable, %				
Net profit, comparable	509.3	612.0	121.6	142.7
Equity, average	2,750.3	2,635.8	2,695.8	2,683.7
Return on equity, comparable, %	18.5	23.2	18.0	21.3
Equity ratio, %				
Shareholders' equity	2,758.4	2,742.2	2,758.4	2,742.2
Total assets	7,754.3	7,474.0	7,754.3	7,474.0
Advances received	56.7	46.9	56.7	46.9
Equity ratio, %	35.8	36.9	35.8	36.9

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

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

K Group's retail and B2B sales	1.1.-31.12.2023		1.10.-31.12.2023	
	€ million	Change, % ^{*)}	€ million	Change, % ^{*)}
K Group's grocery trade				
K-food stores	6,657.8	3.1	1,682.3	2.4
K-Citymarket, non-food	618.5	1.8	188.4	0.4
Kespro	1,186.0	11.2	294.6	5.1
Grocery trade, total	8,462.4	4.1	2,165.2	2.6
K Group's building and technical trade				
K-Rauta, Finland	1,114.9	-12.9	227.2	-13.8
K-Rauta B2B Service, Finland	256.3	-22.8	56.5	-27.5
Technical trade, Finland	1,207.8	-6.3	277.0	-14.3
Finland, total	2,579.0	-11.1	560.8	-15.7
K-Rauta, Sweden	149.9	-21.0	30.0	-14.9
K-Bygg, Sweden	284.8	-25.5	68.1	-24.5
Technical trade, Sweden	133.7	-14.2	29.2	-26.4
Byggmakker, Norway	656.3	-21.3	151.1	-21.3
Technical trade, Norway	594.5	-9.9	153.7	-12.3
Technical trade, Baltic countries	129.1	-1.2	32.6	-3.2
Technical trade, Poland	336.8	-3.8	89.2	1.8
Other countries, total	2,285.2	-15.4	553.8	-15.3
Kesko Senukai	1,176.9	-3.6	300.1	-3.2
Building and technical trade, total	6,041.1	-11.5	1,414.7	-13.1
K Group's car trade				
Car trade	1,085.2	18.1	245.9	5.2
Sports trade	261.3	-4.9	76.5	-0.5
Car trade, total	1,346.4	12.8	322.4	3.8
Finland, total	12,387.8	1.3	3,048.4	-1.2
Other countries, total	3,462.1	-11.7	853.9	-11.4
Retail and B2B sales, total	15,850.0	-1.8	3,902.3	-3.6

*) The change, % compared to the year before has been calculated to illustrate a situation in which the acquisitions and divestments had been completed on 1 January 2022. In 2022, most material acquisitions included Seljord Elektriske AS in Norway on 1 June 2022 and Kungälv's Trävaruaktiebolag on 11 March 2022, Föllinge Såg AB and Djurbergs Järnhandel Aktiebolag on 1 September 2022 and XL-BYGG Bergslagen AB on 1 October 2022 in Sweden. In 2023, most material acquisitions were Elektroskandia Norge AS on 1 March 2023 and Geitanger Bygg AS in 2 October 2023 in Norway, and Zenitec Sweden AB on 5 April 2023 in Sweden.