



KESKO'S HALF-YEAR FINANCIAL REPORT – Q2/2021

Another Record Quarter

Key Events in Q2

- Best-ever Q2 result
- Kesko continues the execution of its growth strategy, new financial targets set
- Good performance continued in grocery trade, Kespro's sales and profitability returned to normal levels
- Sales and profitability in building and technical trade continued to develop well in all operating countries
- A clear turnaround in both sales and profitability in car trade

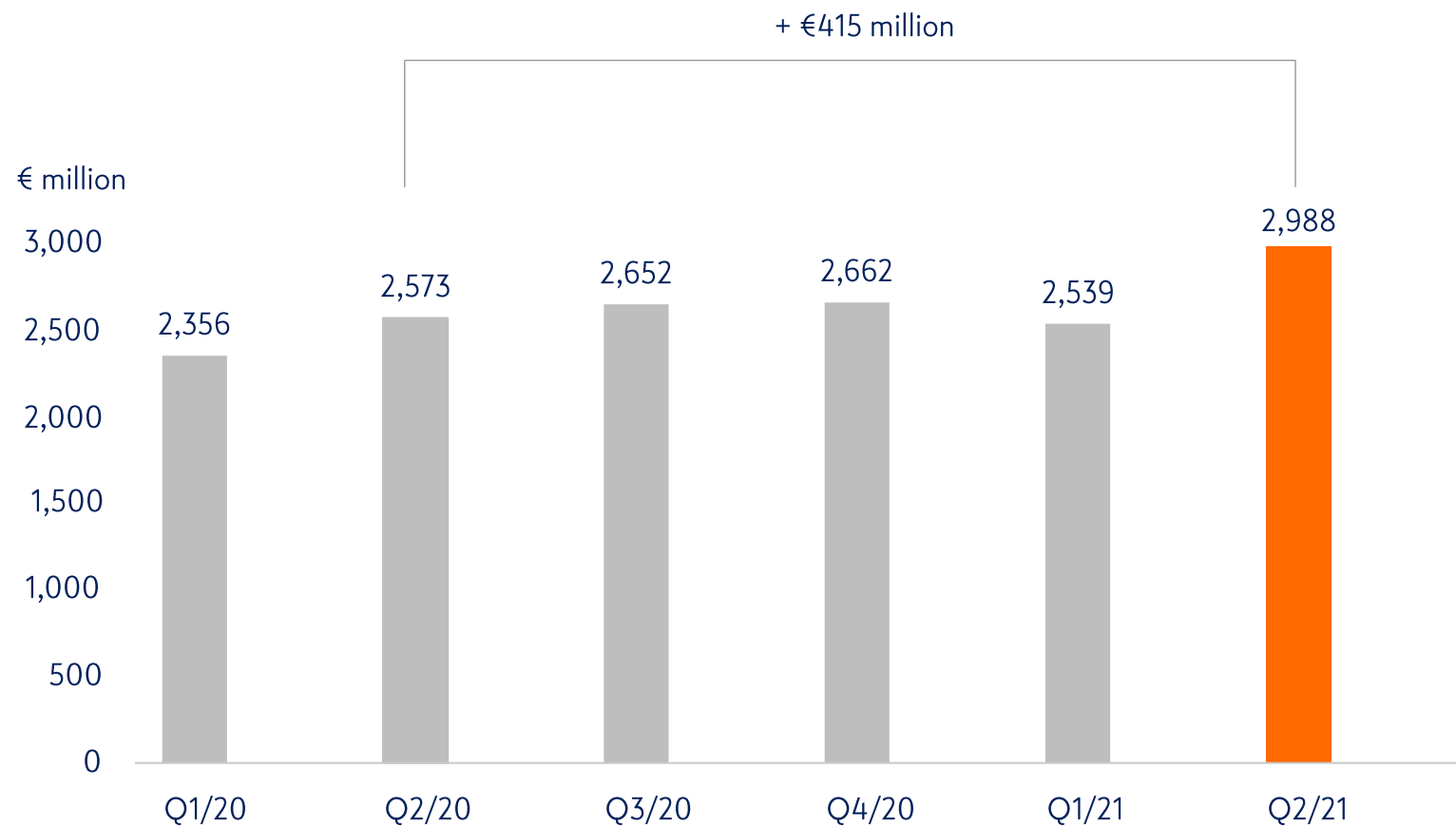
	4-6/2021	4-6/2020
Net sales, € million	2,988.2	2,814.5
Illustrative net sales, € million*	2,988.2	2,572.7
Operating profit, € million*	219.4	155.2
Illustrative operating profit, € million*	219.4	141.5
Illustrative operating margin, %*	7.3	5.5
Earnings per share, basic, €*	0.40	0.24

* Comparable figures.

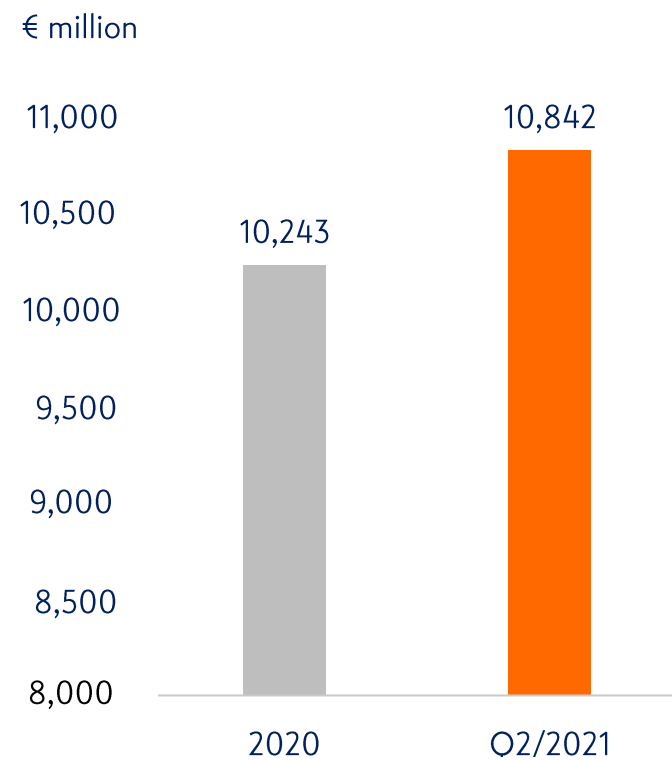
Kesko Senukai treated as a joint venture in the illustrative figures

Net Sales

Growth 12.0% in comparable terms

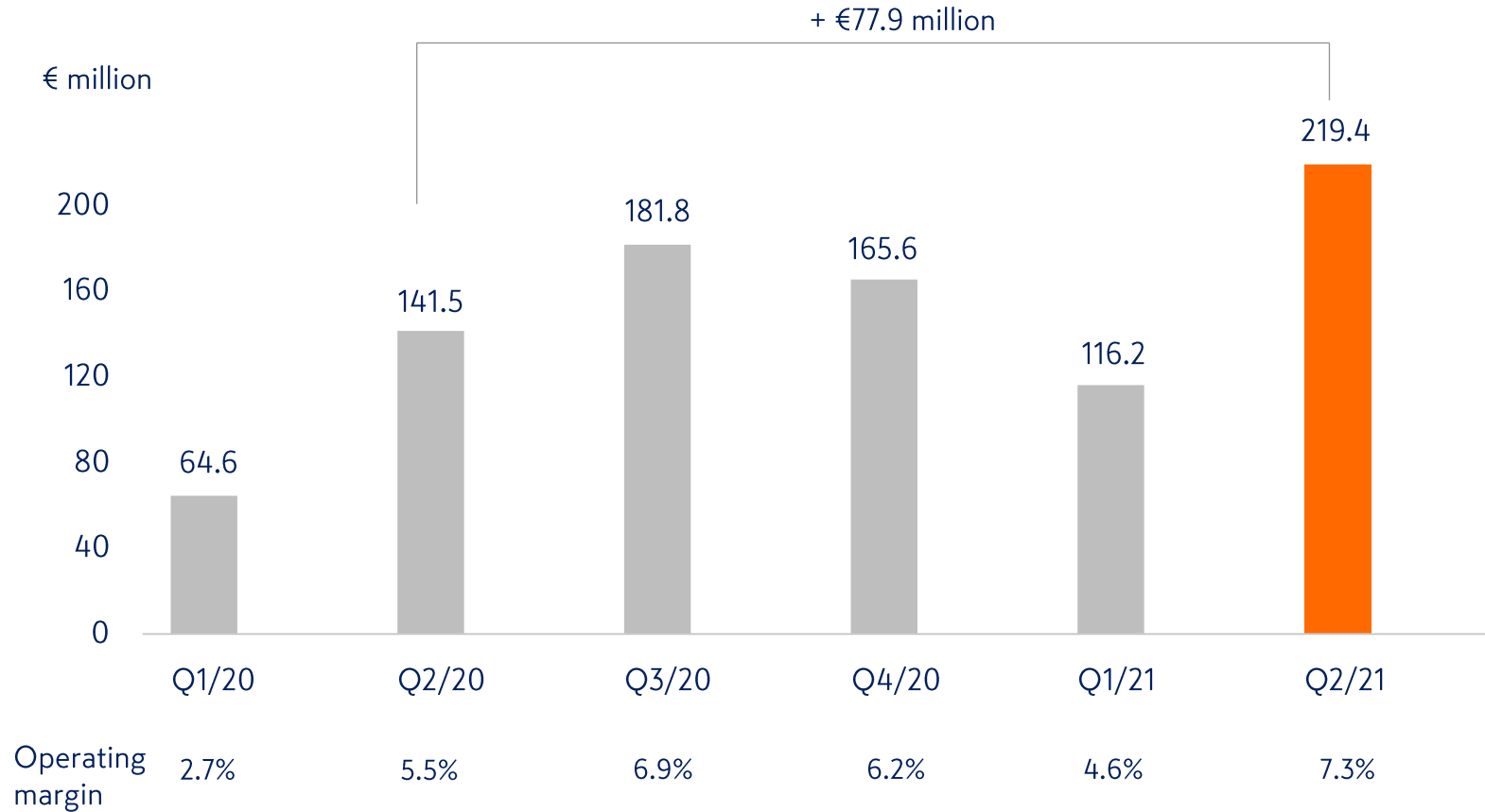


Rolling 12 months

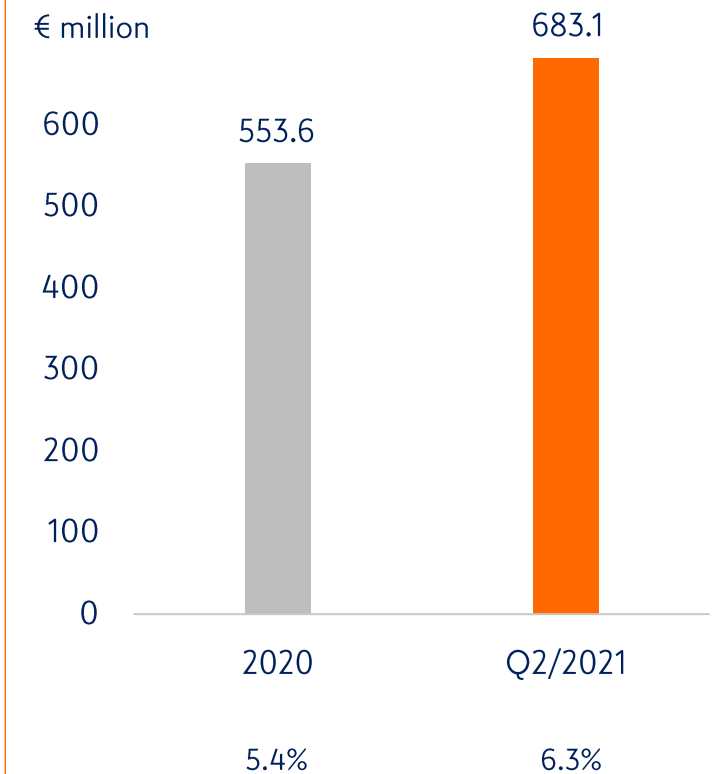


Comparable Operating Profit

Growth in comparable terms €77.9 million

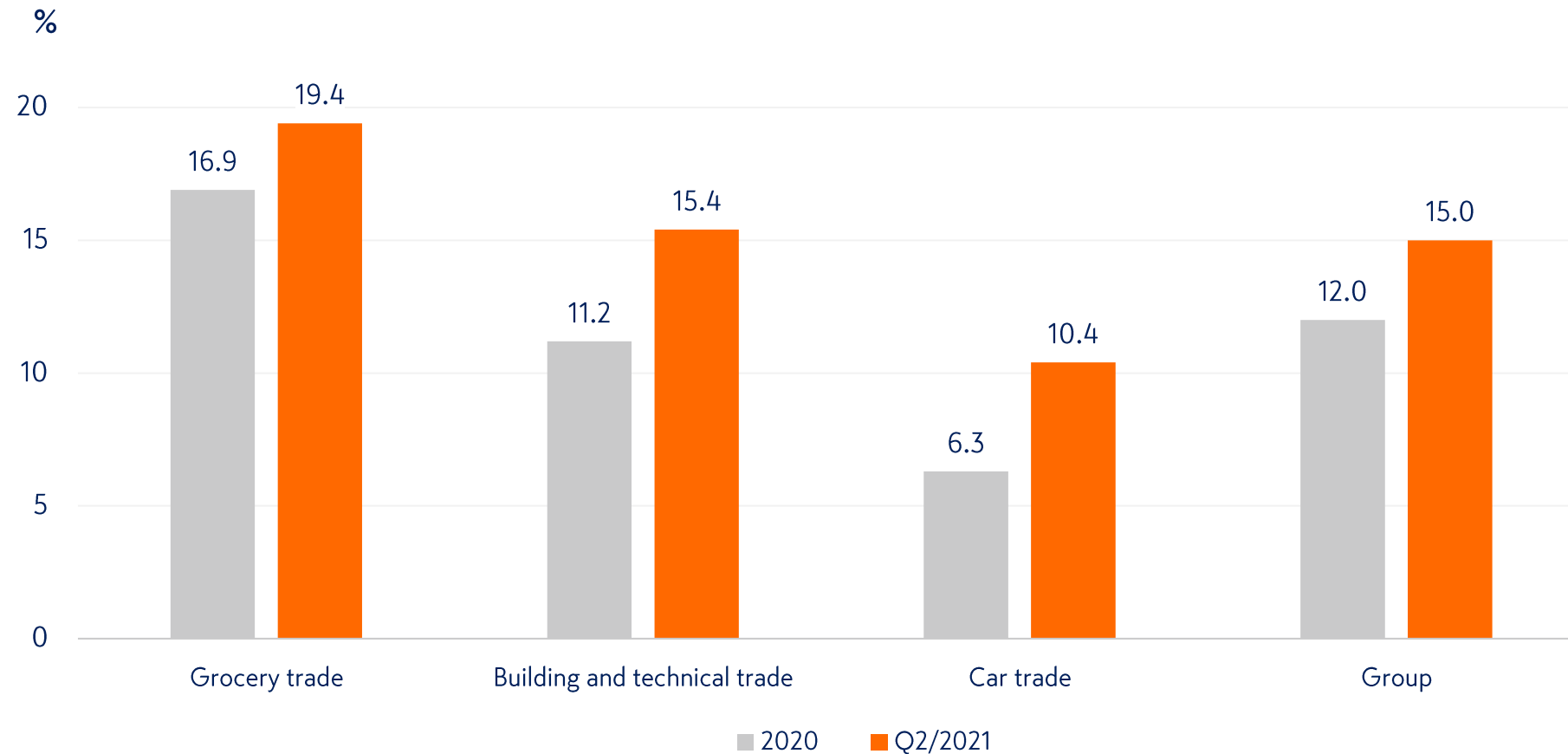


Rolling 12 months



Return on Capital Employed

Return on capital employed strengthened markedly



Strong Financial Position

Cash flow from operating activities operatively at last year's level

	Q2/2021	Q2/2020
Cash flow from operating activities, € million	346.6	421.8
Liquid assets, € million	366.7	461.8
Capital expenditure, € million	82.7	69.1
Interest-bearing net debt excl. lease liabilities, € million	194.4	330.0
Interest-bearing net debt/EBITDA (rolling, excl. IFRS 16 impact)	0.2	0.6
Lease liabilities, € million	1,965.6	2,312.1

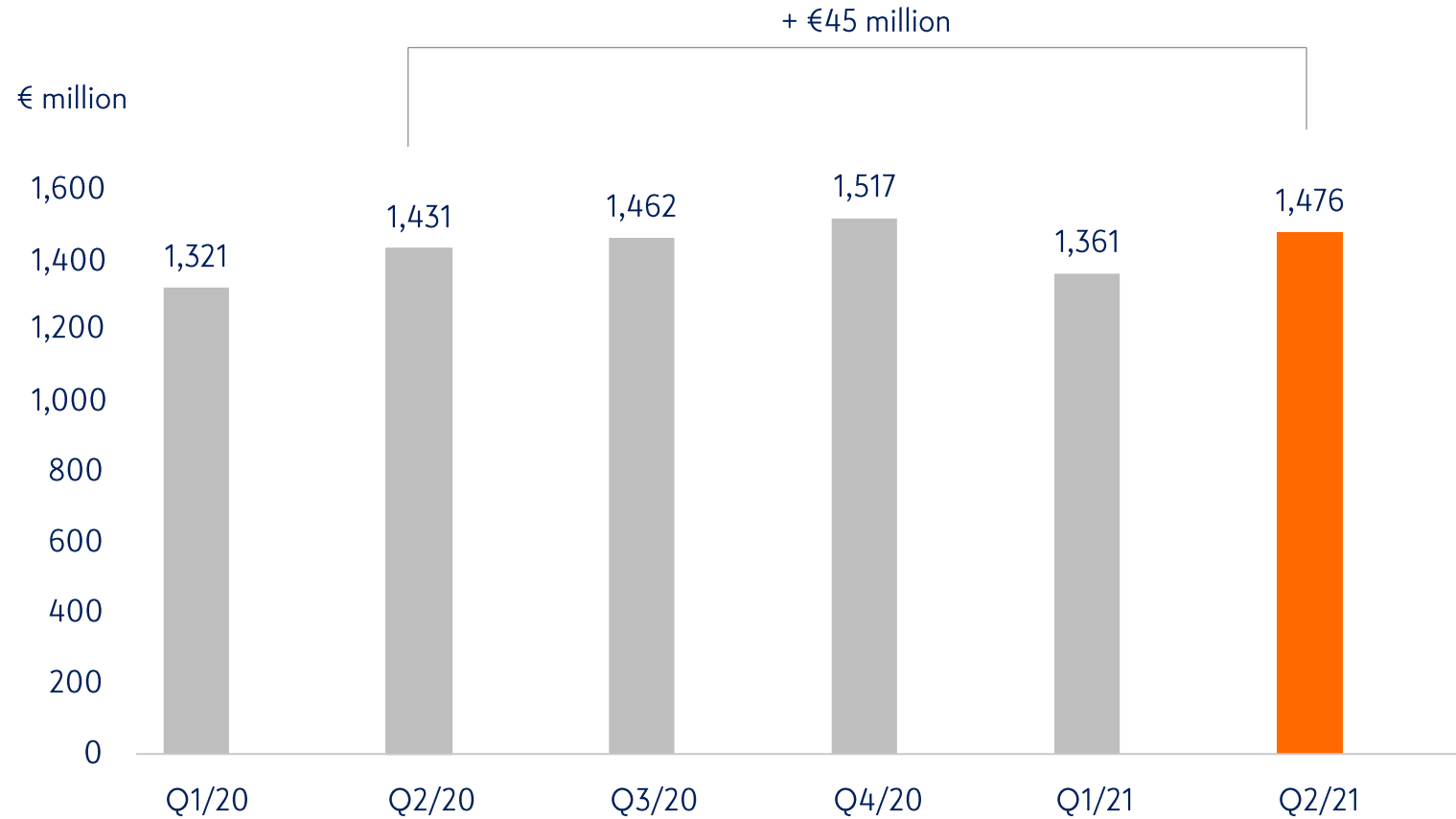


GROCERY TRADE

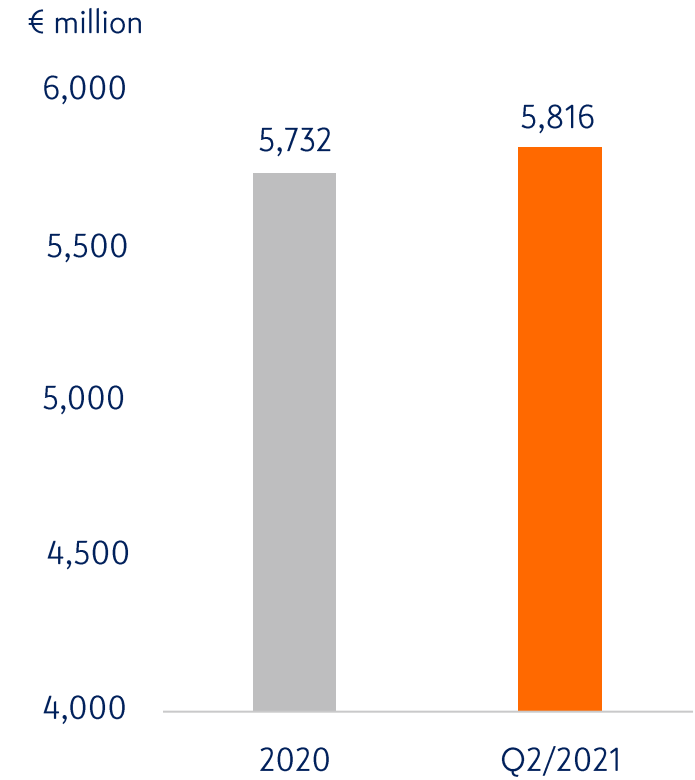
Improved Profitability for All Chains and Kespro

Grocery Trade Net Sales

Growth 3.2%

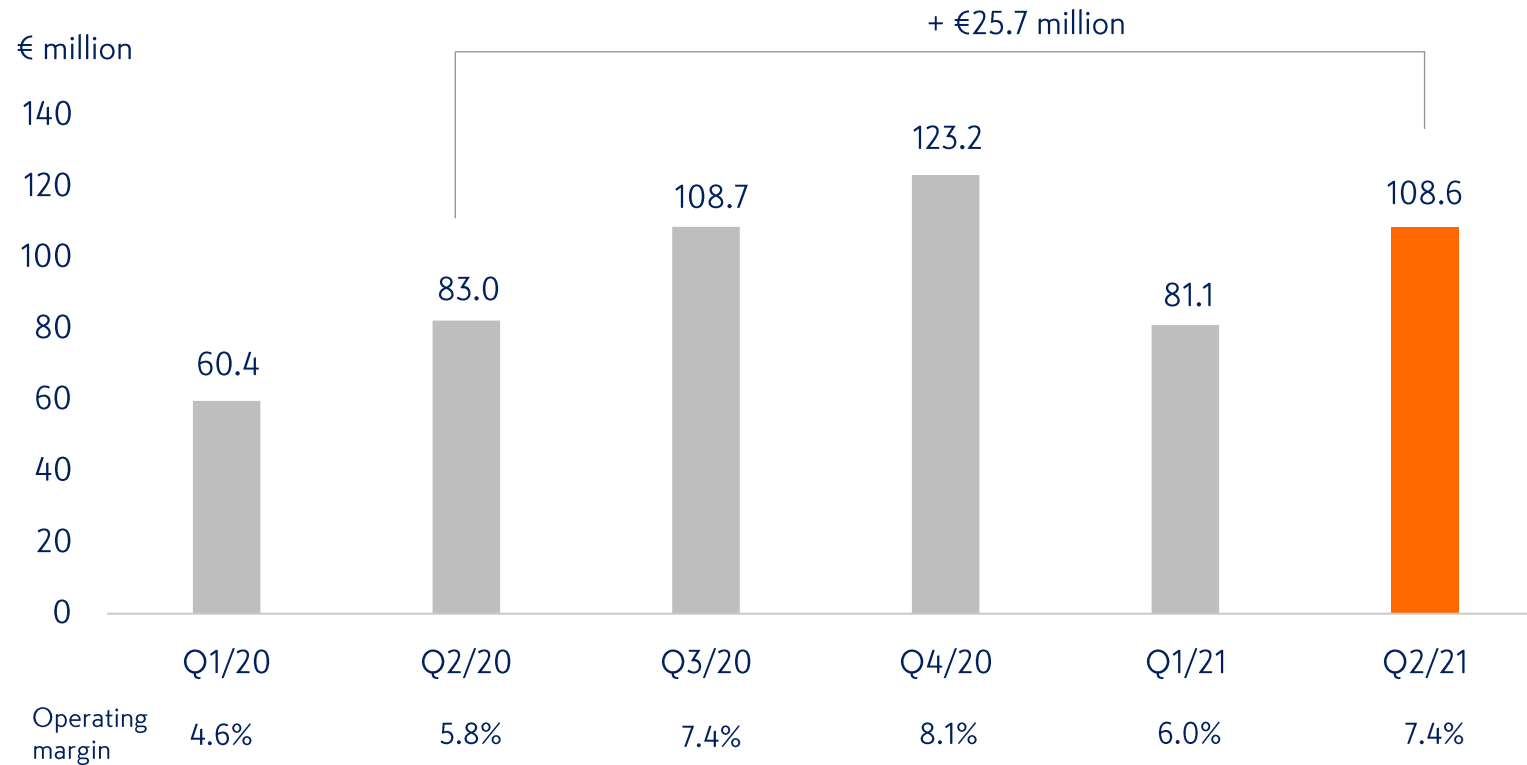


Rolling 12 months



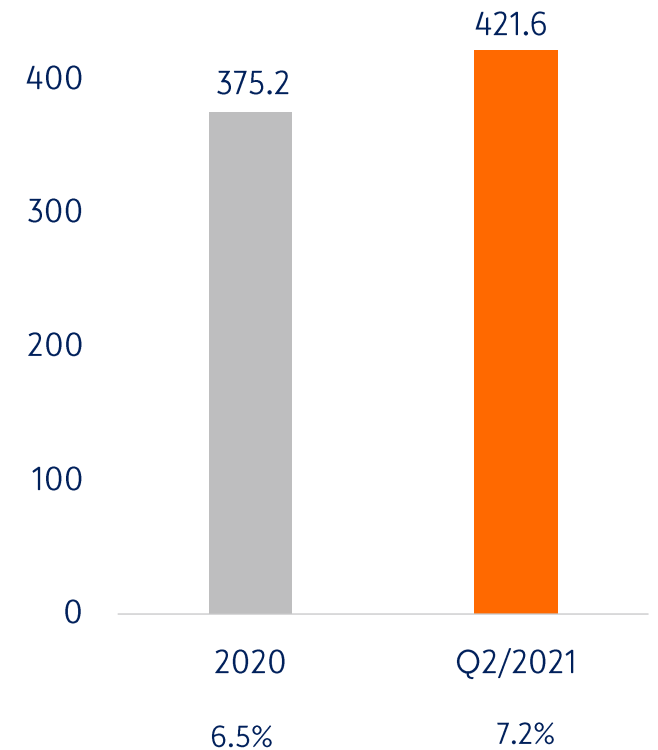
Grocery Trade Operating Profit

Growth €25.7 million



Rolling 12 months

€ million



Grocery Trade Q2

Market Q2

- Grocery trade total market growth 2.2%*, retail prices up by 1.5%**
- Household consumption focused on domestic purchases, especially retail
- Growth in demand for online grocery down compared to the exceptional levels a year ago
- Foodservice market recovering

K

- Grocery sales in K-food stores up by 0.6%.
- Customer satisfaction continued to improve
- Kespro's sales grew by 38.4%.
- Online grocery sales declined by 22.9% but were still 513% higher than in 2019
- Finland's first automated in-store collection system for online orders was ordered

*Finnish Grocery Trade Association PTY

** incl. VAT, Kesko's own estimate

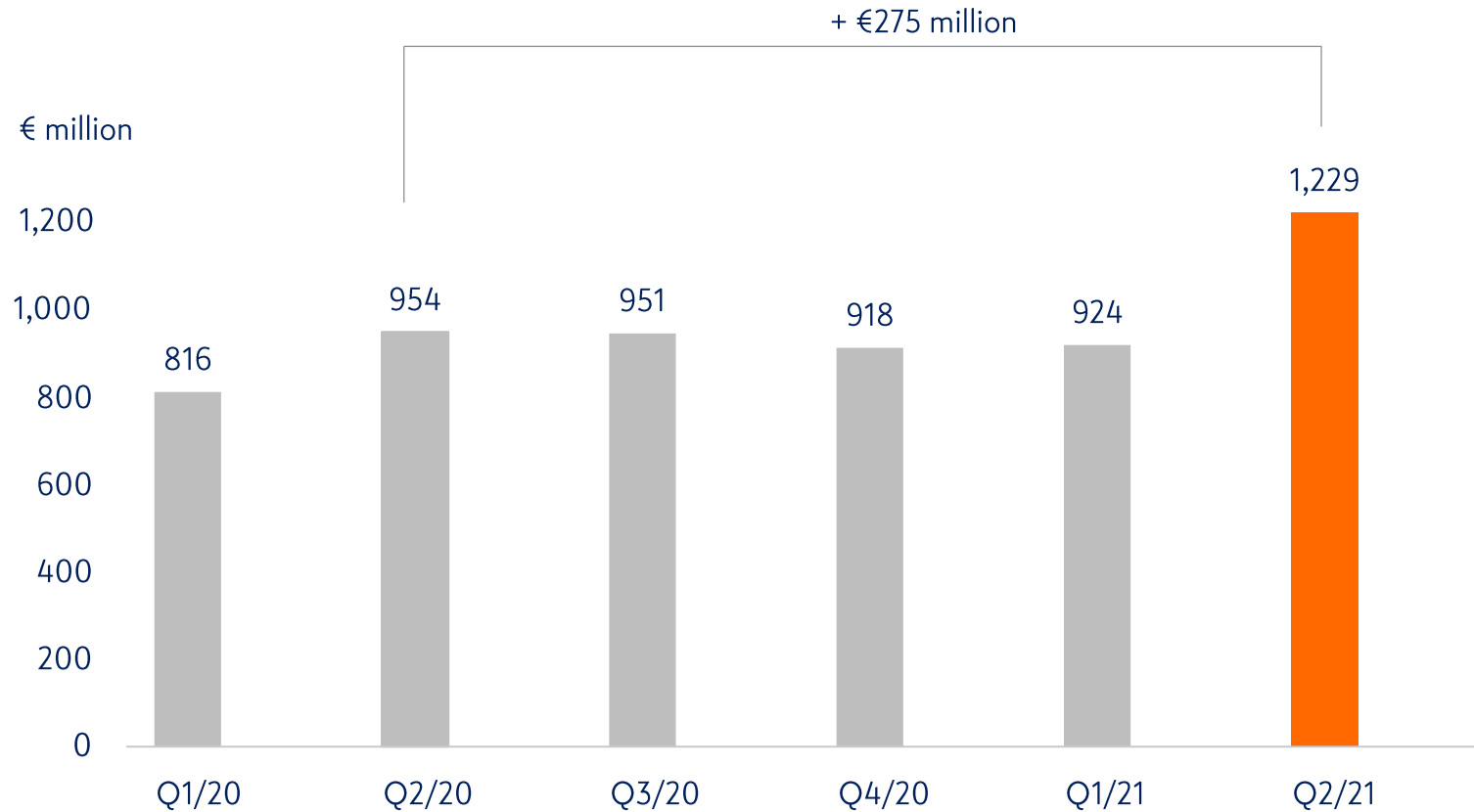


BUILDING AND TECHNICAL TRADE

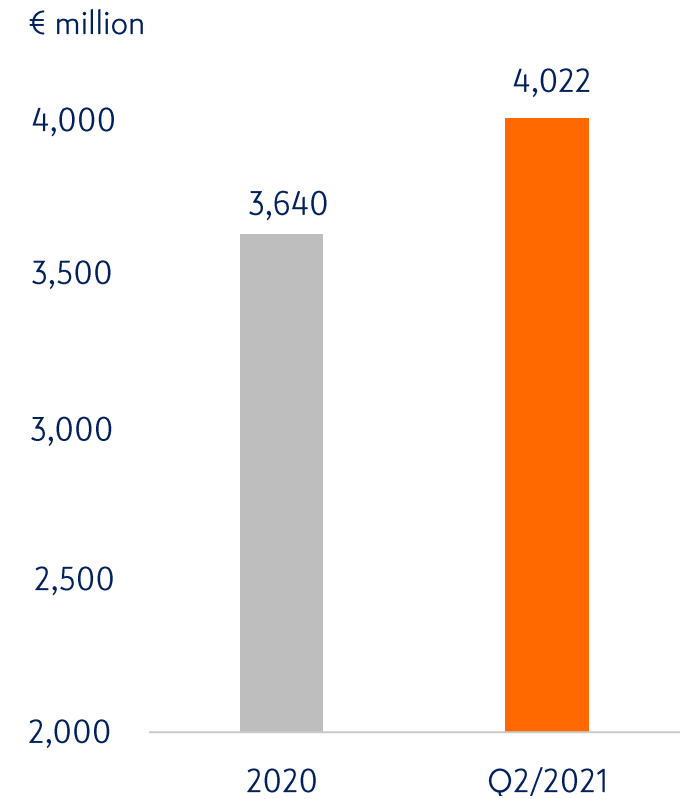
Strong Development Continued in
All Operating Countries

Building and Technical Trade Net Sales

Growth 17.7% in comparable terms

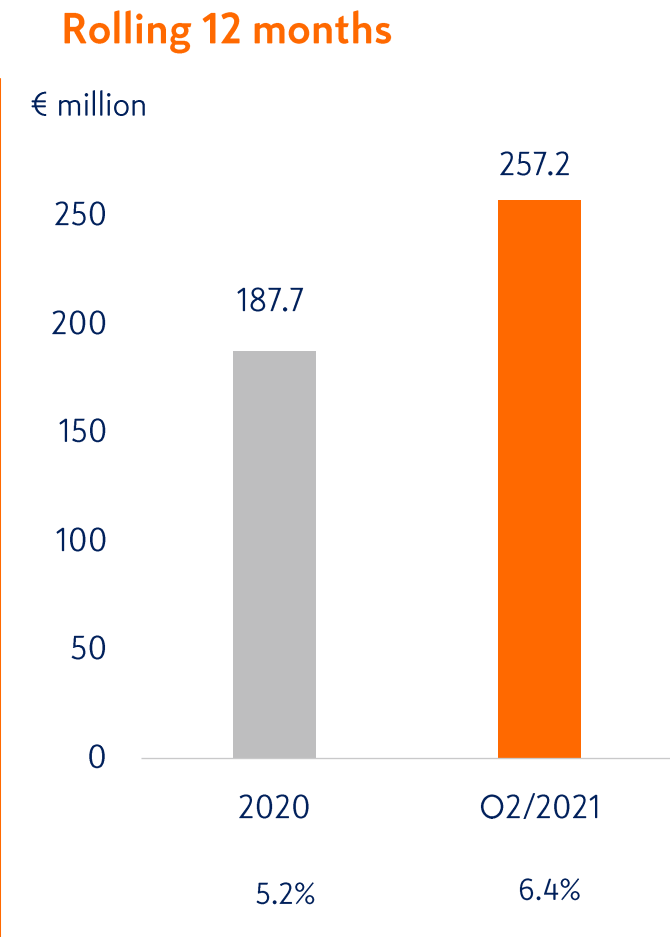
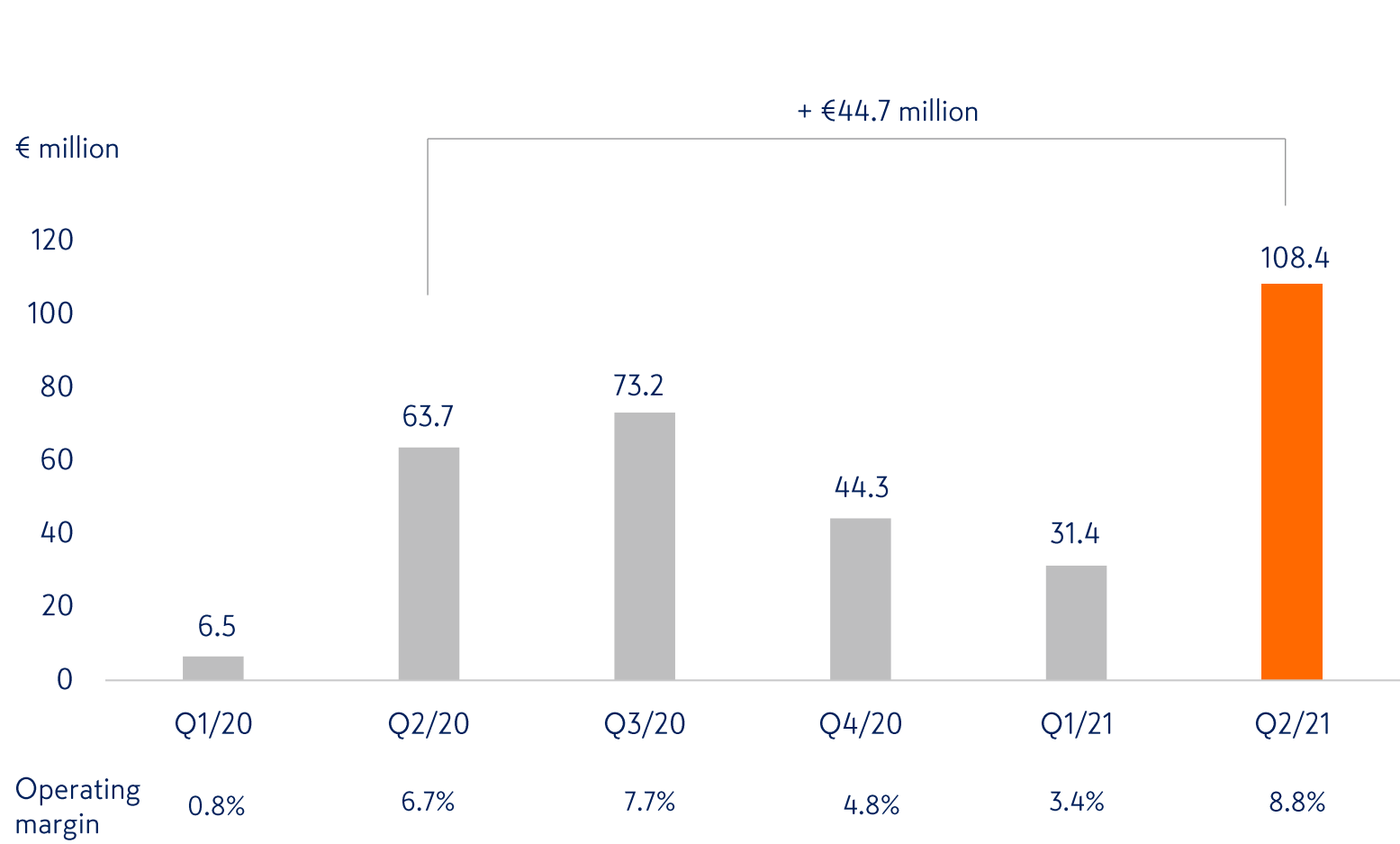


Rolling 12 months



Building and Technical Trade Comparable Operating Profit

Growth €44.7 million



Building and Technical Trade Q2

Market Q2

- Construction and renovation activity continue at a good level in Northern Europe
- Strong growth in B2C trade has flattened
- B2B trade in building and home improvement trade has continued active
- Demand continues to be strong in technical wholesale
- Issues with availability in many product categories

K

- Strong performance continued for K-Rauta and Onninen in Finland
- In Norway, sales and profitability have risen to a whole new level
- In Sweden, sales continued to grow and profitability improve in all operations
- K has been successful in ensuring product availability under the circumstances
- Sales and market share have grown and profitability improved in leisure trade

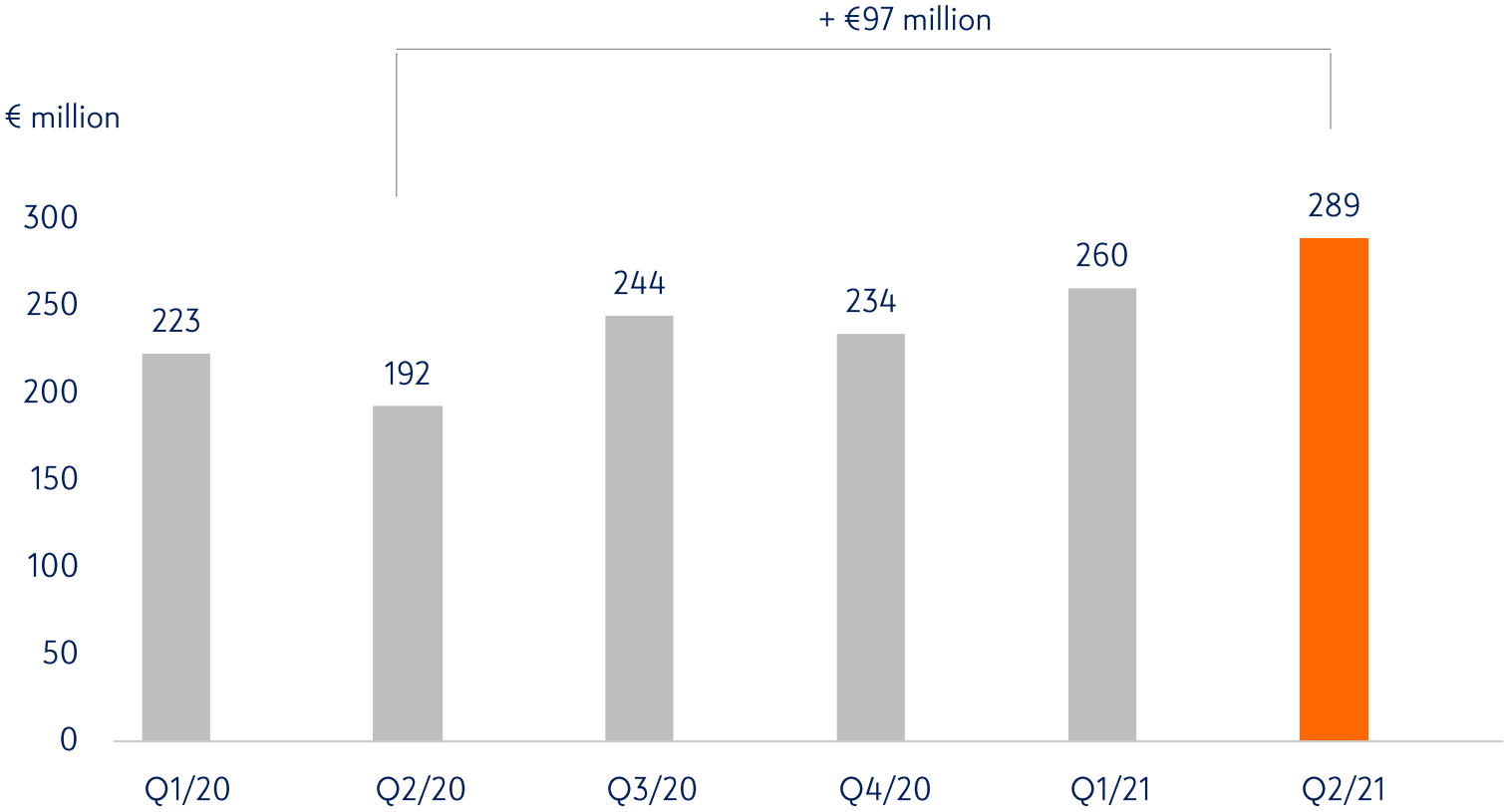


CAR TRADE

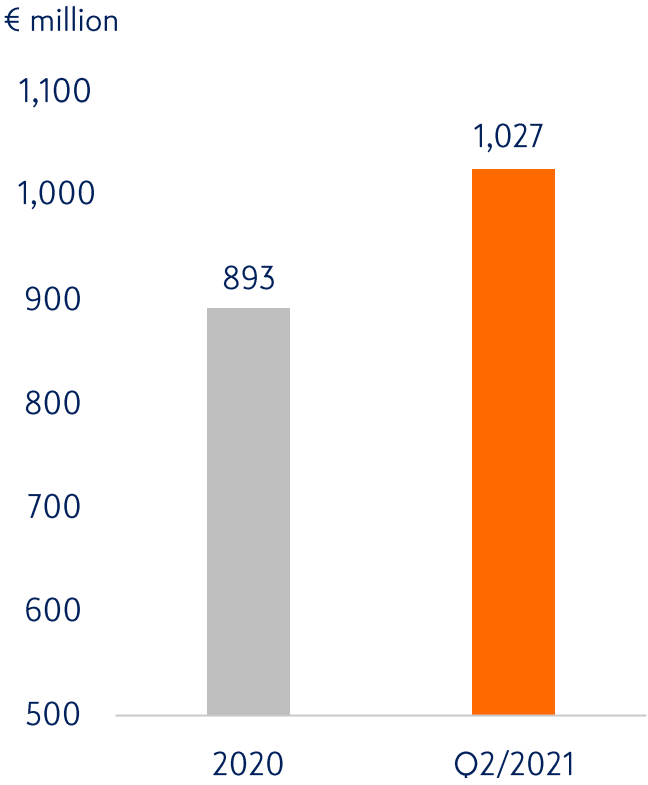
A Marked Turnaround in both Sales
and Profitability

Car Trade Net Sales

Growth 50.3%

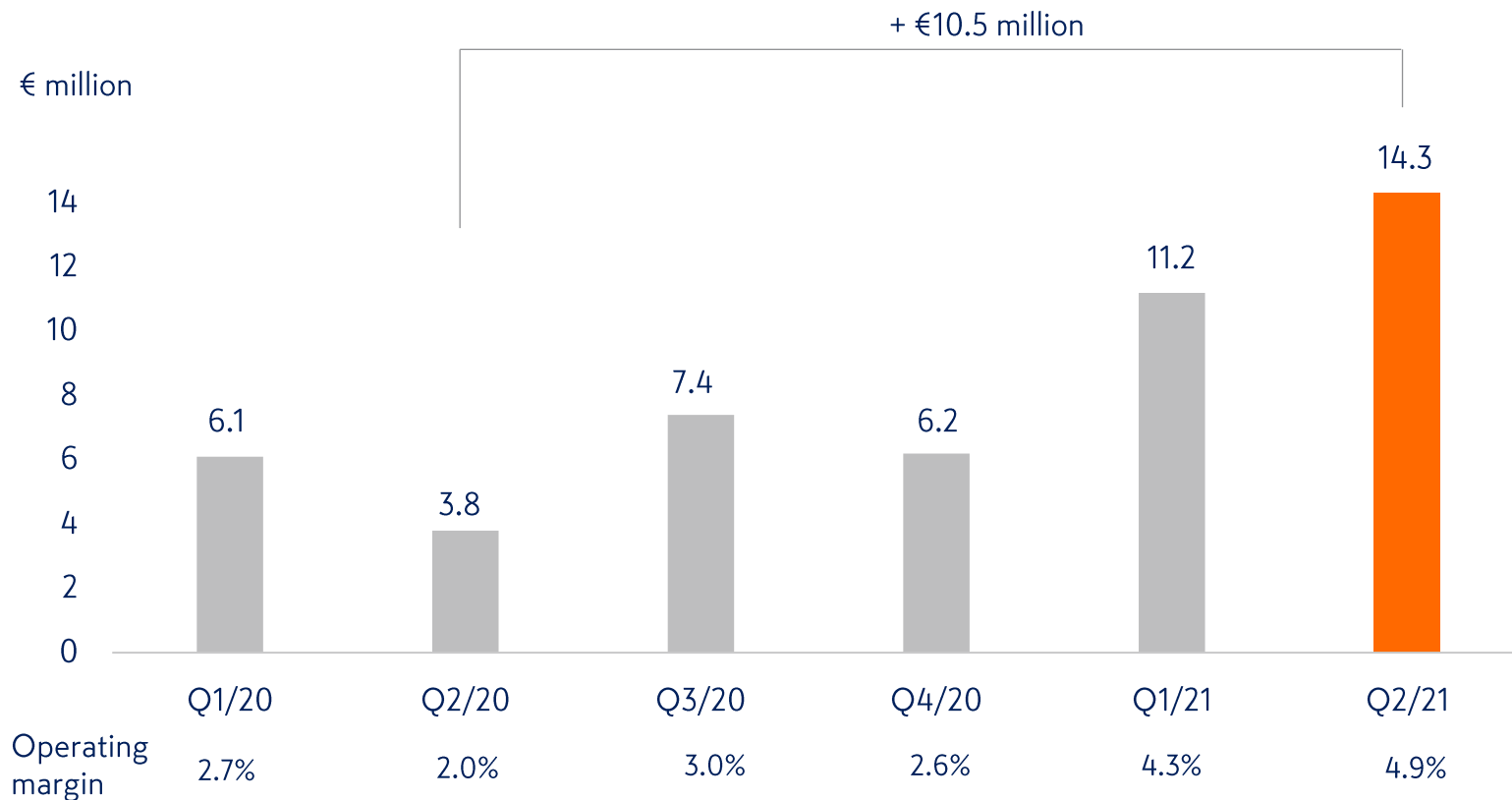


Rolling 12 months

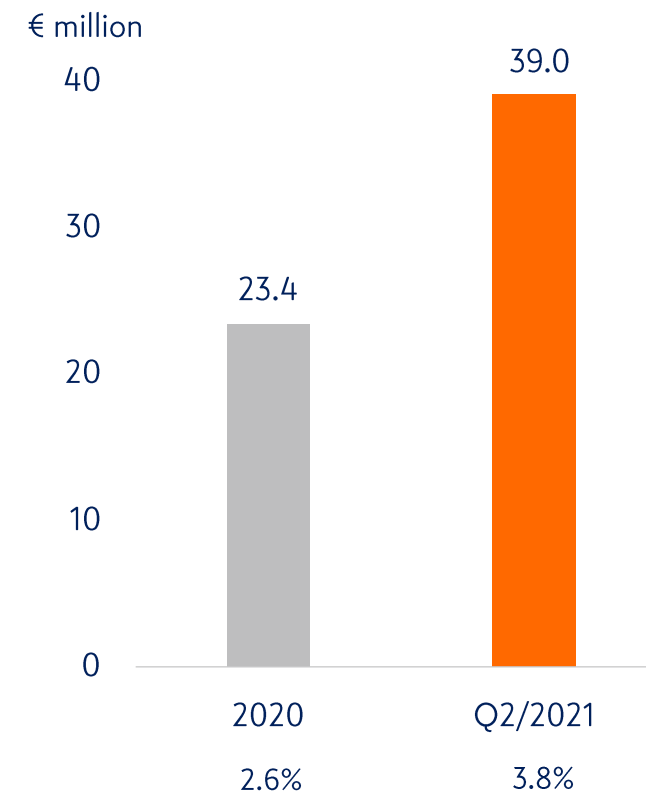


Car Trade Operating Profit

Growth €10.5 million



Rolling 12 months



Car Trade Q2

Market Q2

- First registrations of passenger cars and vans up by 47.7%
- New all-electric cars and rechargeable hybrids account for over 30% of first registrations of passenger cars
- Demand for new cars returning to normal levels
- Demand for used cars also growing
- Car availability a global issue due to growing demand and component shortages

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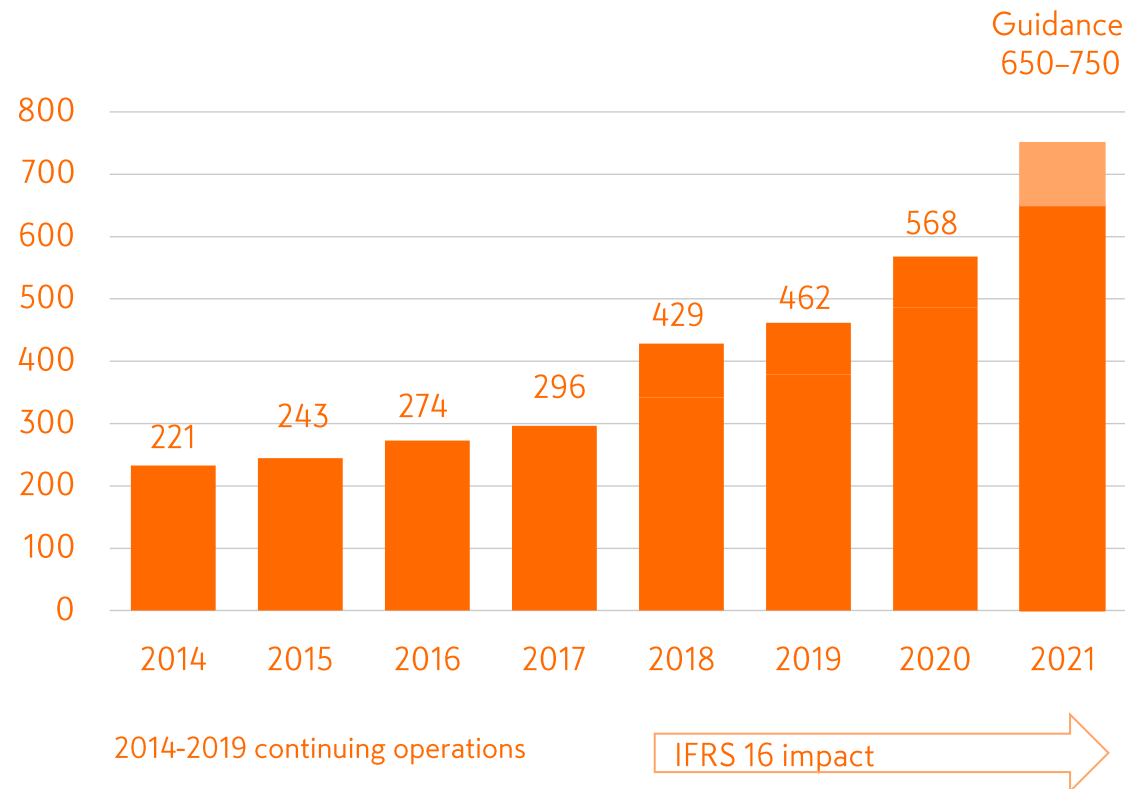
- New car sales +86%, all-electric cars already account for 23% of sales
- New models boosting sales
- The market share of models represented by K Group has risen to 19.3% (17.3%)
- Our market share in all-electric cars now nearly 50%
- Our efforts to transform our car trade operations and make them more efficient are proceeding as planned

Kesko's Strategy Review 2021: We continue the execution of our growth strategy

Profitability Has Improved Significantly Thanks to Our Good Strategy and Its Strong Execution

Comparable operating profit

Reported figures, € million



- Good performance underpinned by strategy that centres on growth, focus and transformation
- More than 30 cases of corporate restructuring: successful divestments, acquisitions to support core business growth
- Extensive digitalisation of business operations – a trading sector forerunner in utilising customer data and automation
- Significant improvements in customer experience through business transformation and store development
- A forerunner in sustainability – the world's most sustainable grocery trade company

Kesko's Strategy Review 2021:

We continue the execution of our successful strategy



Grocery Trade

Growing sales and improving profitability by offering the best customer experience in the business and differentiating ourselves from the competition



A leading operator in Finnish grocery trade

Market share 37.6%

50% share of the neighbourhood store market

Over 50% market share in online grocery

Well-functioning retailer business model and store-specific business ideas



Strong market leader in foodservice

Significant synergies with grocery stores

Eating out a growing trend

Good growth in sales and market share



Forerunner in trading sector digitalisation

The K-Plussa customer loyalty scheme: 3.3 million customers

Extensive utilisation of customer and other data in decision-making

The best multichannel customer experience



Efficient logistics and IT

Efficient, scalable logistics

Business-oriented, cost-efficient IT services

Significant investments in robotics and automation

Building and Technical Trade

Seeking growth through sector consolidation in Northern Europe and continuous development of operations in each country



Strong market leader in Finland

K-Rauta's market share 44%

Onninen's market share 40%

Good growth in sales and market share for both K-Rauta and Onninen

Leading operator in both B2B and B2C trade



Big growth potential in Scandinavia

Strong growth in sales and profitability in Norway

Strong progress in sales and profitability in Sweden

Seeking further growth in Scandinavia with acquisitions



Onninen's position in Poland strong

Growing Onninen's sales further, improving profitability

Growth opportunities also through acquisitions



Market leader in the Baltics

Good development in Kesko Senukai's sales and profitability

Further significant growth potential in the Baltics

Strong commitment to growing and developing Kesko Senukai

KESKO INVESTOR NEWS 23.7.2021 AT 09.05

Kesko to acquire Byggarnas Partner, a company serving professional builders in Sweden

Kesko will acquire Byggarnas Partner, thus strengthening its position in the Swedish building and home improvement trade market further, especially in the Stockholm area.

Kesko continues the implementation of its growth strategy in Northern Europe, where it is the leading operator in building and technical trade. In Sweden, Kesko operates the building and home improvement trade chains K-Rauta and K-Bygg as well as Onninen's technical wholesale for infrastructure customers. K-Rauta has 17 stores and online sales in Sweden, serving primarily consumers, while K-Bygg's 37 stores serve primarily professional builders.

"We continue the execution of our growth strategy in the building and technical trade division, seeking growth both organically and through acquisitions in Northern Europe. We see good further growth potential in the Swedish market," says **Jorma Rauhala**, President of Kesko's building and technical trade division and Deputy CEO.

Byggarnas Partner's net sales in 2020 totalled approximately €18.2 million. The company has five stores in the Stockholm area, and it employs some 40 people who specialise in serving B2B customers.

The transaction is expected to be completed in autumn 2021. The parties do not disclose the transaction price.

Car Trade

Raising sales and profitability to a new level by offering the best customer experience in Finland, transforming and updating our operations, and collaborating more closely with the Volkswagen Group



Leading operator in new car sales

Combined market share of the brands we represent nearly 20%

Nearly 50% market share in all-electric cars

A forerunner in e-mobility



Used cars a significant separate business

Updating used car sales, utilising digitalisation

More efficient sourcing of used cars

Sales of accessories and additional services



Increasing service sales

Updating our servicing and repair business

Updating spare part logistics

Expanding the K Charge network

Growing the leasing business, especially private leasing

Forerunner in Trading Sector Digitalisation

Using digitalisation to improve customer experience and make operations more efficient



Online and digital sales growing forcefully

Digital sales already exceed
€1.3 billion

Growth in online sales
continues strong

Continuously improving
online efficiency and
customer experience



Data and analytics at the core of business operations

K Group's customer loyalty scheme in
Finland has 3.3 million customers

Data-based store-specific
business ideas and services

Extensive utilisation of data
in everyday decision-making

Versatile data services to partners



Digitalisation of stores and processes proceeding at a fast pace

Easy-to-use tools to make store
processes more efficient

Electronic shelf labels help improve
customer satisfaction and make
operations more efficient

Electronic in-store displays make
stores even more effective
marketing channels

Automation of supply chain and
background processes



Digitalisation increases customer loyalty

Targeted marketing

Personal benefits and offers

Digital Plussa money

Personal purchase trackers, e.g.
carbon footprint calculator

Seamless customer experience
irrespective of channel

Corporate Responsibility and Sustainability

Enabling sustainable choices for our customers, sustainability as a guiding value in all operations



Ambitious climate objectives

Carbon neutral by 2025

Zero own emissions by 2030

Encouraging suppliers and customers to reduce emissions



Sustainable choices for customers

World's most sustainable grocery trade company

Enabling e-mobility

Purchases from responsible suppliers

Promoting local products and Finnish work



Sustainability central to all operations

Strong sustainability work in all businesses

The best people and excellent employee experience

A good, trusted partner

A good corporate citizen

Financial Targets

	New targets	Previous targets
Operating margin, comparable	Over 6%	5.5%
Return on capital employed, comparable, %	Over 14.5%	12.5%
Interest-bearing net debt/EBITDA, excluding IFRS 16 impact	at maximum 2.5	at maximum 2.5



Guidance

Guidance

Kesko estimates that its comparable operating profit in 2021 will be in the range of €650-750 million.
In 2020, Kesko's illustrative comparable operating profit totalled €554 million.



KESKO CELEBRATES ITS 80TH ANNIVERSARY