



KESKO HALF-YEAR FINANCIAL REPORT Q2/2022

THE BEST Q2 IN KESKO'S HISTORY – RECORD RESULT IN BUILDING AND TECHNICAL TRADE

Mikko Helander
President and CEO
26.7.2022

KEY EVENTS IN Q2

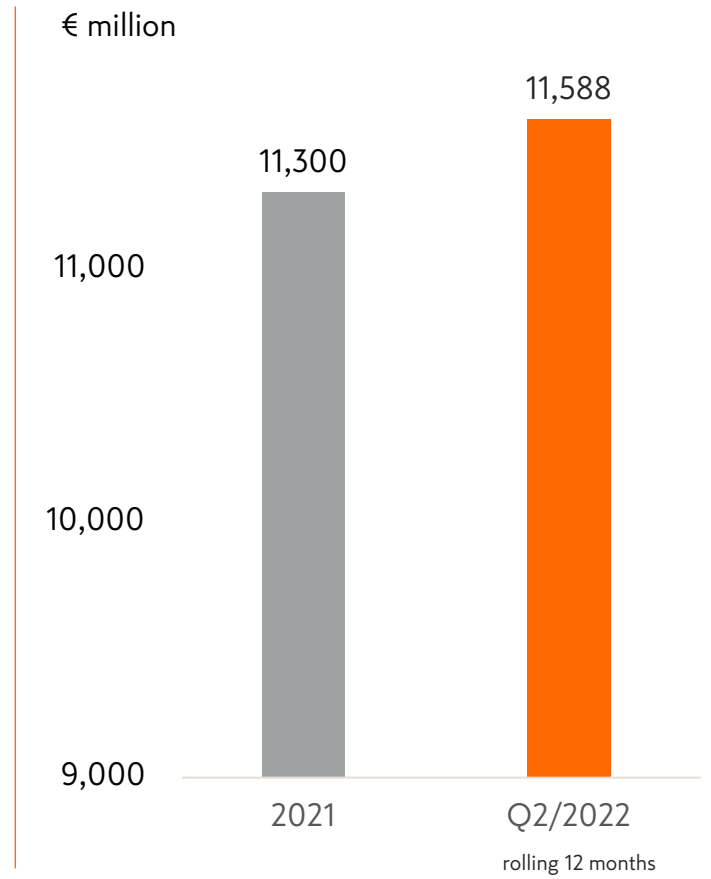
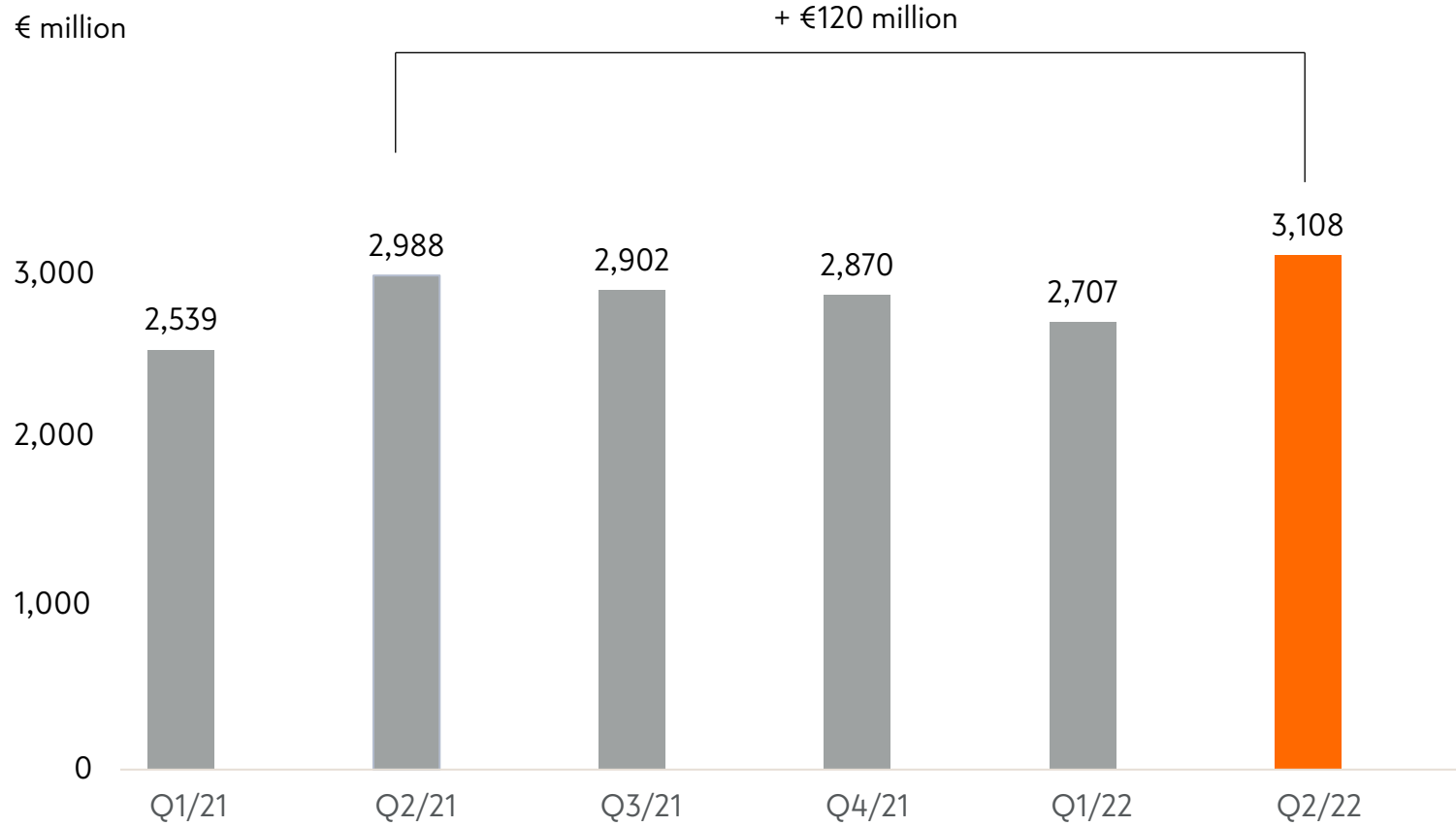
- The best Q2 result in Kesko's history, impact of the pandemic on Kesko's businesses has clearly diminished
- Building and technical trade: record result
- Grocery trade: sales grew and profitability stayed at a good level
- Car trade: profitability improved in a difficult operating environment

	4-6/2022	4-6/2021
Net sales, € million	3,108.5	2,988.2
Net sales growth*, %	3.9	12.0
Operating profit*, € million	236.0	219.4
Operating margin*, %	7.6	7.3
Earnings per share*, basic, €	0.45	0.40

* Comparable

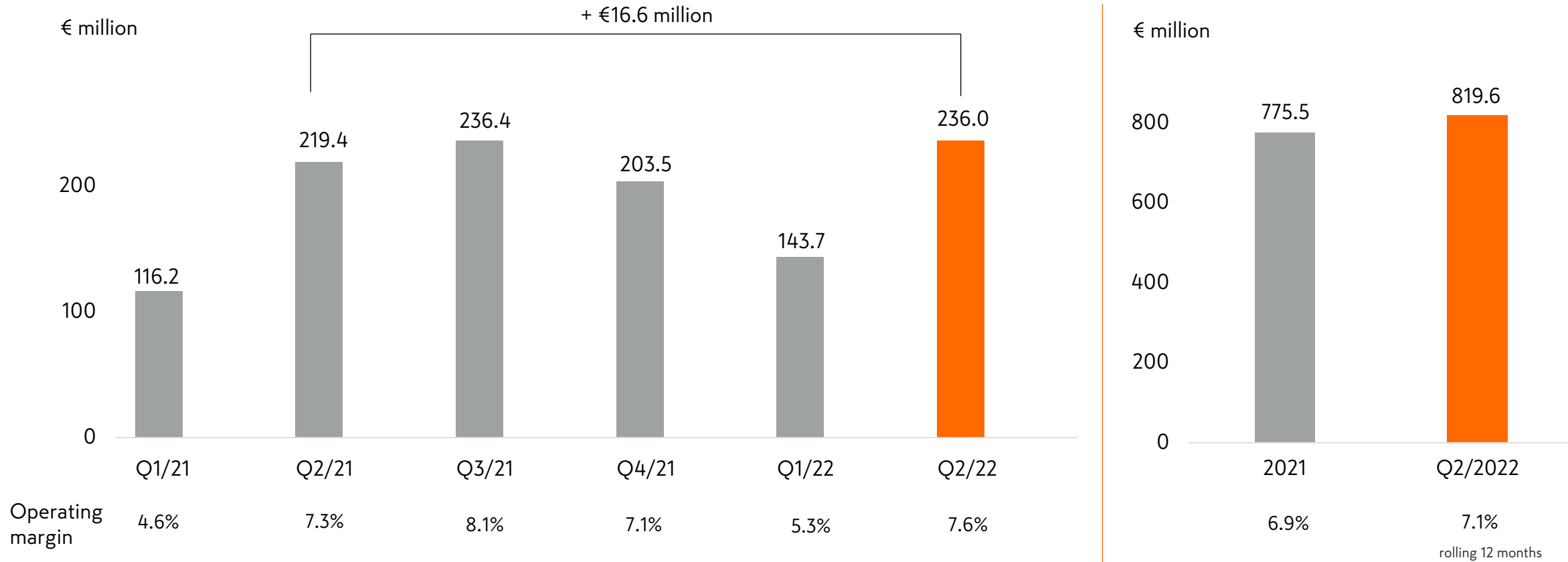
NET SALES

Comparable growth 3.9%

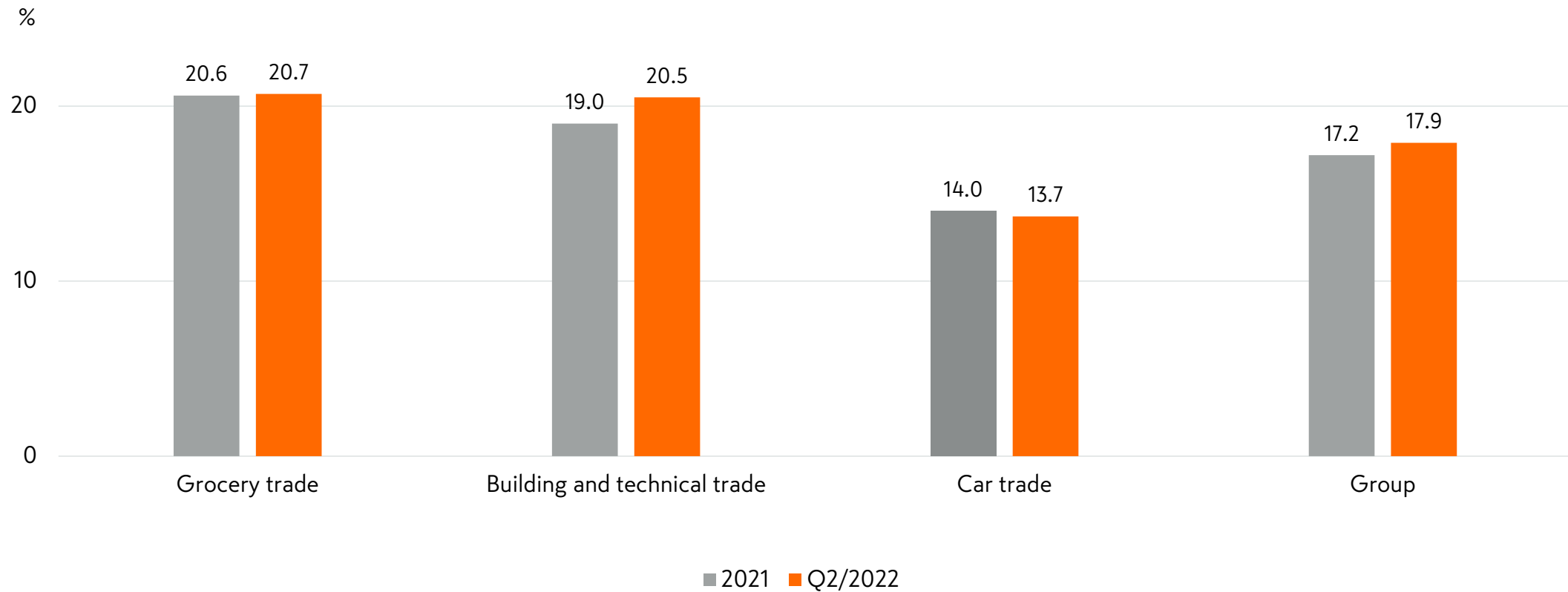


COMPARABLE OPERATING PROFIT

Growth in comparable terms €16.6 million



RETURN ON CAPITAL EMPLOYED CONTINUED TO IMPROVE



STRONG FINANCIAL POSITION

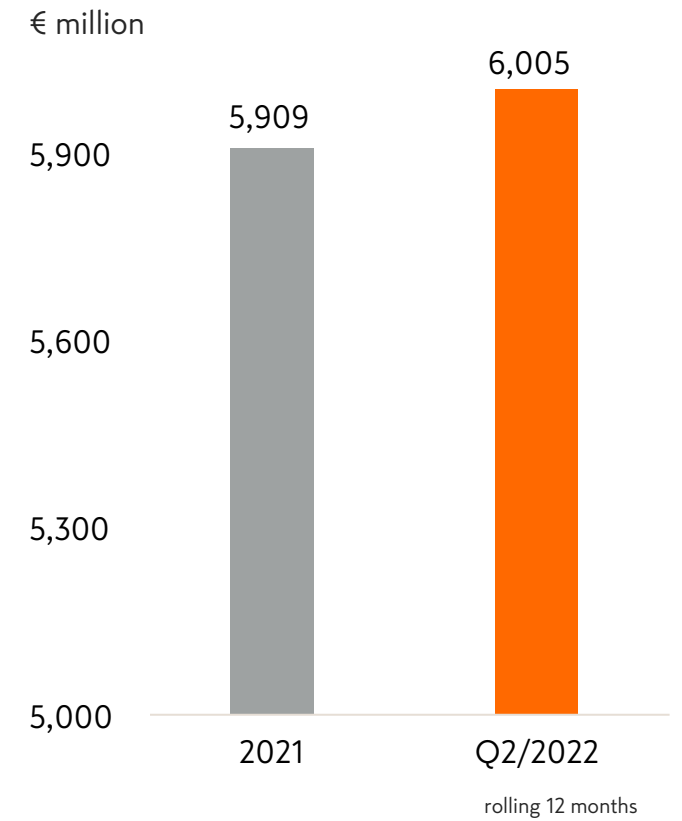
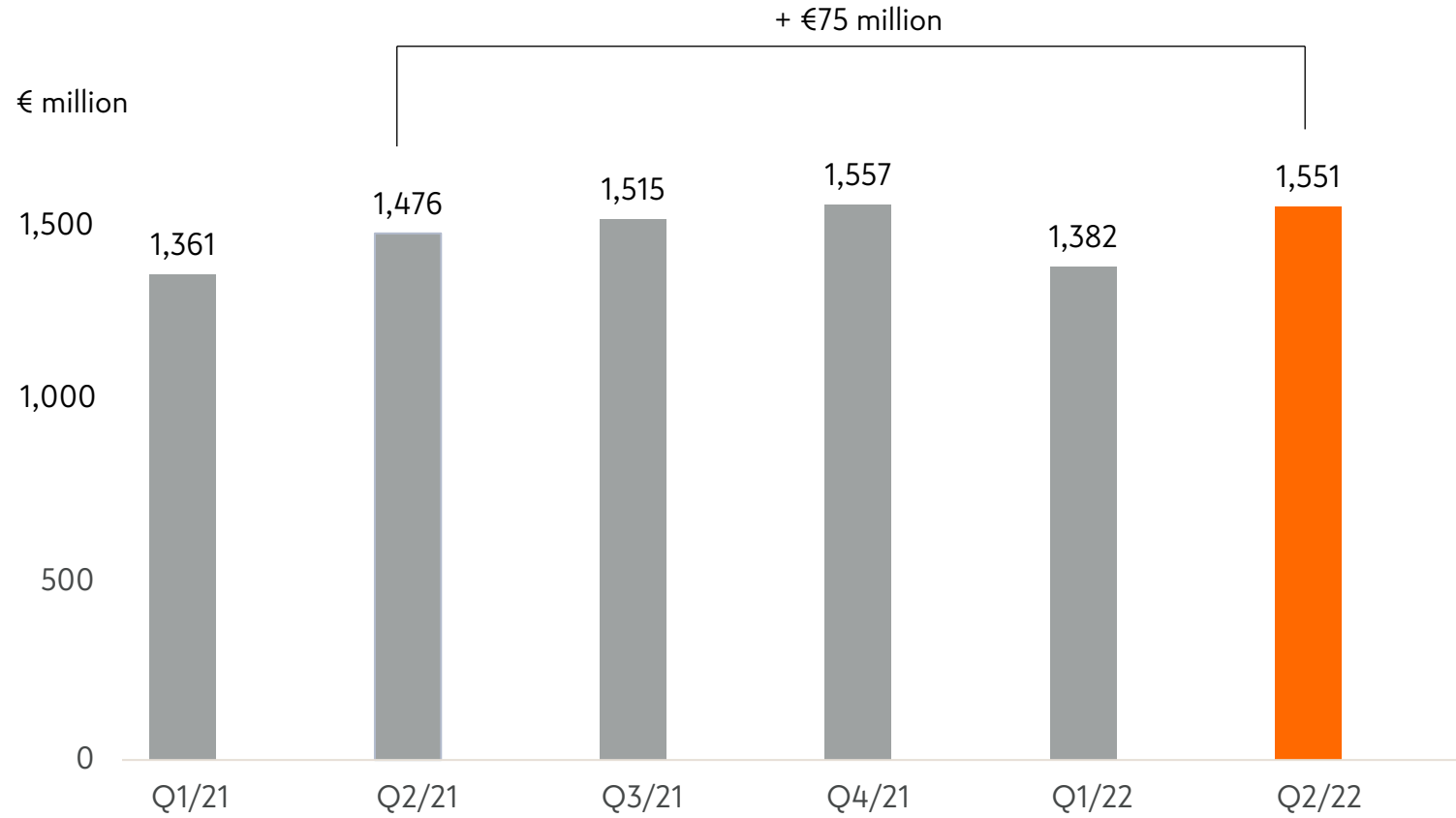
	Q2/2022	Q2/2021
Cash flow from operating activities, € million	262.4	346.6
Liquid assets, € million	345.3	366.7
Capital expenditure, € million	124.6	82.7
Interest-bearing net debt excl. lease liabilities, € million	197.8	194.4
Interest-bearing net debt/EBITDA (rolling, excl. IFRS 16 impact)	0.2	0.2
Lease liabilities, € million	1,960.9	1,965.6

GROCERY TRADE

**STRONG POSITION IN ALL AREAS OF
FOOD TRADE HELPED OUR PERFORMANCE
IN A CHANGING MARKET**

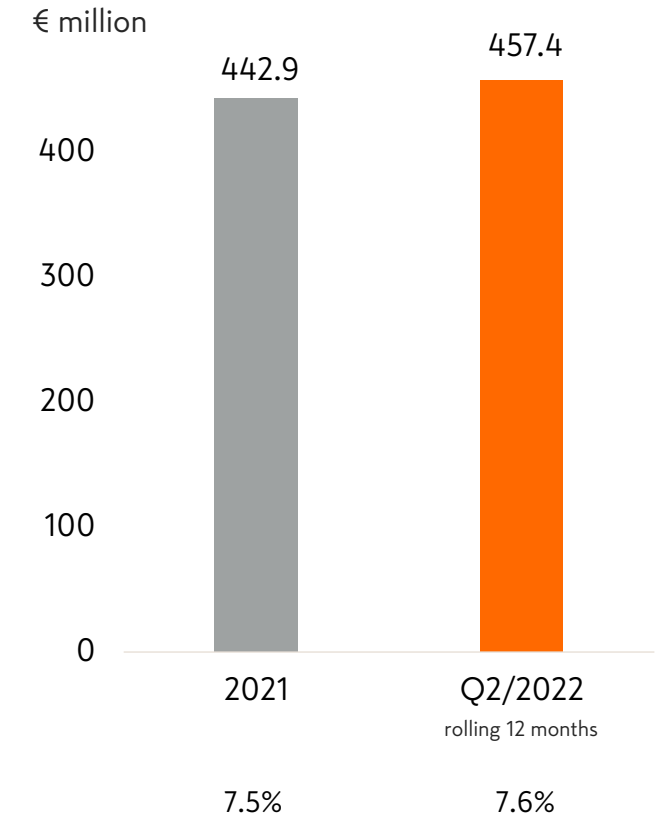
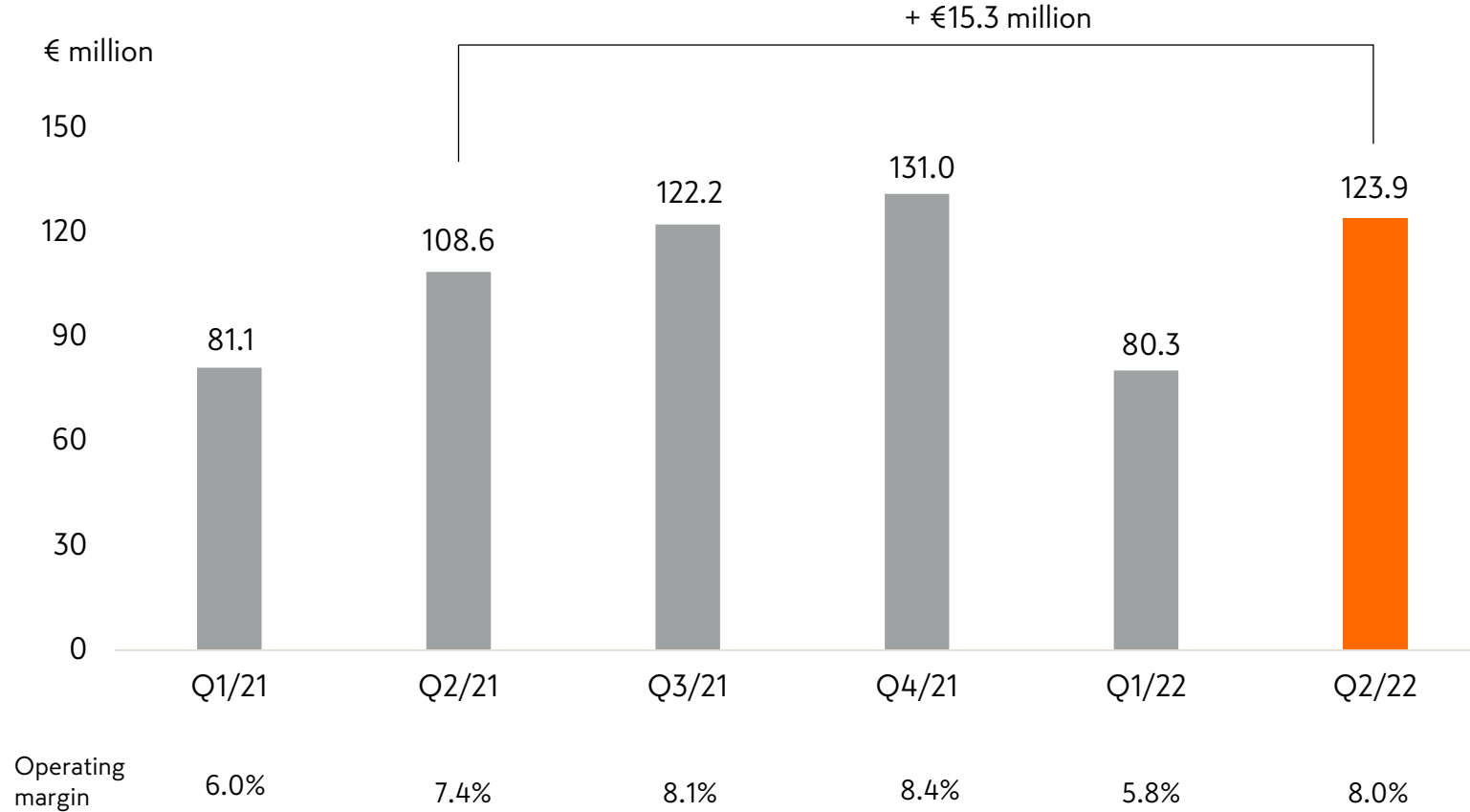
GROCERY TRADE

NET SALES GREW BY 5.1%



GROCERY TRADE

OPERATING PROFIT €123.9 MILLION



IMPROVED PROFIT THANKS TO GOOD DEVELOPMENT IN KESPRO AND GROCERY STORES

- Kespro's performance continued strong, sales growth 29.4%
- Sales to K Group grocery stores grew by 1.0%
- Consumer online grocery sales down by 8.8% from last year's exceptional levels
- K-Citymarket's home and speciality goods (non-food) sales down by 0.9%
- Operational efficiency improved further

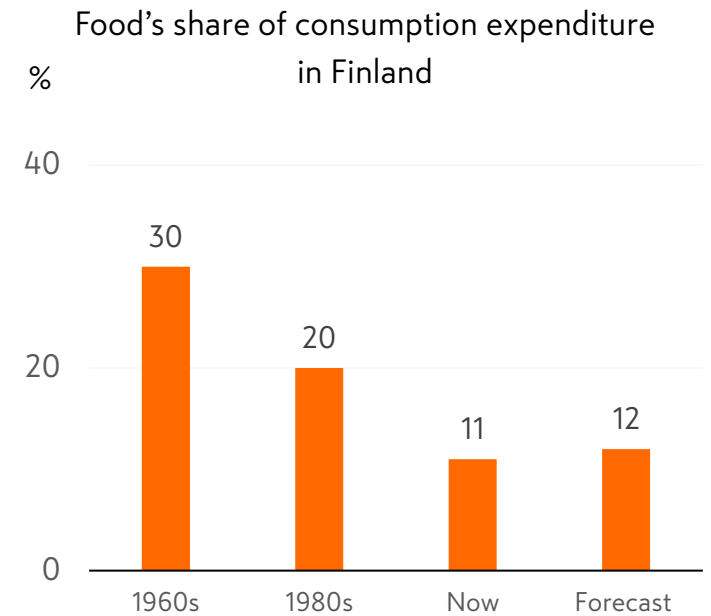


GROCERY TRADE

MARKET AND OPERATING ENVIRONMENT

Despite inflation, food's share of consumption expenditure expected to continue to stay low

- Shopping in grocery stores returning to normal levels
- Foodservice market returning to normal as restrictions have been lifted
- Consumer online grocery sales above pre-pandemic levels
- Rising food prices causing the whole food trade market to grow, but also impacting consumer behaviour
- Demand and consumption of quality products underpinned by good consumer purchasing power and improved employment rates



Source: Statistics Finland, National Accounts, Kesko's own estimate

KESKO A STRONG OPERATOR IN ALL AREAS OF FOOD TRADE

We are able to meet various differing customer needs

- Interest towards quality food has grown, and the trend continues
- Popularity of eating out and high-quality ready meals continues to grow
- At the same time, price is an increasingly important consideration for many consumers
- Only K Group grocery stores offer both premium and bargains under one roof
- Kespro is the leading partner for private and public foodservice customers
- Growing, versatile online sales services for both B2B customers and consumers



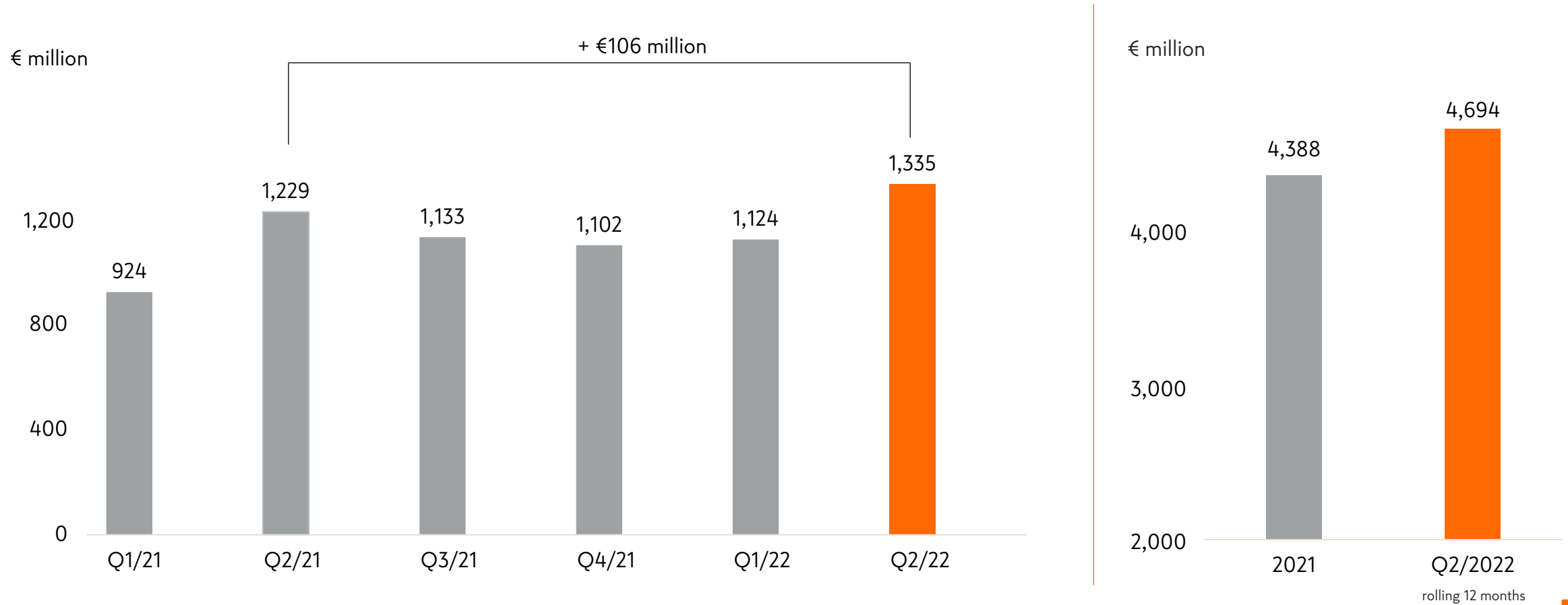
BUILDING AND TECHNICAL TRADE

FOCUS ON B2B TRADE LED TO A RECORD RESULT

Onninen
express

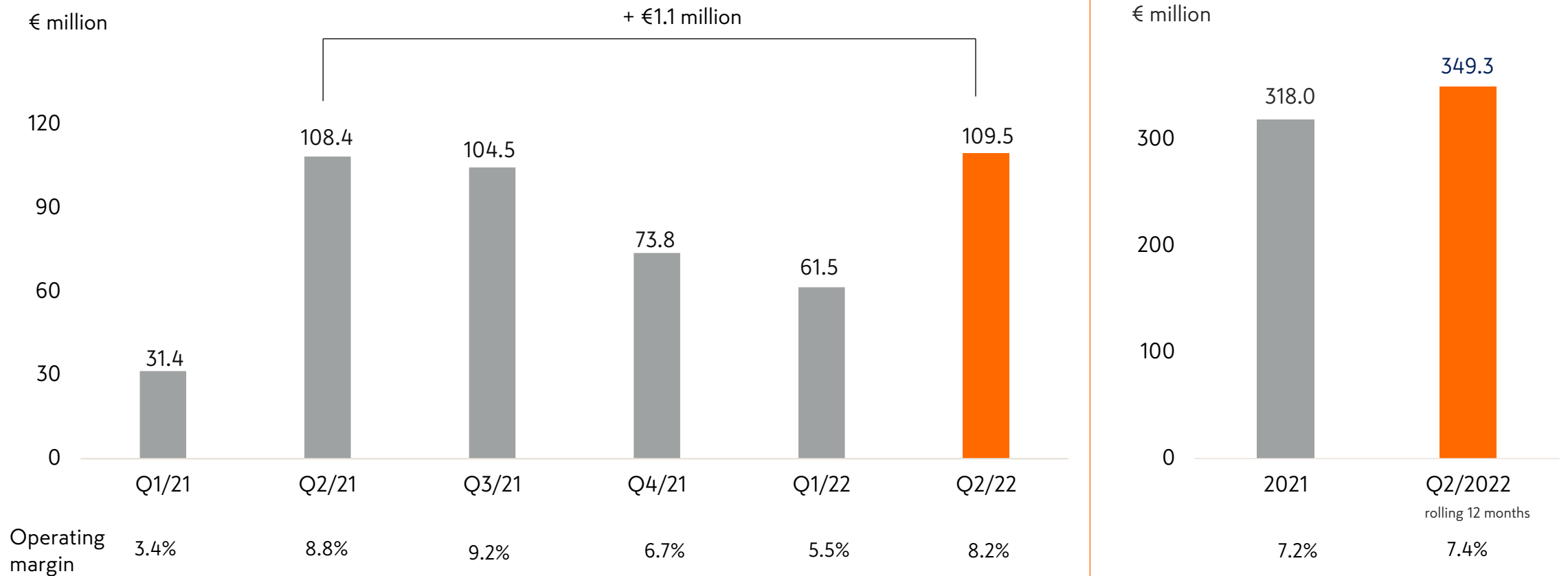
BUILDING AND TECHNICAL TRADE

NET SALES GREW BY 8.6%



BUILDING AND TECHNICAL TRADE

OPERATING PROFIT €109.5 MILLION



SALES GROWTH CONTINUED IN B2B TRADE

- Onninen's performance continued strong in all operating countries
- B2B sales continued to grow also in building and home improvement trade, but the pace slowed down
- B2C sales still at a good level, but clearly down from the peak pandemic levels
- Finland: sales growth and profit improvement especially in Onninen
- Sweden: sales growth attributable to K-Bygg, which focuses on B2B trade
- Norway: Onninen's performance good, Byggmakker's sales and profit down
- Share of result of Kesko Senukai, which focuses on B2C trade, down by €5.9 million due, in particular, to rapidly accelerated inflation



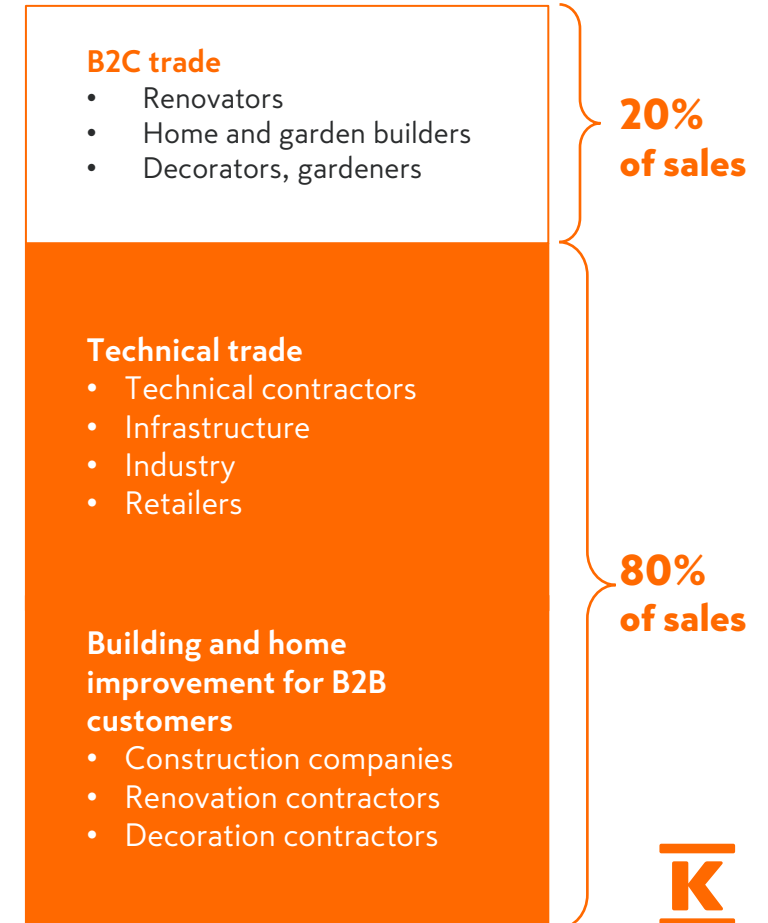
MARKET AND OPERATING ENVIRONMENT

- Construction and renovation activity has continued high in Northern Europe
- Growth comes from B2B trade
- Volumes down in B2C trade, returning to normal pre-pandemic levels
- Rise in prices causing the market to grow
- Rising interest rates are expected to affect the construction market
- Prolonged war and resulting issues with energy prices and availability increase uncertainty
- Green transition underpinning demand

CONSTRUCTION INCREASINGLY OUTSOURCED TO PROFESSIONALS

Kesko's sales 80% B2B, 20% consumers

- Construction and renovation have become increasingly technical and subject to tighter regulation: as a result, they are increasingly outsourced to professionals
- Green transition growing the market: energy production, e-mobility, home energy efficiency etc.
- Plenty of repair debt in buildings and infrastructure, renovation continues to grow
- Kesko's position in B2B trade is strong in all operating countries
- Good, versatile services for consumers important also going forward

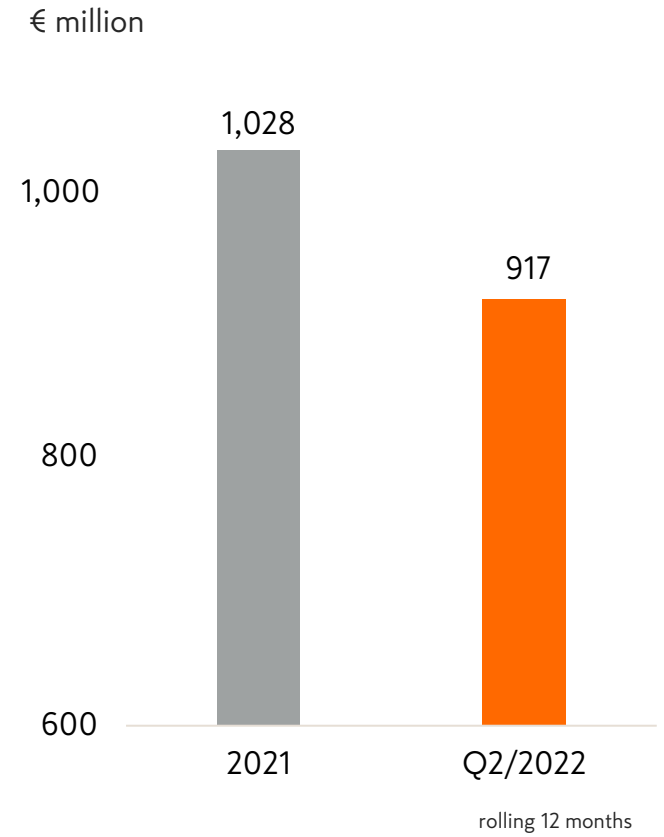
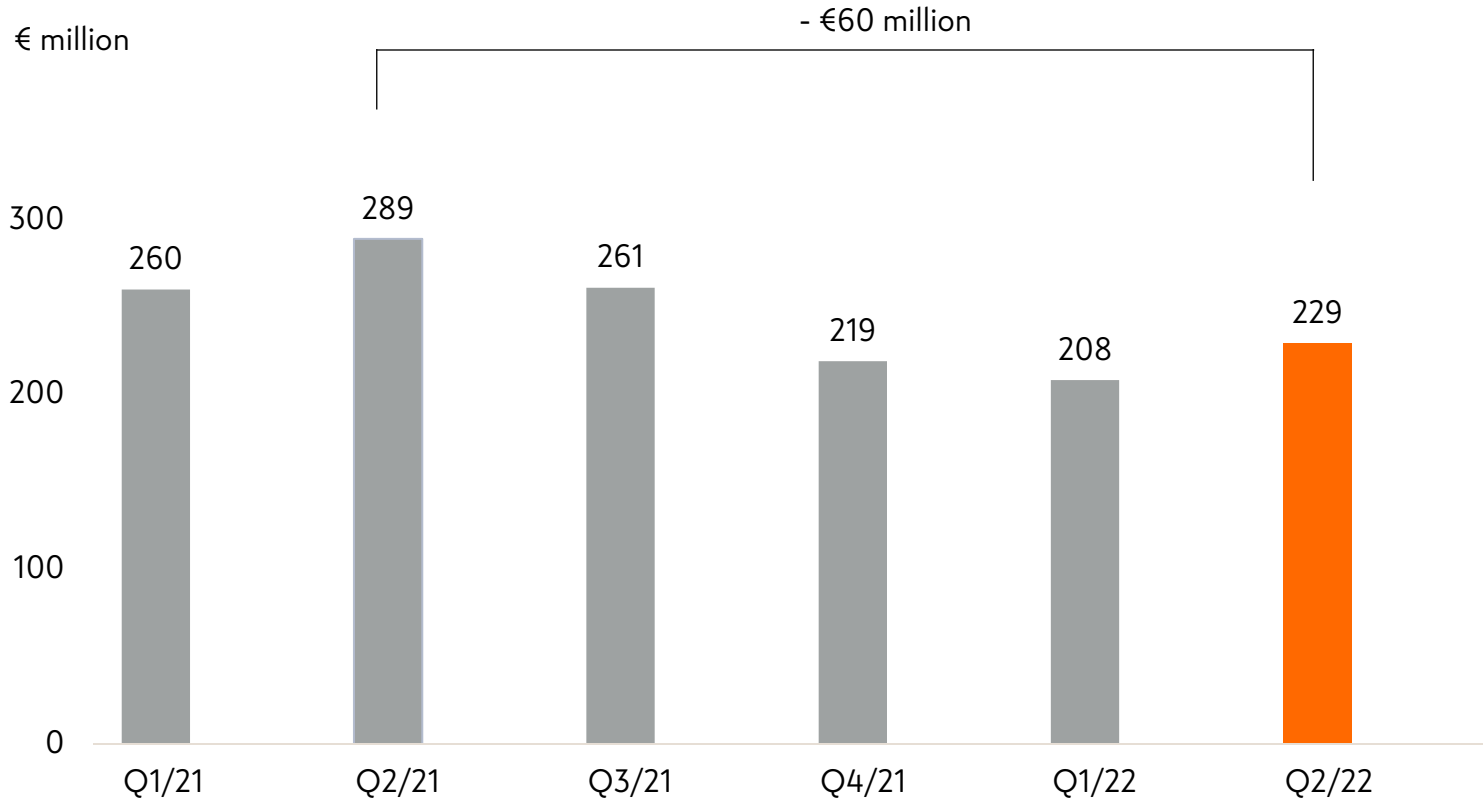


CAR TRADE

**ACTIVE MEASURES IN
ALL CAR TRADE AREAS RESULTED IN
IMPROVED PROFITABILITY**

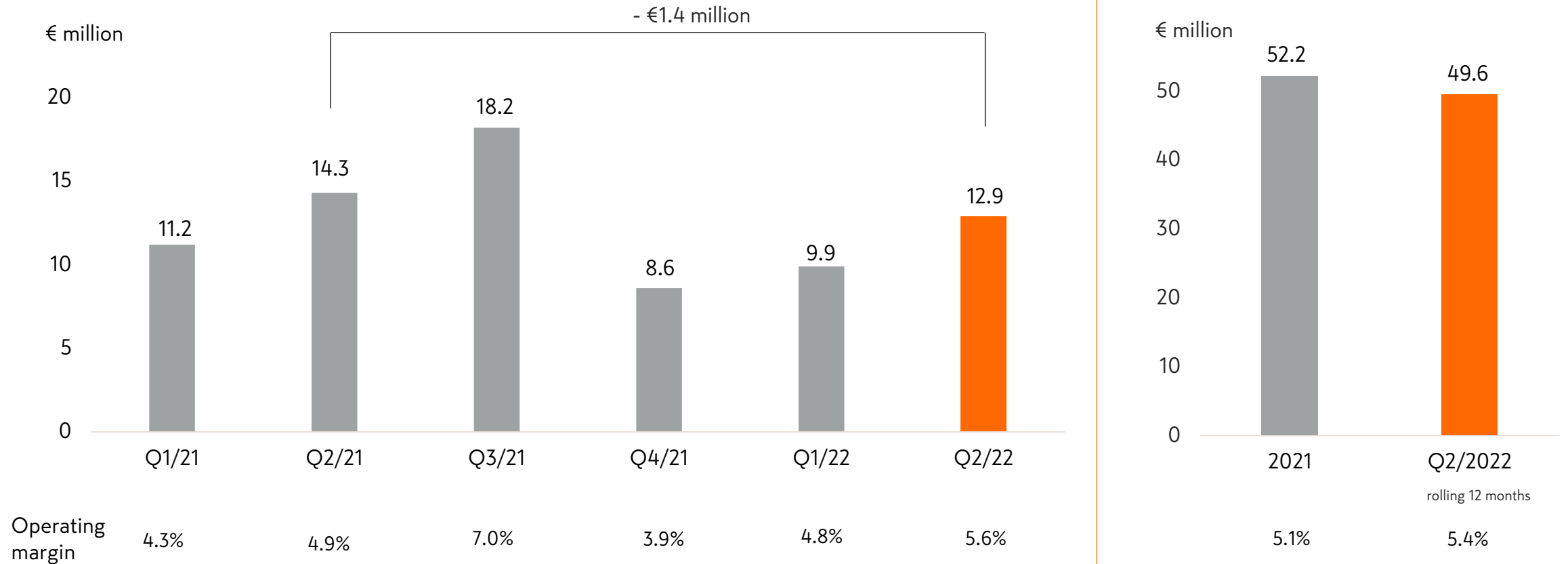
CAR TRADE

NET SALES DOWN BY 20.6%



CAR TRADE

OPERATING PROFIT €12.9 MILLION



GOOD RESULT IN A DIFFICULT MARKET

- Net sales down due to availability issues with new cars
- Sales continued strong despite the availability issues, order book at a record level
- Profitability boosted by sales margin growth and cost-efficiency
- Measures to grow the used car business proceeding according to plan
- Net sales for the service business grew and profitability improved
- K Charge network growing, charging has more than doubled in a year



MARKET AND OPERATING ENVIRONMENT

- Car trade registrations down due to availability issues, used car sales also down
- Service business demand stable, charging services growing
- Share of electric and hybrid cars of passenger car sales growing fast, tax breaks and rise in fuel prices accelerating demand
- Component shortages and the war in Ukraine adversely affecting car availability globally
- Issues related to energy prices and availability in Europe increasing uncertainty regarding new car production

BETTER PROFITABILITY THROUGH TRANSFORMATION

Significant profit improvement potential once car availability returns to normal levels

- All operations turned to profit: new cars, used cars, and services
- New cars: the most extensive and versatile selection of low-emission electric, hybrid and combustion engine vehicles by the Volkswagen Group
- Used cars: growing the business profitably
- Service business: revamping operations, continuous improvement of customer experience
- Better management of sales, customer service, and operations
- Digitalisation of sales and internal processes, data-driven management
- Better utilisation of synergies and customer relationships with the other divisions



SUMMARY AND GUIDANCE

**KESKO'S QUARTER-RESULT HAS IMPROVED ON
ITS COMPARISON PERIOD FOR 13 CONSECUTIVE QUARTERS**

**THE IMPACT OF THE PANDEMIC ON KESKO'S BUSINESSES
HAS CLEARLY DIMINISHED**

**THE RECORD RESULT IS A STRONG INDICATION THAT
OUR STRATEGY IS WORKING AND PEOPLE IN K GROUP ARE DOING
AN EXCELLENT JOB UNDER CHANGING CIRCUMSTANCES**

GUIDANCE FOR 2022

Kesko estimates that its 2022 comparable operating profit will be in the range of €750 – 840 million.

Previous estimate for 2022 comparable operating profit was €730 – 840 million.

Comparable operating profit in 2021 was €776 million.



**FOR SHOPPING
TO BE FUN**

