

KESKO INTERIM REPORT Q1/2023

A GOOD RESULT IN A WEAKENED ECONOMIC SITUATION

Mikko Helander
President and CEO
28 April 2023



KEY EVENTS IN Q1

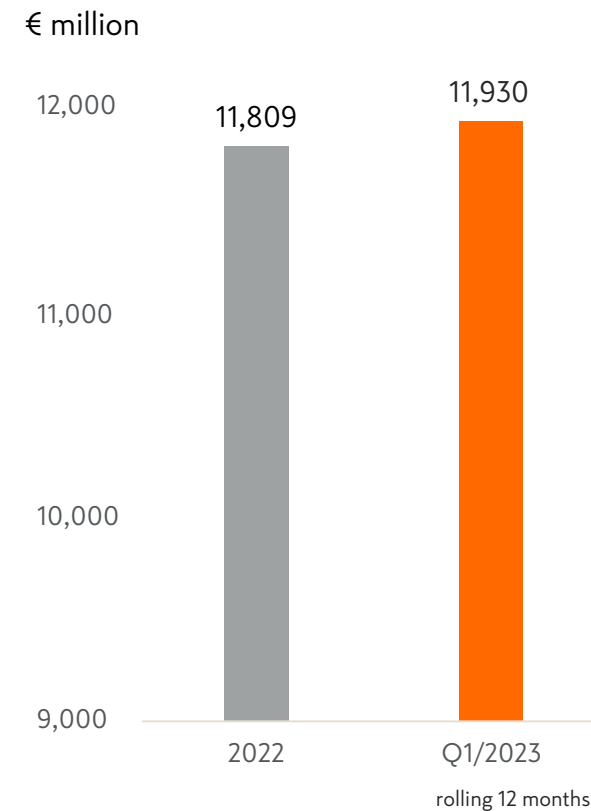
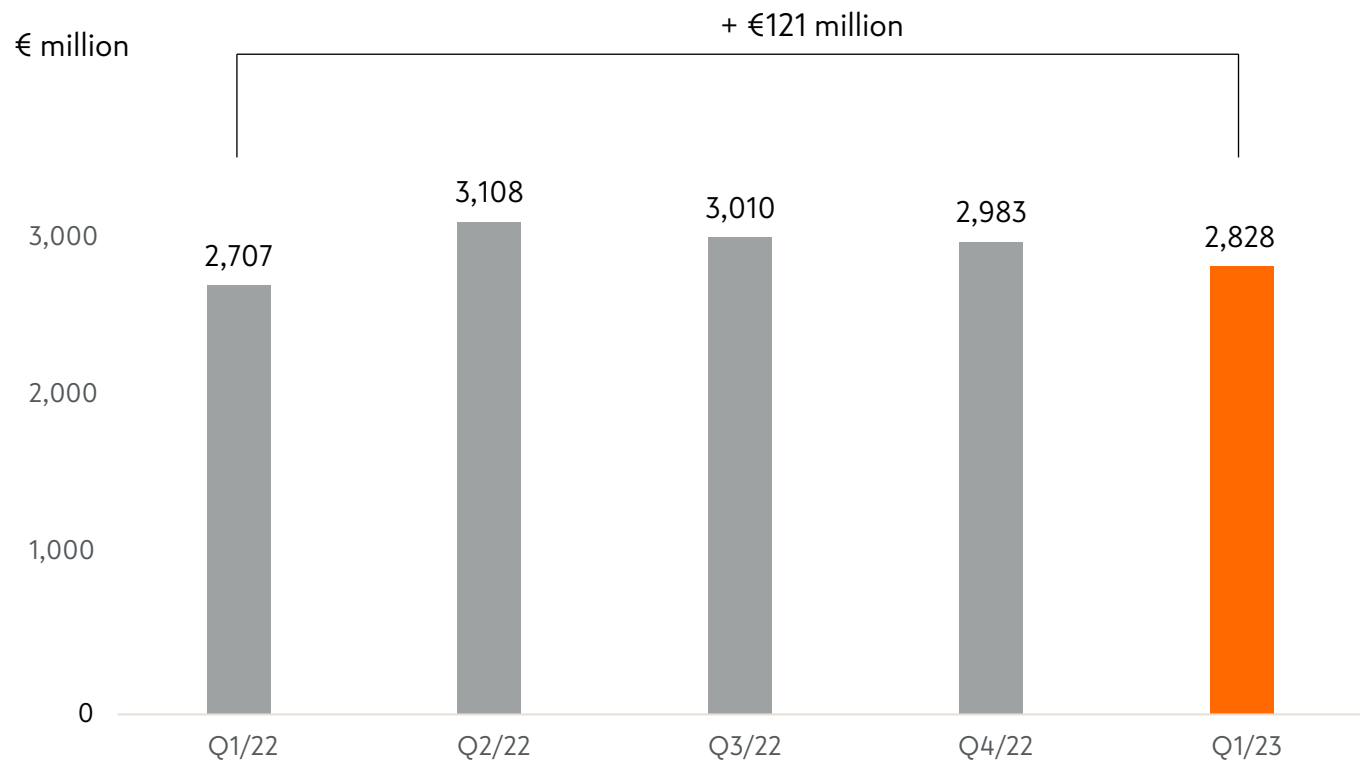
- Grocery trade: sales grew, performance particularly strong in Kespro
- Building and technical trade: operating profit decreased markedly from the exceptional levels of the comparison period
- Car trade: record result, sales grew as availability improved
- Kesko acquired the technical wholesale operators Elektroskandia in Norway and Zenitec in Sweden and divested MAN truck business in Finland
- Sami Kiiski appointed as President of Kesko's car trade division and a member of Group Management Board as of 1 June 2023

	1-3/2023	1-3/2022
Net sales, € million	2,828.0	2,707.3
Net sales growth, %*	4.4	6.5
Operating profit, € million*	125.9	143.7
Operating margin, %*	4.5	5.3
Earnings per share, basic, €*	0.22	0.27

* Comparable

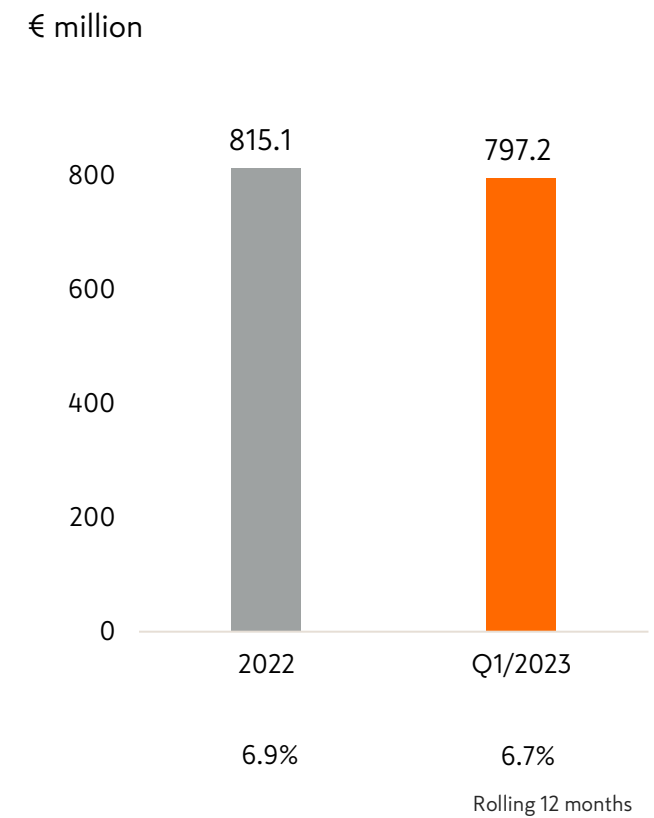
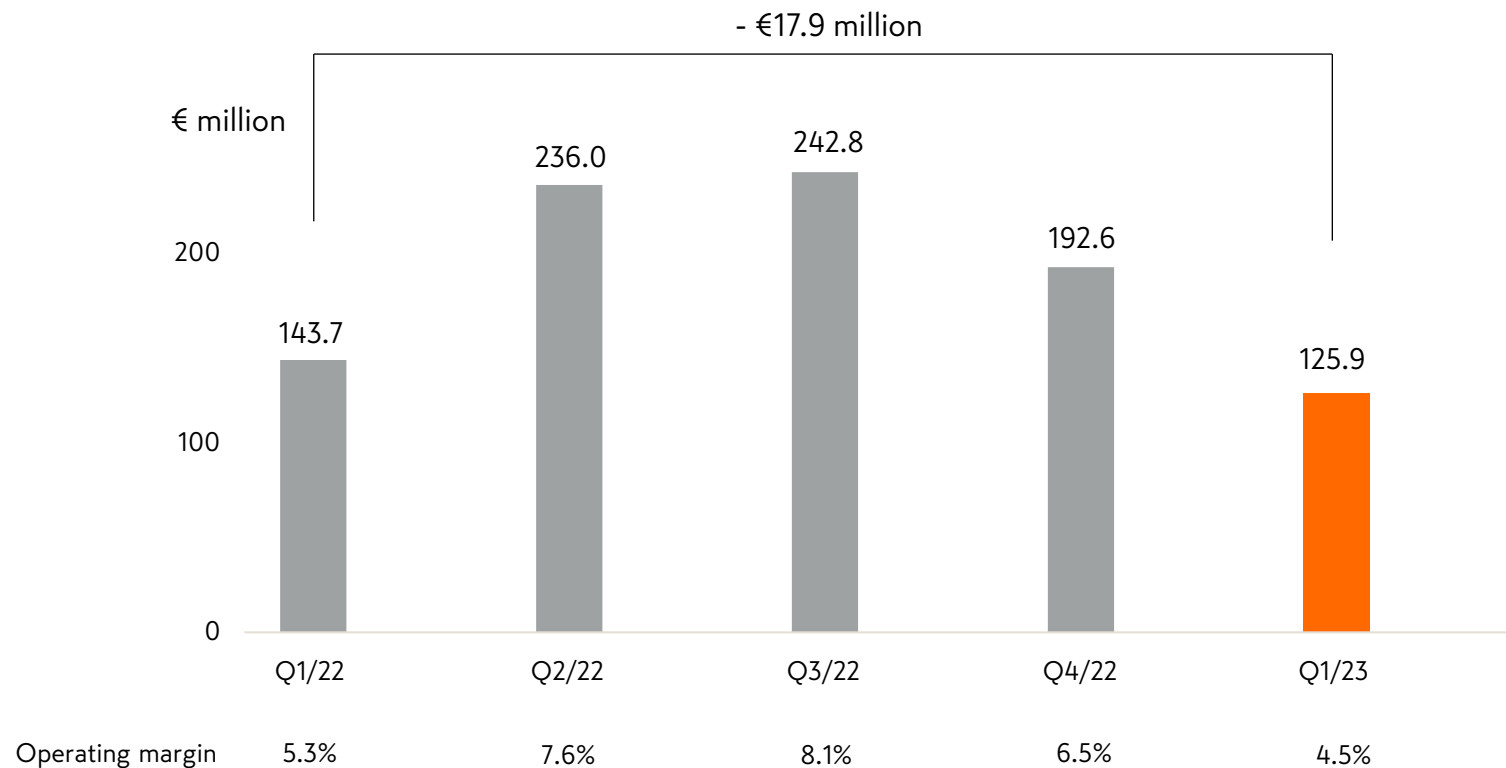
NET SALES

Comparable growth 4.4%

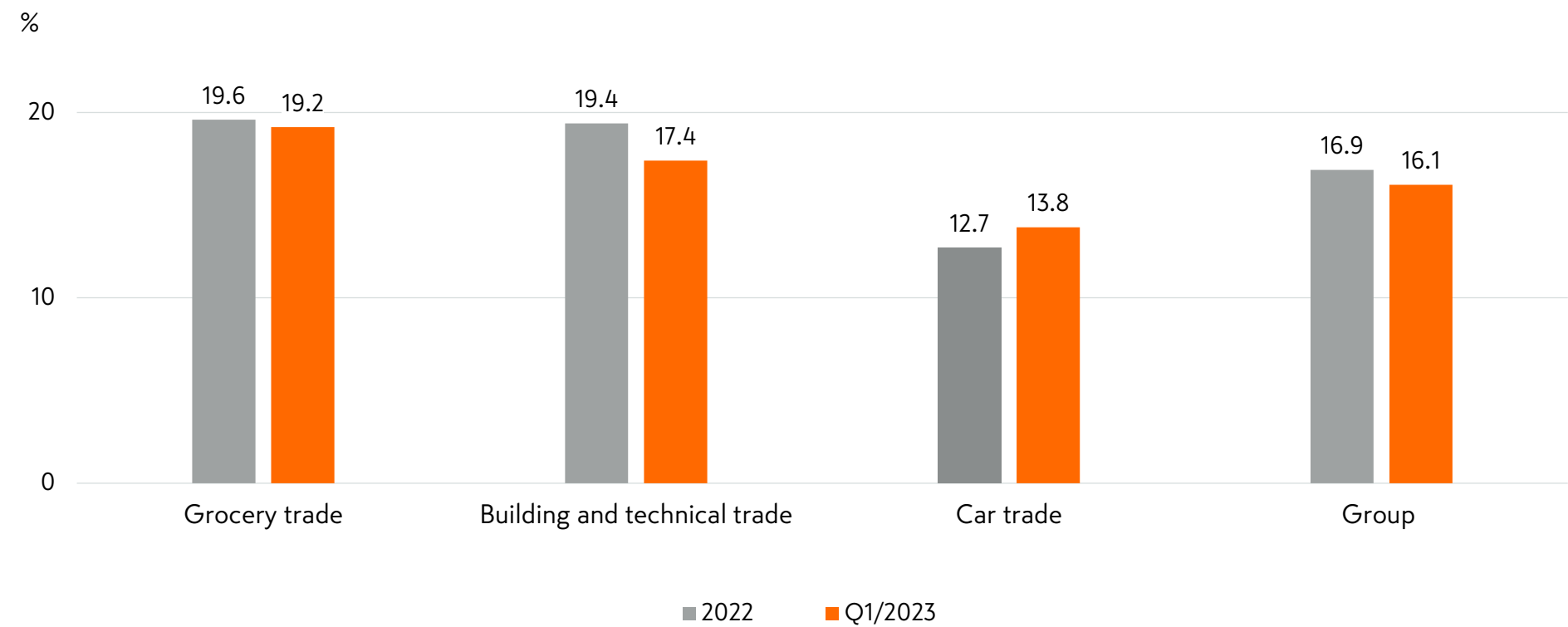


OPERATING PROFIT

Down by €17.9 million



GOOD RETURN ON CAPITAL EMPLOYED



STRONG FINANCIAL POSITION

Cash flow weakened by inventory growth

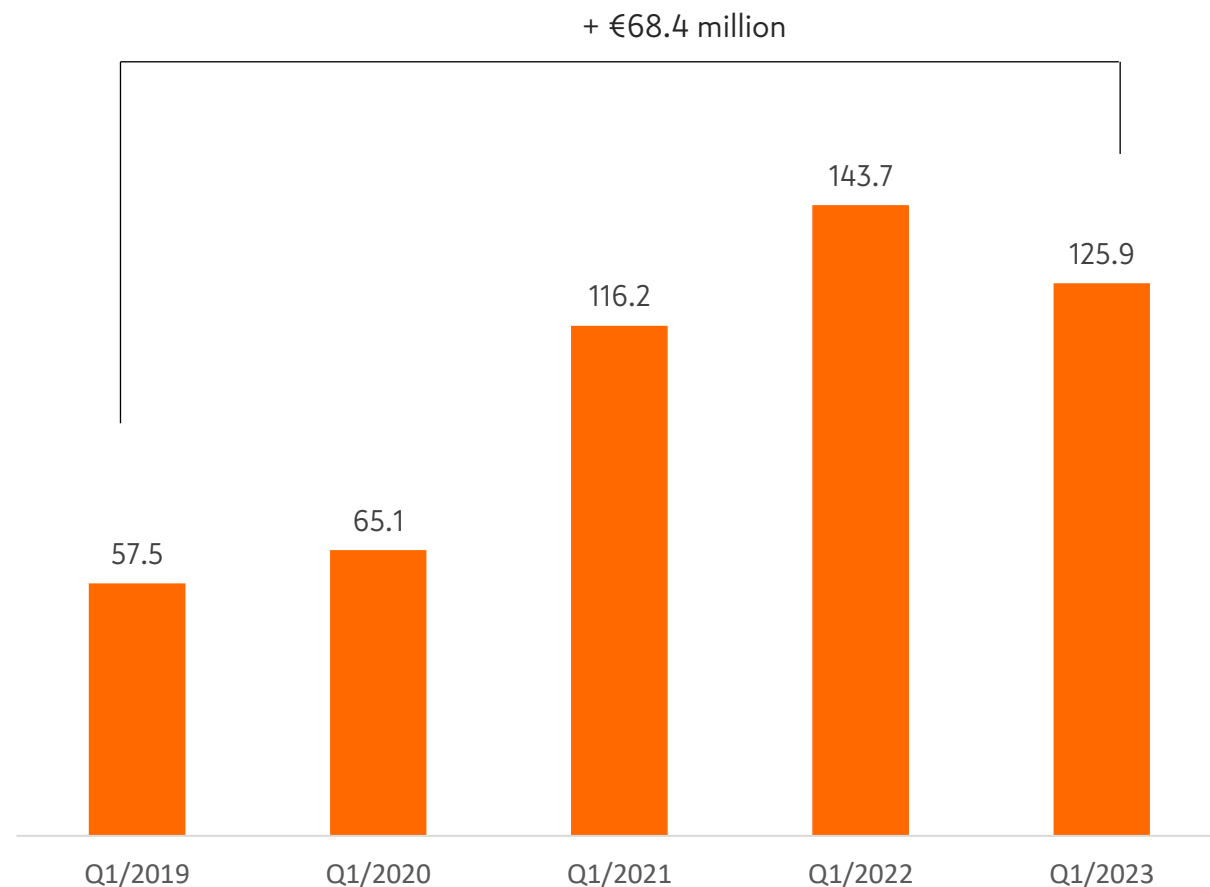
- Inventories up by some €250 million since the end of the comparison period
- Nearly half of this is new cars as their availability has improved, plenty of cars still to be delivered
- In building and technical trade, inventory growth due to efforts to ensure deliveries, as well as price increases and acquisitions
- In grocery trade, inventories up due to rising prices
- Inventories set to go down as car deliveries return to normal levels and building and home improvement sales grow once summer season begins
- Growth in working capital and acquisitions caused net debt to grow

	Q1/2023	Q1/2022
Cash flow from operating activities, € million	27.0	71.0
Liquid assets, € million	159.8	319.6
Capital expenditure, € million	231.8	126.2
Interest-bearing net debt excl. lease liabilities, € million	495.6	72.9
Interest-bearing net debt/EBITDA*	0.6	0.1
Lease liabilities, € million	1,984.3	1,974.5

* Rolling, excluding IFRS 16 impact

KESKO'S Q1 RESULT HAS RISEN TO A NEW LEVEL DESPITE A MORE DIFFICULT ECONOMY

- Significant improvement in Q1 result compared to 2019, despite a more difficult operating environment
- 2019 was the last regular year before exceptional world events, and the economic cycle was also good



Comparable operating profit, €million



PROFIT HAS RISEN TO A NEW LEVEL AS A RESULT OF A GOOD STRATEGY AND ITS SUCCESSFUL EXECUTION



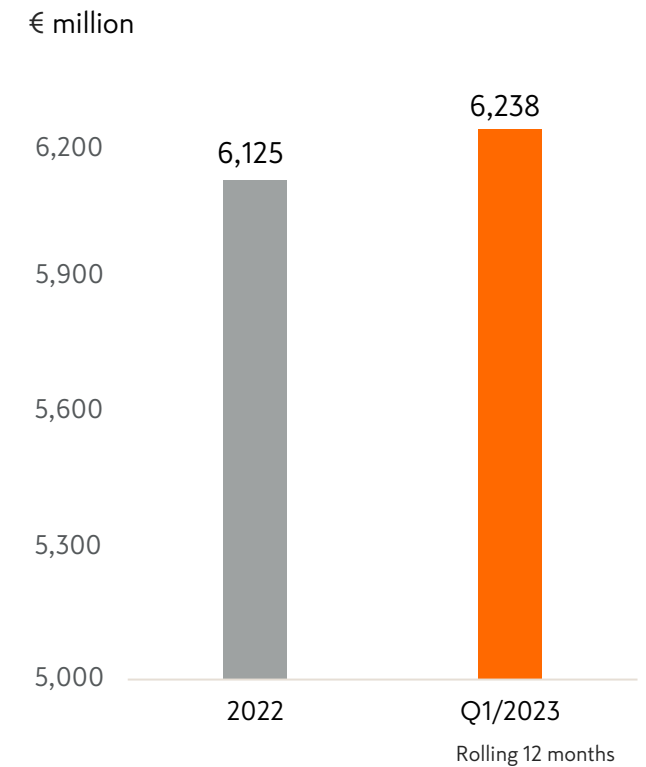
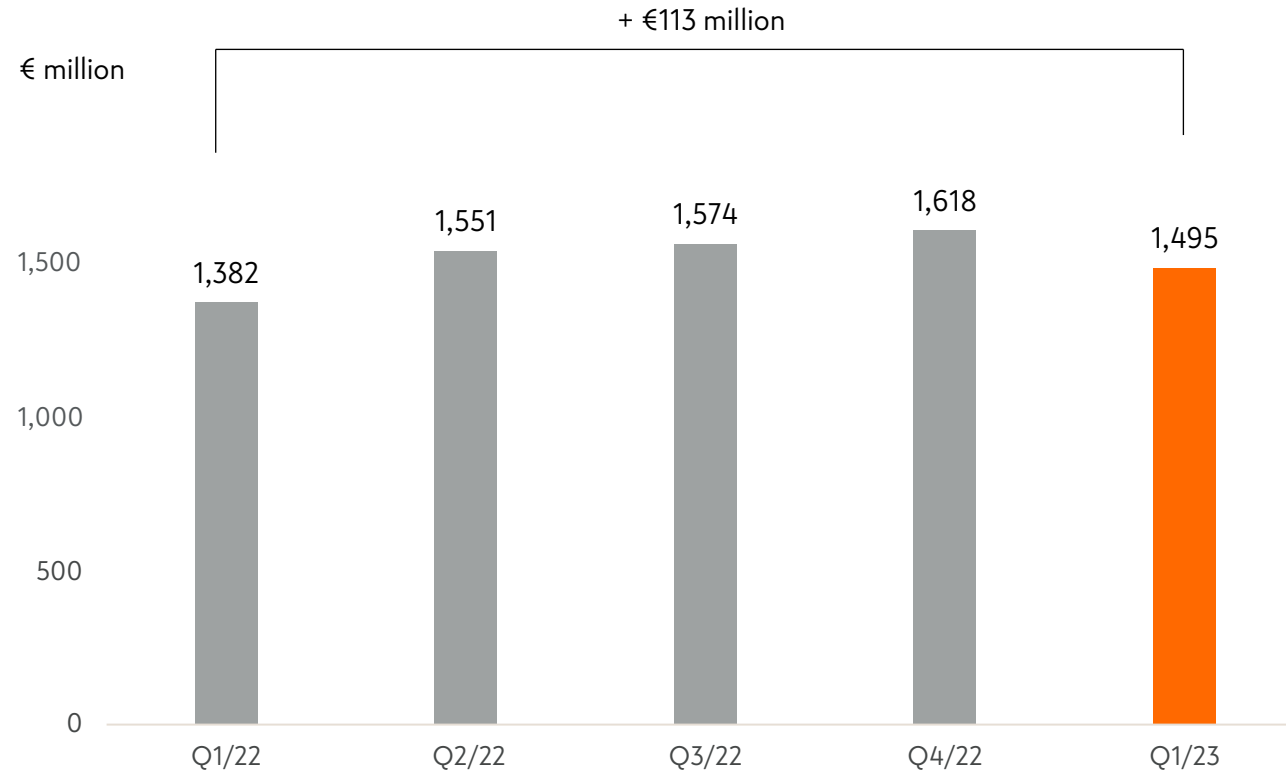
A professional kitchen scene with a warm orange color overlay. In the foreground, a male chef in a dark jacket is focused on a task, possibly garnishing a dish. In the background, a female chef is also working. The kitchen features stainless steel equipment, including a large pot on a stove and various shelving units.

GROCERY TRADE

GOOD RESULT IN FOOD TRADE

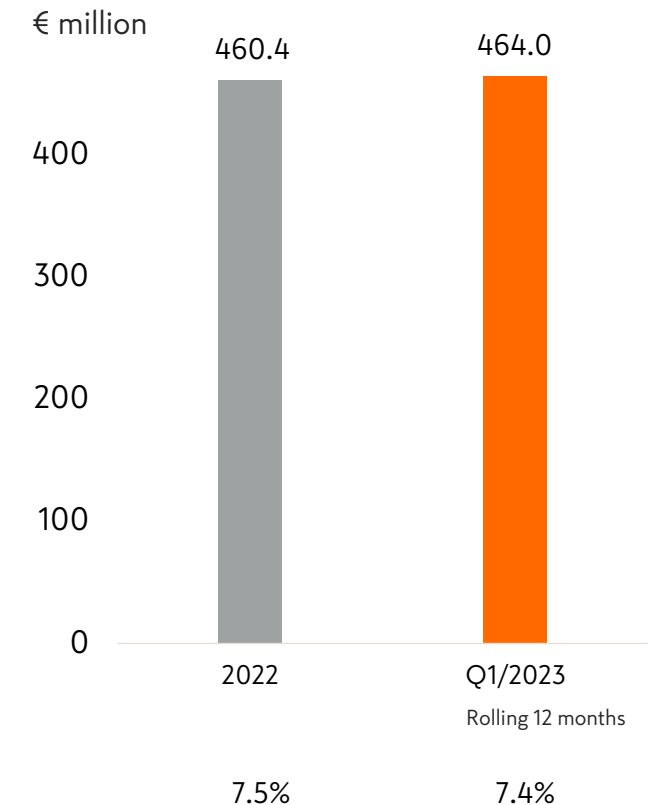
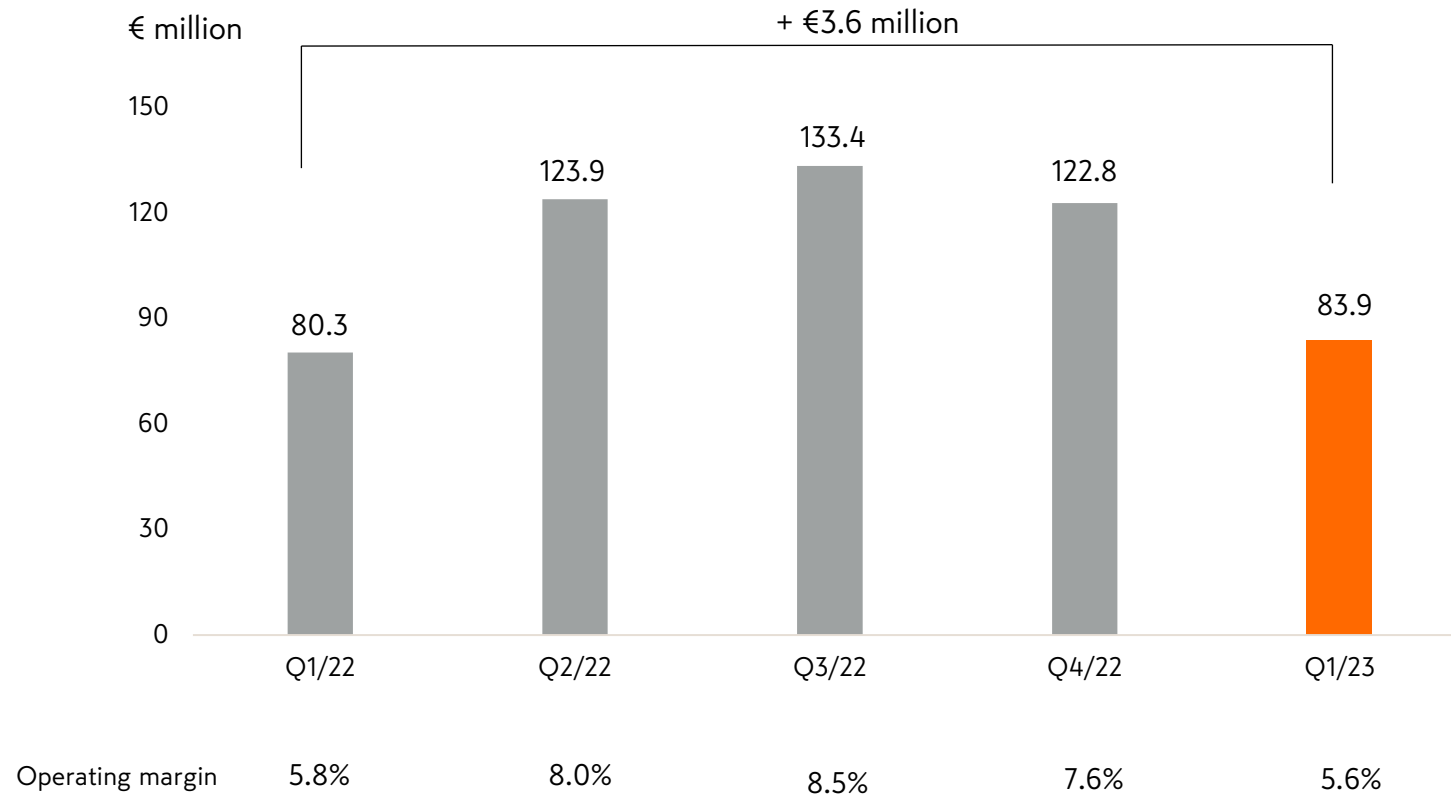
GROCERY TRADE

NET SALES UP BY 8.2%



GROCERY TRADE

OPERATING PROFIT €83.9 MILLION



GROCERY TRADE KEY FACTS IN Q1

- Grocery sales in K Group stores grew by 2.1%, sales to the grocery stores up by 4.6%
- Customer visits in K Group stores increased
- K-Citymarket's home and speciality goods (non-food) sales increased by 3.8%
- Good development in Kespro's sales, up by 28.0%
- Grocery retail prices increased by 14.7%

**HALVIMMAT
OSTOSKORIT
OMISSA KÄSISSÄSI!**

K-Citymarket.fi/hintakori

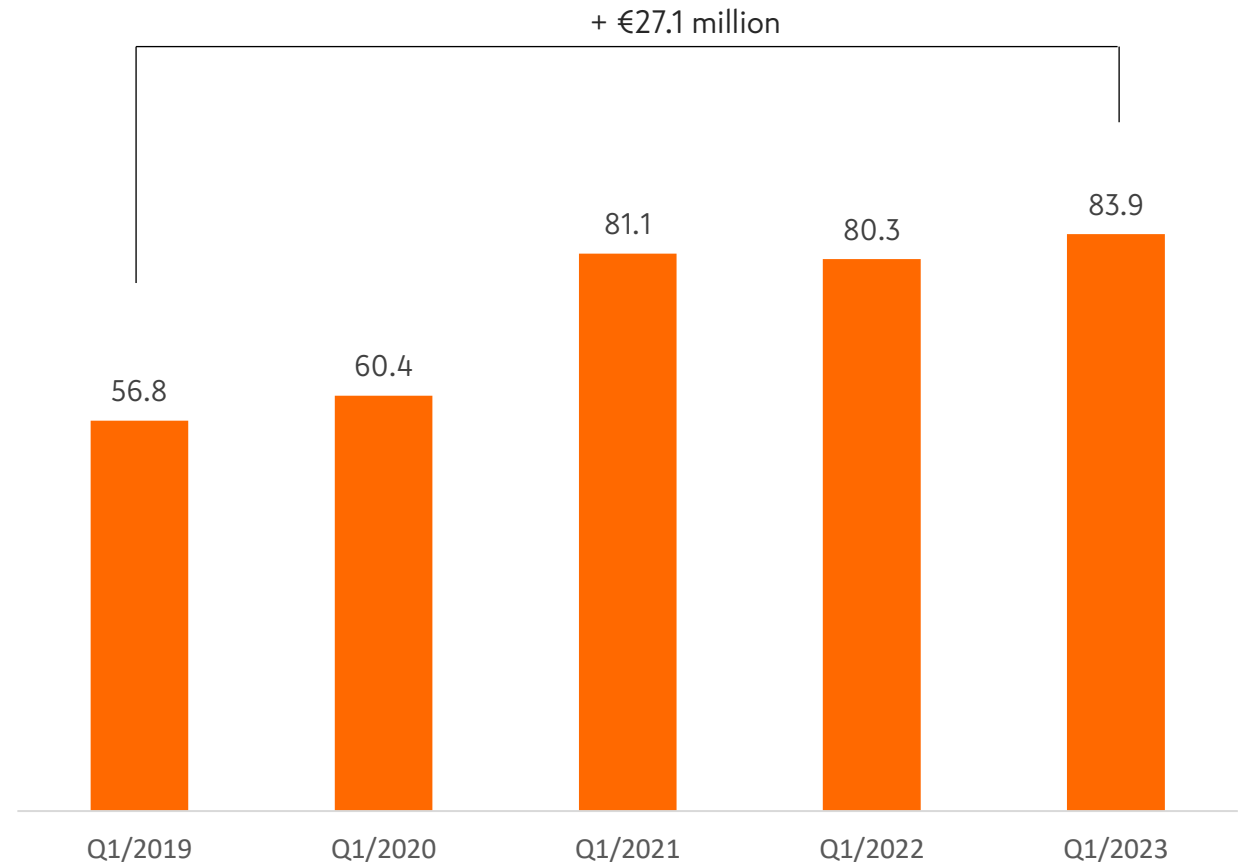
The poster features three baskets of groceries. Below each basket is a price tag for a specific shopping basket:

K-MENU OSTOSKORI	PÄRKKA OSTOSKORI	HERKKU- OSTOSKORI
13 ⁴⁷	20 ⁶⁶	30 ³⁹

K-CITYMARKET HERKKU-
KAUPPA
HALPA
KAUPPA

Q1 RESULT IN GROCERY TRADE HAS RISEN TO A NEW LEVEL

- Q1 result in grocery trade has risen by nearly 50% compared to 2019
- In 2019, consumer purchasing power was good and the popularity of eating out growing
- Rising interest rates and inflation have significantly weakened consumer purchasing power from 2022 onwards: affordable prices and offers have grown in importance
- Post-pandemic normalisation in shopping habits: customers visiting multiple stores, online shopping down, eating out growing again



Comparable operating profit, €million

FOCUS ON CUSTOMER LOYALTY AND GOOD PROFITABILITY

K GROUP GROCERY STORE MARKET SHARE 36.1%

- Market share down by 1.3 percentage points in 2022
- Of this, 0.8 percentage points attributable to competitors opening new stores to exceptional degree in 2021 and 2022
- Other market-related factors: people seeking affordable options and shopping in multiple stores, eating out and travel growing
- Customer visits have increased, but average purchase is down
- New store openings by competitors estimated to continue to have an impact in 2023, but to a lesser extent than in 2022
- We continue the execution of a strategy that focuses on differentiation, while also further improving our price image
- Strong proactive measures together with a slowdown in food price inflation expected to improve our success in the market

KESPRO'S MARKET SHARE 46.1%

- Market share up by 2.0 percentage points in 2022
- Diverse customer base, strong growth in all customer segments: restaurants (+38.6%), workplace cafeterias (+54.0%), and public operators (+20.7%)
- Kespro is the only operator that can extensively serve all customer segments across the country
- Extensive, versatile digital services, 70% of sales already via digital channels
- The market for eating out on a growth trend

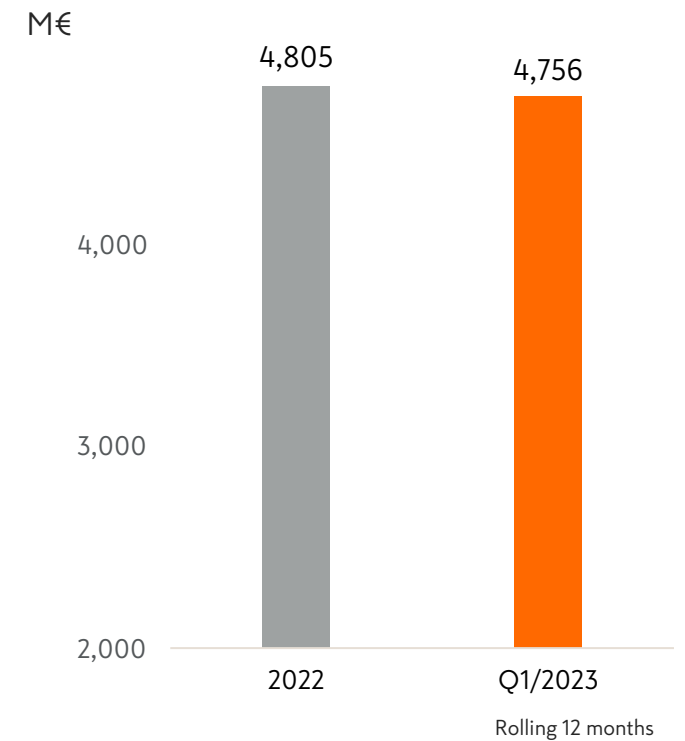
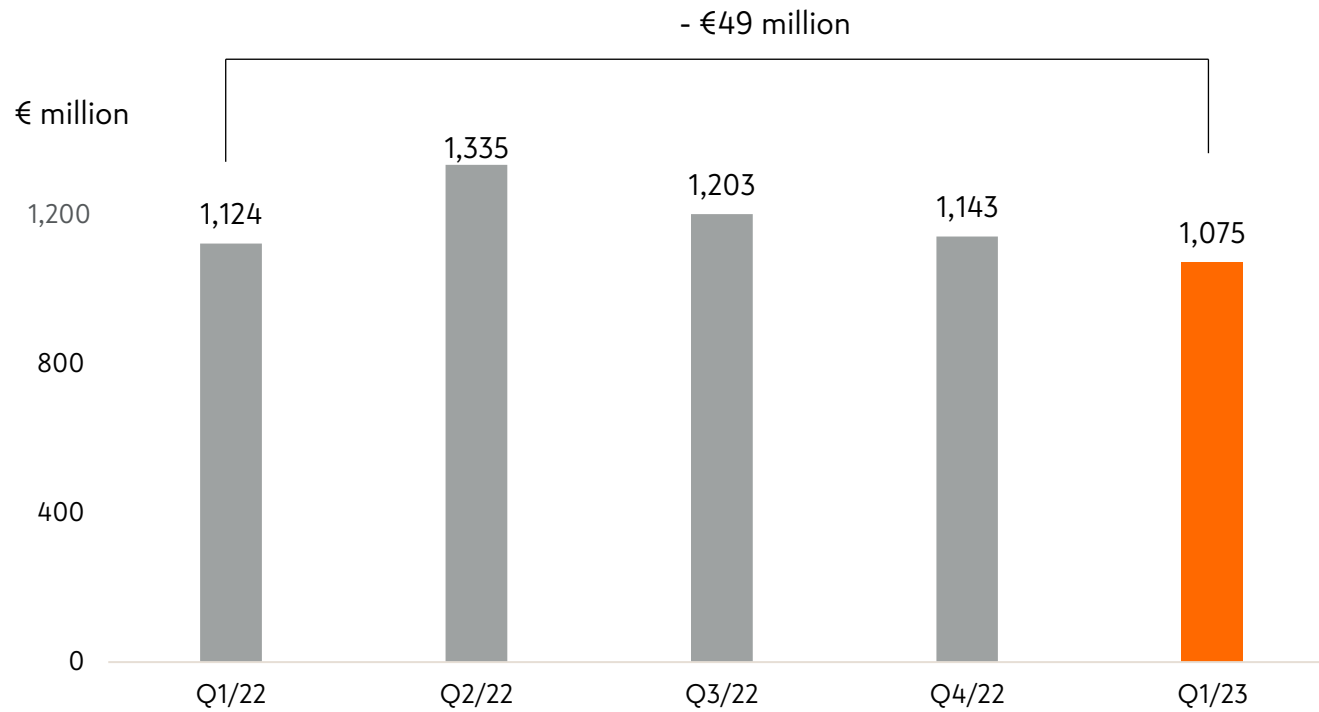
A man and a woman, both wearing dark work jackets, are inspecting large, stacked pipes in a warehouse. The woman is on the left, looking at a pipe, while the man is on the right, holding a pipe. The scene is bathed in a warm orange light, and the pipes are stacked in rows, creating a sense of depth.

BUILDING AND TECHNICAL TRADE

GOOD RESULT IN A WEAKENING MARKET

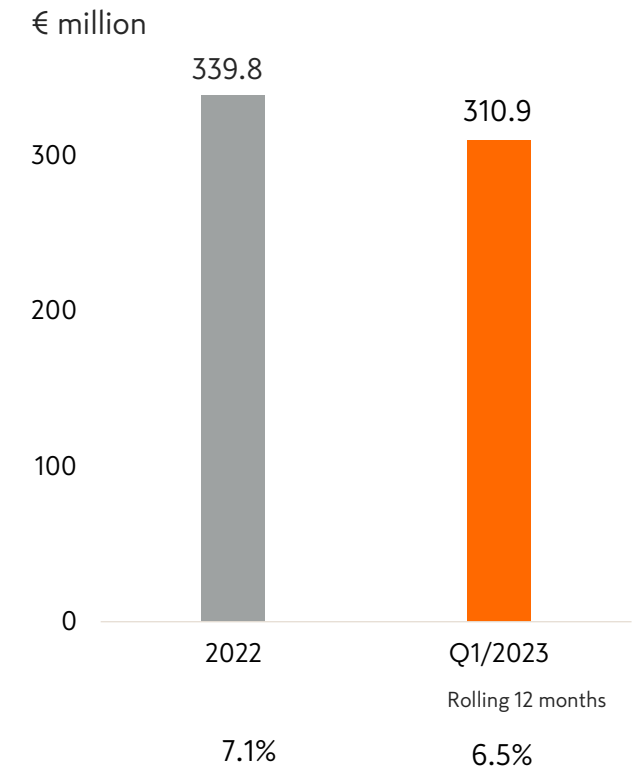
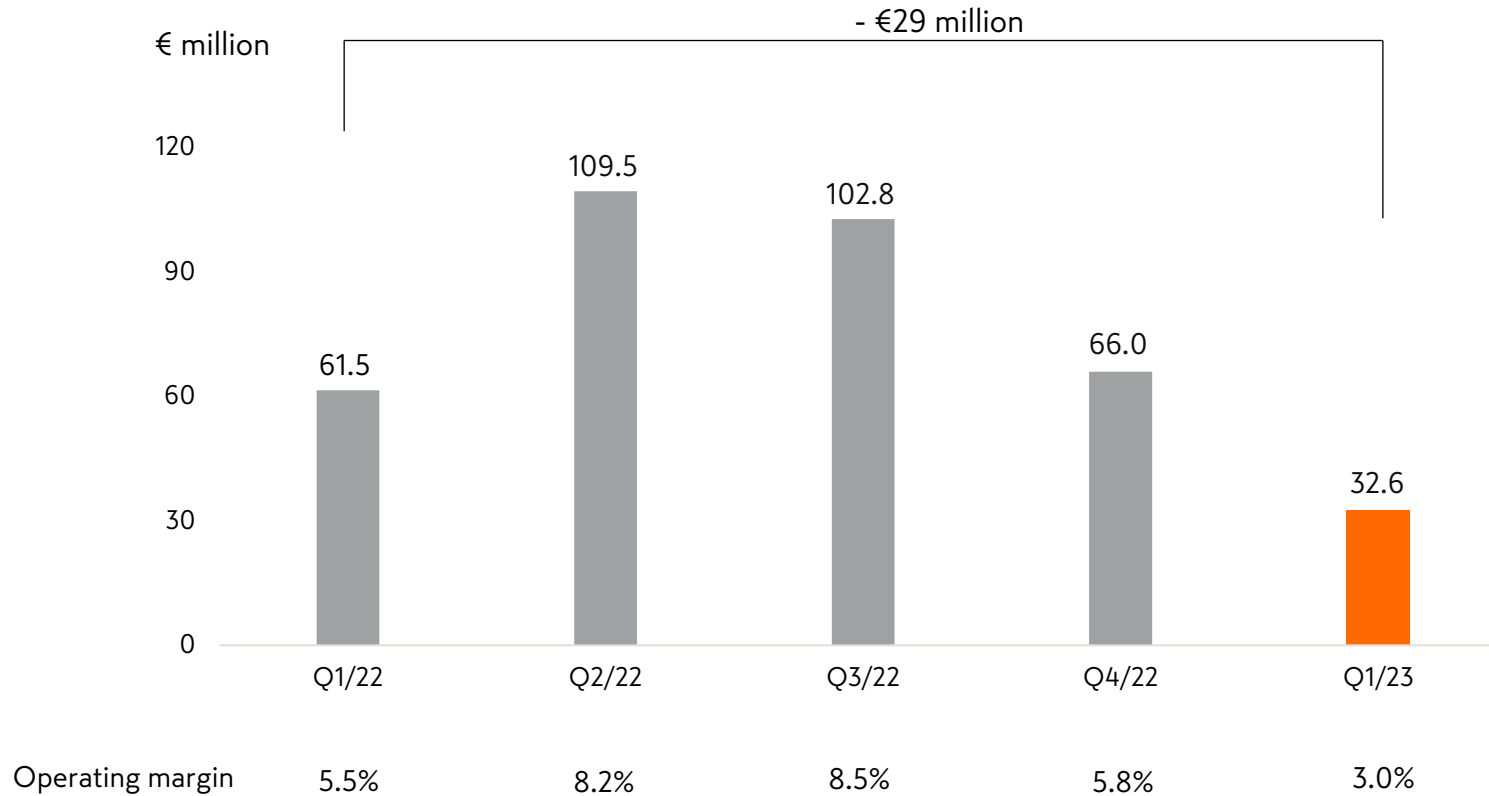
BUILDING AND TECHNICAL TRADE

NET SALES DOWN BY 4.4%



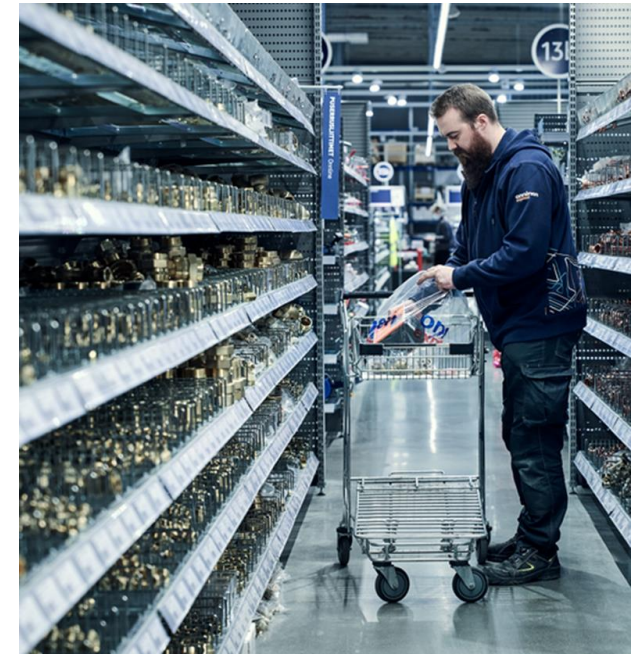
BUILDING AND TECHNICAL TRADE

OPERATING PROFIT €32.6 MILLION



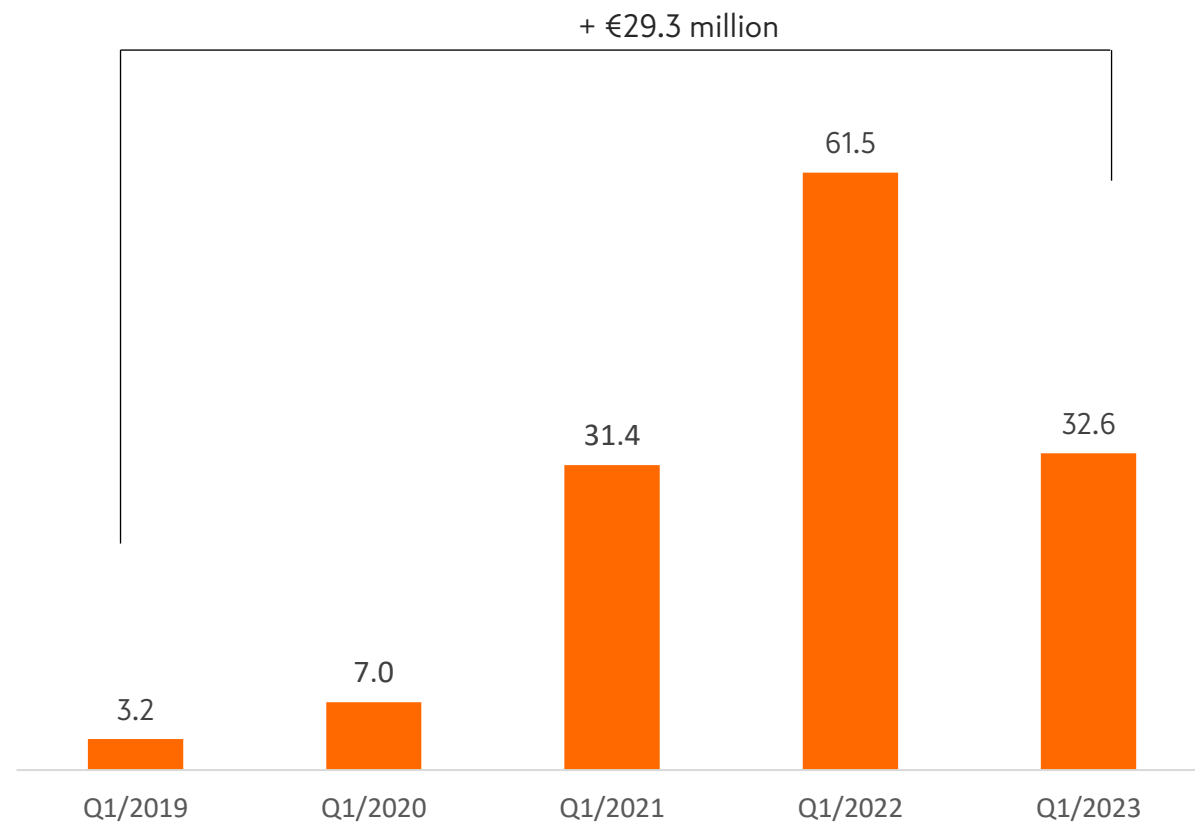
BUILDING AND TECHNICAL TRADE KEY FACTS IN Q1

- Onninen's comparable technical wholesale net sales grew in Finland, Sweden, Norway and the Baltics, and decreased in Poland
- Sales down in building and home improvement trade in all operating countries due to a decrease in construction activity
- Demand particularly strong in products related to the green transition and to improving energy efficiency
- Comparable operating profit markedly down from the exceptionally high levels seen in the comparison period
- Sports trade sales and operating profit down due to weakened consumer demand
- The share of result reported by Kesko from the Kesko Senukai joint venture down by €3.4 million



Q1 RESULT IN BUILDING AND TECHNICAL TRADE ALSO AT A NEW LEVEL

- Q1 result in building and technical trade has multiplied compared to 2019
- Construction and renovation activity in 2019 was good across Northern Europe
- In 2020 and H1/2021, demand grew as a result of the pandemic especially in B2C trade
- In March 2022, the start of the war caused customers to stockpile products at an exceptional level



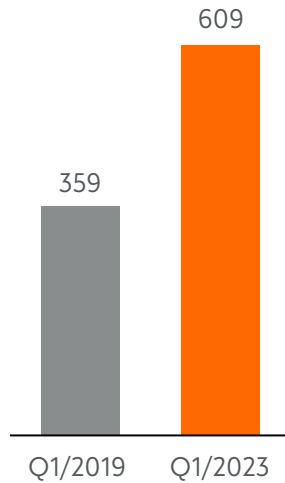
Comparable operating profit, €million



BUILDING AND TECHNICAL TRADE SALES STILL AT A GOOD LEVEL

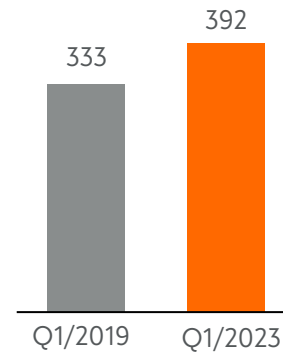
Economic recession weakening demand

Technical wholesale



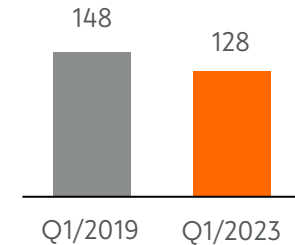
- Sales markedly above the 2019 levels
- Volumes also clearly above the 2019 levels

Building and home improvement, B2B



- Sales clearly above the 2019 levels
- Volumes at the 2019 levels

Building and home improvement, B2C



- Sales down from 2019
- Volumes below the 2019 levels

GREEN TRANSITION AND NEED TO IMPROVE ENERGY EFFICIENCY UPHOLDING DEMAND

Products related to green transition approximately 35% of sales



Solar panels



Ground and
air source
heat pumps



EV charging



Wind power and
infrastructure
construction



Plumbing and
air-conditioning



Insulation



Water saving
products



Energy-efficient
lighting

CAR TRADE

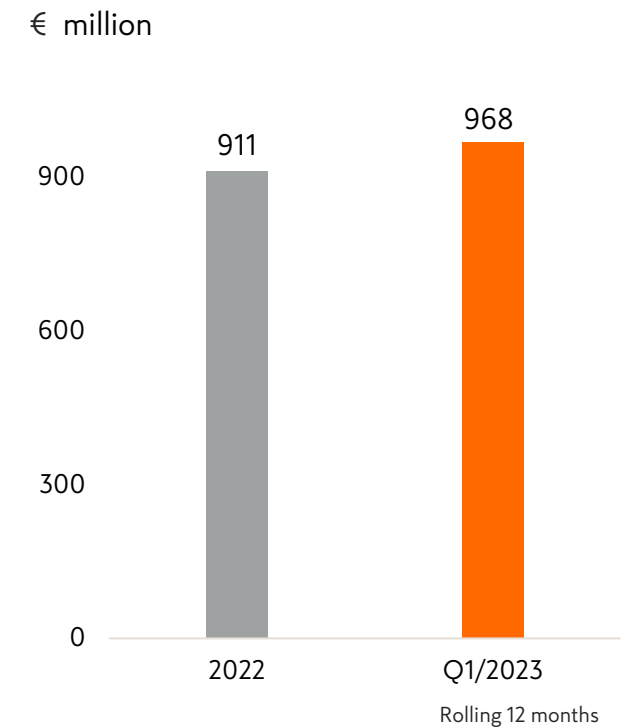
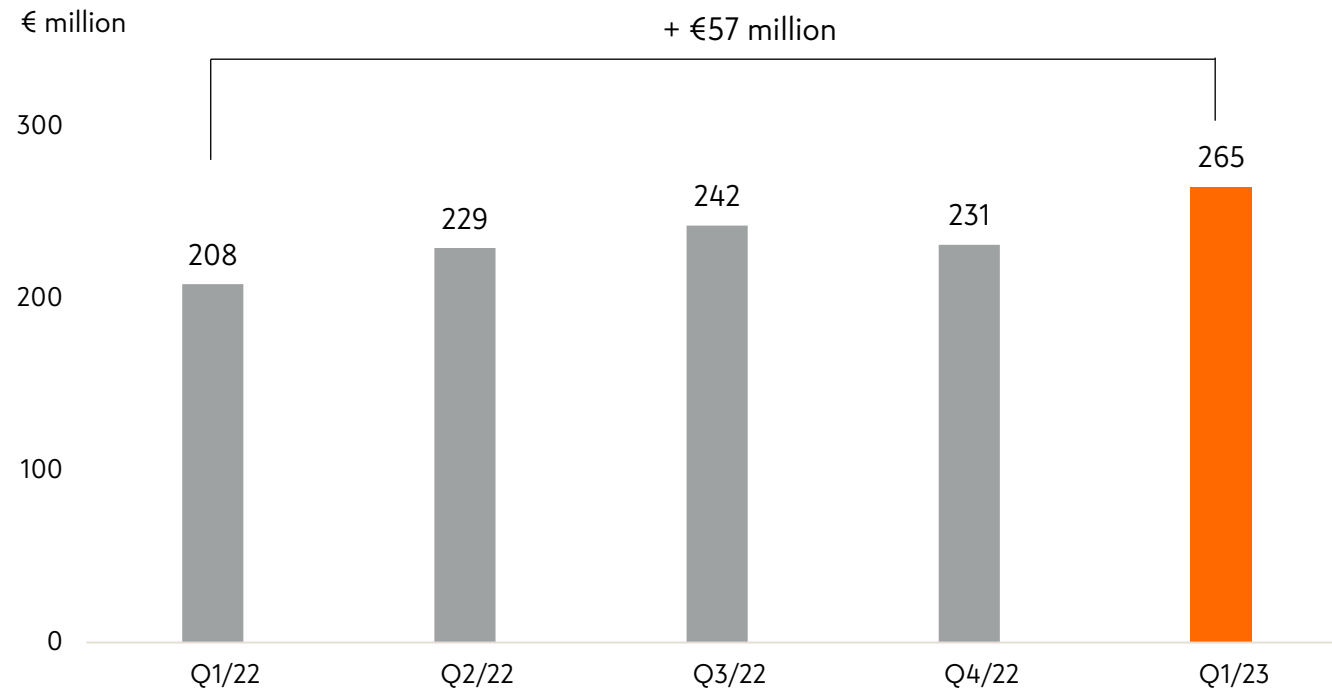
BEST RESULT EVER

FIN LPU-447

GTX

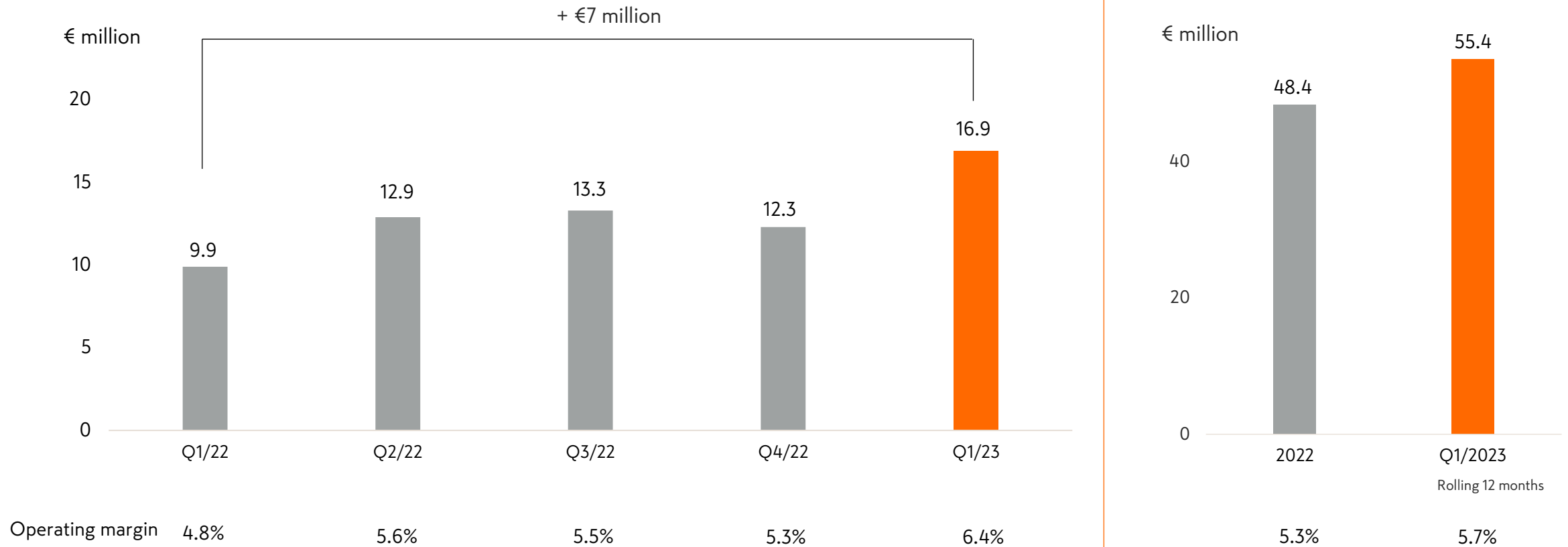
CAR TRADE

NET SALES UP BY 27.2%



CAR TRADE

OPERATING PROFIT €16.9 MILLION



CAR TRADE KEY FACTS IN Q1

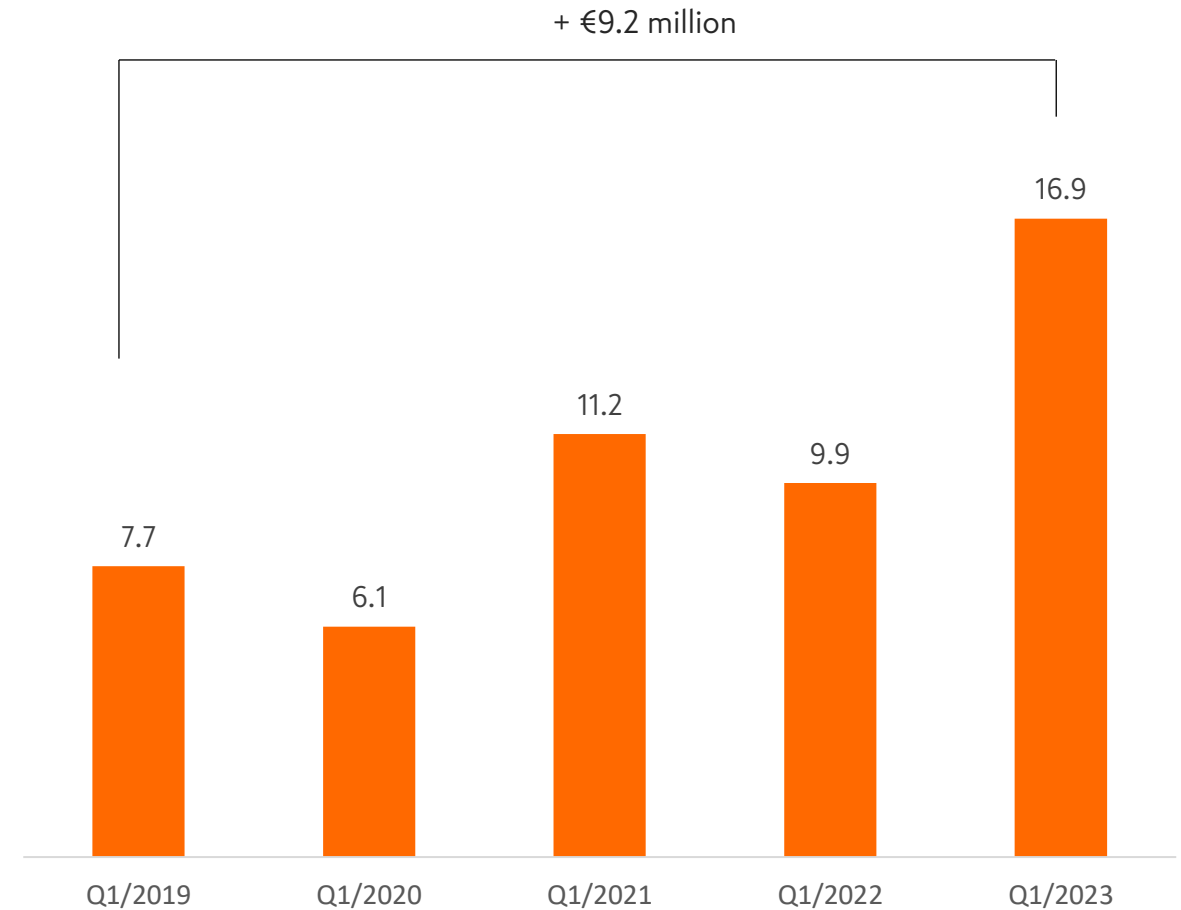
- Net sales grew by 27.2%
- Strong growth in new car sales as availability improved
- Sales also grew markedly in used cars and services
- Profitability at 6.4% thanks to sales growth and measures to transform and improve the efficiency of operations
- Strong order book, new car orders down in the market



Q1 RESULT IN CAR TRADE HAS RISEN TO A RECORD LEVEL

Transformation efforts, profit capacity in all businesses, and strong order book yielding results

- Q1 result in car trade has doubled since 2019
- In 2019, the market was normal and there were no availability issues with cars
- In 2021–2022, significant availability issues due to global component shortages
- Availability issues easing, but demand has weakened
- Extensive transformation programme carried out in 2021–2022 has led to significant profitability improvement



Comparable operating profit, €million





SUSTAINABLE KESKO

KESKO IS ONE OF THE MOST SUSTAINABLE TRADING SECTOR COMPANIES IN THE WORLD

DOW JONES SUSTAINABILITY INDICES

- Among the most esteemed sustainability indices, based on an extensive sustainability assessment by Standard & Poor's Global
- Kesko ranked highest in the 'Food & Staples Retailing' category in Europe:
 1. Kesko
 2. Metro
 3. Ahold Delhaize
- Kesko ranked 3rd highest globally in the 'Food & Staples Retailing' category:
 1. CP ALL (Thailand)
 2. President Chain Store (Taiwan)
 3. Kesko

'GLOBAL 100' LISTING

- Annual listing by Corporate Knights of the 100 most sustainable corporations in the world
- Based on an assessment of over 6,000 large listed companies
- Kesko the only company in the world to have made the list every single year since its inception in 2005
- In 2023, Kesko and Sprouts Farmers Market Inc (USA) were the only grocery sector companies on the list

KESKO'S GOOD RESULT BENEFITS BOTH SHAREHOLDERS AND EMPLOYEES

Kesko's Annual General Meeting resolved to pay total dividends of €430 million to nearly 90,000 shareholders for the year 2022

Performance-based bonuses totalling €53 million paid to Kesko personnel based on the good annual result

All Kesko employees now eligible for performance bonuses

GUIDANCE

KESPRO
JOTTA ULKONA SYÖMINEN
OLISI SUOSITUMPA



GUIDANCE FOR 2023

Kesko repeats the outlook and guidance given in its financial statements release on 2 February 2023.

Kesko estimates that its comparable operating profit in 2023 will be
in the range of €680–800 million.

The guidance is based on an estimated relatively short recession in Kesko's operating countries. Key uncertainties impacting Kesko's outlook are developments in inflation and interest rate levels, and Russia's ongoing offensive war in Ukraine.

