



KESKO INTERIM REPORT Q1/2021

Another Record Quarter

Mikko Helander, President and CEO
Jukka Erlund, CFO



K Group and Kesko Today

#1

Biggest in Finland,
#3 in Northern Europe
with retail sales of **€14bn**



Profitable growth
strategy in **3** core
divisions



K Group has **46,000**
employees, approx. **1,800**
stores and comprehensive
digital services in **8**
countries



Strong financial
position with good
dividend capacity



Market cap approx.
€10 bn with over
60,000 shareholders

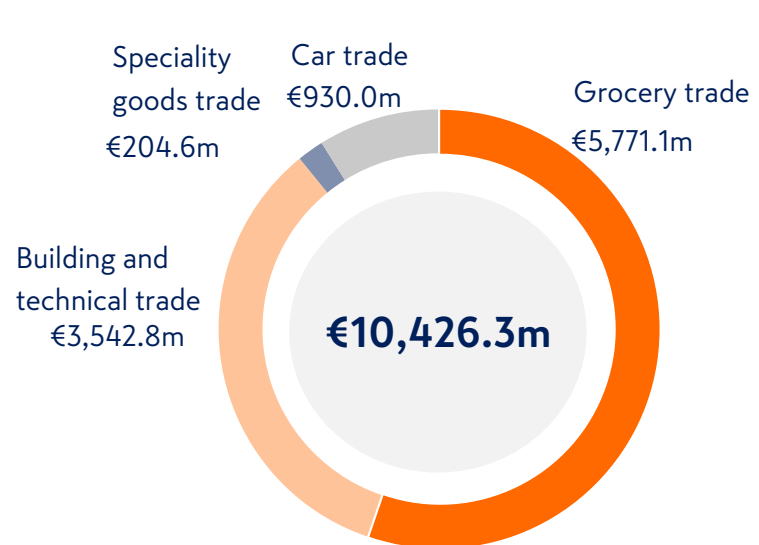


World's most sustainable
grocery trade company

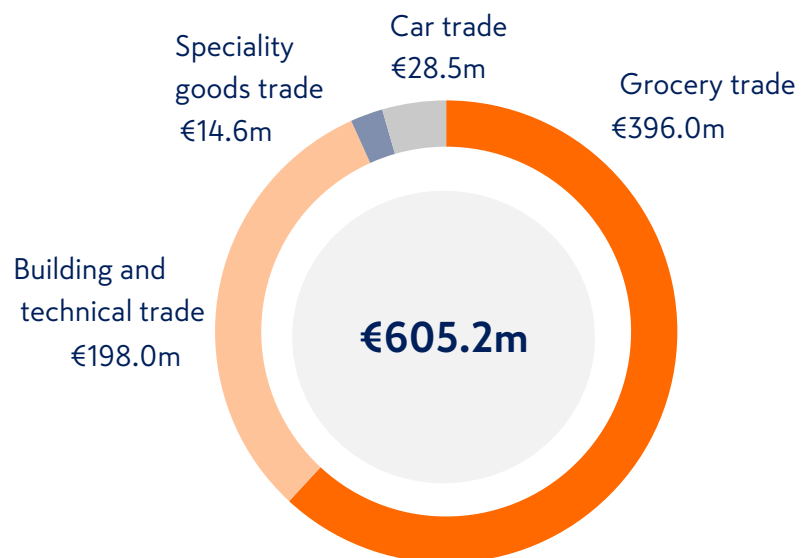


Kesko in a nutshell

Net Sales



Operating profit



Operations focused in three divisions



€5,771
million

Grocery trade

1,240 stores in Finland, of which 500 offer on-line services

K-retailers guarantee quality

#2 in Finnish retail

#1 on the Finnish foodservice market



€3,747*
million

Building and technical trade

Serves three customer segments: technical professionals, professional builders, and consumers

500 stores in total in 7 countries

#1 in Northern Europe

* Net sales excl. Kesko Senukai



€930
million

Car trade

Volkswagen, Audi, SEAT, Porsche, Bentley, and MAN trucks

#1 in Finland

Our business models

Kesko operates a retailer business model in Finnish grocery and DIY/builders' merchant market, where independent K-retailers engage in retail in Kesko's chains. Car trade is Kesko's own retailing.

B2B trade is a significant, growing part of Kesko's business operations. B2B trade include i.a. foodservice and technical trade.

Outside Finland, we mainly engage in own retailing and B2B trade. Share of operations outside Finland was 15% in 2020.



- 49% retailer entrepreneurs' retailing
- 33% B2B trade
- 18% Kesko's own retailing



Growth Strategy

Focus:



Grocery trade



Building and technical trade



Car trade

One unified **K**

Sustainability
and combatting
climate change



Strong Strategy Execution

Over 30 acquisitions and divestments



Investments in growth
€3 billion

- ↑ Acquisition of Carlsen Fritzøe Handel AS
- ↑ Acquisition of Fresks stores
- ↑ Bygghälsan acquisitions
- ↑ Acquisition of Onninen
- ↑ Acquisition of Suomen Lähikauppa



Divestments
€1 billion

- ↓ Divestment of operations in Russia
- ↓ Divestment of agricultural trade
- ↓ Divestment of machinery trade businesses
- ↓ Divestment of Anttila department stores

Transformation from a Traditional Retailing Company into a Focused K Group

KESKO

K CITYMARKET

K SUPERMARKET

KESPRO

K MARKET

K EXTRA

K-KAUKA

RAUTIA

K-MAATALOUS

KODIN YKKÖNEN 1

ASKO

SOTKA

ANTTILA

MUULI

YAMARIN

MUSTA PÖRSSI

KONEKESKO

K PYÖKÄ

BM BYGGMAKKER

VV-AUTO

K-PAYTA

K

K CITYMARKET

K Supermarket

K Market

KESPRO

K Rauta

onninen K

K BYGG

BM BYGGMAKKER K

K Auto

K Plussa

Solid Dividend Track-record

Dividend for 2020: €0.75/Share, Nearly €300 Million

Kesko's dividend policy: In the long-term, Kesko aims to distribute a steadily growing dividend of some 60-100% of its comparable earnings per share, taking into account the company's financial position and strategy. Kesko has paid dividends in two instalments starting with the dividend paid for the year 2018.



Group Management Board Composition



Mikko Helander
President and CEO



Jorma Rauhala*
President, building and
technical trade

* Deputy CEO



Ari Akseli
President, grocery
trade



Matti Virtanen
President, car trade



Jukka Erlund
EVP,
Chief Financial
Officer



Anni Ronkainen
EVP,
Chief Digital Officer



Matti Mettälä
EVP, Human
Resources



Karoliina Partanen
EVP,
Communications



Riikka Joukio
EVP, Corporate
Responsibility and
Public Affairs

Sustainability Drives Us in Everything We Do



Responsible
purchasing and
sustainable selections



Environment



Good corporate
governance and
finance



Working
community



Customers'
sustainable lifestyles



Society

International Recognition for Kesko's Sustainability Efforts



**THE MOST SUSTAINABLE
GROCERY TRADE COMPANY
IN THE WORLD**

for the seventh year



Kesko has been on the list every year since 2005

MEMBER OF
**Dow Jones
Sustainability Indices**
In Collaboration with RobecoSAM

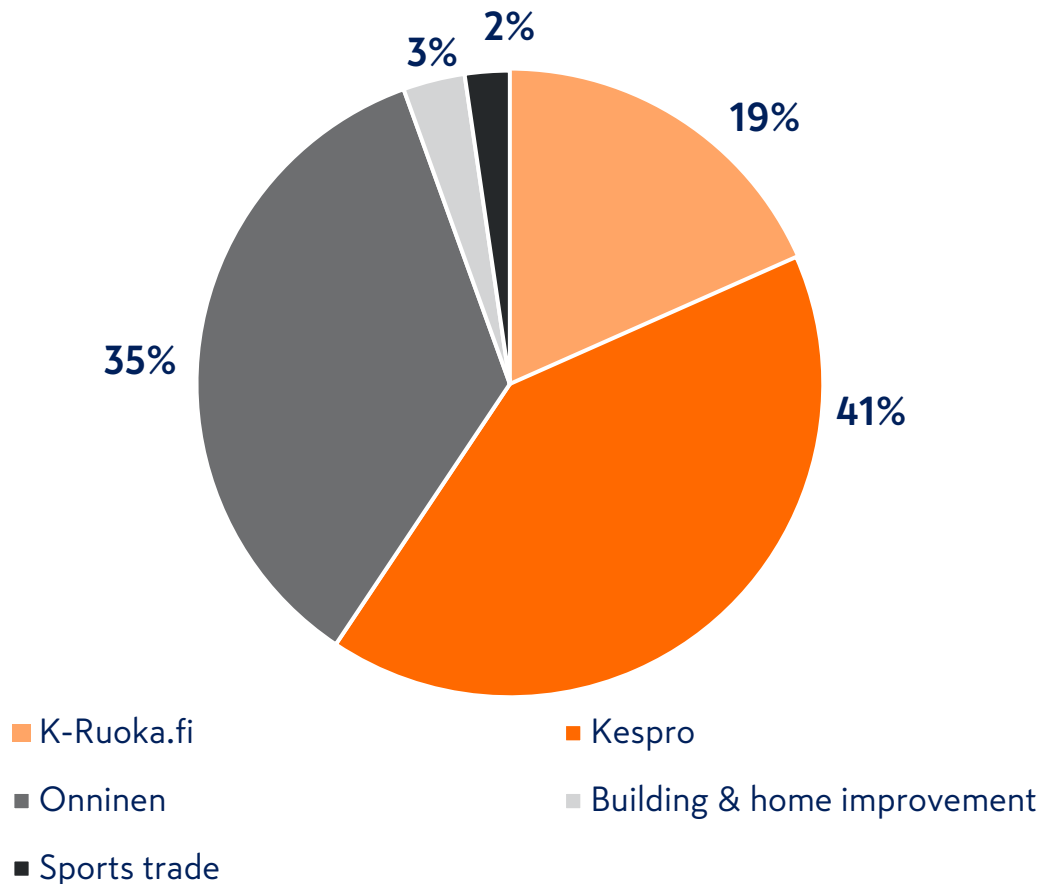
Kesko has been included for 16 years



Kesko a Leading Operator in Digital Trade in Northern Europe

Digital Trade Sales of Nearly €1.3 billion

Online store sales of nearly €1 billion



Digital trade sales, Q1 2021, rolling 12 months

- Online stores for consumers:
 - K-Ruoka, K-Rauta, Bygghem, Intersport, Budgetsport
- Online stores for B2B customers:
 - Kespro, Onninen, K-Rauta, K-RautaPRO, Bygghem
- Electronic EDI order system for B2B customers

Kesko's Online Stores Fast-Growing and Profitable Business

+343%

K-Ruoka.fi

+74%

K-Rauta.fi

+25%

Onninen.fi

+101%

Sports trade

Q1/2021, rolling 12 months

**Rapid online growth thanks to our
functional and successfully executed
digital strategy**

Biggest Online Grocery Operator on the Market

Retail sales

€230m

Q1/21, rolling 12 months

Market share

54%

in 2020

Growth

343%

Q1/21, rolling 12 months



The Best Online Grocery Customer Experience on the Market

- The most user-friendly online store application on the market
- The biggest selection of up to 30,000 products
- Competitive prices
- Fast and reliable home delivery and pick-up services
- Of the 1,200 K-food stores, 500 now offer online grocery sales services
- Local K-retailers with tailored store-specific business ideas
- Pirkka the best-known private label in Finland
- Loyalty programme and customer-specific marketing



Solid Foundation in Efficient Processes and Capabilities

- Extensive, versatile supply channels
- Nationwide store network enabling efficient home deliveries
- Collection constantly becoming more efficient
- Nearly all Finnish households part of the K-Plussa loyalty scheme
- Extensive utilisation of data and new technologies
- Efficient and reliable IT and logistics
- Wide-ranging corporate responsibility work with a long-term focus

Online sales of groceries will grow significantly in Finland during this decade

We aim to continue to be the clear market leader in Finnish online grocery trade also going forward



Key Figures Q1 2021



Key Events in Q1

- All-time best Q1 result
- Retail sales growth continued strong in K Group grocery stores
- Sales development good in building and technical trade
- Further improvements in cost efficiency
- Kesko achieved its financial targets
- Kesko ranked as the most sustainable grocery trade company in the world for the 7th time

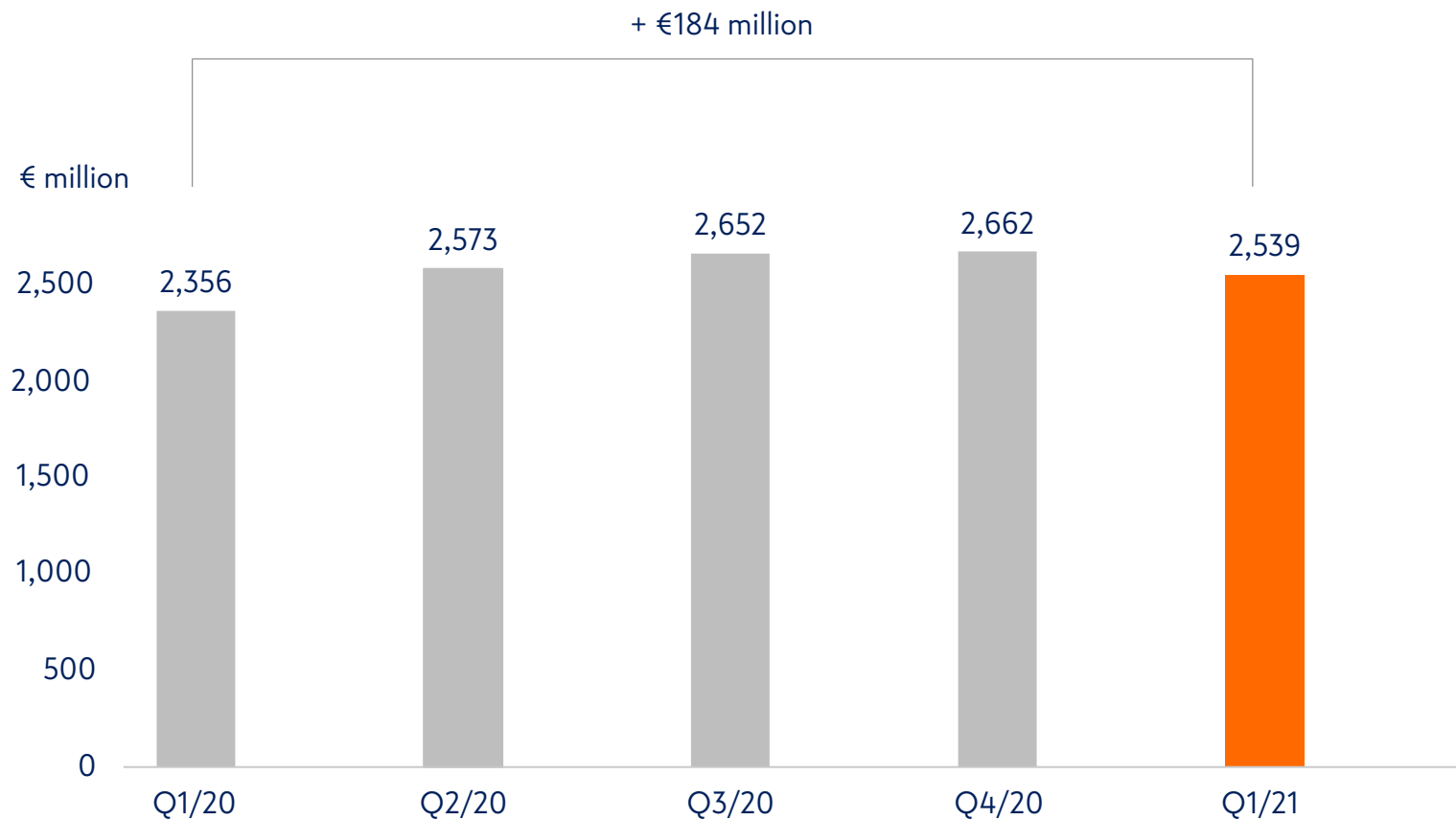
	1-3/2021	1-3/2020
Net sales, € million	2,539.4	2,540.4
Illustrative net sales, € million	2,539.4	2,355.6
Operating profit, € million*	116.2	65.1
Illustrative operating profit, € million*	116.2	64.6
Illustrative operating margin, %*	4.6%	2.7%
Profit before tax, € million*	99.6	32.7
Earnings per share, basic, €*	0.20	0.08

* Comparable figures

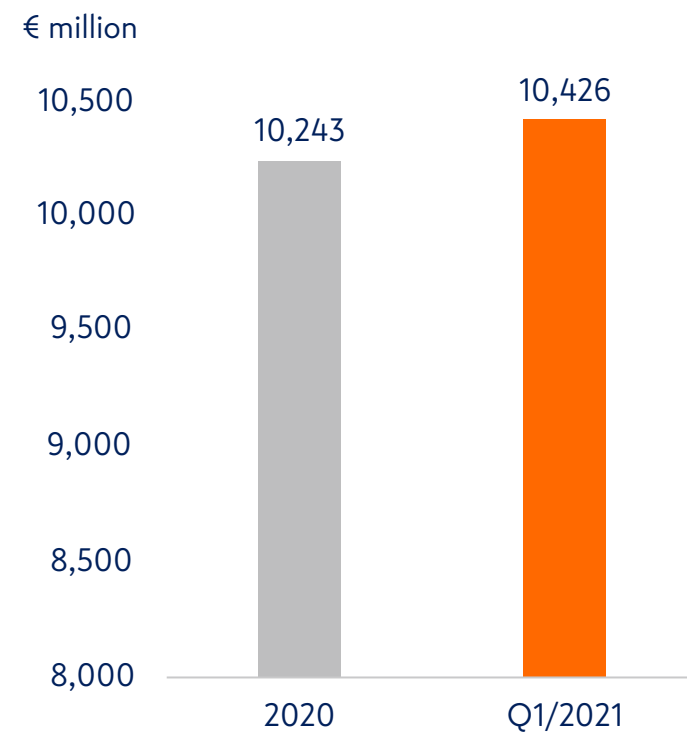
Kesko Senukai treated as a joint venture in the illustrative figures

Net Sales

Growth in comparable terms 5.9%

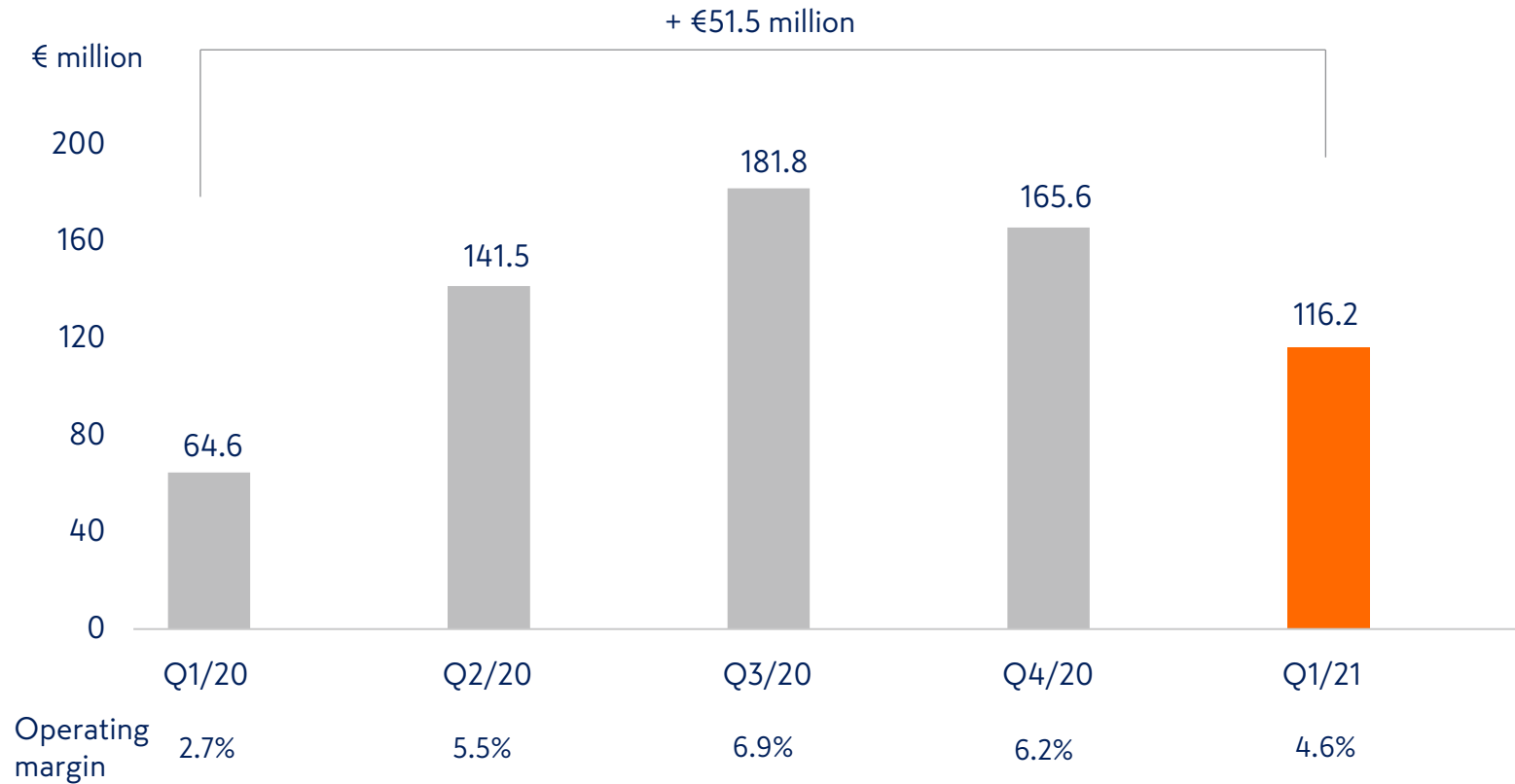


Rolling 12 months

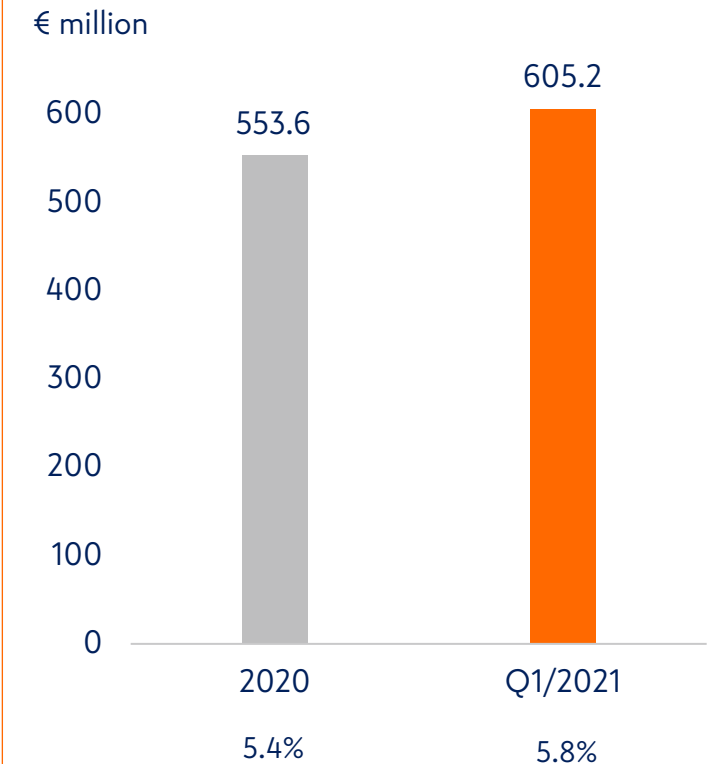


Comparable Operating Profit

Growth in comparable terms €51.5 million

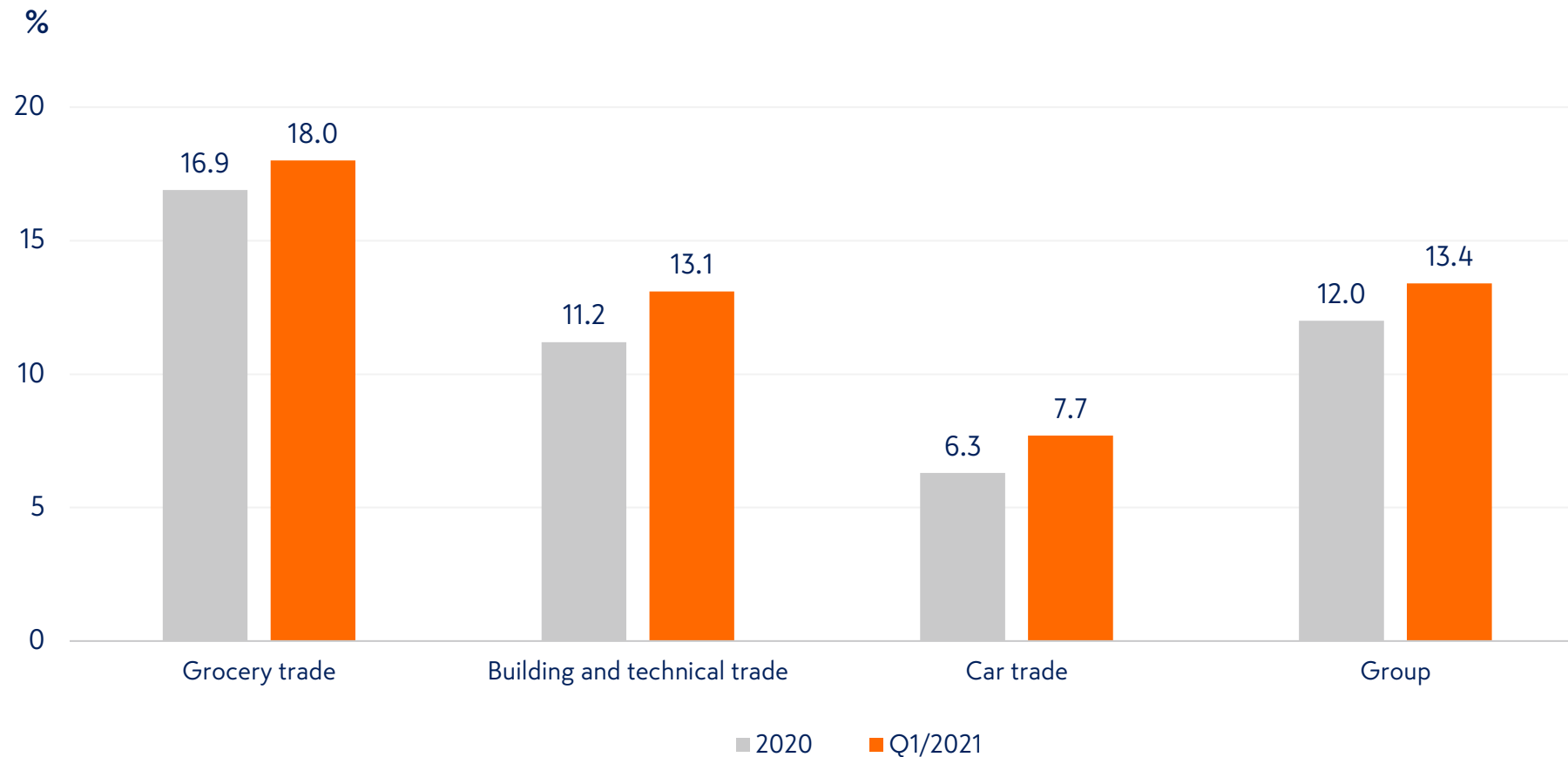


Rolling 12 months



Return on Capital Employed

ROCE target clearly exceeded



Strong Financial Position

	Q1/2021	Q1/2020
Cash flow from operating activities, € million	155.1	135.7
Liquid assets, € million	316.3	265.4
Capital expenditure, € million	44.2	99.0
Interest-bearing net debt excl. lease liabilities, € million	249.1	482.4
Interest-bearing net debt/EBITDA (rolling, excl. IFRS 16 impact)	0.3	0.9
Lease liabilities, € million	1,988.8	2,337.4



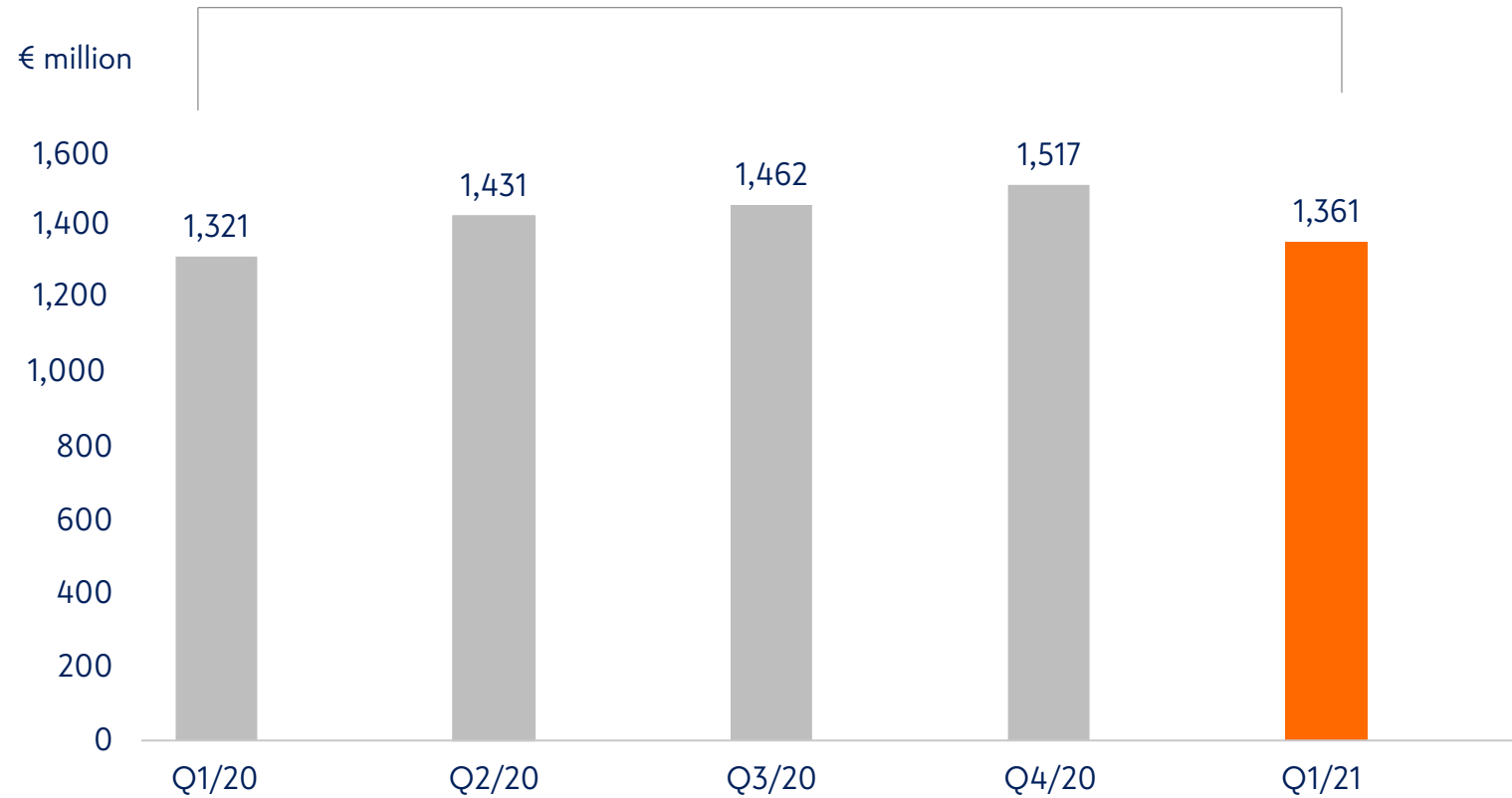
GROCERY TRADE

Strong Growth Continued

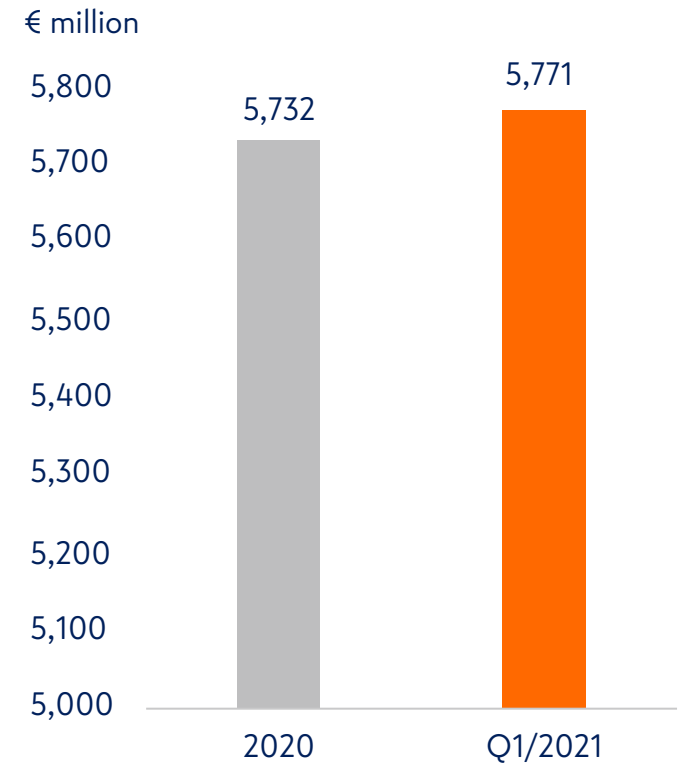
Grocery Trade Net Sales

Growth 3.0%

+ €39 million

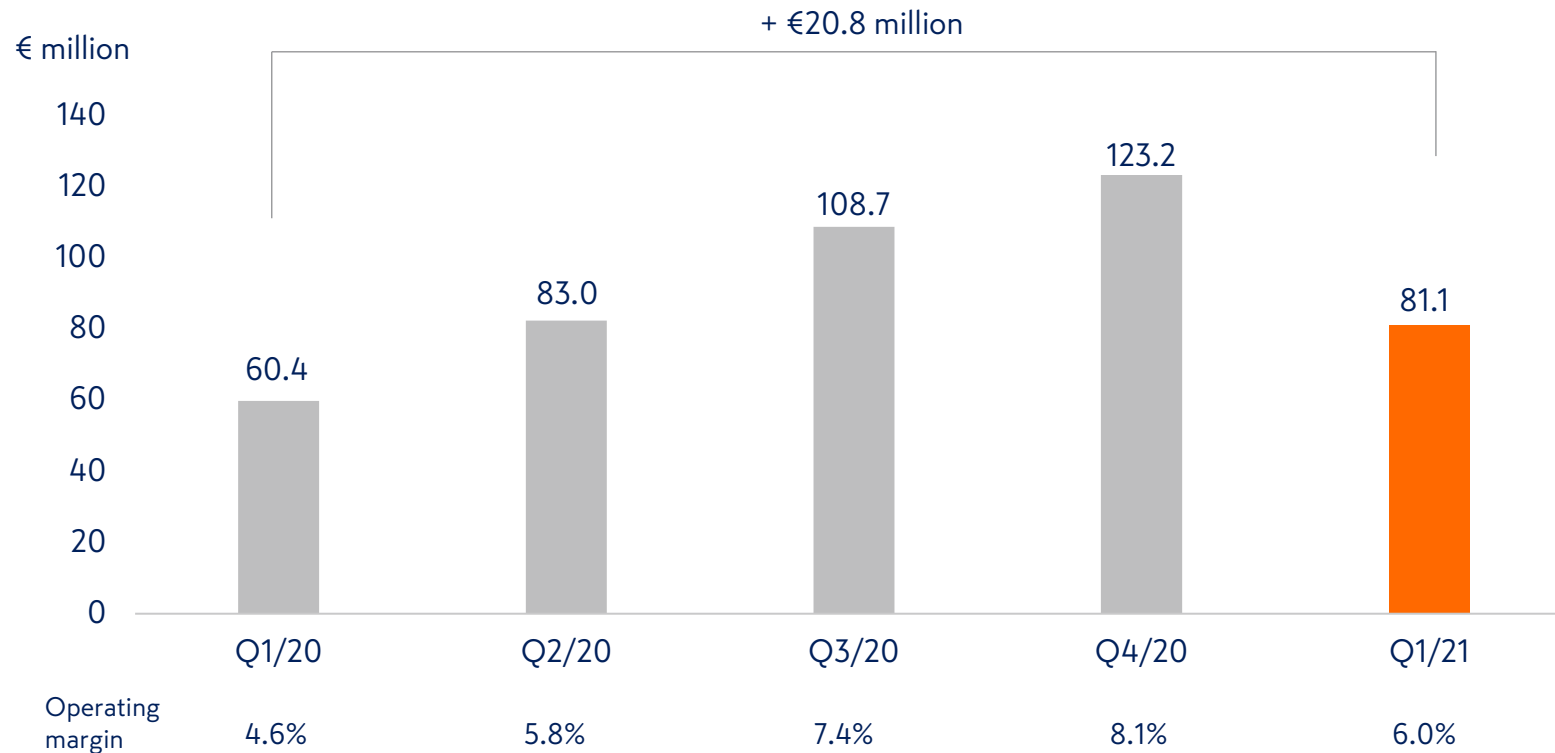


Rolling 12 months

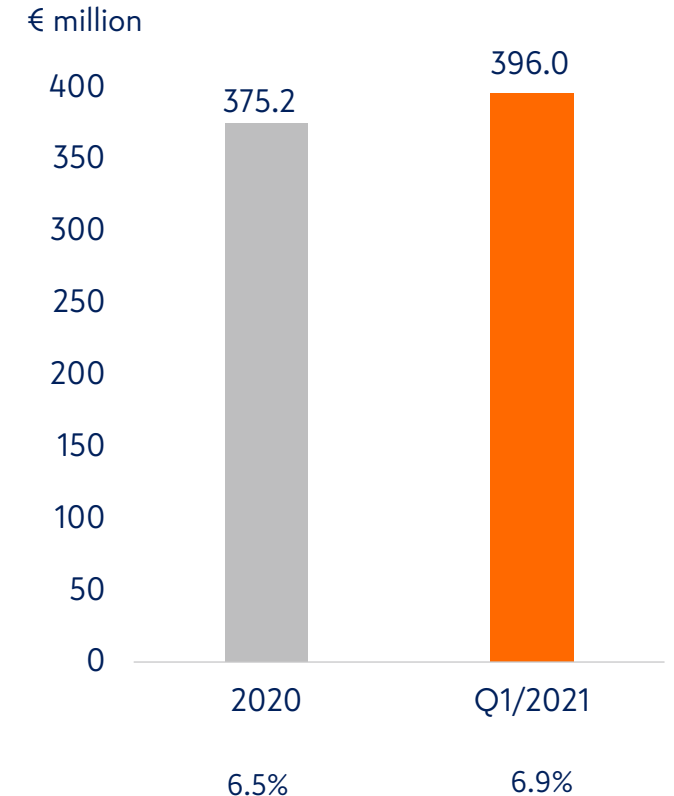


Grocery Trade Operating Profit

Growth €20.8 million



Rolling 12 months



Grocery Trade Q1

Market Q1

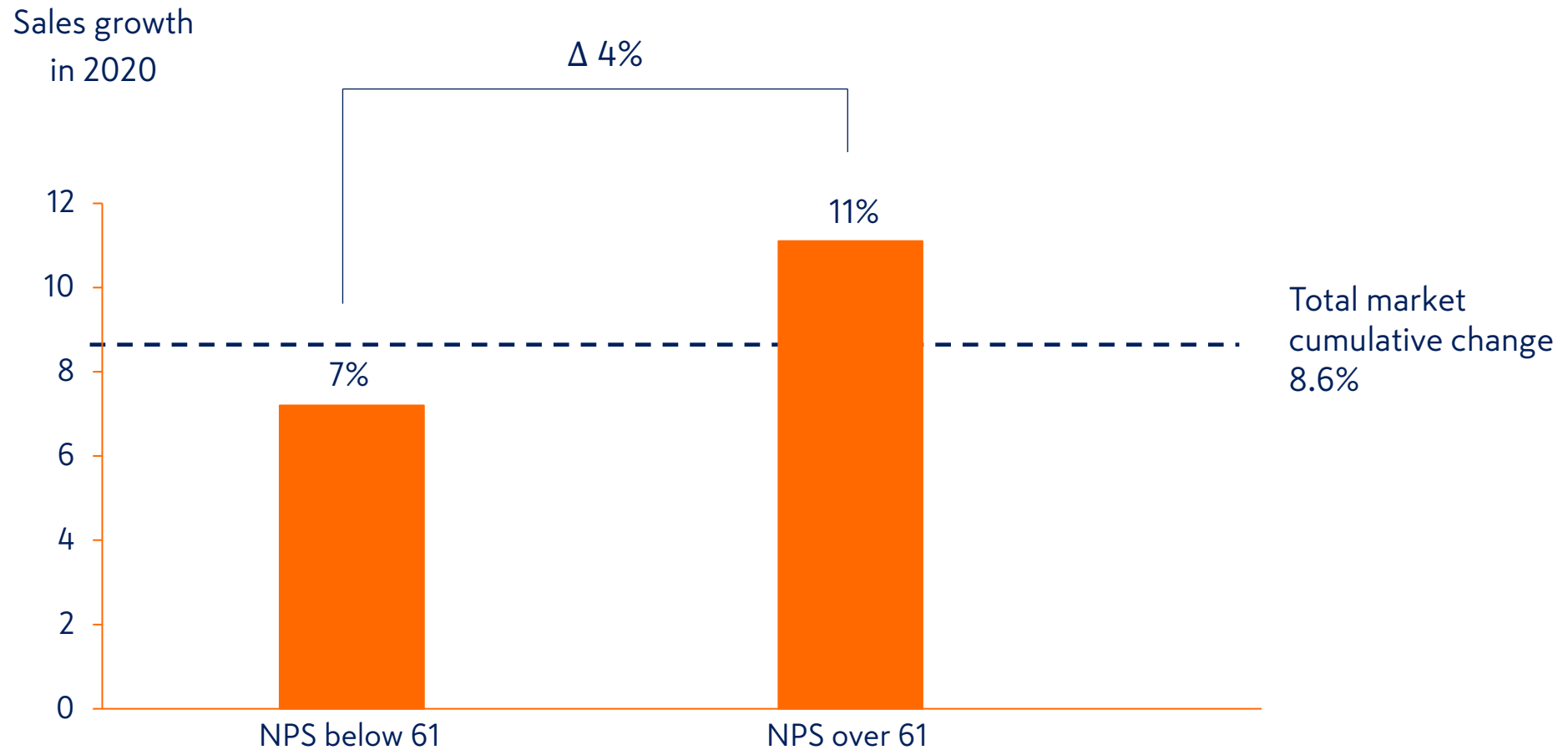
- Total grocery trade market growth 5.8%*, grocery prices up by 1.4%*
- Consumption focused on domestic purchases, especially retail
- Growth in demand for online grocery continued strong
- Foodservice market significantly diminished due to the pandemic

K Group

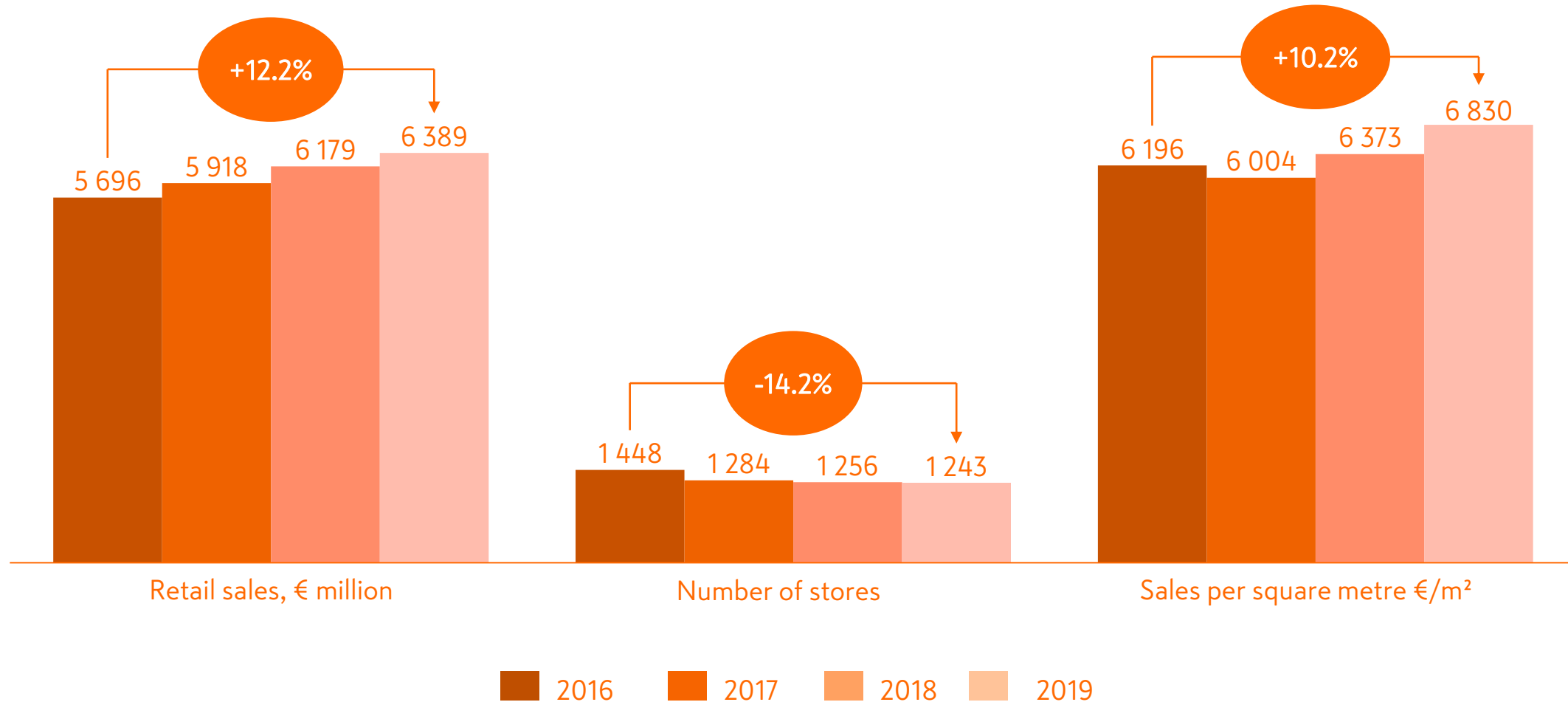
- Grocery sales in K-food stores up by 6.1%
- Sales grew clearly in all grocery store chains
- Our market share rose to 37.8%
- 48% of retail sales growth came from growth in online grocery
- We have managed to keep our foodservice business in profit

Growing Sales by Improving Customer Experience

Higher NPS supports faster-than-market growth



Bigger Sales per Square Metre Boost Result



Still Plenty of Potential in Implementing Store-Specific Business Ideas

- We have a good and functional retailer business model our competitors cannot copy
- We are developing and changing stores more based on customer data
- Store digitalisation improves customer experience and makes operations more efficient
- Some 50% of K-food stores currently visibly implementing store-specific business ideas widely



Strong Basis for Continued Growth in the Grocery Trade



Further potential
to improve
customer experience



Pioneering
digital solutions



Strong market position
in foodservice



Further improving efficiency
per square metre and other
operational efficiency



Continued investments in growth and transformation

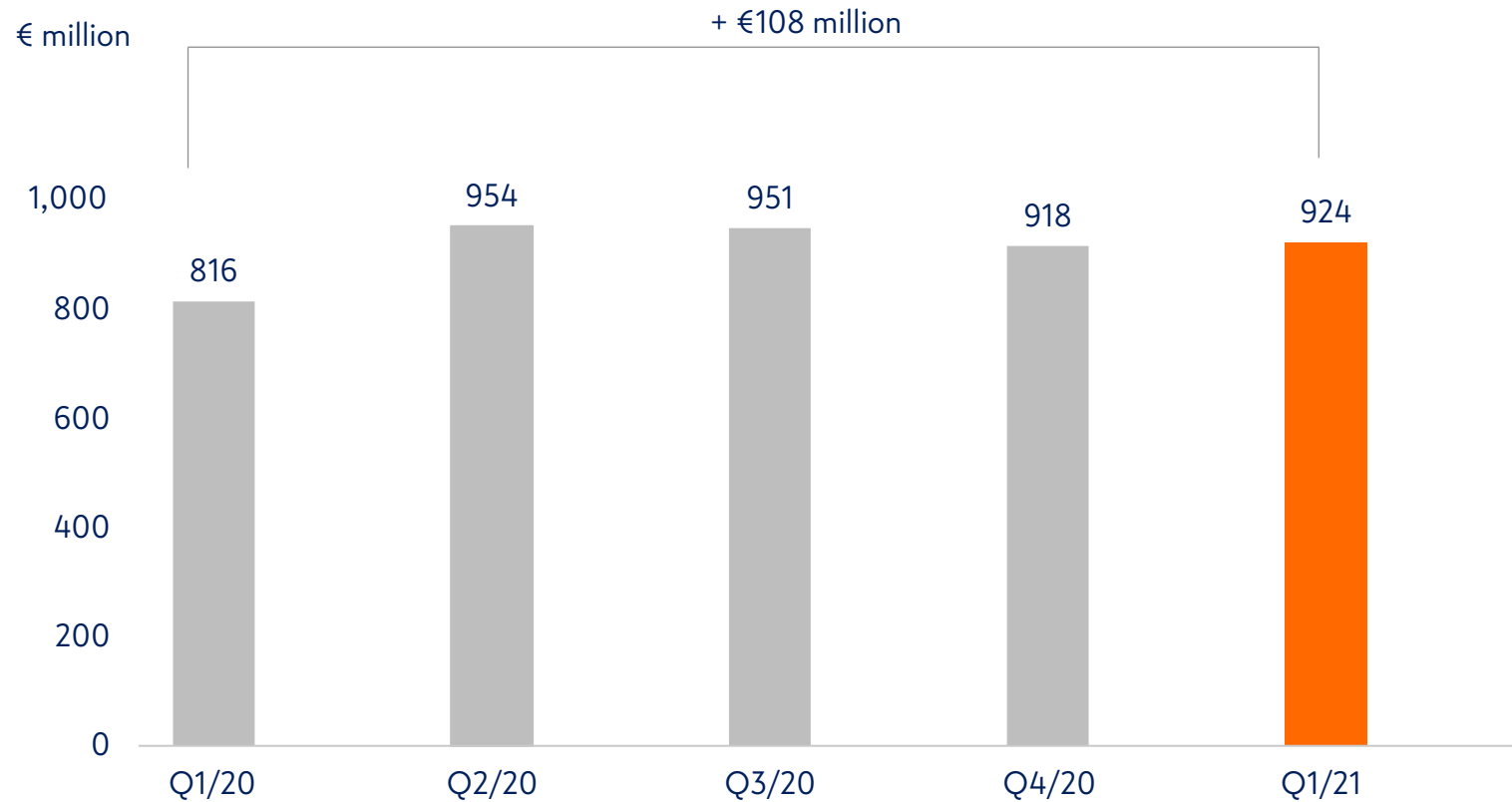


BUILDING AND TECHNICAL TRADE

Strong Development Continued in All Areas

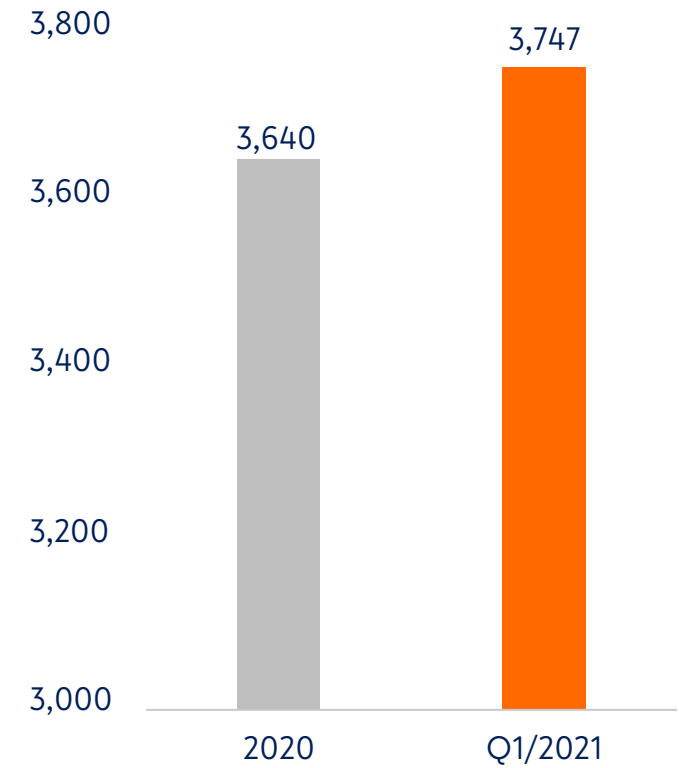
Building and Technical Trade Net Sales

Growth in comparable terms 7.7%



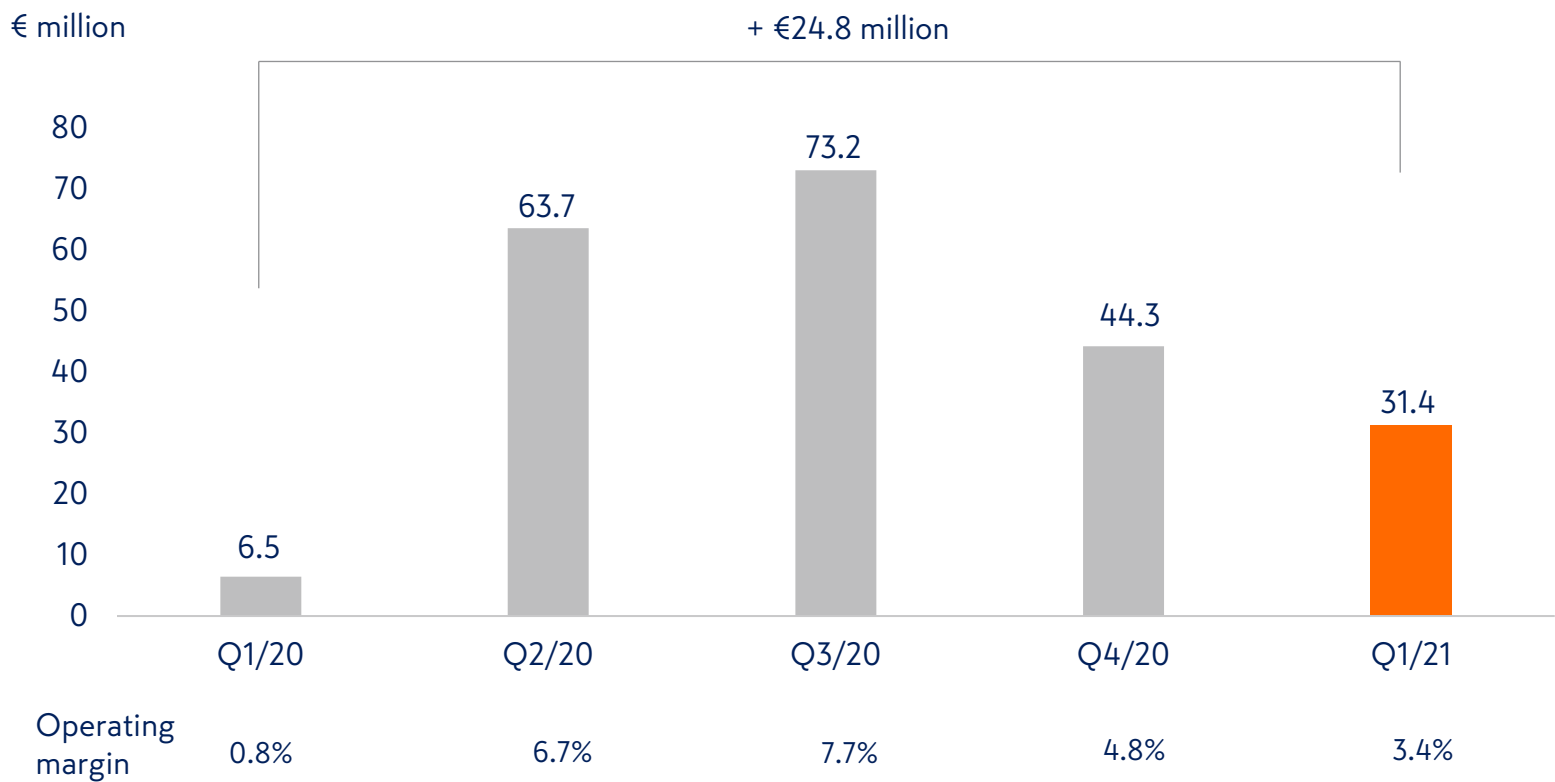
Rolling 12 months

€ million

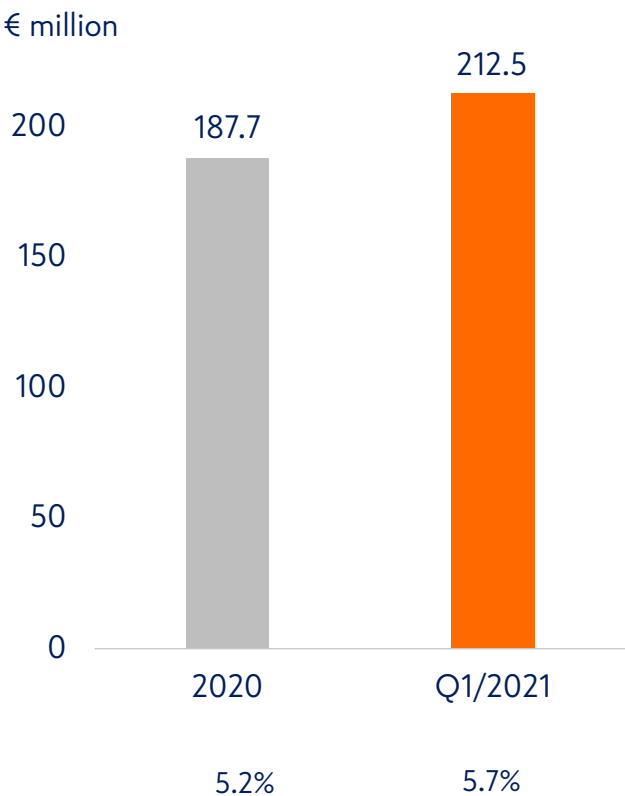


Building and Technical Trade Comparable Operating Profit

Growth €24.8 million



Rolling 12 months



Building and Technical Trade Q1

Market Q1

- Construction activity remained at a good level in Northern Europe
- B2C trade continued high as consumption was domestically focused
- Demand in technical wholesale has not grown in Finland nor in Sweden
- Increased issues with availability

K Group

- Good development continued for K-Rauta and Onninen in Finland
- Development in Norway continued strong in all operations
- In Sweden, K-Rauta and K-Bygg did well in the market
- We have been able to ensure product availability
- Sales and profit developed well in the sports trade

Fragmented Market Offers Big Potential for Consolidation



Retail market 2019 (€bn)

Market position

Retail sales €bn 2019

Market share

Technical
trade

2.4

#4-5

0.3

10%

Professional
builders

3.3

#3

0.5

14%

DIY

1.8

#3

0.2



Technical
trade

2.2

#1

0.9

38%

Professional
builders *

1.8

#1

0.8

43%

DIY *

1.4

#1

0.5



Retail market 2019 (€bn)

Market position

Retail sales €bn 2019

Market share

Technical
trade

3.7

#6

0.1

5%**

Professional
builders *

2.7

#5-6

0.2

8%

DIY *

2.1

#5

0.2



Technical
trade

1.4

#2 #4 #3

0.1

11%, 5%, 3%

DIY

2.3

#2 #2 #1

0.7

19%, 17%, 36%



Retail market 2019 (€bn)

Market position

Retail sales €bn 2019

Market share

Technical
trade

5.1

#3

0.2

5%



DIY

1.4

#1

0.1

11%

*) Share of professional builders and DIY, Kesko estimate based on BCG 2017

**) Sweden SEG

Strong Execution of Country-Specific Strategies Enables Growth Also Going Forward



Continue putting
basics in order and
improving efficiency



Continue to improve
customer experience



Continue to develop
digital sales channels and
services further



Utilise B2C trade activity
also going forward



Continue sector consolidation in Northern Europe

Towards the Best in Europe



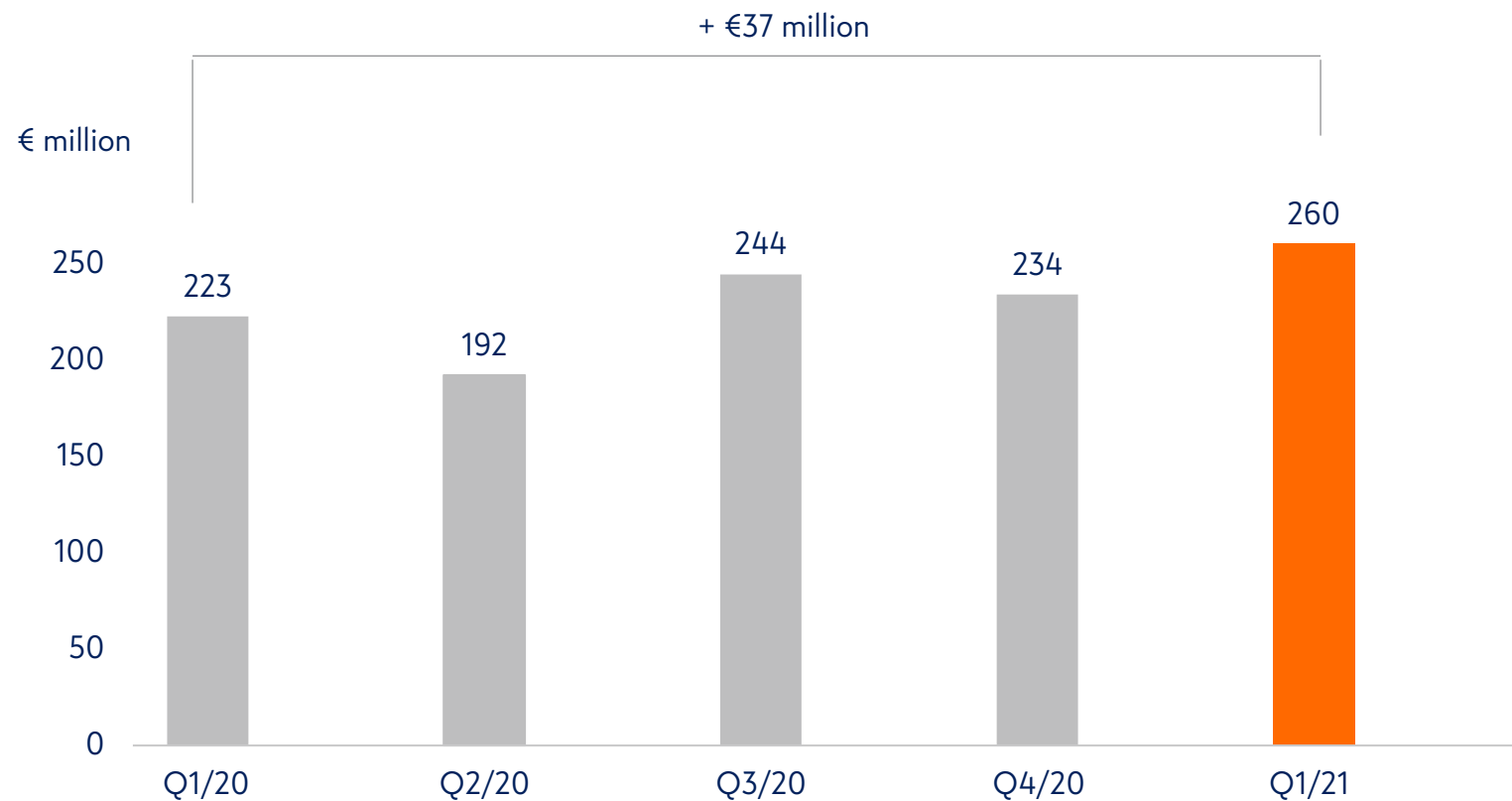


CAR TRADE

Demand Recovering and Sales Up

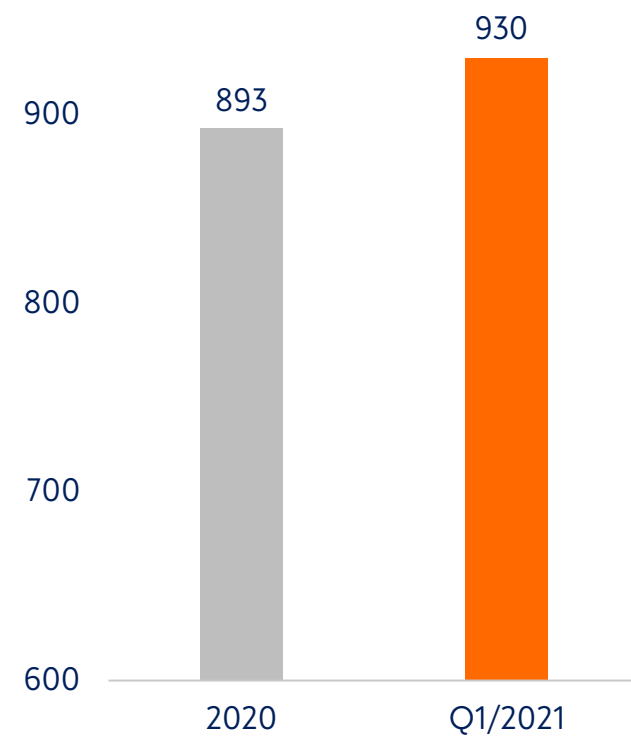
Car Trade Net Sales

Growth 16.8%



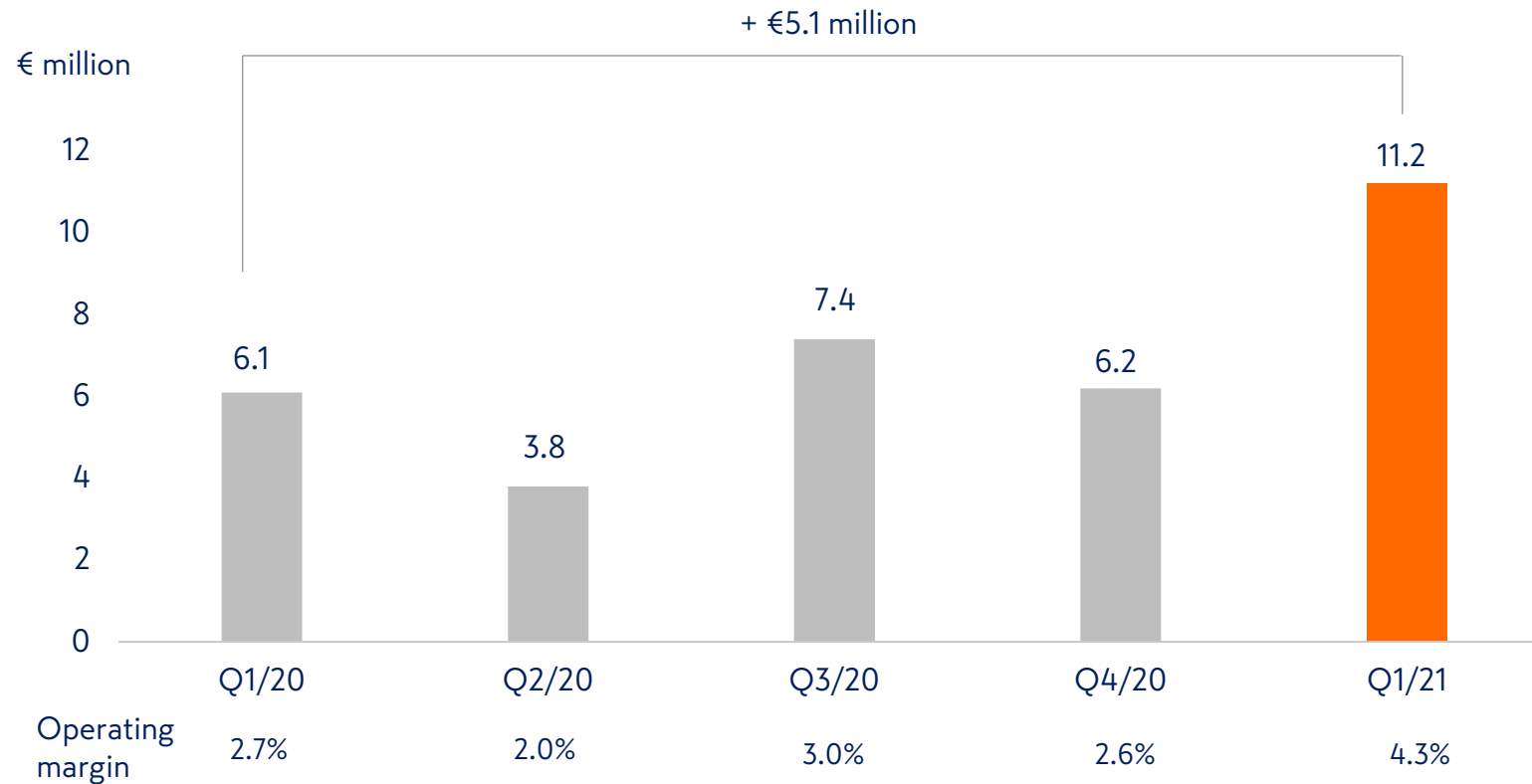
Rolling 12 months

€ million



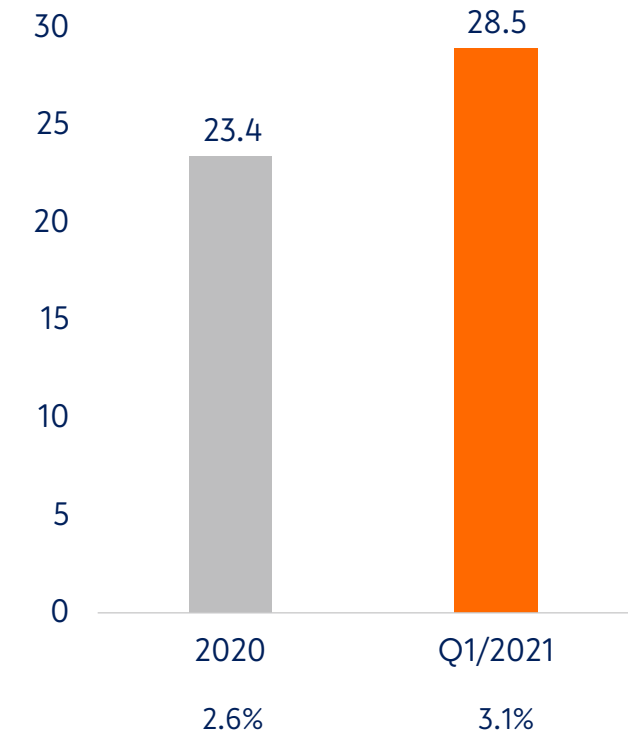
Car Trade Operating Profit

Growth €5.1 million



Rolling 12 months

€ million



Car Trade Q1

Market Q1

- New car first registrations -0.6%
- Market returning to normal levels
- Used car market continues to grow
- Component shortage a growing issue for the car industry worldwide

K Group

- Updated strategy for the car trade division
- Sales returned to pre-pandemic levels
- New models support sales, order backlog significantly strengthened
- Growing market shares for brands represented by K Group
- We are forcefully changing and developing our own operations

Large Growth and Profit Potential in the Market

The entire Finnish automotive industry value pool 2019, estimated EBIT, € million

Kesko's position



● 135-160	Import and new car retail	Strong position
● 190-210	Used car retail	Potential for improvement
● 260-280	Aftersales (retail)	Potential for improvement
● 130-150	Financing & Leasing	Potential for improvement



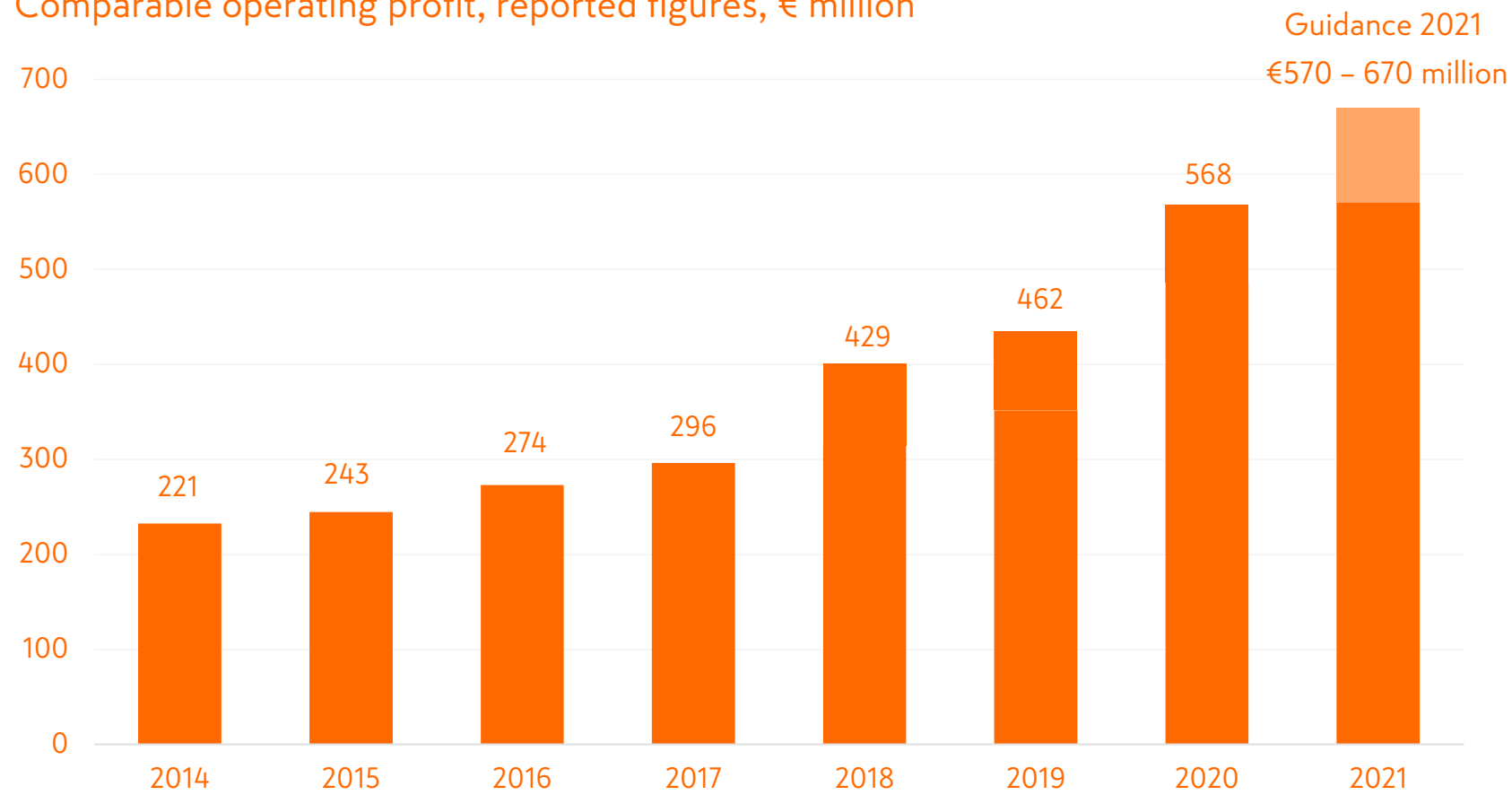
**Growth Strategy Will Underpin Strong
Development Also in Years to Come**

A Well-Functioning Strategy



Steady Profit Improvement

Comparable operating profit, reported figures, € million



2014-2019 continuing operations

IFRS 16 impact

Grocery Trade Well-Positioned to Continue Sales Growth Also in Upcoming Years

Estimates for the Finnish market

- Total demand may stay above pre-pandemic levels
- Foodservice to return to a growth track
- Online grocery sales will remain permanently higher and continue to grow
- Customers value quality and good service, price also important
- Importance of sustainability and locally produced food to increase

We will continue our own strong actions

- We will continue to redesign stores based on store-specific business ideas
- Utilising customer data in everyday store operations and business development
- Continued strong development of digital services and online sales
- Growing our lead in foodservice

Strong Country-Specific Actions to Support Growth in Building and Technical Trade Also in Upcoming Years

Estimates for the Northern European market

- Building and renovation estimated to stay at a good level in Finland and Scandinavia
- Share of B2B trade to continue to grow
- B2C trade expected to return to normal levels
- Growth in digital services and online sales to continue
- Market consolidation to continue

We seek profitable growth in all operating countries

- In Finland, we will continue to strengthen the market-leading positions of K-Rauta and Onninen
- In Norway, we will continue to further increase the sales and profitability of Bygghuset and Onninen
- In Sweden, we will continue to develop K-Bygg, K-Rauta and Onninen
- Good growth potential also in the Baltics and Poland
- Continued development of digital services and online sales
- Acquisitions to continue especially in Scandinavia

Transformation in Mobility Offers Growth Potential in Upcoming Years

Volkswagen Group

- World's leading car manufacturer
- Investing €46 billion in electric mobility
- Iconic brands: Volkswagen, Audi, Porsche etc.

Market in Finland

- Pressure to update the vehicle stock
- Focus in taxation shifting from car ownership to use
- Increase in fully electric and hybrid cars
- Lower-emission combustion engine cars also needed

Our transformation continues

- Improving profitability
- Accelerating sales growth
- Improving customer experience
- Tightening our collaboration with the Volkswagen Group
- Growing used car sales



Guidance

Guidance

Kesko estimates that its comparable operating profit in 2021 will be in the range of €570-670 million.

Before, the company estimated that the comparable operating profit would be
in the range of €520-620 million.

The illustrative comparable operating profit in 2020 was €554 million.



KESKO CELEBRATES ITS 80TH ANNIVERSARY

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