

Kesco's half-year financial report 1 Jan. -30 June 2023: Strong performance in a challenging market

FINANCIAL PERFORMANCE IN BRIEF:

4-6/2023

- Group net sales in April-June totalled €3,104.7 million (€3,108.5 million).
Net sales at the same level as the year before, in comparable terms down by 0.8%
- Comparable operating profit totalled €207.6 million (€236.0 million)
- Operating profit totalled €206.3 million (€238.3 million)
- Cash flow from operating activities totalled €285.2 million (€262.4 million)
- Comparable earnings per share €0.38 (€0.45), reported earnings per share €0.38 (€0.45)

1-6/2023

- Group net sales in January-June totalled €5,932.7 million (€5,815.8 million).
Net sales up by 2.0%, or by 1.7% in comparable terms
- Comparable operating profit totalled €333.5 million (€379.7 million)
- Operating profit totalled €328.9 million (€382.9 million)
- Cash flow from operating activities totalled €312.2 million (€333.5 million)
- Comparable earnings per share €0.60 (€0.71), reported earnings per share €0.59 (€0.71)

KEY PERFORMANCE INDICATORS

	4-6/2023	4-6/2022	1-6/2023	1-6/2022	1-12/2022
Net sales, € million	3,104.7	3,108.5	5,932.7	5,815.8	11,809.0
Operating profit, comparable, € million	207.6	236.0	333.5	379.7	815.1
Operating margin, comparable, %	6.7	7.6	5.6	6.5	6.9
Operating profit, € million	206.3	238.3	328.9	382.9	816.5
Profit before tax, comparable, € million	188.9	221.4	296.9	353.0	763.2
Profit before tax, € million	187.6	223.7	292.3	352.6	761.1
Cash flow from operating activities, € million	285.2	262.4	312.2	333.5	915.2
Capital expenditure, € million	161.2	124.6	393.0	250.8	449.2
Earnings per share, €, basic and diluted	0.38	0.45	0.59	0.71	1.53
Earnings per share, comparable, €, basic	0.38	0.45	0.60	0.71	1.54

	4-6/2023	4-6/2022	1-6/2023	1-6/2022	1-12/2022
Return on capital employed, comparable, %, rolling 12 months	15.1	17.9	15.1	17.9	16.9
Return on equity, comparable, %, rolling 12 months	23.3	26.8	23.3	26.8	23.2

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

OUTLOOK AND GUIDANCE FOR 2023 (SPECIFIED)

Kesko specifies the outlook and guidance first given in its financial statements release on 2 February 2023 and repeated in the first-quarter interim report on 28 April 2023.

Guidance is given for the year 2023, in comparison with the year 2022. Kesko now estimates that its comparable operating profit in 2023 will be €680-760 million. Before, the company estimated that its comparable operating profit would be in the range of €680-800 million.

The specified guidance is based on developments in the first half of the year, as well as updated estimates on weakened development in the construction market. Key uncertainties impacting Kesko's outlook are developments in inflation and interest rate levels, and Russia's ongoing offensive war in Ukraine.

In the grocery trade division, B2C trade is estimated to remain stable, and the foodservice market to grow. Inflation will increase sales, but also causes costs to rise. Operating profit is expected to remain at a good level.

In the building and technical trade division, the market is expected to decline compared to 2022. New building construction is estimated to decrease, but renovation building to grow slightly. Operating profit is expected to remain at a good level.

In the car trade division, car availability has improved, but orders for new cars are expected to remain below last year's level. Demand for used cars and services is estimated to remain at a good level. Profitability is expected to remain good.

PRESIDENT AND CEO MIKKO HELANDER:

Kesko's performance in the second quarter of 2023 was strong in a challenging market. Our net sales totalled €3,104.7 million and were thus at the same level as the year before. Our comparable operating profit totalled €207.6 million. The Group's cash flow from operating activities was good, and we continued investments in line with our growth strategy during the quarter. Kesko's growth strategy and its successful execution in all divisions are yielding results also in a more challenging operating environment.

In the grocery trade division, net sales grew by 4.7% and profitability was at a good level. The division's net sales totalled €1,624.0 million and its comparable operating profit €118.4 million. Grocery sales in K Group grocery stores were up by 4.6%: this fell short of the market, but less so than in the first months of the year. Campaigns and other marketing efforts have seen customer visits and sales in our grocery stores increase. K Group's online grocery sales grew by 3.8%. The Norwegian Oda announced in the spring that it would be withdrawing from the Finnish online grocery market. Sales were also strong in Kespro's foodservice business, where the 9.8% growth in net sales once again exceeded the market.

In the building and technical trade division, net sales decreased by 10.8% and totalled €1,148.8 million. The division's comparable operating profit was €72.0 million. Profitability weakened, but still remained at a good level. Profit decreased in both building and home improvement trade and in technical wholesale as construction volumes weakened. Construction activity has clearly decreased in Northern Europe as a result of rising inflation and interest rates, especially in new construction. In technical wholesale, Onninen's sales were at a good level. In Onninen's biggest market – Finland – the operating margin remained at a good level of 8.2%. Our market share has continued to strengthen in our biggest markets Finland and Norway.

New car deliveries increased significantly on the comparison period, which caused the net sales and operating profit for the car trade division to increase. Net sales for the division grew by 24.9% in comparable terms, totalling €337.6 million. Sales grew in all car trade business areas. The division's comparable operating profit was €24.3 million. The order book for new cars remains above normal levels. Sales development was also good in used car sales and services. Weakening demand has seen orders for new cars decrease clearly on the comparison period.

The current operating environment is challenging for companies due to, among other factors, rising inflation and interest rates. Kesko is in good shape to generate profits. We have a good strategy, which focuses on our own strengths. We respond quickly to changes in our operating environment, and have been able to constantly improve our efficiency. Kesko's strong balance sheet enables investments in growth also in this economic cycle.

Kesko's outlook for 2023 is positive. Transformation efforts and strategy execution have improved our ability to produce profit. We are specifying our profit guidance, and now estimate that our comparable operating profit in 2023 will be in the range of €680-760 million.

FINANCIAL PERFORMANCE

NET SALES AND PROFIT APRIL-JUNE 2023

4-6/2023	Net sales, € million	Change, %	Change, comparable, %	Operating profit, comparable, € million	Change, € million
Grocery trade	1,624.0	+4.7	+4.7	118.4	-5.4
Building and home improvement trade	550.7	-23.1	-19.1	33.4	-20.1
Technical wholesale	614.1	+3.8	-5.3	33.9	-13.3
Kesko Senukai	-	-	-	4.6	-1.5
Building and technical trade, total	1,148.8	-10.8	-12.8	72.0	-35.2
Car trade	337.6	+22.1	+24.9	24.3	+9.2
Common functions and eliminations	-5.7	-	-	-7.2	+3.1
Total	3,104.7	-0.1	-0.8	207.6	-28.4

Group net sales in April-June were at the same level as the year before. In comparable terms, net sales decreased by 0.8%. Net sales increased in comparable terms by 2.1% in Finland, and decreased by 12.3% in 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 4.7%. Sales to K Group grocery store chains increased by 3.9%. Net sales for Kespro's foodservice business grew by 9.8% in April-June.

Net sales for the building and technical trade division decreased by 10.8%. In comparable terms, net sales decreased by 12.8%. Net sales for technical wholesale increased by 3.8%. In comparable terms, net sales for technical wholesale were down by 5.3%. Net sales for building and home improvement trade decreased by 19.1% in comparable terms. Net sales for building and home improvement trade decreased in both B2B and B2C trade as the construction market was down on the comparison period.

Net sales for the car trade division increased by 22.1% in April-June, or by 24.9% in comparable terms. Net sales grew in all car trade business areas. New car deliveries increased clearly year-on-year. Net sales for sports trade decreased.

The Group's comparable operating profit in April-June totalled €207.6 million, down by €28.4 million. The comparable operating profit for the grocery trade division decreased by €5.4 million. Profitability in grocery trade was boosted by the strong sales growth in Kespro's foodservice business, but weakened by the impact of heightened price competition and cost increases due to inflation. The comparable operating profit for the building and technical trade division decreased by €35.2 million. The comparable operating profit decreased in all operating countries as a result of a decline in net sales. In addition to the decrease in net sales, profitability in technical wholesale was impacted by Elektroskandia, where profitability was below that of the rest of the business, burdened by a €1.7 million expense recorded for the allocation of fair value of inventories. In Finland, Onninen's profitability stayed at a good level. The share of result from Kesko Senukai had a €1.5 million negative impact on the division's comparable operating profit year-on-year. The comparable operating profit for the car trade division increased by €9.2 million. The comparable operating profit increased in the car trade businesses by €10.4 million thanks to strong net sales growth and transformation and efficiency improvement measures. In sports trade, comparable operating profit decreased. The Group's cost ratio improved year-on-year and was 15.9% (16.1%), impacted by the cost saving measures implemented.

Items affecting comparability, € million	4-6/2023	4-6/2022	1-12/2022
Operating profit, comparable	207.6	236.0	815.1
Items affecting comparability			
+gains on disposal	-	+0.0	+0.0
-losses on disposal	-0.1	-0.0	-0.1
+/-structural arrangements	-1.2	+2.3	+1.6
Items affecting comparability, total	-1.3	+2.3	+1.5
Operating profit	206.3	238.3	816.5

The most significant items affecting comparability were related to the restructuring of operations.

K Group's (Kesko and the chain stores) retail and B2B sales (0% VAT) in April-June totalled €4,212.6 million, representing a decrease of 1.7% compared to the year before.

Net finance costs, income tax and earnings per share

	4-6/2023	4-6/2022	1-12/2022
Net finance costs, € million	-19.4	-12.9	-56.0
Interests on lease liabilities, € million	-18.1	-17.0	-68.4
Profit before tax, comparable, € million	188.9	221.4	763.2
Profit before tax, € million	187.6	223.7	761.1
Income tax, € million	-37.5	-44.2	-151.2
Earnings per share, comparable, €	0.38	0.45	1.54
Earnings per share, €	0.38	0.45	1.53
Equity per share, €	6.20	6.02	6.90

The growth in Group net finance costs in April-June 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 amounted to €0.6 million (€-1.7 million).

The Group's effective tax rate was 20.0% (19.8%).

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

NET SALES AND PROFIT JANUARY-JUNE 2023

1-6/2023	Net sales, € million	Change, %	Change, comparable, %	Operating profit, comparable, € million	Change, € million
Grocery trade	3,119.0	+6.3	+6.3	202.3	-1.8
Building and home improvement trade	1,025.4	-19.9	-16.9	32.5	-41.2
Technical wholesale	1,179.1	+5.9	+0.1	68.7	-15.0
Kesko Senukai	-	-	-	0.8	-4.9
Building and technical trade, total	2,171.8	-7.9	-9.0	102.0	-61.4
Car trade	654.1	+21.6	+23.1	43.8	+13.4
Common functions and eliminations	-12.2	-	-	-14.7	+3.5
Total	5,932.7	+2.0	+1.7	333.5	-46.2

Group net sales increased by 2.0% in January-June. In comparable terms, net sales increased by 1.7%. Net sales increased in comparable terms by 4.5% in Finland, and decreased by 10.0% in 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 6.3%. Sales to K Group grocery store chains grew by 4.2%. Net sales for Kespro's foodservice business grew by 17.9% in January-June. Without Covid-19 restrictions, consumption was relatively more geared towards foodservice than retail than in the comparison period.

In the building and technical trade division, net sales decreased by 7.9%. In comparable terms, net sales decreased by 9.0%. Net sales for technical wholesale increased by 5.9%, and were flat year-on-year in comparable terms. Net sales for building and home improvement trade decreased by 16.9% in comparable terms. Net sales for building and home improvement trade decreased in both B2B and B2C trade as the construction market was down on the comparison period.

In the car trade division, net sales increased by 21.6% in January-June. In comparable terms, net sales increased by 23.1%. Net sales grew in all car trade business areas. Net sales for sports trade decreased.

The Group's comparable operating profit in January-June totalled €333.5 million, down by €46.2 million. The comparable operating profit for the grocery trade division decreased by €1.8 million. Profitability in grocery trade was boosted by the strong sales growth in Kespro's foodservice business, but weakened by the impact of heightened price competition and cost increases due to inflation. The comparable operating profit for the building and technical trade division decreased by €61.4 million. Operating profit decreased in all operating countries as a result of a decline in net sales. In addition to the decrease in net sales, profitability for technical wholesale 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, Onninen's profitability stayed at a good level. The share of result from Kesko Senukai had a €4.9 million negative impact on the division's comparable operating profit year-on-year. The comparable operating profit for the car trade division increased by €13.4 million. The comparable operating profit increased in the car trade businesses by €17.4 million thanks to strong net sales growth and transformation and efficiency improvement measures. In sports trade, comparable operating profit decreased.

Items affecting comparability, € million	1-6/2023	1-6/2022	1-12/2022
Operating profit, comparable	333.5	379.7	815.1
Items affecting comparability			
+gains on disposal	+0.4	+0.0	+0.0
-losses on disposal	-1.0	-0.1	-0.1
+/-structural arrangements	-4.0	+3.3	+1.6
Items affecting comparability, total	-4.6	+3.2	+1.5
Operating profit	328.9	382.9	816.5

The most significant items affecting comparability were related to the restructuring of operations.

K Group's (Kesko and the chain stores) retail and B2B sales (0% VAT) in January-June totalled €7,877.0 million, which was the same level as the year before. During the 12-month period that ended in June 2023, the number of Finnish households belonging to the K-Plussa customer loyalty scheme and using the Plussa network totalled 2.5 million, with 3.3 million K-Plussa card users.

Net finance costs, income tax and earnings per share

	1-6/2023	1-6/2022	1-12/2022
Net finance costs, € million	-38.2	-29.1	-56.0
Interests on lease liabilities, € million	-35.8	-34.2	-68.4
Profit before tax, comparable, € million	296.9	353.0	763.2
Profit before tax, € million	292.3	352.6	761.1
Income tax, € million	-58.4	-69.9	-151.2
Earnings per share, comparable, €	0.60	0.71	1.54
Earnings per share, €	0.59	0.71	1.53
Equity per share, €	6.20	6.02	6.90

The growth in Group net finance costs in January-June was impacted by the increase in interest-bearing net debt and the 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 amounted to €1.6 million (€-1.2 million).

The Group's effective tax rate was 20.0% (19.8%).

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

CASH FLOW AND FINANCIAL POSITION

€ million	4-6/2023	4-6/2022	1-6/2023	1-6/2022	1-12/2022
Cash flow from operating activities	285.2	262.4	312.2	333.5	915.2
Cash flow from investing activities	-124.3	-105.4	-321.5	-172.3	-344.3
Cash flow from financing activities	-38.3	-127.8	14.0	-183.7	-604.7

€ million	30.6.2023	30.6.2022	31.12.2022
Liquid assets	271.0	345.3	314.1
Interest-bearing liabilities	2,903.0	2,504.0	2,418.3
Lease liabilities	2,002.4	1,960.9	1,920.1
Interest-bearing net debt excl. lease liabilities	629.6	197.8	184.1
Interest-bearing net debt/EBITDA, excl. IFRS 16 impact, rolling 12 months	0.7	0.2	0.2
Gearing, %	106.7	90.3	76.7
Equity ratio, %	31.5	31.9	36.9

The Group's cash flow from operating activities totalled €285.2 million (€262.4 million) in April-June. Cash flow was boosted in part by a decrease in inventories in all divisions.

The Group's cash flow from investing activities in April-June totalled €-124.3 million (€-105.4 million).

The Group's cash flow from operating activities in January-June totalled €312.2 million (€333.5 million).

The Group's cash flow from investing activities in January-June totalled €-321.5 million (€-172.3 million). The cash flow from investing activities included a positive item of €48.1 million (€17.6 million) from the redemption of money market funds, included in the Group's liquid assets.

The Group's net debt excluding lease liabilities was increased, in part, by the significant growth in capital expenditure.

CAPITAL EXPENDITURE

€ million	4-6/2023	4-6/2022	1-6/2023	1-6/2022	1-12/2022
Capital expenditure	161.2	124.6	393.0	250.8	449.2
Store sites	74.5	76.5	127.6	156.3	268.1
Acquisitions	1.4	12.6	135.0	32.4	50.1
IT	5.6	11.7	11.0	23.6	41.8
Other capital expenditure	79.7	23.7	119.4	38.5	89.2

Capital expenditure in store sites in April-June was at the same level as the year before. In January-June, capital expenditure in store sites decreased by €28.7 million compared to the year before. 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-June, other capital expenditure included an investment of €49.9 million in the construction of Onninen and K-Auto's shared logistics centre in Hyvinkää, Finland. The total investment in the logistics centre in 2023 is estimated to amount to some €94 million, and construction is estimated to be completed in 2025.

Capital expenditure includes the acquisition of Elektroskandia Norge AS in Norway, completed on 1 March 2023, and the acquisition of Zenitec Sweden AB in Sweden, completed on 5 April 2023. Capital expenditure in the comparison period included the acquisitions of Kungälv's Trävaruaktiebolag in Sweden and Seljord Elektriske AS in Norway.

PERSONNEL

	1-6/2023	1-6/2022	1-12/2022
Average number of personnel converted into full-time employees	14,795	14,539	14,633
Personnel at the end of the reporting period	30.6.2023	30.6.2022	31.12.2022
Finland	13,006	13,192	12,665
Other countries	5,376	5,298	5,176
Total	18,382	18,490	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

April-June 2023

	4-6/2023	4-6/2022	1-12/2022
Net sales, € million	1,624.0	1,551.1	6,124.7
Operating profit, comparable, € million	118.4	123.9	460.4
Operating margin, comparable, %	7.3	8.0	7.5
Return on capital employed, comparable, %, rolling 12 months	18.5	20.7	19.6
Capital expenditure, € million	93.1	72.6	257.6
Personnel, average	6,502	6,516	6,288

Net sales, € million	4-6/2023	4-6/2022	Change, %	Change, comparable, %	1-12/2022
Sales to K Group grocery stores	1,155.6	1,112.5	3.9	3.9	4,367.4
K-Citymarket, non-food	145.8	143.9	1.3	1.3	605.1
Kespro	294.9	268.7	9.8	9.8	1,041.3
Others	27.7	26.0	6.6	6.6	110.8
Total	1,624.0	1,551.1	4.7	4.7	6,124.7

Net sales for the grocery trade division totalled €1,624.0 million (€1,551.1 million) in April-June, up by 4.7%. Sales

to K Group grocery store chains grew by 3.9%. Net sales for Kespro's foodservice business grew by 9.8% in April-June.

The total retail grocery market in Finland (incl. VAT) is estimated to have grown by approximately 7.8% in April-June (Finnish Grocery Trade Association PTY) and retail prices are estimated to have risen by some 10.9% (incl. VAT, Kesko's own estimate). K Group's grocery sales grew by 4.6% (incl. VAT). New store openings by competitors are estimated to continue to impact market shares in 2023, but to a lesser extent than in 2022. Online grocery sales grew by 3.8%, and accounted for approximately 2.9% of K Group's grocery sales (incl. VAT). All K Group grocery store chains offer online grocery services. The number of K Group stores offering online grocery services was 738 at the end of the reporting period, up by 130 year-on-year. The total market for the foodservice business is estimated to have grown by 5.6% in April-June (Finnish Grocery Trade Association PTY). Kespro's market share is estimated to have continued to grow in 2023. Growth was strong in all Kespro customer segments. The market for eating out is estimated to be on a growing trend.

The comparable operating profit for the grocery trade division totalled €118.4 million (€123.9 million) in April-June, down by €5.4 million. Profitability was improved by the strong growth in Kespro's foodservice sales. Operating profit was negatively impacted by heightened price competition and growing costs due to inflation. Operating profit for the grocery trade division totalled €118.4 million (€123.9 million).

Capital expenditure for the grocery trade division in April-June totalled €93.1 million (€72.6 million). Capital expenditure in store sites amounted to €68.1 million (€67.8 million).

January-June 2023

	1-6/2023	1-6/2022	1-12/2022
Net sales, € million	3,119.0	2,933.2	6,124.7
Operating profit, comparable, € million	202.3	204.2	460.4
Operating margin, comparable, %	6.5	7.0	7.5
Return on capital employed, comparable, %, rolling 12 months	18.5	20.7	19.6
Capital expenditure, € million	150.3	155.6	257.6
Personnel, average	6,251	6,294	6,288

Net sales, € million	1-6/2023	1-6/2022	Change, %	Change, comparable, %	1-12/2022
Sales to K Group grocery stores	2,220.1	2,129.8	4.2	4.2	4,367.4
K-Citymarket, non-food	277.2	270.4	2.5	2.5	605.1
Kespro	571.7	484.9	17.9	17.9	1,041.3
Others	50.0	48.0	4.0	4.0	110.8
Total	3,119.0	2,933.2	6.3	6.3	6,124.7

Net sales for the grocery trade division totalled €3,119.0 million (€2,933.2 million) in January-June, up by 6.3%. Sales to K Group grocery store chains grew by 4.2%. Net sales for Kespro's foodservice business grew by 17.9% in January-June. 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 7.5% in January-June (Finnish Grocery Trade Association PTY) and retail prices are estimated to have risen by some 12.8% (incl. VAT, Kesko's own estimate). K Group's grocery sales grew by 3.4% (incl. VAT). New store openings by competitors are estimated to continue to impact market shares in 2023, but to a lesser extent than in 2022. Online grocery sales decreased by 3.9%, and accounted for approximately 3.2% of K Group's grocery sales (incl. VAT). Online grocery sales have risen to a clearly higher level than before the pandemic. All K Group grocery store chains offer online grocery services. The number of K Group stores offering online grocery services was 738 at the end of the reporting period, up by 130 year-on-year. The total market for the foodservice business is estimated to have grown by 13.8% in January-June (Finnish Grocery Trade Association PTY). Kespro's market share is estimated to have continued to grow in 2023. Growth was strong in all Kespro customer segments. The market for eating out is estimated to be on a growing trend.

The comparable operating profit for the grocery trade division totalled €202.3 million (€204.2 million) in January-June, down by €1.8 million. Profitability was improved by the strong growth in Kespro's foodservice sales. Operating profit was negatively impacted by heightened price competition and growing costs due to inflation. Operating profit for the grocery trade division totalled €200.7 million (€205.3 million). Items affecting comparability totalled €-1.6 million (€1.1 million).

Capital expenditure for the grocery trade division in January-June totalled €150.3 million (€155.6 million). Capital expenditure in store sites amounted to €116.5 million (€142.0 million). Capital expenditure in store sites in the comparison period included the property of K-Citymarket Turtola in Tampere, €40.3 million.

BUILDING AND TECHNICAL TRADE

April-June 2023

	4-6/2023	4-6/2022	1-12/2022
Net sales, € million	1,148.8	1,287.8	4,591.1
Building and home improvement trade	550.7	716.0	2,377.2
Technical wholesale	614.1	591.5	2,286.2
Operating profit, comparable, € million	72.0	107.2	323.8
Building and home improvement trade	33.4	53.5	127.5
Technical wholesale	33.9	47.2	173.7
Kesko Senukai	4.6	6.1	20.9
Operating margin, comparable, %	6.3	8.3	7.1
Building and home improvement trade	6.1	7.5	5.4
Technical wholesale	5.5	8.0	7.6
	4-6/2023	4-6/2022	1-12/2022
Return on capital employed, comparable, %, rolling 12 months	14.9	20.0	19.1
Capital expenditure, € million	36.5	26.9	108.2
Personnel, average	6,194	5,904	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 as of 1 April 2023, having previously been part of the building and technical trade division.

Net sales, € million	4-6/2023	4-6/2022	Change, %	Change, comparable, %	1-12/2022
Building and home improvement trade, Finland	272.2	345.0	-21.1	-21.1	1,126.7
K-Rauta, Sweden	50.1	66.3	-24.5	-17.8	189.1
K-Bygg, Sweden	80.1	105.6	-24.2	-22.2	352.8
Byggnakker, Norway	149.1	199.9	-25.4	-14.3	711.4
Building and home improvement trade, total	550.7	716.0	-23.1	-19.1	2,377.2
Technical wholesale, Finland	330.4	349.8	-5.5	-5.5	1,319.0
Technical wholesale, Sweden	37.6	44.4	-15.2	-23.2	147.0
Technical wholesale, Norway	134.9	83.3	+62.0	+3.0	346.5
Technical wholesale, Baltics	32.7	33.9	-3.7	-3.7	130.8
Technical wholesale, Poland	80.5	81.7	-1.5	-3.8	349.2
Technical wholesale, total	614.1	591.5	+3.8	-5.3	2,286.2
Total	1,148.8	1,287.8	-10.8	-12.8	4,591.1

Net sales for the building and technical trade division decreased by 10.8% in April-June. In comparable terms, net sales decreased by 12.8%. Net sales for technical wholesale increased by 3.8%, but decreased by 5.3% in comparable terms. Net sales for building and home improvement trade decreased by 19.1% in comparable terms. Net sales in building and home improvement trade decreased in both B2B and B2C trade as the construction market was down on the comparison period. 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 amounted to €587.3 million (€677.5 million) in April-June, a decrease of 13.3%. In comparable terms, net sales decreased by 13.2% in Finland. Net sales from international operations amounted to €561.5 million (€610.3 million) in April-June, a decrease of 8.0%. In comparable terms, net sales from international operations decreased by 12.3%.

Net sales for technical wholesale increased in Norway and decreased in other operating countries. Net sales for building and home improvement trade decreased in all operating countries.

The comparable operating profit for the building and technical trade division totalled €72.0 million (€107.2 million) in April-June, down by €35.2 million. The comparable operating profit decreased in all operating countries as a result of a decline in net sales. In addition to the decrease in net sales, profitability in technical wholesale was impacted by Elektroskandia, where profitability was below that of the rest of the business, burdened by a €1.7 million expense recorded for the allocation of fair value of inventories. In Finland, Onninen's profitability stayed at a good level. The share of result from Kesko Senukai had a €1.5 million negative impact on the division's comparable operating profit year-on-year.

Operating profit for the building and technical trade division totalled €71.0 million (€109.6 million). Items affecting comparability totalled €-1.0 million (€2.3 million).

Capital expenditure for the building and technical trade division totalled €36.5 million (€26.9 million) in April-June. Capital expenditure included an investment of €34.3 million in the construction of Onninen and K-Auto's shared logistics centre in Hyvinkää, Finland. The total investment in the logistics centre in 2023 is estimated to amount to some €94 million, and construction is estimated to be completed in 2025. Capital expenditure also included the acquisition of Zenitec Sweden AB in Sweden, completed on 5 April 2023. Capital expenditure for the comparison period included the acquisition of Seljord Elektriske AS in Norway.

January-June 2023

	1-6/2023	1-6/2022	1-12/2022
Net sales, € million	2,171.8	2,358.8	4,591.1
Building and home improvement trade	1,025.4	1,280.7	2,377.2
Technical wholesale	1,179.1	1,113.6	2,286.2
Operating profit, comparable, € million	102.0	163.4	323.8
Building and home improvement trade	32.5	73.7	127.5
Technical wholesale	68.7	83.8	173.7
Kesko Senukai	0.8	5.7	20.9
Operating margin, comparable, %	4.7	6.9	7.1
Building and home improvement trade	3.2	5.8	5.4
Technical wholesale	5.8	7.5	7.6
	1-6/2023	1-6/2022	1-12/2022
Return on capital employed, comparable, %, rolling 12 months	14.9	20.0	19.1
Capital expenditure, € million	191.8	52.7	108.2
Personnel, average	6,092	5,809	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 as of 1 April 2023, having previously been part of the building and technical trade division.

Net sales, € million	1-6/2023	1-6/2022	Change, %	Change, comparable, %	1-12/2022
Building and home improvement trade, Finland	523.5	632.2	-17.2	-17.2	1,126.7
K-Rauta, Sweden	79.2	102.4	-22.6	-16.3	189.1
K-Bygg, Sweden	145.7	175.6	-17.0	-19.0	352.8
Bygghandlaren, Norway	278.8	372.0	-25.1	-15.5	711.4
Building and home improvement trade, total	1,025.4	1,280.7	-19.9	-16.9	2,377.2
Technical wholesale, Finland	644.1	637.4	+1.0	+1.0	1,319.0
Technical wholesale, Sweden	71.3	76.6	-6.8	-8.4	147.0
Technical wholesale, Norway	244.6	169.7	+44.1	+7.1	346.5
Technical wholesale, Baltics	61.9	61.1	+1.3	+1.3	130.8
Technical wholesale, Poland	160.5	171.7	-6.5	-6.7	349.2
Technical wholesale, total	1,179.1	1,113.6	+5.9	+0.1	2,286.2
Total	2,171.8	2,358.8	-7.9	-9.0	4,591.1

Net sales for the building and technical trade division decreased by 7.9% in January-June. In comparable terms, net sales decreased by 9.0%. Net sales for technical wholesale increased by 5.9%, and in comparable terms, net sales were flat year-on-year. Net sales for building and home improvement trade decreased by 16.9% in comparable terms. Net sales in building and home improvement trade decreased in both B2B and B2C trade as the construction market was down on the comparison period. 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-June totalled €1,137.4 million (€1,238.6 million), down by 8.2%. In comparable terms, net sales in Finland decreased by 8.1%. Net sales from international operations amounted to €1,034.4 million (€1,120.2 million) in January-June, a decrease of 7.7%. In comparable terms, net sales from international operations decreased by 10.0%.

Net sales for technical wholesale increased in Finland, Norway and the Baltics, and decreased in Sweden and Poland. Net sales for building and home improvement trade decreased in all operating countries.

The comparable operating profit for the building and technical trade division totalled €102.0 million (€163.4 million) in January-June, down by €61.4 million. The division's comparable operating profit decreased in all operating countries as a result of a decline in net sales. In addition to the decrease in net sales, profitability in technical wholesale 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, Onninen's profitability stayed at a good level. The share of result from Kesko Senukai had a €4.9 million negative impact on the division's comparable operating profit year-on-year.

Operating profit for the building and technical trade division totalled €100.3 million (€165.6 million). Items affecting comparability totalled €-1.7 million (€2.2 million).

Capital expenditure for the building and technical trade division totalled €191.8 million (€52.7 million) in January-June. Capital expenditure included an investment of €49.9 million in the construction of Onninen and K-Auto's shared logistics centre in Hyvinkää, Finland. The total investment in the logistics centre in 2023 is estimated to amount to some €94 million, and construction is estimated to be completed in 2025. Capital expenditure also included the acquisition of Elektroskandia Norge AS in Norway, completed on 1 March 2023, and the acquisition of Zenitec Sweden AB in Sweden, completed on 5 April 2023. Capital expenditure for the comparison period included the acquisitions of Kungälv's Trävaruaktiebolag in Sweden and Seljord Elektriske AS in Norway.

CAR TRADE

April-June 2023

	4-6/2023	4-6/2022	1-12/2022
Net sales, € million	337.6	276.6	1,124.8
Car trade	301.3	229.1	910.9
Sports trade	36.3	47.5	214.0
Operating profit, comparable, € million	24.3	15.1	64.3
Car trade	23.2	12.9	48.4
Sports trade	1.1	2.2	16.0
Operating margin, comparable, %	7.2	5.5	5.7
Car trade	7.7	5.6	5.3
Sports trade	3.0	4.7	7.5
	4-6/2023	4-6/2022	1-12/2022
Return on capital employed, comparable, %, rolling 12 months	15.8	16.7	14.7
Capital expenditure, € million	26.0	13.6	45.1
Personnel, average	1,539	1,520	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 as of 1 April 2023, having previously been part of the building and technical trade division.

Net sales, € million	4-6/2023	4-6/2022	Change, %	Change, comparable, %	1-12/2022
Car trade	301.3	229.1	+31.5	+35.1	910.9
Sports trade	36.3	47.5	-23.5	-23.5	214.0
Total	337.6	276.6	+22.1	+24.9	1,124.8

Net sales for the car trade division increased by 22.1% in April-June. In comparable terms, net sales increased by 24.9%. Net sales grew in all car trade business areas. New car deliveries increased clearly year-on-year. Net sales for sports trade decreased by 23.5%.

The combined market performance of first registrations of passenger cars and vans was +20.3% in April-June. 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 16.9 (14.7%) in April-June.

The comparable operating profit for the car trade division in April-June totalled €24.3 million (€15.1 million). The comparable operating profit increased in car trade businesses by €10.4 million thanks to strong net sales growth and transformation and efficiency improvement measures. In sports trade, comparable operating profit decreased.

Operating profit for the car trade division in April-June totalled €24.3 million (€15.1 million). Items affecting comparability totalled €-0.1 million.

Capital expenditure for the car trade division in April-June totalled €26.0 million (€13.6 million).

January-June 2023

	1-6/2023	1-6/2022	1-12/2022
Net sales, € million	654.1	537.7	1,124.8
Car trade	566.1	437.3	910.9
Sports trade	88.0	100.5	214.0
Operating profit, comparable, € million	43.8	30.4	64.3
Car trade	40.2	22.8	48.4
Sports trade	3.6	7.6	16.0
Operating margin, comparable, %	6.7	5.7	5.7
Car trade	7.1	5.2	5.3
Sports trade	4.1	7.5	7.5
	1-6/2023	1-6/2022	1-12/2022
Return on capital employed, comparable, %, rolling 12 months	15.8	16.7	14.7
Capital expenditure, € million	40.0	22.1	45.1
Personnel, average	1,538	1,479	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 as of 1 April 2023, having previously been part of the building and technical trade division.

	1-6/2023	1-6/2022	Change, %	Change, comparable, %	1-12/2022
Net sales, € million					
Car trade	566.1	437.3	+29.5	+31.3	910.9
Sports trade	88.0	100.5	-12.4	-12.4	214.0
Total	654.1	537.7	+21.6	+23.1	1,124.8

Net sales for the car trade division increased by 21.6% in January-June. In comparable terms, net sales increased by 23.1%. Net sales grew in all car trade business areas. Net sales for sports trade decreased by 12.4%.

The combined market performance of first registrations of passenger cars and vans was +7.7% in January-June. 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 16.2% (13.6%) in January-June.

The comparable operating profit for the car trade division in January-June totalled €43.8 million (€30.4 million). The comparable operating profit increased in car trade businesses by €17.4 million thanks to strong net sales growth and transformation and efficiency improvement measures. In sports trade, comparable operating profit decreased.

Operating profit for the car trade division in January-June totalled €43.9 million (€30.4 million). Items affecting comparability totalled €0.1 million.

Capital expenditure for the car trade division in January-June amounted to €40.0 million (€22.1 million).

CHANGES IN GROUP COMPOSITION

Kesko's subsidiary Onninen acquired the Norwegian technical wholesale 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.

SHARES, SECURITIES MARKET AND BOARD AUTHORISATIONS

At the end of June 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 30 June 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 them. At the end of June 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 €17.42 at the end of June 2023, representing a decrease of 14.4%. Meanwhile, the price of a B share was €20.62 at the end of 2022, and €17.25 at the end of June 2023, representing a decrease of 16.3%. In January-June 2023, the highest price for an A share was €21.95 and the lowest €16.78. The highest price for a B share was €22.20 and the lowest €16.68. The Nasdaq Helsinki All-Share index (OMX Helsinki) was down by 7.9% and the weighted OMX Helsinki Cap index by 6.0% in January-June 2023. The Retail Sector Index was up by 12.2%.

The market capitalisation of the A shares was €2,211 million at the end of June 2023, while the market capitalisation of the B shares was €4,672 million, excluding the shares held by the parent company. The combined market capitalisation of the A and B shares was €6,883 million, down by €1,278 million from the end of 2022.

In January-June, a total of 3.0 million A shares were traded on Nasdaq Helsinki. The exchange value of the A shares was €59.1 million. Meanwhile, 77.6 million B shares were traded, with an exchange value of €1,517 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 June 2023, the number of registered shareholders was 93,415, the highest figure in the company's history. At the end of June, foreign ownership of all shares was 35.76%, and foreign ownership of B shares 51.53%.

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-June 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, Kesko 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-JUNE 2023

Kesko announced on 30 January 2023 that it would acquire the Norwegian technical wholesale company Elektroskandia Norge AS from Rexel Group. The acquisition strengthens Onninen's position in technical wholesale 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 euros 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)

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. The dividend will be 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 is 12 September 2023 and the pay date 19 September 2023. The record date of the fourth dividend instalment is 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 change or otherwise so require. The remaining distributable assets will remain in equity.

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