



KESKO INVESTOR EVENT 2024

UPDATED GROWTH STRATEGY ENSURING SUCCESS IN A CHALLENGING MARKET ENVIRONMENT

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President and CEO
4 June 2024

K GROUP TODAY

**3 DIVISIONS:
GROCERY TRADE
BUILDING AND TECHNICAL
TRADE
CAR TRADE**

**45,000 EMPLOYEES,
1,800 STORES AND
1,100 RETAILERS
8 OPERATING COUNTRIES**

**MARKET CAP
~ €6.8 BN
~112,000 SHAREHOLDERS**

**RETAIL AND B2B SALES
~ €16 BILLION**

**2 MILLION DAILY
CUSTOMER ENCOUNTERS**

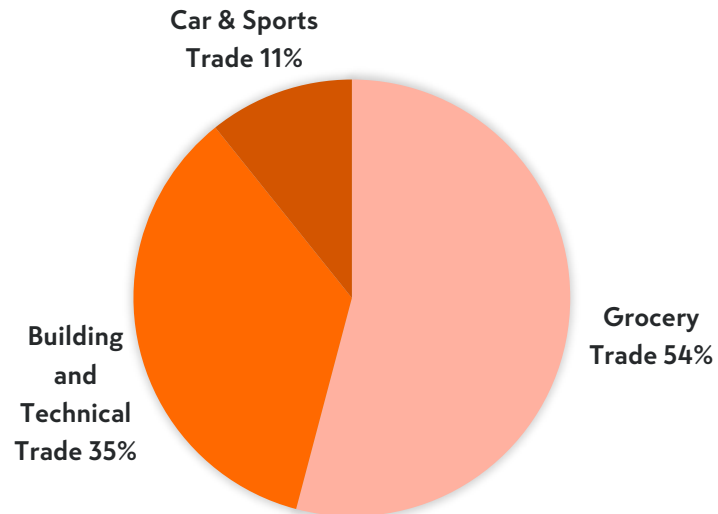


KESKO KEY FIGURES

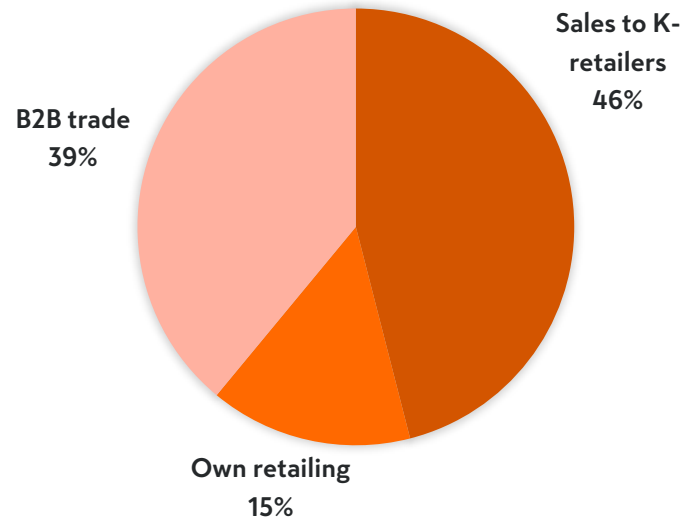
	2023	2022
Net sales, € million	11,784	11,809
Operating profit*, € million	712	815
Operating margin*	6.0%	6.9%
Capex, € million	679	449
Cash flow from operating activities, € million	1,049.5	915.2

*) Comparable

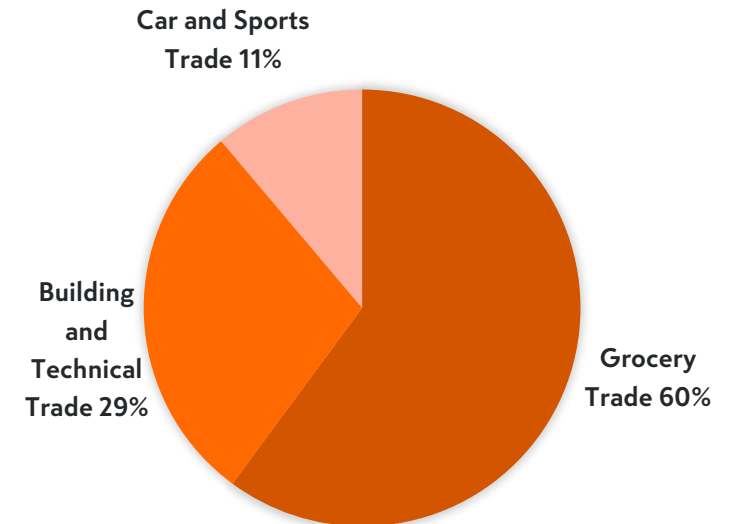
KESKO NET SALES €11,784 MILLION



KESKO NET SALES €11,784 MILLION



KESKO OPERATING PROFIT €712 MILLION



HIGHLIGHTS OF THE STRATEGY

GUIDING PRINCIPLES OF THE UPDATED STRATEGY

- # Kesko has a good, effective strategy, with no need for major changes in 2024-2026
- # No changes to be made to the current business portfolio, good growth potential remains in all three chosen business divisions
- # In the strategy review process, focus was on crystallising competitive advantages for the businesses, with special focus on the customer perspective
- # Due to the uncertainties in Kesko's operating environment, the strategy period is shorter this time around, extending from 2024 to 2026

OPERATING ENVIRONMENT AND MEGATRENDS AFFECTING KESKO



INTEREST RATES & INFLATION

- Weak consumer and business confidence
- Higher cost of capital
- Lower construction activity
- Price driven consumer behaviour

URBANISATION

- Migration to growth centres
- Substantial infra and building debt
- Drives K Group's store site network development

CLIMATE CHANGE & GREEN TRANSITION

- Energy efficiency and energy infrastructure investments
- Electric vehicle transition is expected to accelerate
- Increasing sustainability regulation

DEMOGRAPHIC CHANGES

- Aging population – increasing role of senior citizen customers
- Smaller households
- Immigration and availability of employees

EFFORTLESSNESS

- Convenience emphasised in consumption habits – ready meals, eating in restaurants, express deliveries
- Increased individuality

DIGITALISATION & AI

- Increasing need for high-class digital services
- Fully utilising the AI potential – improving process efficiency, more personalised customer experience

KESKO'S GROWTH STRATEGY

THE LEADING AND MOST ATTRACTIVE TRADING SECTOR GROWTH COMPANY IN NORTHERN EUROPE

VISION

STRATEGIC TARGETS

DELIVERING
PROFITABLE GROWTH

STRENGTHENING
MARKET POSITION

BUILDING A FOCUSED
B2C AND B2B
BUSINESS PORTFOLIO

INCREASING
CUSTOMER VALUE

COMPETITIVE ADVANTAGES

OPERATIONAL
EXCELLENCE

OMNICHANNEL
CUSTOMER EXPERIENCE

K-RETAILERS &
COMMERCIAL SPIRIT

FORERUNNER IN
SUSTAINABILITY

TRUSTED
K BRAND

BUSINESSES



GROCERY TRADE



BUILDING AND TECHNICAL
TRADE



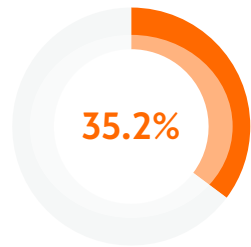
CAR TRADE

PURPOSE

TOWARDS BETTER TRADE EVERY DAY - CUSTOMER AND QUALITY IN EVERYTHING WE DO



GROCERY TRADE DIVISION IN BRIEF



**MARKET
SHARE IN
2023 (PTY)**



1,200 stores
More than 700 K Group
grocery stores offer online
services



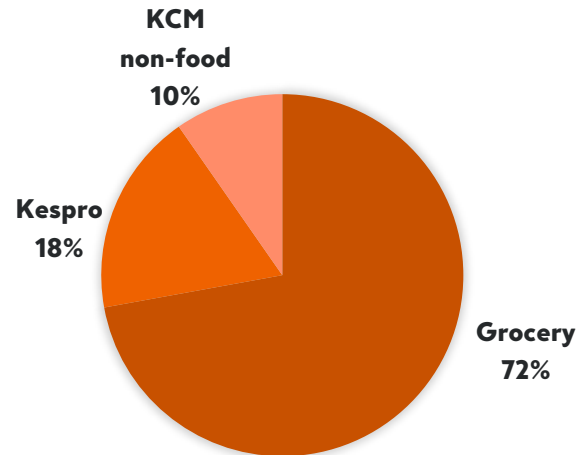
6,300
employees
900
K-retailers

KESPRO

The leading foodservice
provider in Finland

47.9% market share

NET SALES



	2023	2022	2021
Net sales, € million	6,352	6,125	5,909
Operating profit*, € million	444.8	460.4	442.9
Operating margin*	7.0%	7.5%	7.5%
Capital expenditure, € million	304	258	123
Cash flow from operating activities, € million	494.2	436.8	493.4

* Comparable



GROCERY TRADE: AIM TO GAIN MARKET SHARE IN GROCERY TRADE

KEY ACTIONS:

- **STRENGTHENING STORE-SPECIFIC BUSINESS IDEAS:** Focusing on strengthening chosen competitive advantages and raising the quality level of stores.
- **DEVELOPING STORE SITE NETWORK:** Targeted investments in the store site network focusing on growth centres.
- **IMPROVING PRICE COMPETITIVENESS:** Strengthening price competitiveness and improving price image.
- **CONTINUING GOOD DEVELOPMENT IN KESPRO:** Further strengthening Kespro's market-leading position.

STORE SITE AND PRICE INVESTMENTS WILL HAVE A SLIGHT IMPACT ON GROCERY TRADE PROFITABILITY IN UPCOMING YEARS

HOWEVER, EBIT DEVELOPMENT WILL BE STABLE AND PROFITABILITY CLEARLY ABOVE 6% DESPITE INVESTMENTS DURING THE STRATEGY PERIOD

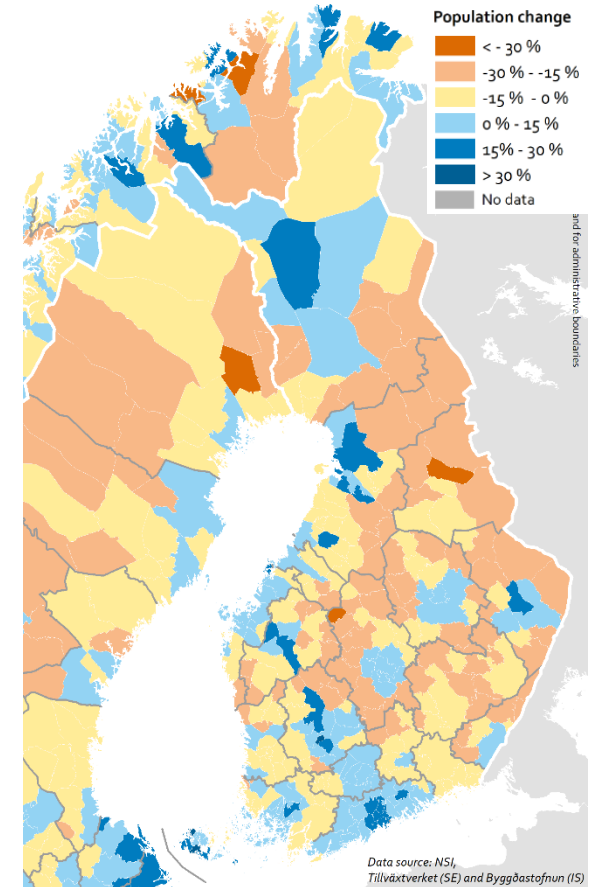


GROCERY TRADE STORE SITE INVESTMENT FOCUS ON GROWTH CENTRES

Emphasising hypermarkets and other larger units

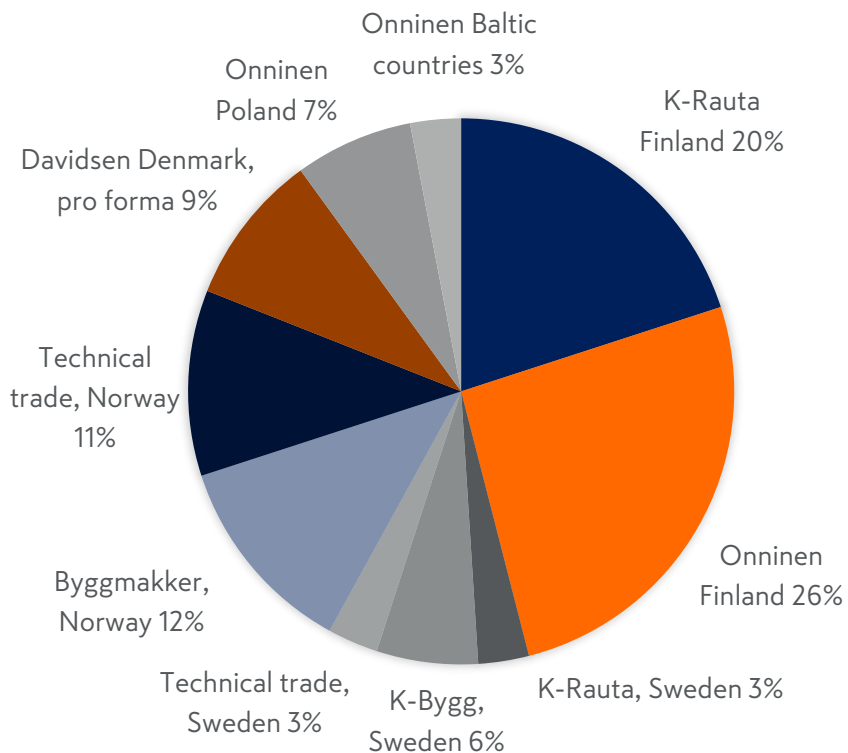
- **Urbanisation is expected to accelerate in Finland**
- **Long-term store site investment programme to ensure Kesko's competitiveness and market share development**
- **In upcoming years, annual investment: €200 – 250 million per year**
- **Key objectives:**
 - To focus store site network in growth areas and larger units
 - To open new hypermarkets especially in the Helsinki Metropolitan Area
 - To improve customer experience, sales efficiency and the profitability of the stores
 - To improve the online shopping experience
- ➔ By the end of the decade, the store site network will be updated, in the right locations and meets upcoming legislative requirements related to energy efficiency and greenhouse gases

Population projection 2017-2040* Nordregio

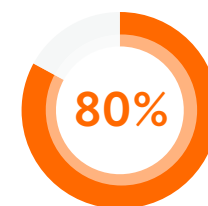


BUILDING AND TECHNICAL TRADE IN BRIEF

NET SALES



Leading operator in building and technical trade in Northern Europe



B2B trade accounts for more than 80% of sales

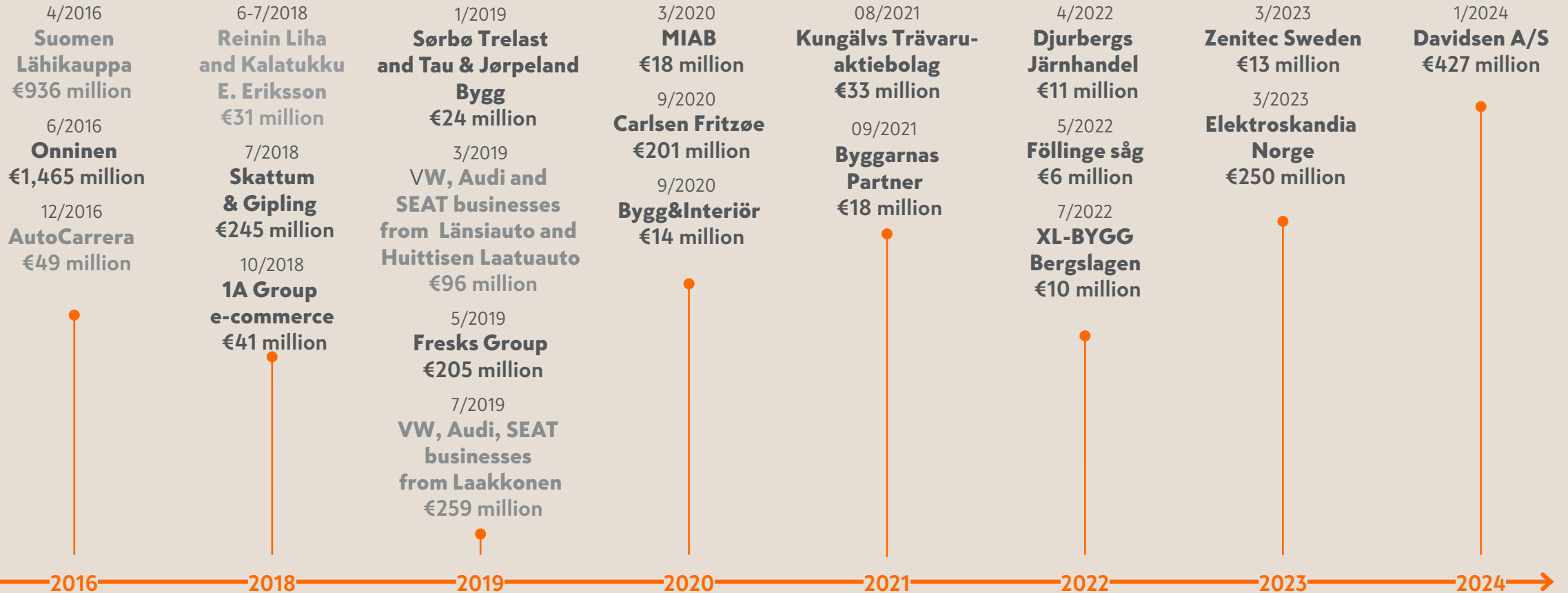
Customer segments: technical professionals, professional builders and consumers
Number of employees: approx. 6,100

	2023	2022	2021
Net sales, € million	4,193	4,591	4,172
Operating profit*, € million	212.5	323.8	296.1
Operating margin*	5.1%	7.1%	7.1%
Capital expenditure, € million	273.0	108.2	42.8
Cash flow from operating activities, € million	176.6	215.6	260.4

* Comparable

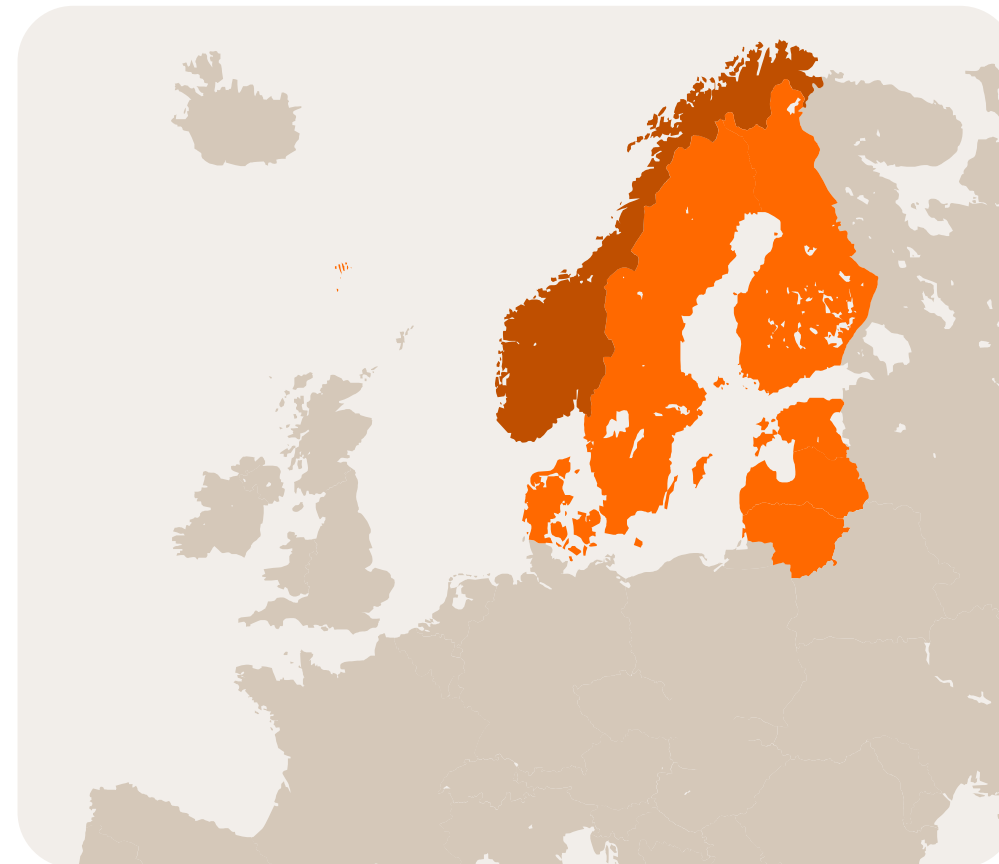


ACQUISITIONS HAVE PLAYED A SIGNIFICANT ROLE IN INTERNATIONAL GROWTH



ELEKTROSKANDIA STRENGTHENED ONNINEN'S POSITION IN TECHNICAL TRADE IN NORWAY

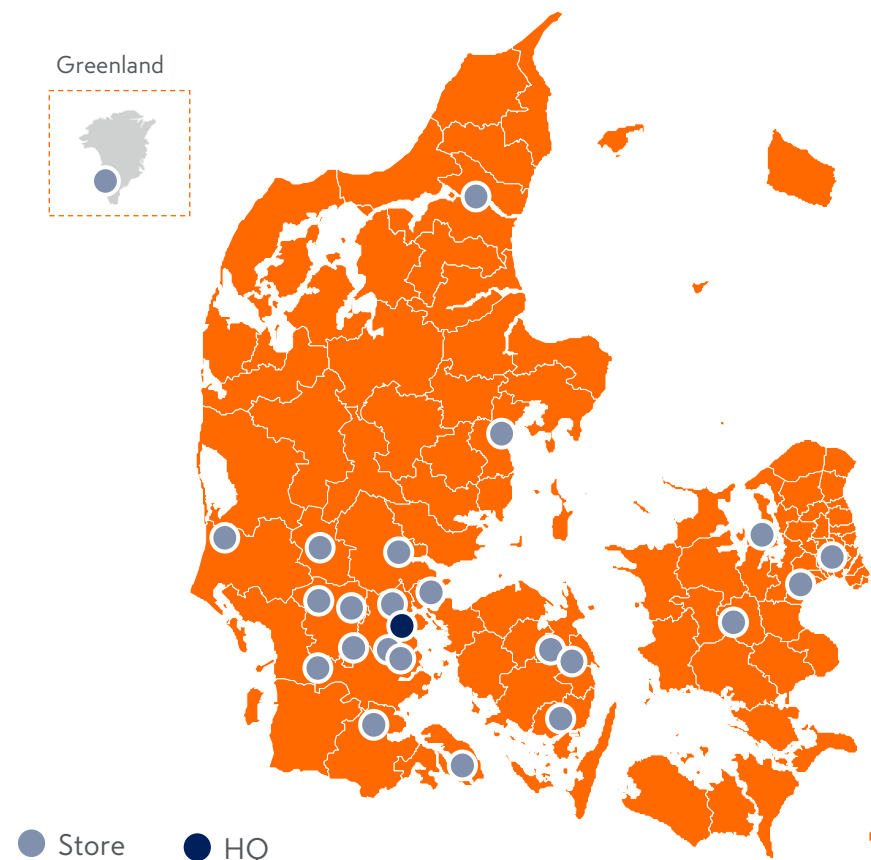
- Kesko acquired Elektroskandia Norge in March 2023
- One of the most significant distributors of electricals in Norway, net sales of some €250 million (2022)
- The deal made Onninen the market leader in electrical wholesale in Norway, with a market share of over 40%
- Green transition and technical requirements support demand for electrical products
- Integration now completed and full synergy potential starting to materialise



EXPANDING OPERATIONS TO DENMARK AND ACQUIRING DAVIDSEN

- Kesko acquired 90% of the previously family-owned Davidsen Koncernen A/S, enterprise value approx. €190 million
- Davidsen is one of the biggest building and home improvement trade operators in Denmark, with focus on B2B customers. In 2023, net sales of €427 million
- Market share some 9% in all of Denmark, 30% in Southern Denmark
- Plenty of potential for further consolidation on the Danish market, good opportunities for growth both organically and via acquisitions
- Davidsen part of Kesko since 1 Feb. 2024, has developed well according to plans

DAVIDSEN STORE NETWORK



BUILDING AND TECHNICAL TRADE: FOCUSING ON SECURING PROFITABILITY AND GENERATING CASH FLOW

KEY ACTIONS:

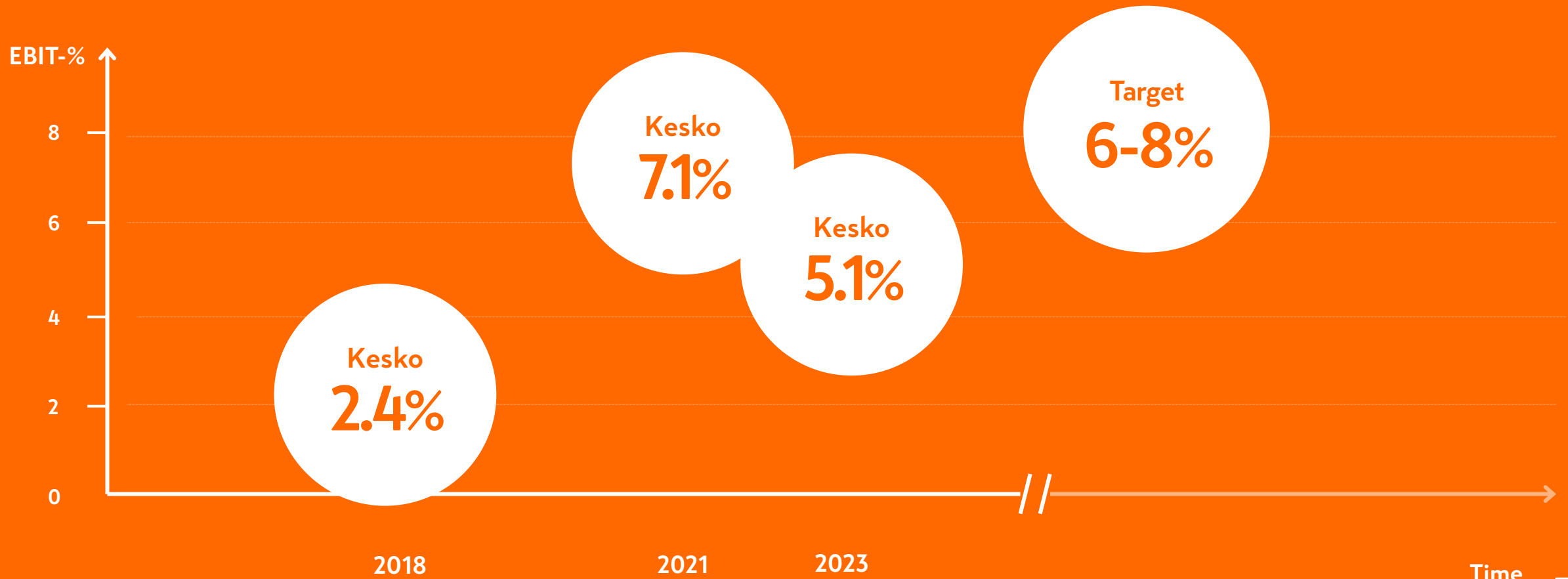
- **FINLAND:** Continuing growth and winning market share.
- **SWEDEN AND NORWAY:** Stabilising and improving business performance. Integration of acquired companies.
- **DENMARK:** Finalising the integration of Davidsen and improving performance through growth.
- **GROWTH THROUGH ACQUISITIONS:** M&A to boost profitable growth in Northern Europe.

**THE LONG-TERM STRATEGIC TARGET OF A
6-8 % EBIT MARGIN IS STILL VALID.**





BUILDING AND TECHNICAL TRADE LONG-TERM EBIT-% TARGET INTACT



Time



CAR TRADE IN BRIEF



K-Auto is the leading and most interesting automotive company in Finland



Importing and sales of attractive and high-quality new cars



Significant multi-brand used car sales in Finland

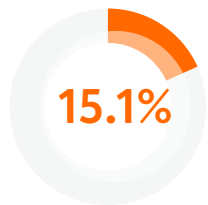


Comprehensive offering of car maintenance and repair services including a nationwide K-Lataus EV charging network.

Number of employees: approx. 1,500

	2023	2022	2021
Net sales, € million	1,079	911	1,028
Operating profit*, € million	73	48	52
Operating margin*	6.8%	5.3%	5.1%
Capital expenditure**, € million	80	45	71
Cash flow from operating activities, € million	65	18	117

*) Comparable **) Gross capex i.e. increases



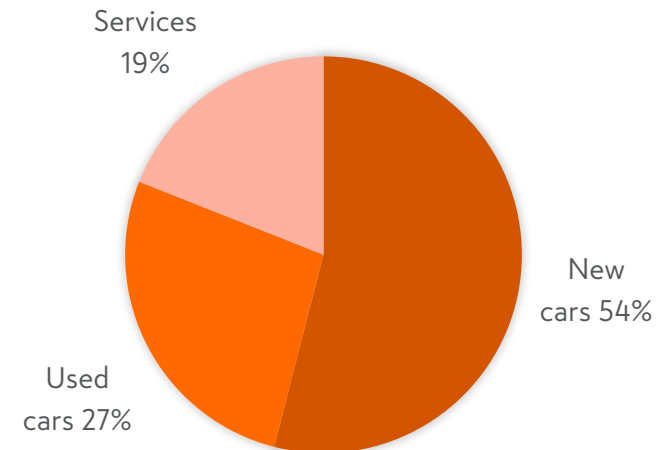
Market share in new cars in 2023 (incl. passenger cars and vans)



One unified brand for over one million customers



CAR TRADE NET SALES €1,079 million



Excluding sports trade



CAR TRADE: FOCUSING ON PERFORMING BETTER THAN THE MARKET IN ALL BUSINESSES

KEY ACTIONS:

- **CONTINUING WITH GROWTH STRATEGY:** Major turnaround and continuous development establish a robust foundation for the next strategy period.
- **MAINTAINING THE BALANCED BUSINESS PORTFOLIO:** New cars, used cars and services.
- **COOPERATION WITH THE VOLKSWAGEN GROUP:** Continuing the good cooperation with the Volkswagen Group and Porsche AG.
- **SPORTS TRADE:** Continue as a strong market leader in sports trade.

SOLID EBIT DEVELOPMENT

#1 IN BRAND AWARENESS AND PREFERENCE



KESKO'S MEDIUM-TERM FINANCIAL TARGETS REMAIN

	TARGET	2023
OPERATING MARGIN, COMPARABLE	OVER 6%	6.0%
RETURN ON CAPITAL EMPLOYED, COMPARABLE, %	OVER 14.5%	13.4%
INTEREST-BEARING NET DEBT/EBITDA, EXCLUDING IFRS 16 IMPACT	AT MAXIMUM 2.5	0.7

SUSTAINABILITY IS INTEGRATED INTO OUR BUSINESS



SUSTAINABILITY STRATEGY

VISION

We enable sustainable choices for our customers and drive change throughout the value chain

FOCUS AREAS

Climate and nature
Value chain
People
Good governance

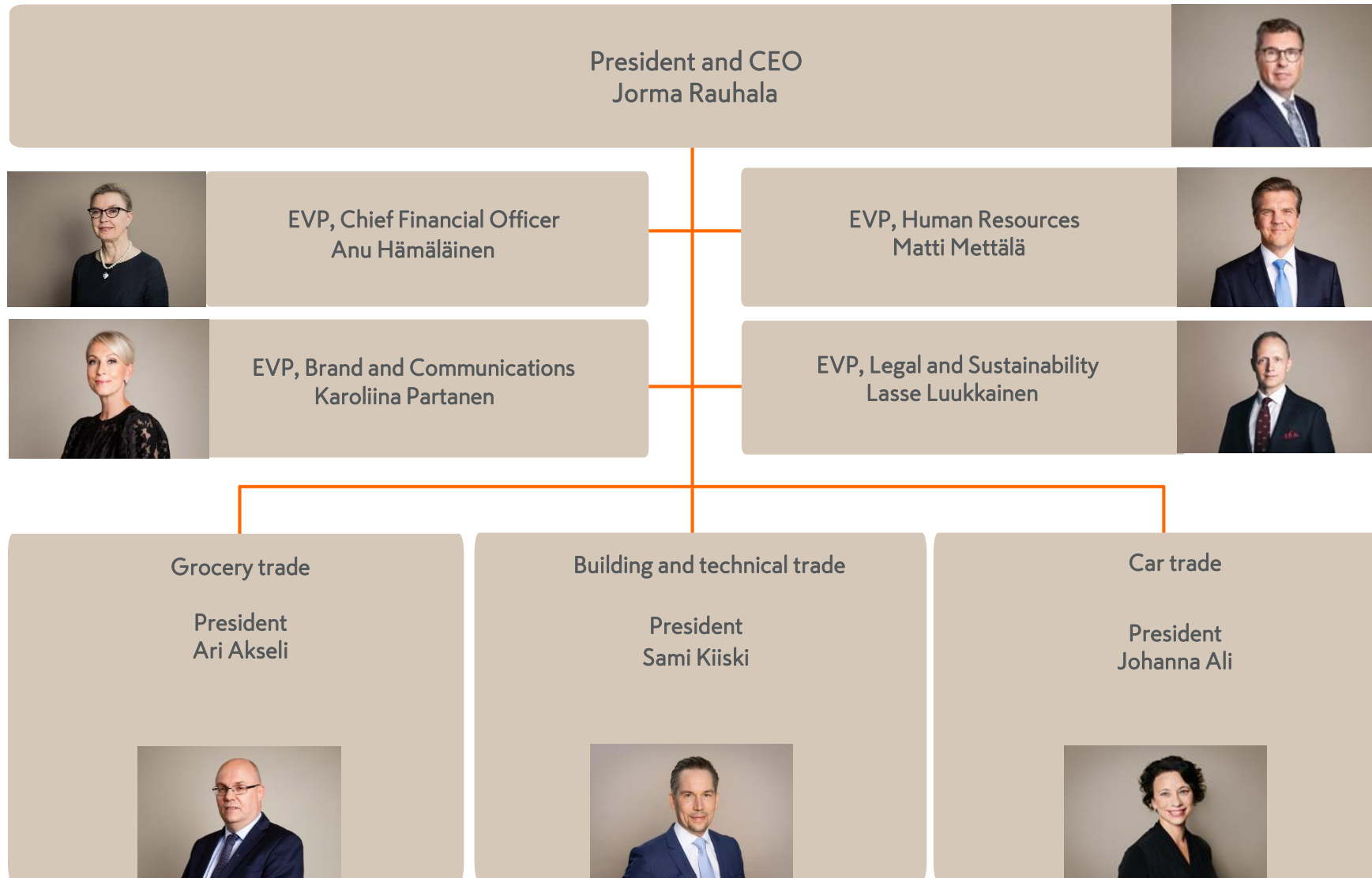
EXECUTION BY THE BUSINESS DIVISIONS

Grocery trade
Building and technical trade
Car trade

PROGRESS MEASURED USING INDICES AND ASSESSMENTS

Dow Jones Sustainability Indices, MSCI ESG,
Sustainalytics, and CDP

KESKO GROUP MANAGEMENT BOARD



KESKO STRATEGY SUMMARY 2024-2026

Our business portfolio is set to remain stable, with focus on the three core divisions. The focus is on maintaining and further developing current businesses.

Targeting growth and profitability improvement as outlook strengthens in construction in 2025-2026.

In grocery trade, focusing on maintaining profitability and gaining market share. Raising the level of store-specific business ideas, developing the store site network, and improving price competitiveness as main focus areas. Further strengthening Kespro's market-leading position.

In building and technical trade, focusing on securing profitability and generating cash flow. Finland continues winning over market share, Sweden and Norway will focus on integrating past acquisitions and driving profitability. Organic and M&A growth in Denmark.

In car trade, continuing with growth strategy in new cars, used cars and services. Outperforming the market in all businesses.

Highlighting the importance of people and culture.

Balance sheet moderately leveraged.

