



Below is a summary of the Q&A session with President and CEO Mikko Helander on 29 October 2021 at Kesko's media and analyst briefing for the Q3/2021 interim report

Kesko has posted record results quarter after quarter – is there a limit to growth?

President and CEO Mikko Helander:

- There is plenty of further potential in all divisions, and Kesko is in a good position to utilise that potential
- Our strategies are working and we have a strong track record in their successful execution

Do you see any risks or uncertainties related to Kesko's operating environment?

President and CEO Mikko Helander:

- The biggest uncertainties at the moment are related to the pandemic: despite vaccinations, we do not know when the pandemic will be over and what "new normal" will look like

What is your view of cost inflation (raw materials, transport, energy)? Will cost inflation squeeze Kesko's margins?

President and CEO Mikko Helander:

- We have witnessed cost inflation in many businesses, but have been able to transfer the costs to customer prices very quickly

What does the M&A market look like at the moment?

President and CEO Mikko Helander:

- Our main focus there is on the consolidating building and technical trade market
- There are good potential acquisition targets. Competition over such companies is tight, but we consider it a benefit that we are one of the few industrial players who can make major moves on the market – in many cases we compete with private equity investors

Is it possible for Kesko to initiate buybacks of its own shares?

President and CEO Mikko Helander:

- That is a decision for the Board, it is possible, but there are no plans at the moment

Grocery trade:

What is Kesko's strategy when it comes to tightening competition in grocery trade?

President and CEO Mikko Helander:

- Competition in grocery trade has been tight for years, it's nothing new
- We have chosen a strategy that is distinctly different from other players in Finnish grocery trade, and it is working
- The better we are able to differentiate ourselves from competitors, the better we expect to succeed also going forward – figures back this up



- In online grocery, there are constantly new players entering the market and competition is tight – however, figures show we are also developing strongly in this area

When will you announce additional MFC investments? How many K-Citymarket hyperstores will have an on-site Micro-Fulfilment Centre?

President and CEO Mikko Helander:

- We have plans for growing online sales not only in K-Citymarkets but also the smaller K-Supermarket and K-Market stores. We consider the MFC option interesting for our hypermarkets, as it will make collection significantly more efficient. If the option proves successful in our pilot in Ruoholahti, Helsinki, we will be able to quickly expand the model to other stores in the Helsinki region and elsewhere.

Grocery trade division President Ari Akseli:

- In online grocery, the best model is to combine online and physical stores
- Our strategies for seeking further growth vary depending on the store chain: fast shopping and fast deliveries and click&collect for K-Markets and K-Supermarkets. In K-Citymarkets, volumes have risen to a level where it makes sense to pilot the MFC model and assess its suitability.

Building and technical trade

**How much of the net sales growth in building and technical trade is driven by the rise in prices?
Are there signs that prices would be normalising?**

President and CEO Mikko Helander:

- At the moment, the peak in prices seems set to turn, it remains to be seen how prices will develop

Building and technical trade division President Jorma Rauhala:

- In terms of market, 2020 and 2021 have been exceptional years – last year there was a consumer renovation boom, this year has been B2B driven. BC2 volumes have stopped growing, but have not plummeted. There is significant maintenance backlog in all countries, while working from home means more home renovations. The green transition is also a very significant factor for construction.
- Prices have been rising over the year. In Q3 and especially Q4, prices have taken a downturn in some categories, such as wood, but in some product categories we expect prices to rise further.
- Availability issues suggest we are unlikely to witness any price crash, demand remains high globally

Going forward, do you expect growth in building and technical trade to come primarily from B2B trade?

President and CEO Mikko Helander:

- Yes: building and renovation are becoming increasingly technical and for some time it has been a trend in Northern and Western Europe that building and renovation is increasingly outsourced to professionals – our strategy acknowledges this trend and it is one of the key reasons behind the division's success



Car trade:

Could elaborate on the Q3 exceptional items with a positive profit impact?

President and CEO Mikko Helander:

- The profit for Q3 contained a few million in operational one-off items, nothing dramatic