



KESKO ROAD SHOW PRESENTATION

SUCCESSFUL STRATEGY EXECUTION DRIVING GROWTH

March 2023

K GROUP AND KESKO TODAY

#1

Leading trading sector company in Northern Europe with retail sales of over €15bn



Profitable growth strategy in 3 core divisions



~45 000 employees, 1,800 stores and comprehensive digital services in 8 countries



Strong financial position with good dividend capacity



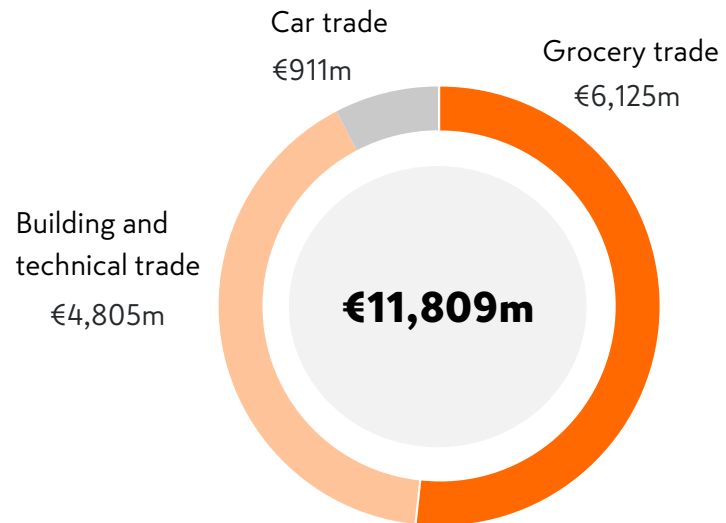
Market cap nearly €8bn with over 87,000 shareholders



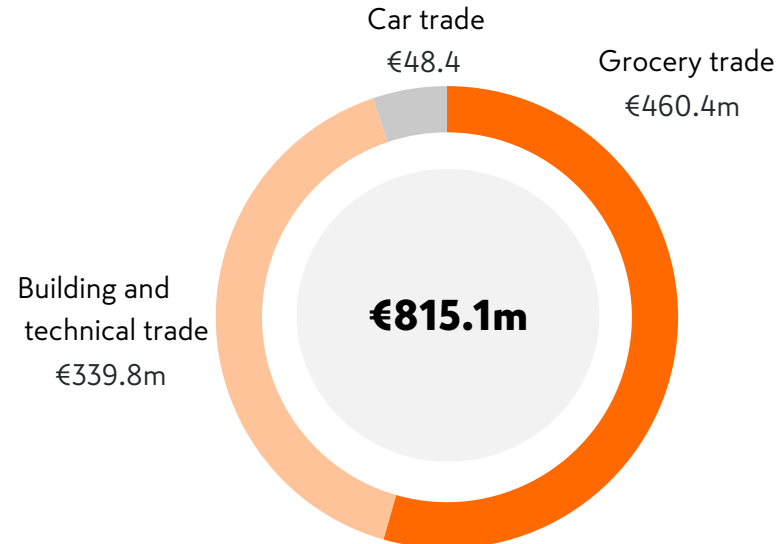
Sustainability at the core of the strategy

KESKO IN A NUTSHELL

NET SALES



OPERATING PROFIT



BUSINESS OPERATIONS FOCUSED IN THREE DIVISIONS



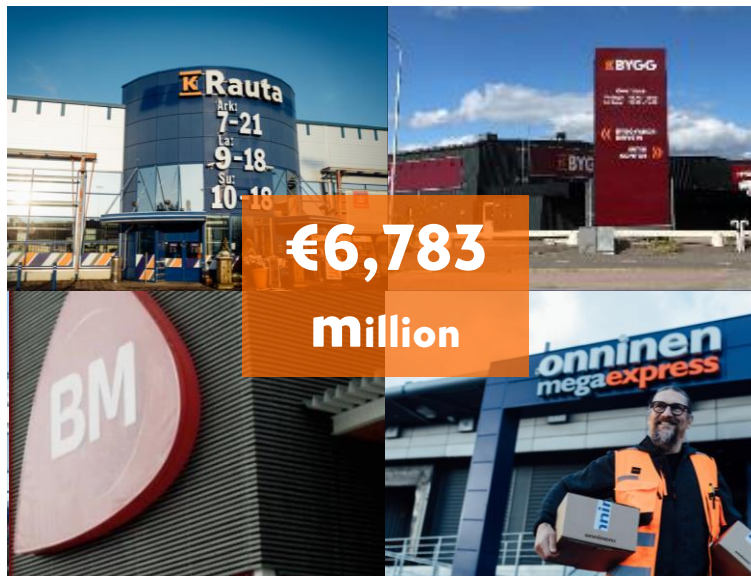
GROCERY TRADE

~1,200 stores in Finland, of which more than 500 offer on-line services

K-retailers guarantee quality

#2 in Finnish retail, market share ~36%

#1 on the Finnish foodservice market ~44%



BUILDING AND TECHNICAL TRADE

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

~470 stores in total in 8 countries

#1 in Northern Europe

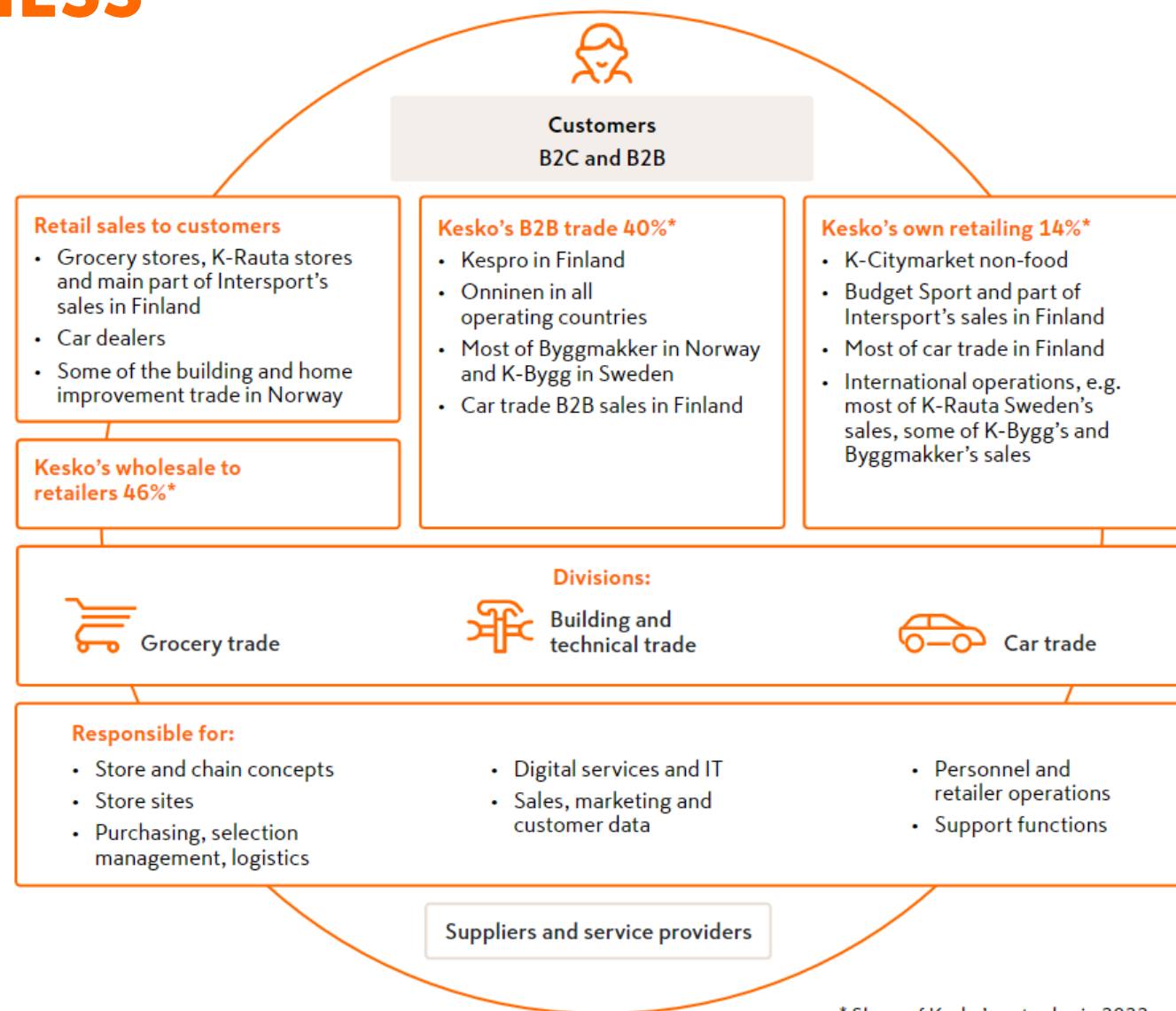


CAR TRADE

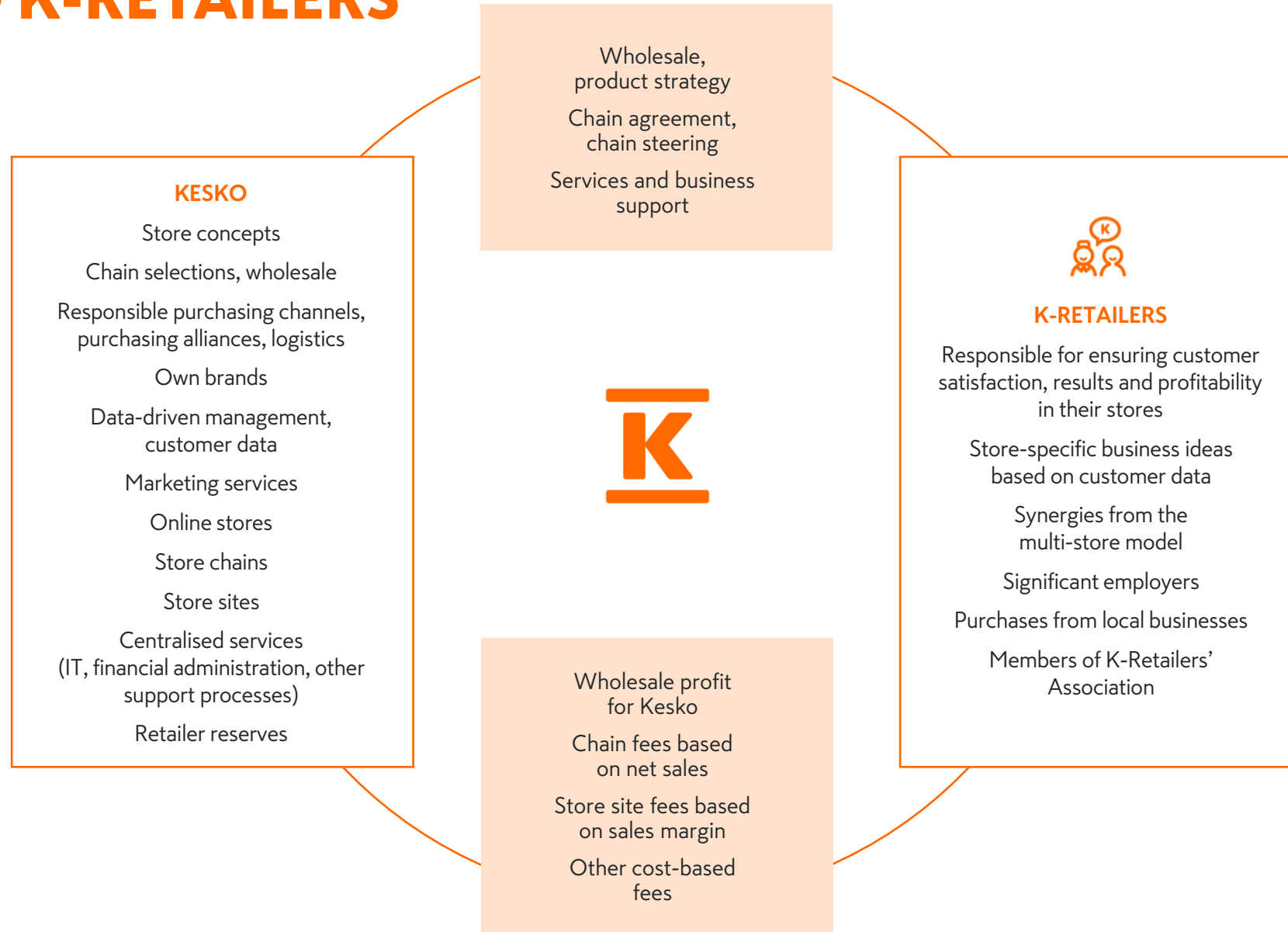
Volkswagen, Audi, SEAT, Porsche,
Bentley, and MAN trucks
Used car sales and services

#1 in Finland

KESKO'S BUSINESS MODEL



KESKO AND K-RETAILERS



SUCCESSFUL STRATEGY

GROWTH STRATEGY

FOCUS:



GROCERY TRADE



BUILDING AND
TECHNICAL TRADE



CAR TRADE

ONE UNIFIED



CUSTOMER EXPERIENCE

DIGITALISATION

SUSTAINABILITY

TRANSFORMATION FROM A TRADITIONAL RETAILING COMPANY INTO A FOCUSED K GROUP

KESKO

K CITYMARKET

K SUPERMARKET

KESPRO

K MARKET

K EXTRA

K-RAUTA

RAUTIA

K-MAATALOUS

KODINYKKÖNEN **1**

ASKO



ANTILA

muuli



**MUSTA
PÖRSSI**

KONEKESKO

K PYOKA



VV-AUTO

K-PAYTA



K CITYMARKET

K Supermarket

K Market

KESPRO

K Rauta

onninen **K**

K BYGG



K Auto

K Plussa
●●●●●



OUR SUCCESS IS NOT A COINCIDENCE

The right strategic choices and their successful execution



FOCUSING ON THREE CORE BUSINESSES



MASSIVE DIVESTMENTS OF NON-CORE BUSINESSES, INCLUDING RUSSIAN OPERATIONS



TRANSFORMING BUILDING MATERIALS TRADE TO BE B2B-DRIVEN



EXPANSION TO TECHNICAL TRADE BY ACQUIRING ONNINEN



MARKET LEADERSHIP IN NEIGHBOURHOOD STORES THROUGH THE SUOMEN LÄHIKAUPPA ACQUISITION



DIGITAL FORERUNNER IN THE EUROPEAN RETAIL INDUSTRY



STRONG GROWTH IN BUILDING AND TECHNICAL TRADE IN NORTHERN EUROPE

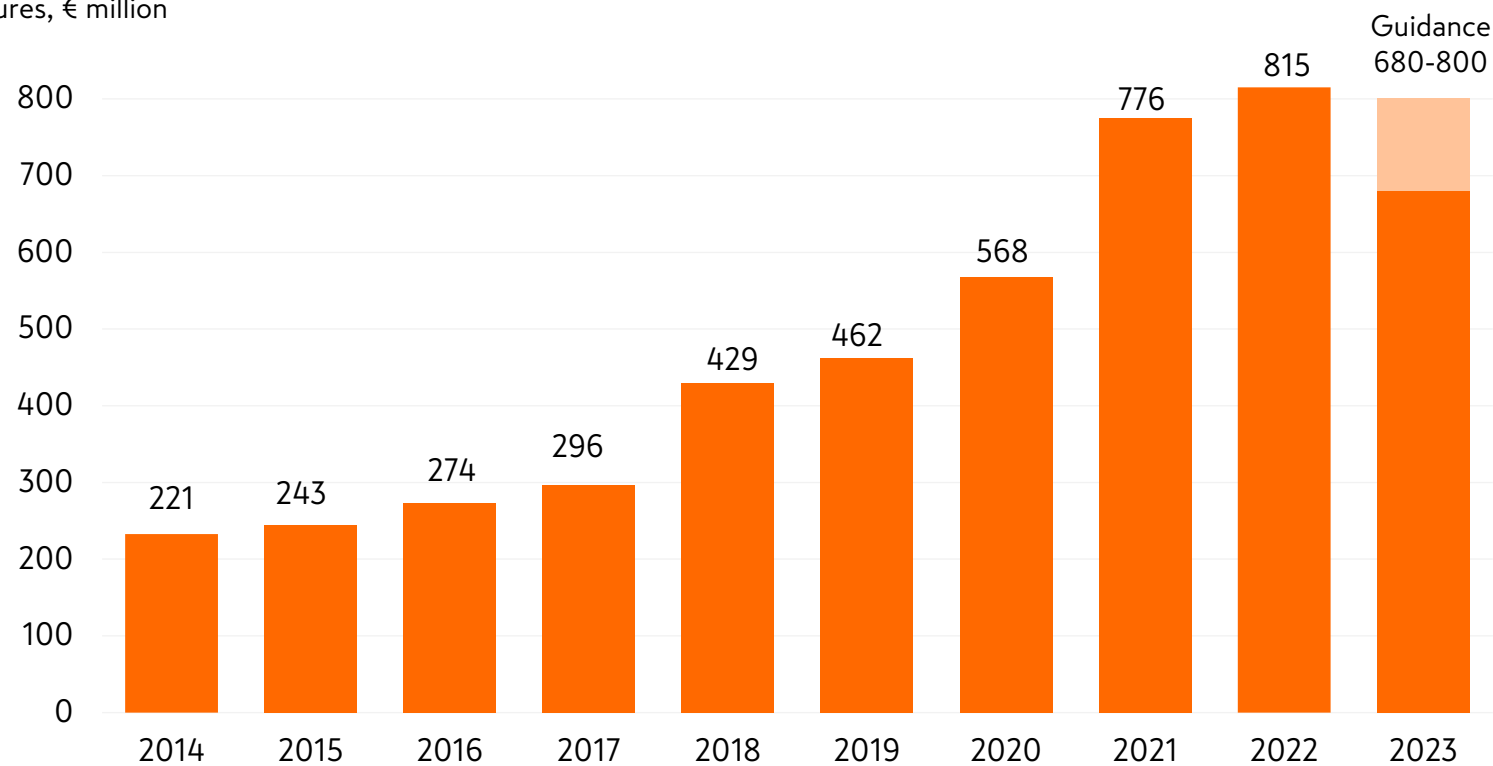


GLOBAL SUSTAINABILITY FORERUNNER

GOOD PROFITABILITY

Comparable operating profit

Reported figures, € million



2014-2019 continuing operations, IFRS 16 impact as of 2018

SALES GROWTH THROUGH EXISTING STORES AND SYSTEMS HAS IMPROVED OUR EFFICIENCY

Plenty of additional potential

Retail and B2B sales
growth for core
businesses since 2014

€6.2 bn

Compared to 2022

Steady cost ratio
improvement

16.5%

2014: 19.2%

Costs / reported Group net sales
IFRS 16 impact since 2018

STRONG POSITION IN ALL AREAS OF FINNISH FOOD TRADE

 CITYMARKET

 Supermarket

 Market

 KESPRO

-
- Strong No. 2 in the Finnish consumer grocery trade market, with over 36% market share
 - Finland's most extensive grocery store network with 1,200 stores operated by K-retailers
 - The best consumer online grocery store in the market
 - 1.6 million customers every day
-
- No. 1 in Finnish foodservice business, with over 46% market share
 - Largest online food store in the market, 70% of sales online
 - Strong private labels, share of sales over 50%
-
- Shared advanced sourcing, logistics and IT systems

LEADING PLAYER IN BUILDING AND TECHNICAL TRADE IN NORTHERN EUROPE

Total retail sales of €6.5 billion*, B2B accounts for over 80% of sales**

TECHNICAL TRADE

onninen 

- Net sales €2,286 million
- Operating profit €173.7 million
- Operating margin 7.6%
- 100% B2B

BUILDING AND HOME IMPROVEMENT TRADE

 **Rauta**

- Net sales €2,377 million
- Operating profit €127.5 million
- Operating margin 5.4%
- Builders merchant for professional builders 67%
- DIY for consumers 33% of sales

 **BYGG**

 **BYGGMAKKER** 


SENUKAI

- Kesko Senukai joint venture
- Leading DIY operator in the Baltics, 70% DIY ***
- Kesko's share 50%
- Retail sales €1,221 million*

*Retail sales incl. B2B sales **excl. Kesko Senukai ***Kesko's estimate

LEADING CAR TRADE PLAYER IN FINLAND



- Kesko operates a major part of VW Group's businesses
- Market leader in new car sales 17.0% (2021)
- Fast growing used car business
- Nationwide service and charging networks

- Net sales €911 million
- Operating profit €48.4 million
- Operating margin 5.3%
- All business units profitable
- One shared K-Auto brand



FORERUNNER IN TRADING SECTOR DIGITALISATION

Using digitalisation to improve customer experience and make operations more efficient



Online and digital sales growing forcefully

Digital sales already exceed
€1.8 billion

Growth in online sales
continues

Continuously improving
online efficiency and
customer experience



Data and analytics at the core of business operations

K Group's customer loyalty scheme in
Finland has 3.3 million customers

Data-based store-specific
business ideas and services

Extensive utilisation of data
in everyday decision-making

Versatile data services to partners



Digitalisation of stores and processes proceeding at a fast pace

Easy-to-use tools to make store
processes more efficient

Electronic shelf labels help improve
customer satisfaction and make
operations more efficient

Electronic in-store displays make
stores even more effective
marketing channels

Automation of supply chain and
background processes



Digitalisation increases customer loyalty

Targeted marketing

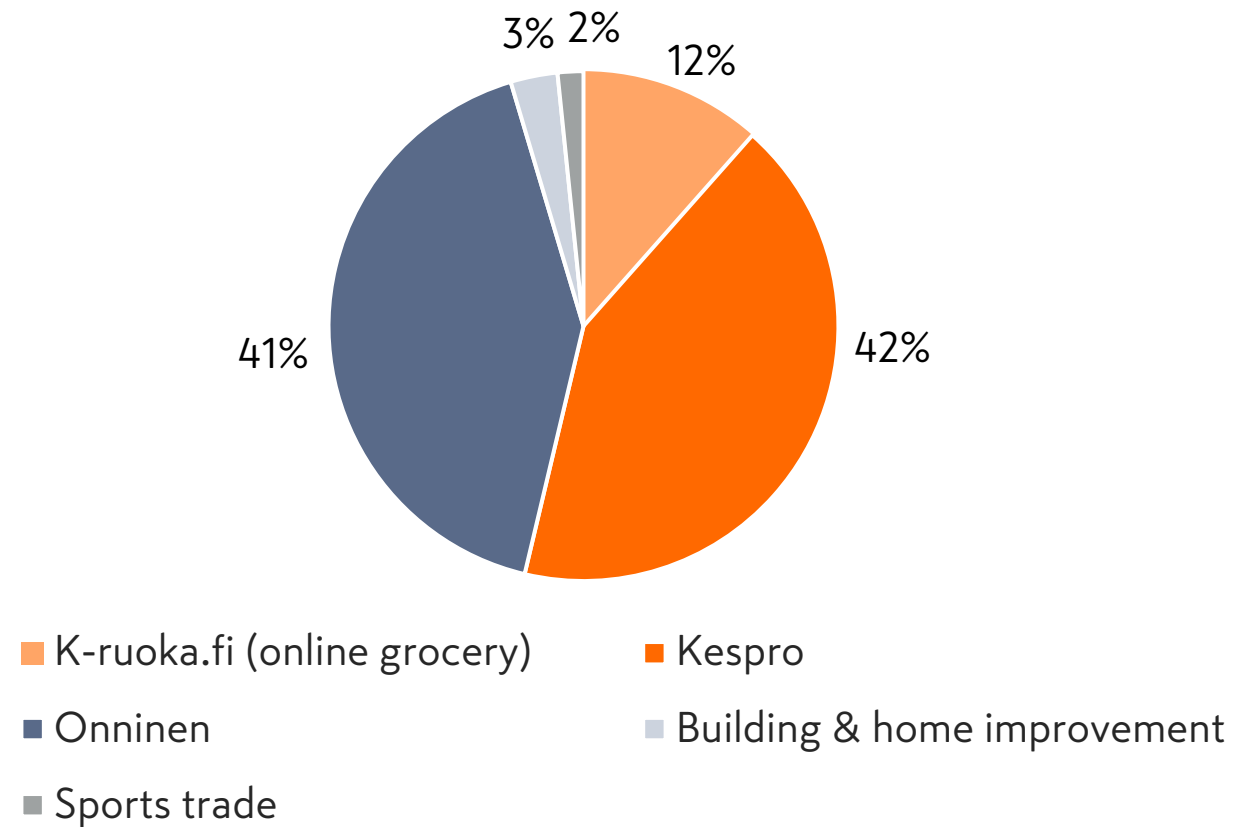
Personal benefits and offers

Digital Plussa money

Personal purchase trackers, e.g.
carbon footprint calculator

Seamless customer experience
irrespective of channel

SALES VIA DIGITAL CHANNELS ALREADY €1.8 BILLION



KESKO UPDATED ITS SUSTAINABILITY STRATEGY

MANAGEMENT REMUNERATION TIED TO SUSTAINABILITY TARGETS

SUSTAINABILITY STRATEGY

VISION:

WE ENABLE SUSTAINABLE CHOICES FOR OUR CUSTOMERS AND DRIVE CHANGE THROUGHOUT THE VALUE CHAIN

FOCUS AREAS:

- CLIMATE AND NATURE
- VALUE CHAIN SUSTAINABILITY
- RESPONSIBILITY FOR PEOPLE
- GOOD GOVERNANCE

IMPLEMENTATION WITHIN DIVISIONS:

- GROCERY TRADE
 - BUILDING AND TECHNICAL TRADE
 - CAR TRADE
-

INDICES AND ASSESSMENTS AS INDICATORS OF PROGRESS:

Dow Jones World, MSCI ESG, Global 100, CDP

FOCUS AREAS AND KEY OBJECTIVES

WE ENABLE SUSTAINABLE CHOICES FOR OUR CUSTOMERS AND DRIVE CHANGE THROUGHOUT THE VALUE CHAIN



CLIMATE AND NATURE

Achieving carbon neutral K Group

- Carbon neutrality by 2025 and zero emissions by 2030 in our own operations and transports
- Challenging our suppliers to set their CO₂ reduction targets
- Reducing emissions from the use of sold products

Promoting biodiversity

- Continuing our biodiversity work by creating a biodiversity programme and setting goals for our biodiversity impacts

Enhancing circular economy

- Sustainable packaging for all of our own brand products by 2025
- Reducing food waste by half by 2030



VALUE CHAIN

Ensuring sustainability in the supply chain

- 100% of suppliers from high-risk countries audited for social responsibility
- Extending audits to take climate and environmental aspects into account

Enabling sustainable choices for our customers

- Increasing the share of sustainable products of net sales
- Making sustainable choices attractive through selections, data-based tools and communications

Creating value for society through sustainable value chains

- Strengthening the Finnish food chain and security of supply



OUR PEOPLE

Increasing the safety and wellbeing of our employees

- Supporting people's health, wellbeing and success
- Ultimate target zero injuries

Fostering diversity, inclusion and equal opportunities for our current and future employees

- Diversity and inclusion programme
- Equal pay
- Gender equality on all levels of the organisation



GOOD GOVERNANCE

Committing to K Code of Conduct

Remunerating based on sustainability performance

Strengthening sustainability competencies

Using data in a responsible and ethical way that creates value

FINANCIAL TARGETS

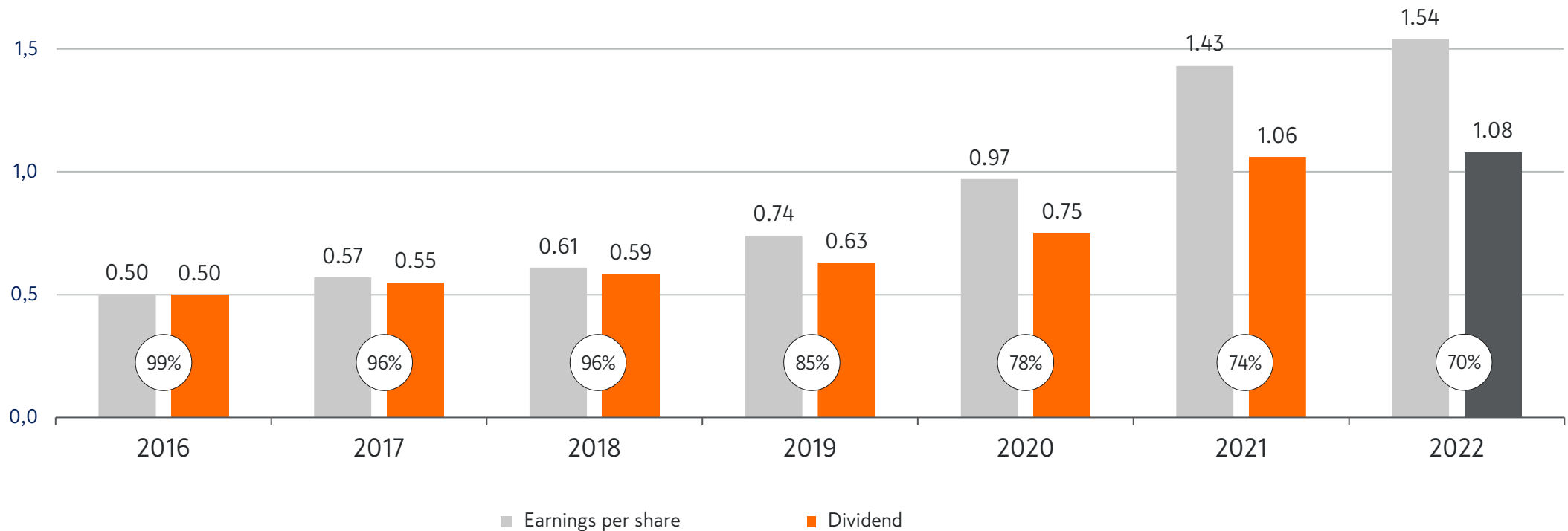
FINANCIAL TARGETS	
Operating margin, comparable	Over 6%
Return on capital employed, comparable, %	Over 14.5%
Interest-bearing net debt/EBITDA, excluding IFRS 16 impact	at maximum 2.5

DIVIDEND PROPOSAL

Board dividend proposal to the Annual General Meeting: €1.08 / share

Proposed to be paid in four instalments in 2023

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 FINANCIAL STATEMENTS RELEASE 2022

ALL DIVISIONS GENERATED GOOD RESULTS IN 2022

Mikko Helander
President and CEO
2.2.2023



KEY TOPICS IN 2022

- Good progress in strategy execution in all divisions
- Grocery trade: profitability remained good
- Building and technical trade: a record result
- Car trade: good profitability despite availability issues
- Opening up purchasing agreements in grocery trade to secure Finnish food production
- Earnings per share grew, proposed dividend €1.08 / share

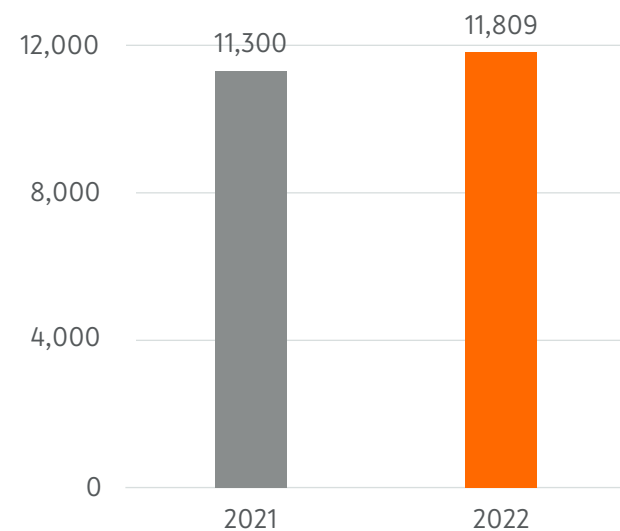
	1-12/2022	1-12/2021
Net sales, € million	11,809.0	11,300.2
Net sales growth, %*	4.4	8.2
Operating profit*, € million	815.1	775.5
Operating margin, %*	6.9	6.9
Profit before tax*, € million	763.2	710.4
Earnings per share*, basic, €	1.54	1.43
Cash flow from operating activities, € million	915.2	1,152.0

* Comparable

NET SALES GROWTH CONTINUED

GROUP

€ million



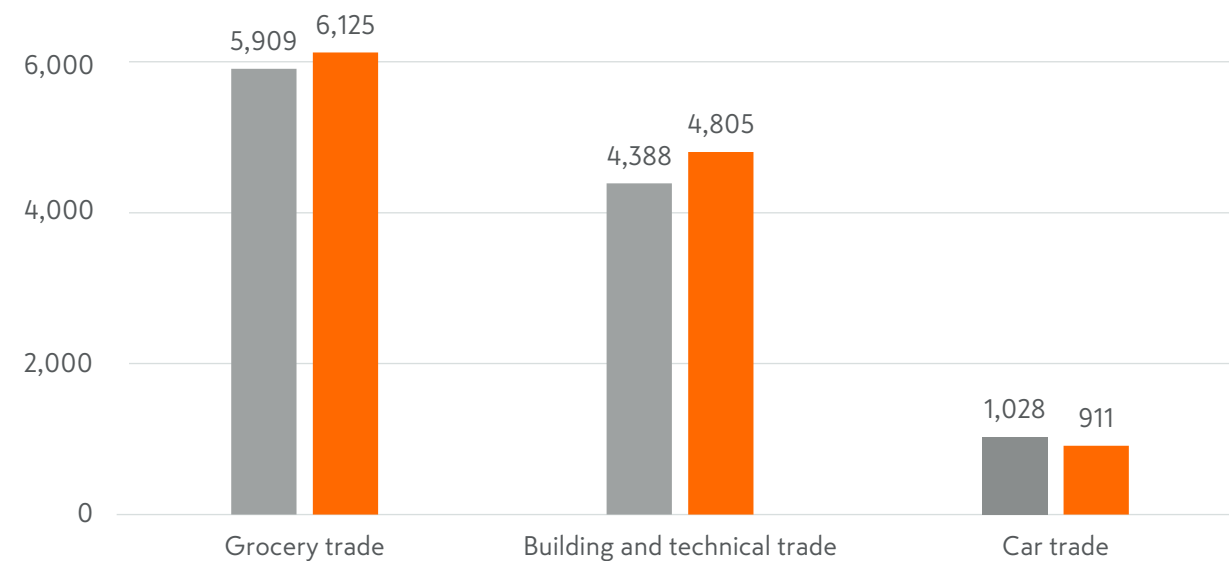
Comparable growth

4.4%

DIVISIONS

€ million

■ 2021 ■ 2022



3.6%

9.4%

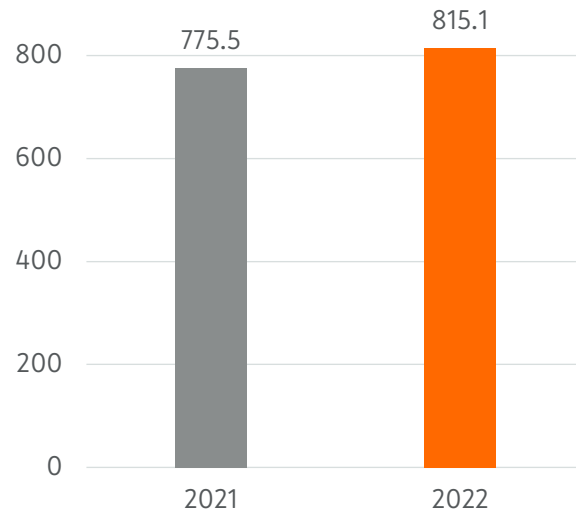
-11.4%



OPERATING PROFIT IMPROVED

GROUP

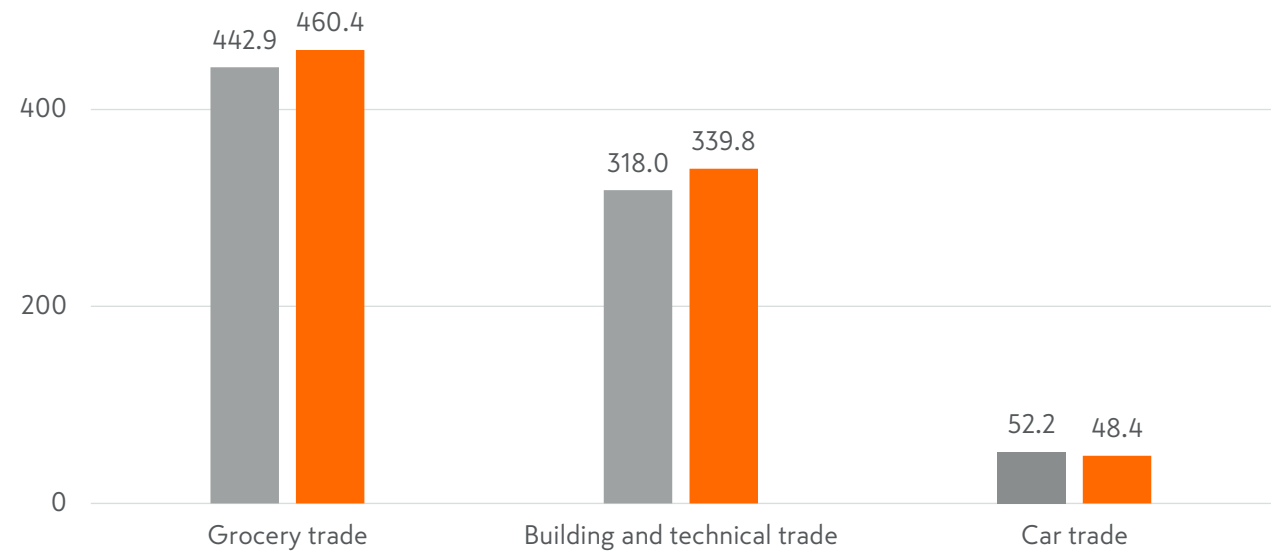
€ million



DIVISIONS

€ million

■ 2021 ■ 2022



Operating margin

6.9%

6.9%

7.5%

7.5%

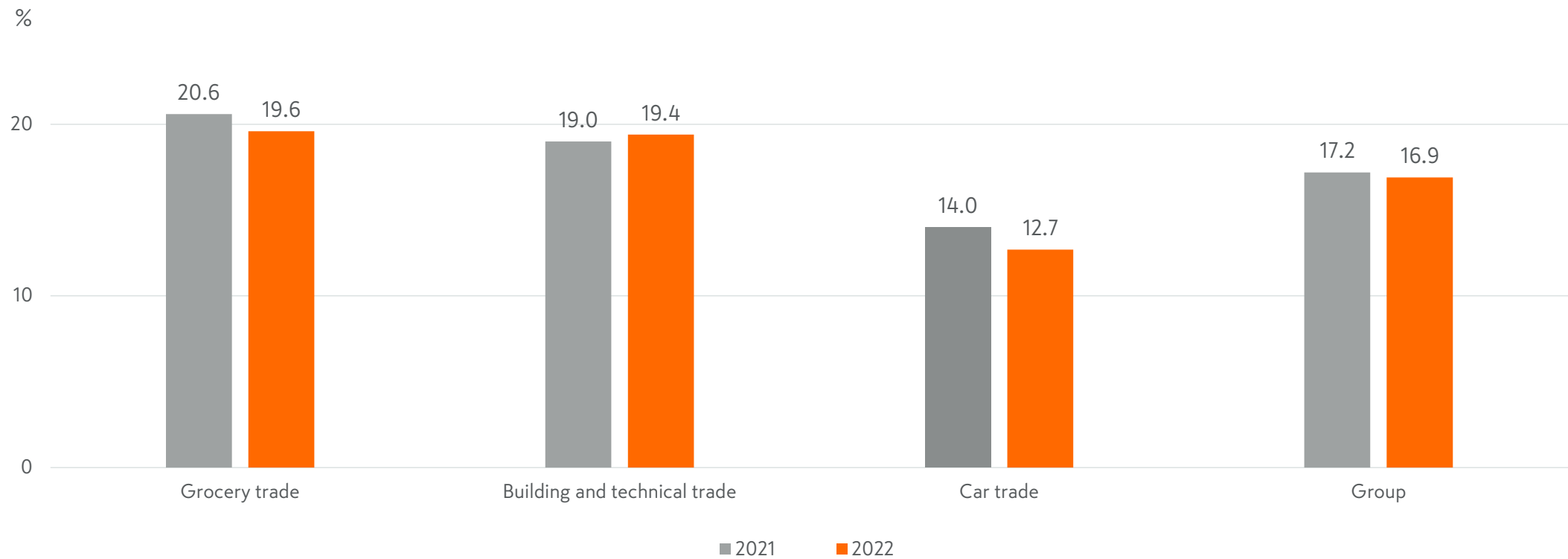
7.2%

7.1%

5.1%

5.3%

GOOD RETURN ON CAPITAL EMPLOYED



STRONG FINANCIAL POSITION

	2022	2021
Cash flow from operating activities, € million	915.2	1,152.0
Liquid assets, € million	314.1	387.7
Capital expenditure, € million	449.2	276.6
Interest-bearing net debt excl. lease liabilities, € million	184.1	-21.3
Interest-bearing net debt/EBITDA (rolling, excl. IFRS 16 impact)	0.2	0.0
Lease liabilities, € million	1,920.1	1,928.6

INVESTMENTS IN GROWTH CONTINUED

	2022	2021
Capital expenditure in store sites, € million	268.1	129.0
Acquisitions, € million	50.1	13.8
IT investments, € million	41.8	42.2
Other investments, € million	89.2	91.6
Total, € million	449.2	276.6

**GOOD Q4 RESULTS IN ALL DIVISIONS
IN A WEAKENED MARKET**



KEY PERFORMANCE INDICATORS IN Q4

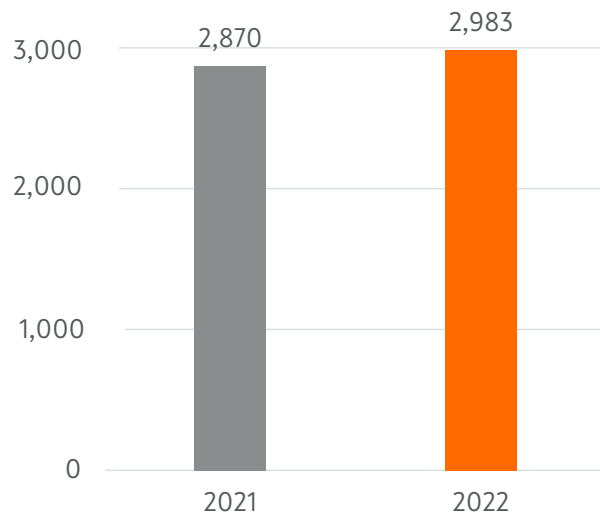
	10-12/2022	10-12/2021
Net sales, € million	2,983.4	2,870.3
Net sales growth, %*	4.3	7.2
Operating profit*, € million	192.6	203.5
Operating margin, %*	6.5	7.1
Cash flow from operating activities, € million	263.0	269.2

* Comparable

Q4 NET SALES GREW IN ALL DIVISIONS

GROUP

€ million



Comparable growth

4.3%

DIVISIONS

€ million

■ 2021 ■ 2022



3.9%

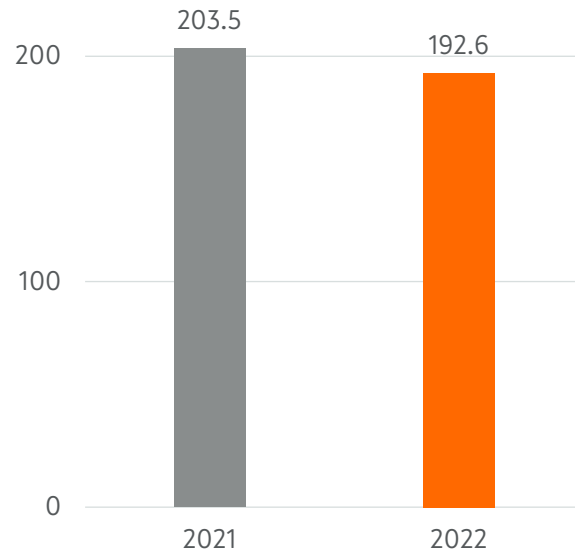
4.6%

5.7%

Q4 OPERATING PROFIT AT A GOOD LEVEL

GROUP

€ million



Operating margin

7.1%

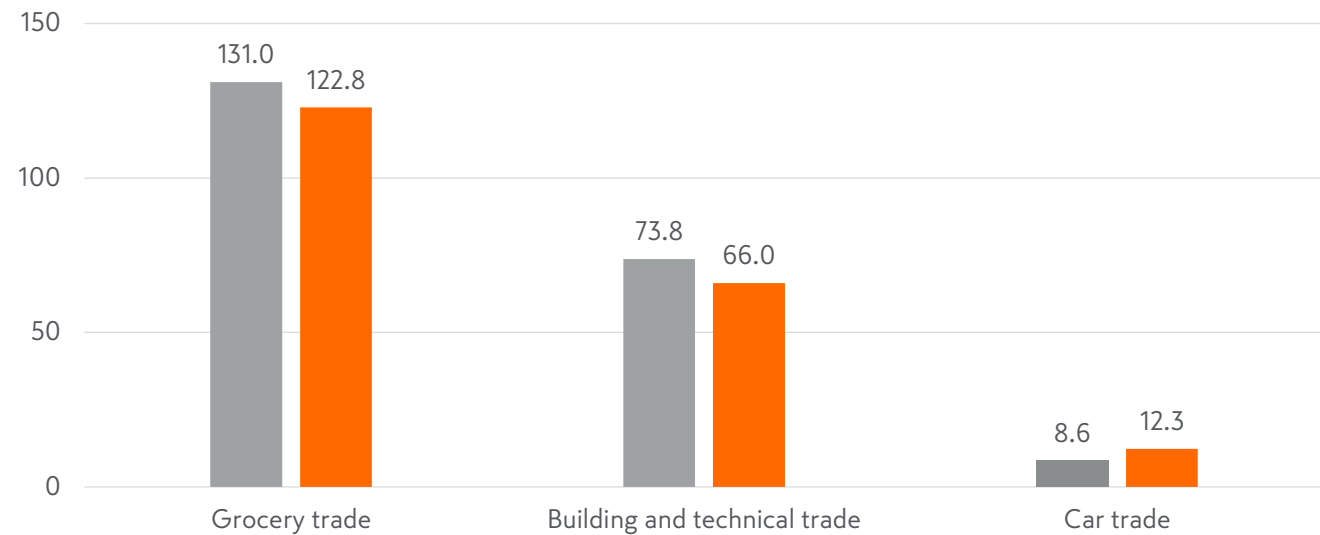
6.5%

DIVISIONS

€ million

■ 2021

■ 2022



8.4%

7.6%

6.7%

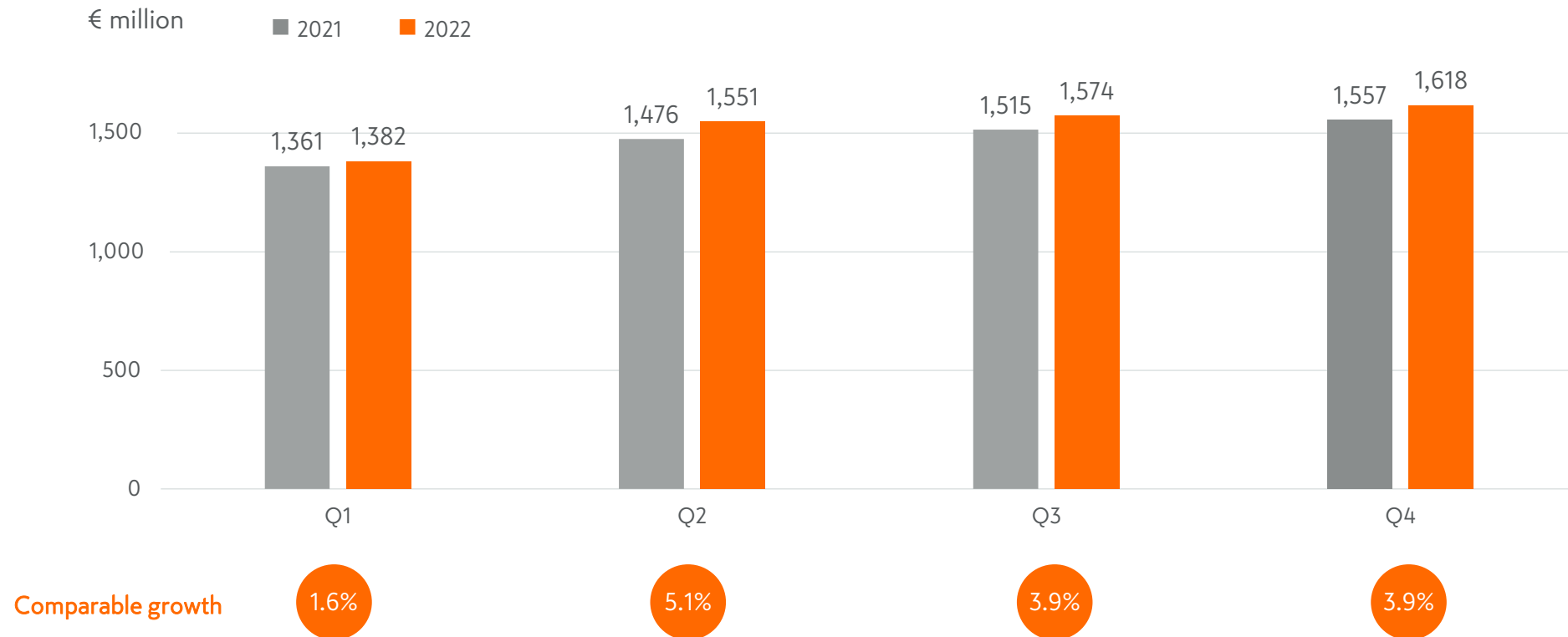
5.8%

3.9%

5.3%

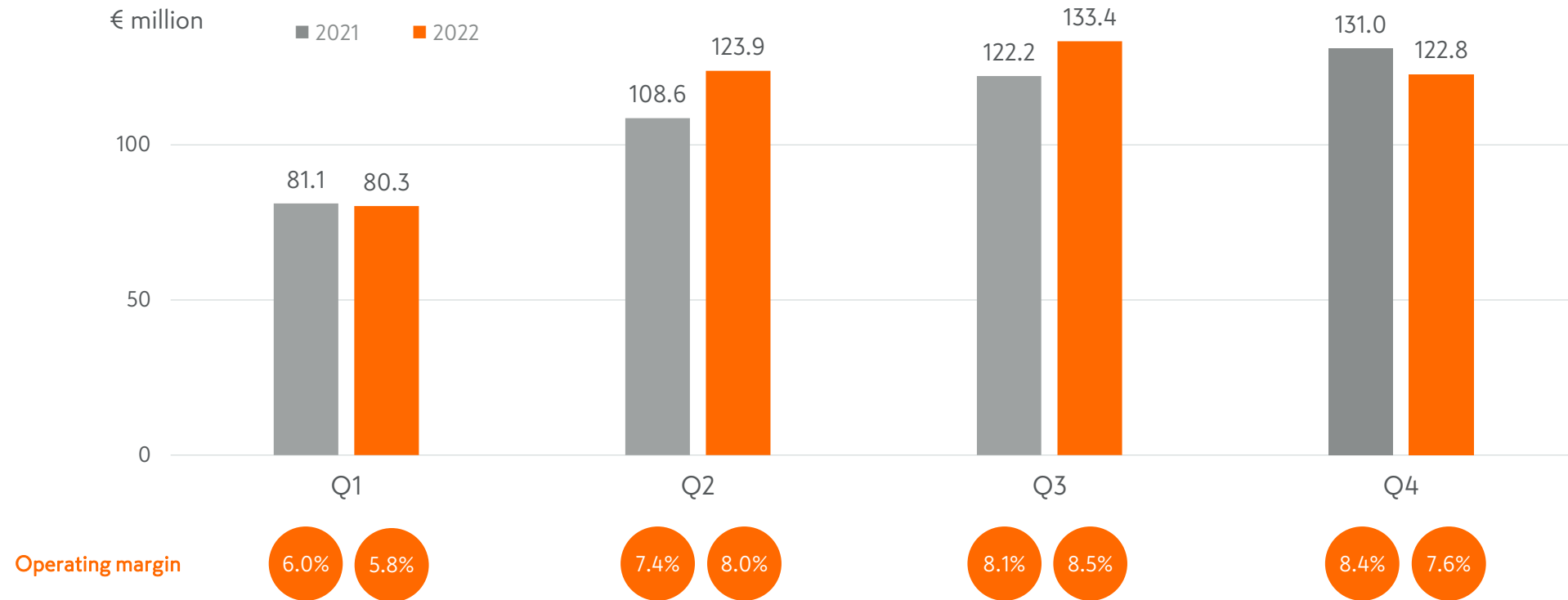
GROCERY TRADE

Q4 NET SALES GREW



GROCERY TRADE

Q4 OPERATING PROFIT DECREASED

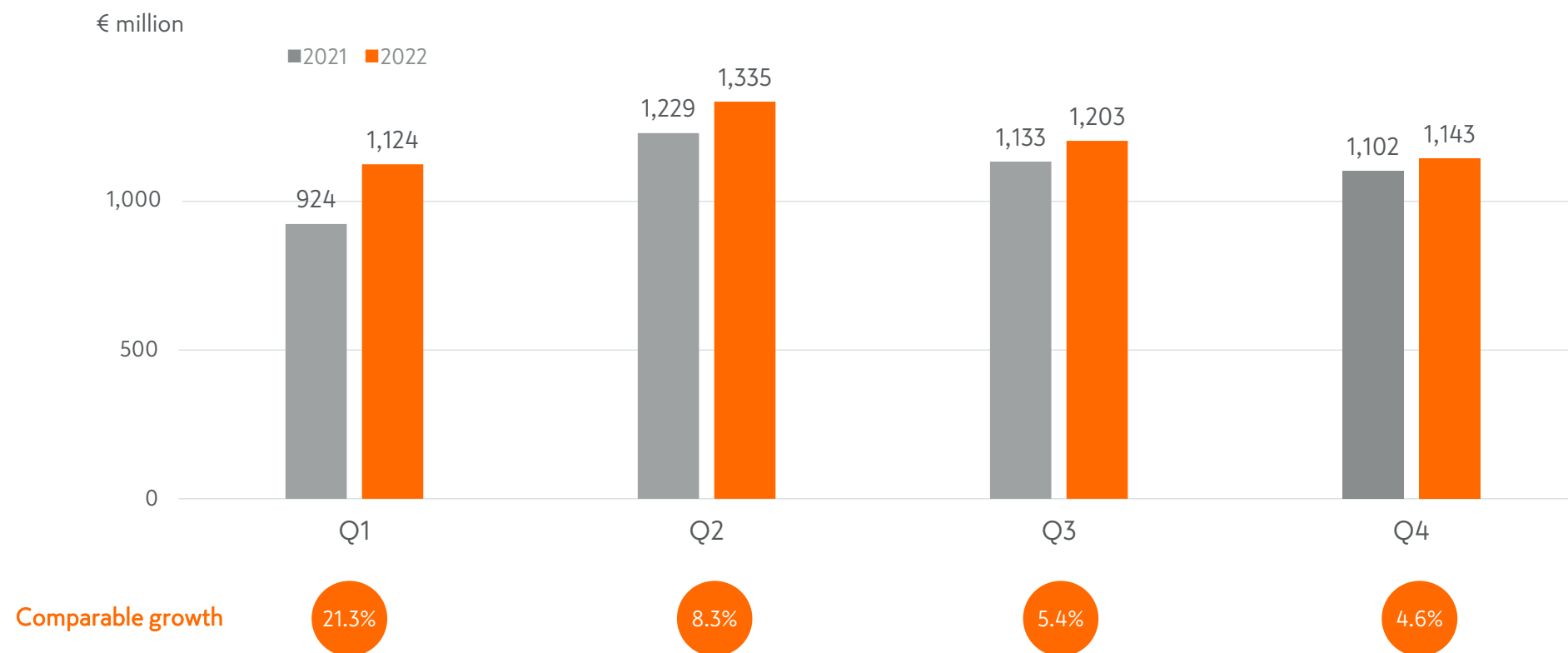


PROFITABILITY REMAINED AT A GOOD LEVEL DESPITE MARKET WEAKENING

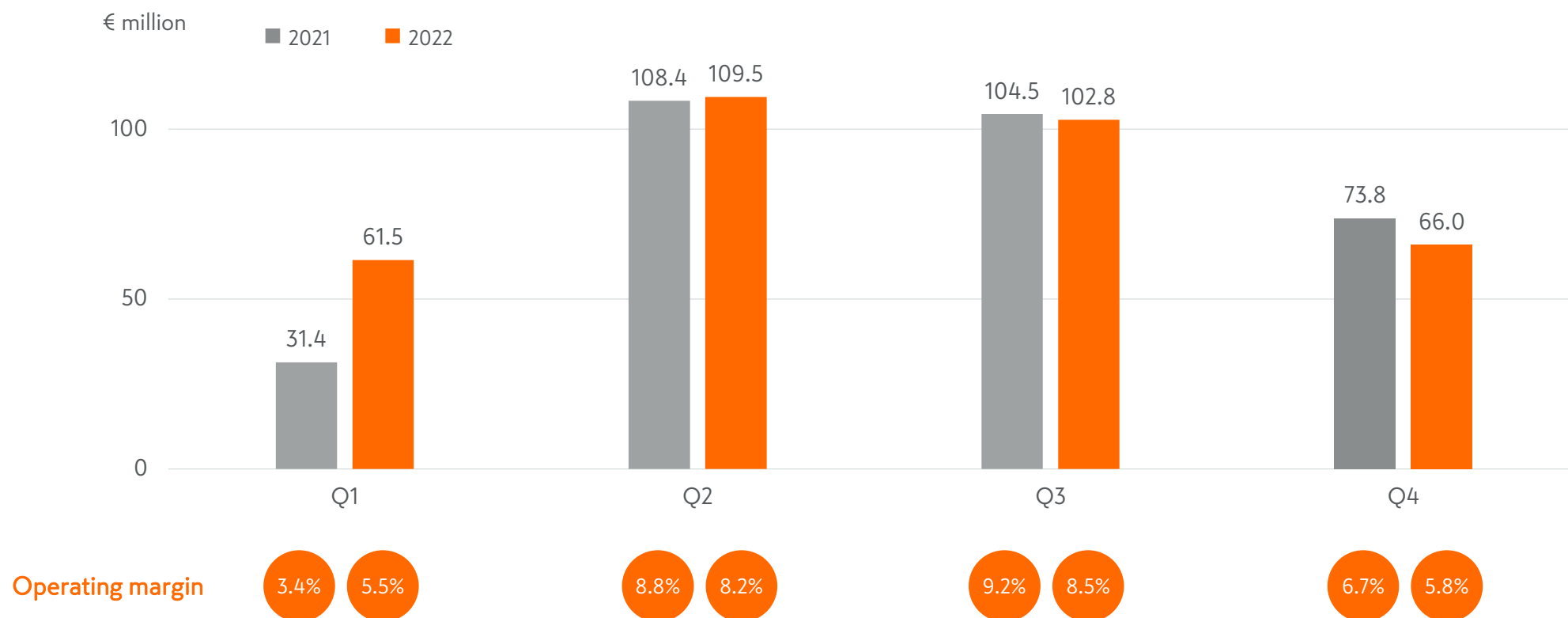
- Grocery sales in K Group grocery stores grew by 1.1%, but fell short of the market
- Changes in customer behaviour due to the rise in food prices and growth in the share of campaign sales year-on-year had a diminishing impact on profitability
- The rise in costs caused by inflation had a negative impact on the result
- Kespro's sales grew by 14.3%, market share continued to grow
- B2C online grocery sales up by 1.0%, growth supported by collaboration with Wolt
- K-Citymarket's home and speciality goods (non-food) sales decreased by 1.4%

BUILDING AND TECHNICAL TRADE

Q4 NET SALES GREW



Q4 OPERATING PROFIT DECREASED

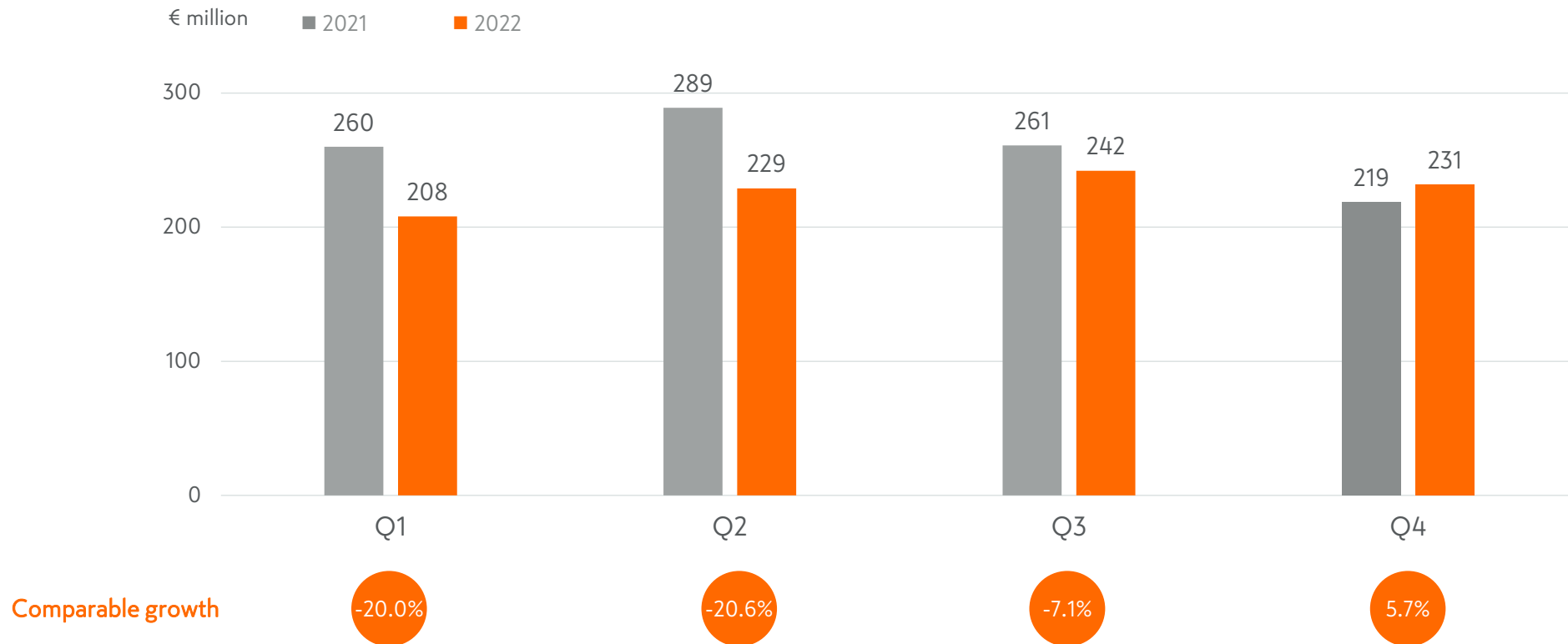


GOOD RESULT IN A WEAKENING MARKET

- Sales grew in all operating countries, profitability weakened
- Strong sales growth continued in technical wholesale and profit improved further
- In building and home improvement trade, sales declined in consumer trade in particular
- Sales decreased in sports trade, but profitability stayed at a good level
- Kesko Senukai's share of result boosted comparable operating profit by €6.9 million

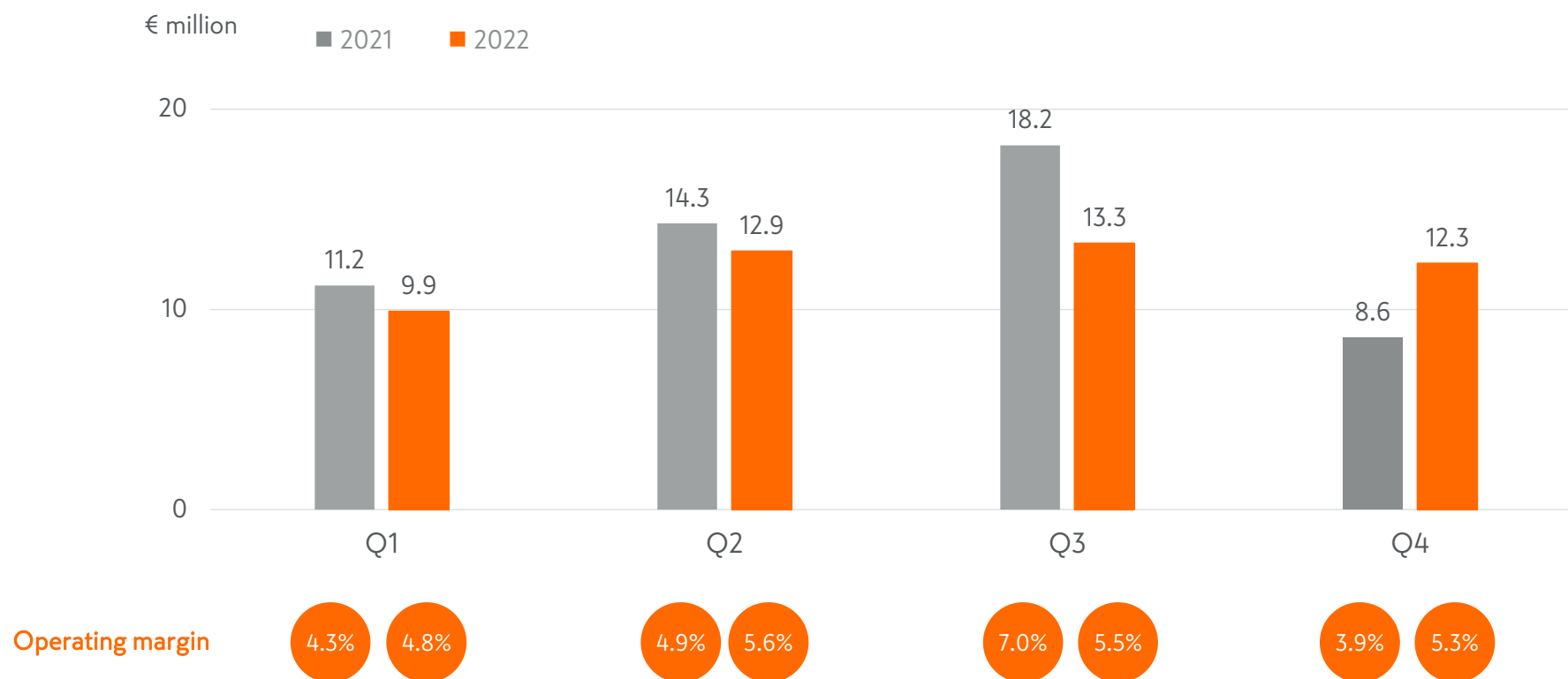
CAR TRADE

Q4 NET SALES GREW



CAR TRADE

Q4 OPERATING PROFIT GREW



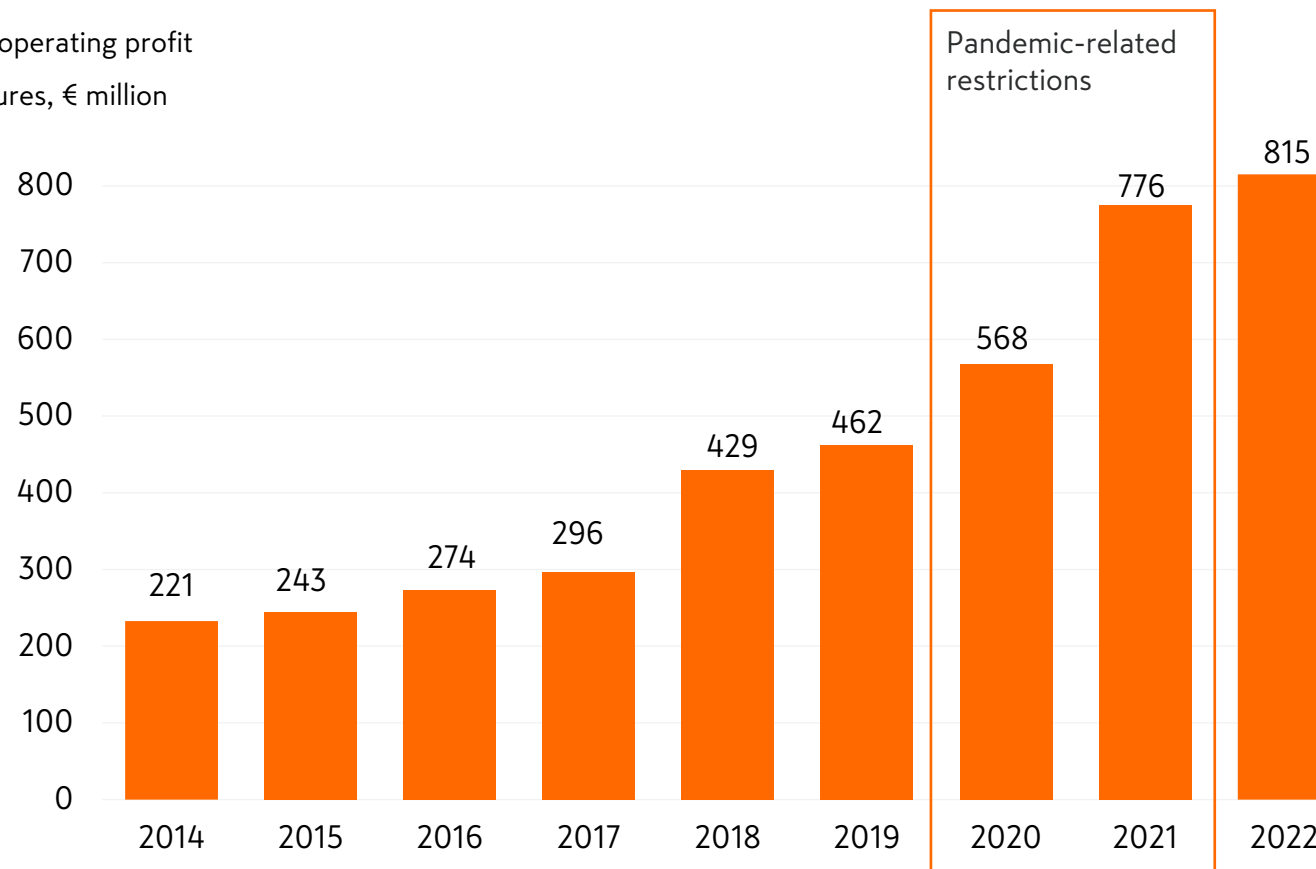
GOOD RESULT DESPITE AVAILABILITY ISSUES

- In new cars, net sales grew and profitability improved as issues with car availability eased slightly
- Growth in used car sales continued strong despite market weakening
- Profit was improved by sales growth and better sales margins
- Profitability was also improved by efforts to increase operational efficiency and a reduction in a provision related to warranty expenses
- In the service business, sales grew and profitability remained good

**ALL DIVISIONS ARE IN GOOD SHAPE
FOR PROFIT**

OUR PROFIT HAS IMPROVED ALSO AFTER PANDEMIC-RELATED RESTRICTIONS WERE LIFTED

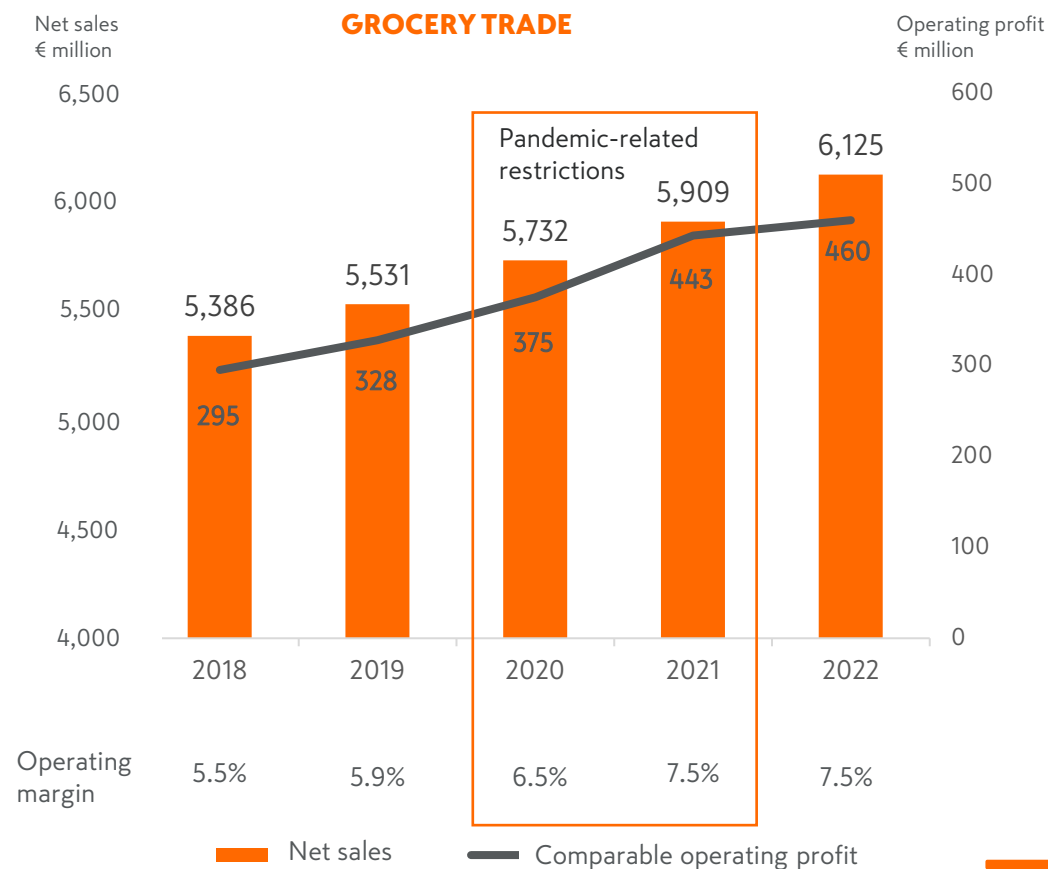
Comparable operating profit
Reported figures, € million



2014-2019 continuing operations, IFRS 16 impact as of 2018

PROFITABILITY IN FOOD TRADE ON A SOLID BASIS

- Significant share of the €20 billion total food sales in Finland
- Finland's most extensive and versatile store network with 913 K-retailers
- Data-based store-specific business ideas, a forerunner in digitalisation
- Strong market leader in the growing foodservice wholesale business
- Biggest market operator in online grocery sales
- Among sector best in Europe in terms of profitability, efficiency and sustainability



PRICE INCREASINGLY IMPORTANT IN FOOD TRADE

K Group grocery stores successful in shopping basket price comparisons

- Constantly competitive prices in our stores
- Most extensive and versatile offering of affordable private label products
- The best offers and great personalised benefits
- Increased offering of affordable product batches



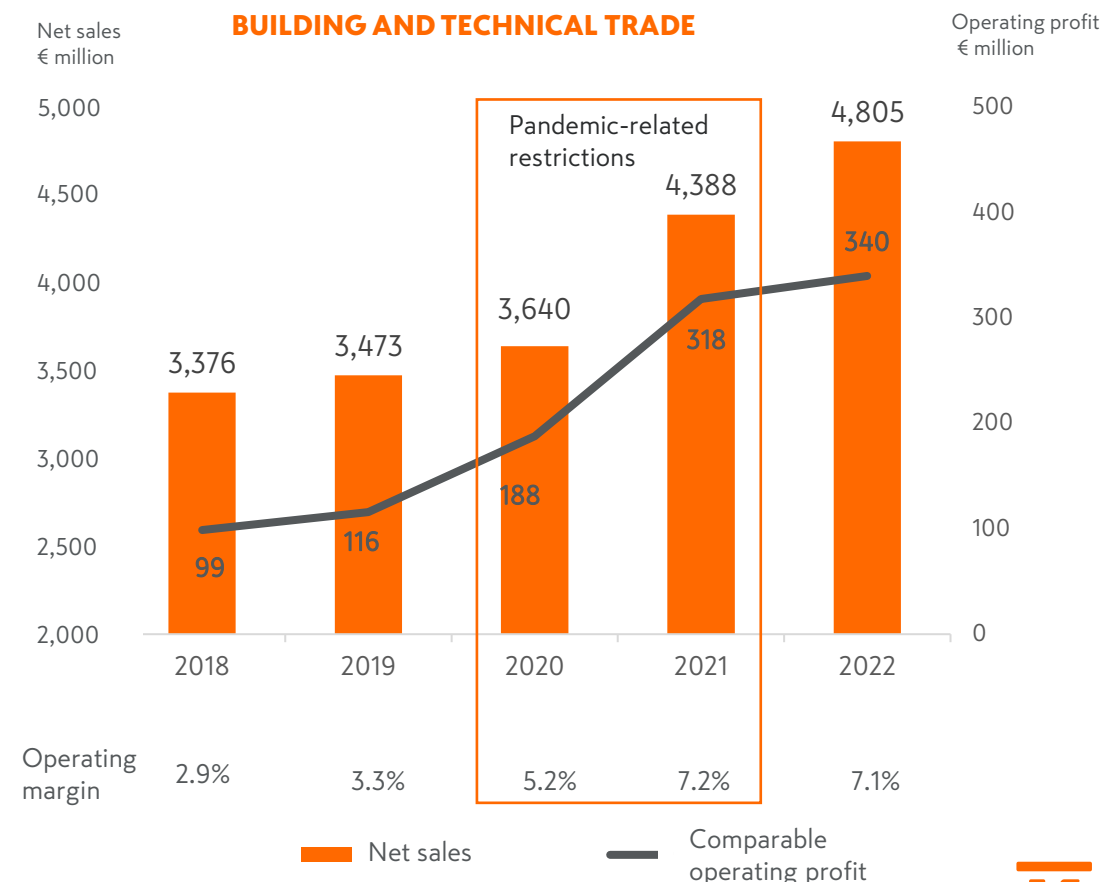
Price comparison by
Helsingin Sanomat
6 Oct. 2022



Helsingin Sanomat
26 Jan. 2023

STRONG BASIS FOR THE FUTURE IN BUILDING AND TECHNICAL TRADE

- Leading sector operator in Northern Europe, among the best in Europe in terms of profitability
- Over 80% of sales to B2B customers
- Green transition, efforts to improve energy-efficiency, and growing renovation building set to maintain demand
- Efficient sales and operating practices supporting profitability
- Sales and services via digital channels growing fast in all markets
- Acquisitions and their successful integration yielding results

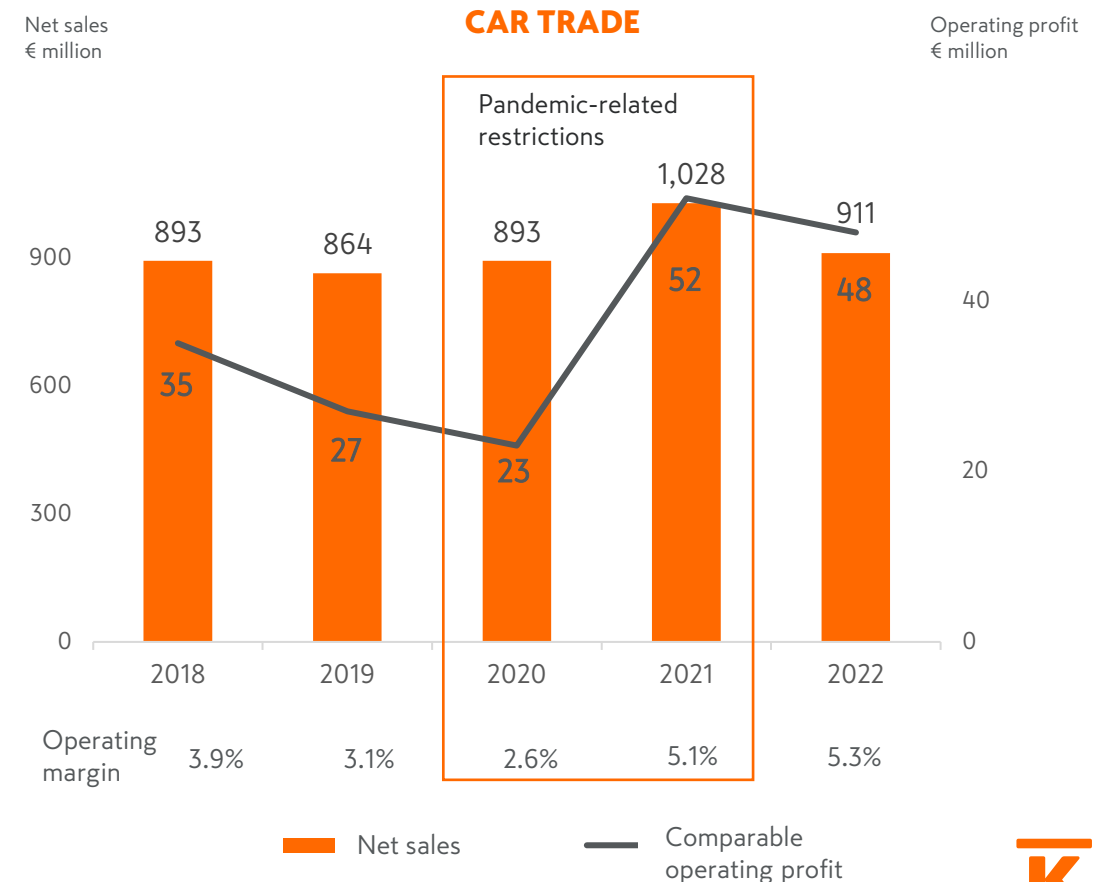


2018-2020: illustrative figures in which Kesko Senukai has been consolidated as a joint venture. Kesko Senukai's treatment changed from a subsidiary to a joint venture on 1 July 2020.



VERSATILITY IN CAR TRADE LEADING TO GOOD RESULTS

- Availability of new cars has improved
- Comprehensive offering: new cars, used cars, and services
- Long-term collaboration with the Volkswagen Group
- Efforts to transform our operations and make them more efficient yielding results
- No. 1 in Finland in electric car sales and EV charging network



SUSTAINABILITY

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:

- 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

A RESPONSIBLE OPERATOR IN THE FINNISH FOOD CHAIN

- Kesko sells €7 billion worth of Finnish food each year, some 80% of Kesko's grocery selections are of Finnish origin
- Security of supply: without strong Finnish food trade, Finnish agriculture and food industry would not exist in their current form
- Long-term work to develop and strengthen the Finnish food chain
- Kesko responded quickly to the crisis facing the Finnish agriculture and food industry by being the first operator to open up already made purchase agreements with the food industry in March 2022
- This set an example to others and has helped agriculture and food industry operators in a difficult situation

OUTLOOK AND GUIDANCE FOR 2023

OUTLOOK AND GUIDANCE FOR 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 estimate for a 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.

OUTLOOK AND GUIDANCE FOR 2023

In the grocery trade division, B2C trade as a whole is estimated to remain stable, and the foodservice market is predicted to continue to grow. Price inflation will support sales development in euro terms, but will also increase costs. Operating profit is expected to remain at a good level.

The construction market is expected to decrease somewhat compared to 2022. New building construction is estimated to decrease, but renovation building and construction related to the green transition are estimated to continue to grow. Operating profit is expected to remain at a good level also in building and technical trade.

In the car trade division, car availability is estimated to improve, but demand is estimated to remain below long-term average. Profitability in the car trade division is expected to remain at a good level.

GROWTH STRATEGY EXECUTION CONTINUES

KESKO ACQUIRES ELEKTROSKANDIA IN NORWAY

- Kesko subsidiary Onninen will acquire technical trade company Elektroskandia Norge from Rexel Group in Norway
- Elektroskandia has net sales of €250 million and some 270 employees
- Comes with a highly automated distribution centre and 13 stores and sales points
- Following the acquisition, Kesko's sales in Norway will approach €1.5 billion
- The acquisition is subject to approval from local competition authorities





**FOR
SHOPPING
TO BE FUN**

