



KESKO

SUCCESSFUL STRATEGY EXECUTION DRIVING GROWTH

May 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



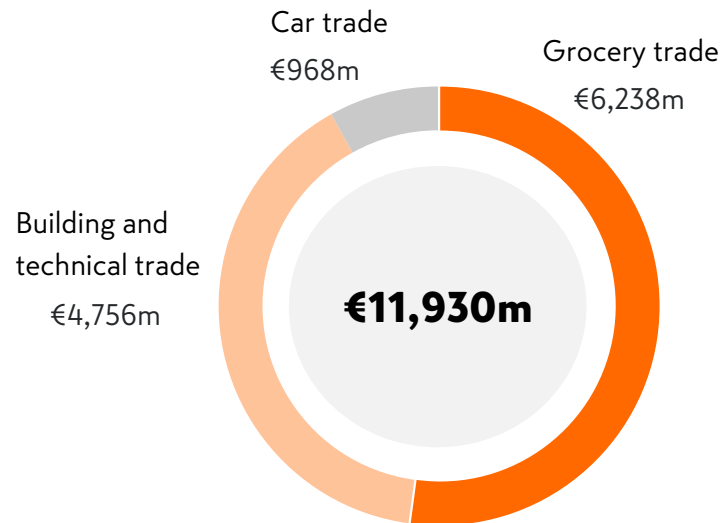
Market cap nearly €7.5bn with ~90,000 shareholders



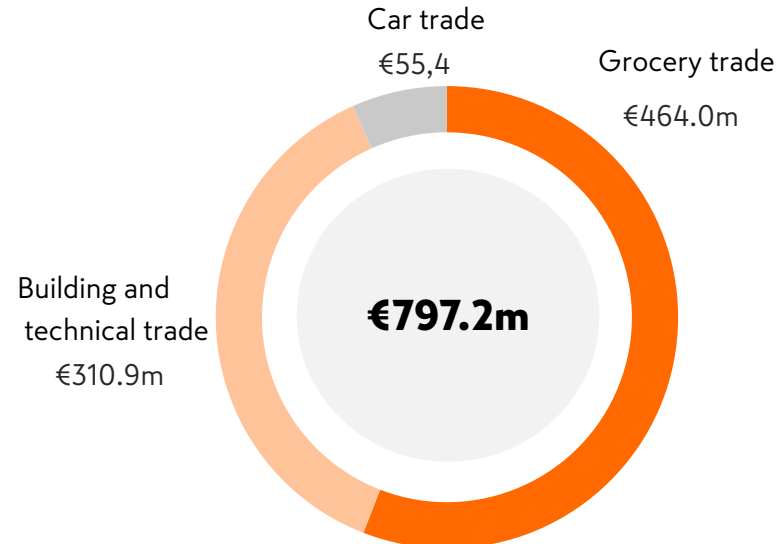
Sustainability at the core of the strategy

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

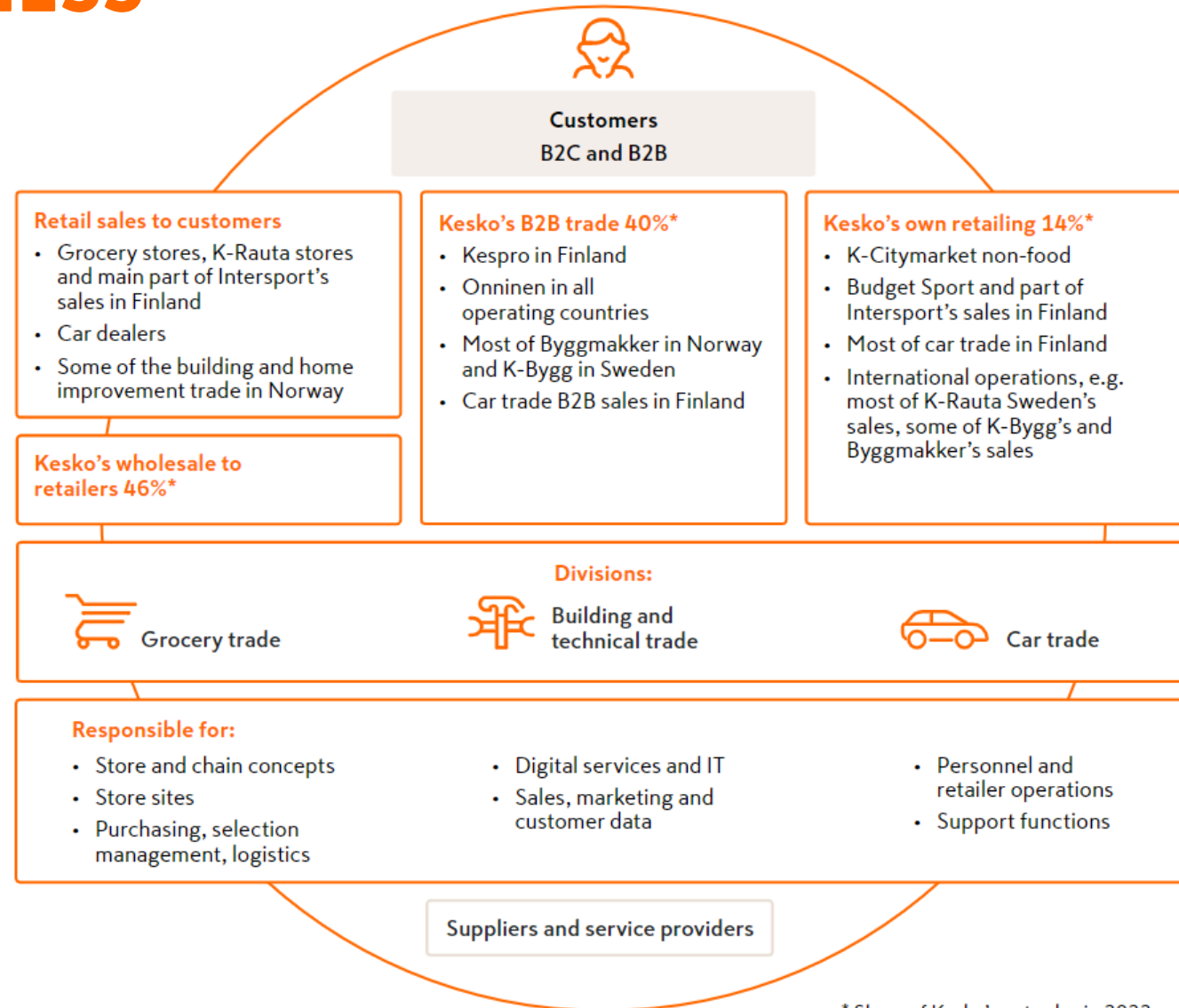


CAR TRADE

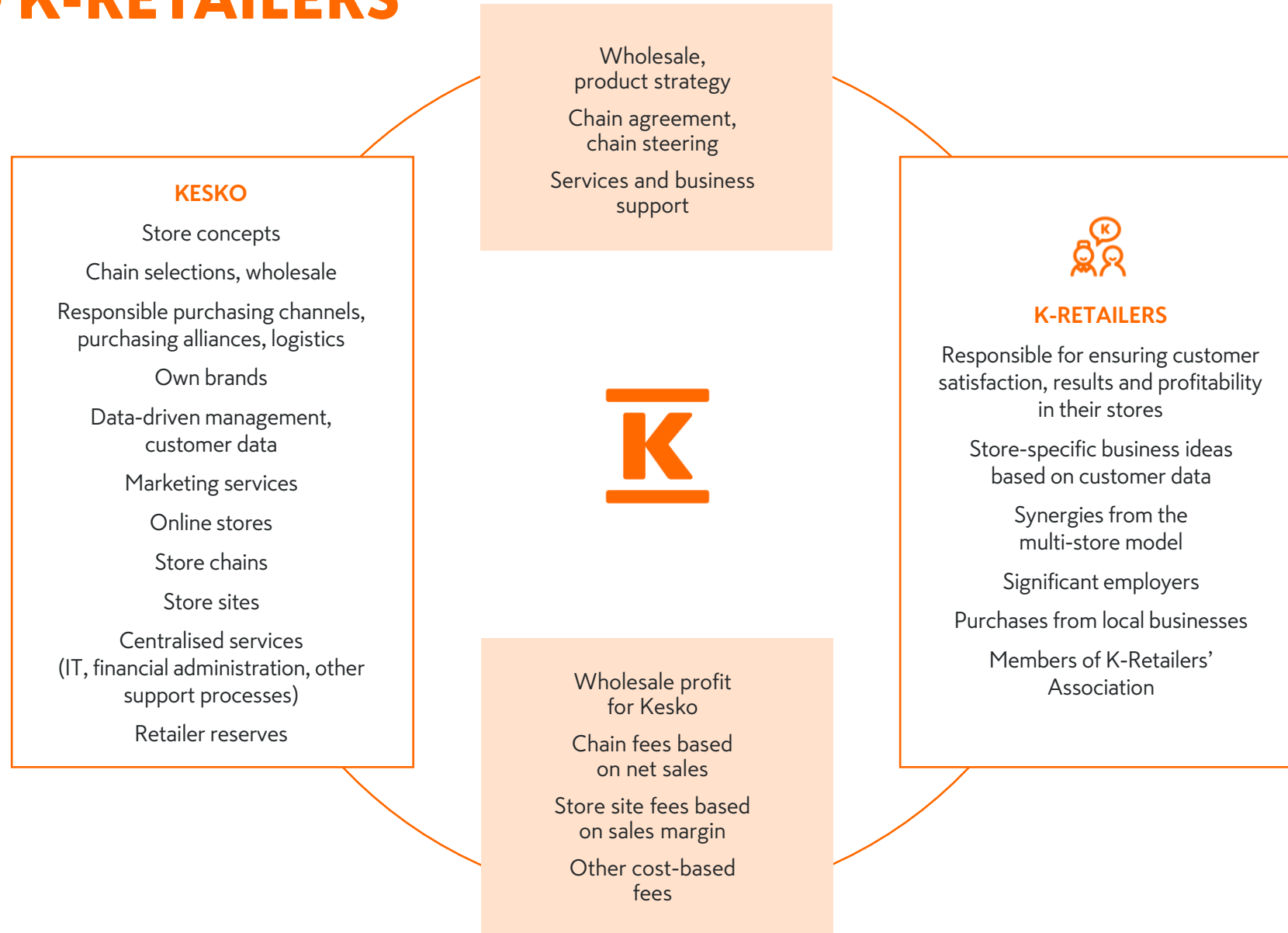
Volkswagen, Audi, SEAT, Porsche and Bentley
Used car sales and services

#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

SOTKA

ANTILA

muuli

YAMARIN

MUSTA PÖRSSI

KONEKESKO

K PYOKA

BM BYGGMAKKER

VV-AUTO

K-PAYTA



K CITYMARKET

K Supermarket

K Market

KESPRO

K Rauta

onninen K

K BYGG

BM BYGGMAKKER K

K Auto

K Plusa



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



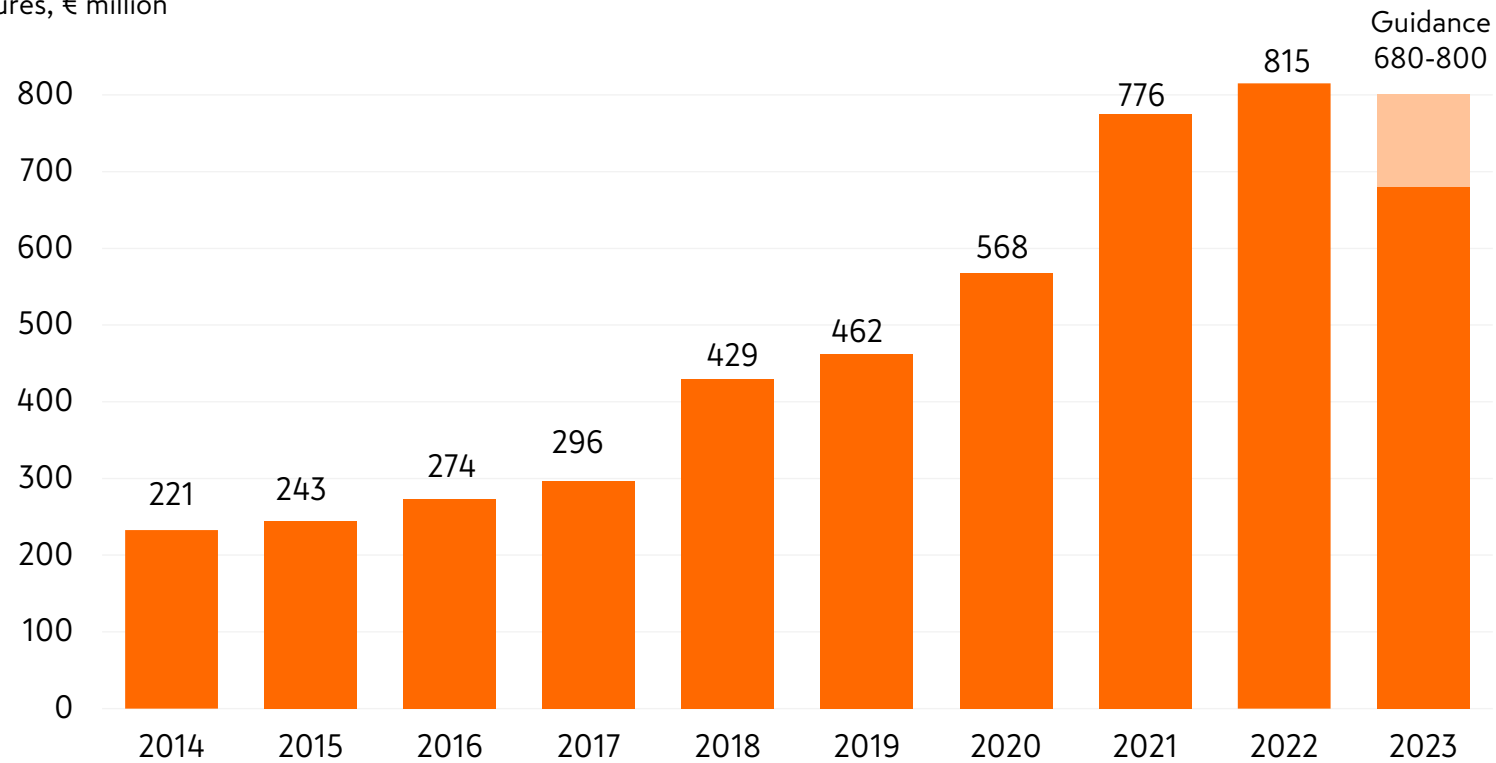
STRONG GROWTH IN BUILDING AND TECHNICAL TRADE IN NORTHERN EUROPE



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

KCITYMARKET

KSupermarket

KMarket

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 

BM BYGGMAKKER 

CSSEN
SENUKAI

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

LEADING CAR TRADE PLAYER IN FINLAND

K Auto

- 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 nearly €1.9 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

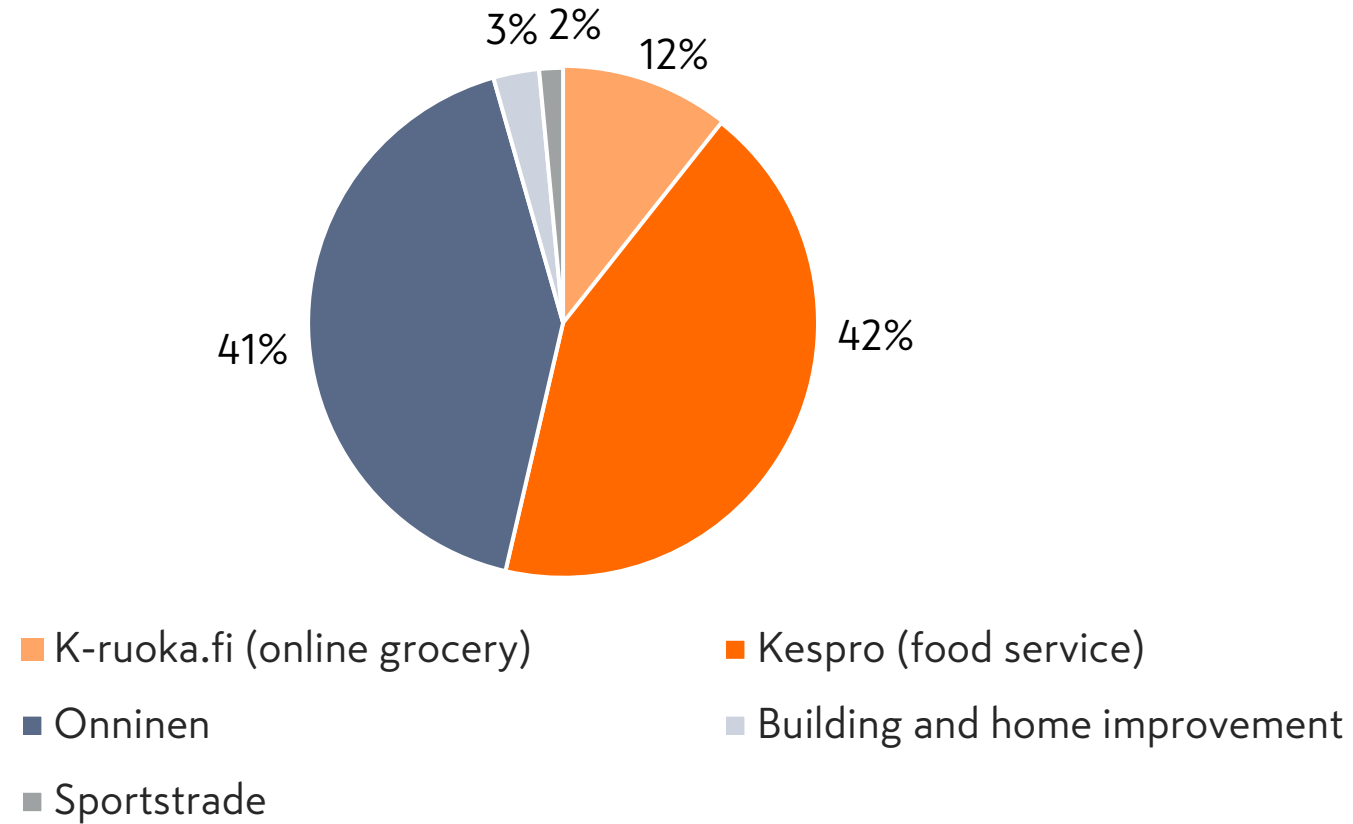
Personal benefits and offers

Digital Plussa money

Personal purchase trackers, e.g. carbon footprint calculator

Seamless customer experience irrespective of channel

SALES VIA DIGITAL CHANNELS ALREADY € 1.9 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

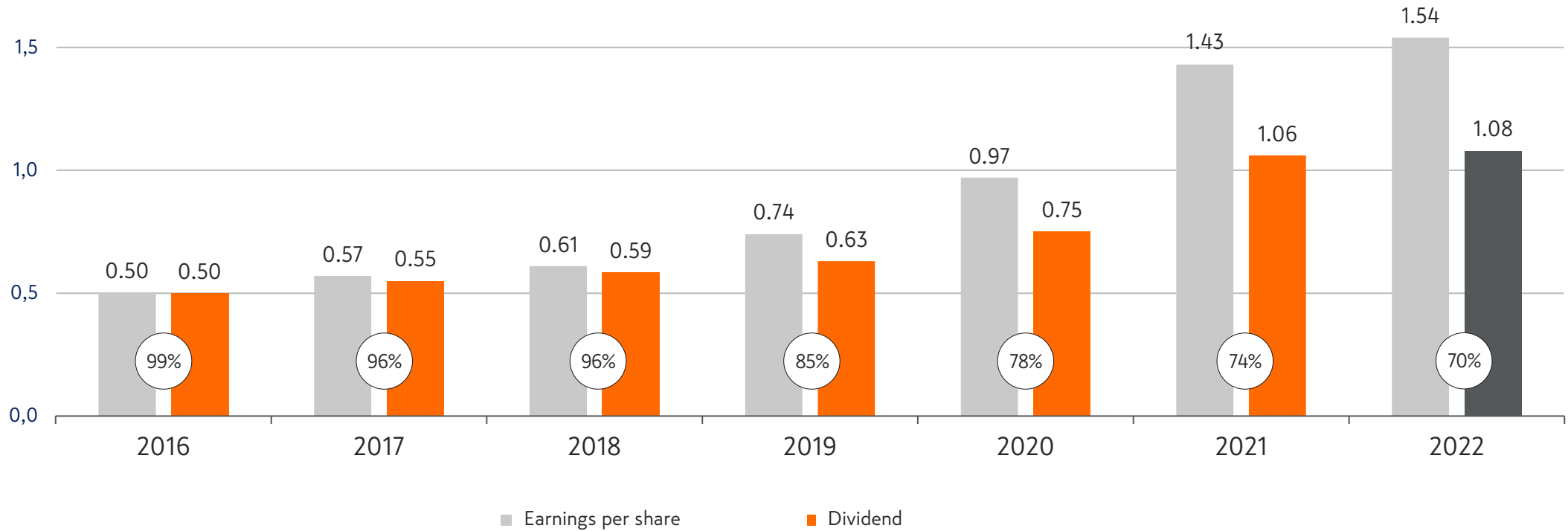
FINANCIAL TARGETS	
Operating margin, comparable	Over 6%
Return on capital employed, comparable, %	Over 14.5%
Interest-bearing net debt/EBITDA, excluding IFRS 16 impact	at maximum 2.5

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 INTERIM REPORT Q1/2023

A GOOD RESULT IN A WEAKENED ECONOMIC SITUATION

Mikko Helander
President and CEO
28 April 2023



KEY EVENTS IN Q1

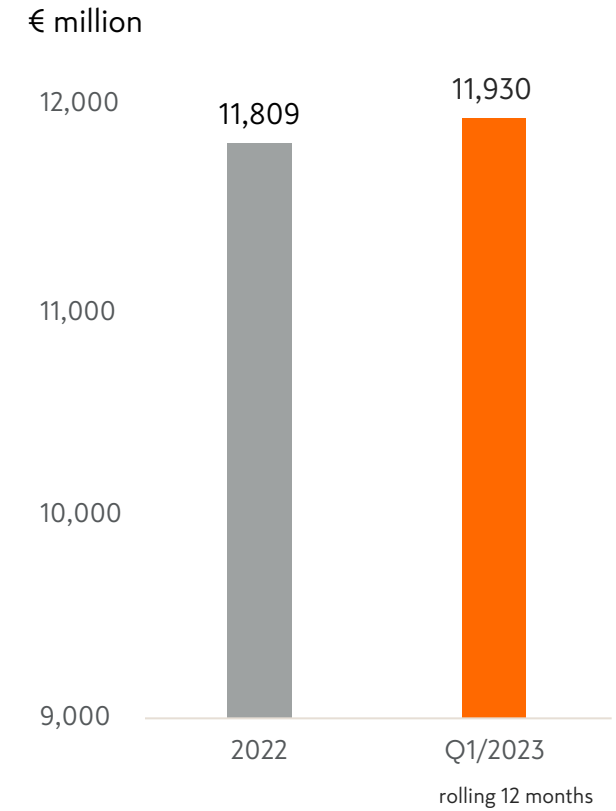
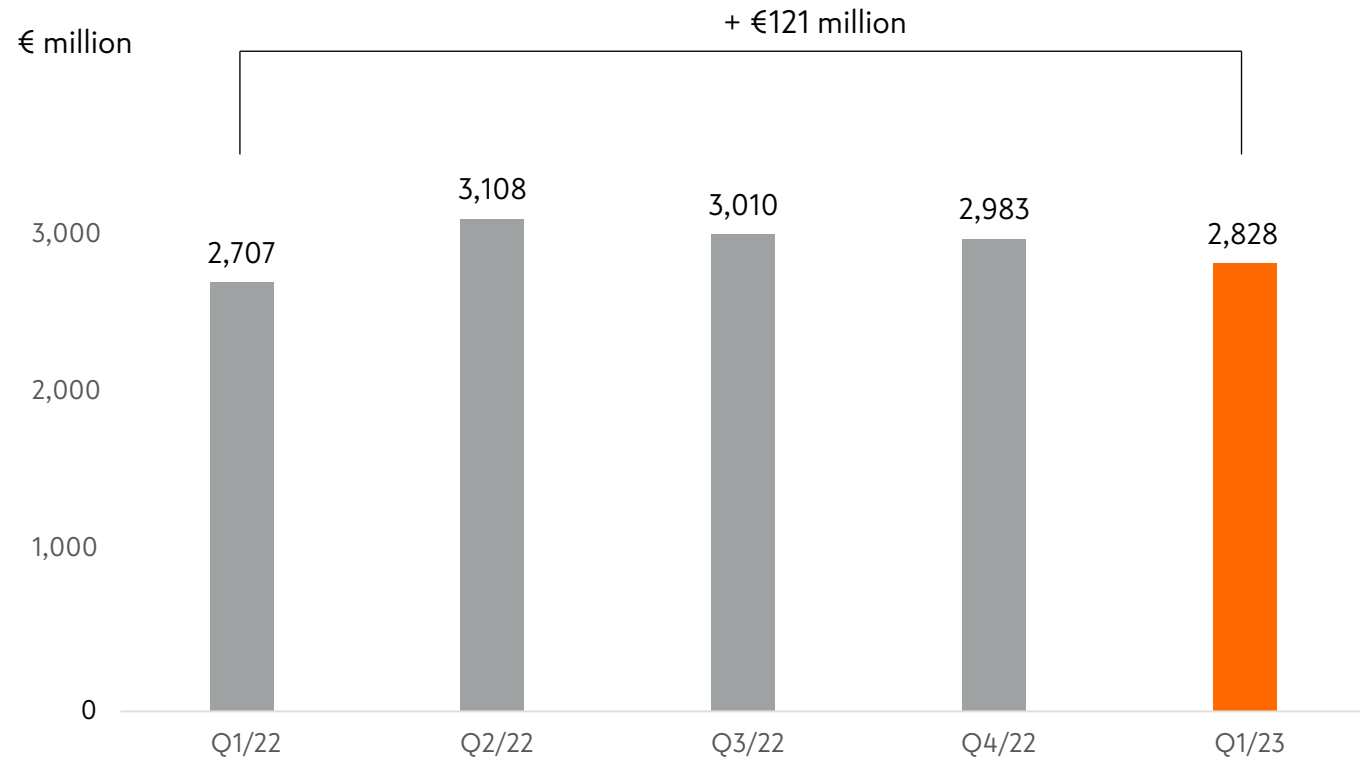
- Grocery trade: sales grew, performance particularly strong in Kespro
- Building and technical trade: operating profit decreased markedly from the exceptional levels of the comparison period
- Car trade: record result, sales grew as availability improved
- Kesko acquired the technical wholesale operators Elektroskandia in Norway and Zenitec in Sweden and divested MAN truck business in Finland
- Sami Kiiski appointed as President of Kesko's car trade division and a member of Group Management Board as of 1 June 2023

	1-3/2023	1-3/2022
Net sales, € million	2,828.0	2,707.3
Net sales growth, %*	4.4	6.5
Operating profit, € million*	125.9	143.7
Operating margin, %*	4.5	5.3
Earnings per share, basic, €* *	0.22	0.27

* Comparable

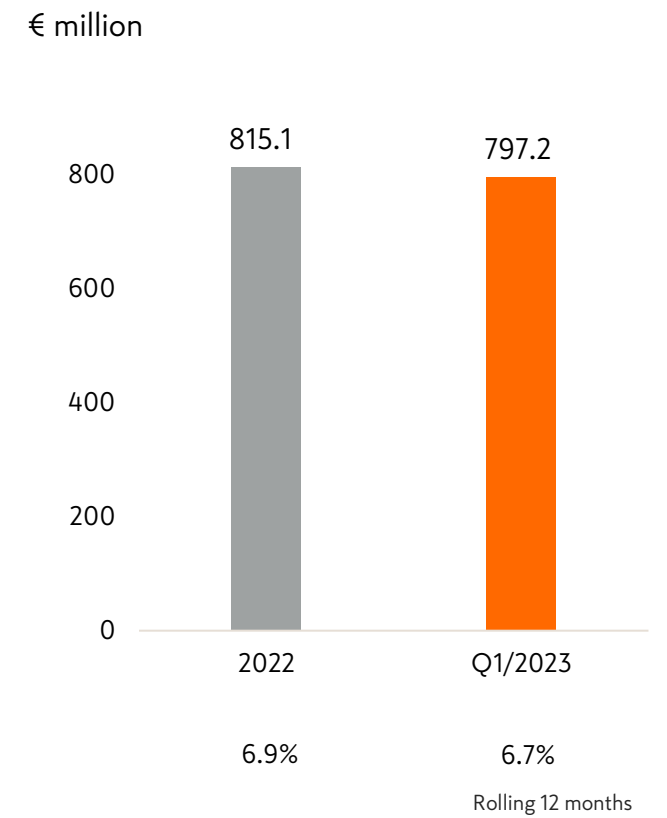
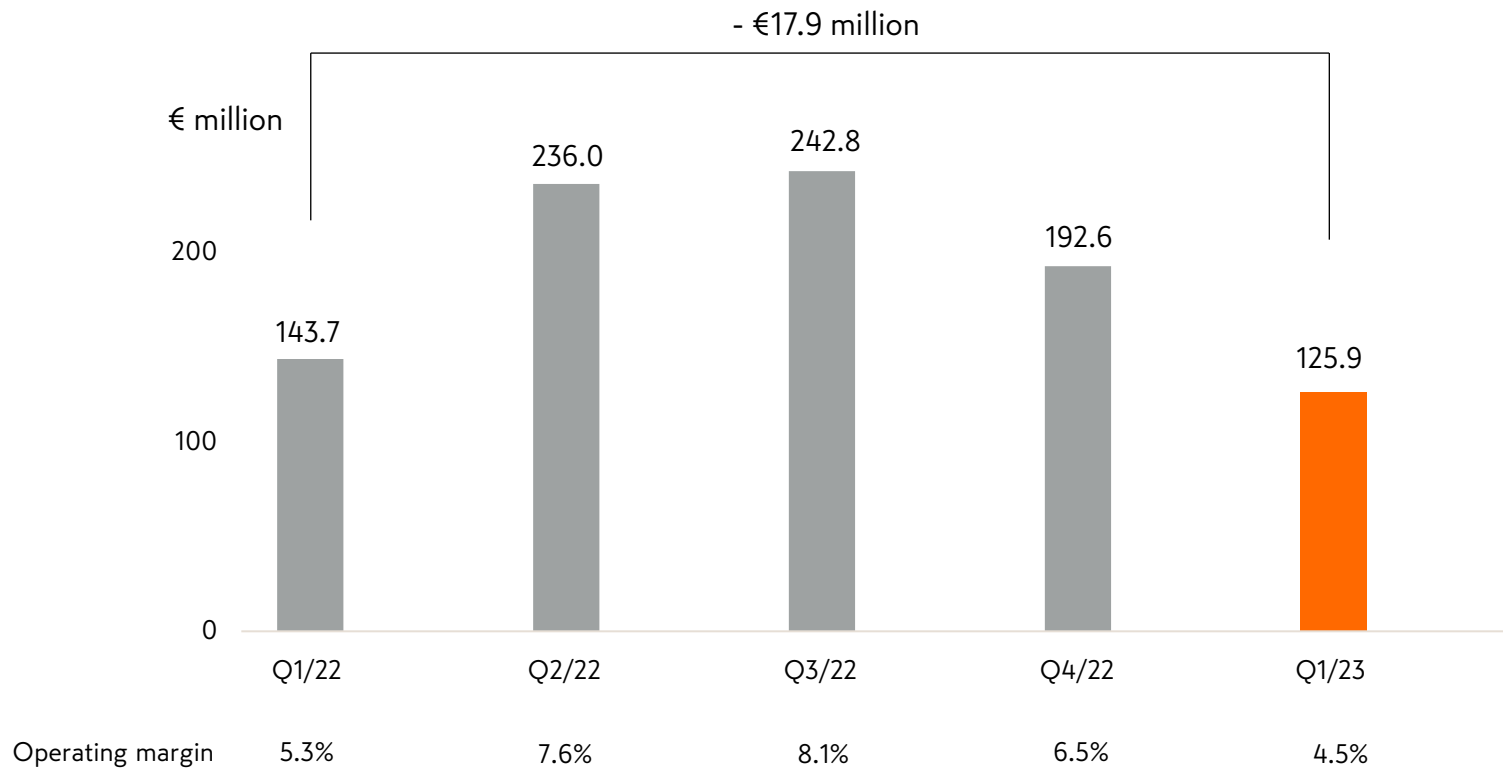
NET SALES

Comparable growth 4.4%

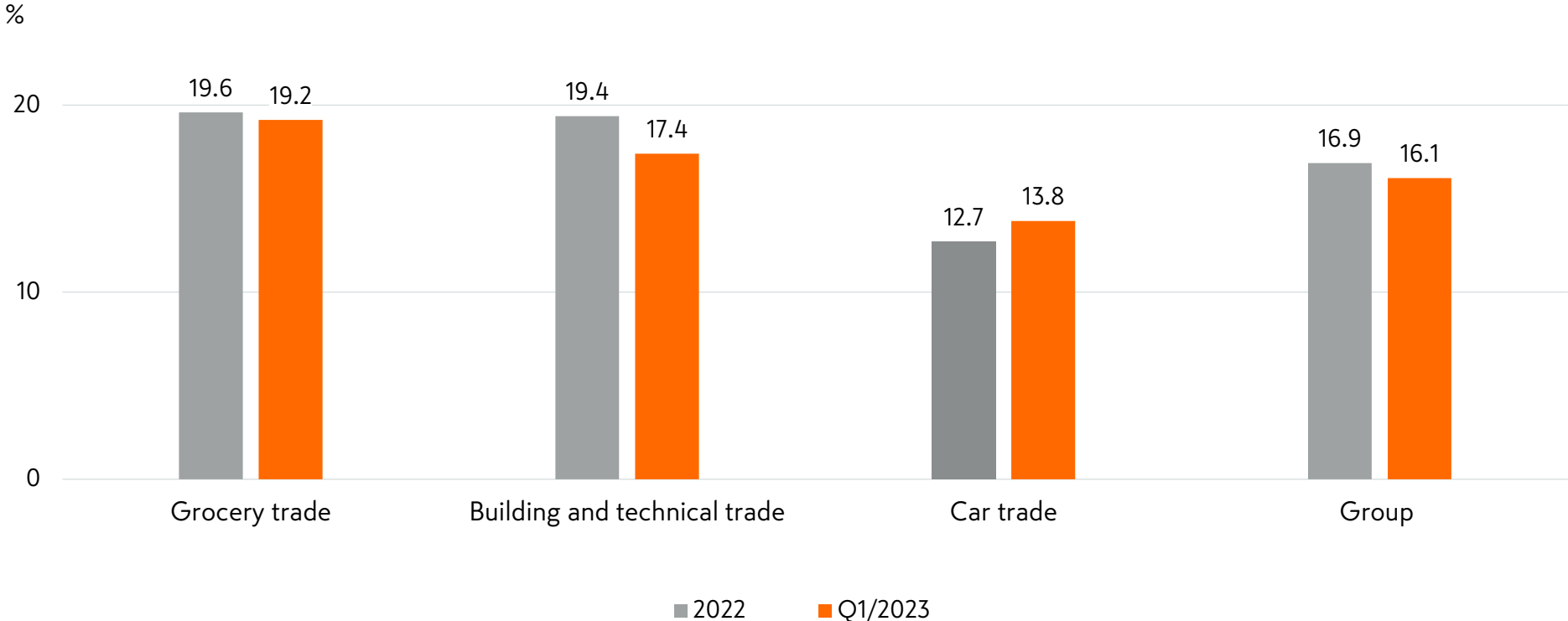


OPERATING PROFIT

Down by €17.9 million



GOOD RETURN ON CAPITAL EMPLOYED



STRONG FINANCIAL POSITION

Cash flow weakened by inventory growth

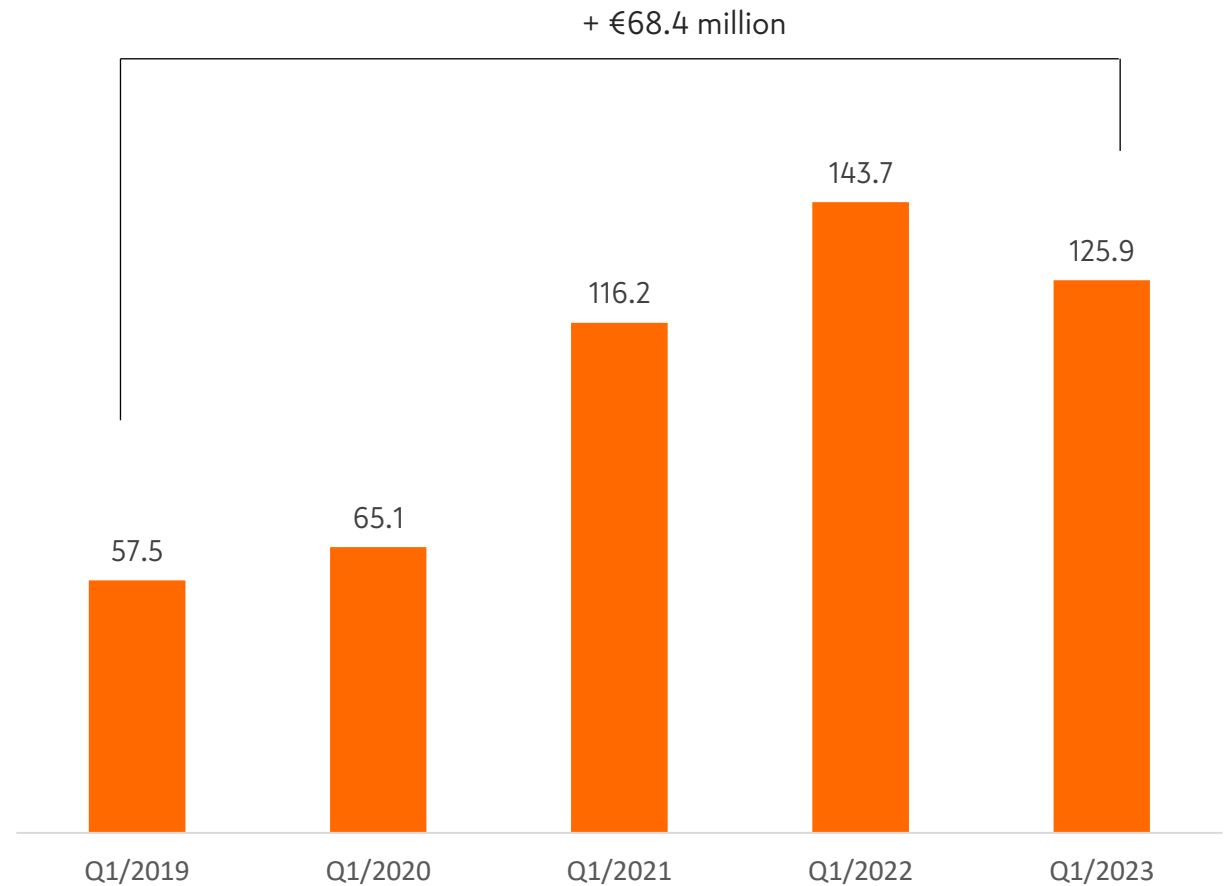
- Inventories up by some €250 million since the end of the comparison period
- Nearly half of this is new cars as their availability has improved, plenty of cars still to be delivered
- In building and technical trade, inventory growth due to efforts to ensure deliveries, as well as price increases and acquisitions
- In grocery trade, inventories up due to rising prices
- Inventories set to go down as car deliveries return to normal levels and building and home improvement sales grow once summer season begins
- Growth in working capital and acquisitions caused net debt to grow

	Q1/2023	Q1/2022
Cash flow from operating activities, € million	27.0	71.0
Liquid assets, € million	159.8	319.6
Capital expenditure, € million	231.8	126.2
Interest-bearing net debt excl. lease liabilities, € million	495.6	72.9
Interest-bearing net debt/EBITDA*	0.6	0.1
Lease liabilities, € million	1,984.3	1,974.5

* Rolling, excluding IFRS 16 impact

KESKO'S Q1 RESULT HAS RISEN TO A NEW LEVEL DESPITE A MORE DIFFICULT ECONOMY

- Significant improvement in Q1 result compared to 2019, despite a more difficult operating environment
- 2019 was the last regular year before exceptional world events, and the economic cycle was also good



Comparable operating profit, €million

PROFIT HAS RISEN TO A NEW LEVEL AS A RESULT OF A GOOD STRATEGY AND ITS SUCCESSFUL EXECUTION



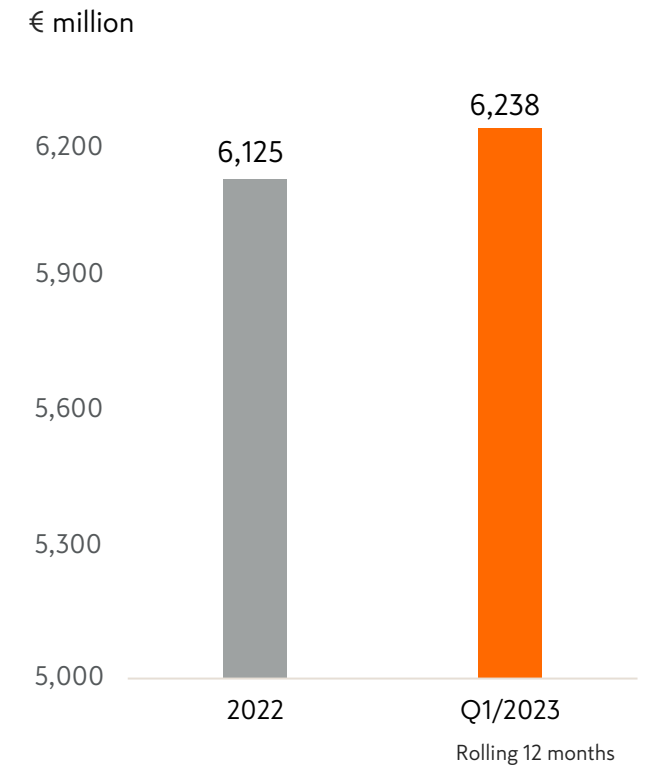
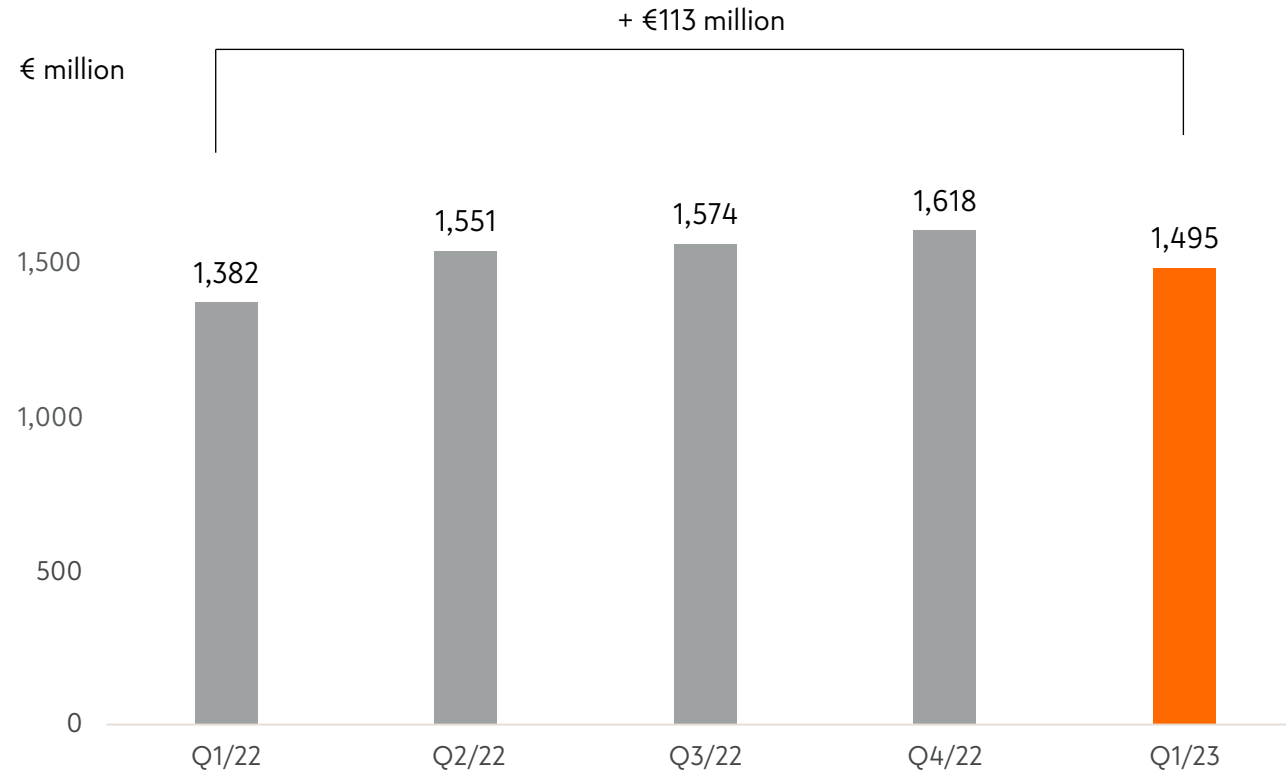


GROCERY TRADE

GOOD RESULT IN FOOD TRADE

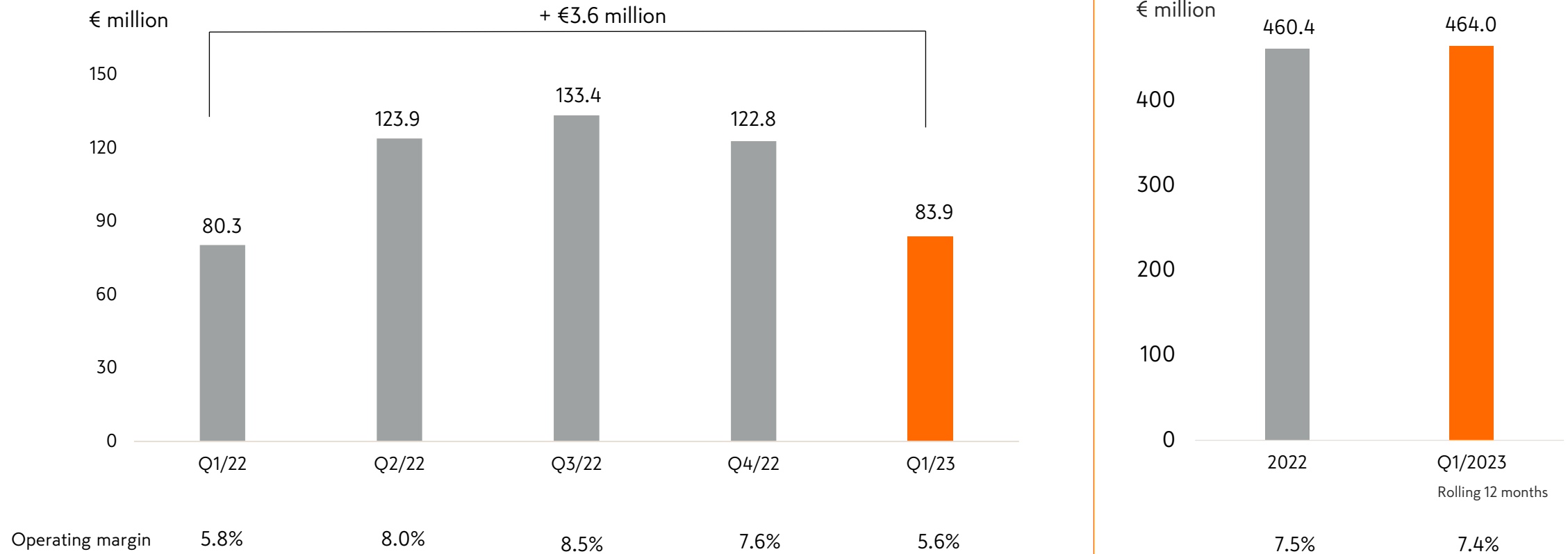
GROCERY TRADE

NET SALES UP BY 8.2%



GROCERY TRADE

OPERATING PROFIT €83.9 MILLION



GROCERY TRADE KEY FACTS IN Q1

- Grocery sales in K Group stores grew by 2.1%, sales to the grocery stores up by 4.6%
- Customer visits in K Group stores increased
- K-Citymarket's home and speciality goods (non-food) sales increased by 3.8%
- Good development in Kespro's sales, up by 28.0%
- Grocery retail prices increased by 14.7%

**HALVIMMAT
OSTOSKORIT
OMISSA KÄSISSÄSI!**

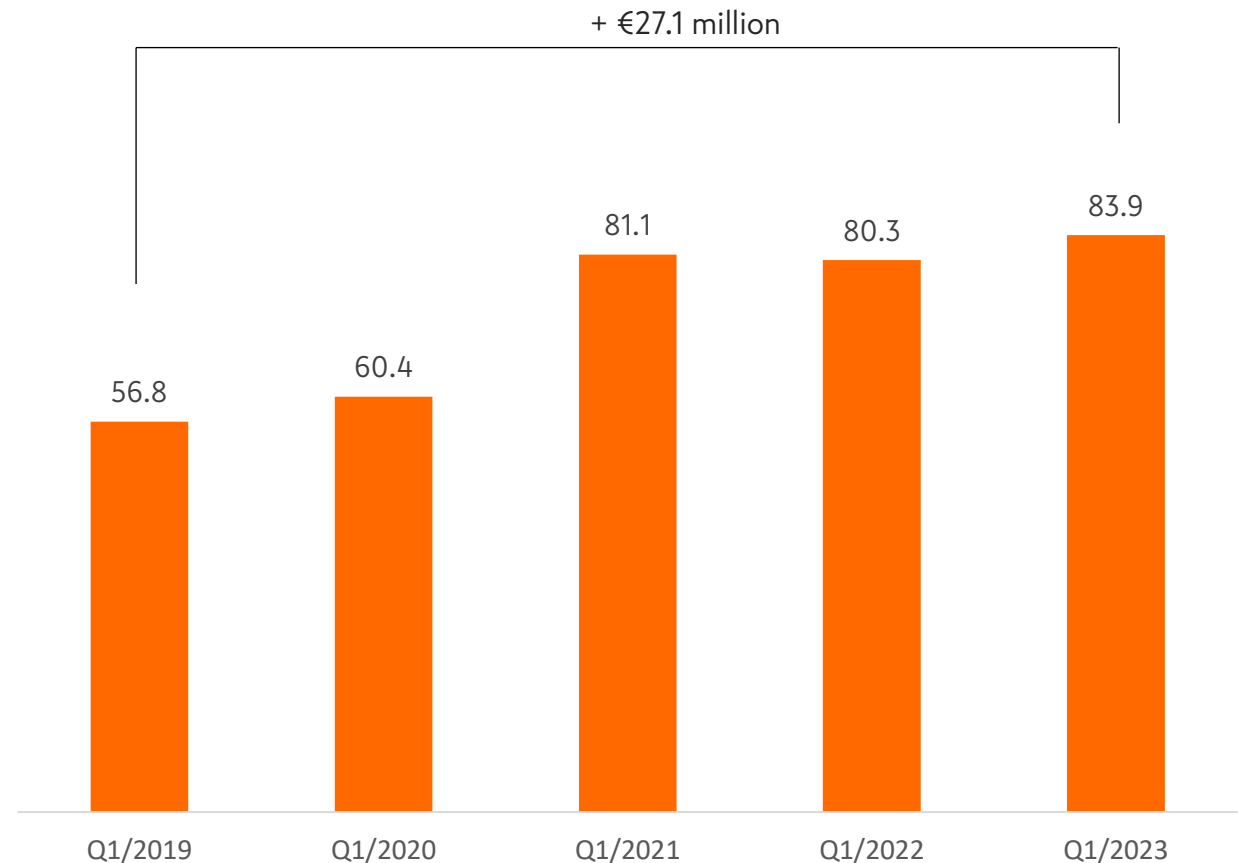
[K-Citymarket.fi/hintakori](https://www.k-citymarket.fi/hintakori)

K MENU OSTOSKORI	PIRKKA OSTOSKORI	HERKKU-OSTOSKORI
13 ⁴⁷	20 ⁶⁶	30 ³⁹

K CITYMARKET HERKKU-KAUPPA HALPA KAUPPA

Q1 RESULT IN GROCERY TRADE HAS RISEN TO A NEW LEVEL

- Q1 result in grocery trade has risen by nearly 50% compared to 2019
- In 2019, consumer purchasing power was good and the popularity of eating out growing
- Rising interest rates and inflation have significantly weakened consumer purchasing power from 2022 onwards: affordable prices and offers have grown in importance
- Post-pandemic normalisation in shopping habits: customers visiting multiple stores, online shopping down, eating out growing again



Comparable operating profit, €million

FOCUS ON CUSTOMER LOYALTY AND GOOD PROFITABILITY

K GROUP GROCERY STORE MARKET SHARE 36.1%

- Market share down by 1.3 percentage points in 2022
- Of this, 0.8 percentage points attributable to competitors opening new stores to exceptional degree in 2021 and 2022
- Other market-related factors: people seeking affordable options and shopping in multiple stores, eating out and travel growing
- Customer visits have increased, but average purchase is down
- New store openings by competitors estimated to continue to have an impact in 2023, but to a lesser extent than in 2022
- We continue the execution of a strategy that focuses on differentiation, while also further improving our price image
- Strong proactive measures together with a slowdown in food price inflation expected to improve our success in the market

KESPRO'S MARKET SHARE 46.1%

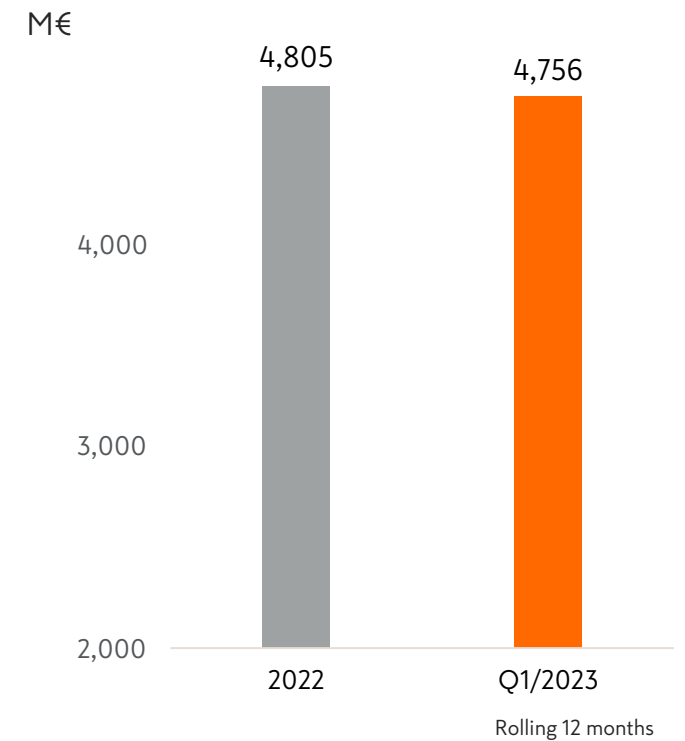
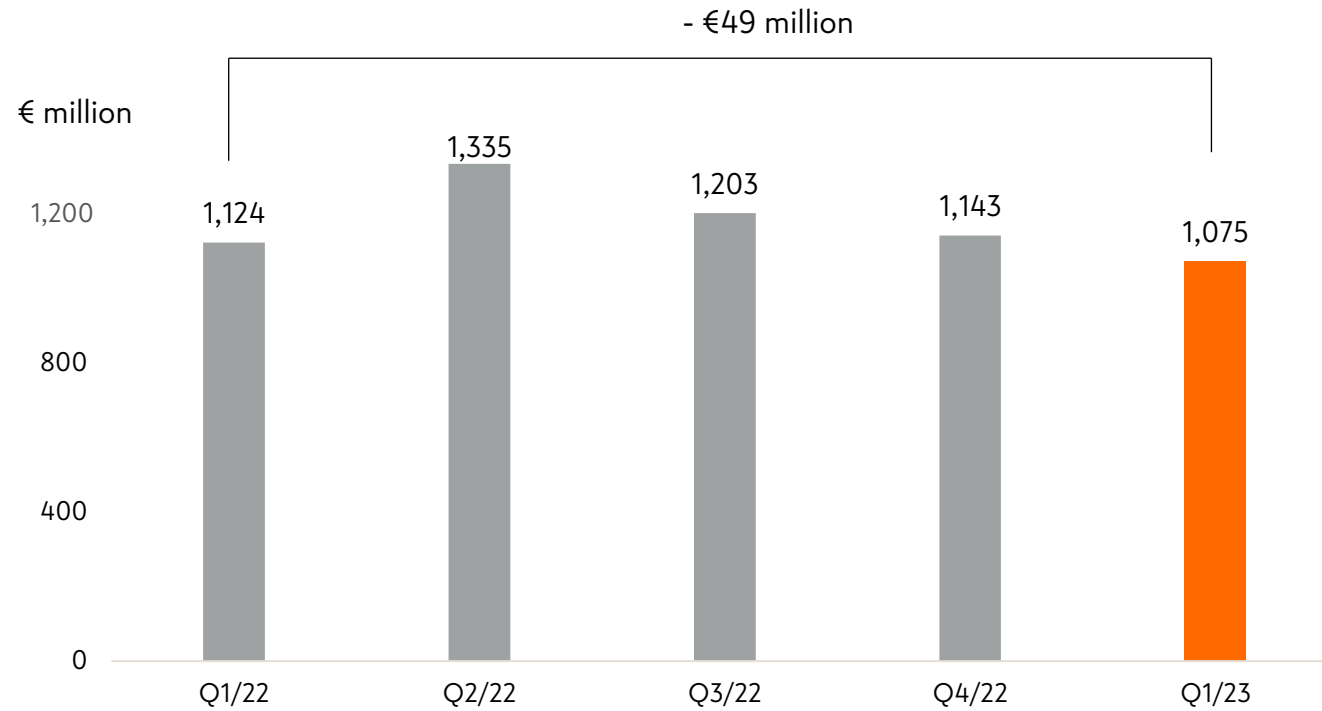
- Market share up by 2.0 percentage points in 2022
- Diverse customer base, strong growth in all customer segments: restaurants (+38.6%), workplace cafeterias (+54.0%), and public operators (+20.7%)
- Kespro is the only operator that can extensively serve all customer segments across the country
- Extensive, versatile digital services, 70% of sales already via digital channels
- The market for eating out on a growth trend

BUILDING AND TECHNICAL TRADE

GOOD RESULT IN A WEAKENING MARKET

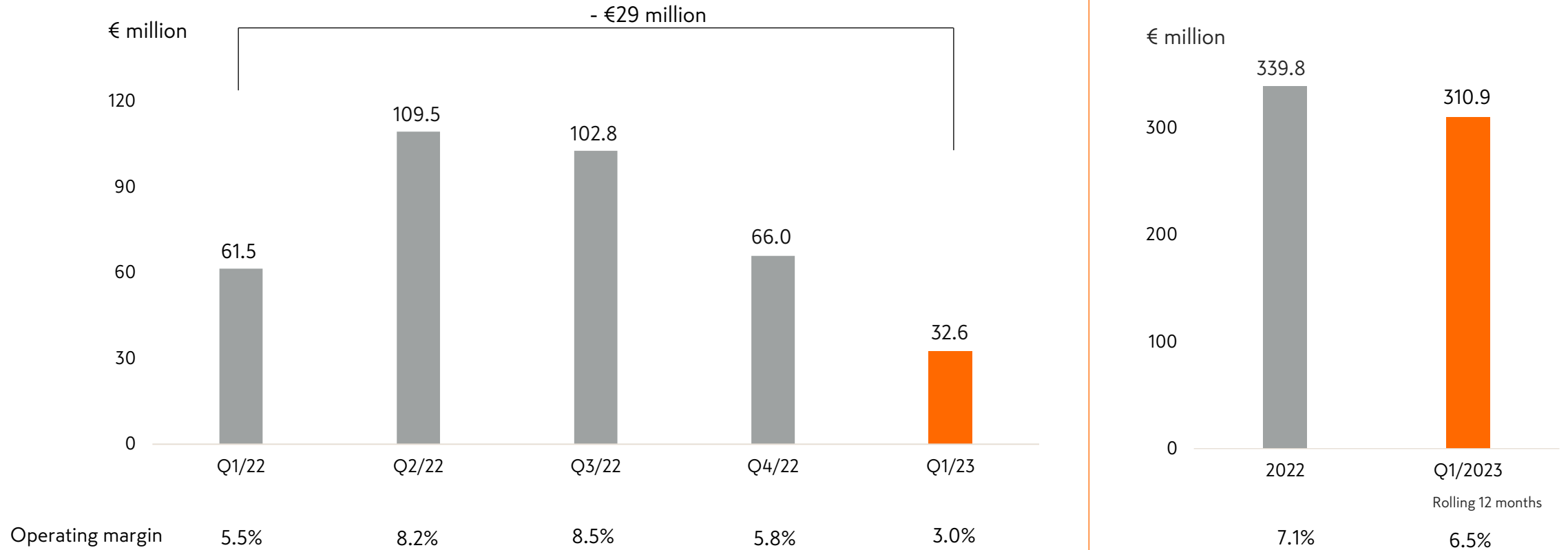
BUILDING AND TECHNICAL TRADE

NET SALES DOWN BY 4.4%



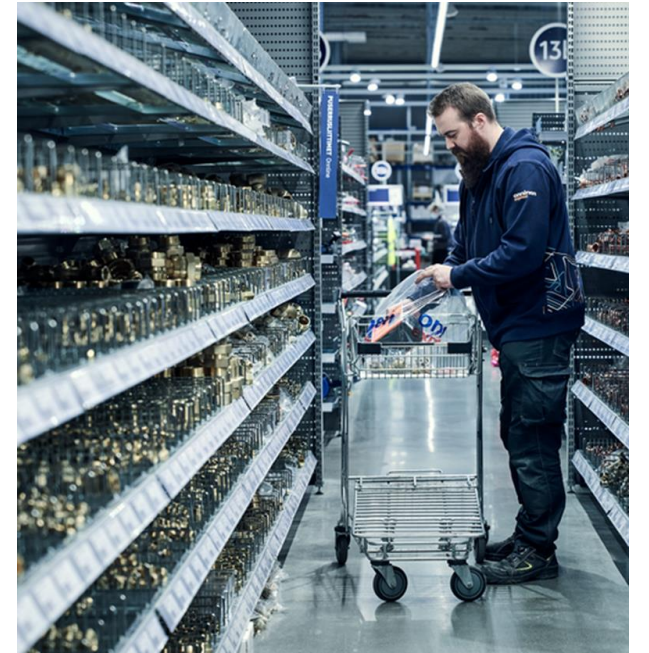
BUILDING AND TECHNICAL TRADE

OPERATING PROFIT €32.6 MILLION



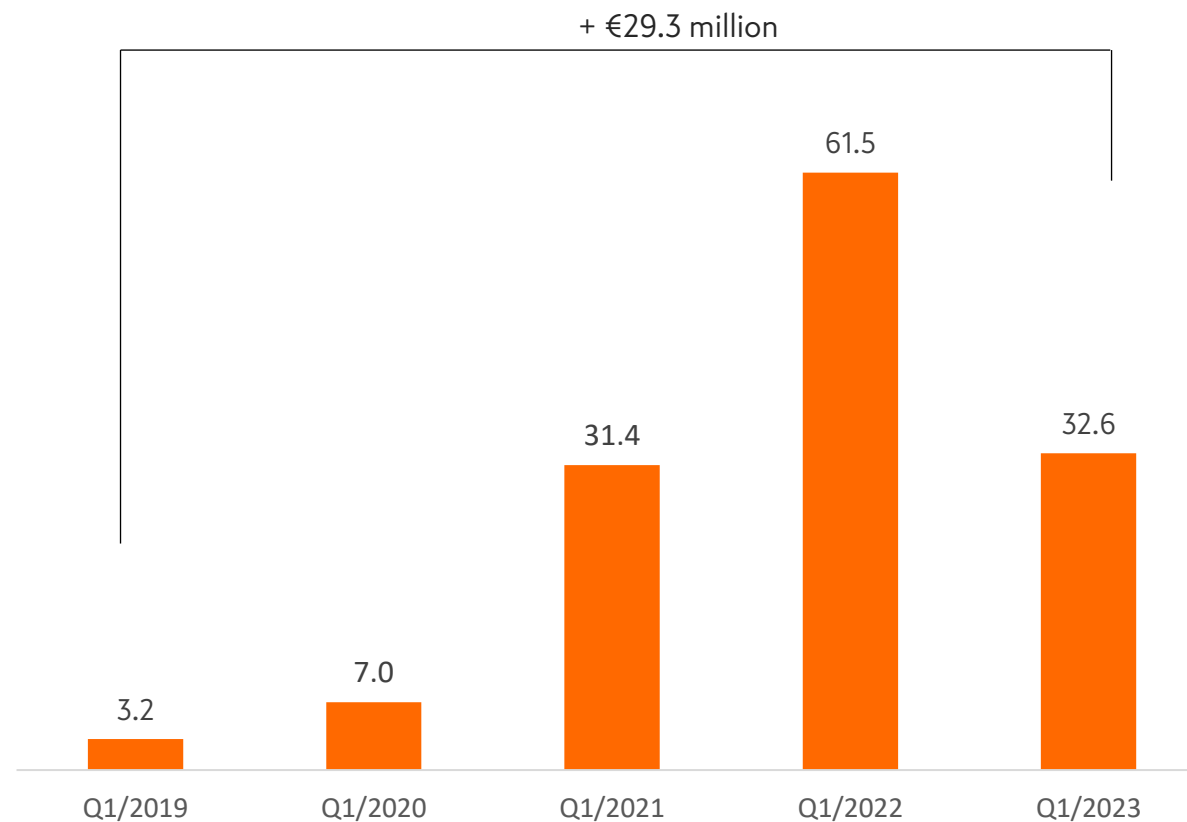
BUILDING AND TECHNICAL TRADE KEY FACTS IN Q1

- Onninen's comparable technical wholesale net sales grew in Finland, Sweden, Norway and the Baltics, and decreased in Poland
- Sales down in building and home improvement trade in all operating countries due to a decrease in construction activity
- Demand particularly strong in products related to the green transition and to improving energy efficiency
- Comparable operating profit markedly down from the exceptionally high levels seen in the comparison period
- Sports trade sales and operating profit down due to weakened consumer demand
- The share of result reported by Kesko from the Kesko Senukai joint venture down by €3.4 million



Q1 RESULT IN BUILDING AND TECHNICAL TRADE ALSO AT A NEW LEVEL

- Q1 result in building and technical trade has multiplied compared to 2019
- Construction and renovation activity in 2019 was good across Northern Europe
- In 2020 and H1/2021, demand grew as a result of the pandemic especially in B2C trade
- In March 2022, the start of the war caused customers to stockpile products at an exceptional level

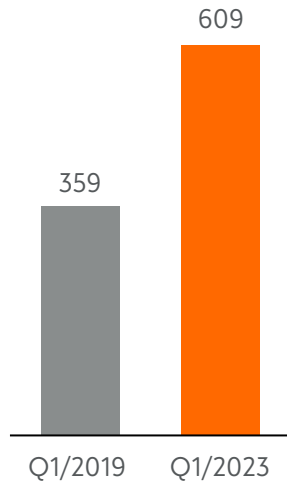


Comparable operating profit, €million

BUILDING AND TECHNICAL TRADE SALES STILL AT A GOOD LEVEL

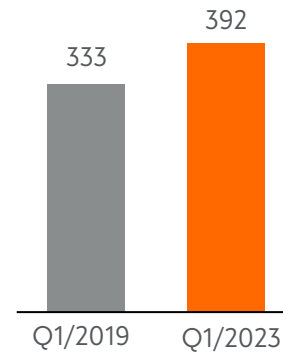
Economic recession weakening demand

Technical wholesale



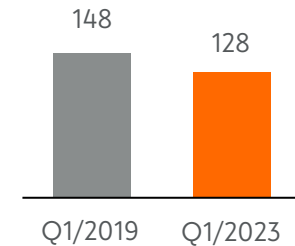
- Sales markedly above the 2019 levels
- Volumes also clearly above the 2019 levels

Building and home improvement, B2B



- Sales clearly above the 2019 levels
- Volumes at the 2019 levels

Building and home improvement, B2C



- Sales down from 2019
- Volumes below the 2019 levels

GREEN TRANSITION AND NEED TO IMPROVE ENERGY EFFICIENCY UPHOLDING DEMAND

Products related to green transition approximately 35% of sales



Solar panels



Ground and air source heat pumps



EV charging



Wind power and infrastructure construction



Plumbing and air-conditioning



Insulation



Water saving products



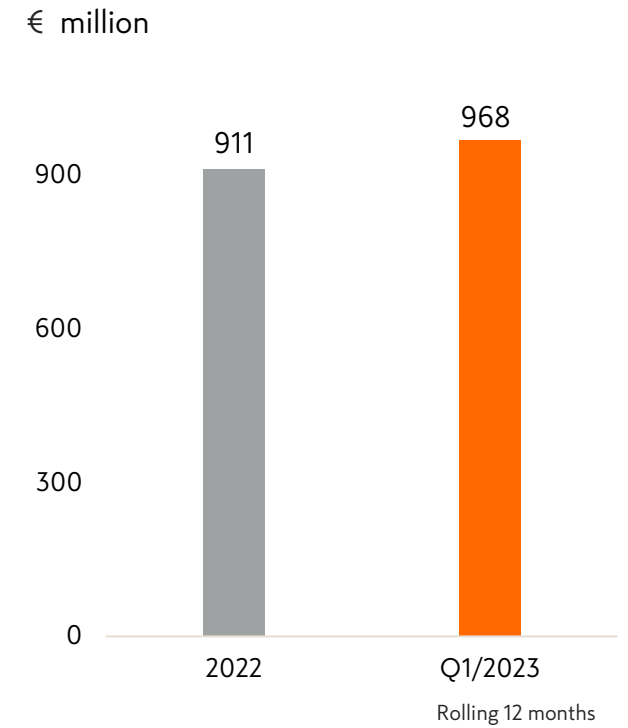
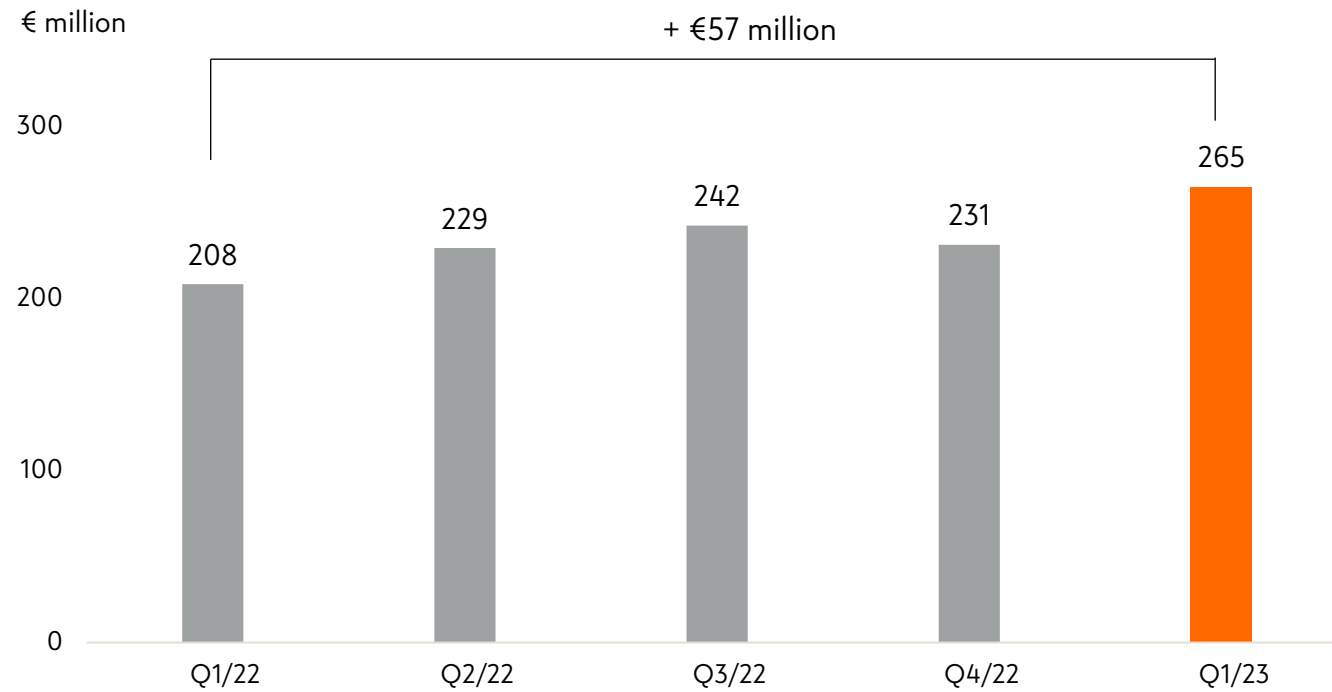
Energy-efficient lighting

CAR TRADE

BEST RESULT EVER

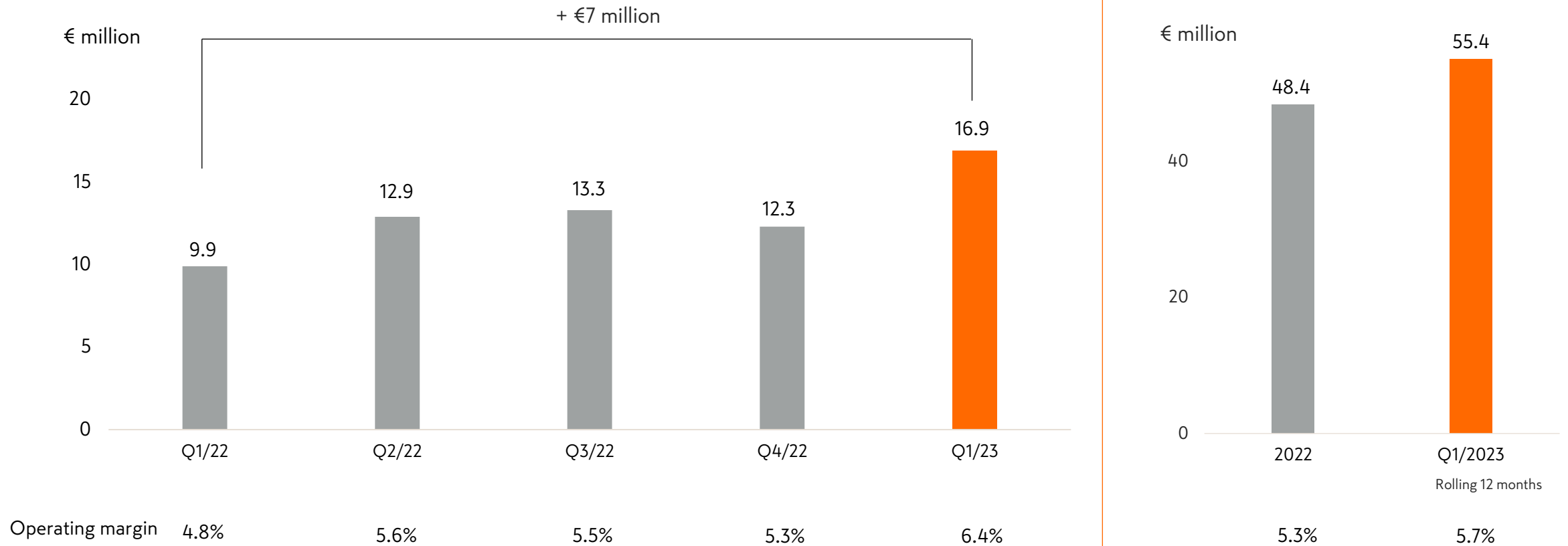
CAR TRADE

NET SALES UP BY 27.2%



CAR TRADE

OPERATING PROFIT €16.9 MILLION



CAR TRADE KEY FACTS IN Q1

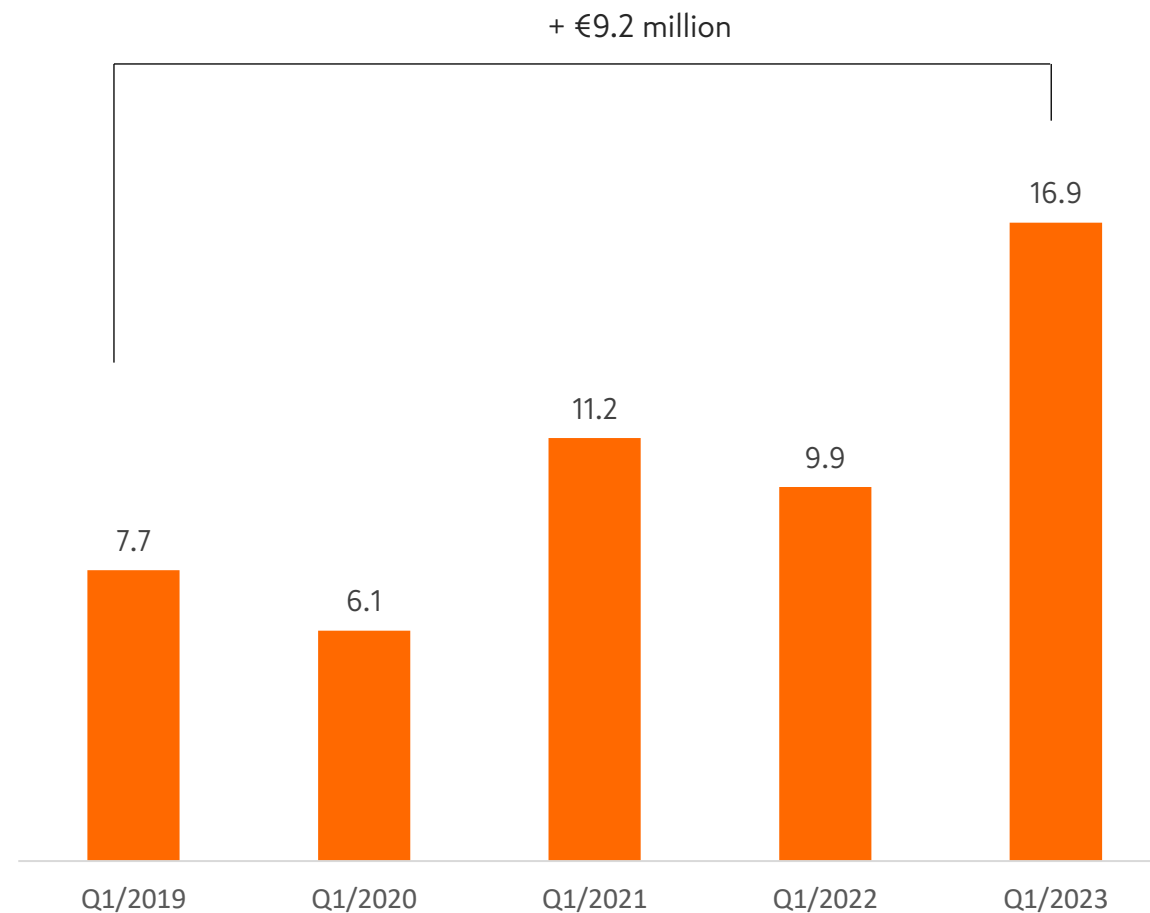
- Net sales grew by 27.2%
- Strong growth in new car sales as availability improved
- Sales also grew markedly in used cars and services
- Profitability at 6.4% thanks to sales growth and measures to transform and improve the efficiency of operations
- Strong order book, new car orders down in the market



Q1 RESULT IN CAR TRADE HAS RISEN TO A RECORD LEVEL

Transformation efforts, profit capacity in all businesses, and strong order book yielding results

- Q1 result in car trade has doubled since 2019
- In 2019, the market was normal and there were no availability issues with cars
- In 2021–2022, significant availability issues due to global component shortages
- Availability issues easing, but demand has weakened
- Extensive transformation programme carried out in 2021–2022 has led to significant profitability improvement



Comparable operating profit, €million



SUSTAINABLE KESKO

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' LISTING

- 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

KESKO'S GOOD RESULT BENEFITS BOTH SHAREHOLDERS AND EMPLOYEES

Kesko's Annual General Meeting resolved to pay total dividends of €430 million to nearly 90,000 shareholders for the year 2022

Performance-based bonuses totalling €53 million paid to Kesko personnel based on the good annual result

All Kesko employees now eligible for performance bonuses

GUIDANCE

GUIDANCE FOR 2023

Kesko repeats the outlook and guidance given in its financial statements release on 2 February 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 estimated 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.

