



KESKO

SUCCESSFUL STRATEGY EXECUTION DRIVING GROWTH

September 2023

K GROUP AND KESKO TODAY

#1

Leading trading sector company in Northern Europe with retail sales of over €16bn



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



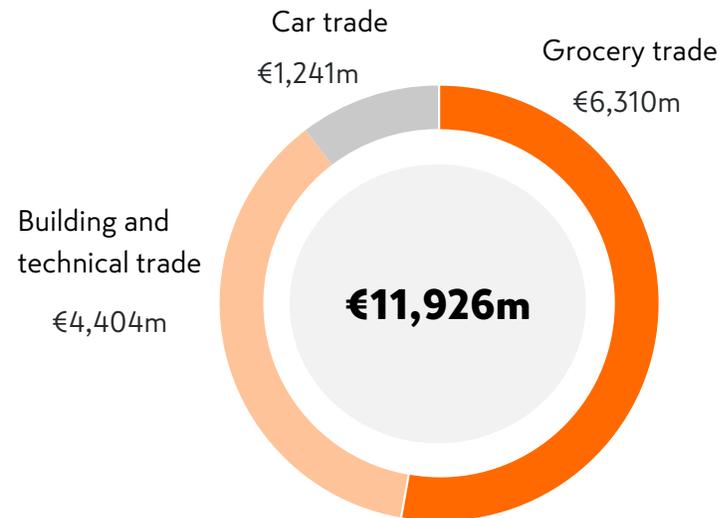
Market cap nearly €7bn with ~96,000 shareholders



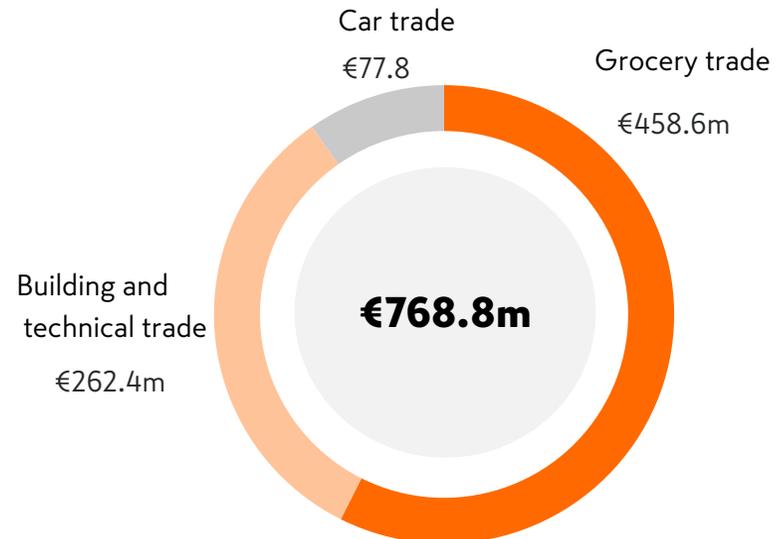
Sustainability at the core of the strategy

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, retailer-model

#2 in Finnish retail, market share ~36%
#1 on the Finnish foodservice market ~46%



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



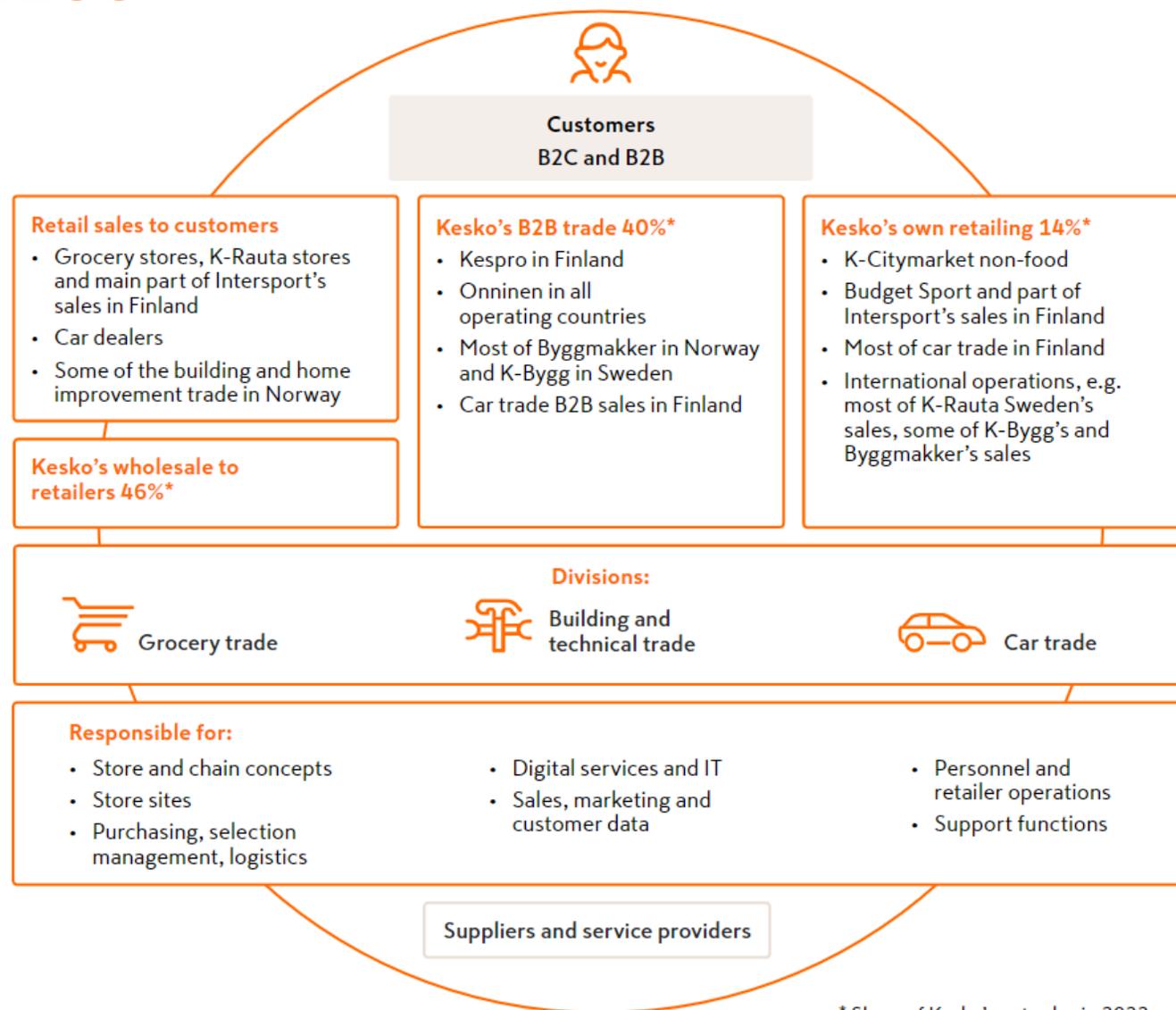
CAR TRADE

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

Sportstrade business in Finland part of the division
#1 in Finland



KESKO'S BUSINESS MODEL



* Share of Kesko's net sales in 2022

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-KAUKKO K-RAUTA

RAUTIA

K-MAATALOUS

KODINYKKÖNEN 1

ASKO

SOTKA

ANTILA

muuli

YAMARIN

MUSTA PÖRSSI

KONEKESKO

K PYOKA

BM BYGGMAKKER

VV-AUTO

K-KAUKKO 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



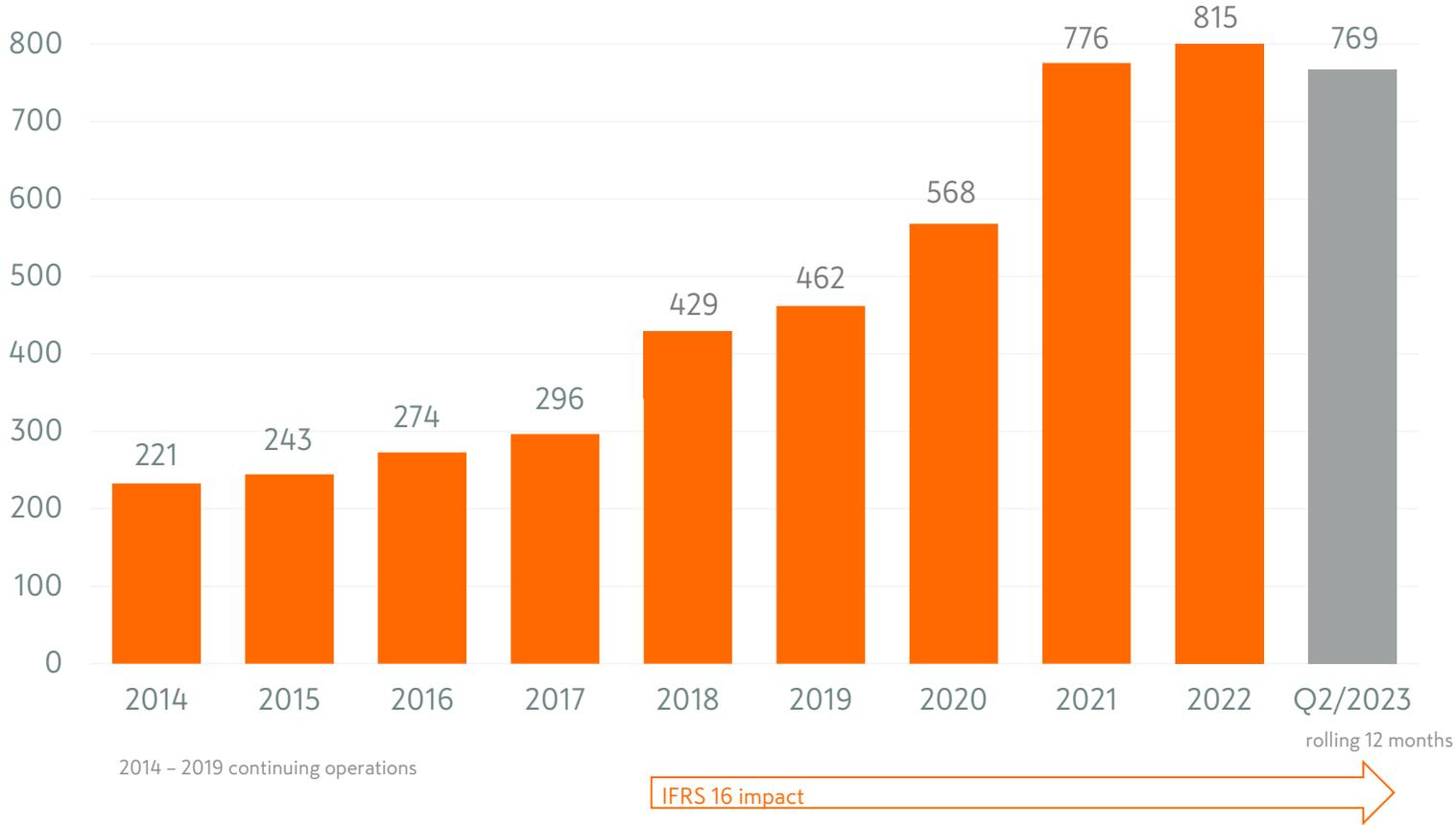
STRONG GROWTH IN BUILDING AND TECHNICAL TRADE IN NORTHERN EUROPE



GLOBAL SUSTAINABILITY FORERUNNER

STRONG PROFIT GENERATION ALSO IN A WEAKER MARKET

Comparable operating profit
Reported figures, € million



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

€6.0 bn

Compared to Q2 2023

Steady cost ratio
improvement

16.4%

2014: 19.2%

Costs / reported Group net sales, Q2 2023, rolling 12 months
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 ~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 €6.3 billion*, B2B accounts for over 80% of sales**

TECHNICAL TRADE

onninen 

- Net sales €2,352 million
- Operating profit €158.6 million
- Operating margin 6.7%
- 100% B2B

BUILDING AND HOME IMPROVEMENT TRADE

Rauta 

- Net sales €1,647 million
- Operating profit €86.3 million
- Operating margin 5.2%
- 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 €1,204 million*

LEADING CAR TRADE PLAYER IN FINLAND

K Auto

- Kesko operates a major part of VW Group's businesses
 - One of the leading operators in market in new car sales, market share 14.1%
 - Fast growing used car business
 - Nationwide service and charging networks
 - Sports trade part of car division 1 April 2023
- Net sales €1,241 million
 - Operating profit €77.8 million
 - Operating margin 6.3%
 - 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

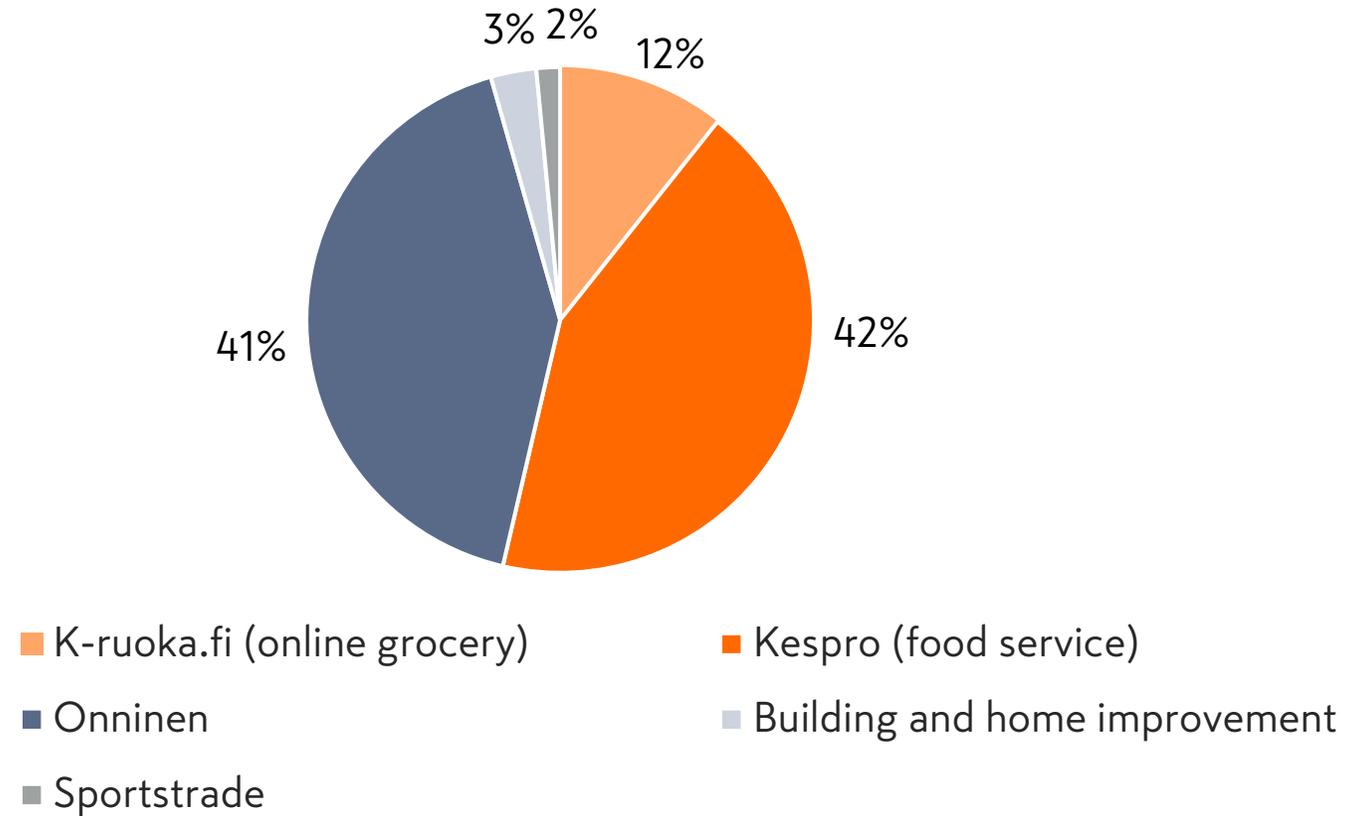
Personal benefits and offers

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

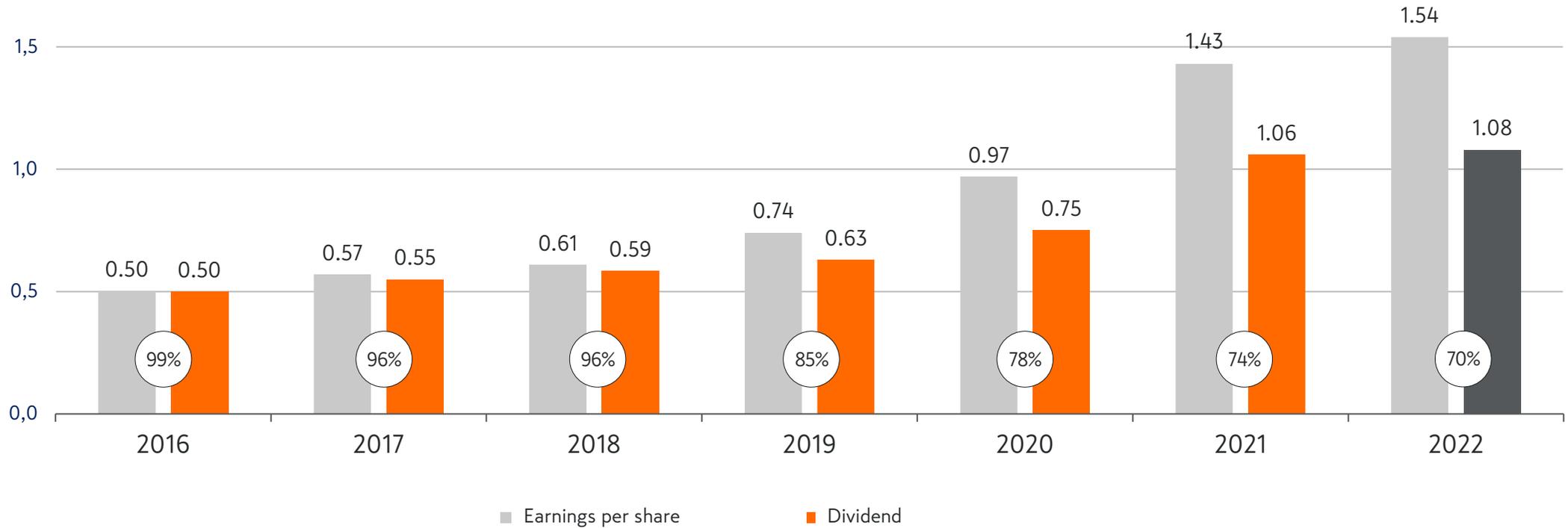
FINANCIAL TARGETS	
Operating margin, comparable	Over 6%
Return on capital employed, comparable, %	Over 14.5%
Interest-bearing net debt/EBITDA, excluding IFRS 16 impact	at maximum 2.5

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.



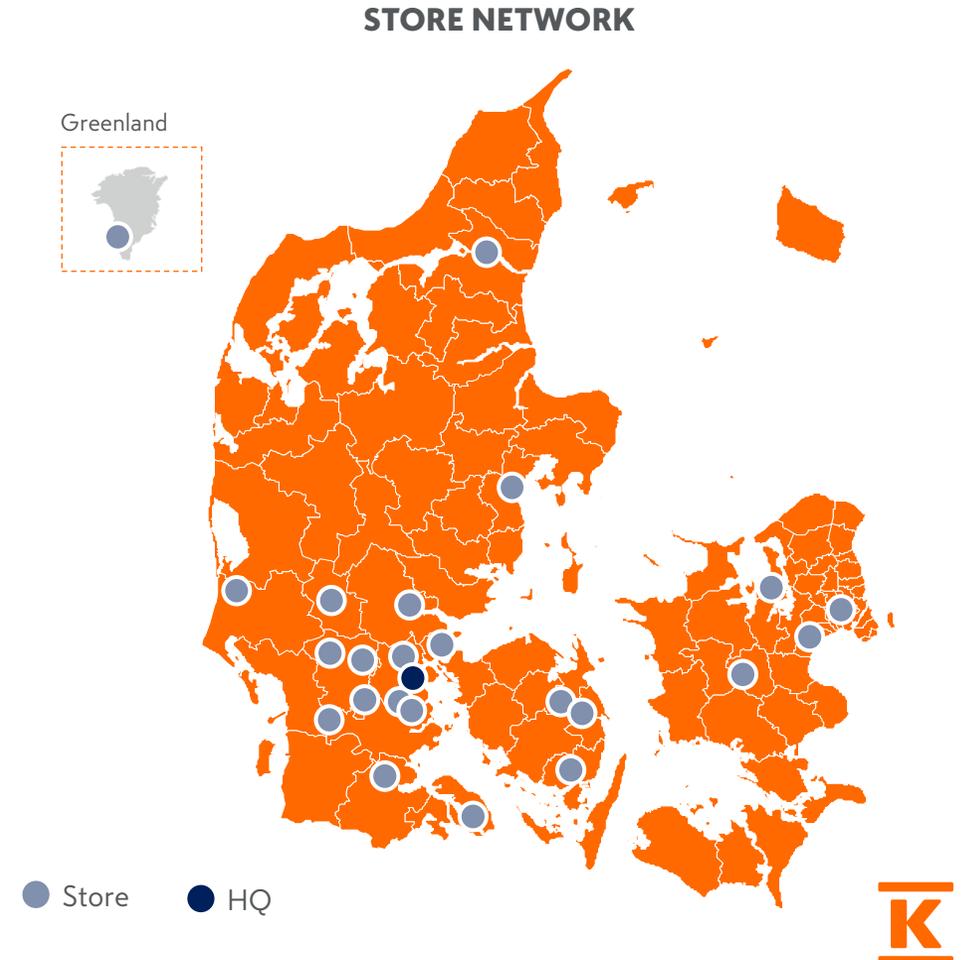


**LATEST NEWS:
KESKO ACQUIRES THE DANISH
BUILDERS' MERCHANT DAVIDSEN
AND ENTERS DENMARK**

23 August 2023

DAVIDSEN IN BRIEF

- Kesko acquires 90% of the family-owned Davidsen A/S
- Family-owned builders' merchant company headquartered in Kolding, Denmark
- One of the largest building materials retailers focusing on the B2B segment with ~9% market share, ~30% market share in Southern Denmark
- 23 stores, of which 19 are owned by the company
- Davidsen has some 850 employees
- In 2022, the company's net sales approximately €560 million with an EBITDA of €27 million and EBIT of €23 million (excl. IFRS 16 impact)
- Temporarily sales and profitability are expected to be below 2022 year's level due to economic down-turn and lower construction volumes



DAVIDSEN TRANSACTION KEY POINTS

- The agreed debt-free enterprise value for 100% of the company is approximately €190 million, of which Kesko will acquire 90%, which equals approximately €170 million
- The Davidsen family continues with a 10% ownership and will support the company's development and expansion
- The company will continue under Davidsen brand and current local management will continue leading the company
- The rationale behind the acquisition is strategic. However, transaction offers some synergies in sourcing, selections and leveraging best-practices
- Kesko finances the acquisition with a customary bank loan
- The acquisition is subject to the EU Commission's merger approval and fulfilment of certain other conditions. The transaction is expected to be completed at the latest in Q1 2024



BIG POTENTIAL IN BUILDING AND HOME IMPROVEMENT MARKET IN DENMARK

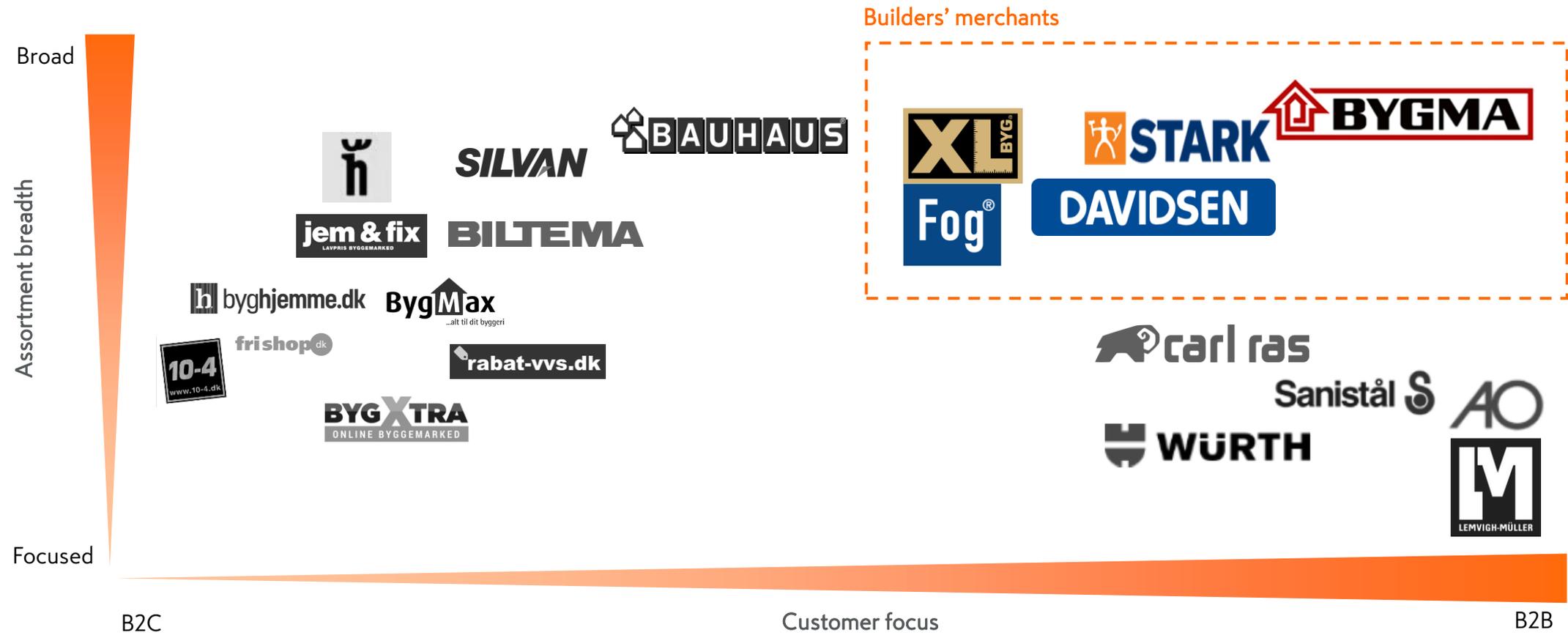
- The Danish building and home improvement market was approximately €5.7 billion in 2022, which is over 1.5x the size of the Finnish market of €3.7 billion
- Three largest builders' merchant companies Stark, Bygma and Davidsen represent some 50% of the market
- Approximately 30 independent retailers form together a broad XL Byg chain, which has some 20% of the market
- There are also a large number of small, local builders' merchant companies
- The Davidsen acquisition creates a good platform to grow and participate in the consolidation of the Danish building and home improvement market



Davidsen Aahlborg

COMPETITIVE LANDSCAPE IN DANISH BUILDING AND HOME IMPROVEMENT BUSINESS

Competitive landscape and positioning, illustrative



DAVIDSEN ACQUISITION AND ENTRY TO DENMARK ARE IMPORTANT STRATEGIC STEPS

- Kesko has a consistent strategy in building and technical trade: to consolidate the market in Northern Europe and to be among the leading players in B2B business in each country
- The Danish market is not yet consolidated, great potential for growth organically and through acquisitions
- Downturn affects the business, but at the same time offers consolidation opportunities for an industrial operator like Kesko



KESKO HALF-YEAR FINANCIAL REPORT Q2/2023

STRONG PERFORMANCE IN A CHALLENGING MARKET



KEY EVENTS IN Q2

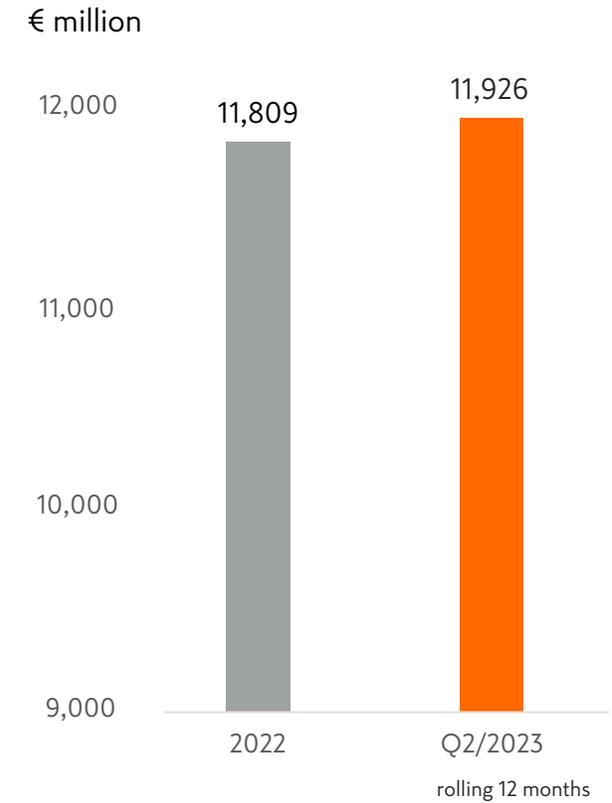
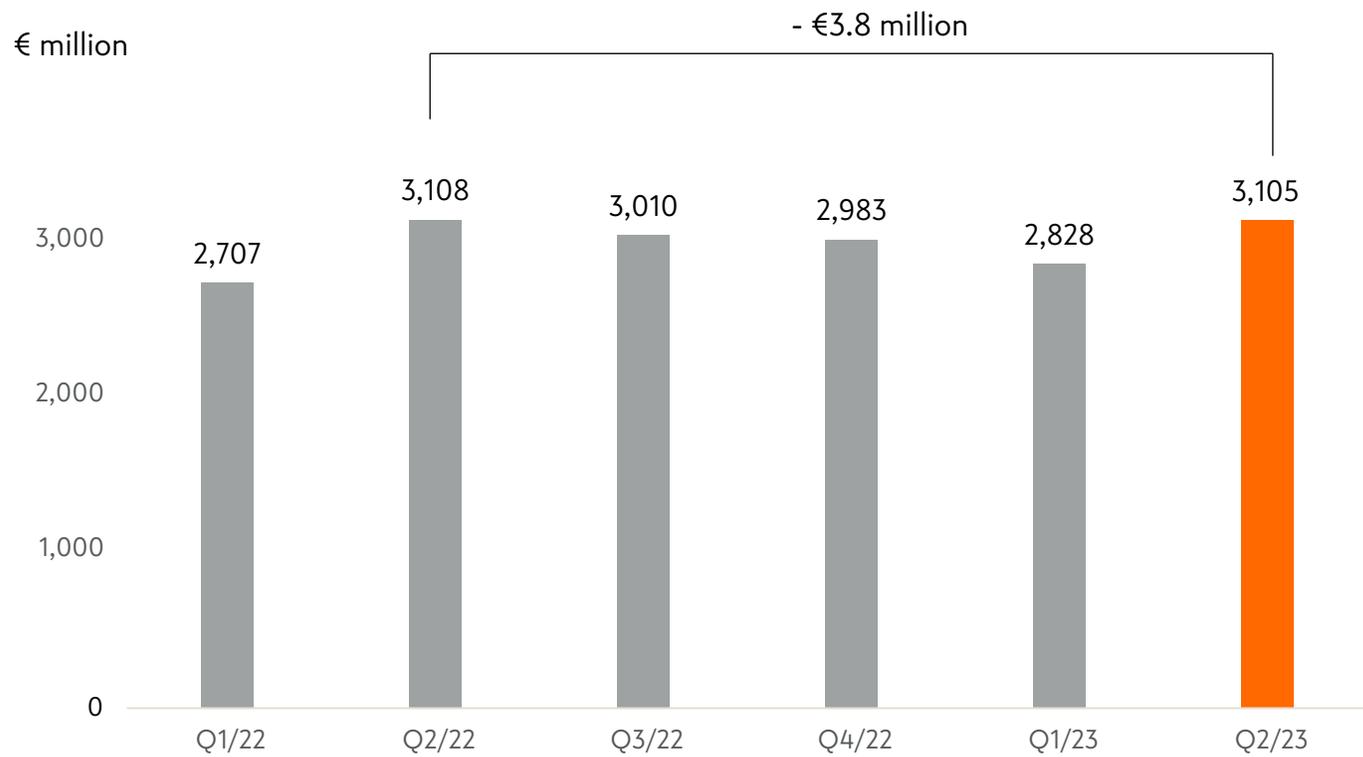
- Grocery trade: sales improved compared to earlier this year, Kespro also continued to perform well
- Building and technical trade: result down due to weakened construction volumes
- Car trade: sales and profit at a record level thanks to deliveries of cars ordered earlier
- Cost-efficiency improved thanks to efficiency improvement measures implemented
- Strong cash flow from operating activities

	4-6/2023	4-6/2022
Net sales, € million	3,104.7	3,108.5
Net sales growth, %	-0.1	4.0
Net sales growth, %*	-0.8	3.9
Operating profit, € million*	207.6	236.0
Operating margin, %*	6.7	7.6
Earnings per share, basic, €*	0.38	0.45

* Comparable

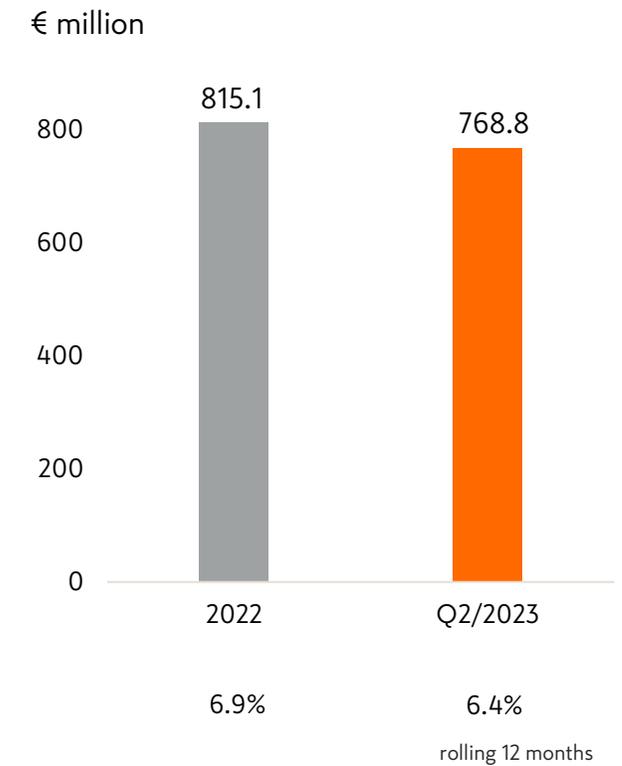
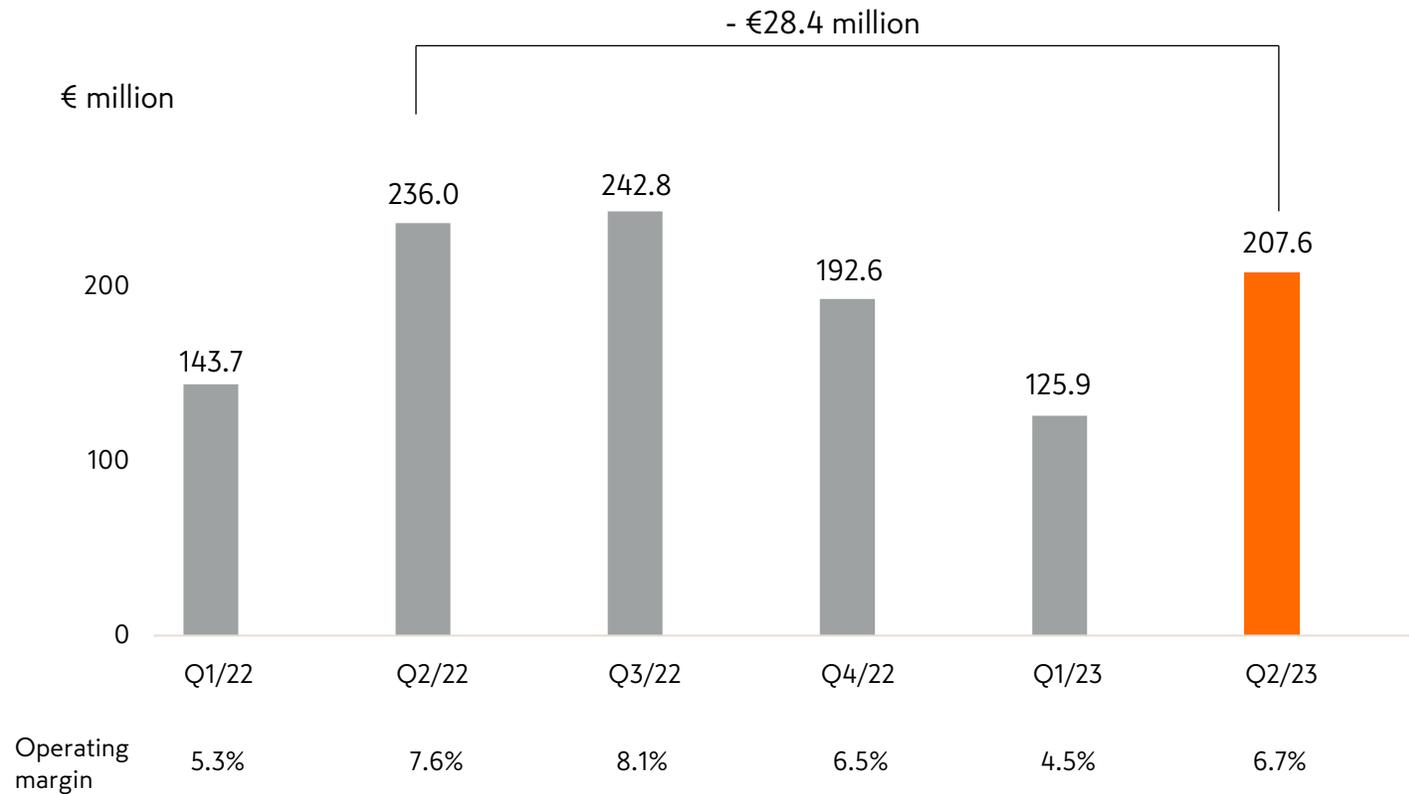
NET SALES

A decrease of 0.1%, or -0.8% in comparable terms

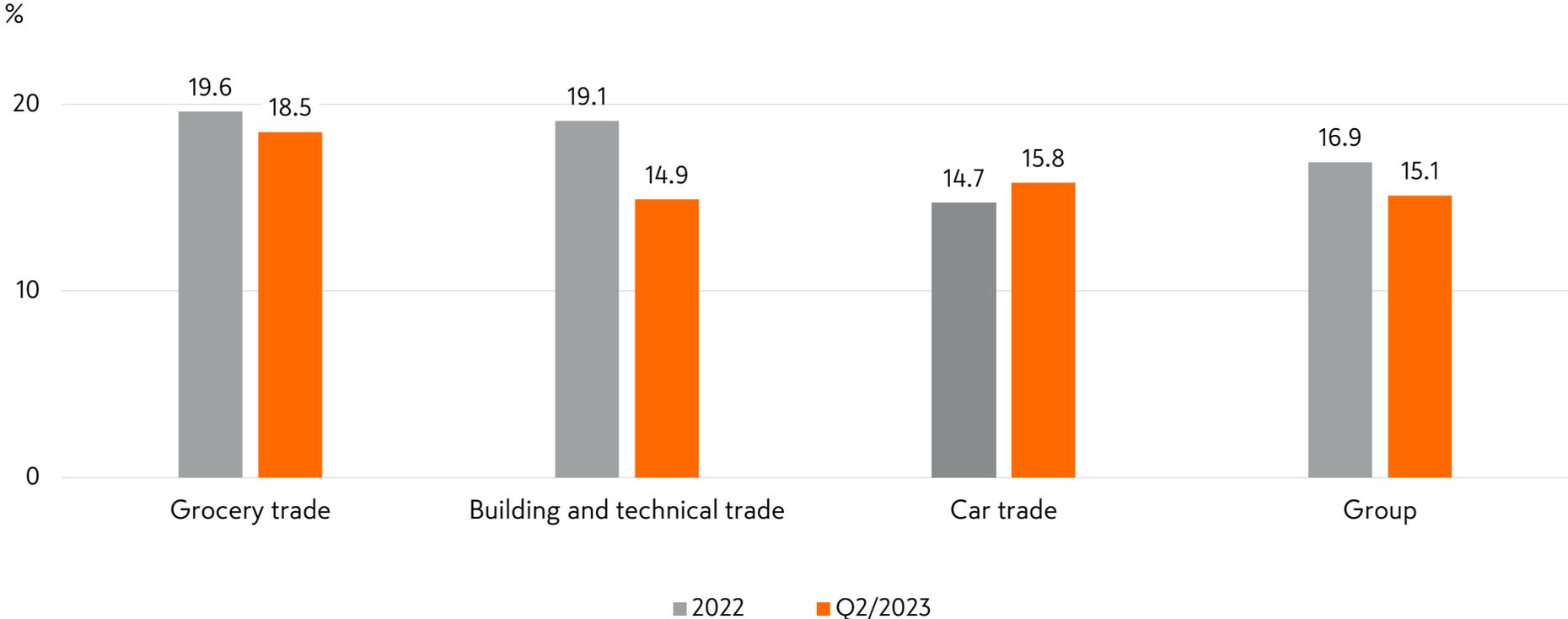


OPERATING PROFIT

Down by €28.4 million



GOOD RETURN ON CAPITAL EMPLOYED



STRONG FINANCIAL POSITION

Good cash flow from operating activities

- Cash flow strengthened year-on-year, as working capital management improved in all three divisions
- Interest-bearing net debt increased as a result of investments in store sites and logistics, acquisitions, and growth in working capital

	Q2/2023	Q2/2022
Cash flow from operating activities, € million	285.2	262.4
Liquid assets, € million	271.0	345.3
Capital expenditure, € million	161.2	124.6
Interest-bearing net debt excl. lease liabilities, € million	629.6	197.8
Interest-bearing net debt/EBITDA*	0.7	0.2
Lease liabilities, € million	2,002.4	1,960.9

*Rolling, excluding IFRS 16 impact

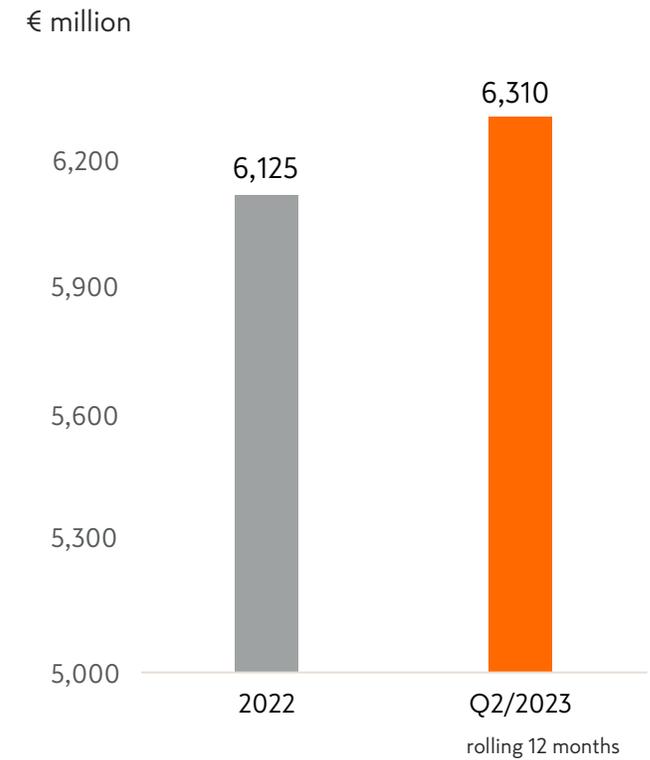
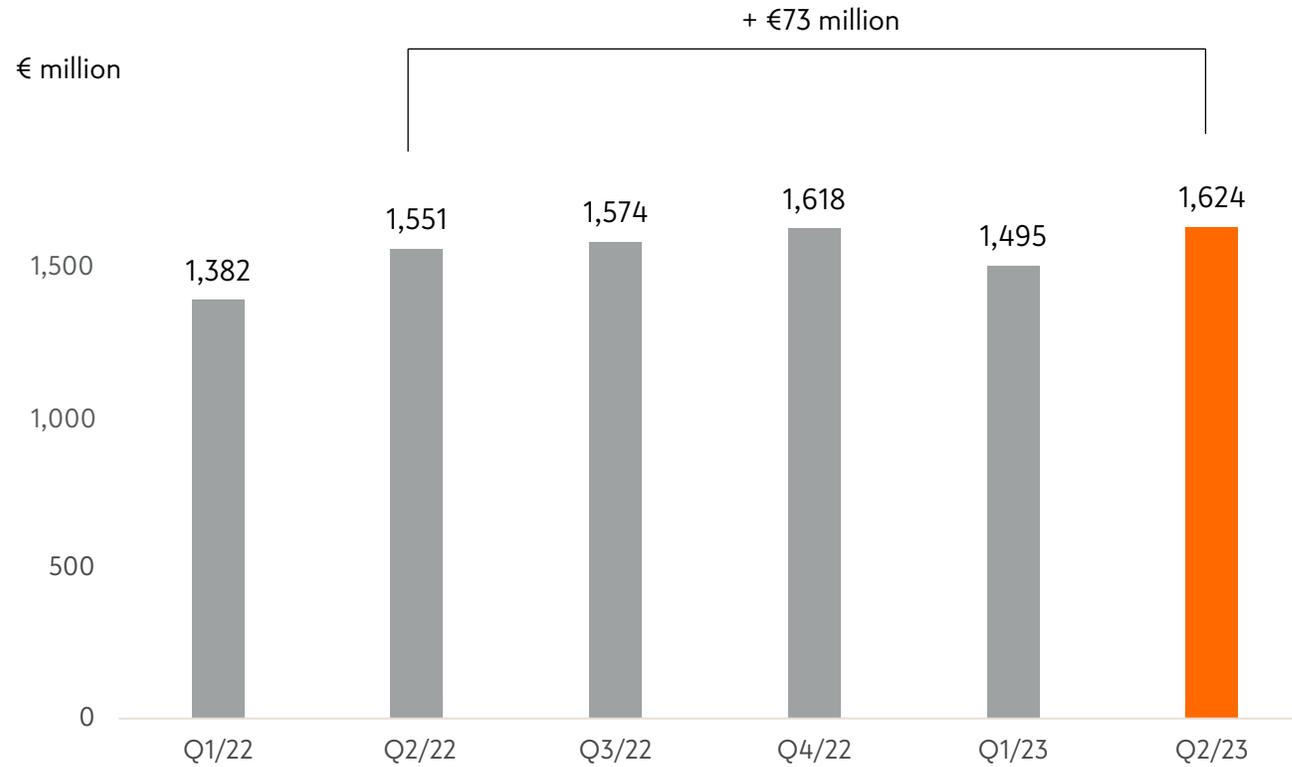


GROCERY TRADE

GOOD RESULT IN FOOD TRADE

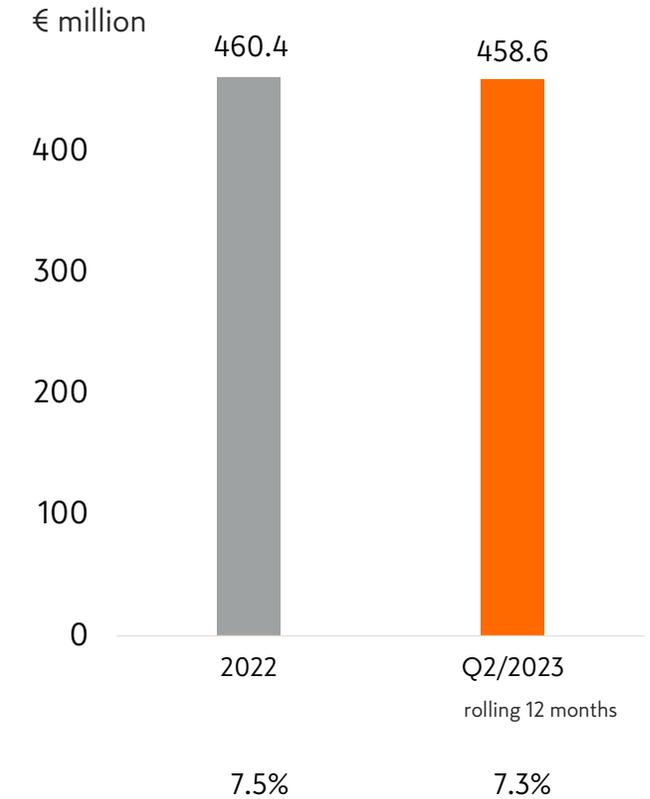
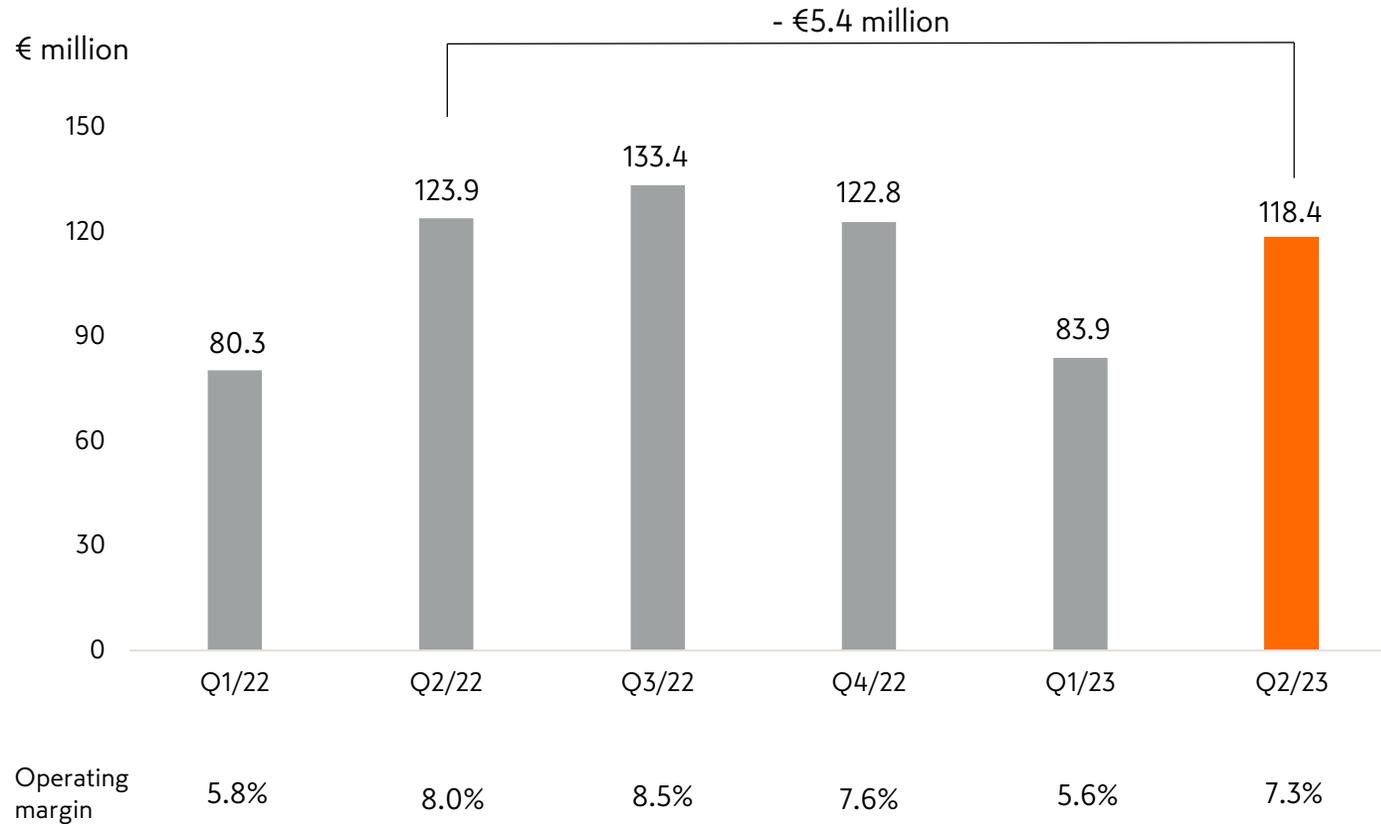
GROCERY TRADE

NET SALES UP BY 4.7%



GROCERY TRADE

OPERATING PROFIT €118.4 MILLION



GROCERY TRADE KEY TOPICS IN Q2

- Market still price-driven, price inflation for groceries at 10.9%
- Campaigns and other marketing efforts saw customer visits and sales in K Group grocery stores increase
- Grocery sales in K Group grocery stores up by 4.6%; this fell short of the market, but less so than in Q1
- Kespro's sales up by 9.8%, exceeding the market
- K-Citymarket's non-food sales up by 1.3%
- Online grocery sales up by 3.8%
- Norwegian online grocery operator Oda announced exit from the Finnish market



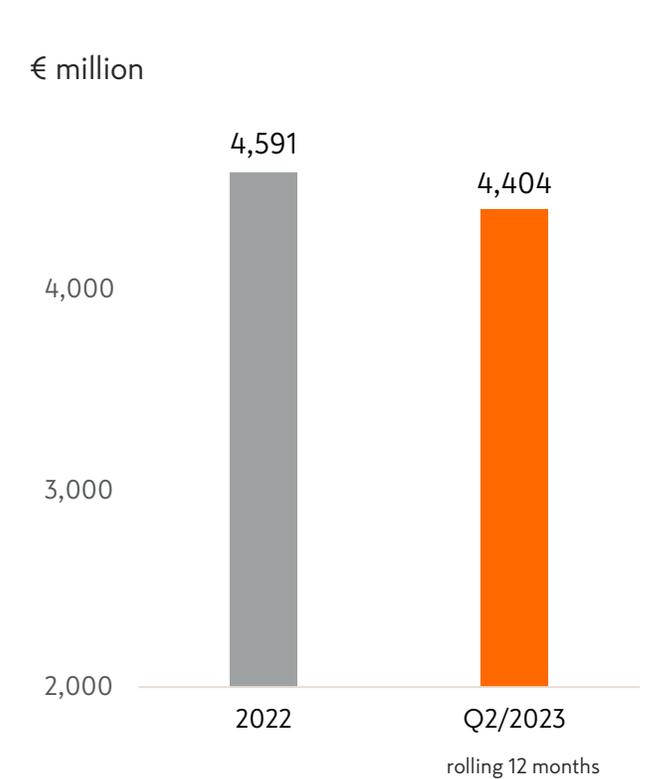
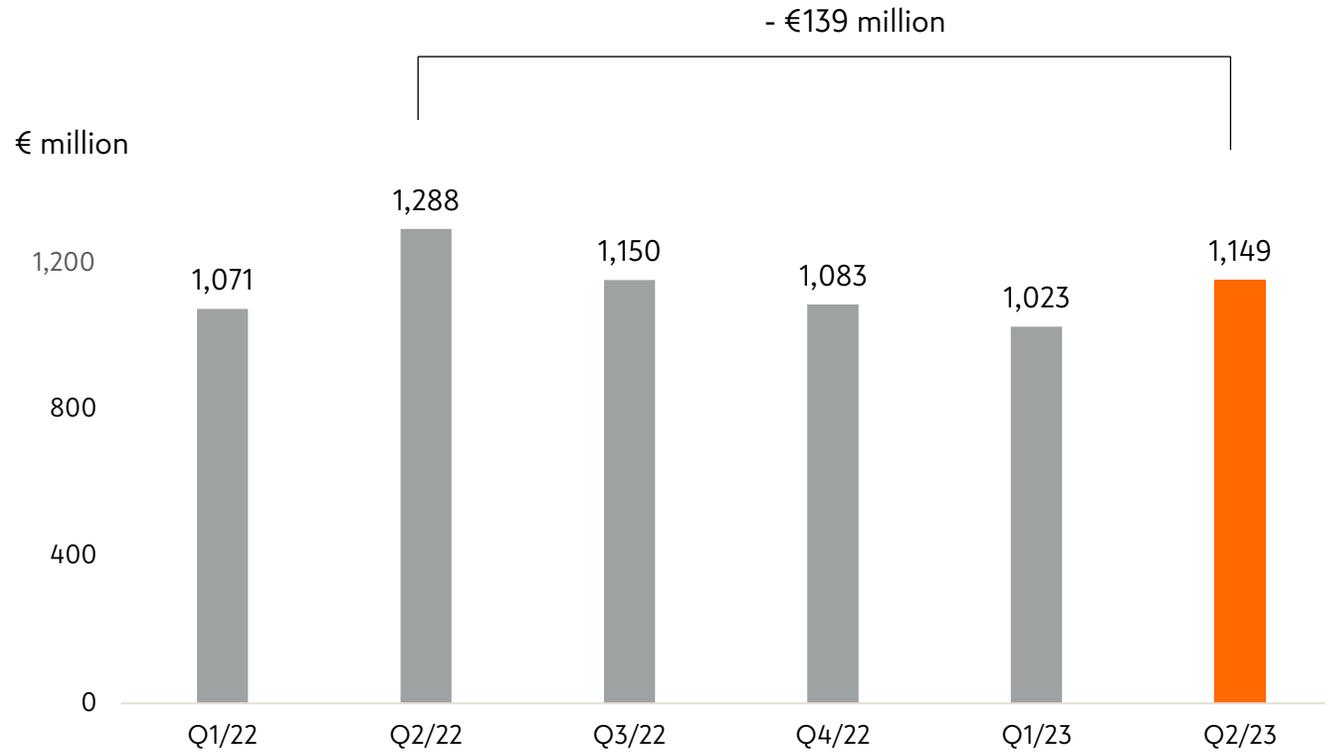
A man and a woman in work clothes are examining a large pipe in a warehouse. The man is on the right, wearing a dark jacket and a watch, and is holding the pipe. The woman is on the left, wearing a dark jacket with 'OR' and 'OK' on it, and is looking at the pipe. The background is filled with stacks of pipes and metal shelving. The entire image has an orange tint.

BUILDING AND TECHNICAL TRADE

PROFITABILITY WEAKENED, BUT STILL REMAINED GOOD

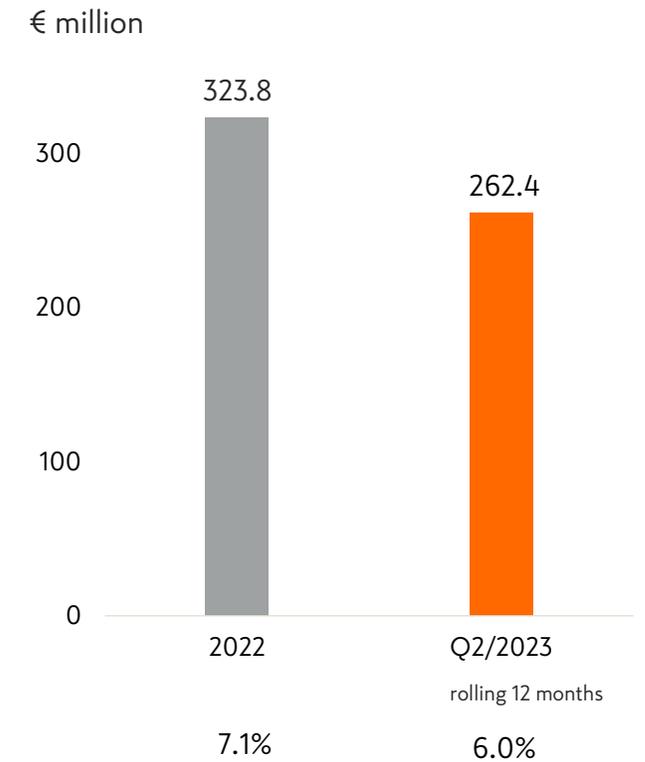
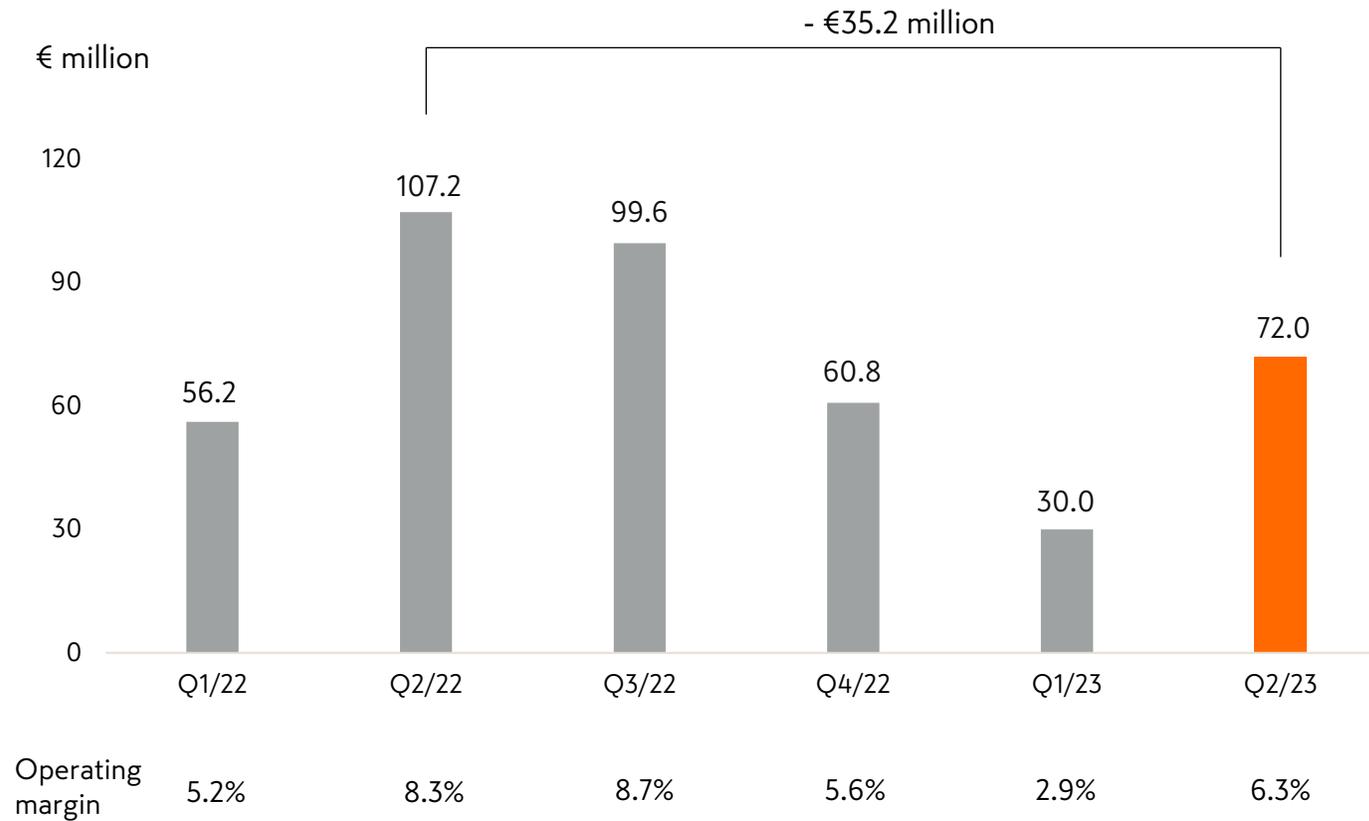
BUILDING AND TECHNICAL TRADE

NET SALES DOWN BY 10.8%



BUILDING AND TECHNICAL TRADE

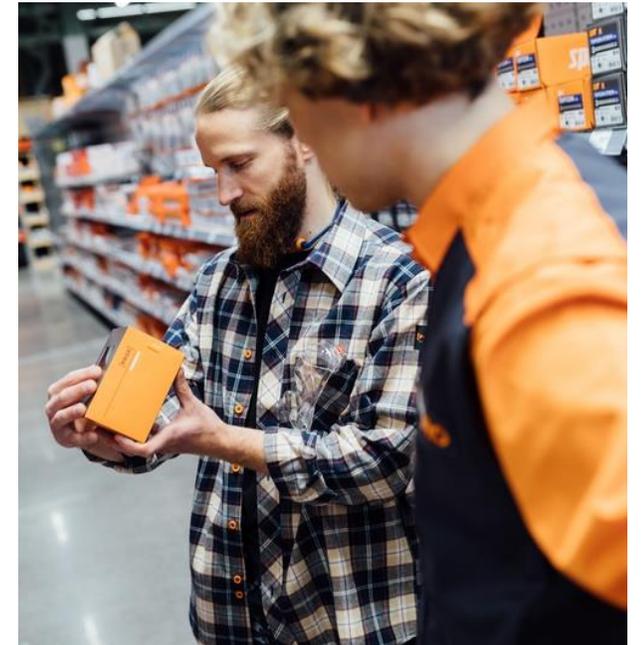
OPERATING PROFIT €72 MILLION



BUILDING AND TECHNICAL TRADE KEY TOPICS IN Q2

BUILDING AND HOME IMPROVEMENT TRADE

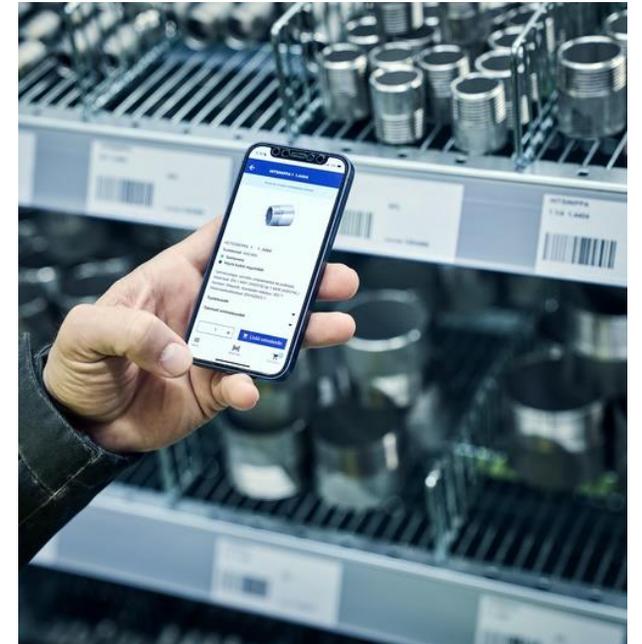
- Rising inflation and interest rates have seen construction activity clearly decrease in Northern Europe, especially in new building construction
- Building and home improvement net sales and profit decreased in all operating countries
- Sales decreased in both B2B and B2C trade
- Operating margin for building and home improvement trade at a good level of 6.1% despite market weakening
- Operating margin in the biggest market – Finland – at a good level at 8.3%, market share continued to strengthen further



BUILDING AND TECHNICAL TRADE KEY TOPICS IN Q2

TECHNICAL WHOLESALE

- Net sales up by 3.8%, down by 5.3% in comparable terms
- Sales grew in Norway, but were down in the other operating countries
- Operating margin declined to 5.5%
- Decline in operating margin attributable to, among other factors, the profitability of the acquired company Elektroskandia, which fell short of that of the rest of the business. Integration proceeding according to plan, acquisition expected to bring significant synergies and strengthen Onninen's profitability in Norway in upcoming years.
- Operating margin in Onninen's biggest market – Finland – at a good level at 8.2%, market share continued to grow further



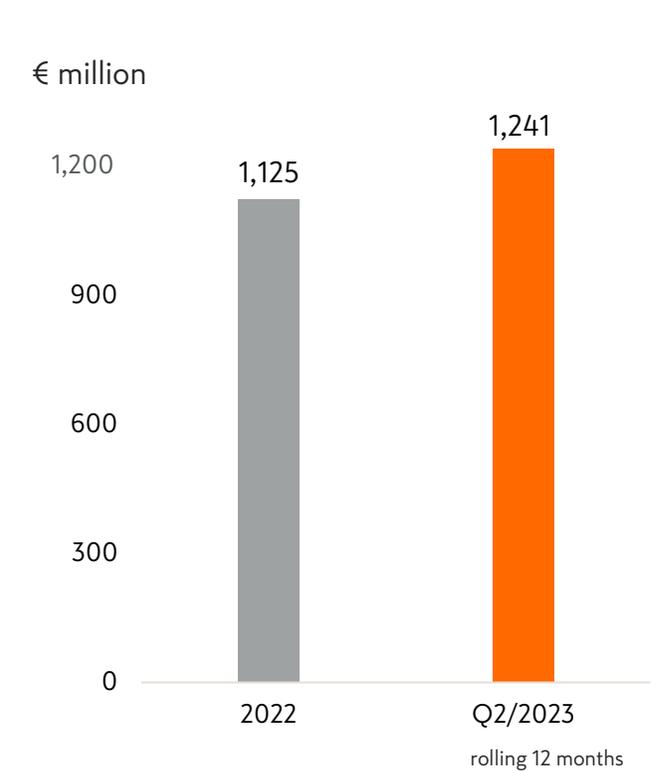
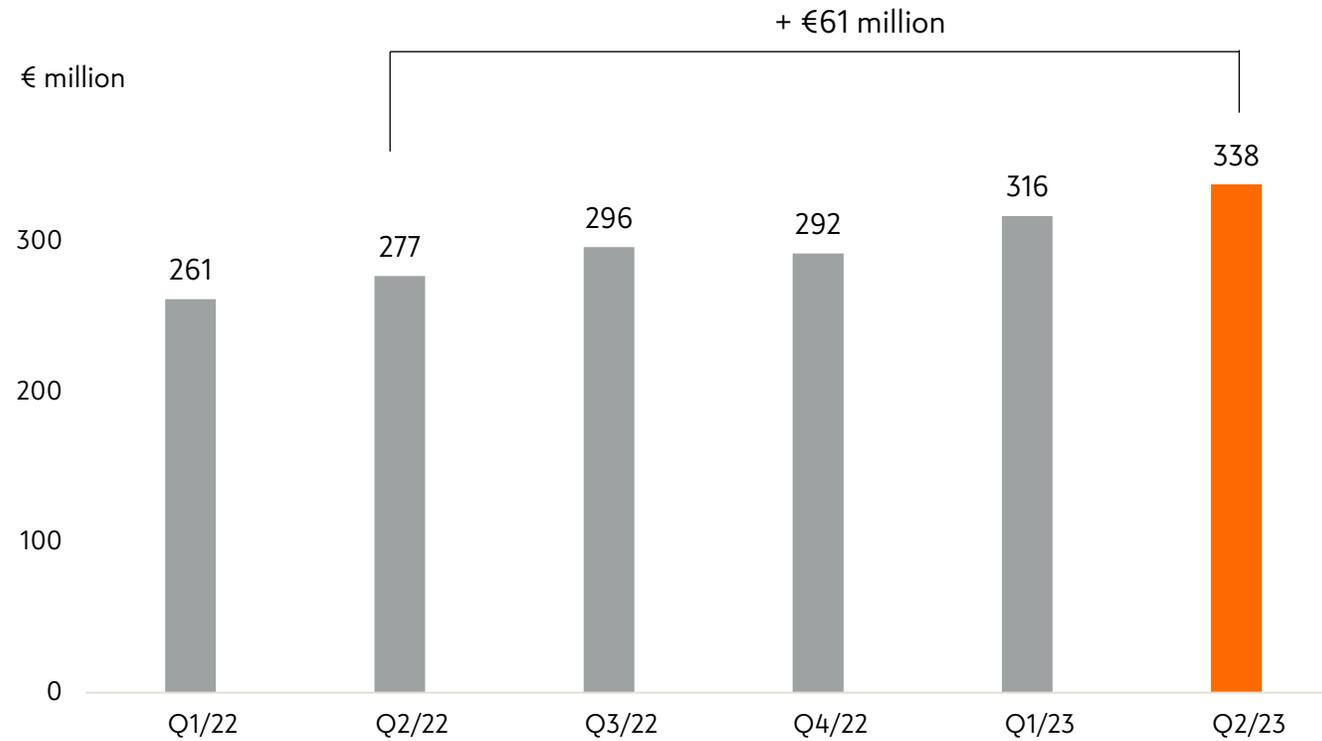
CAR TRADE

STRONG RESULT

FIN LPU-447

CAR TRADE

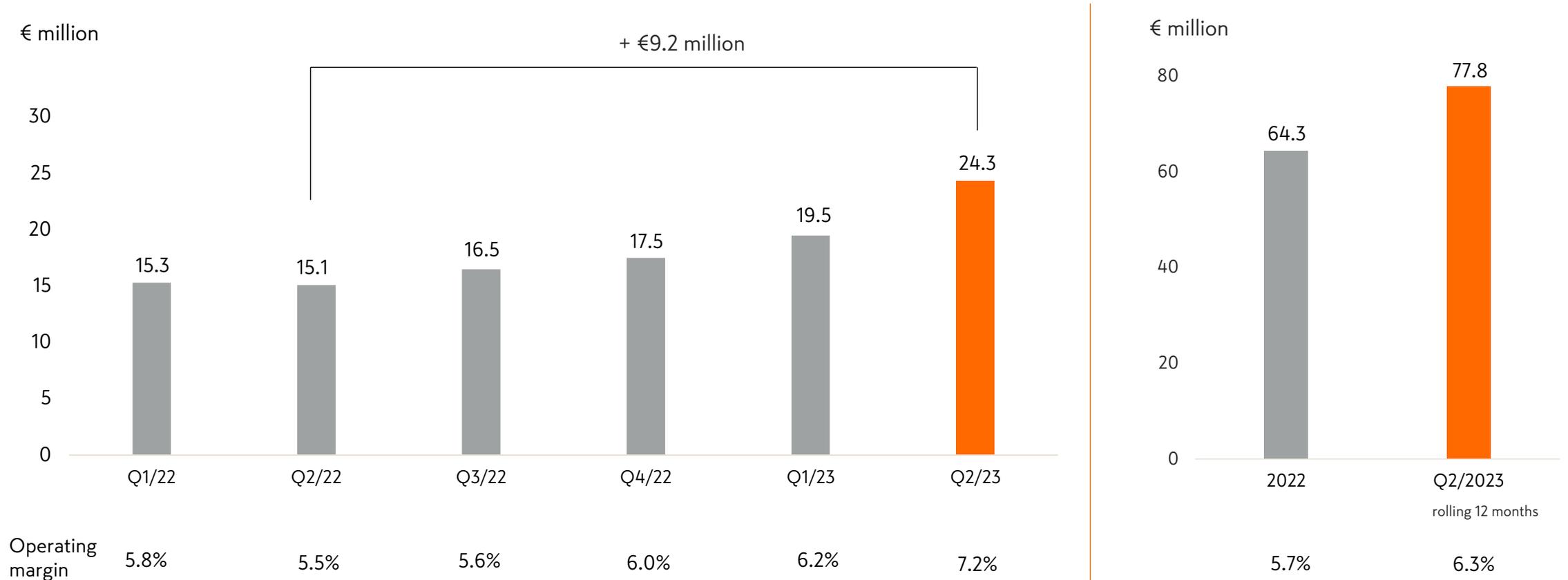
NET SALES UP BY 24.9%*



* Comparable

CAR TRADE

OPERATING PROFIT €24.3 MILLION



CAR TRADE KEY TOPICS IN Q2

- New car deliveries increased significantly year-on-year, causing net sales and operating profit to increase
- Sales development good in used car sales and services
- Order book for new cars remains above normal levels, but weakening market has seen new car orders decrease clearly on the comparison period
- Sports trade part of the car trade division as of 1 April. Sales in sports trade decreased due to weakened consumer demand



EBIT

€208 MILLION

STRONG PERFORMANCE

IN A CHALLENGING MARKET

THE IMPORTANCE OF STRATEGY GROWS IN A CHALLENGING MARKET

GROWTH STRATEGY

FOCUS:



GROCERY TRADE



BUILDING AND
TECHNICAL TRADE



CAR TRADE

ONE UNIFIED 

CUSTOMER EXPERIENCE

DIGITALISATION

SUSTAINABILITY

IN GOOD SHAPE TO GENERATE PROFITS

- A good strategy: focusing on our own strengths
- Strong customer relationships, some 2 million daily customer visits
- Ability to respond quickly to changes in operating environment
- Continuously improving efficiency and managing cost ratio
- Strong balance sheet and efficient use of capital
- Investments in growth and efficiency
- Acquisitions and their integration

GOOD SUCCESS IN IMPROVING EFFICIENCY AND MANAGING COST RATIO

Fixed costs down by €5.5 million despite inflation

- Cost cuts and savings in all divisions and Group common operations
- A 2.6% reduction in personnel expenses despite significant wage inflation
- Significant savings also with changes in management practices and decision-making authorisations
- Foreign exchange rates have also had a positive impact on costs

	4-6/2023	4-6/2022
Fixed costs, € million	494.9	500.3
- Personnel expenses, € million	201.9	207.4
- Other expenses, € million	161.2	171.1
- Depreciation and amortisation, € million	131.7	121.9
Cost ratio, %	15.9	16.1

Figures excl. items affecting comparability

OUTLOOK AND GUIDANCE FOR 2023

KESPRO

JOTTA ULKONA SYÖMINEN
OLISI SUOSITUMPA



OUTLOOK FOR 2023

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.

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.

