



UNIQUE PLAYER IN ALL AREAS OF FINNISH FOOD TRADE

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Kesko Capital Markets Day 2022

CLEAR STRATEGY IN GROCERY TRADE

KESKO GROWTH STRATEGY

GROCERY TRADE STRATEGY

FOCUS ON FINLAND NATIONWIDE

**B2C GROCERY TRADE WHOLESALING AND RETAILING
- K-STORES OPERATED BY K-RETAILERS**

B2B FOODSERVICE WHOLESALE AND CASH & CARRY

**SHARED ADVANCED SOURCING, LOGISTICS AND
IT SYSTEMS**

ONE UNIFIED



CUSTOMER EXPERIENCE

DIGITALISATION

SUSTAINABILITY



STRONG POSITION IN ALL AREAS OF FINNISH FOOD TRADE

KCITYMARKET

KSupermarket

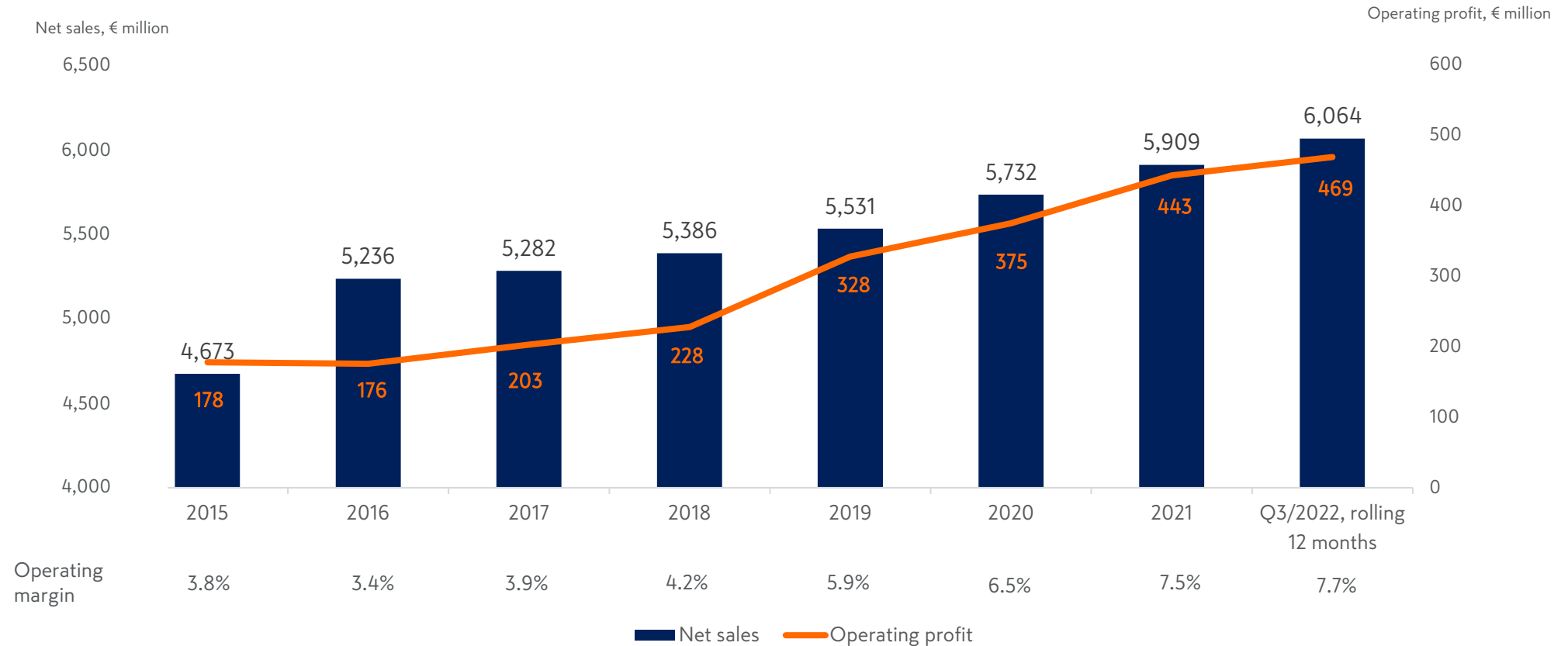
KMarket

KESPRO

- Strong No. 2 in the Finnish consumer grocery trade market, with a close to 37% 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 a 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

SOLID GROWTH AND IMPROVING PROFITABILITY

Net sales have increased by €1.4 billion and EBIT has risen to €469 million



CORNERSTONES OF SUCCESS



UNIQUE AND AGILE RETAILER MODEL

- Efficiency from chain operations combined with the ability of retailers to adapt to their local market with store-specific business ideas
- Agile retailers can respond to changes in customer needs and operating environment fast
- Retailer model requires less capital employed from Kesko as some of the capital is in the retailers' balance sheet
- Retailers and extensive network of physical stores enable Finland's best, easily scalable online grocery services



SUOMEN LÄHIKAUPPA ACQUISITION SIGNIFICANTLY STRENGTHENED SALES, VOLUME AND REACH

- Kesko acquired the long loss-making Suomen Lähikauppa in 2016 for €60 million
- Over 400 stores rebranded as K-stores with an investment of €60 million
- Successful acquisition made Kesko the market leader in local neighbourhood stores
- Today the acquired stores' sales exceed €700 million



DATA AND DIGITALISATION BRING INSIGHT, NEW EARNINGS OPPORTUNITIES AND EFFICIENCY

Kesko is the forerunner in grocery trade digitalisation

- Data-based store-specific business ideas tailored to the needs of each store's customer base
- Better customer experience: a seamless omnichannel experience with personal benefits and offers
- Data-based tools at the stores, automation of supply chain and background processes
- Versatile data services for partners, new earnings opportunities



KESPRO THE CLEAR MARKET LEADER IN GROWING FOODSERVICE WHOLESALE



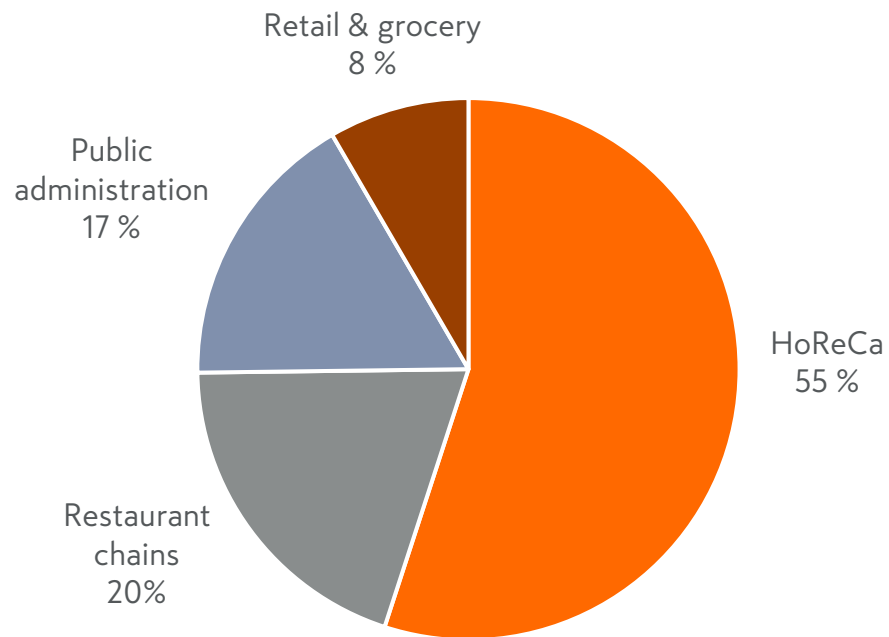
- Sales over €1 billion*
- Wide customer base from private restaurants to public sector operators
- Significant synergies with K Group grocery stores
- Growth in foodservice to continue, supported by megatrends

*Q3/2022, rolling 12 months

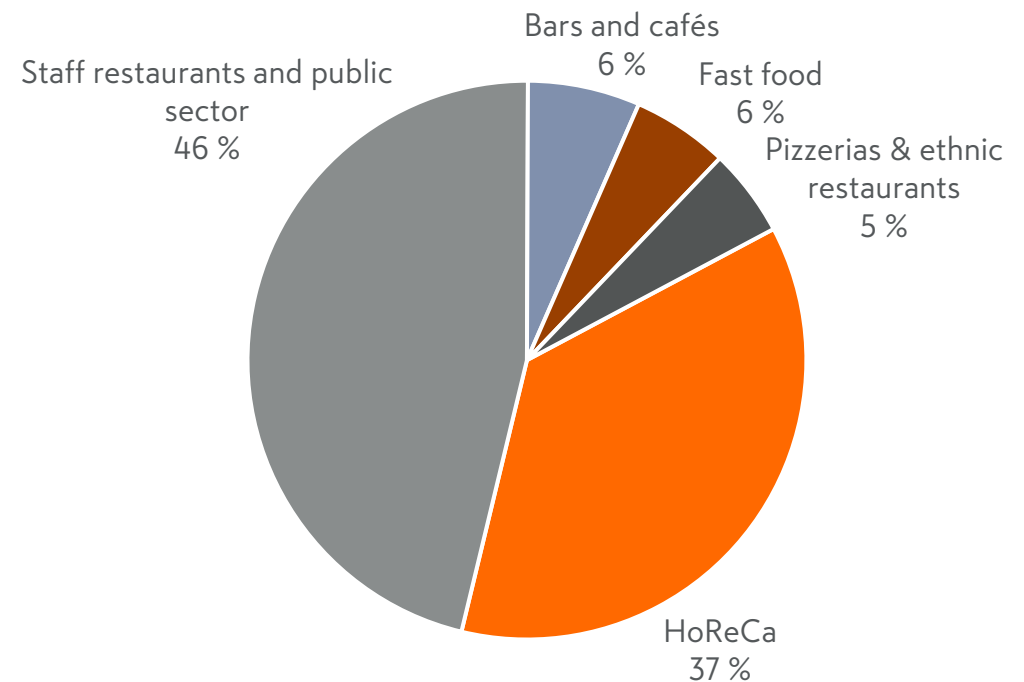
WIDE CUSTOMER BASE SUPPORTS GROWTH

Some 70% Kespro's total sales from lunches, staff restaurants and public sector

KESPRO'S CUSTOMER SEGMENTS



LUNCH SALES IN DIFFERENT CUSTOMER SEGMENTS

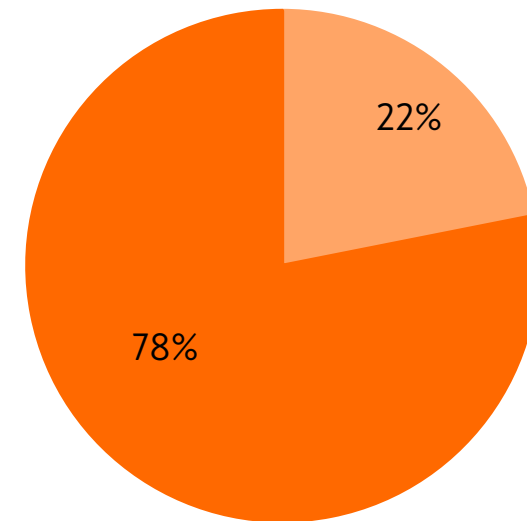


LEADING OPERATOR IN ONLINE FOOD TRADE

Big volumes lend us a competitive advantage also online

- K-ruoka.fi is the market leader and the best consumer online grocery service in Finland
- Online grocery is permanently at a higher level than before pandemic
- Kespro's online store the biggest in Finnish foodservice wholesale – 70% of sales come from digital channels
- Online grocery is profitable business – both B2C and B2B

SALES VIA DIGITAL CHANNELS
€925 MILLION



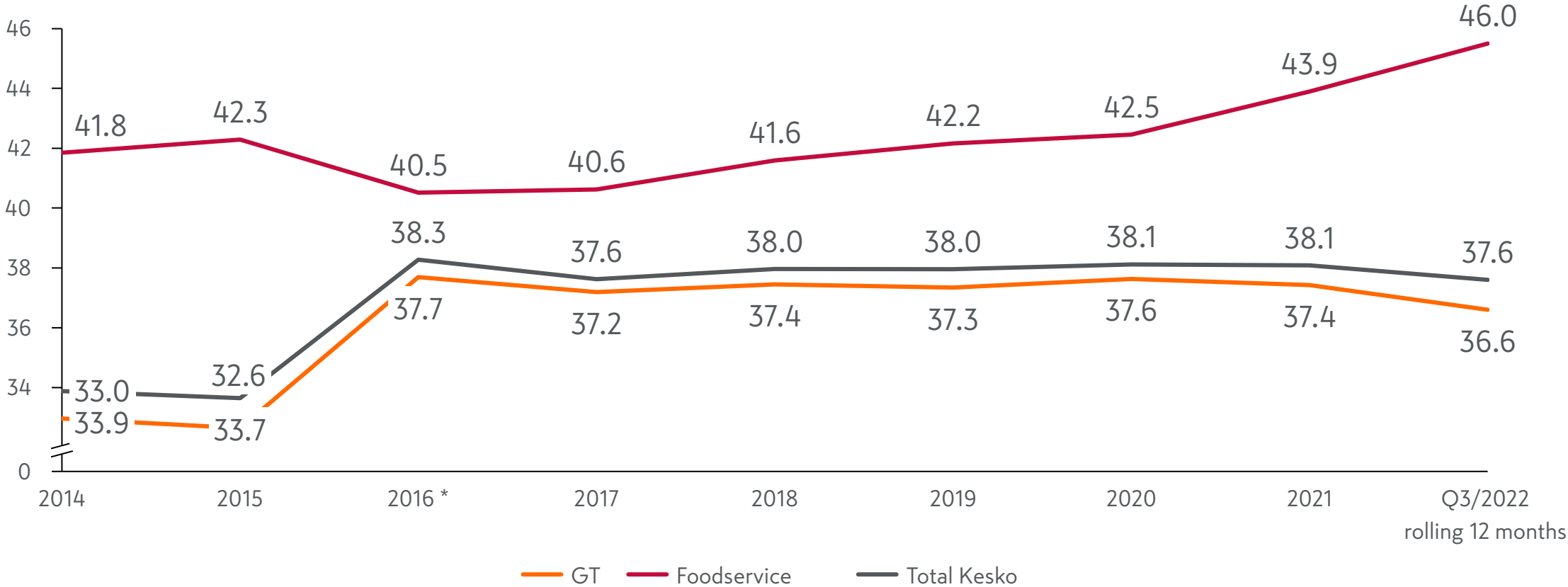
■ K-ruoka.fi (online grocery) ■ Kespro

Q3/2022, rolling 12 months

GROCERY TRADE MARKET



KESKO HAS A STRONG MARKET SHARE IN FOOD TRADE



13 * SLK acquisition and Patu-tukkurit added to the PTY statistics in foodservice



OUR FOCUS IS ON OPTIMISING THE STORE NETWORK

New store openings also impacting the market

MARKET

- In recent years, competitors have opened clearly more new stores, especially outside of metropolitan area
- Customers today less likely to concentrate their shopping
- Shift towards foodservice after the pandemic
- Foodservice network has decreased

KESKO

- Updating and optimising store network
- Focusing investments in growth areas
- Improving sales efficiency and profitability
- Kespro's market share has strengthened, in part due to expanded service selection

INFLATION-DRIVEN MARKET CHALLENGES THE WHOLE GROCERY TRADE SECTOR



**Food prices a daily
topic of conversation**



**Ongoing changes in
purchasing behaviour**



**Important to meet
customer expectations**

FOCUS AREAS IN A CHALLENGING MARKET



**Constantly updating
store-specific
business ideas to
respond to changes**



**Improving price
competitiveness
and price image**



**Maintaining the best
quality and widest
selections**



**Further
improving
efficiency**

CUSTOMERS EXPECT BOTH QUALITY AND GOOD PRICES

Campaign sales equally important for all households

30%

**FAVOUR EXTENSIVE SELECTIONS,
NEW PRODUCTS AND PREMIUM**



30%

FOCUS MORE ON PRICE

40%

**BUY PRODUCTS FROM VARIOUS QUALITY AND
PRICE CATEGORIES**

FOCUS ON IMPROVING PRICE IMAGE AND DIFFERENTIATION

Still plenty of potential in increasing the share of private labels

- Strong focus on affordable prices in marketing
- Price fighter K-Menu's sales up by +30%, but still less than 1% of total sales
- Restaurant-quality meals prepared at the store have become a major attraction, with annual sales of over €200 million
- Kesko's private labels and products sold exclusively at K Group stores enable differentiation – represent some 22% of total grocery sales
- Still plenty of potential in increasing the share of good-margin private label products compared to European peers

The logo for K-MENU, featuring a large orange letter 'K' with the word 'MENU' in a smaller font to its upper right.

- Price fighter
- 200 products

The logo for PIRKKA, consisting of the word 'PIRKKA' in white capital letters inside a red rounded rectangular border.

- Every day low price
- 2,600 products

The logo for PIRKKA Parhaat, featuring the word 'PIRKKA' in a black rounded rectangle followed by the word 'Parhaat' in a black script font.

- Premium
- 330 products

SOLID FUNDAMENTALS FOR OUR GOOD PERFORMANCE



**CUSTOMER SATISFACTION:
SELECTIONS THAT MEET CUSTOMER NEEDS**



**EFFICIENT PROCESSES IN
PROCUREMENT AND LOGISTICS**



**RETAIL SALES GROWTH €2.4 BILLION:
FIXED COSTS ON BIGGER SALES**



DATA UTILISATION



**BUSINESS MODEL THAT ENABLES
GROWTH AND AGILITY**



NEW EARNINGS OPPORTUNITIES



**OPTIMISING STORE NETWORK AND INCREASING
EFFICIENCY PER STORE SQUARE METRE**

THANK YOU!

