

**Kesko**  
Food & Drug Retailers

Company	
Country	Finland
Number of Employees	15'200
Web	www.kesko.fi

Share	
Market cap (mil)	2'220
Currency	EUR
High 52 week	24.3
Low 52 week	16.7
Last Price	22.9

Key Data	2004	2005E
Sales (mil)	7'070	7'517
EPS	1.05	1.74
P/E Ratio	14.10	13.10

Source: Bloomberg / August 18, 2005

Sales in	
Alcohol	No
Armaments	No
Firearms	No
Tobacco	No
Gambling	No

Source: IRRRC, SAM Research

**Company Description**

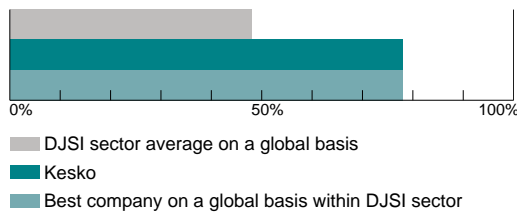
Kesko is a Finnish retailing, importing, distributing, and wholesaling company which operates in Finland, Sweden, Norway, the Baltic countries, and the St. Petersburg area. Its largest division (Kesko Foods, accounting for 51% of sales) includes around 1,100 of "K" food stores in Finland, operating in a variety of formats, and around 160 joint-venture "Rimi" stores in the Baltic region. Kesko also operates around 750 other retail stores ranging from department stores and home & specialty shops to stores selling hardware, builders' supplies, agriculture goods, and machinery. Kesko is also a wholesaler, owning the export/import firm Kaukomarkkinat, and importing vehicles made by Volkswagen and Audi.

**Sustainability Performance**

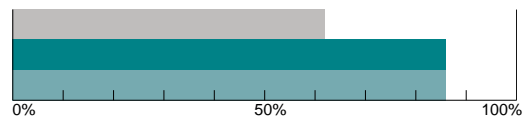
Kesko has demonstrated its sustainability pioneer role in the food retail industry for many years and is leading the industry on a global scale. The corporate management board and its new CEO and President reinforced its commitment to corporate responsibility when it approved the new corporate vision in April 2005. It takes a holistic approach to corporate responsibility and outlines the relationship with the company's main interest groups in Kesko - investors, personnel, suppliers, consumers, and authorities. Kesko has successfully expanded its business from Finland to the fast growing region of Eastern Europe, where it achieved 15% of its revenues in the year 2004. Along with the international expansion, it has further strengthened its supply chain management through the participation in the Business Social Compliance Initiative (BSCI) to promote and accelerate social supplier audits. The BSCI auditing is designed to guarantee the same employer rights as the SA 8000 standard.

**Sustainability Scores**

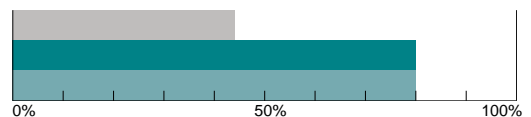
**Total Score**



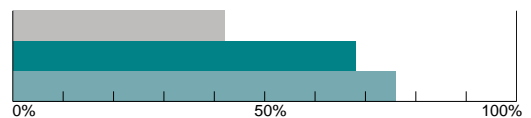
**Economic Dimension**



**Environmental Dimension**



**Social Dimension**



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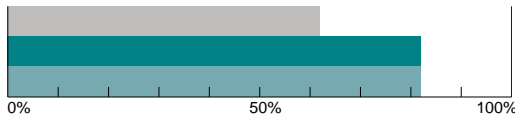
**Industry Driving Forces**

The food & drug retail industry is characterized by consolidation and a very high competition level which will further drive consumer prices down. The recent success of hard-discounters which have fully implemented a high volume / low margin business model has deeply impacted the industry. Successful food retailers develop their own private label product ranges - from traditional to premium products - which lead to better operating margins and a lower dependency from price shifts of food manufacturers. Furthermore, a higher education level and an increased interest in lifestyle and health is influencing purchasing habits and has created new customer needs and offers new market niches for innovative companies, e.g. in the healthy living area. The food retail industry has also expanded and internationalized its supply chain over the last years in order to satisfy its customers. As a consequence, food retailers need to establish long-term stable relationships with their suppliers and increase their transparency through reporting along the supply chain.

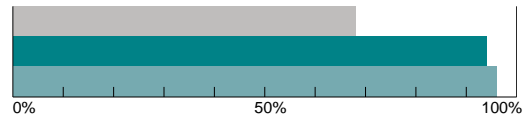
**Company Performance for selected Criteria**

**Economic**

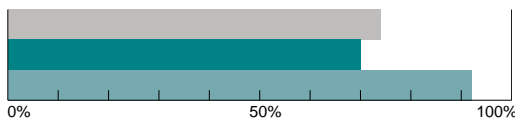
**Codes of Conduct/Compliance/Corruption & Bribery**



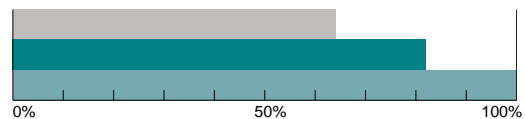
**Product Innovation**



**Corporate Governance**

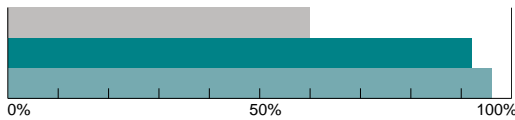


**Strategy for Emerging Markets**

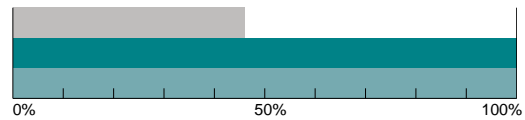


**Environmental**

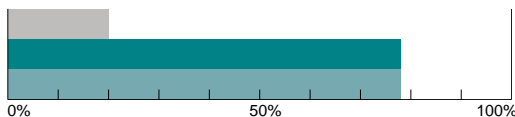
**Environmental Policy/Management**



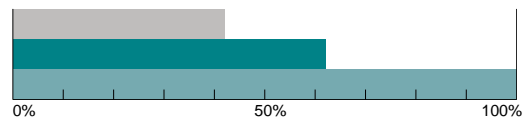
**Environmental Reporting**



**Environmental Performance (Eco-Efficiency)**

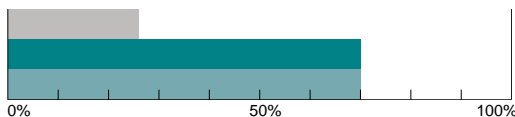


**Raw Material Sourcing**

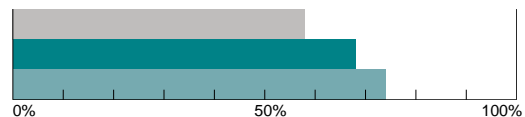


**Social**

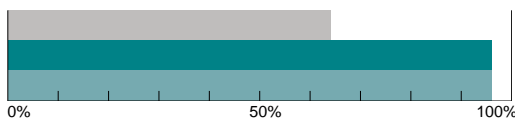
**Human Capital Development**



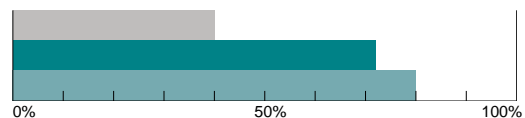
**Labor Practice Indicators**



**Stakeholder Engagement**



**Global Sourcing**



DJSI sector average on a global basis  
 Kesko  
 Best company on a global basis within DJSI sector

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