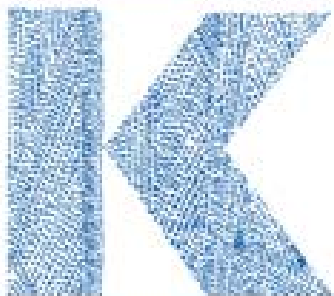
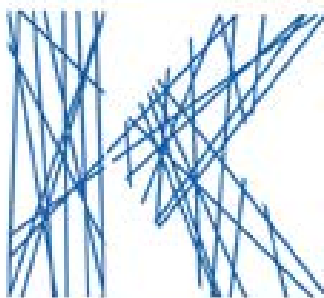
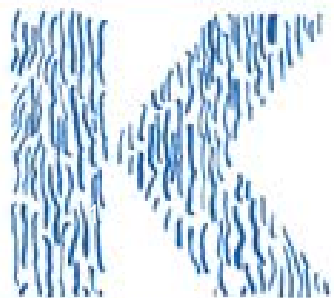
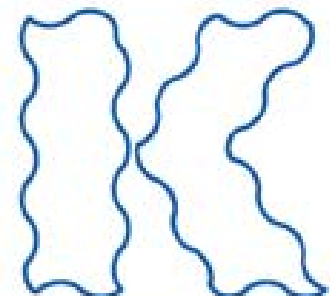


# KESKO HAS ACQUIRED SUOMEN LÄHIKAUPPA



EVP, SVP FOR THE GROCERY TRADE  
JORMA RAUHALA  
12 APRIL 2016



# KESKO HAS ACQUIRED SUOMEN LÄHIKAUPPA

- Debt-free price around €60 million
- Net sales in 2015 around €940 million
- Operating profit around €-8 million
- Around 600 Siwa and Valintatalo stores
- Around 3,800 employees
- The Finnish Competition and Consumer Authority's permission for the acquisition of Suomen Lähikauppa on 11 April 2016
- Acquisition closure on 12 April 2016



# SOCIAL CHANGES INCREASE DEMAND FOR LOCAL SERVICES

Ageing of  
population

Urbanisation and  
growth in the  
number of single  
households

Consumer  
behaviour  
increasingly  
individualised

Responsibility  
and  
environmental  
benefits of local  
services

# GROWTH STRATEGY

- Growth of the grocery trade particularly in Finland
- Growth of the building and technical trade and expansion in Europe
- Growth of the car trade particularly in Finland



# STRATEGY IMPLEMENTATION IS PROGRESSING



# ACQUISITION OF SUOMEN LÄHIKAUPPA – KEY BENEFITS

Acceleration of our strategy implementation

Significant synergy potential

Finland's most comprehensive and widest neighbourhood store network

Improvement of neighbourhood retail services valued by customers

Doubling numbers of customers at our neighbourhood stores

Supports also the development of other K-Group grocery stores

## THE K-GROUP TODAY

- The K-Group's pro-forma sales €11.9bn
- Operations in eight countries
- Over 1.6 million customer visits every day
- Number of personnel around 44,000



FOR SHOPPING TO BE FUN

A young boy with short brown hair, wearing a grey t-shirt, is sitting at a wooden table. He is smiling and looking down at his plate of food, which includes a salad with green leaves, red tomatoes, and a piece of yellow potato. He is holding a knife and appears to be cutting the potato. In the foreground, there are several glasses and a small vase with greenery. To the right, another person's hands are visible, holding a white napkin. The background is a plain, light-colored wall.

# THE K-GROUP'S GROWTH AND RENEWAL IN THE NEIGHBOURHOOD MARKET



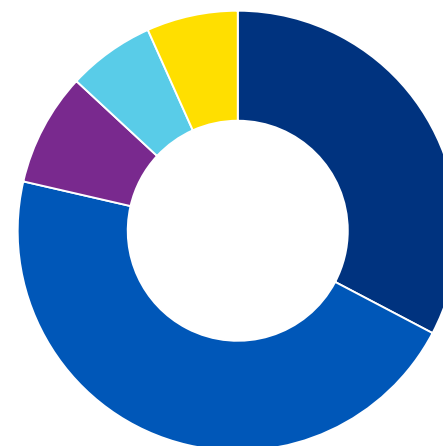
# KESKO'S GROCERY TRADE

Total market €16.6 billion in 2015

2015

Net sales	€4,673m
Operating profit*	€177.5m
Operating margin*	3.8%
ROCE*	20.4%

\* excl. non-recurring items

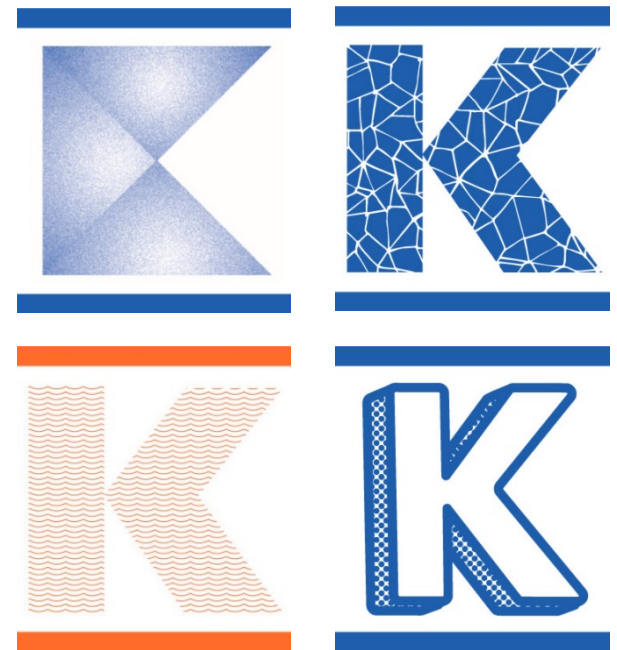


- K-Group 32.7%
- S-Group 45.9%
- Lidl 8.3%
- Suomen Lähikauppa 6.4%
- Others 6.7%

Source: Nielsen

# GROCERY TRADE STRATEGY IS PROGRESSING AS PLANNED

- Increase of market share
- Increase and development of neighbourhood store network
- Renewal of K-citymarket chain
- Improvement of quality and service level
- Improvement of price competitiveness and price image
- The best digital services of the trading sector
- Development of retailer business model



# UNIQUE NEIGHBOURHOOD STORE CHAIN

Our key strategic choice is to increase the neighbourhood store network

- All of the existing over 400 K-market stores will be renewed
- New stores will complement the existing network
- Completely new Neste K service station concept



# ACQUISITION OF SUOMEN LÄHIKAUPPA WILL ACCELERATE THE IMPLEMENTATION OF OUR NEIGHBOURHOOD MARKET STRATEGY

- Suomen Lähikauppa has good store sites in cities and other population centres
- Over 600 Siwa and Valintatalo stores complement our neighbourhood store network



## "TACTICS FOR BETTER STOPS"

- Kesko and Neste take Finnish service stations to a new era
- Nearly 100 Neste K service stations
- High-quality, personalised services to customers, quickly and easily







NEW CHAPTER IN  
FINNISH  
NEIGHBOURHOOD  
RETAILING

## WE INVEST IN FINLAND

- Renewal will affect hundreds of Finnish neighbourhood stores, their retailer entrepreneurs, employees and customers
- The most comprehensive and service oriented neighbourhood store network in the country keeps localities viable
- Securing Finnish food production is important to K-Group
  - Around 80% of products sold by K-food stores are of Finnish origin
  - In 2015, retailers purchased local food in a total value of over half a billion euros and its sales increased by 15%



# SIWA AND VALINTATALO STORES ARE CONVERTED INTO K-MARKETS

- Siwa and Valintatalo stores converted to K-markets within a year
- Selections improve and price level decreases, Pirkka private label products included in selections
- K-retailers to run all stores within two years
- Hundreds of new K-food retailers will be needed
- K-market chain to be renewed, first stores to open in early May





# MORE UNIFIED K-BRAND – K-MARKET'S VISUAL IMAGE WILL CHANGE



A photograph of a family dining in a bright, modern room. A round wooden table is set with white plates, glasses, and a vase of flowers. A man in a light green shirt is serving a bowl of green salad. A young girl with blonde hair sits on the left, and a young boy sits on the right. The room features a white wall with a painting and a bed with a purple coverlet in the background.

# NEXT STEPS

# THE FINNISH COMPETITION AND CONSUMER AUTHORITY (FCCA) GRANTED PERMISSION TO ACQUIRE SUOMEN LÄHIKAUPPA ON 11 APRIL 2016

- The FCCA made the acquisition conditional on the sale of 60 stores of Suomen Lähikauppa Oy to competitors
- We will start to actively look for a new owner for the stores required by the FCCA to be sold
- If the sale of some store or some stores is not possible, it will not prevent the completion of the acquisition
- The FCCA also imposed an obligation to Suomen Lähikauppa Oy, transferred to Kesko Food Ltd's ownership, to continue purchases from Tuko Logistics Osuuskunta during a fixed period of 18 months in order that purchases can be reduced in stages

# RAPID INTEGRATION



## FINANCIAL IMPACTS AND FUTURE OUTLOOK

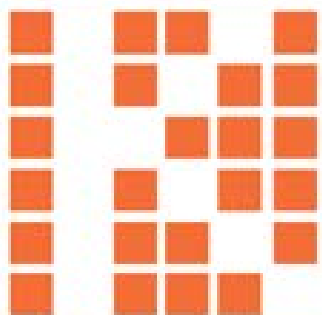
- Synergy benefits are estimated at approximately €25–30 million at EBITDA level as of 2018
  - Requires conversion costs for the renewal of the stores acquired from Suomen Lähikauppa. The costs of store and network conversion, to be treated as non-recurring restructuring cost, will total approximately €30 million in 2016–2018.

**Updated future outlook:** Kesko Group's net sales for 2016 are expected to increase from the previous year. The operating profit excluding non-recurring items for 2016 is expected to equal the level of 2015.

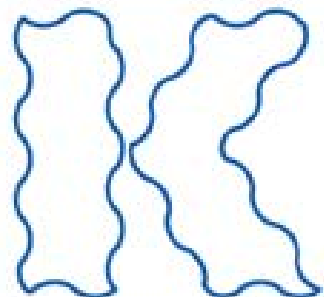
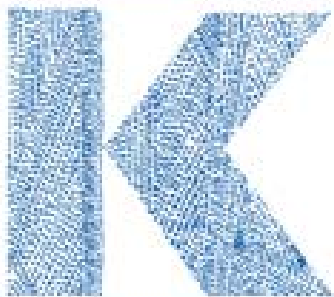
The future outlook does not take account of the acquisition of Onninen, in respect of which estimates will be given in connection with its completion.



k



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