

Heikki Takamäki, Chair of Kesko's Board of Directors,
Kesko Corporation's Annual General Meeting in Helsinki on 4
April 2011

DEAR PARTICIPANTS OF THE GENERAL MEETING LADIES AND GENTLEMEN

The year 2010 was excellent for Kesko and K-stores. After the deep recession, the year started with some uncertainty but during the spring the sales of Kesko and the K-Group took a distinct upward turn. Growth accelerated towards the end of the year and profitability improved in all divisions. The food trade and the home and speciality goods trade even achieved the best performance of all times.

President and CEO Matti Halmesmäki will present Kesko's sales, performance and key events of last year in more detail. I would like to take this opportunity to ask the President and CEO to convey the Board of Directors' thanks to Group management and all employees across all Kesko's countries of operation.

Dear audience

There will be Parliamentary elections in Finland in less than a fortnight. Whatever the results, the starting point for the coming term of government is not easy. We are facing the need to balance the public economy, to take measures focused on expenditure and taxation.

From the standpoint of the trading sector and society, it is not insignificant what the future government's taxation policies will be. According to our view, which is also supported by the survey by the Federation of Finnish Commerce, the tax objectives of political parties affect the trading sector through

the purchasing power and direct costs, for example. Overall performance is, among other things, affected by corporate tax, earned income tax, value added tax, real estate tax, capital income tax, energy taxes, and various environmental and excise taxes.

Long-term operations are important for companies, whereas fast changes of courses create uncertainty.

If the companies' tax burden grows considerably, there is a risk that it will negatively affect the incentives for the long-term development of companies.

This is not in the interests of the national economy.

We have to remember that right before the recent recession companies' balance sheets were strong. If this had not been the case, the recession would have been even deeper. In the Baltic countries, for example, the situation was much more difficult.

Compared with the recession of the 1990s, credit losses in Finland remained small and the increase in the rate of unemployment was moderate.

Companies have to be able to strengthen their capital structure on a long-term basis in order to survive various economic fluctuations in the years to come.

From the standpoint of the trading sector, it is of primary importance that taxation will not place it in an unequal position compared with other industries. The operating environment has to be such that it encourages entrepreneurial activity without any division into export and domestic markets, or industry and services.

Furthermore, from the standpoint of the trading sector, it is also important that the corporate tax, the taxation of labour, employer's contributions, and the service sectors' electricity

tax will be not raised. The whole trading sector also opposes any increase in the value added tax.

By European standards, taxation on consumption is already heavy in Finland.

Consumers' confidence in their personal financial situation has strengthened during the spring, though consumption forecasts are still below the long-time average. As consumers expect that their disposable income will decrease, their intentions of purchasing consumer durables, for example, are at a lower level than a year ago.

The labour-intensive service sector cannot be the main payer in the joint tax contributions. A high payroll tax reduces the purchasing power, which is in the end reflected in the service sector employment. Higher taxes on small salaries easily create incentive traps. The current earned income taxation also involves deductions which do not provide incentive to work.

We expect that the next government's tax policy will provide encouragement to work and enterprise. Only an efficient consumer market and healthy, growing companies can strengthen the economic growth, create jobs and generate wellbeing in our country.

Dear shareholders

Recent willingness to regulate the trading sector and the changes in the Land Use and Building Act raise concern. Extra bureaucracy, regulation and limitations stiffen the operational base in the trading sector and decrease competition while increasing costs, which leads to higher prices and a lower level of services.

Companies themselves know best when and where to invest. The land use and zoning of municipalities and towns must, above all, be based on the various shopping needs of people.

It is a common misconception that the trading sector wants to build large units only.

The operations of Kesko and K-retailers are always based on legislation and long-term cooperation with the planning authorities.

We systematically invest in K-stores of all sizes.

Land acquisition and building costs are high in downtown areas and providing efficient logistics, for example, is more expensive than out of town. In spite of this, the development of large shopping centres and local services are not exclusive alternatives.

We want to offer diverse and extensive selections at favourable prices to our customers and be located at a reasonable distance from them. So, there is need for both local services to cater for daily shopping and large units for customers to make their weekly main purchases.

The correct placing of stores also contributes to reducing the impact on the environment of shopping trips.

Trade is a labour-intensive sector and therefore we follow the discussion on job satisfaction and employee wellbeing with special attention.

The news, according to which work and employee wellbeing are in crisis, have gained much publicity. Young people say that they don't have energy for work and some of the students who are only planning to apply for their first jobs say

that they are actually afraid of the working life which they see as stressful and oppressive.

What is this all about? Has the quality of the working life really deteriorated that much?

According to surveys, the situation is not as gloomy as the headlines imply. It's true that in many jobs the mental load has increased while physical efforts have decreased. Work duties follow with the employee in mobile phones and computers, which easily blurs the line between work and leisure.

A human being is a whole and the entire way of life is reflected in our ability to carry out our work duties. Besides the employer, each employee is also responsible for maintaining his or her wellbeing. The working life is not the cause of all problems, but the lack of physical exercise, too short a sleep and private life conflicts, for example, are factors which make the daily life more difficult and lower working capacity.

It's a different matter if you are tired at work or tired from work.

Experiences of success both at work and leisure give energy and encourage even better achievements. We all know that if we are motivated, work performance is completely different and easier.

Kesko has launched several initiatives to promote employee wellbeing and improve job satisfaction and working capacity throughout the career.

Dear audience

Private consumption and trading sector investments contributed to employment and kept Finland afloat during the recession. Trade is the biggest employer of all sectors in our country. There are some 300,000 employees in retailing and wholesaling in Finland.

The trading sector is also by far the biggest employer of young people. It offers a wide variety of opportunities for competent people in different areas.

As baby-boomers retire, large growth centres in particular will have a shortage of competent work force in the next few years.

The dialogue between industries and educational institutes has to be further deepened if we are to meet future labour needs.

We know that the level of education in Finland is high, but is the situation in level with the working life, so that all people completing their studies find a job?

As age groups get smaller, we cannot afford to train people for sectors with weak employment prospects.

Kesko has had long-term cooperation with educational institutes. At the beginning of this year, we started a new scholarship programme, which is directed for polytechnic students of business administration. By performing the practice period related to bachelor studies in a K-store or Kesko, the student has an opportunity to get an incentive scholarship granted by Kesko.

The training period gives students a good opportunity to acquaint themselves with Kesko, K-stores and the trading sector as a job provider.

One third of the amount proposed for the Annual General Meeting to be donated is intended to be used for scholarships.

Training periods and summer jobs are important gates to the working life. Young people completing their studies find it frustrating if they cannot find jobs after studying for long. It's worrying that we have unemployment and plenty of vacancies in our country at the same time. Correcting this situation is in everybody's interests.

Kesko is working for sustainability on a long-term and committed basis and has received recognition both in Finland and internationally. Kesko's ranking on 'the Global 100 Most Sustainable Corporations in the World' list, published in January, was 26th, compared with 33rd a year before. Kesko has also been included in the most important sustainability indexes.

We will continue our work for responsibility in all divisions in line with our responsibility programme. More information of our performance is available in our Corporate Responsibility Report, which will be published at the beginning of May.

Dear shareholders, dear audience

The long- and short-term compensation plans that support Kesko's success and the realisation of the objectives are the in the interests of the company and its shareholders.

Kesko has a short-term performance bonus scheme, which compensates for achieving the annual targets. The commitment periods of Kesko's long-term compensation plan, the 2007 option scheme, are ending.

To enable the introduction of a new, long-term share-based compensation plan, the Board of Directors proposes to the Annual General Meeting an authorisation to acquire treasury shares and to issue shares.

The planned three-year share-based compensation plan allows a total maximum of 600,000 B shares to be issued. The Board of Directors would annually decide the participants and the vesting criteria.

The plan is that each one-year vesting period would be followed by a three-year commitment period, during which the person would not be allowed to transfer the shares received and, if the person's employment terminates during the period, he or she would be obligated to return the shares received.

The long-term share-based compensation plan combines the common target of Kesko shareholders and Kesko employees included in the share-based compensation plan: to ensure K-stores' success in competition, the continuing healthy growth of Kesko's business and the increase in the company's value.

Dear participants

The Board of Directors proposes to this Annual General Meeting that €1.30 per share be distributed as dividends, which further contributes to the quality of Kesko's share as a value share and Kesko as a good dividend payer in accordance with the decided dividend policy.

On behalf of Kesko's Board of Directors, I want to thank all of those present and all shareholders and other our business partners for profitable cooperation and an excellent year 2010.

I would also like to add that the General Meeting is also intended to serve as a forum for active discussion between shareholders and the Board of Directors within the framework of the agenda.

You are all warmly welcome to the Annual General Meeting of Kesko Corporation!