



**KESKO**  
*The trade maker*

**Annual General Meeting  
30 March 2005**

**President and CEO  
Matti Halmesmäki**



# ***Kesko's shareholder value***

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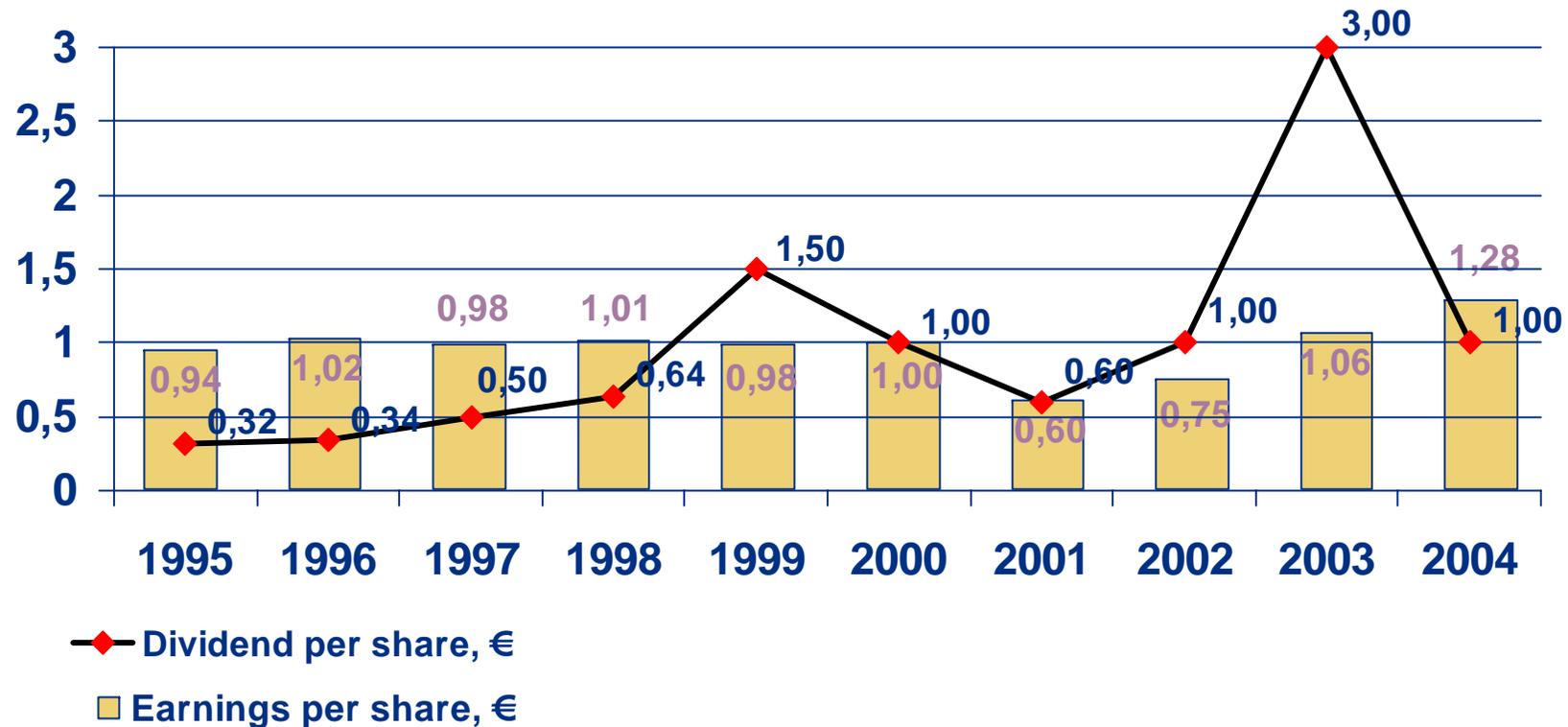
# Kesko as an investment

- **Strong balance sheet and good profitability – investment capacity and competitiveness**
- **Good market position in Finland with many chains**
- **Strong growth in the new market with controlled risks**
- **Transparent reporting and realistic future anticipation**
- **High dividend and yield – value share**
- **Good reputation – good brands**



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# Earnings and dividend per share, €



Responsible distribution of dividends for over 60 years

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# Price and yield of B share 1/2000-3/2005



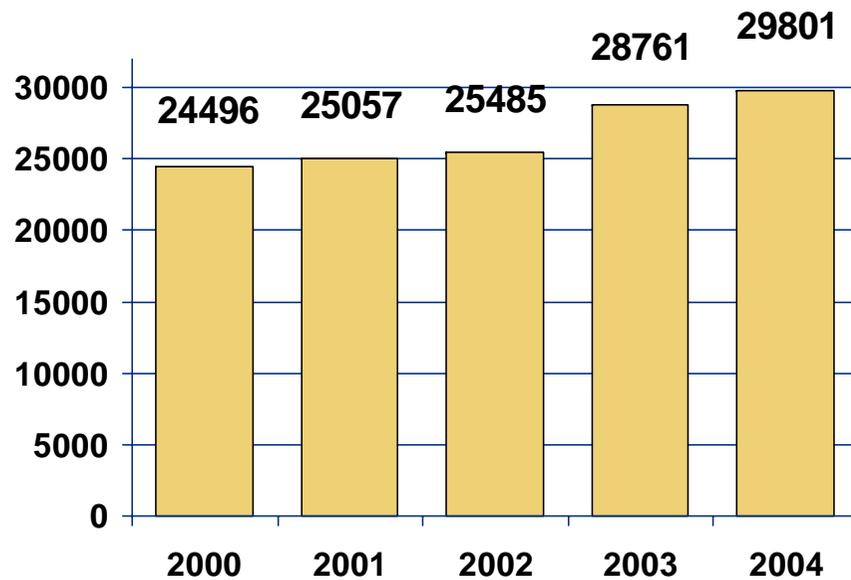
**Return (dividends reinvested) 20.5% per year**

**Price change 9.5 % per year**

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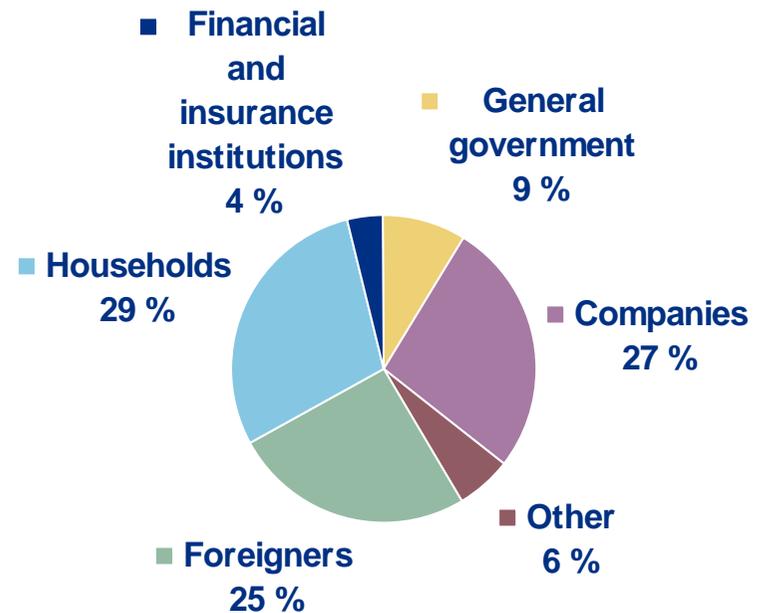
# Shareholders

*Number of shareholders*



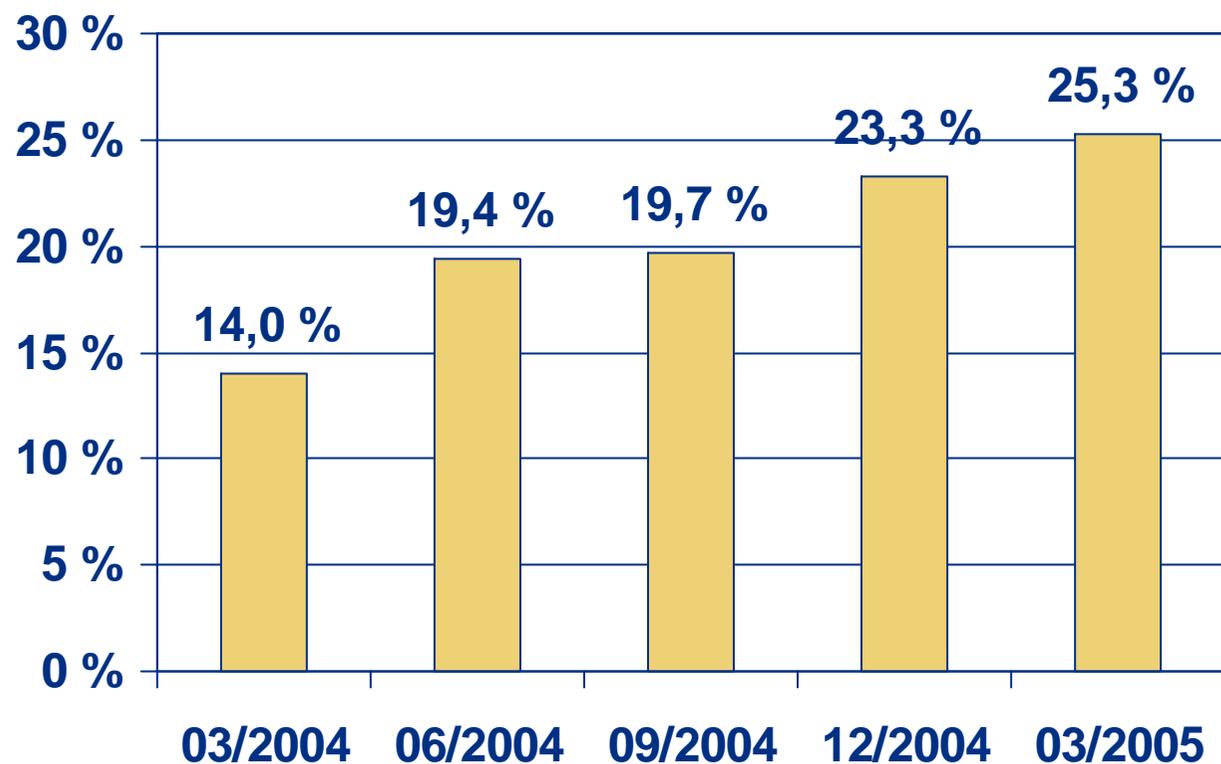
*Ownership structure*

At 03/2005



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# Changes in foreign ownership



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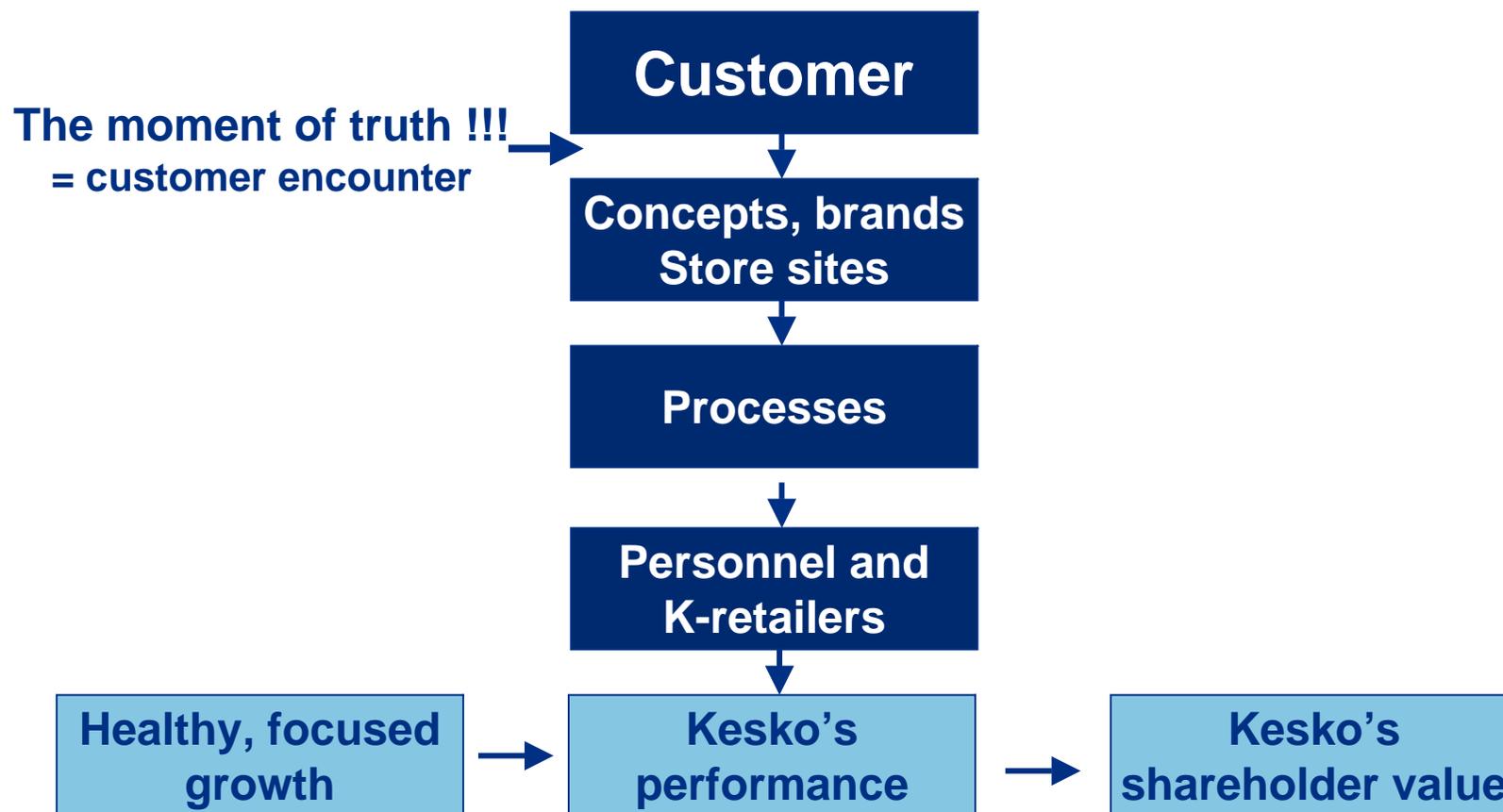


# ***Customer-orientation as basis of operations***

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# Basis of Kesko's operations

Exceeding customer expectations



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# Exceeding customer expectations

Customer

Customer promise and keeping it



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# KESKO



P L U S S A

## Kesko Food

Finland



## Rautakesko

Finland



Sweden, Estonia and Latvia



## Kesko Agro

Finland



Estonia, Latvia and Lithuania



## Keswell

ANTILA



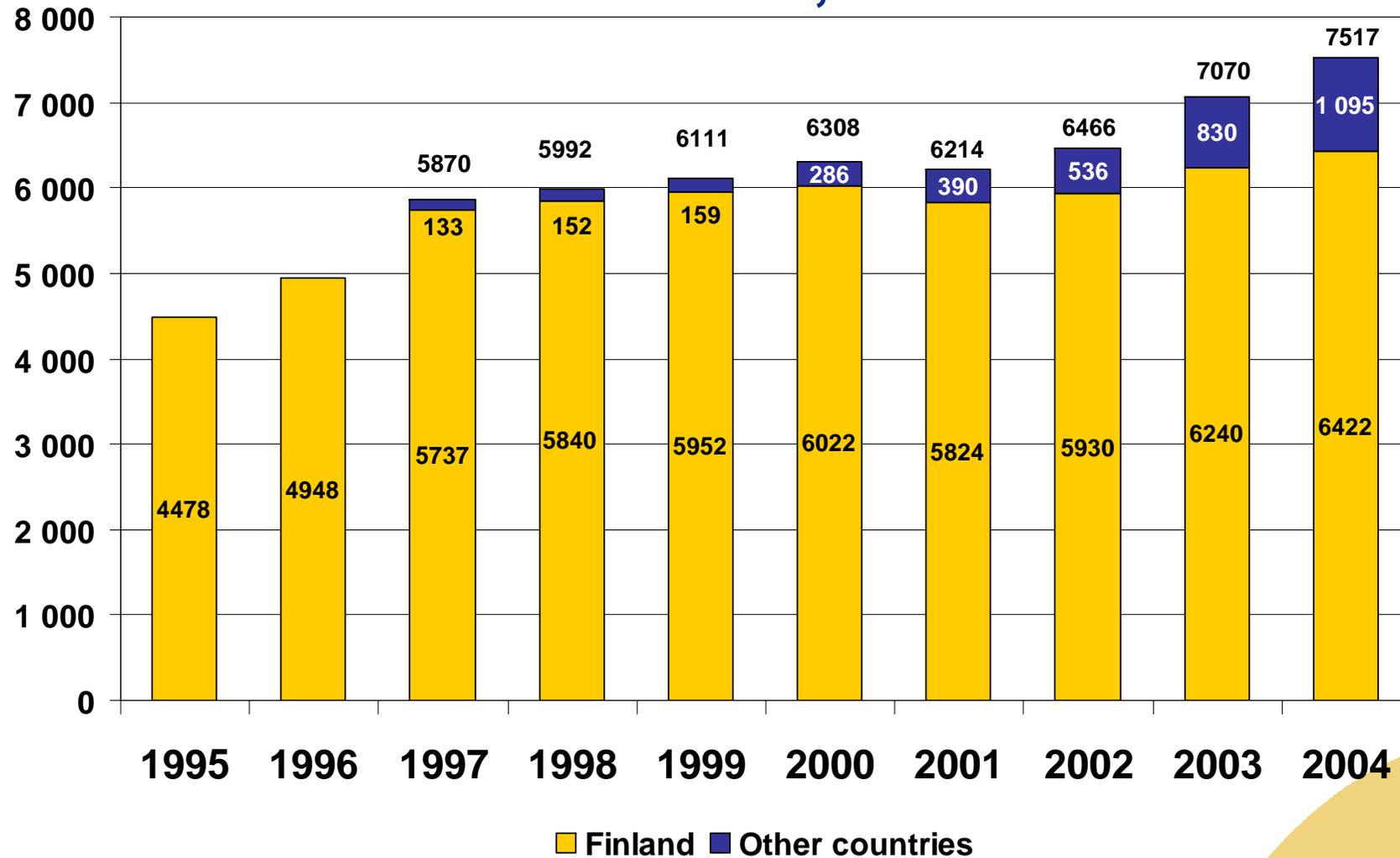
KESKO



# ***Kesko's financial performance 1995-2004***

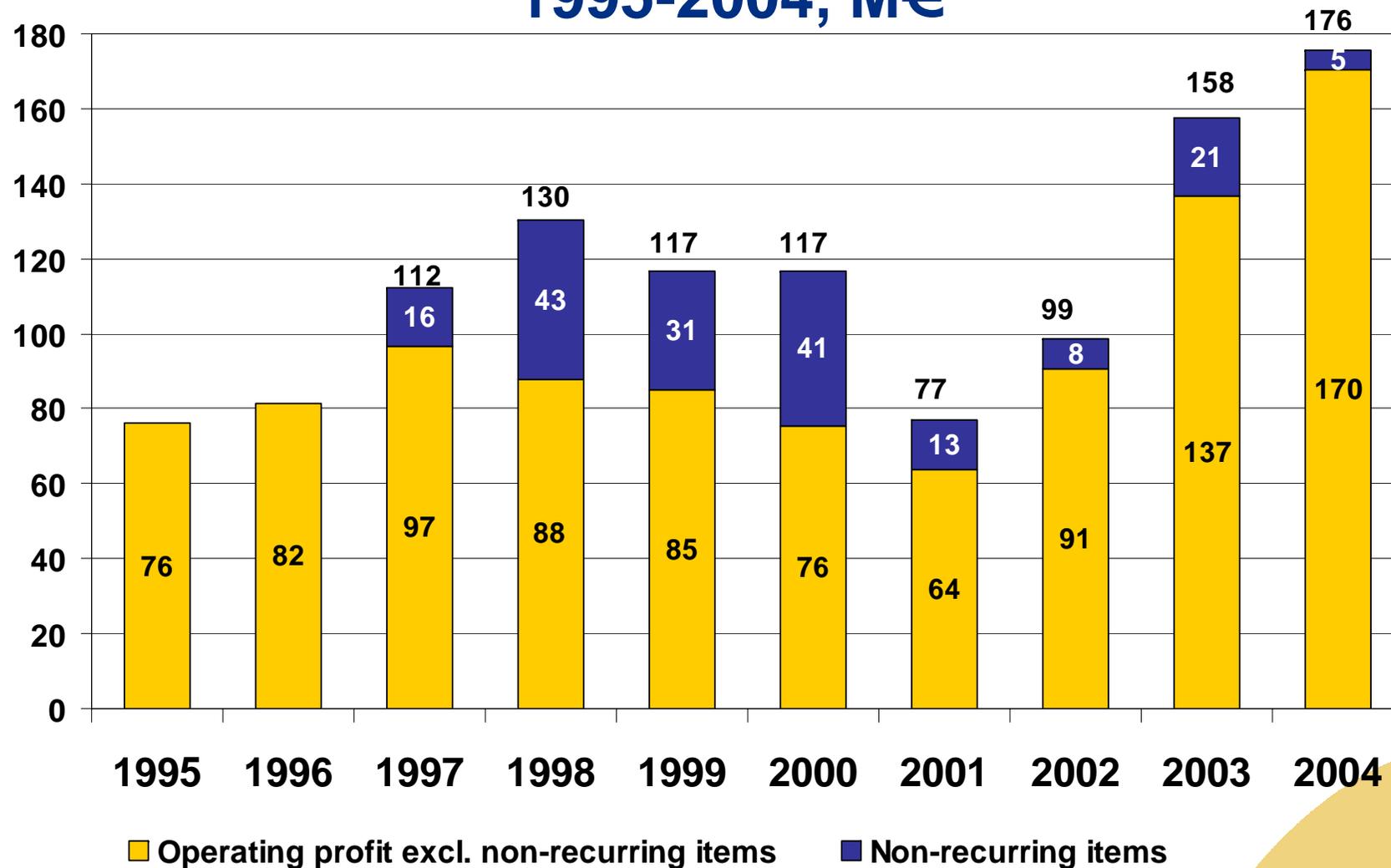
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# Group net sales 1995-2004, M€



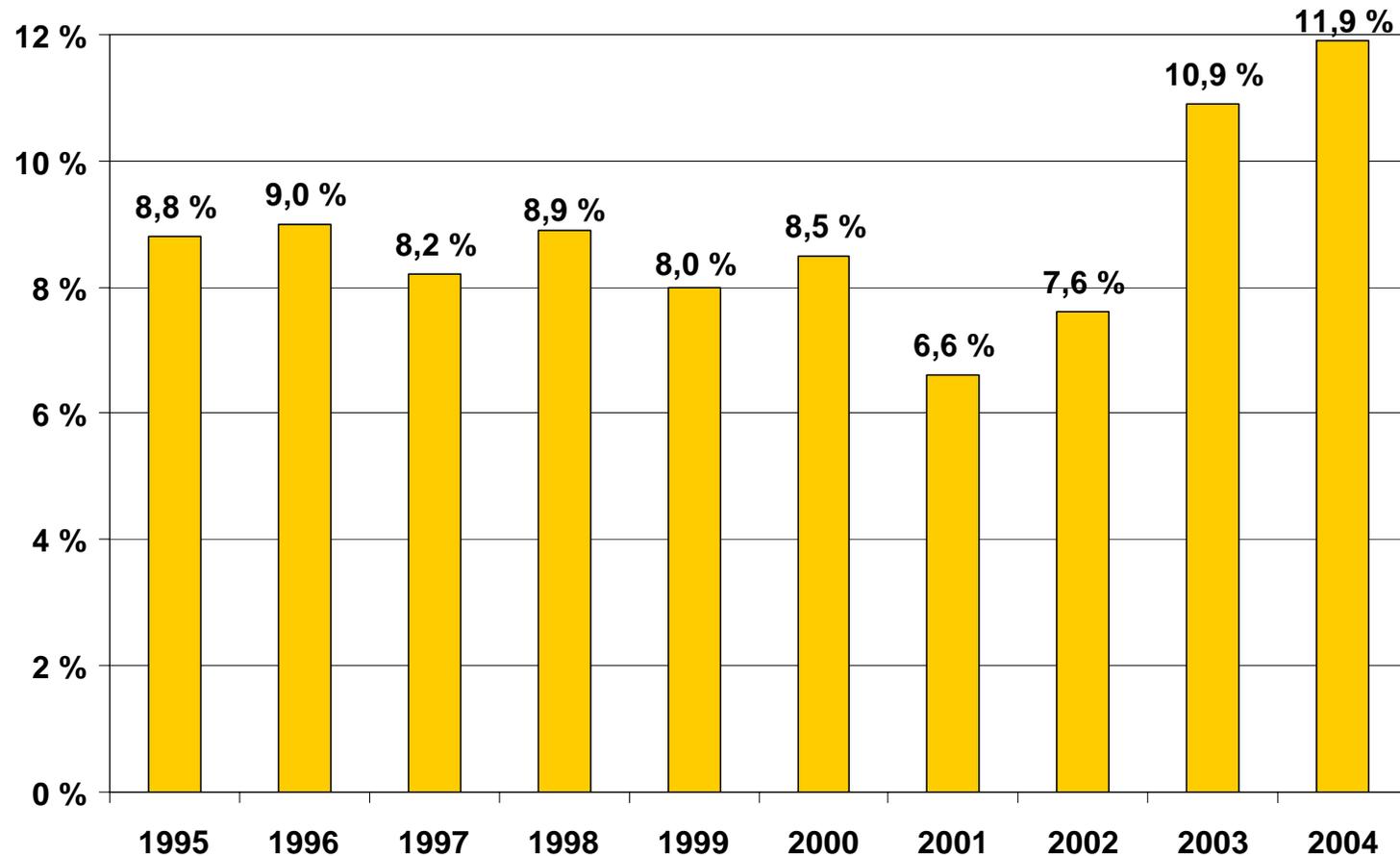
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# Group operating profit 1995-2004, M€



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# Return on invested capital, % 1995-2004



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# Year 2004 in brief

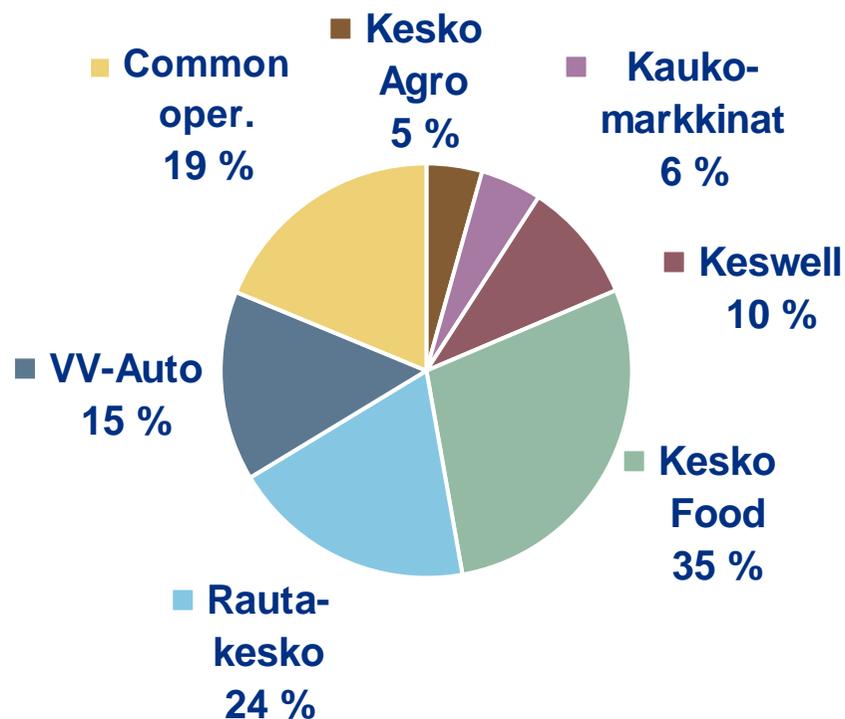
- **All time record sales and profit**
- **Intensive internationalisation continued**
  - increase in sales, joint venture in Baltic food trade
- **Competition continued to tighten, particularly in the Finnish grocery trade**
- **Expansion in interior decoration trade in Finland**
  - **Asko and Sotka**
- **Recognition for corporate responsibility and quality work**
  - **Finnish Quality Award of 2004 to Anttila**
  - **Kesko the best in its sector in the Dow Jones sustainability index for European companies**
  - **Kesko's reporting the best in the world in the trading sector (UNEP/SustainAbility)**

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# Group operating profit 2004

Total EUR 176 million



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# Group net sales 2004



**Kesko Food**  
Groceries trade



**Rautakesko**  
Building and interior  
decoration supplies trade



**Kesko Agro**  
Agricultural and  
machinery trade



**Keswell**  
Home and speciality  
goods trade



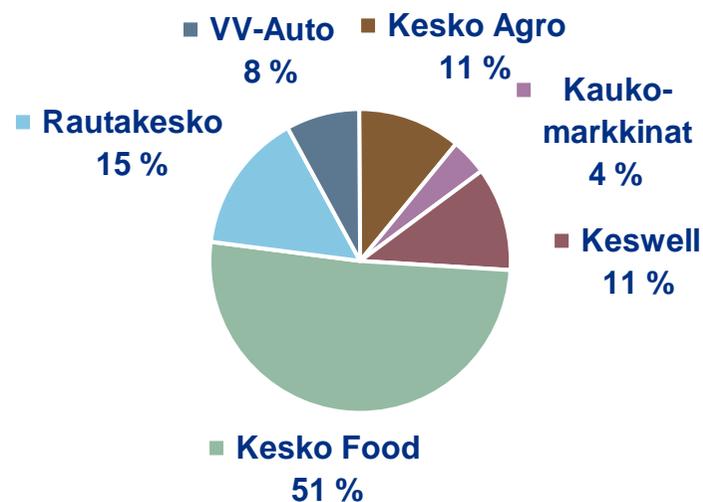
**Kaukomarkkinat**  
International technical  
trade



**VV-Auto**  
Car and spare  
parts trade

## *Net sales by division*

Total EUR 7,517 million (2004)



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# Group financial highlights 2004 (FAS)

<b>Return on equity</b>	<b>9.3%</b>
<b>Economic Value Added</b>	<b>EUR 34 million</b>
<b>Equity ratio</b>	<b>45.5%</b>
<b>Personnel, average</b>	<b>17,528, of whom 7,221 outside Finland</b>



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# ***Kesko Food's state and actions***

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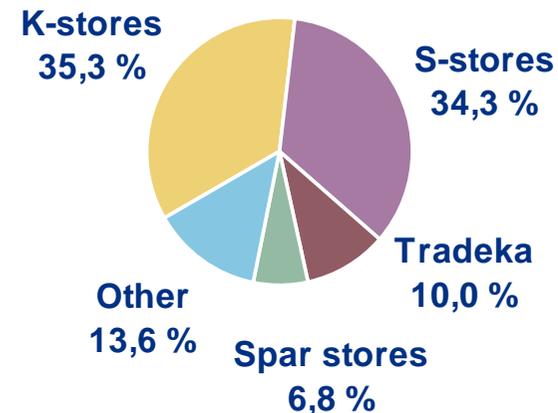
# Retail trade of groceries in Finland



	<i>No.</i> <sup>1</sup>	<i>Sales, M€</i> <sup>2</sup>
K-citymarket	51	1 607
K-supermarket	153	1 351
K-market	331	1 036
K-extra	344	346
K-pikkolo	70	93
Other K-food stores and mobile stores	135	113
<b>Total</b>	<b>1 084</b>	<b>4 547</b>

## Market share

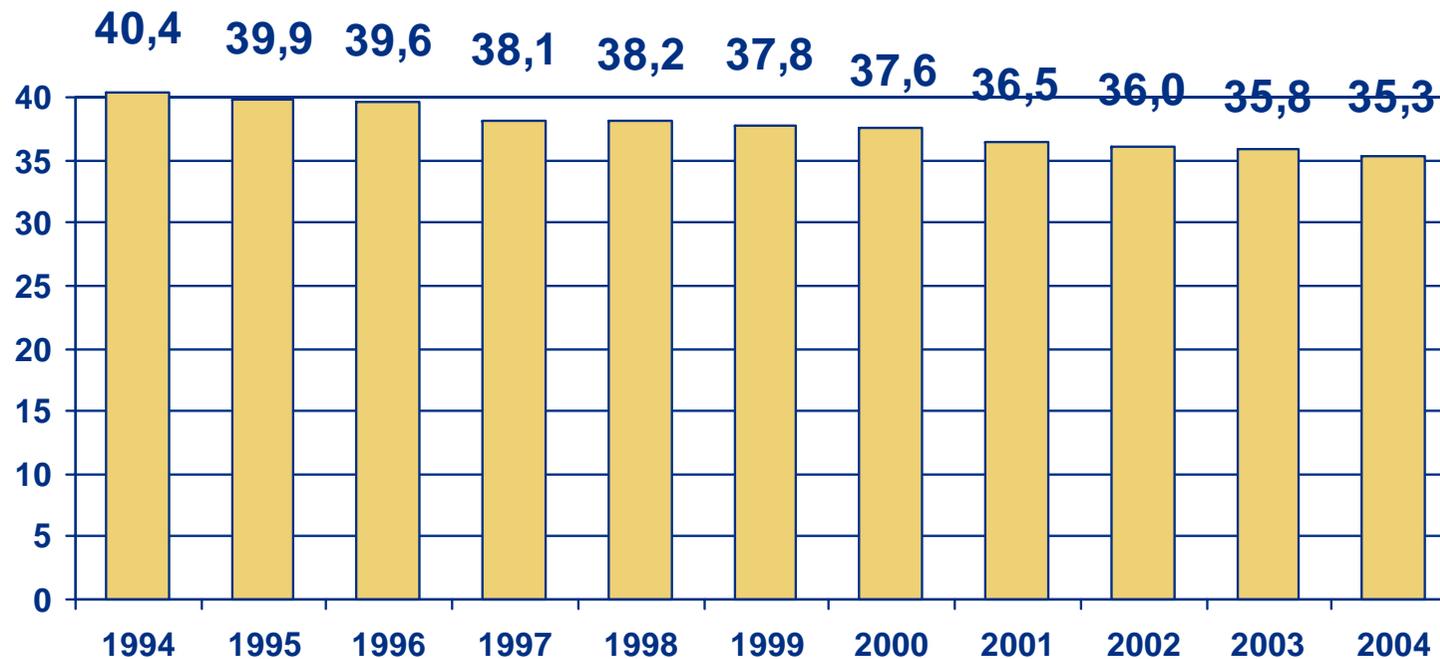
Total EUR 11.6 million (2004)



<sup>1</sup> Situation at 31 Dec. 2004

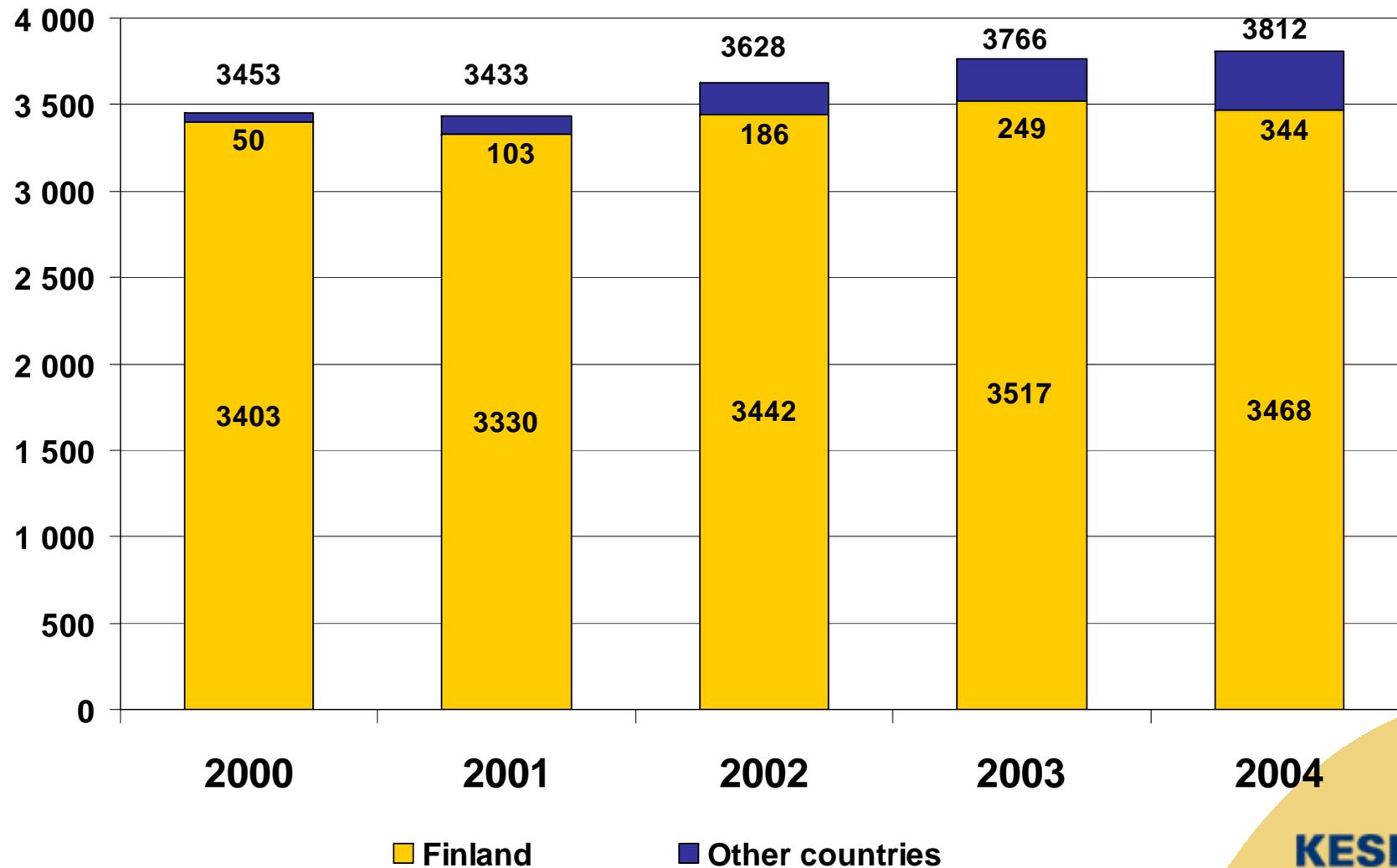
<sup>2</sup> Sales (incl. VAT) in 2004

# K-Alliance's market share in the grocery trade



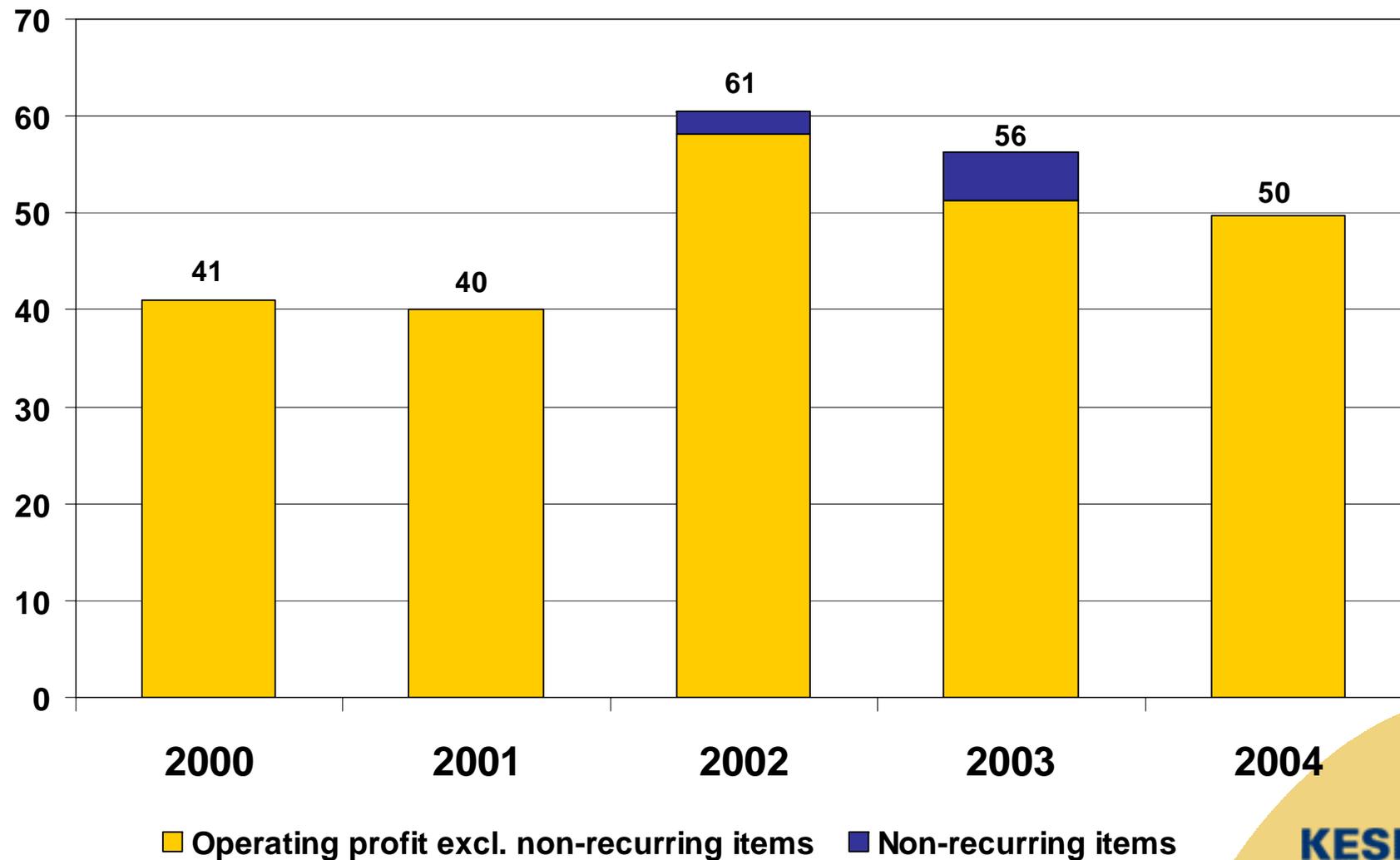
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# Kesko Food's net sales 2000-2004, M€



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# Kesko Food's operating profit 2000-2004, M€

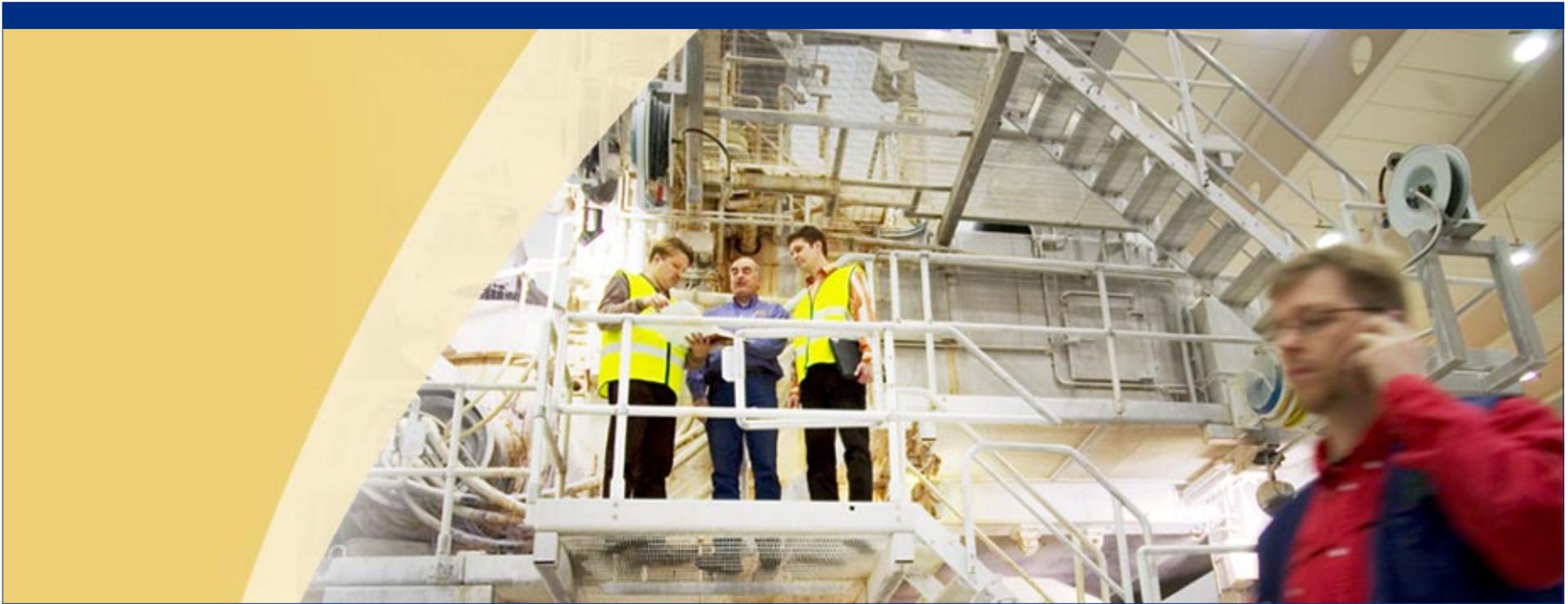


# How to sharpen Kesko Food's competitiveness

- **New management from 1 May 2005**
- **K-chains and their stores must exceed competitors in service, quality and price competitiveness**
  - **Requires actions from Kesko Food, the chains and the K-food stores**
- **Chain decisions are made to the benefit of the whole value chain (Kesko + stores)**
- **Using the best practices and synergy opportunities throughout the Group**
- **Efficiency improved and costs cut**



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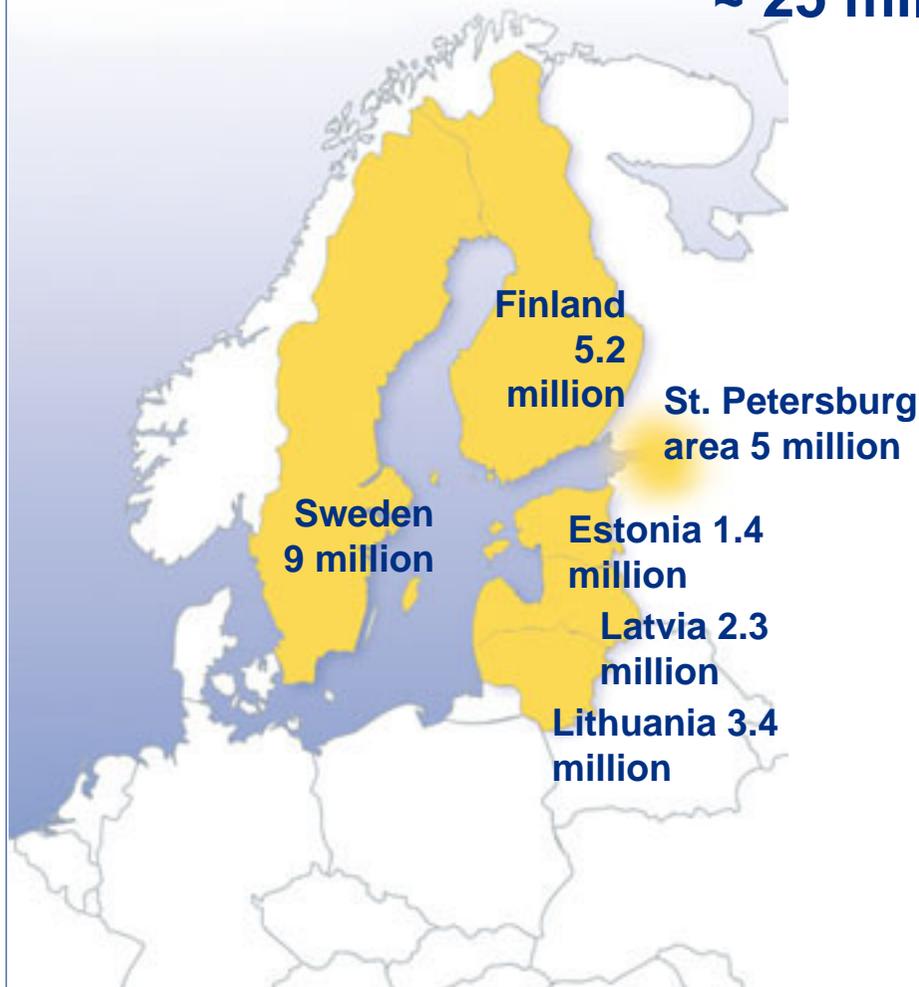


# ***International growth***

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# Market area

~ 25 million consumers



- Finland: all divisions
- Sweden: hardware and builders' supplies trade
- Baltic countries: food, hardware and builders' supplies, and agricultural and machinery trade
- St. Petersburg: hardware and builders' supplies trade

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# Kesko's hardware and builders' supplies stores in Sweden, the Baltic countries and Russia



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# Stroymaster DIY chain

- **A DIY chain operating in the St. Petersburg area**
- **Market share about 20% of the sales of all chains in this sector**
- **Net sales 49.0 M€ in 2004 (+27%)**
- **Four stores, the fifth one under construction**
  - **Acquisition of additional store sites underway**
- **Purchase price 19.6 M€ (maximum)**
- **The deal is subject to the approval of the Russian competition authorities**

# Rimi Baltic's grocery stores



**Joint venture Rimi Baltic AB started operations at the beginning of 2005**

**Kesko Food Ltd 50%**

**ICA Baltic AB 50%**

**162 stores, combined net sales in 2004 about EUR 690 million.**



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# Kesko in 2005

- **Customer-orientation is the basis of operations**
- **Maintaining the good level of profitability**
- **Improving K-food stores' competitiveness and market position in Finland**
- **Closer chain operations**
- **Full-speed operations of Rimi Baltic**
- **Expansions of Rautakesko's operations in Sweden, the Baltic countries and Russia**
- **Integrating Asko and Sotka into the home improvement and interior decoration business**



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# Future outlook

**Kesko Group's profitability will remain good although the profit before non-recurring items for the first quarter of 2005 is anticipated to be smaller than in the corresponding period in 2004 owing to the tight competitive situation in the grocery trade and the development and expansion costs of the different divisions. However, the total operating profit for the first quarter will be significantly bigger than in the previous year, thanks to the profit (EUR 44.7 million) made on the real estate disposal in January 2005.**

**The above estimates of business development are based on comparable accounting practice. The figures reported in accordance with the IFRS are anticipated to be better than those produced on the basis of Finnish accounting practice.**

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# Corporate Management Board

## from 17 March 2005



**Matti Halmesmäki**  
Kesko  
Corporation's  
Managing Director  
and the Kesko  
Group's President  
and CEO



**Juhani Järvi**  
Corporate  
Executive Vice  
President, Deputy  
to President and  
CEO



**Riitta Laitasalo**  
Senior Vice  
President, Human  
Resources



**Arja Talma**  
Senior Vice  
President, CFO

# Corporate Management Board

## from 17 March 2005



**Terho Kalliokoski**  
President of Kesko  
Food Ltd, from 1  
May 2005



**Jari Lind**  
President of  
Rautakesko Ltd



**Matti Laamanen**  
President of  
Keswell Ltd



**Pekka Lahti**  
President of Kesko  
Agro Ltd and Managing  
Director of Kesko  
Machinery  
Ltd

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*A sign of something better*

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