



Review by the President and CEO

Kesko Corporation Annual General Meeting
11 April 2018

K Group today



Biggest retailer in Finland, **3rd biggest** retailer in **Northern Europe**



Retail sales of nearly **€13 billion**



Personnel **42,000**



Taxes paid and remitted **€1.2 billion**



Purchases from Finnish industry **some €4.5 billion**



World's most sustainable trading sector company

Targeting profitable growth in three divisions



Grocery trade

Growth in grocery trade in Finland



Building and technical trade

Growth in building and technical trade in Northern Europe

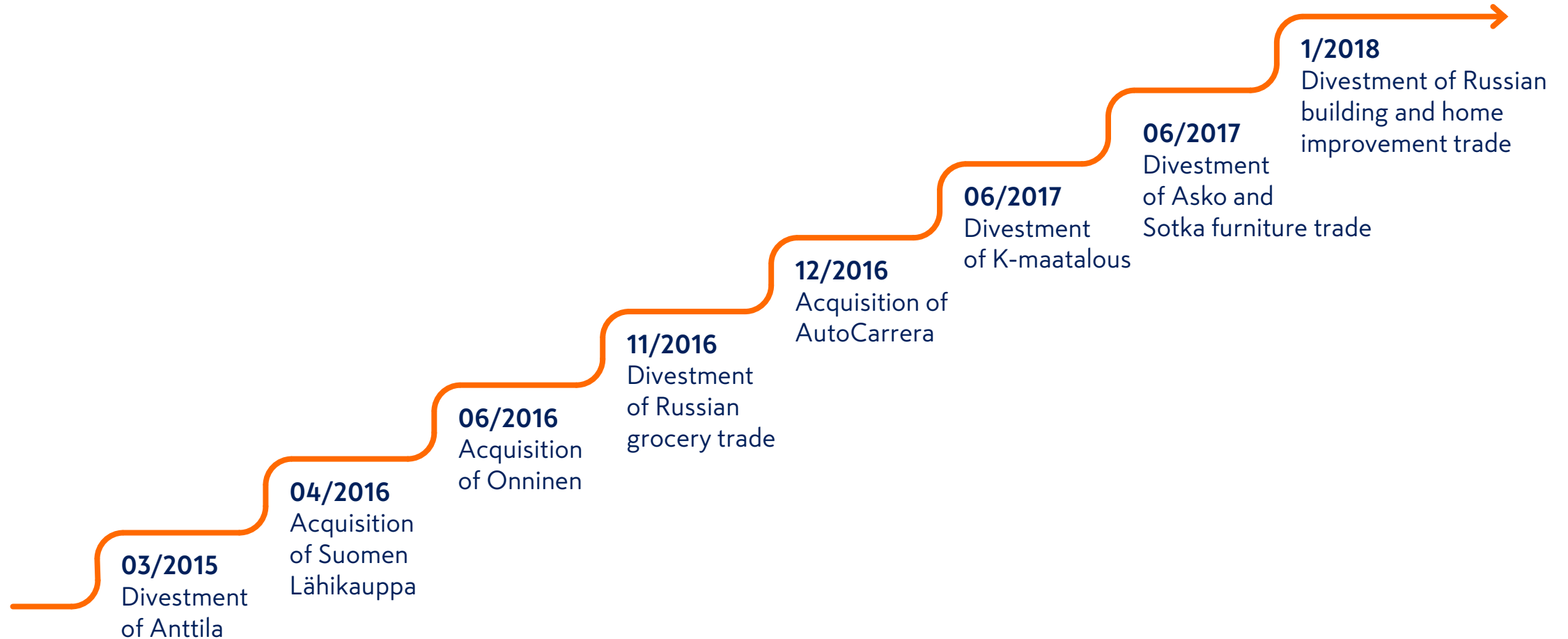


Car trade

Growth in car trade especially in Finland

One unified 

Investments in core business operations €1.3 billion, divestments €1.0 billion



Our strategy responds to the changes in our operating environment

Digitalisation



Increased consumer knowledge and power



Sustainability and strong brands



Globalisation



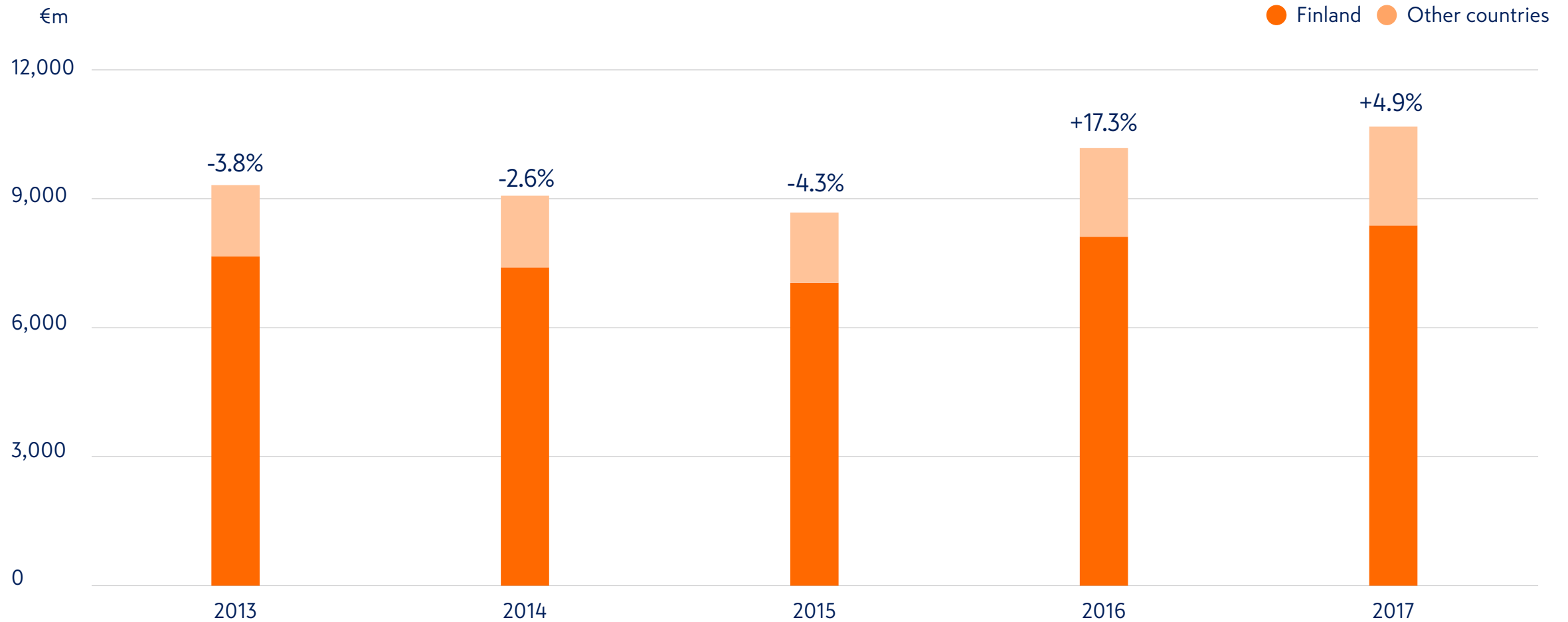
Increasingly individual customer behaviour



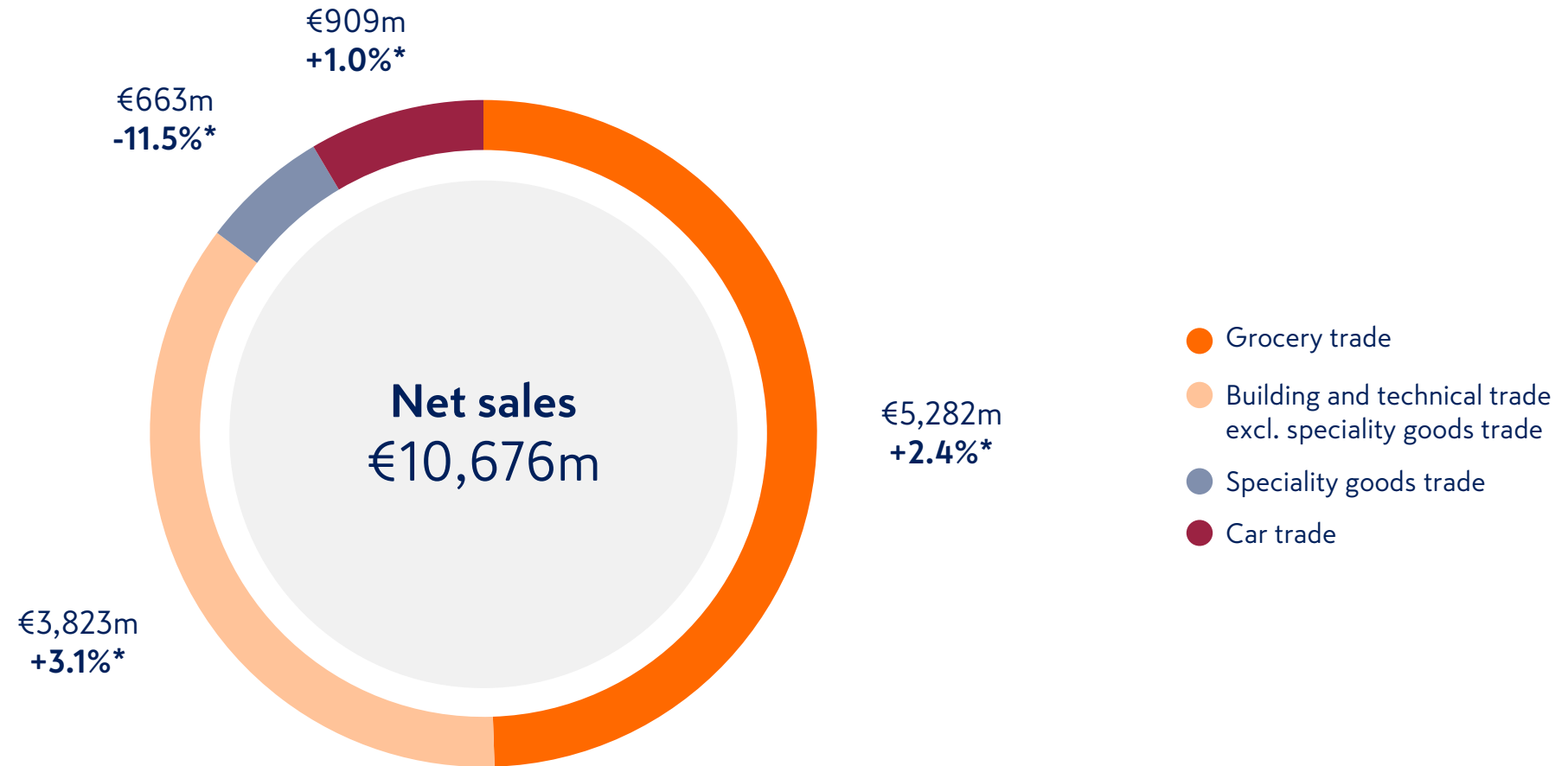


Strong financial performance

Net sales

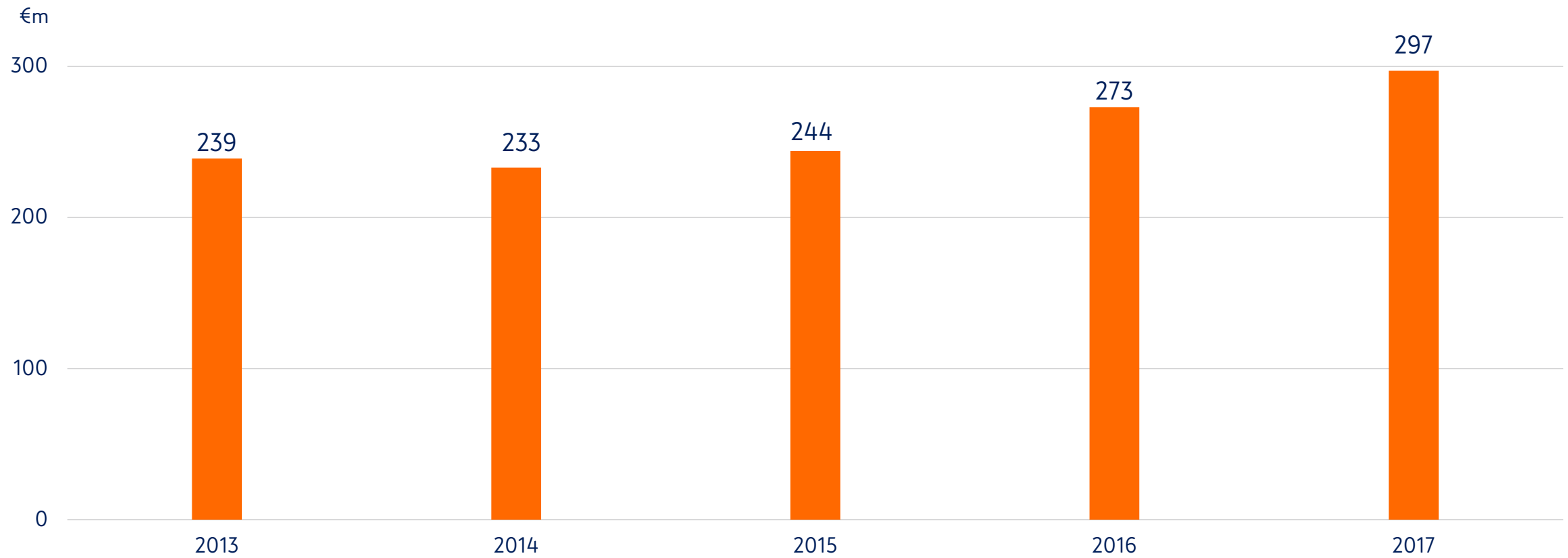


Net sales 2017

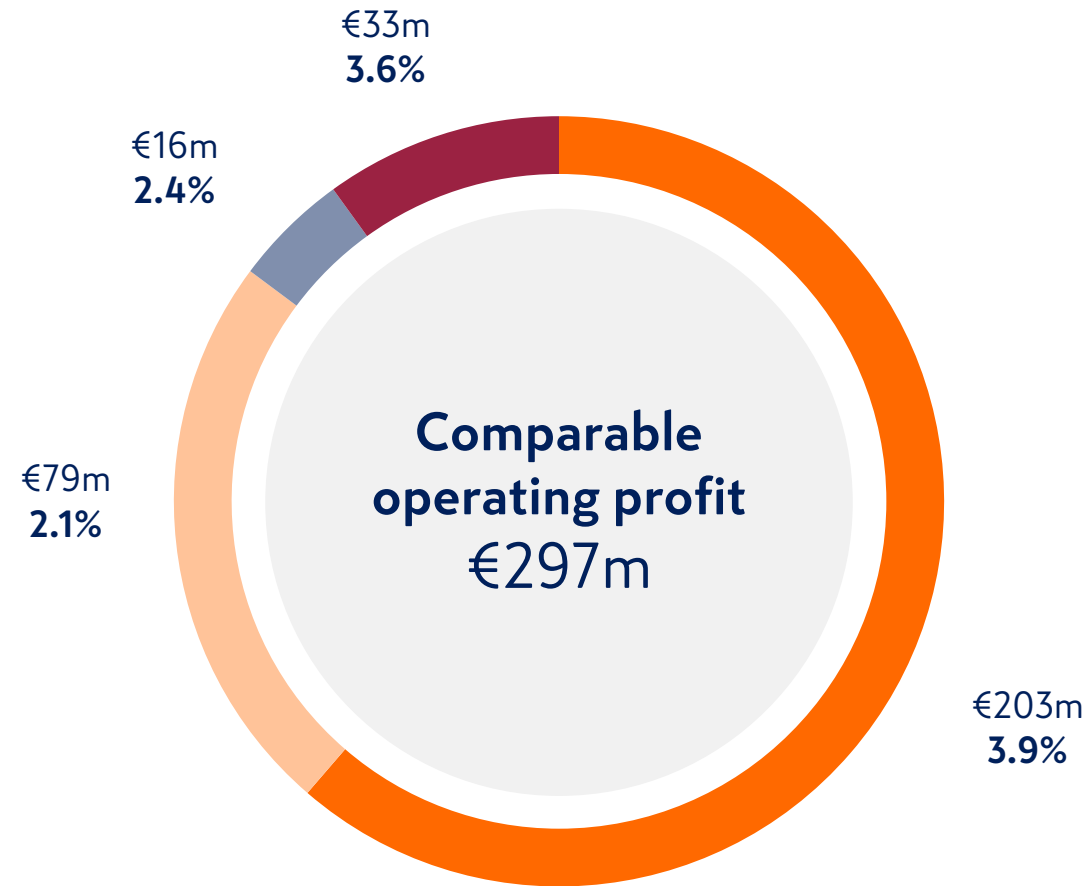


*) Comparable net sales development

Comparable operating profit

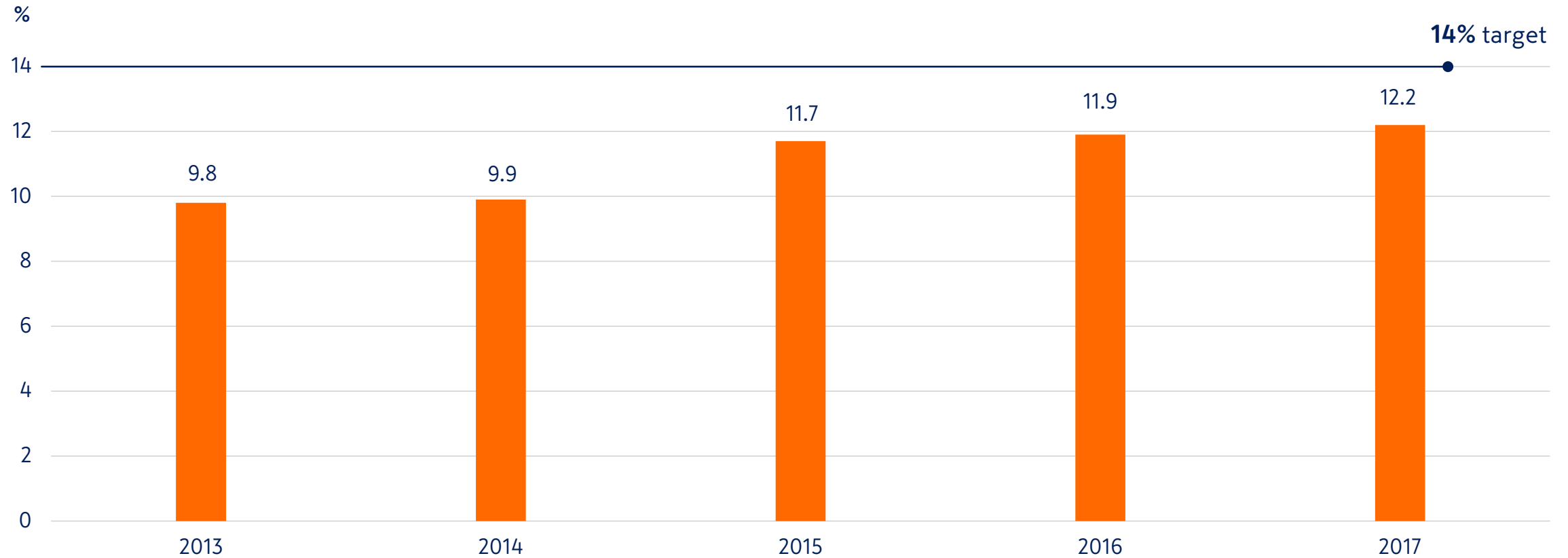


Comparable operating profit 2017

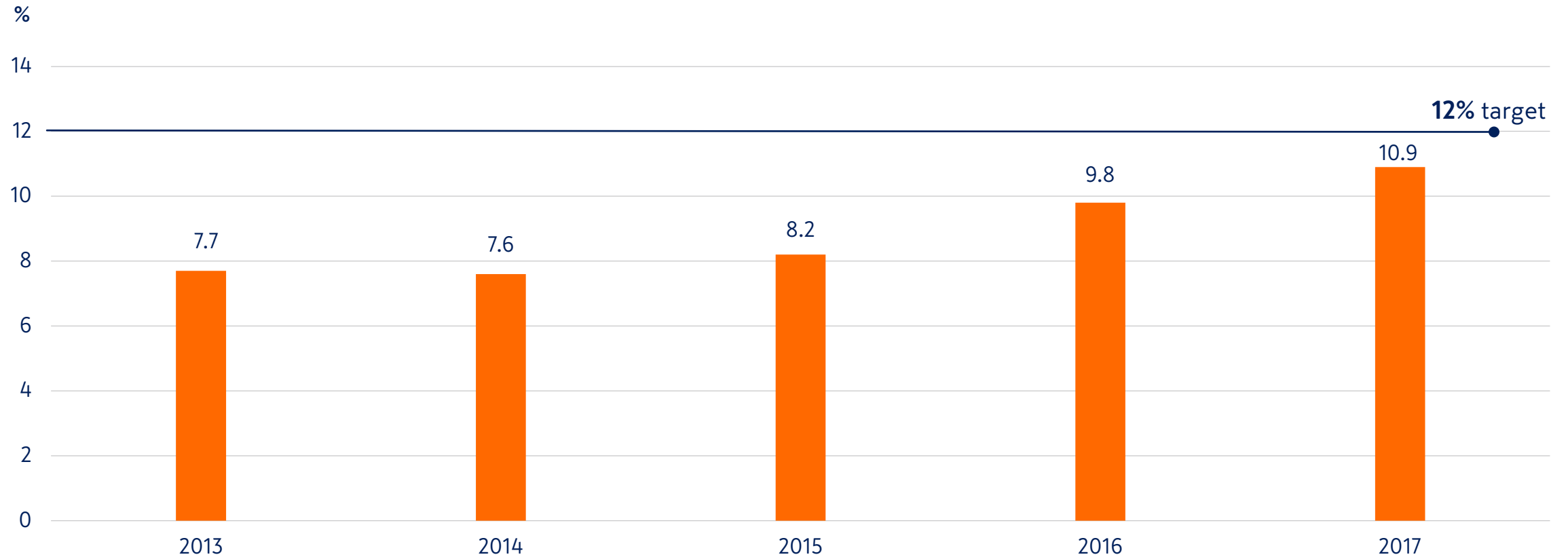


- Grocery trade
- Building and technical trade excl. speciality goods trade
- Speciality goods trade
- Car trade

Comparable return on capital employed



Comparable return on equity



Strong financial position

	31 Dec. 2017	31 Dec. 2016
Equity ratio, %	50.4	48.6
Liquid assets, € million	398	391
Interest-bearing net debt/EBITDA, rolling 12 months	0.3	0.4
Cash flow from operating activities, € million	302	170



Grocery trade

Trends affecting grocery trade



Growing
importance of
quality and
selections



Price
consciousness



Increasingly
individual
customer
behaviour



Urbanisation
and population
ageing



Responsibility
and
sustainability



Digitalisation

Cornerstones of our strategy for grocery trade



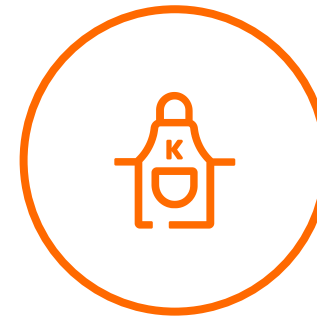
Most customer-oriented and inspiring food stores



Most extensive and comprehensive food store network in Finland



Best digital solutions in the trading sector



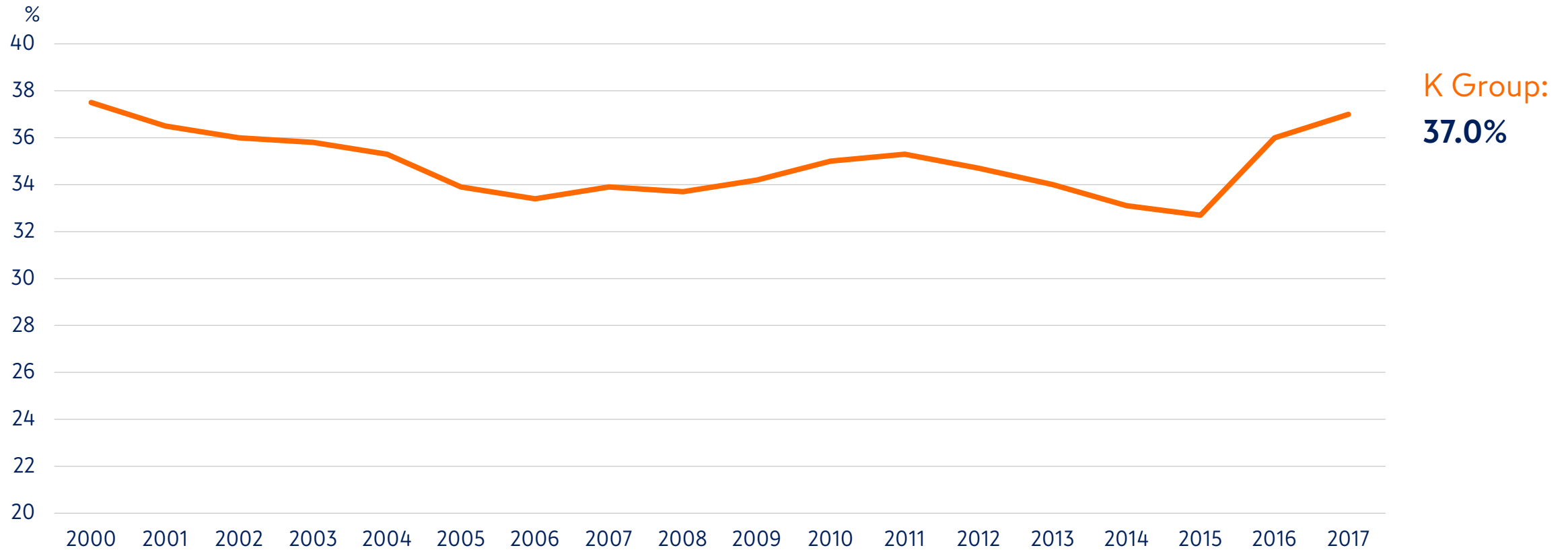
Developing retailer entrepreneurship as a competitive advantage



Growing Kespro's business



Our market share is at its highest in over 15 years



Source: Nielsen

Redesign of chain brands and stores has proceeded well

Our objective is to offer the most customer-oriented and inspiring food stores

All K food store chains rebranded

Good sales performance in redesigned stores

CITYMARKET 44 store redesigns completed

Supermarket Nearly 80 stores made over

Market Over 700 stores rebranded

NESTE 55 stations redesigned

Acquisition of Suomen Lähikauppa a success

- Total investment approximately €120 million
- A nearly 60% share of the neighbourhood market
- 400 new K-Markets, additional sales of almost €700 million
- Sales growth approximately 15%, very positive customer feedback
- Synergies set to be achieved ahead of schedule
- All stores transferred to retailers by summer 2018



Data and customer driven digital services

Utilising data in

- Creating store selections
- Improving efficiency



K-ruoka mobile app makes food shopping easier

- 500,000 registered users
- Personalised customer-specific offers
- Recipes and shopping lists
- Orders from online store now available

Next generation online food store

- Online sales of food grew by some 30% in 2017
- New service successfully piloted in two K-Citymarkets in the greater Helsinki region
 - Average purchase 5x higher than in a physical store
 - Very high customer satisfaction, NPS 60
- Expanding online food sales to cover the whole country
 - Offering K-Citymarkets' extensive selections
 - Efficient deliveries with K Transport
- We expect significant growth in upcoming years





Retailer entrepreneurs a significant competitive advantage

High interest towards becoming a retailer: Many young new retailers
Changes to retailer entrepreneurship: More room for retailers' own ideas
Multi-store model: Accomplished retailers can now run several stores



Building and technical trade

Trends affecting building and technical trade



Building and renovation becoming more technical and regulated



Consumers increasingly outsourcing construction to professionals



Growing need for renovation building



New services for B2B and B2C customers



Stronger emphasis on digital services

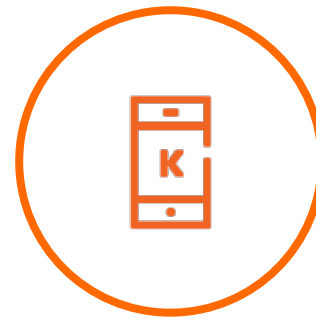
Cornerstones of our strategy for building and technical trade



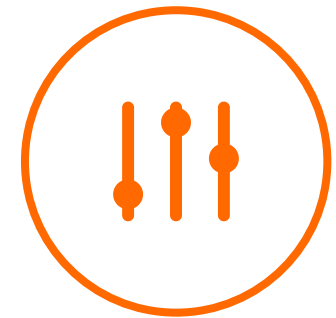
Profitable growth in selected countries and customer segments



New customer-focused organisation



Best digital services for B2B and B2C customers



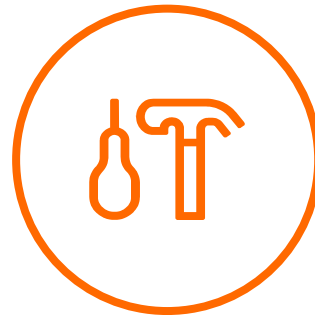
Utilising synergy potential

Leading operator in building and technical trade in Northern Europe

Technical professionals



Building professionals



Consumers



Approx. 70%*

Approx. 30%*

*) Share of sales

Good value creation potential for upcoming years

Operating margin (%)



Strong development in Onninen

The acquisition has significantly strengthened Kesko's position in B2B trade



Net sales
€1,571 million



Comparable operating
profit €32.7 million



Significant potential
for further
improvement in
profitability

*Comparable



Car trade

Trends affecting change in car trade



Car sharing and
short-term
leasing



Increased
number of
electric cars



Limitations on
emissions and
car use



Easy-to-use
multichannel
services



Autonomous
driving

Cornerstones of our strategy for car trade



Growing the business
in collaboration with
Volkswagen Group



Expanding service business
independent of principals



Developing a multi-channel
customer experience

Strong performance in 2017

- Market share 18.6%, clearly the biggest importer of new cars in Finland
- Operating profit €33.1 million, increase of over 12%
- Acquiring the SEAT business of LänsiAuto in Espoo, Vantaa and Turku
- Developing the Caara.fi service platform
 - Online sales of used cars
 - Private and corporate leasing



Excellent performance in the Porsche business

- Registrations up by 38%
- Net sales €55.3 million, an increase of 14%
- Improved profitability, operating profit 5.5%
- Good performance also in early 2018





Strong transformation continues

We continue our transformation

Traditional companies

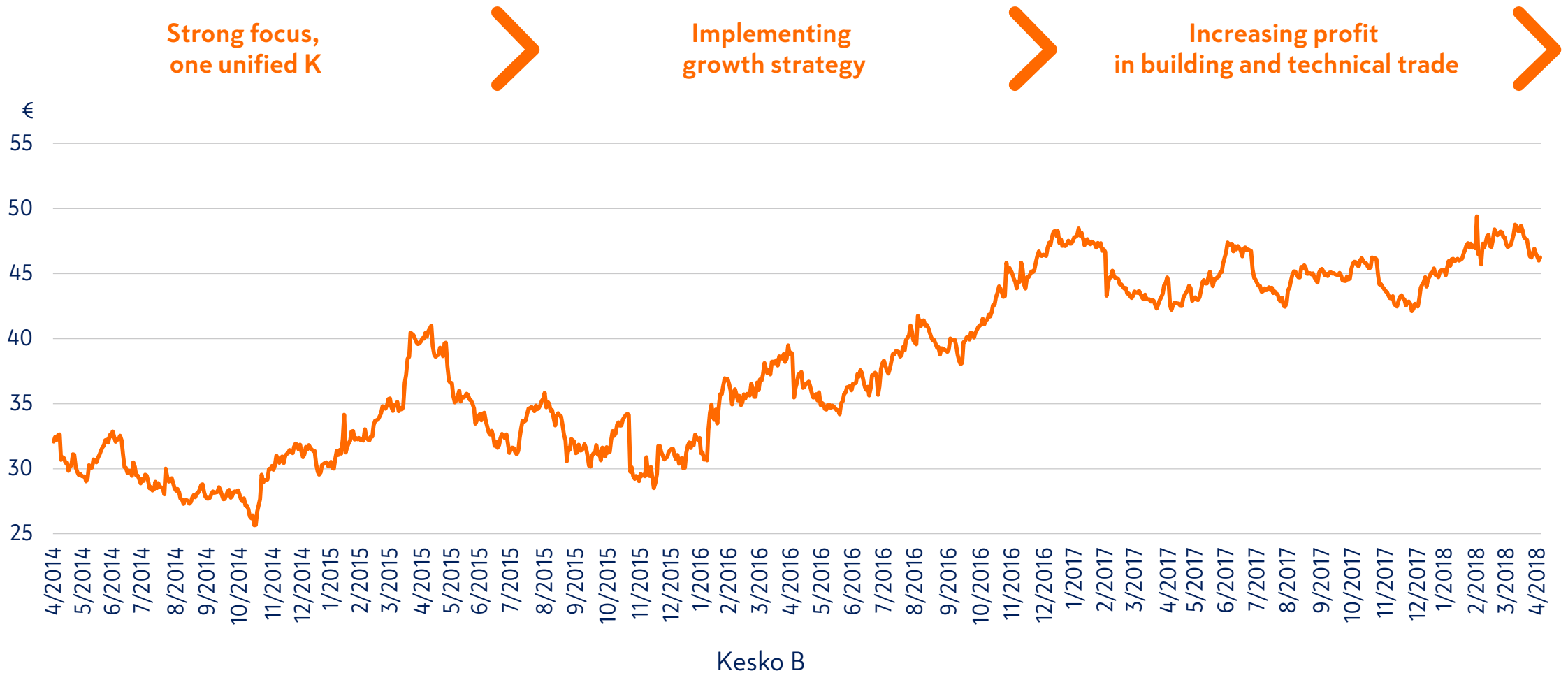
Slow
High hierarchy
Focus on the present
Playing it safe



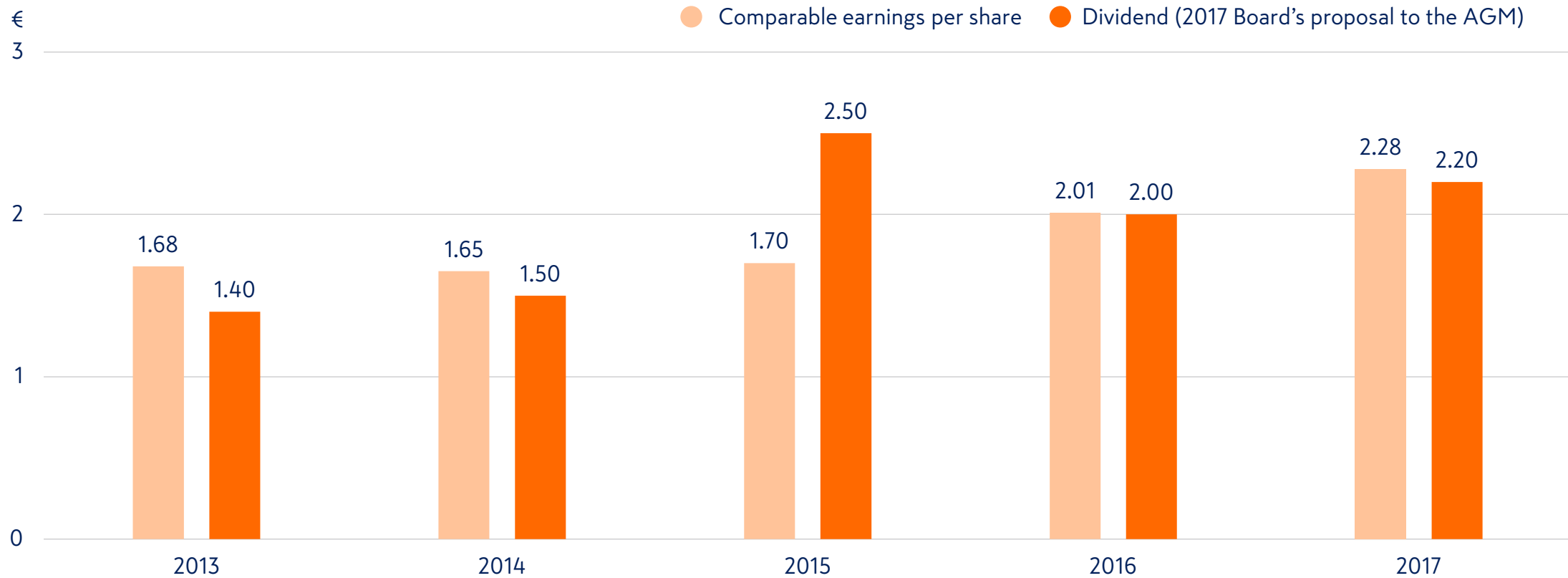
Future companies

Fast
Low hierarchy
Focus on the future
Growth
Constant change
Responsibility and sustainability

Increasing shareholder value a key objective



Proposed dividend €2.20





Kesco is the most sustainable trading sector company in the world



For shopping
to be fun