



Kesko Corporation's Annual General Meeting in Helsinki on 8 April 2019 /
Esa Kiiskinen, kauppaneuvos, Chairman of Kesko's Board of Directors

Esteemed shareholders, dear meeting participants: welcome to Kesko's 2019 Annual General Meeting

Year 2018 was in many ways a success for Kesko, and we recorded our best ever result. Our comparable net sales and operating profit grew and we reached the 14% target level we had set for return on capital employed in 2015. Kesko and K Group continued to transform intensely, and all our divisions – the grocery trade, building and technical trade, and car trade – increased their sales and improved their profitability.

In the grocery trade division, sales development was good in all our chains in 2018, and our market share strengthened further and was the highest in over 15 years. In the building and technical trade division, the shift to a county-specific operating model has improved our competitiveness and profitability. Development has also been positive in the speciality goods trade. The year overall was good also for the car trade division despite the significant market disturbances caused by WLTP emissions testing in Europe during the latter half of the year.

Kesko today is a modern trading sector pioneer. We are the biggest retailer in Finland and one of the biggest in Northern Europe. The cornerstones of Kesko's strategy are profitable growth, focus on core businesses, and operating as "One unified K". All our businesses are customer-oriented and use quality to differentiate themselves from the competition in both stores and digital channels.

We seek growth both organically and through acquisitions. Over the past four years, we have carried out 28 acquisitions and divestments. We have invested 1.7 billion euros in the development and growth of our core businesses, while also making divestments of nearly one billion euros. Our strong financial position enables investments in growth also in upcoming years. In his review, President and CEO Mikko Helander will elaborate on the themes of strategy implementation and financial performance.

The world around us is constantly changing: various global megatrends from digitalisation to climate change are affecting the trading sector. We see the changes in our operating environment and the transformation of the trading sector more as an opportunity than a threat. As competition tightens, we must be able to identify the challenges and possibilities in our operating environment and respond to them in an agile manner.

Ladies and gentlemen, dear meeting participants

Corporate responsibility is a strategic choice for Kesko and integrated into our day-to-day activities. For the fifth year in a row, Kesko ranks as the most sustainable trading sector company in the world on the Global 100 list. Our sustainability efforts extend widely to different areas of corporate responsibility. Key issues for us include transparency in the purchasing chain and environmental care, as well as extensive value creation throughout the society.

Every day, we have 1.5 million customer encounters. Kesko and K Group today strive to create a Finland where all people can have convenient and sustainable everyday lives. Kesko actively collaborates with others

in an effort to solve societal challenges from increasing employment to reducing regulation, issues in Finnish food production and stopping climate change.

Stores are partners in everyday life, but they also lead the way for the future and reshape structures. The Finnish trading sector creates in many ways a foundation for Finnish wellbeing. It is the biggest industrial employer in Finland and the most significant taxpayer, with considerable investments as well. The trading sector accounts for 15% of the Finnish national economy. A strong and responsible trading sector is a significant element in Finland's success story.

Esteemed shareholders,

The Board of Directors of Kesko Corporation proposes to this General Meeting that a dividend of 2.34 euros per share be paid on the basis of the 2018 adopted balance sheet. In the long-term, Kesko aims to distribute a steadily growing dividend of some 60-100% of its comparable earnings per share, taking into account the company's financial position and strategy. Kesko's good dividend capacity is based on the strong and steady cash flow from operations. Kesko plans to pay its dividends in two instalments in April and October, starting with the dividend paid for the year 2018. This arrangement better acknowledges the cyclical nature of Kesko's business operations.

In terms of financial reporting, Kesko looks very different in 2019, due to the implementation of IFRS 16 Leases. Financial reporting for lease agreements changed at the beginning of 2019. The changes are especially significant for Kesko's financial reporting, as Kesko has a considerable number of long-term property leases related to store sites. In financial reporting, leased properties are handled similarly to owned properties, which increases Kesko's consolidated statement of financial position and capital employed by approximately 2 billion euros, and increases the comparable operating profit we use to report profitability by nearly 100 million euros at an annual level.

Dear meeting participants,

On behalf of the whole Board of Directors, I want to thank Kesko's management, retailers, K Group personnel, our shareholders and other partners for the valuable work done towards our success in 2018.

The outlook for 2019 is also good. Although economic growth is expected to slow down, progress is still stable in all of Kesko's eight operating countries. Our growth strategy is working and we will continue its systematic execution in an effort to become an even stronger and more customer-oriented company. The K-Kampus building, which will be completed in Helsinki's Kalasatama in upcoming months, will bring together some 1,800 K Group employees in the greater Helsinki region. The building is a concrete symbol of our transformation journey to become a modern, broad-minded trading sector pioneer and helps establishing one unified K.

I believe Kesko's transformation has only just begun. We can continue our success in upcoming years through determined creation of new things and by participating in societal change and listening to our customers every day. I warmly welcome you all to the Annual General Meeting of Kesko Corporation.