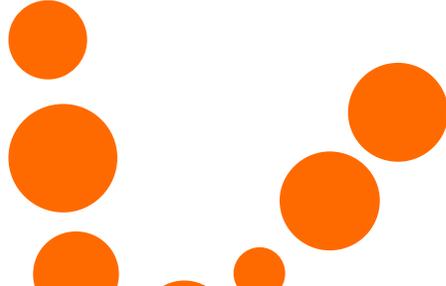


# Building and Technical Trade – Journey of Improving Profitability and Growth

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Terho Kalliokoski

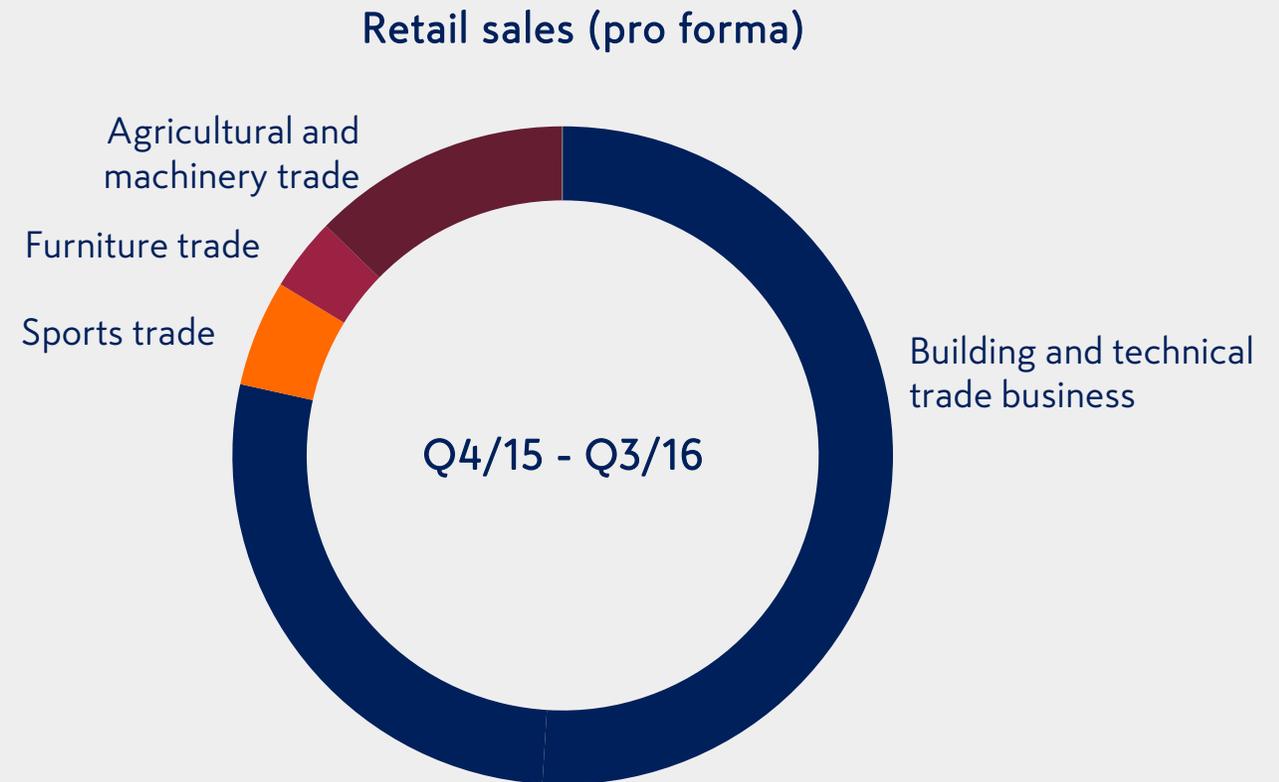


# Building and Technical Trade Division

Q4/2015-Q3/2016

Net sales	€3,715m
Operating profit*	€91m
Operating margin*	2.4%
ROCE*	10.0%

\* comparable



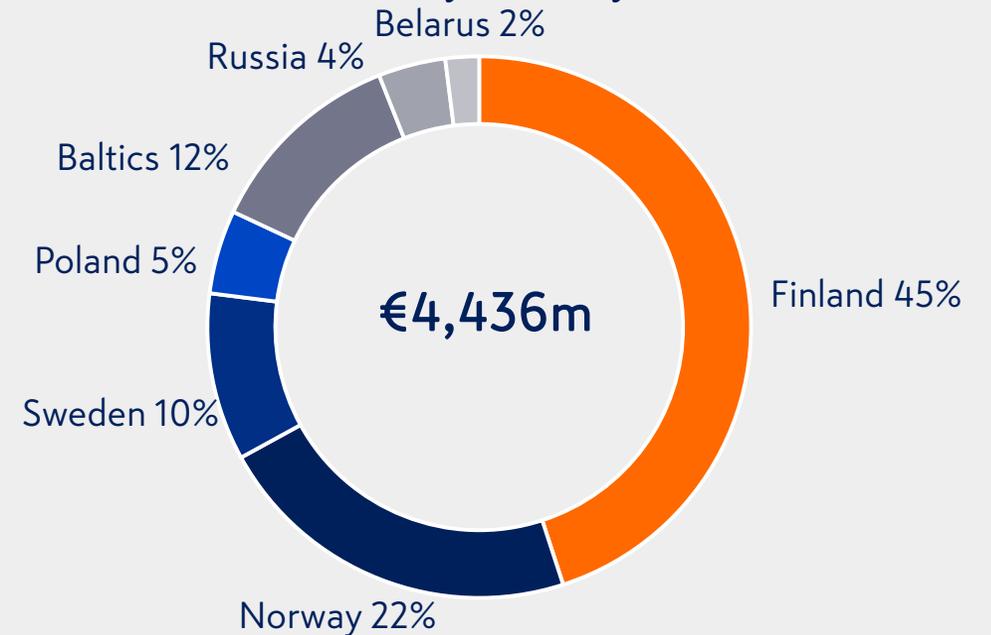
# Building and Technical Trade

Sales by customer segments



retail sales (pro forma),  
excl. speciality goods trade

Sales by country

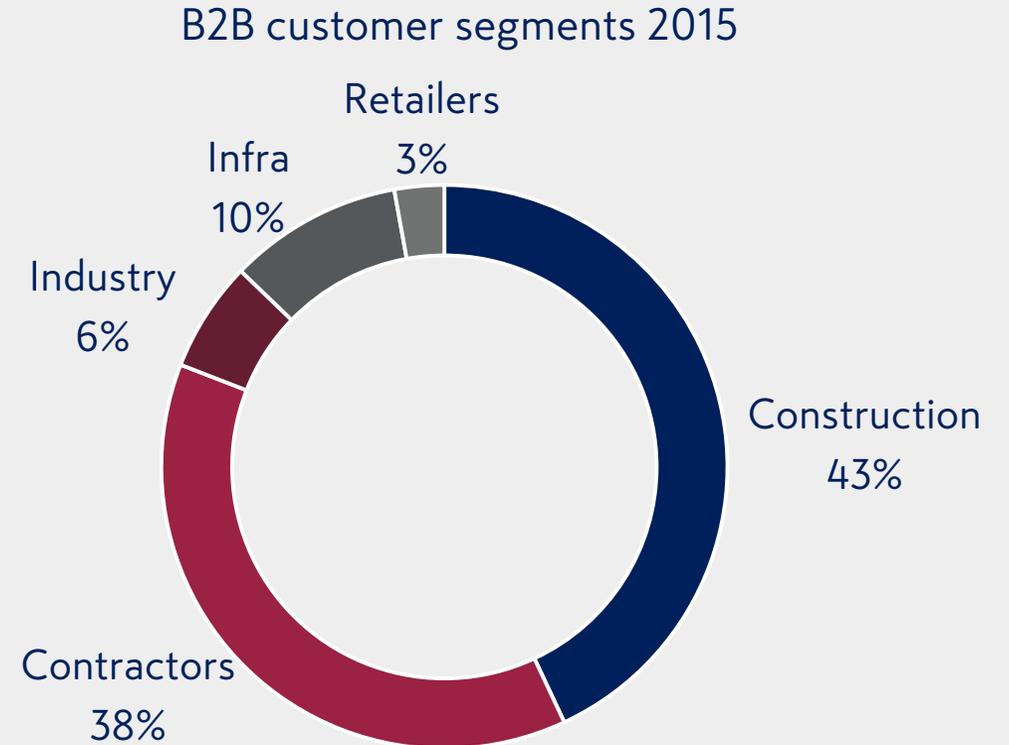


retail sales (pro forma),  
excl. speciality goods trade

# B2B Customers

- 60% of total sales of the building and technical trade
- Largest customer groups are contractors and construction companies, 80% of sales
- Building materials, HEPAC\* and electricals account for 75% of sales

\*HEPAC=heating, plumbing and air conditioning



# B2C Customers

- 40% of total sales in building and technical trade
- Renovators or builders with a DIY project
- Consumers with a need for a special DIY product
- Main product lines are building materials, home furnishing, decoration and tools

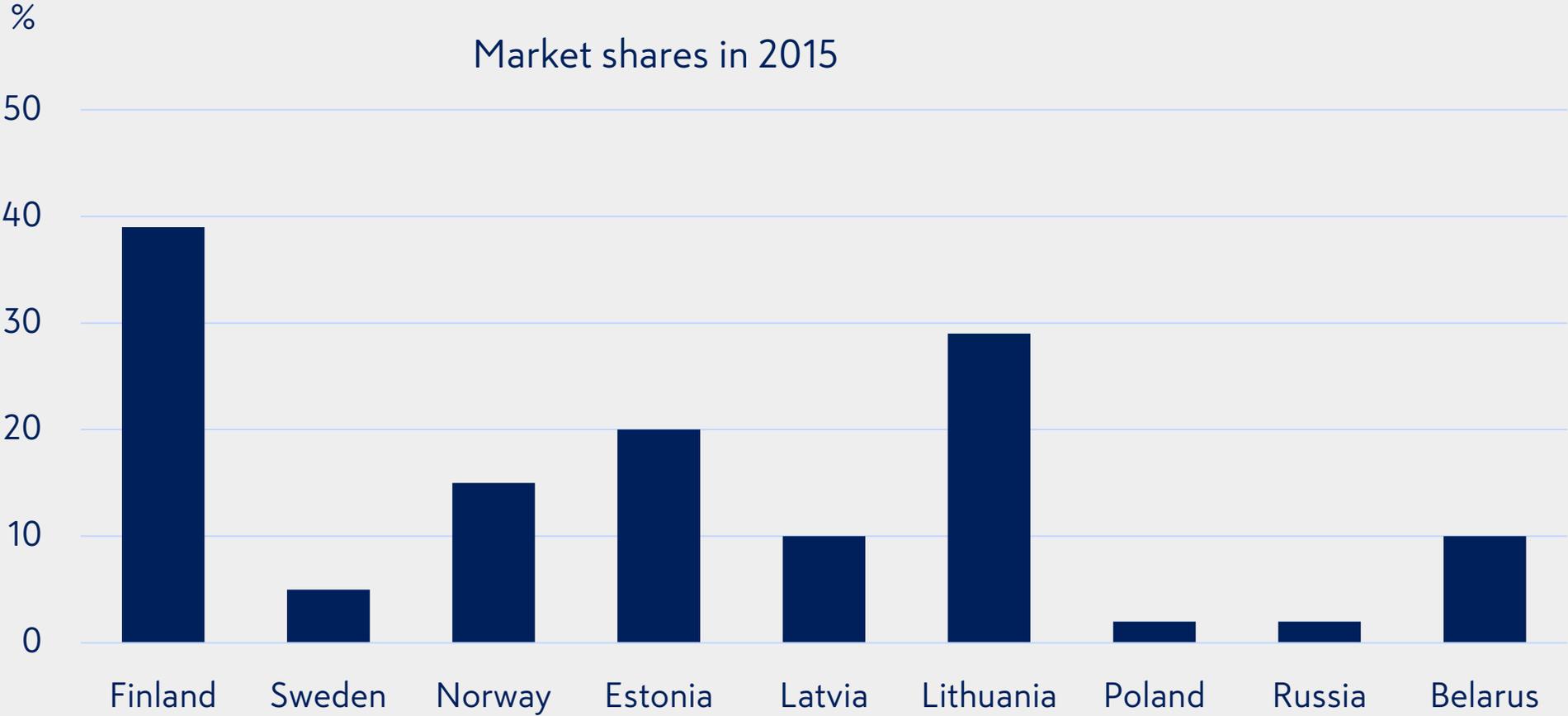


# Operations in 9 Countries

- K-rauta and Onninen clear #1 in Finland
- Byggmakker #2 in Norway and Onninen strong in electricals
- Sweden as the biggest market in Nordics offers promising growth opportunities
- Kesko Senukai #1 in Baltics and Belarus
- K-rauta has strong presence in St. Petersburg and Moscow
- Onninen well positioned in Poland



# Strong Market Shares and Growth Potential





# Megatrends and Strategy

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# Megatrends Drive B2B Growth

Building and renovation increasingly technical, regulation increases

Consumers increasingly often outsource building to professionals

Growing need for renovation building

Rising standard of living and ageing of population increase the use of services

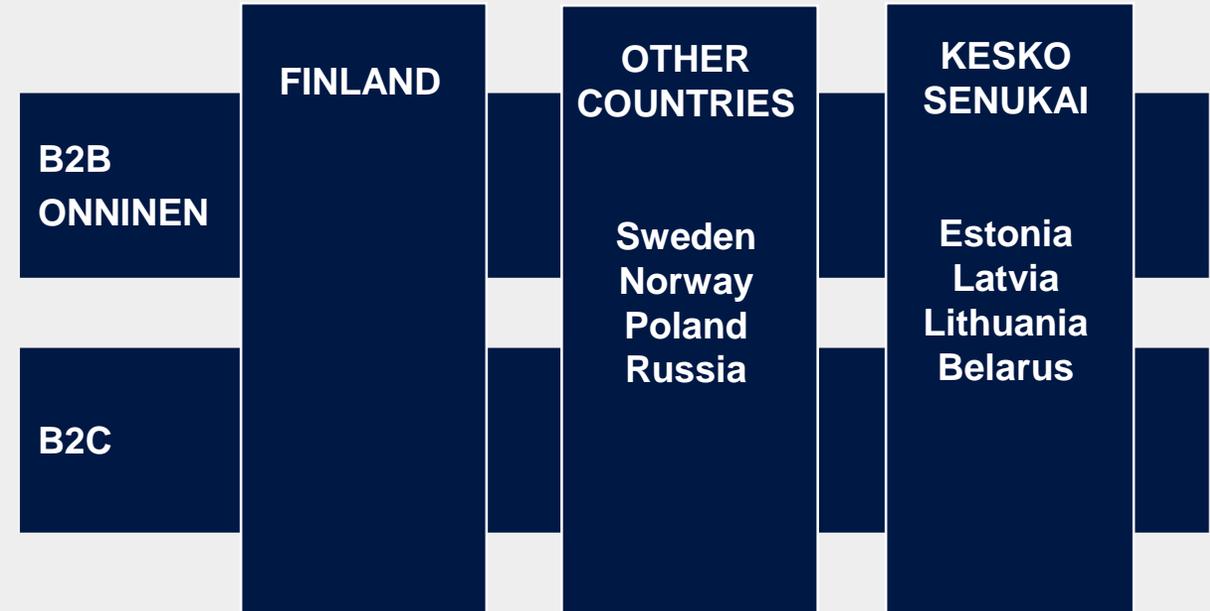
# Direction in Building and Technical Trade

- A unified building and technical trade – harvesting synergies
- Best digital services for all customer segments
- Profitability towards the level of the best European performers
- Prioritising profitability and organic growth
- The most natural growth areas are Nordic and Baltic countries



# New Unified Business Approach

- Combining Kesko and Onninen strengthens offering for all customers
- Common global core – local adaption
- Synergies across different customer segments and different countries
- Strengthening own brands
- Integrating K-rauta and Rautia chains in Finland into new K-rauta



# B2B Trade

- Combined Kesko B2B and Onninen creates unique offering
- Wider cross-sales offering for existing customers
- Better services and synergies from sourcing, logistics, store site network and ICT
  - Full annual impact of synergies €30m from 2020
- Best digital services for B2B customers - common e-commerce platform, planning services and mobile construction site
- Expansion of Onninen Express network



# B2C Trade

- Strong development of digital services and e-commerce
  - New improved K-rauta e-commerce platform starting Q1/2017, wide assortment and services
- Common global core – local adaption
- Strengthening own brands
- Combining Onninen and Kesko creates a wider selection also for B2C customers



# Profitability Towards the Level of the Best European Performers



\*2016 rolling 12 mth

# Prioritising Profitability and Organic Growth

1. Profitability

2. Organic growth

3. Acquisitions





Thank you!

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