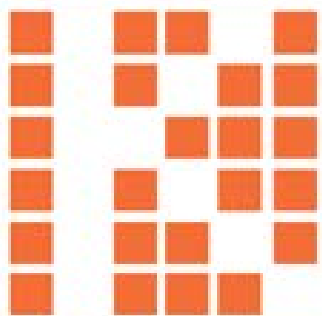
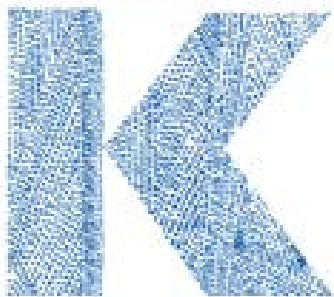




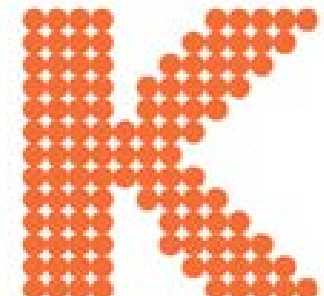
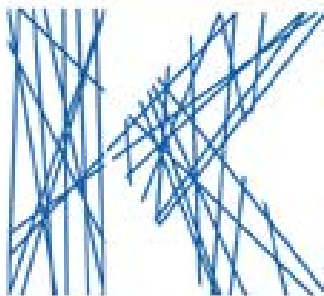
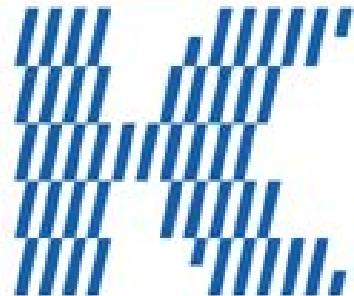
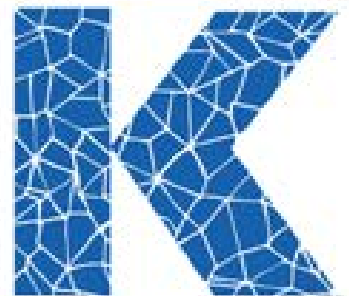
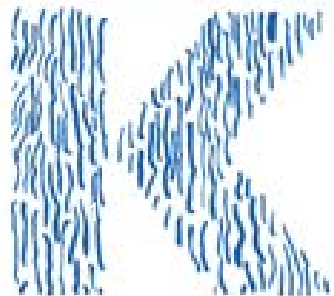
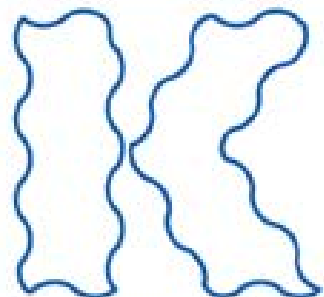
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# KESKO PRESENTATION



SEPTEMBER 2016  
JUKKA ERLUND



# KESKO Q2/2016

ROLLING 12 MO

- Net sales €8,993m
- Operating profit\* €253m
- ROCE\* 12.6%
- Personnel 30,000
- Shareholders 40,000
- Market capitalisation €3.7bn (June 30, 2016)

\* comparable



# OPERATIONS IN THREE DIVISIONS

## Grocery trade



- Some 1,500 retailer operated stores in Finland and 9 in Russia
- Net sales €4.9bn
- #2 in the Finnish market

## Building and technical trade



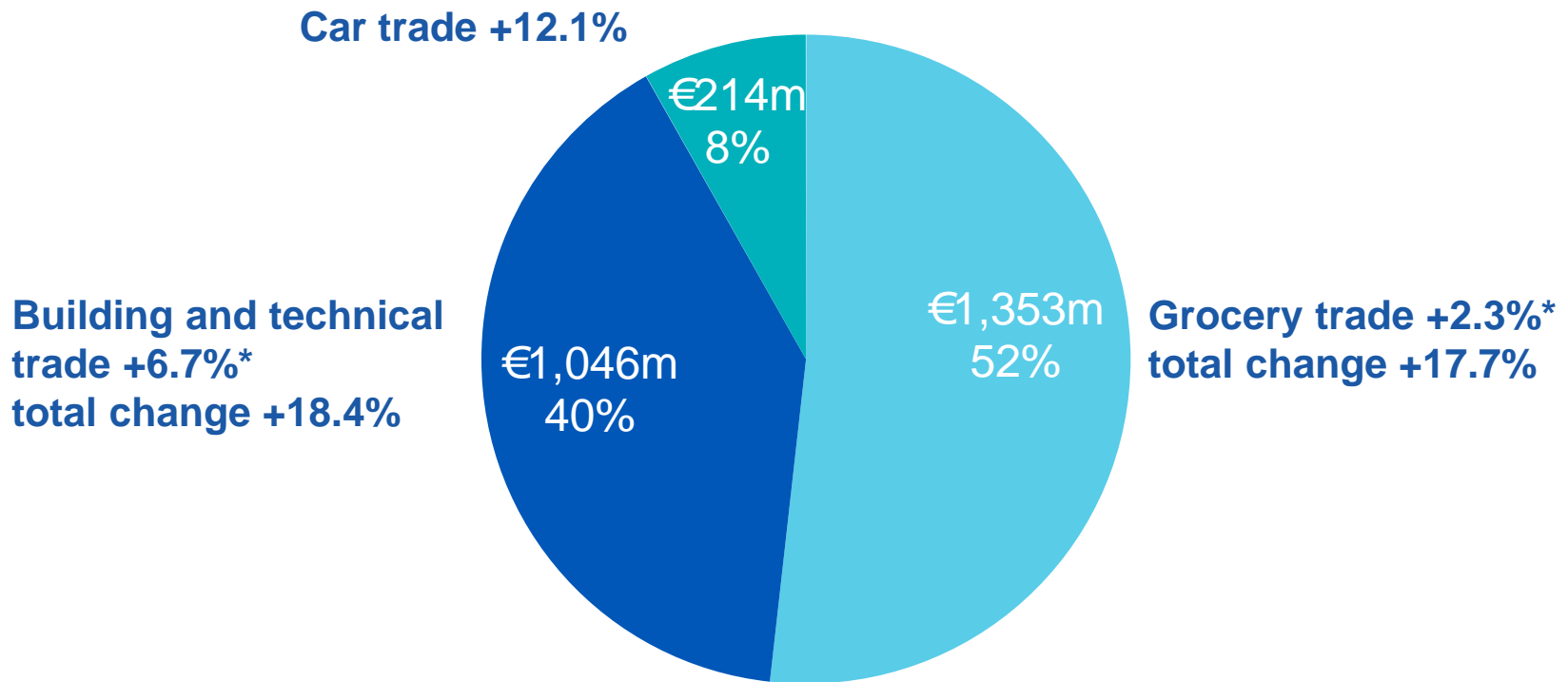
- Some 700 stores in 9 countries
- Net sales €3.3bn
- #1 in the Finnish building and home improvement market

## Car trade



- Sole importer of VW, Audi and Seat +10 stores
- Net sales €0.8bn
- VW #1 in first registrations

## NET SALES BY DIVISION Q2/2016

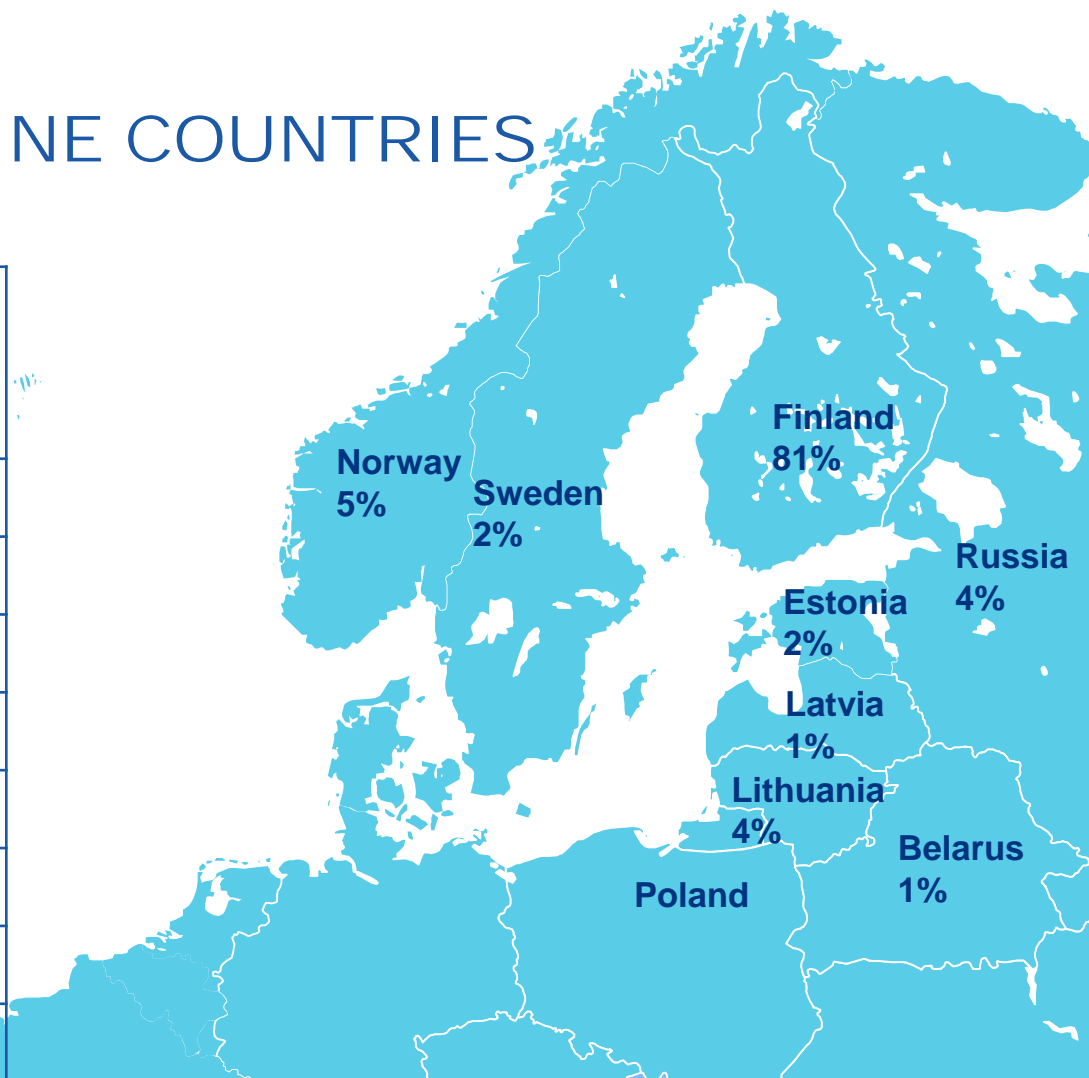


\* in local currencies, excluding acquisitions

## OPERATIONS IN NINE COUNTRIES

Retail sales, € million, 2015  
(excl. Suomen Lähikauppa  
and Onninen)

Finland	8,927
Sweden	209
Norway	664
Estonia	136
Latvia	90
Lithuania	366
Russia	311
Belarus	116



## K-GROUP TODAY

- K-Group's pro forma sales €13.4bn
- Operations in nine countries
- Number of personnel around 45,000
- Third largest retailer in northern Europe



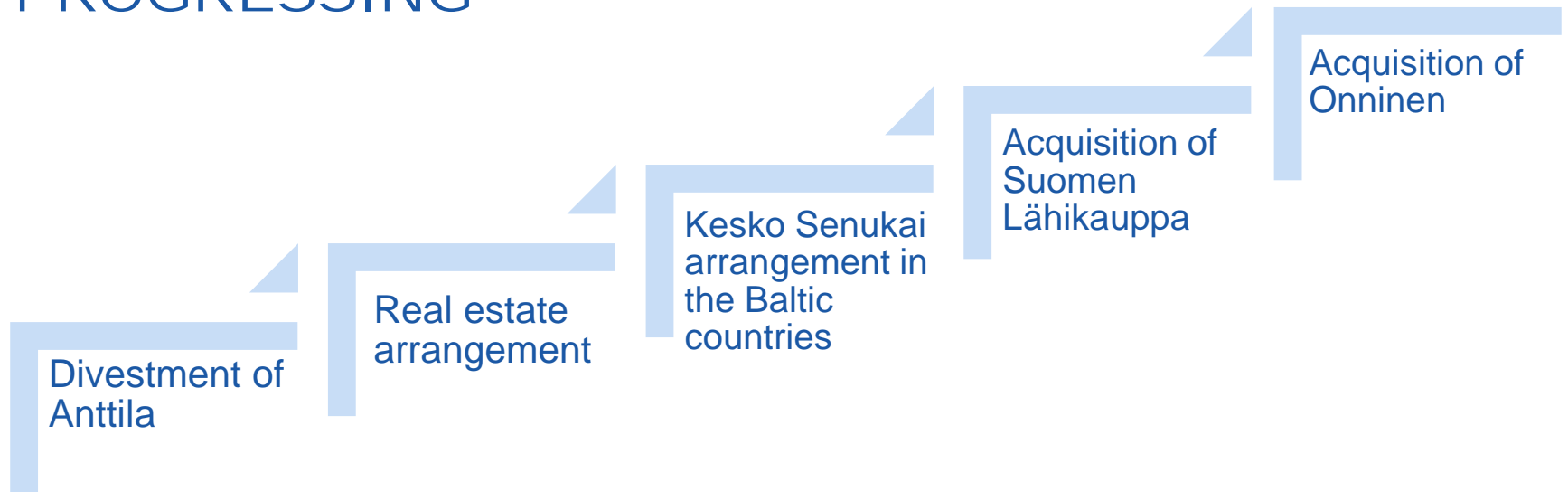
After the acquisition of Suomen Lähikauppa and Onninen

# GROWTH STRATEGY

- Growth of the grocery trade particularly in Finland
- Growth of the building and technical trade and expansion in Europe
- Growth of the car trade particularly in Finland



# STRATEGY IMPLEMENTATION IS PROGRESSING

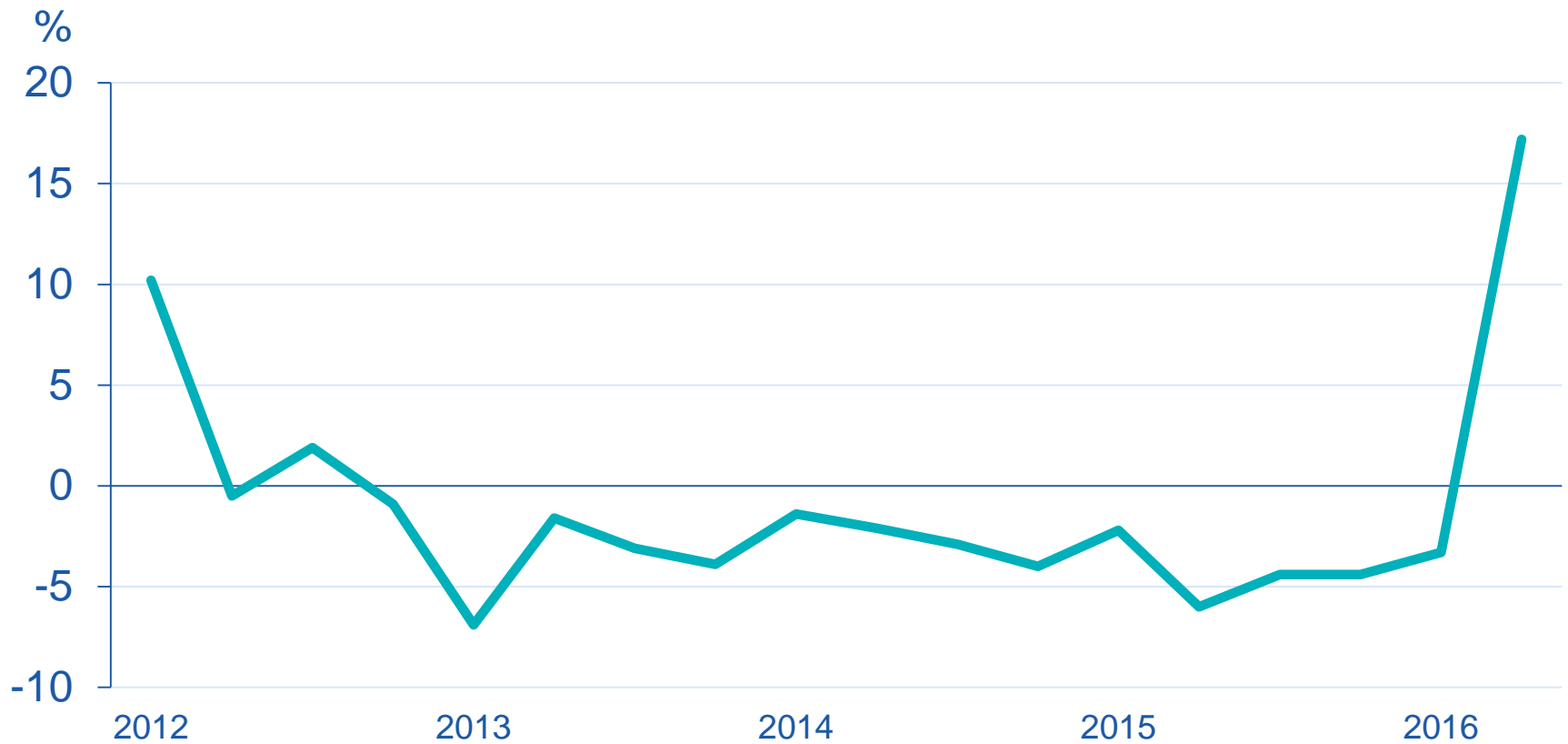


One unified Kesko – the customer and quality in everything we do



# GROWTH STRATEGY IS BECOMING REALITY

NET SALES PERFORMANCE, Q/Q





# GROCERY TRADE

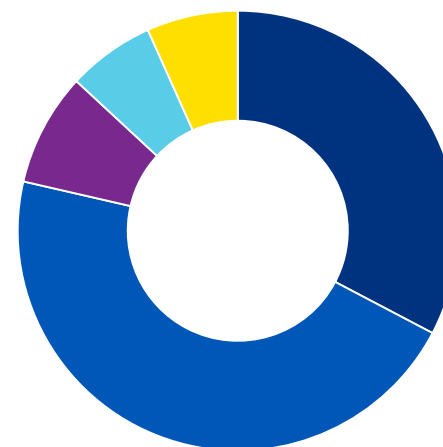
# KESKO GROCERY TRADE

Total market €16.6 billion in 2015

Q3/2015-Q2/2016

Net sales	€4,867m
Operating profit*	€174m
Operating margin*	3.6%
ROCE*	22.2%





\* comparable



- K-Group 32.7%
- S-Group 45.9%
- Lidl 8.3%
- Suomen Lähikauppa 6.4%
- Others 6.7%

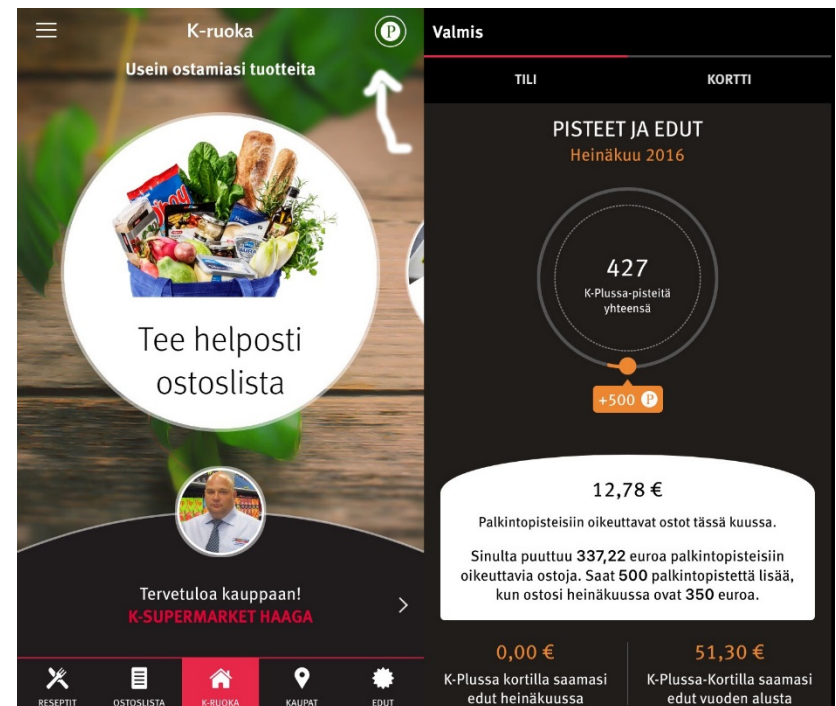
Source: Nielsen

## RETAIL STORES

	Sales 2015 € million, VAT 0%	Number of stores at 31.12.2015	Concept
	1,505+575	81	Hypermarket
	1,716	219	Supermarket
	1,189	476	Neighbourhood store
Siwa and Valintatalo stores	936	600	Neighbourhood store
	106	9	Compact hyper, Russia
Others	122	108	Incl. online store

# GROCERY TRADE STRATEGY PROGRESSING AS PLANNED

- Renewal of neighbourhood store network and conversion of Siwa and Valintatalo stores into K-Markets
- 70 renewed Neste K service station stores by 2017, of which 25 completed in 2016
- Renewal of K-citymarket chain
- Best digital services in the trading sector



# INTEGRATION OF SUOMEN LÄHIKAUPPA

- Conversion of Siwa and Valintatalo stores into K-Markets
  - K-neighbourhood store selection and Pirikka products introduced
  - Prices as much as 20% lower
  - Conversion has progressed faster than planned
  - Some 100 stores already converted, over 200 by the end of 2016
  - Average increase of 6% over last year in customer visits of stores converted into K-Markets
  - Net sales of stores converted into K-Markets have improved by an average of 12% compared to the performance of the first months of the year



# ACQUISITION OF SUOMEN LÄHIKAUPPA - FINANCIAL IMPACTS

- Synergy benefits are estimated at approximately €25–30 million at EBITDA level as of 2018
  - Requires conversion costs for the renewal of the stores acquired from Suomen Lähikauppa. The costs of store and network conversion, to be treated as non-recurring restructuring cost, will total approximately €30 million in 2016–2018.



# K-CITYMARKET CHAIN RENEWAL

- K-citymarket renewal to be implemented in 23 stores by 12/2016
- Future new K-citymarket stores: Helsinki Itäkeskus in autumn 2017 and Sastamala in spring 2017
- Renewal of non-food departments has begun
- Self-service checkout testing ongoing at KCM Helsinki Ruoholahti, feedback from customers very positive
- Posti service points already at 25 K-citymarket stores
- Next Starbucks to open at KCM Jumbo in Vantaa on 19 August







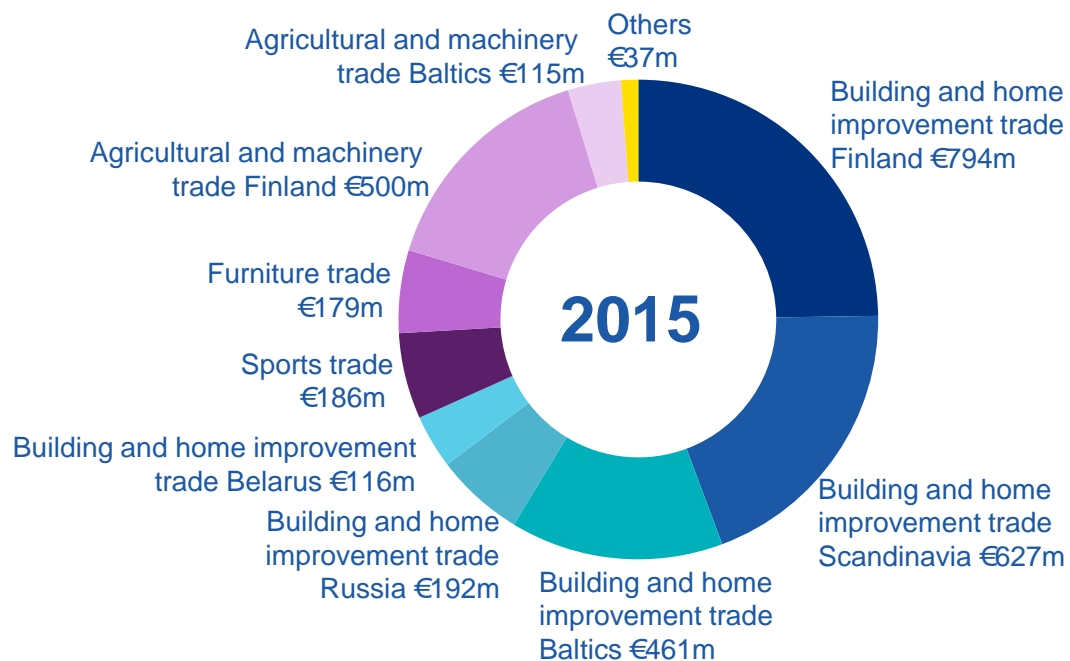
# BUILDING AND TECHNICAL TRADE

# BUILDING AND TECHNICAL TRADE

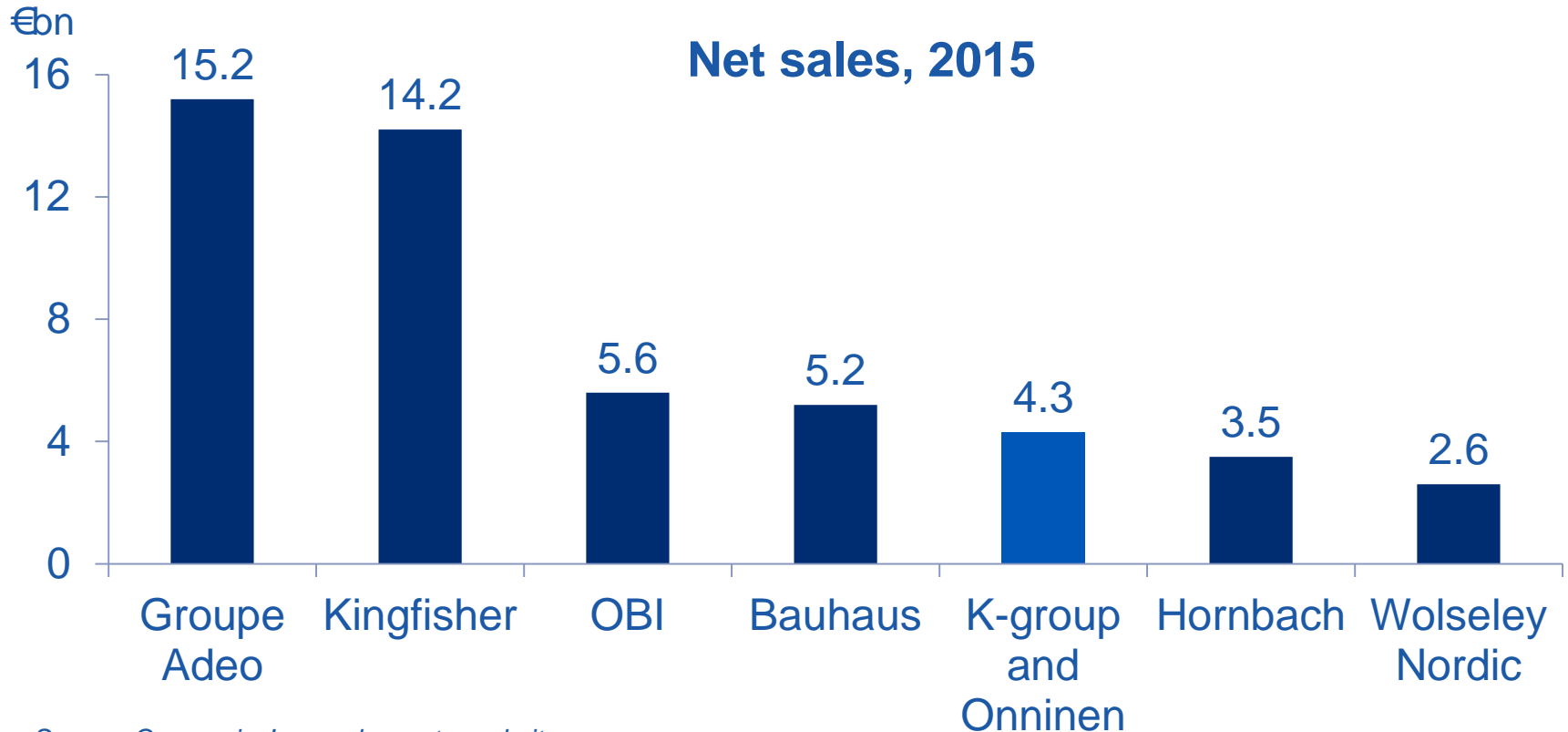
Q3/2015-Q2/2016

Net sales	€3,335m
Operating profit*	€82m
Operating margin*	2.4%
ROCE*	10.1%

\* comparable



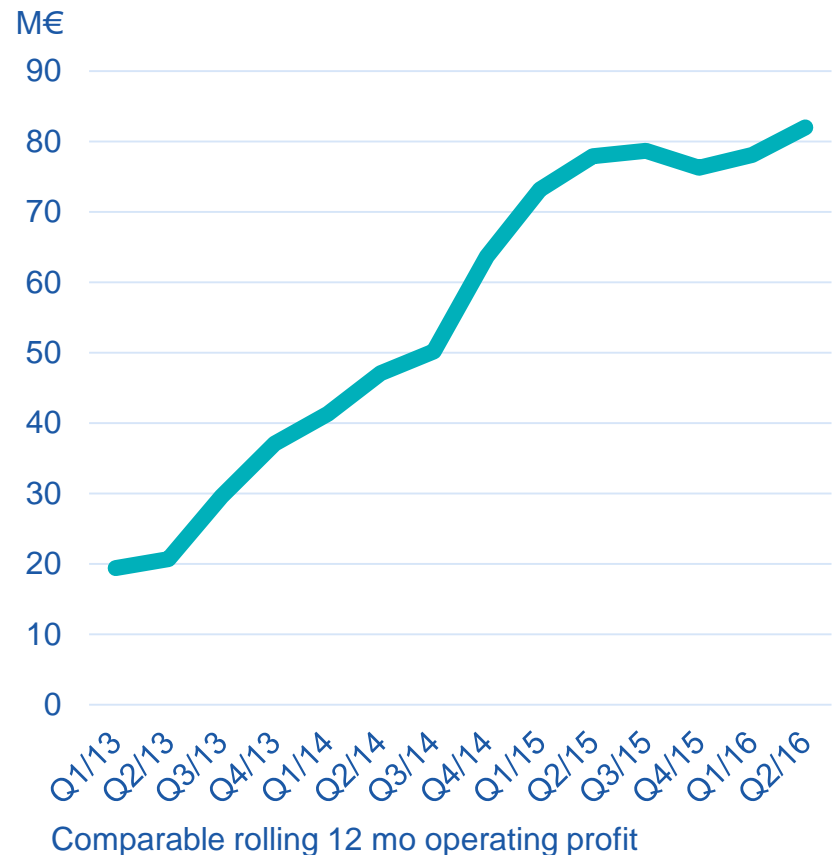
# KESKO AND K-GROUP ONE OF THE LEADERS IN ITS FIELD IN EUROPE



Source: Companies' annual reports, websites,  
Kingfisher excl. B&Q China  
Bauhaus: Dähne Statistics DIY Europe, estimate

# GOOD PROFIT PERFORMANCE IN THE BUILDING AND TECHNICAL TRADE DIVISION

- Good sales performance
  - Strong growth in B2B trade
- Profitability improved especially in the Baltics, Sweden and Norway
- Kesko Senukai's profitability good
  - Market still has significant growth potential





# STRENGTHENING OF PROFITABILITY AND GROWTH

- Combination of Onninen and Kesko to become the strongest B2B entity in the market
- Widest selection in the market
- Most comprehensive store network and largest sales organisation of northern Europe
- Most customer oriented logistics and digital services for B2B customers
- Realisation of synergies has started

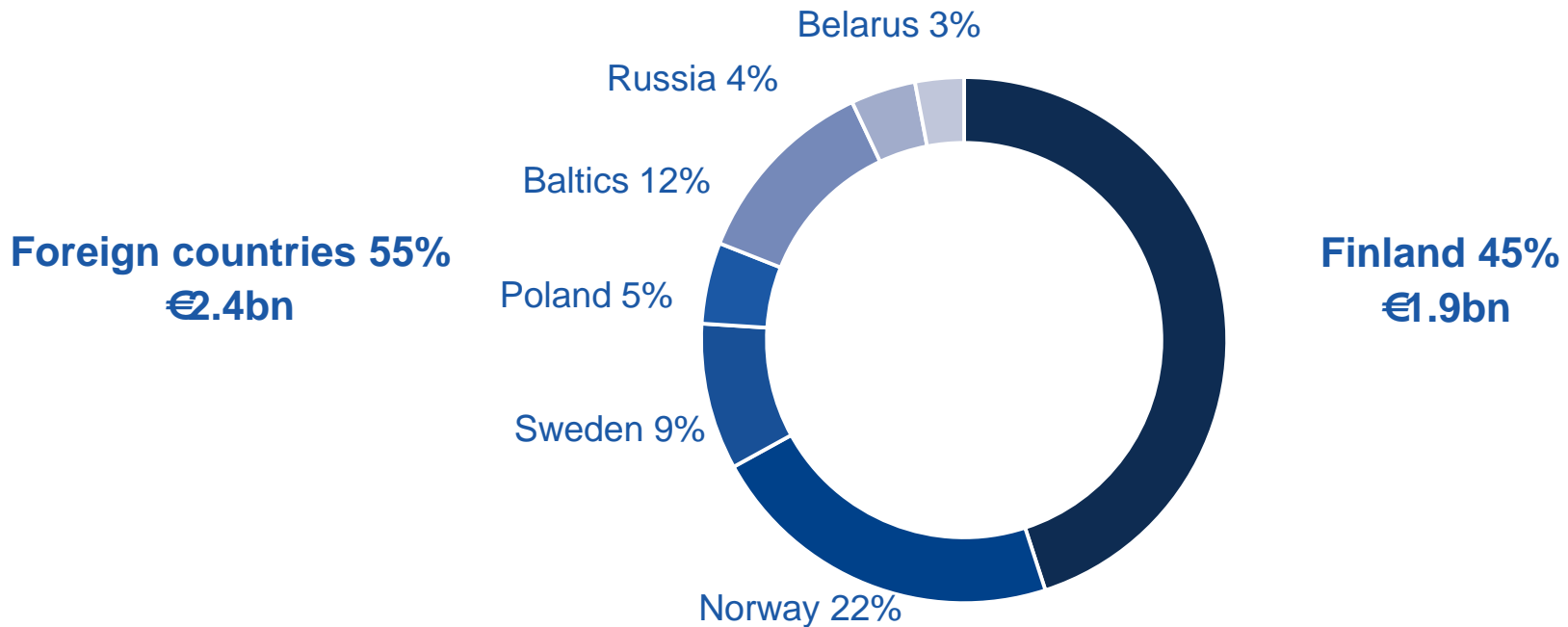


## ACQUISITION OF ONNINEN - SIGNIFICANT ECONOMIES OF SCALE AND SYNERGIES

- From common customer relationships
  - From purchasing and logistics
  - From store site network development
  - From ICT and administration
  - From efficient employment of capital
- 
- Full synergies at EBITDA level around €30 million per year as of 2020
  - Combined net cash flow impact of synergies estimated at around €25 million positive in 2016-2019

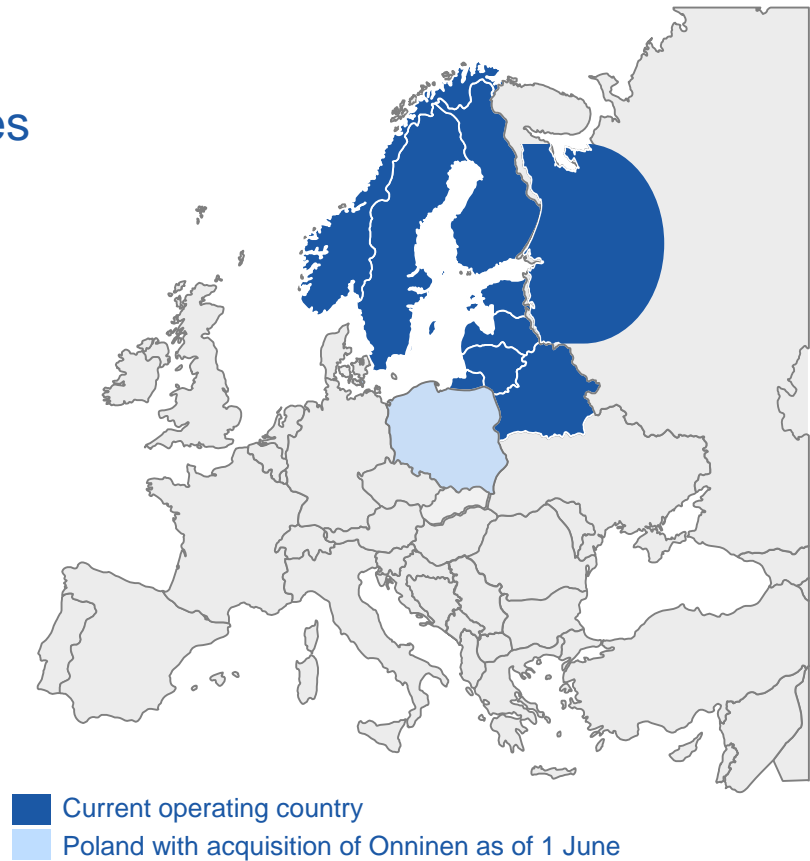
# STRONG OPERATOR IN EUROPE

K-Group and Onninen, breakdown of 2015 retail sales €4.3bn (pro forma)



# GROWTH FROM EUROPE AND B2B SALES

- Growth from both B2C and B2B sales
- Strengthening of market position in Finland
- Accelerating of growth and further strengthening of positions in Scandinavia
- Boosting Kesko Senukai's growth





## LARGE GROWTH POTENTIAL

Country	Market size, €bn	Kesko's market share
Finland	3.1	40%
Sweden	4.3	5%
Norway	4.0	17%
Estonia	0.4	24%
Latvia	0.4	12%
Lithuania	0.5	30%
Russia	9.2	7%*
Belarus	1.4	10%
Poland	5.7	-

\*St. Petersburg and Moscow regions



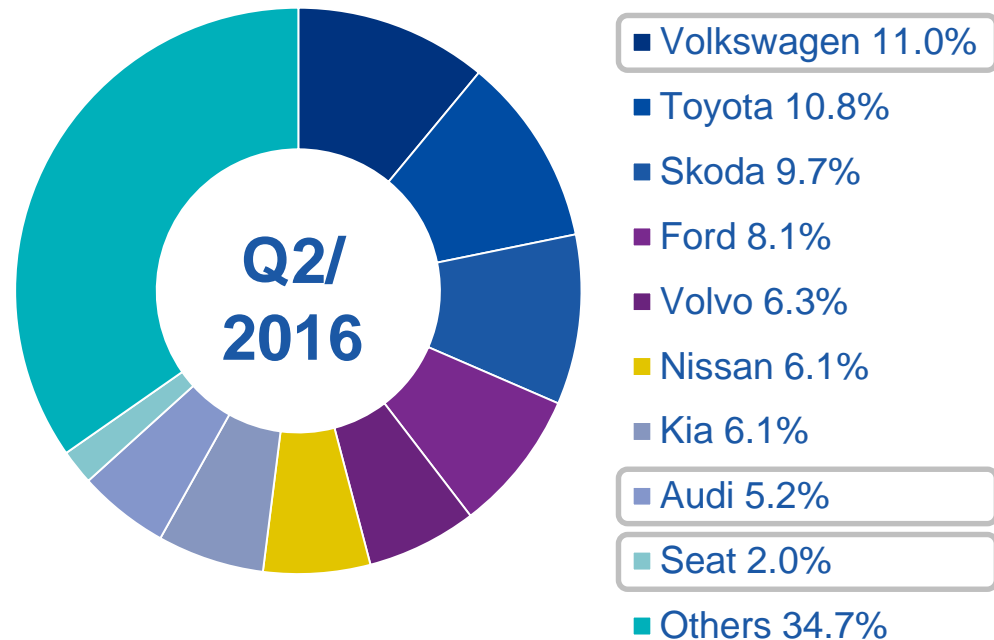
# CAR TRADE

# CAR TRADE

Q3/2015-Q2/2016

Net sales	€786m
Operating profit*	€25m
Operating margin*	3.2%
ROCE*	22.5%

\* comparable



# MAXIMISING VALUE CREATION ALSO IN OTHER BUSINESSES

- Important to have the best platform for Kesko's small and medium sized businesses to succeed in tight competition
  - Furniture trade (Finland and Estonia)
  - Agricultural trade (Finland)
  - Machinery trade (Finland and the Baltic countries)
  - Shoe trade (Finland)
  - Sports trade (Finland)
- All options which improve competitiveness of other businesses and retailer entrepreneurs are possible

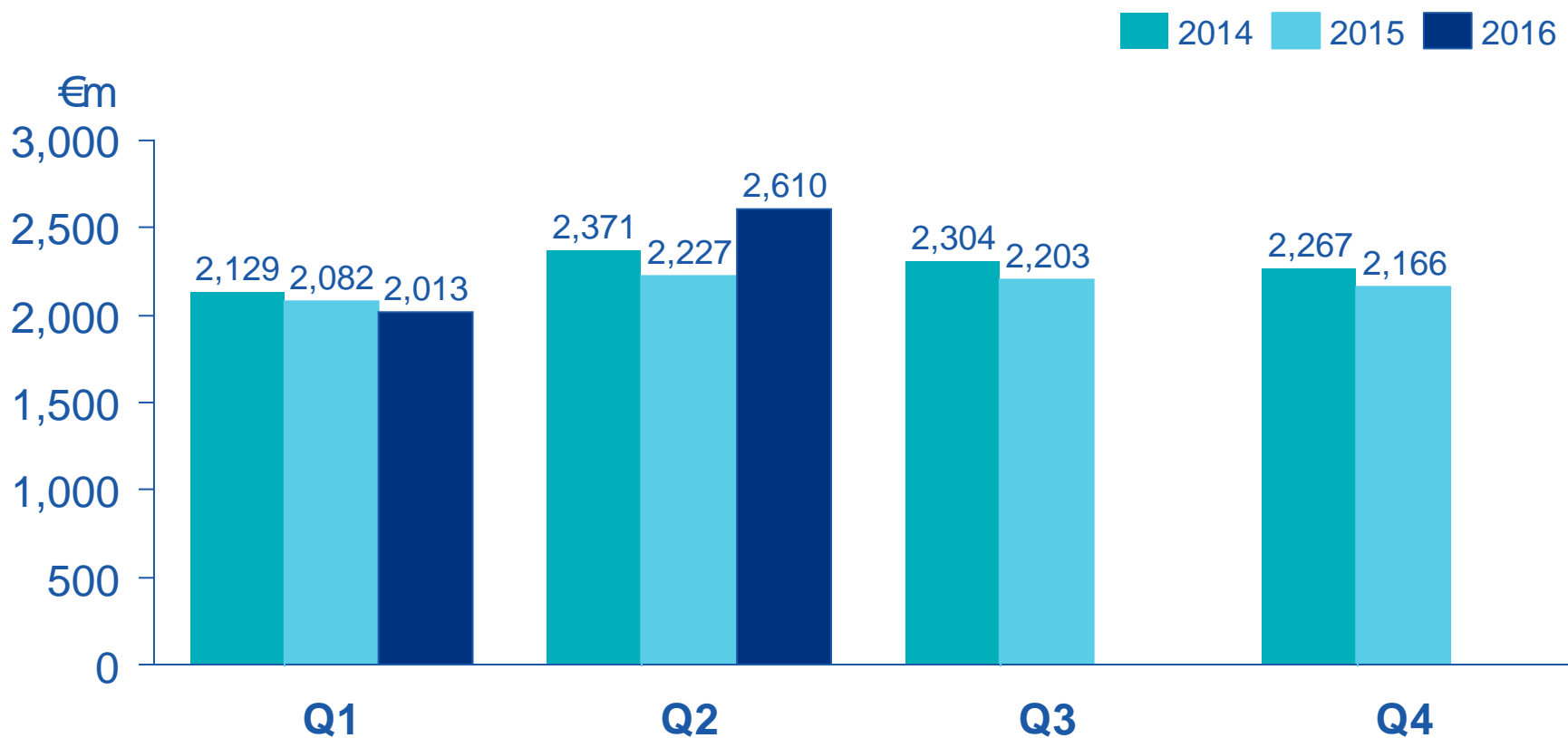


A photograph of two women working in a rooftop garden. The woman on the left, with blonde hair and wearing a blue and white striped shirt, is holding a woven basket. The woman on the right, with dark curly hair and wearing a white shirt, is tending to large green leafy plants. In the background, a city skyline with various buildings is visible under a clear blue sky. A white horizontal bar is at the top of the page.

# FINANCIALS

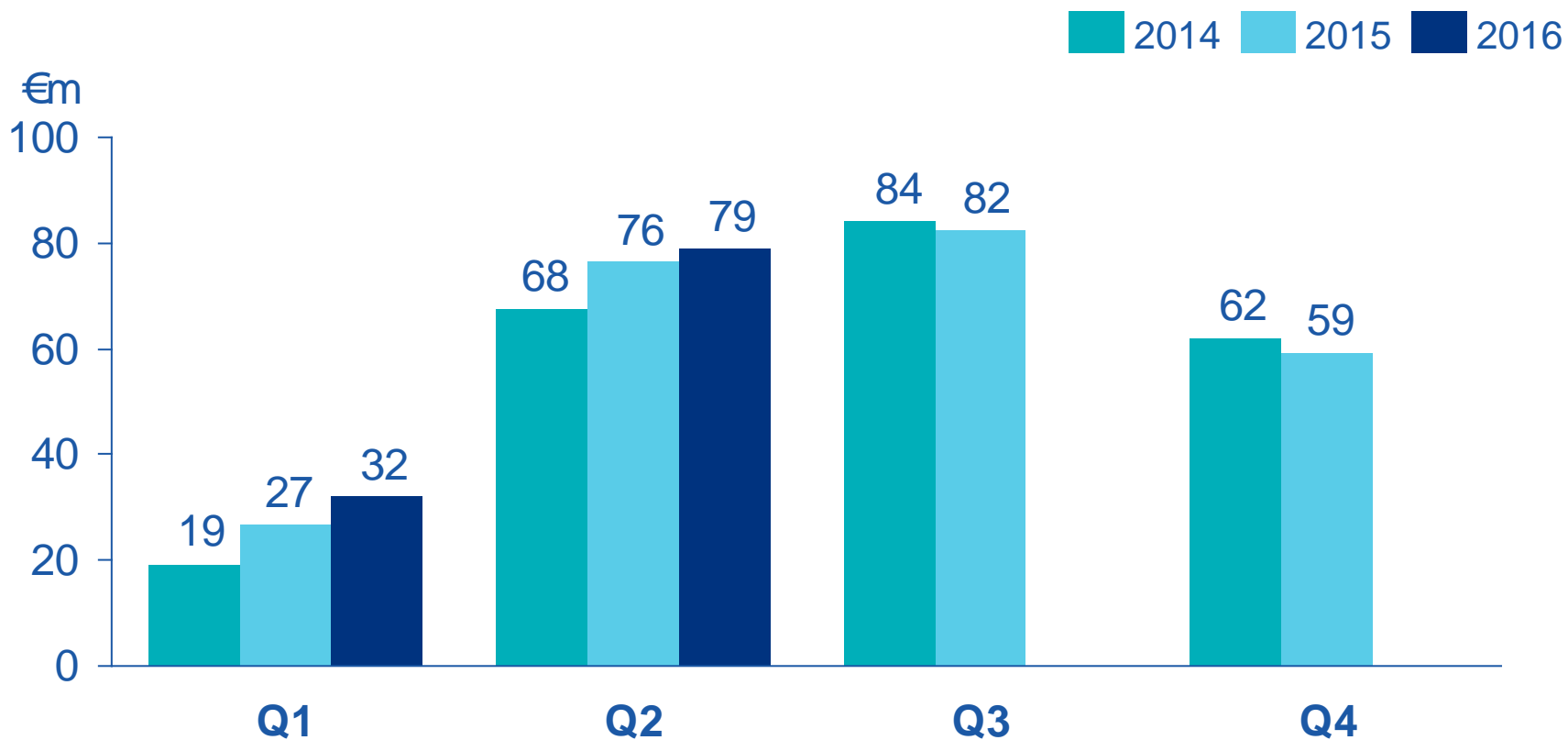
# NET SALES BY QUARTER

Q2 GROWTH 17.2%, IN LOCAL CURRENCIES EXCL. ACQUISITIONS 4.6%



# OPERATING PROFIT

COMPARABLE, BY QUARTER



# FINANCIAL TARGETS AND CAPITAL EXPENDITURE

- Return on capital employed 14%
- Return on equity 12%
- Interest bearing net debt / EBITDA < 2.5
- Capital expenditure in 2015–2017 approximately €750 million
  - Excluding possible acquisitions

**Dividend policy:** Kesko Corporation distributes at least 50% of its comparable earnings per share as dividends, taking however the company's financial position and operating strategy into account.



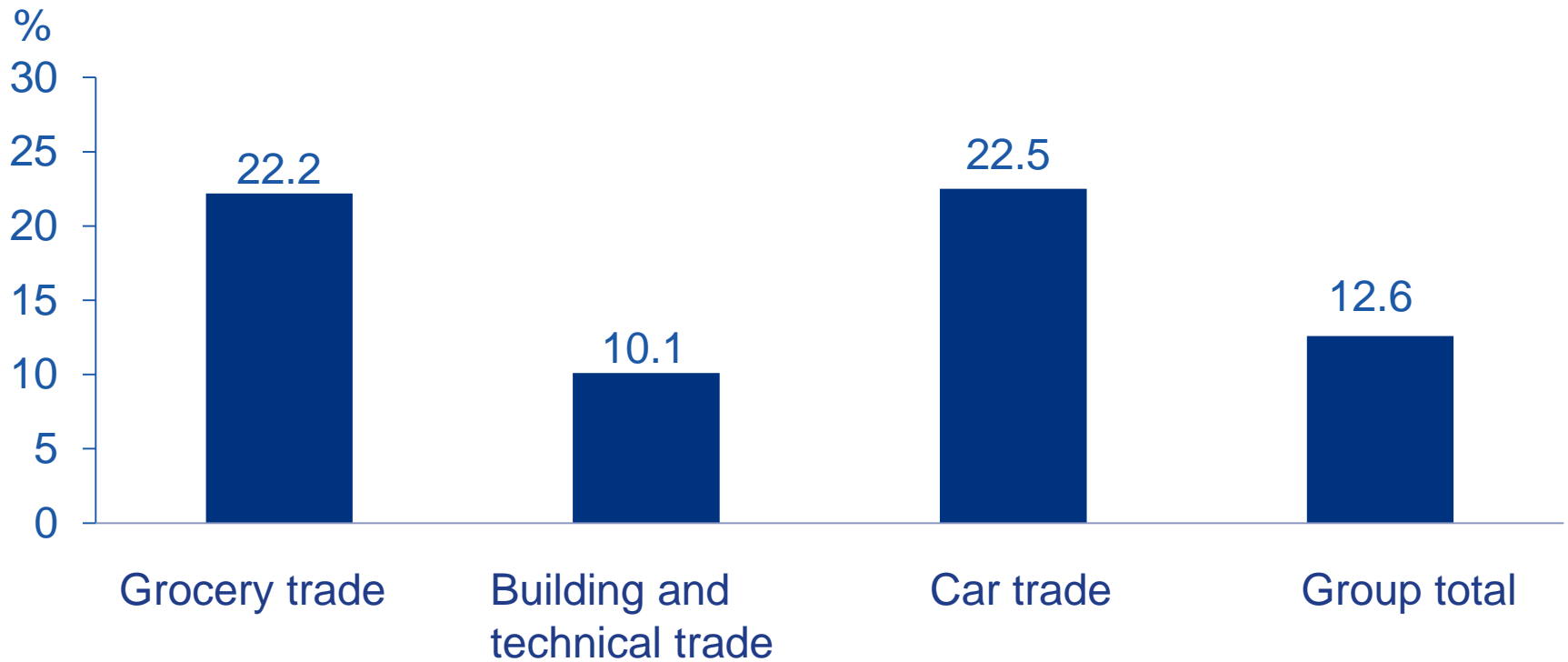
# RETURN ON CAPITAL EMPLOYED

COMPARABLE, ROLLING 12 MO

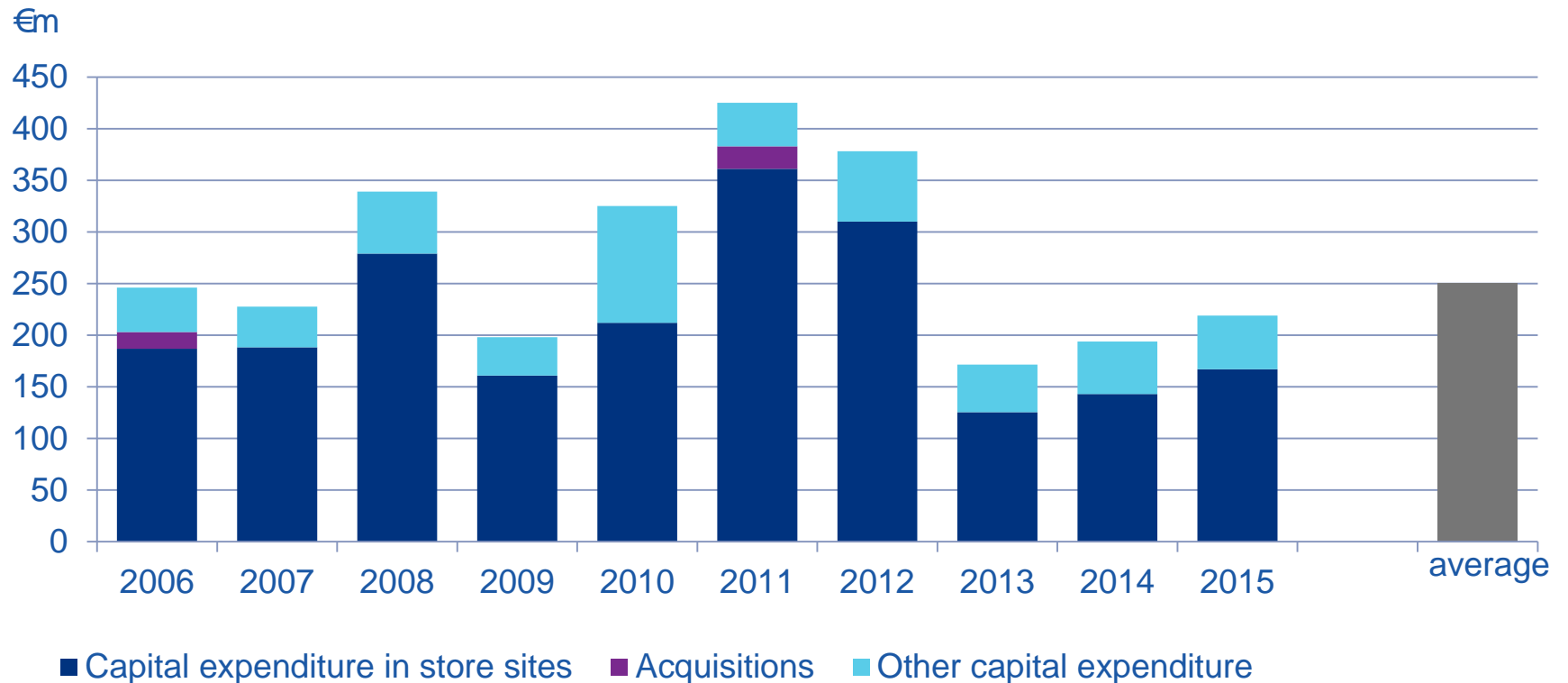


# RETURN ON CAPITAL EMPLOYED BY DIVISION

COMPARABLE, ROLLING 12 MO



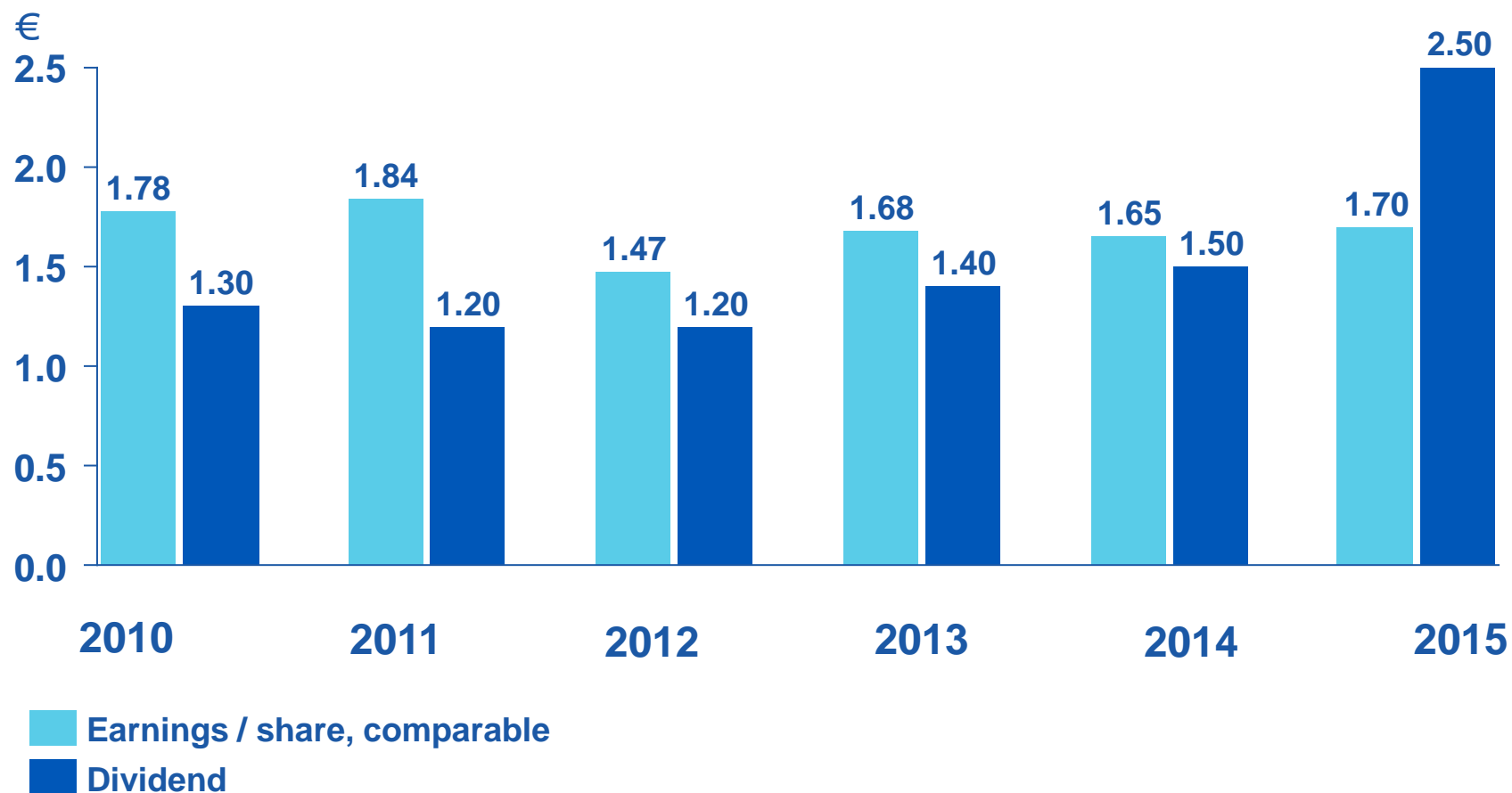
# CAPITAL EXPENDITURE



## STRONG FINANCIAL POSITION

	<b>30.6.2016</b>	<b>30.6.2015</b>
Equity ratio, %	44.8	52.2
Liquid assets, €m	327	843
Interest-bearing net debt, €m	330	-359
Cash flow from operating activities, H1, €m	-18	68
Capital expenditure, H1, €m	564	110

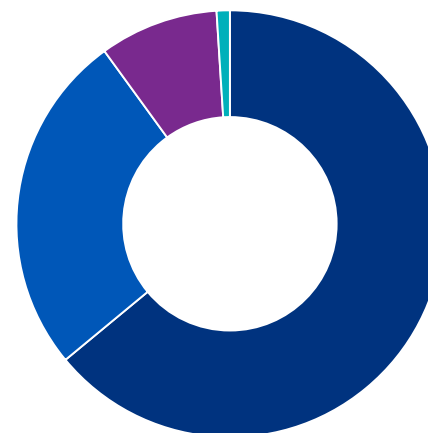
## EARNINGS / SHARE AND DIVIDEND



## REAL ESTATE IN 2015

<b>Owned properties</b>	
<b>Country</b>	<b>Area, 1,000 m<sup>2</sup></b>
Finland	540
Other Nordic countries	66
Baltic countries and Belarus	109
Russia	191
<b>Total</b>	<b>906</b>
<b>Carrying amount</b>	<b>€1,107m</b>
<b>Leased properties total</b>	
<b>1,000 m<sup>2</sup></b>	<b>2,951</b>

### Classification



- Strategic properties 64%
- Standard properties 26%
- Development properties 9%
- Realisation properties 1%

## SHAREHOLDERS 7/2016

%

1	K-retailers' Association	3,942,746	3.94
2	Vähittäiskaupan Takaus Oy	3,491,771	3.49
3	Kruunuvuoren Satama Oy	3,438,885	3.44
4	Ilmarinen Mutual Pension Insurance Company	1,990,632	1.99
5	Valluga-sijoitus Oy	1,340,439	1.34
6	Varma Mutual Pension Insurance Company	1,130,986	1.13
7	Foundation for Vocational Training in the Retail Trade	1,127,533	1.13
8	Oy The English Tearoom Ab	1,000,000	1.00
9	The State Pension Fund	950,000	0.95
10	Elo Pension Company	896,968	0.90

The largest registered shareholders by number of shares

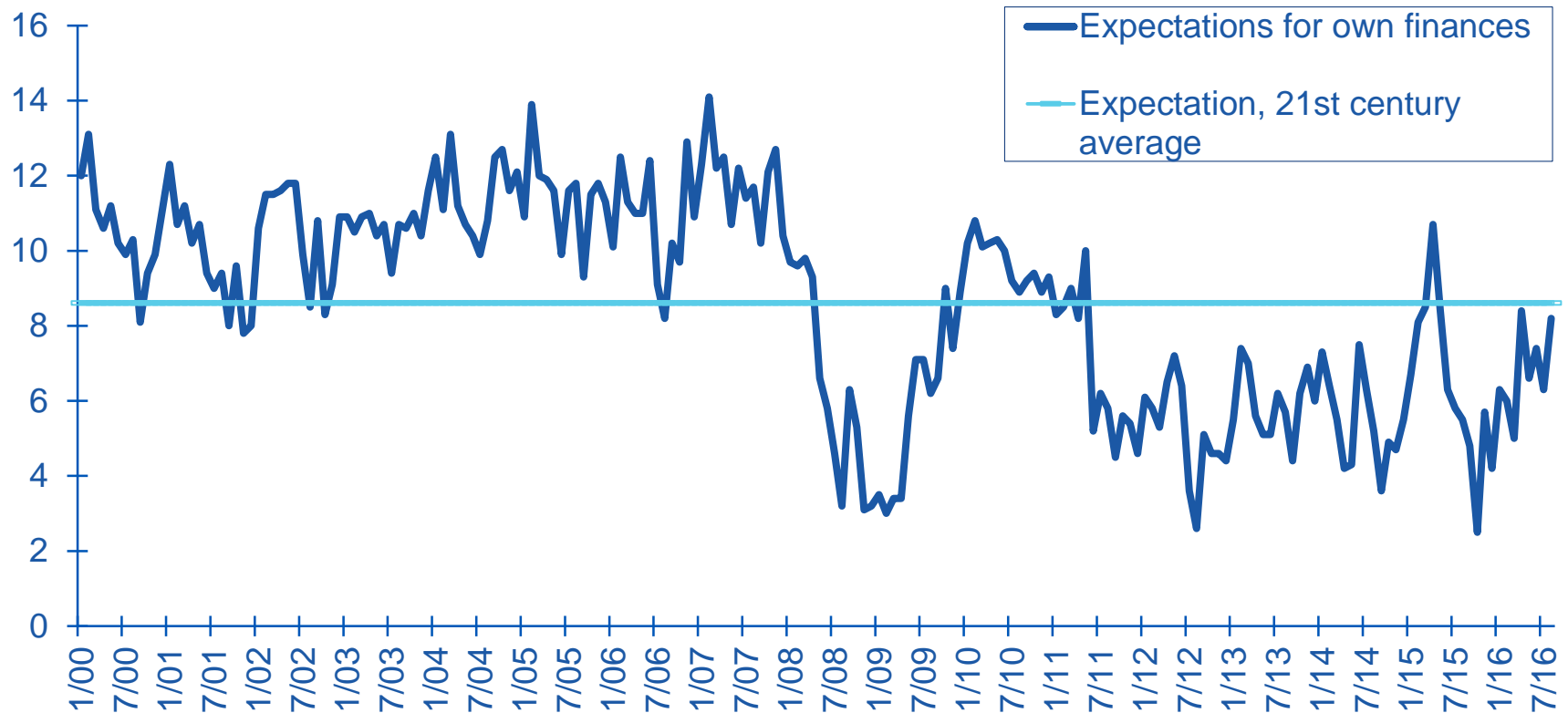
Foreign ownership of B shares 44%

A person wearing a blue flight suit and a dark helmet with goggles is looking through a large, blue and gold telescope. The background is a soft, hazy sunset or sunrise sky. The text "MARKET SITUATION AND OUTLOOK" is overlaid in white, bold, sans-serif font across the center of the image.

# MARKET SITUATION AND OUTLOOK



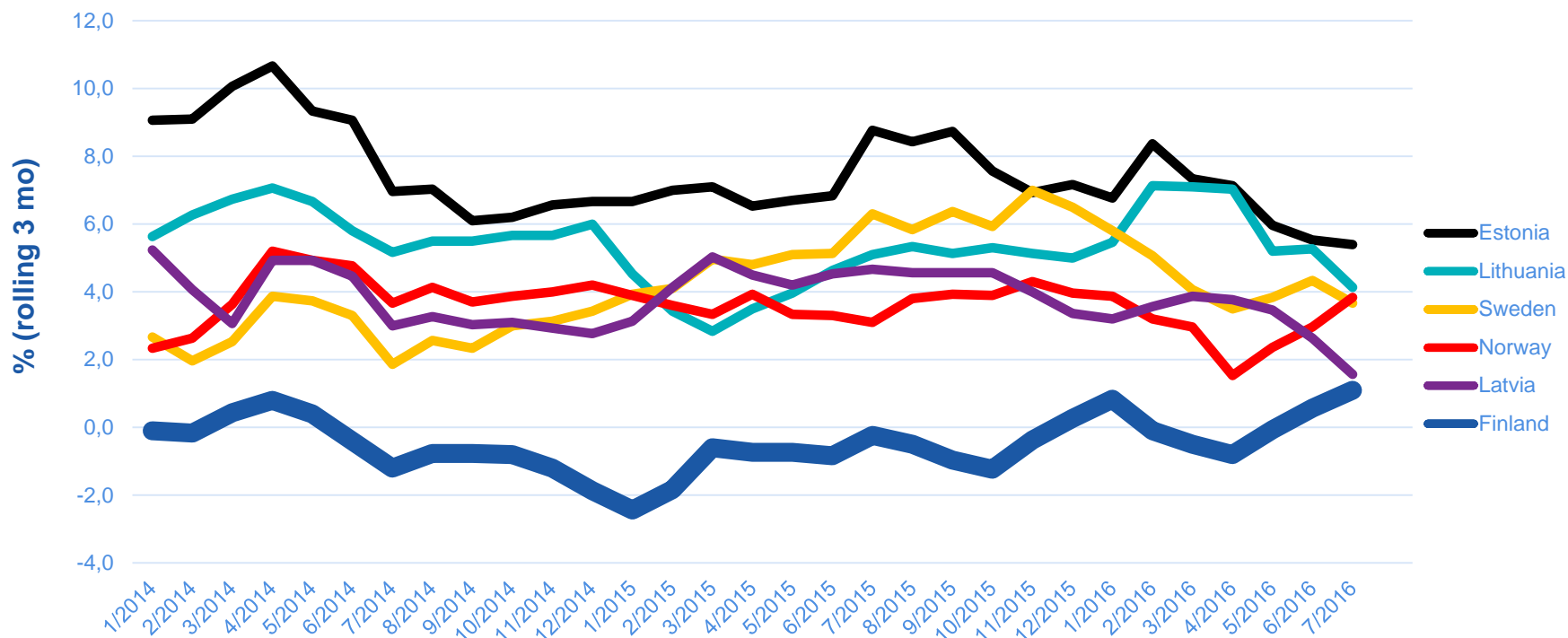
# CONSUMER CONFIDENCE IN FINLAND



Source: Statistics Finland

# RETAIL TRADE TRENDS IN OPERATING COUNTRIES

## ROLLING 3 MO



Source: Eurostat, excl. motor vehicles and fuels

## OUTLOOK

Estimates for the outlook of Kesko Group's net sales and comparable operating profit are given for the 12-month period following the reporting period (7/2016-6/2017) in comparison with the 12 months preceding the end of the reporting period (7/2015-6/2016).

The general economic situation and the expected trend in consumer demand vary in Kesko's different operating countries. In Finland, owing to the weak trend in consumers' purchasing power, the trading sector's growth is expected to remain slow. In the Finnish grocery trade, intense competition is expected to continue. The markets for the Finnish building and technical trade are expected to improve slightly. With respect to foreign countries, the outlook for the Russian economy is still modest. In Sweden and Norway and the Baltic countries, the market is expected to grow.

Kesko Group's net sales for the next 12 months are expected to exceed the level of the preceding 12 months. The comparable operating profit for the next 12-month period is expected to exceed the level of the preceding 12 months.

# THE WORLD'S MOST SUSTAINABLE RETAIL OPERATOR

Davos, January 2015 and 2016:  
'The Global 100 Most Sustainable  
Corporations in the World' list.



# KESKO IS THE MOST RESPONSIBLE FOOD AND STAPLES RETAILER IN THE WORLD

In 2015, Kesko rose to CDP's Climate A List for the first time

At the top of the Nordic Climate Disclosure Leadership climate index since 2011.  
In 2015, Kesko was awarded the full 100 points

In 'The Global 100 Most Sustainable Corporations in the World' list since 2005

Included in the FTSE4Good index since 2009

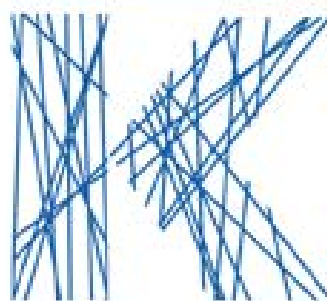
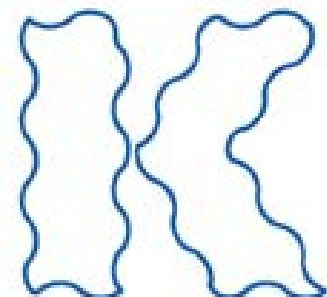
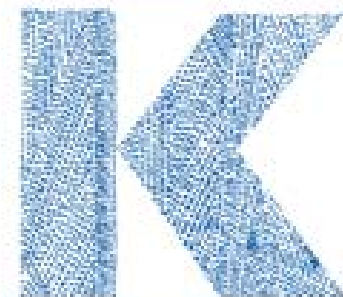
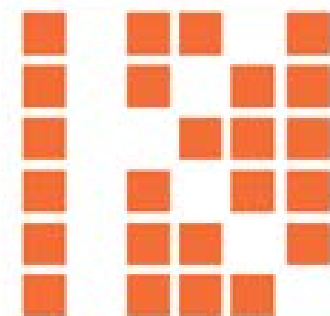
Included in the STOXX Global ESG Leaders index family since 2011

Included in the Dow Jones sustainability indexes DJSI World and DJSI Europe  
2003-2014



HALF YEAR  
FINANCIAL REPORT  
Q2 2016

MIKKO HELANDER  
3 AUGUST 2016



## Q2 HIGHLIGHTS

- Kesko's net sales increased markedly, by 17.2%. Growth in local currencies, excluding acquisitions, was 4.6%
- Acquisitions of Suomen Lähikauppa and Onninen were completed during the second quarter
- Comparable operating profit increased to €79.1 million (€76.4 million)
- Return on capital employed continued to rise and was 12.6% (10.9%)
- In the grocery trade, good profitability, acquisition of Suomen Lähikauppa significantly increased net sales
- In the building and technical trade, growth strengthened organically and with the acquisition of Onninen. Profitability continued to improve
- In the car trade, sales increased markedly, profitability at a good level

## KEY PERFORMANCE INDICATORS

	Q2/2016	Q2/2015	H1/2016	H1/2015
Net sales, €m	2,610	2,227	4,624	4,310
Operating profit*, €m	79.1	76.4	111.4	102.9
Operating margin*, %	3.0	3.4	2.4	2.4
Profit before tax*, €m	79.2	72.7	113.7	99.1
Earnings per share*, €	0.59	0.52	0.85	0.71
Return on capital employed*, %, rolling 12 mo	12.6	10.9		
Return on equity*, %, rolling 12 mo	9.4	8.4		

\*Comparable





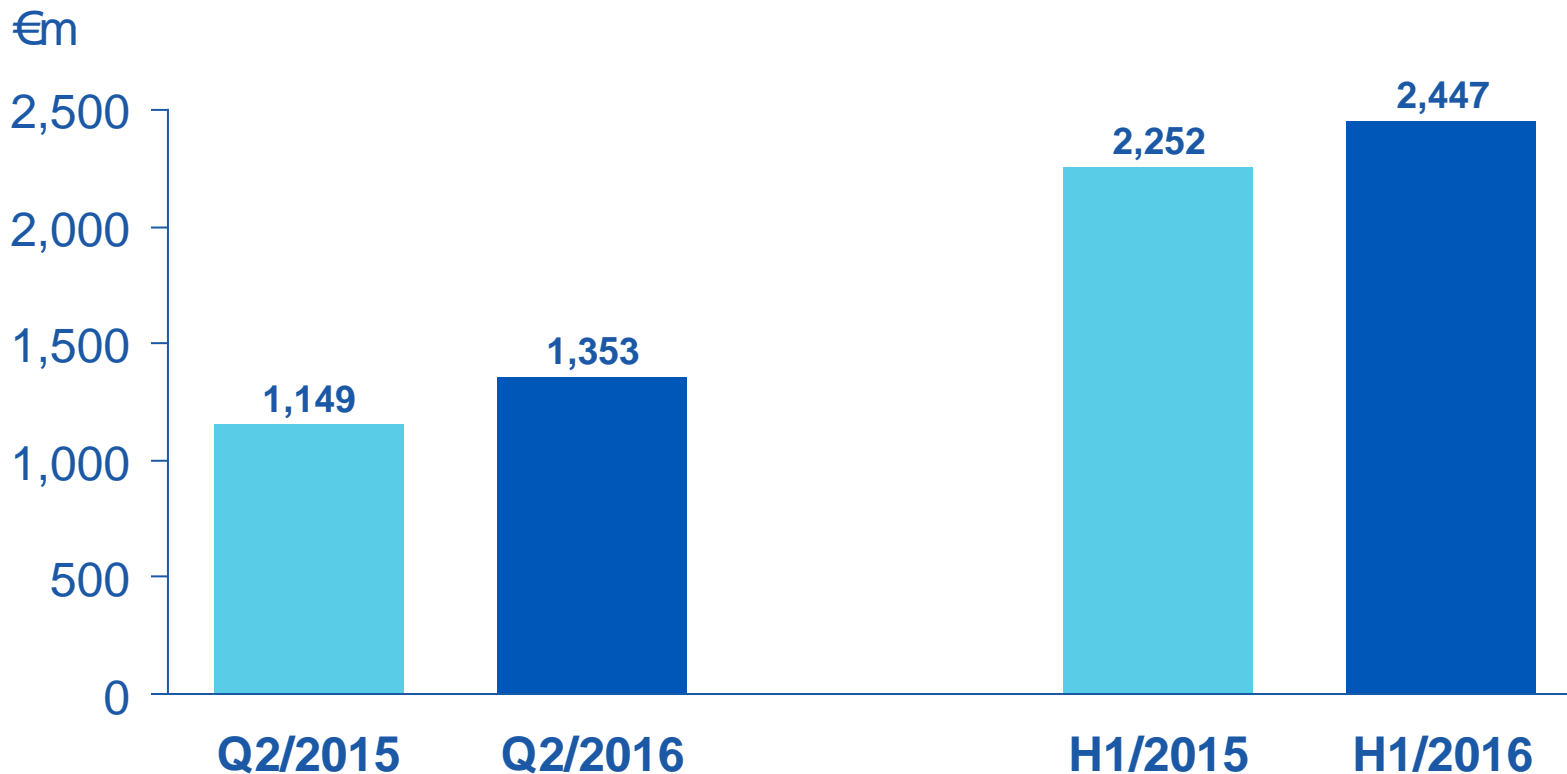
# GROCERY TRADE

## GROCERY TRADE, Q2

- Acquisition of Suomen Lähikauppa completed in April
- K-Group's grocery sales +14.9%, Suomen Lähikauppa excluded, -0.3%
  - Change in grocery market prices around -1%
  - Strengthening of quality and price competitiveness progressed as planned
- Profitability at a good level due to enhancement actions taken
- Renewal of Kesko's neighbourhood retail services making fast progress
  - All of the over 400 K-Markets will be renewed
  - Siwa and Valintatalo stores acquired from Suomen Lähikauppa to be converted into K-Markets

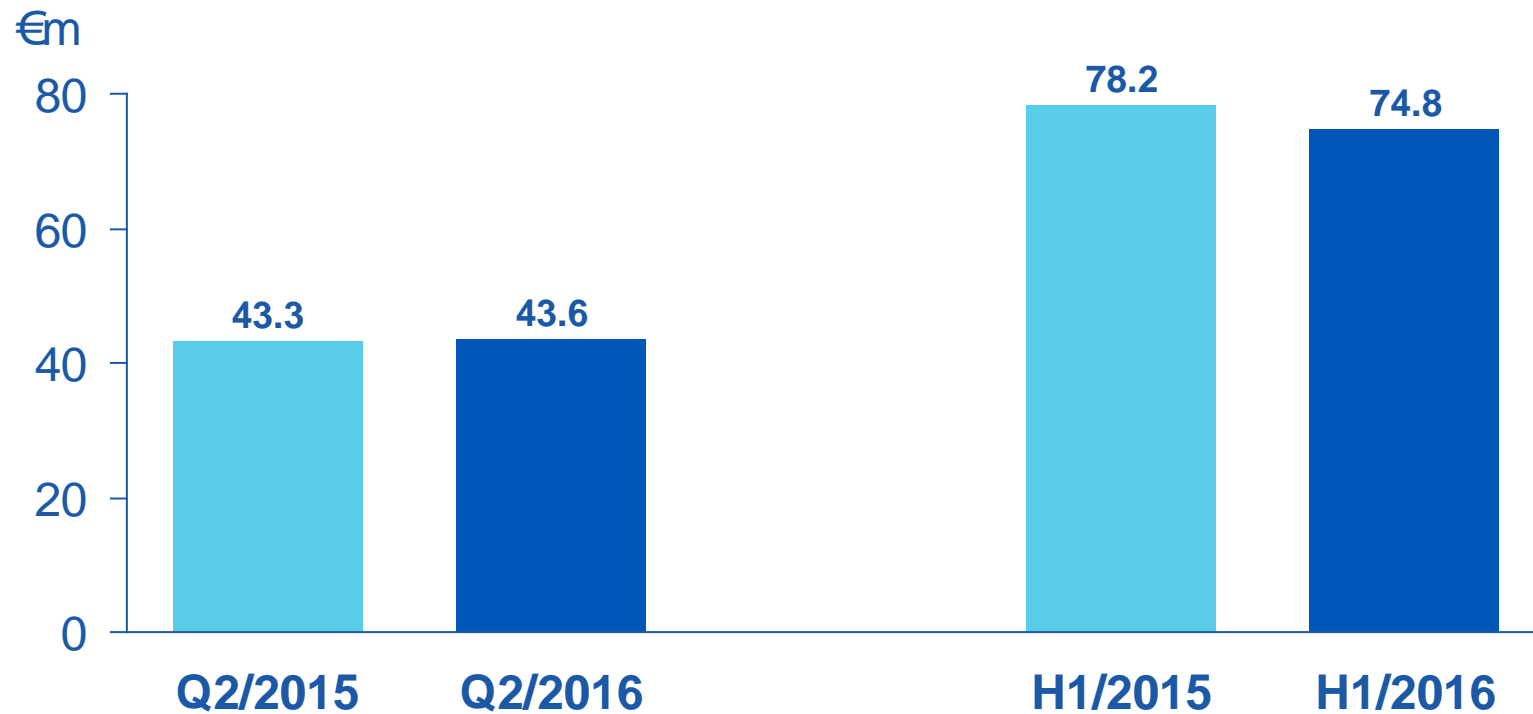
# NET SALES

Q2 GROWTH 17.7%, IN LOCAL CURRENCIES EXCL. ACQUISITIONS 2.3%



# OPERATING PROFIT

COMPARABLE







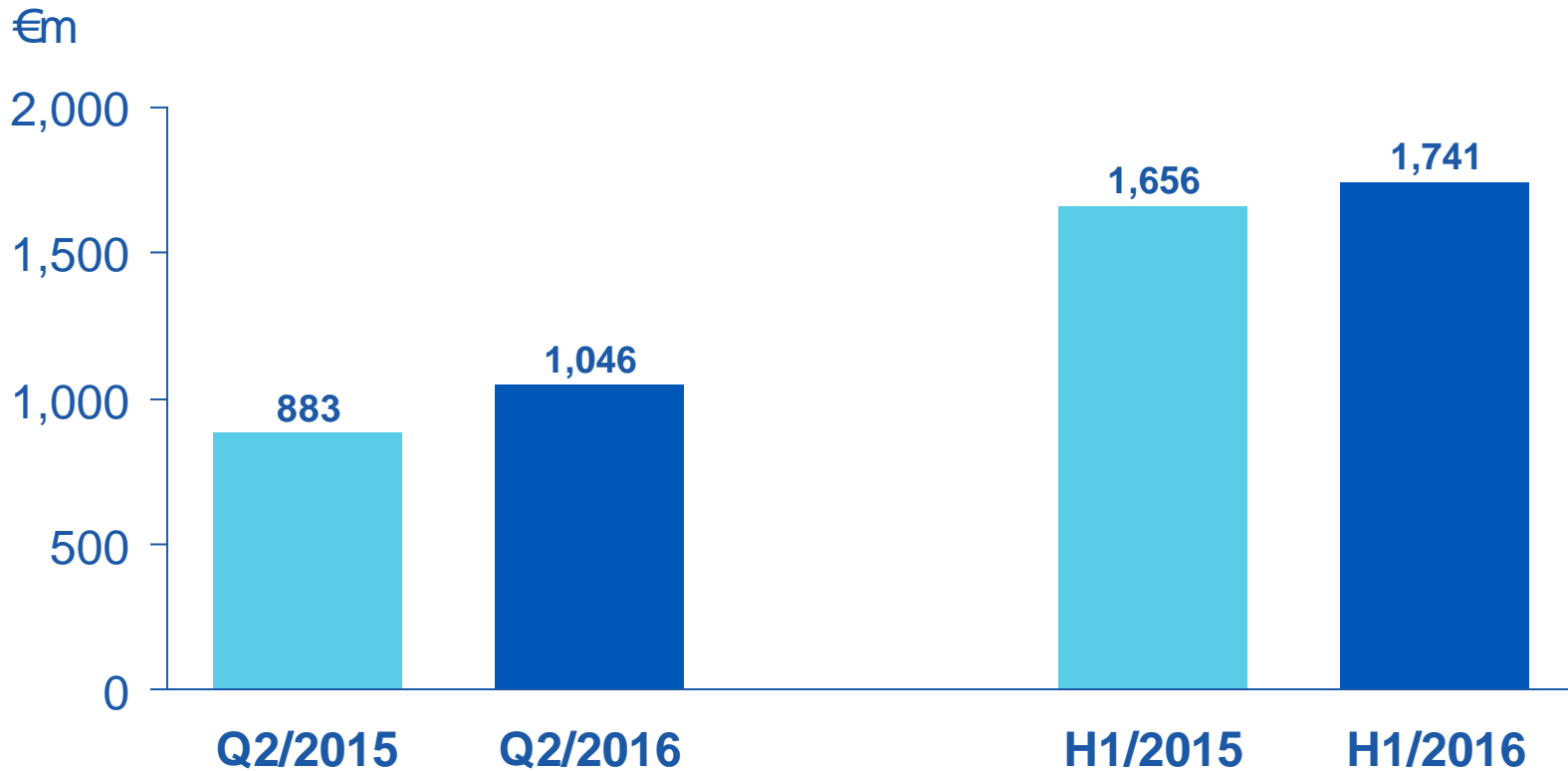
# BUILDING AND TECHNICAL TRADE

## BUILDING AND TECHNICAL TRADE, Q2

- Net sales growth 18.4%, in local currencies, excluding Onninen, 6.7%
  - Sales in B2B trade strengthened
  - Sales in local currencies increased in all operating countries
- Acquisition of Onninen completed at the beginning of June and will significantly strengthen the division's growth strategy
  - Significant synergy potential
- Profitability improved by increased operating profit in the building and home improvement trade in the Nordic and Baltic countries, the acquisition of Onninen and the good profit performance of the leisure trade
- During the reporting period, a decision was made in the building and technical trade to combine the Rautia and K-rauta stores into a new K-rauta chain in spring 2017. At the same time, all of the 140 building and home improvement stores in Finland will be revamped

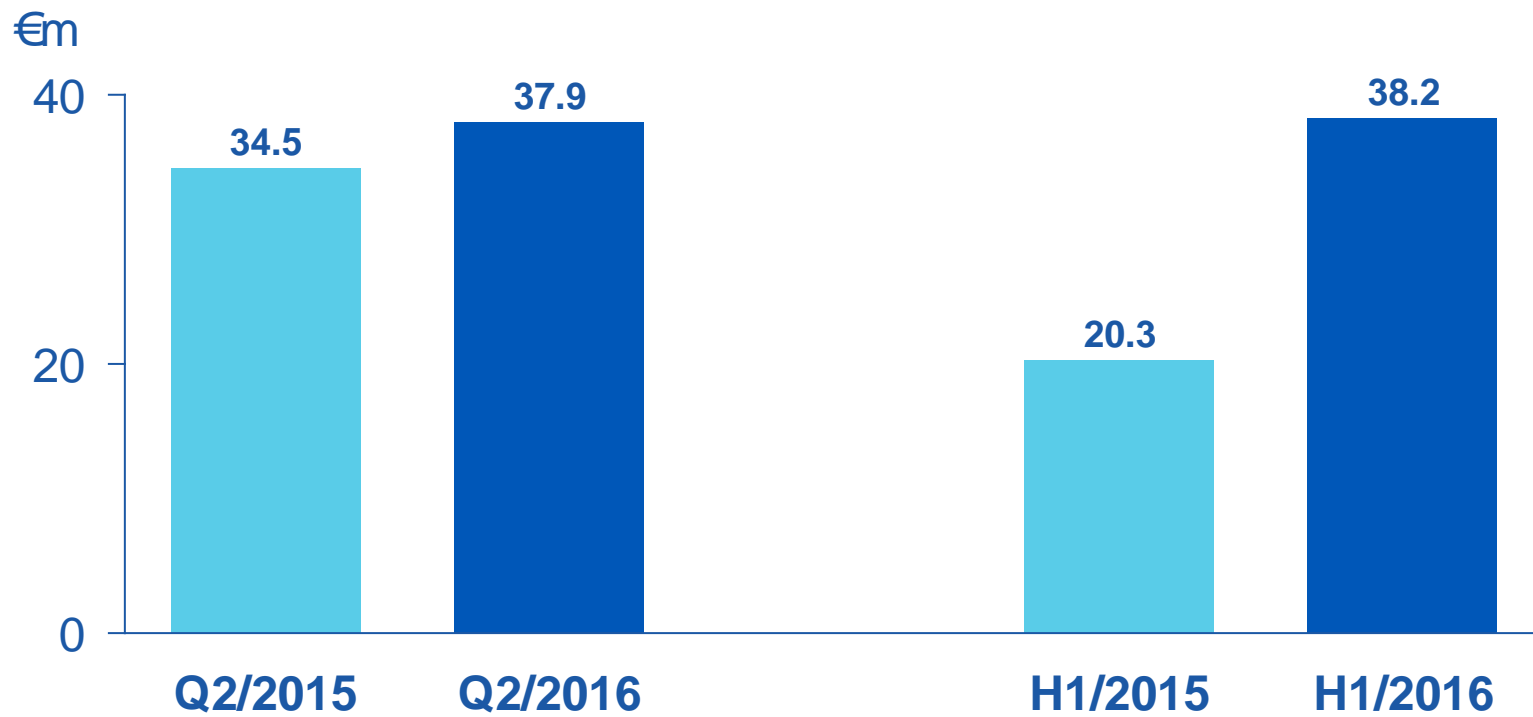
# NET SALES

Q2 GROWTH 18.4%, IN LOCAL CURRENCIES EXCL. ACQUISITIONS 6.7%



# OPERATING PROFIT

COMPARABLE





A white Volkswagen SUV is parked on a city street at night. The car is the central focus, with its headlights and front grille clearly visible. The license plate reads "WOB RL 500". In the background, there is a brick building on the left, a "ONE WAY" sign pointing left, and a city skyline with illuminated skyscrapers under a dark blue sky. Streetlights and traffic signals are also visible. The overall scene is a nighttime urban setting.

# CAR TRADE

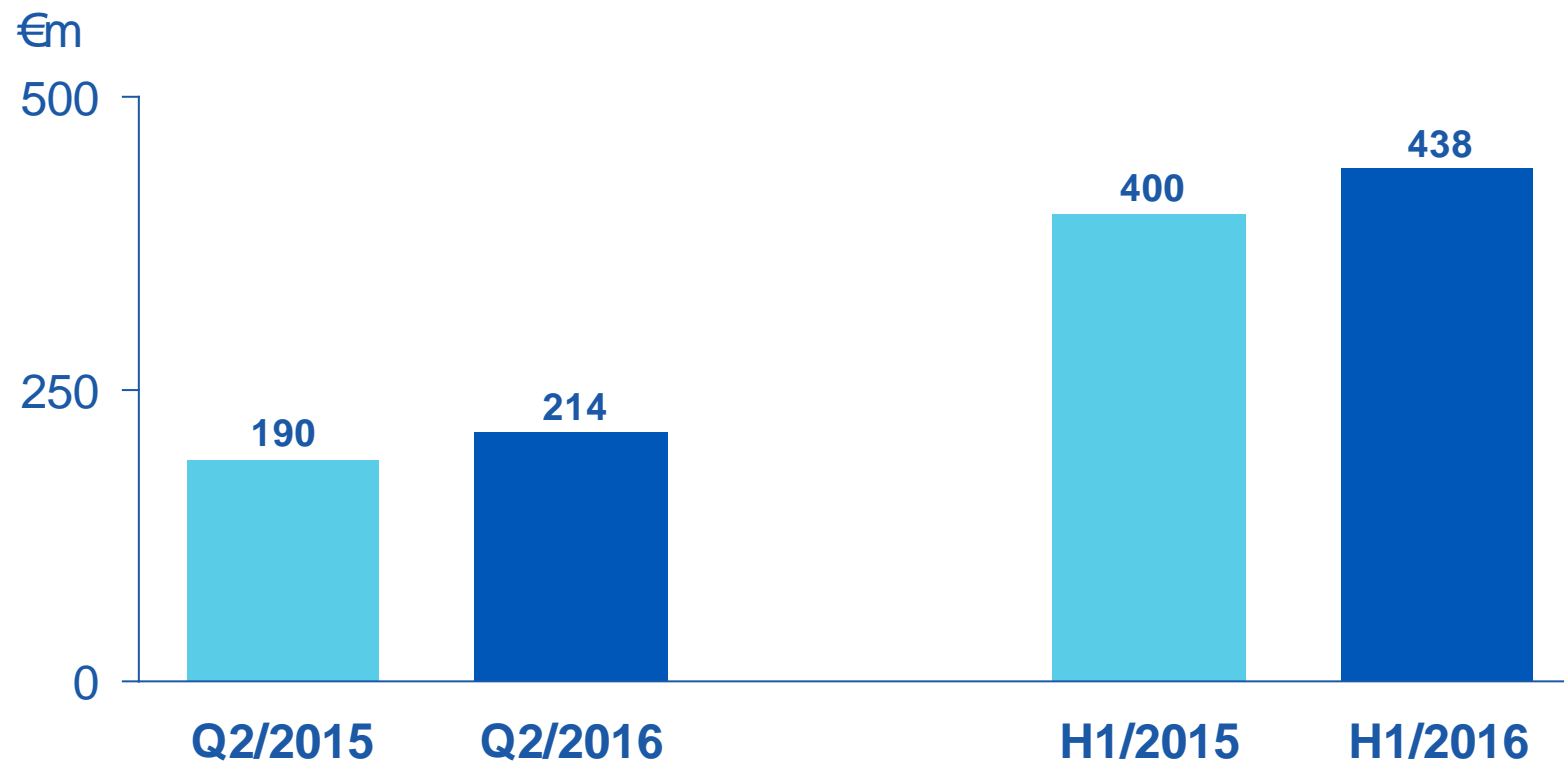


## CAR TRADE, Q2

- In the car trade, total market performance was strong in April-June
- VV-Auto's net sales growth +12.1%
  - Combined market share of Volkswagen, Audi and Seat passenger cars and vans in April-June 18.7%
- Profitability remained at a good level, operating profit €5.8 million
- VV-Auto's order books strengthened markedly from the previous year

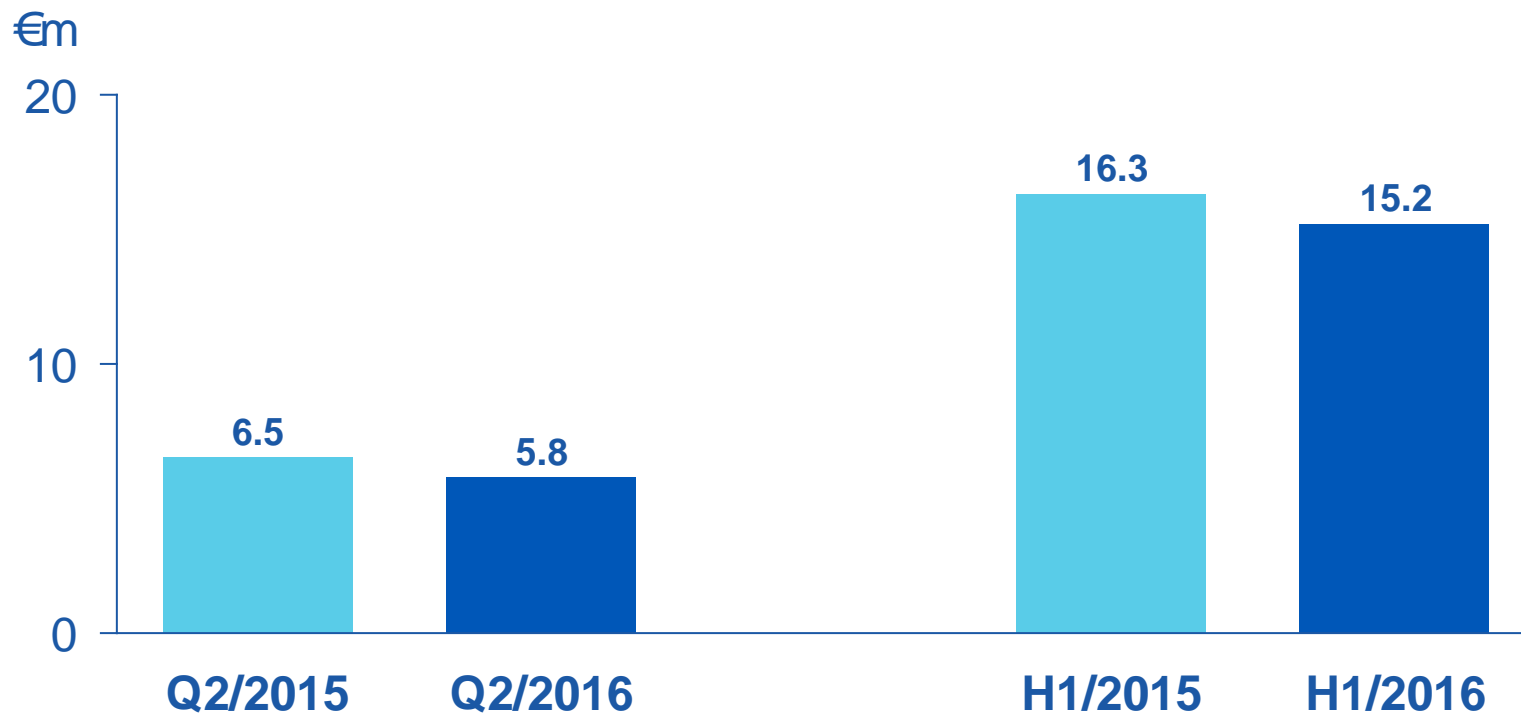
# NET SALES

Q2 GROWTH +12.1%



# OPERATING PROFIT

COMPARABLE



## K-PLUSA TO BE REVISED AND NEW K-KAMPUS TO BE BUILT IN KALASATAMA, HELSINKI

- A key role in the implementation of Kesko's strategy is also played by the revision of K-Plussa. In the future, the revised K-Plussa will be the most rewarding customer loyalty programme and offer the best digital services.
- The new K-kampus will also take the one, unified Kesko a leap forward. K-kampus will be built in Kalasatama, Helsinki, in cooperation with Varma. Kampus will be completed in spring 2019 and it will bring together around 1,700 Kesko employees.



**FOR SHOPPING TO BE FUN**

# CONTACT INFORMATION

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