



Annual General Meeting 2017 Review by the President and CEO

Mikko Helander

Group Management Board



Mikko Helander



Jukka Erlund



Johan Friman



Terho Kalliokoski



Anne Leppälä-Nilsson



Matti Mettälä



Lauri Peltola



Jorma Rauhala



Anni Ronkainen

Kesko 2016

- Net sales €10,180m
- Operating profit* €273m
- Personnel 28,000
- Market capitalisation €4.6bn (31 Dec. 2016)
- Shareholders 39,000
- The most responsible trading sector company**

* Comparable

** The Global 100 list, Corporate Knights Inc.



K Group Today

- K-Group's sales* €13.2bn
- Personnel around 45,000
- Operations in nine countries
- The third biggest retail operator in Northern Europe
- Around 1,100 K-retailer entrepreneurs in Finland
- One of Finland's most significant employers and taxpayers

* Pro forma



Three Business Areas

Grocery trade

Sales €6.7bn*

#2 in the Finnish retail market

Building and technical trade

Sales €5.6bn*

#1 in Northern Europe

Car trade

Sales €0.9bn*

#1 in Finland



*Pro forma

Leading Trading Sector Company in Northern Europe

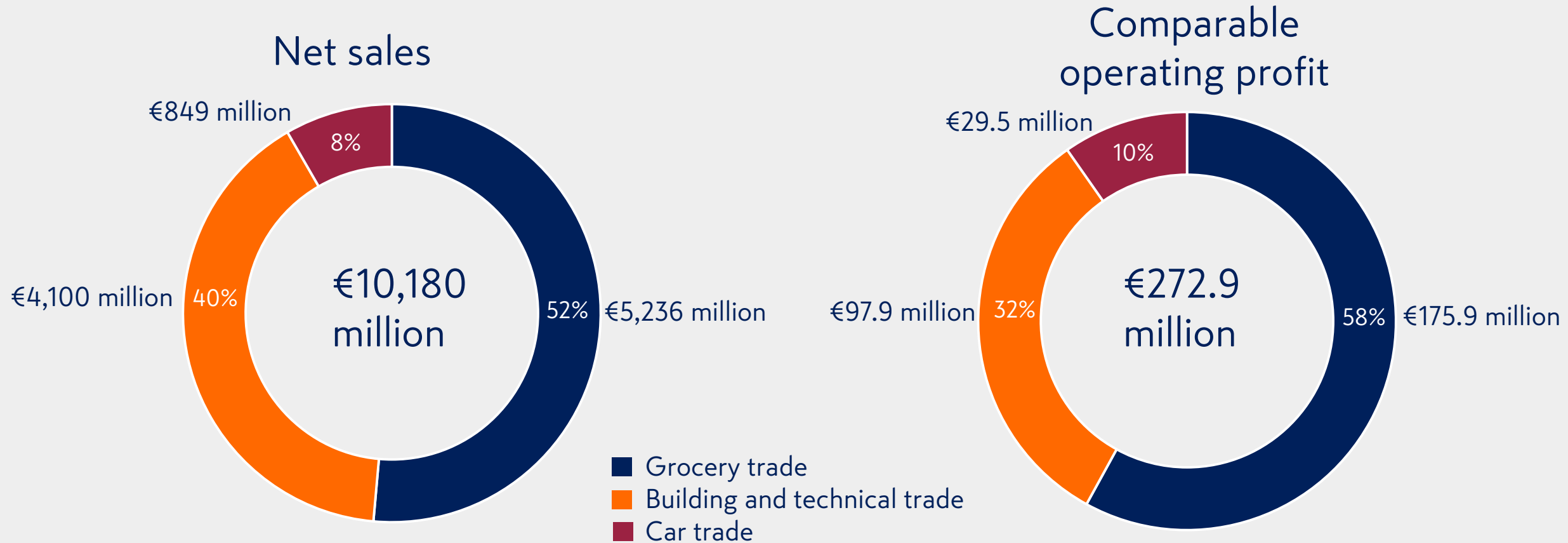
| 2016 | Retail sales, € million | Store numbers |
|-------------|----------------------------|------------------|
| Finland | 10,100 | 1,921 |
| Sweden | 355 | 37 |
| Norway | 828 | 106 |
| The Baltics | 677 | 65 |
| Poland | 114 | 36 |
| Russia | 287 | 13 |
| Belarus | 101 | 16 |
| Total | 12,463 | 2,194 |



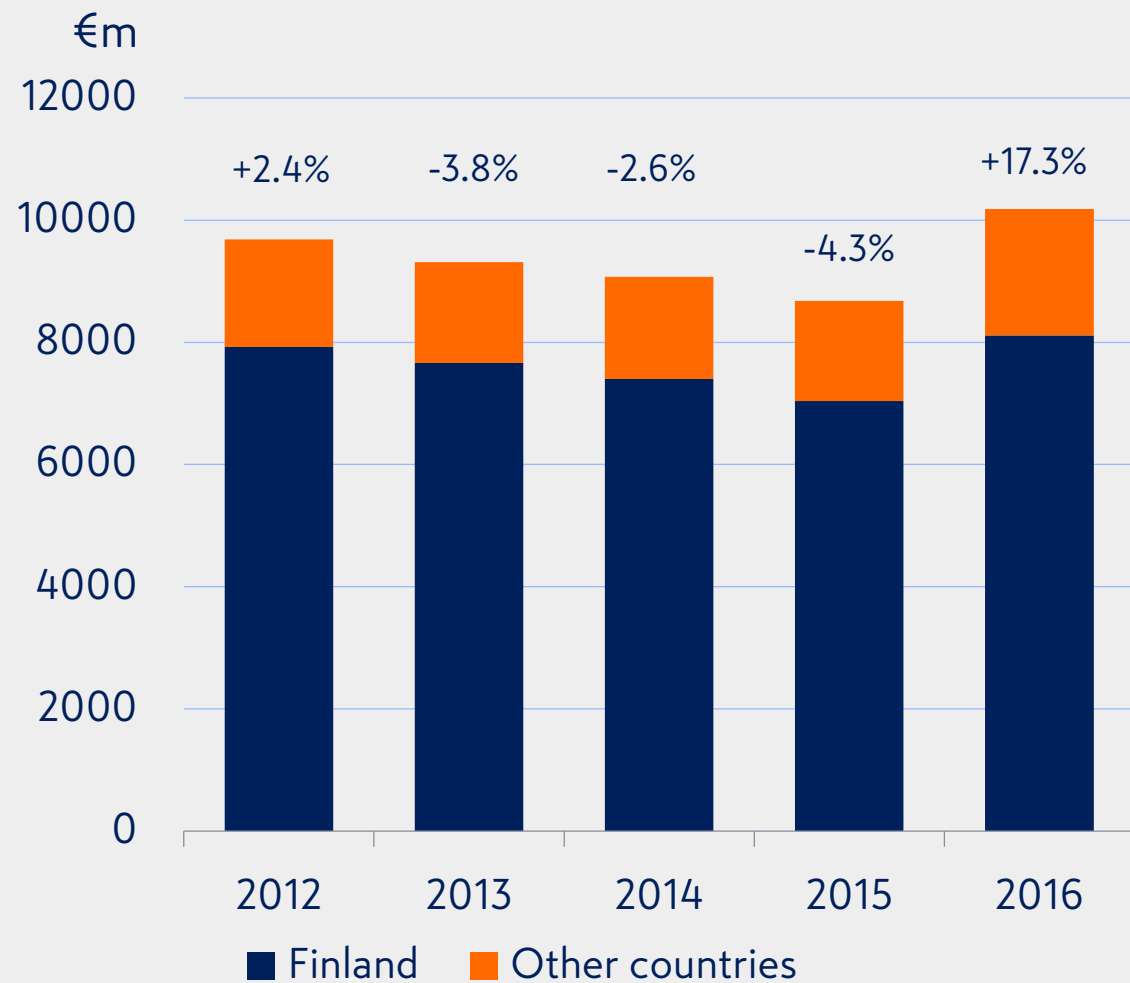
Strong Financial Position

| | 31 Dec. 2016 | 31 Dec. 2015 |
|---|--------------|--------------|
| Equity ratio, % | 48.6 | 54.7 |
| Liquid assets, €m | 391 | 887 |
| Interest-bearing net debt, €m | 123 | -448 |
| Cash flow from operating activities, €m | 170 | 276 |
| Capital expenditure, €m | 743 | 219 |

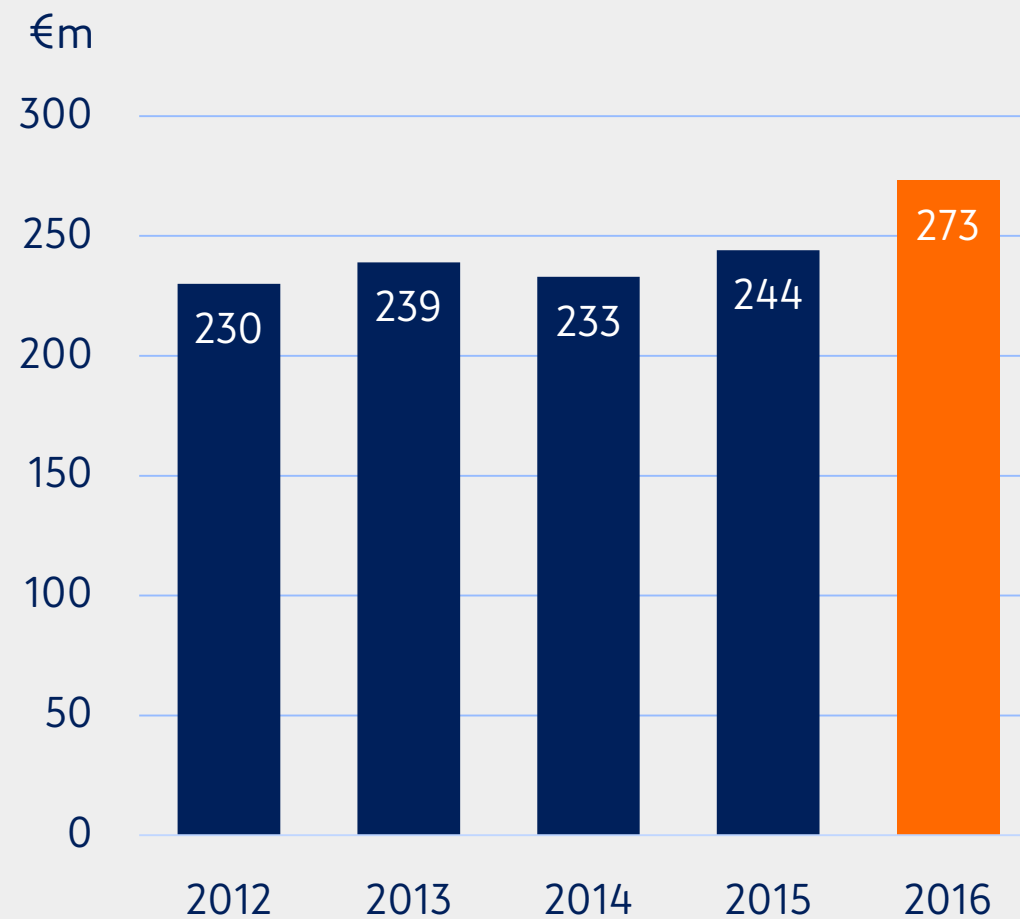
Net Sales and Comparable Operating Profit by Division in 2016



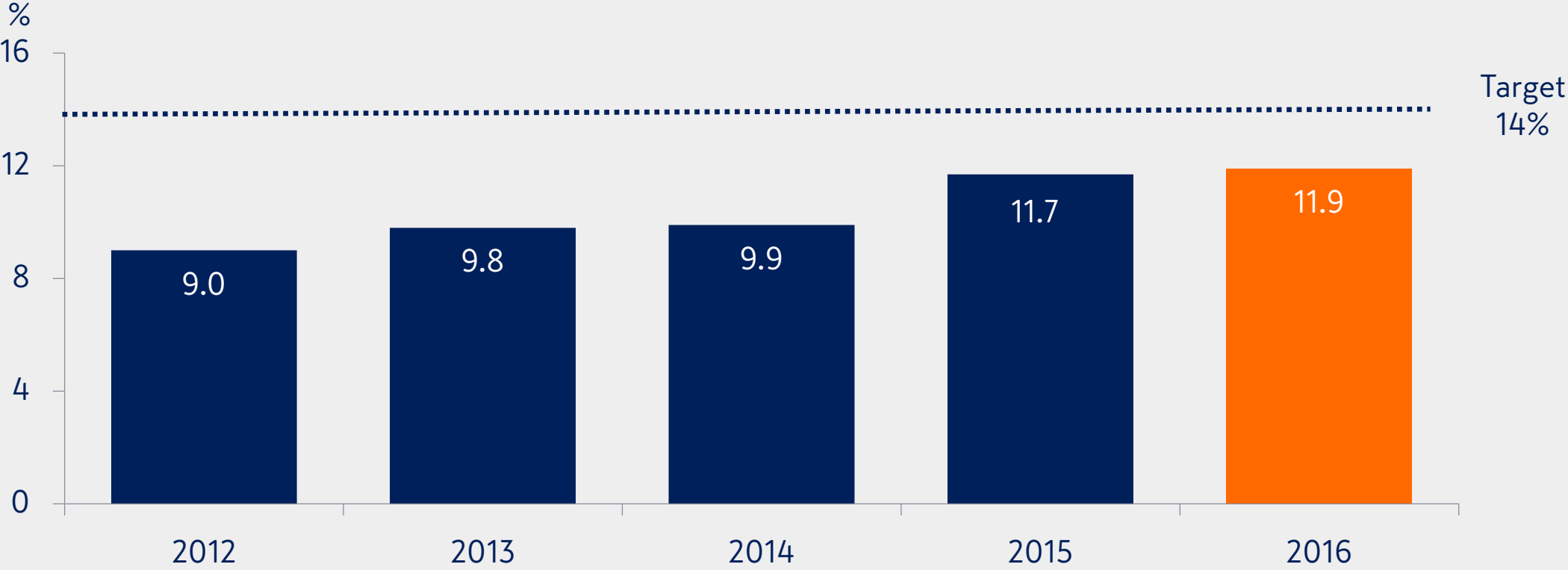
Net Sales



Operating Profit



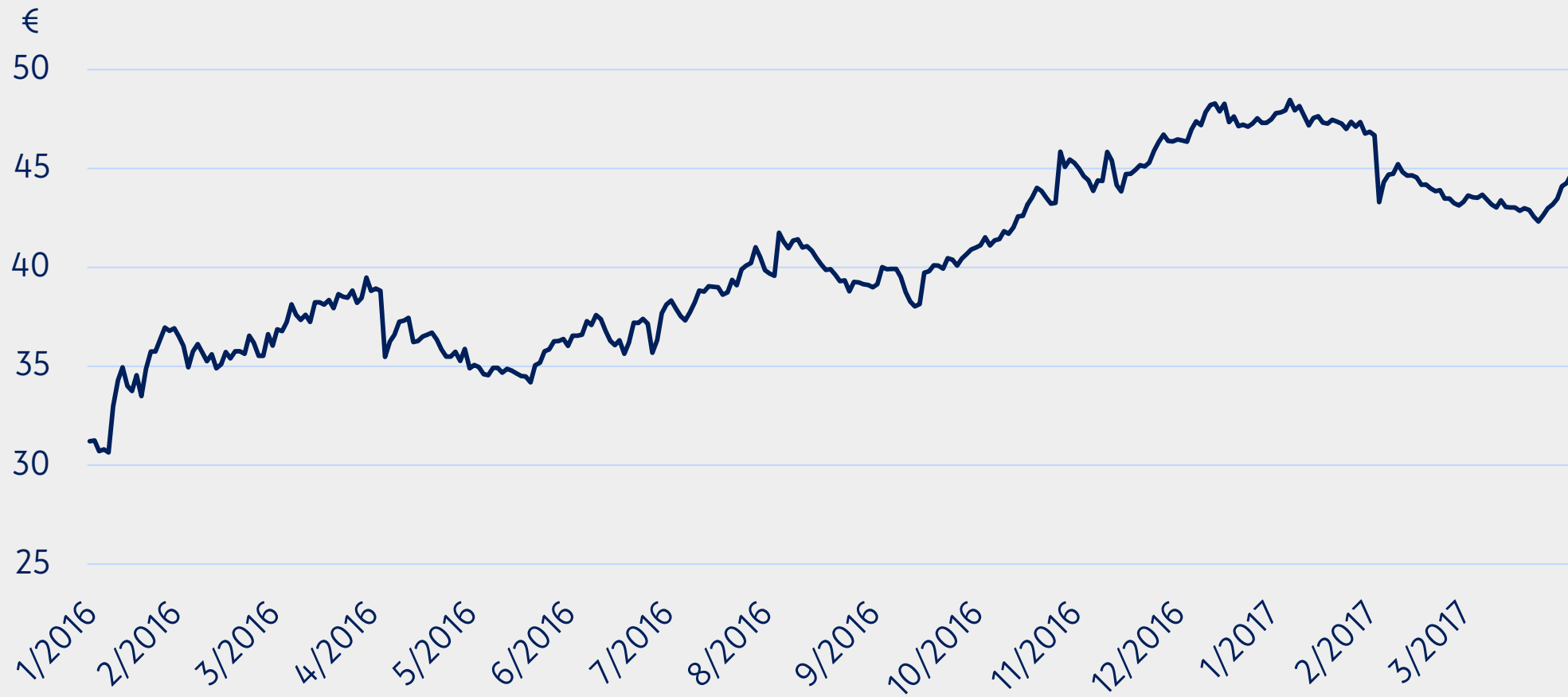
Return on Capital Employed Comparable



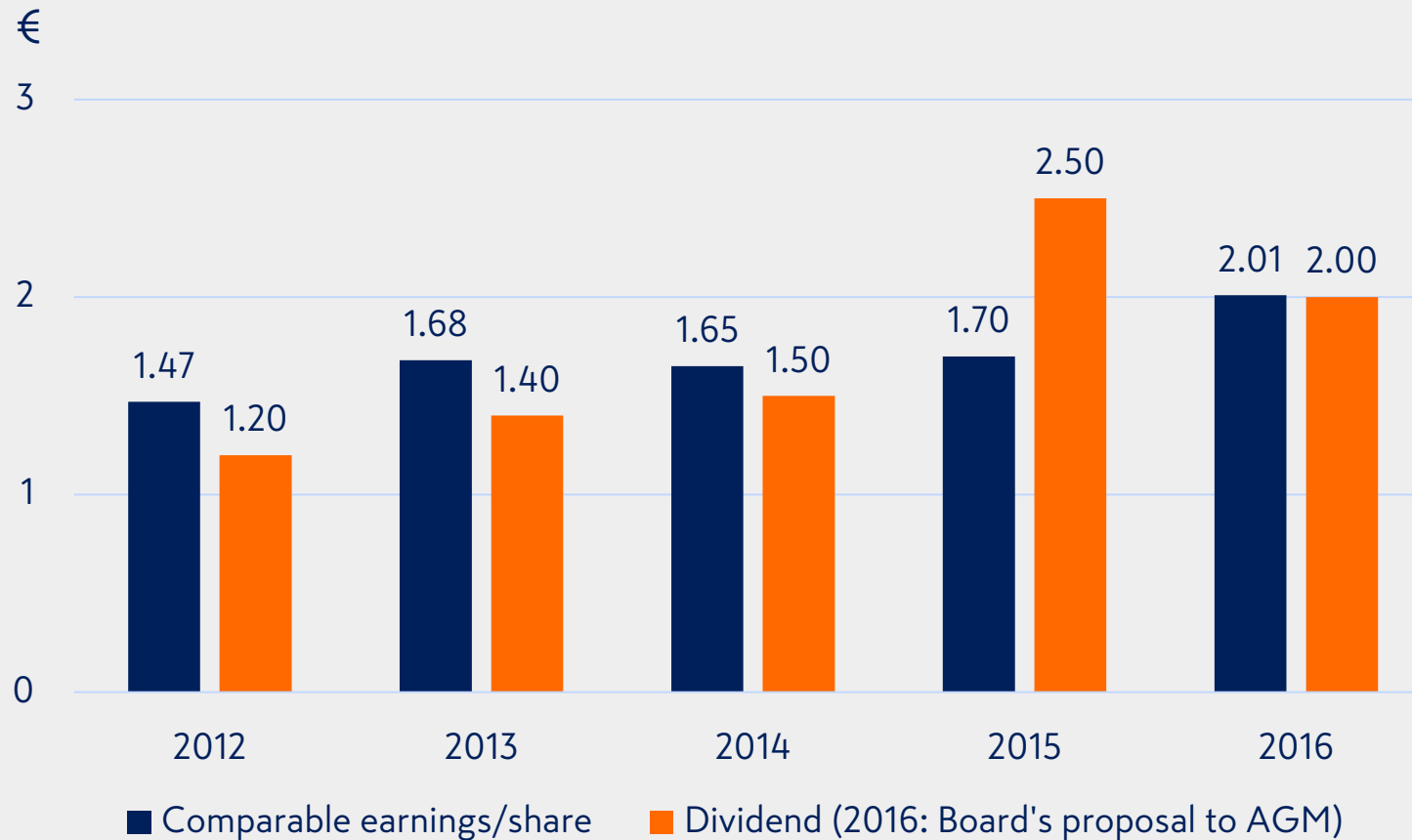
Significant Cost Savings Implemented

- €50 million savings programme implemented successfully
- Significant cost savings in all operations and types of expense
 - Personnel efficiency
 - ICT costs
 - Marketing costs
 - Rents and store site costs
- Savings have improved profitability and contributed to the financing of store site network renewal and the development of digital services
- Enhancement of operations continues with established operating models

B Share Price Trend



Board's Dividend Proposal to 2017 AGM €2.00



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



Strategic Focus



Operating Environment

- In spite of uncertainties, the global economy is growing at a rate of over 3% and the growth rate of the European economy is nearly 2%
- Growth of the Finnish economy is forecast to improve to 1.6%, Finland continues to need more structural reforms and deregulation
- Operating environment in Scandinavian countries very stable and economies are growing
- Positive development of the Baltic economies continues
- Decline of the Russian economy has stabilised, but operating environment continues to be challenging



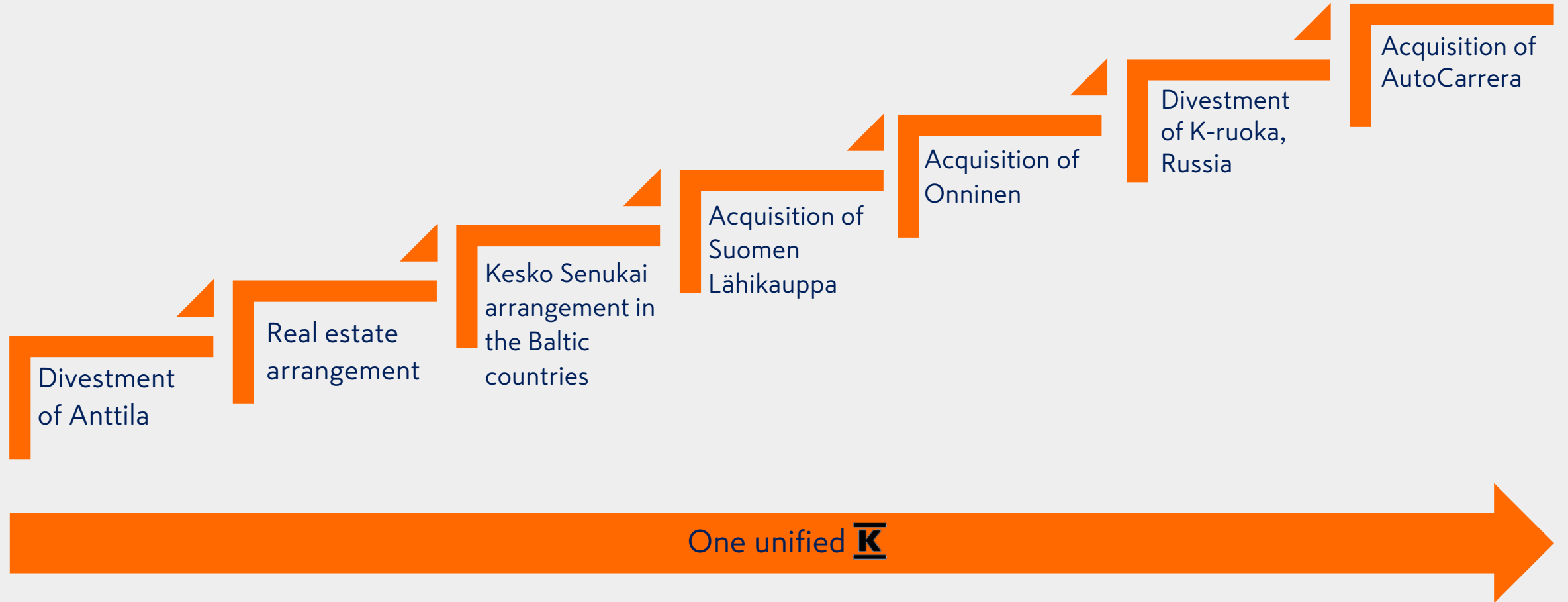
Source: Bank of Finland

Growth Strategy

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



Strategy Implementation Progresses





Grocery Trade



Grocery Trade Trends

Population
ageing

Urbanisation
and growth of
single-person
households

More individual
consumption
habits

Level of
requirements
and price
awareness

Corporate
responsibility

Digitalisation

Cornerstones of Grocery Trade Strategy



The most customer-oriented and inspiring food stores



Finland's widest and most comprehensive food store network



The best digital solutions in the trading sector

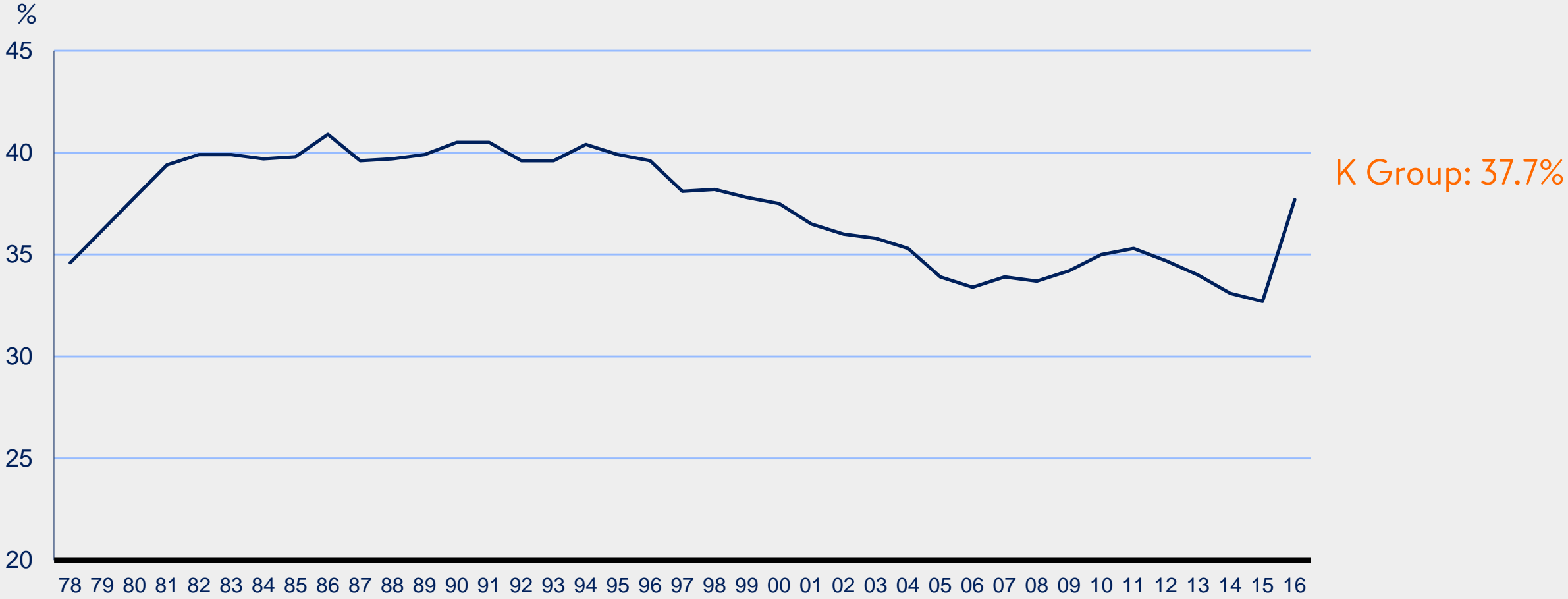


Retailers guaranteeing quality



Strong renewal: chain brands and marketing

Our Market Share at Its Highest in 15 Years



Source: Nielsen



Integration of Suomen Lähikauppa Has Progressed Well

- More than 400 Siwas and Valintatalos converted to K-Markets by the end of 4/2017
- Footfall and sales have grown significantly
- Around 220 stores to become retailer run by the end of 2017, multi-store model
- We aim to achieve annual synergies of over €30m from 2018 onwards



Divestment of Russian Grocery Trade Business

- Russian grocery trade business was sold to Lenta Ltd for €167 million in 11/2016
- Increasing the business in Russia would have required significant capital expenditure
- Divestment has minor impact on Kesko's net sales, improves profitability and cash flow





Building and Technical Trade



Trends Strengthen B2B Trade Growth

Building and renovation increasingly technical, regulation increases

Consumers increasingly often outsource building to professionals

Increasing need for renovation building

Rising standard of living increases the use of services

Strategic Cornerstones of the Building and Technical Trade



New building and technical trade entity - better services and achievement of synergies



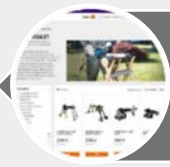
For B2B customers, unique entity of products and services in terms of extensiveness



For B2C customers, easiest shopping and the most comprehensive total solutions



Biggest growth potential in Finland, the Baltics and Scandinavia



Strengthening of online trade and strong development of digital services

Onninen Integrated into Kesko More Quickly Than Planned

- Onninen's good sales performance has continued
- Creation of Kesko's and Onninen's common B2B service package
- Reorganisation programmes in Poland and Sweden are progressing
- Realisation of synergies started as planned



New K-Rauta

- K-rautas and Rautias combined into new K-Rauta, launched on 30 March 2017
- Reform focus on shopping ease: customer promise: "Surprisingly easy"
- Finland's most comprehensive network of building and home improvement stores
 - 139 store sites
 - 108 retailers
 - 3,500 building and home improvement trade professionals
 - 12.5 million shopping transactions per year



Kesko Senukai Continued Growing in the Baltics and Belarus

- Kesko Senukai clear market leader in the Baltics and Belarus
- Sales nearly €600m and good profitability
- Two new stores were opened in Lithuania and four in Belarus
- Two new concept K Senukai stores were opened in Latvia

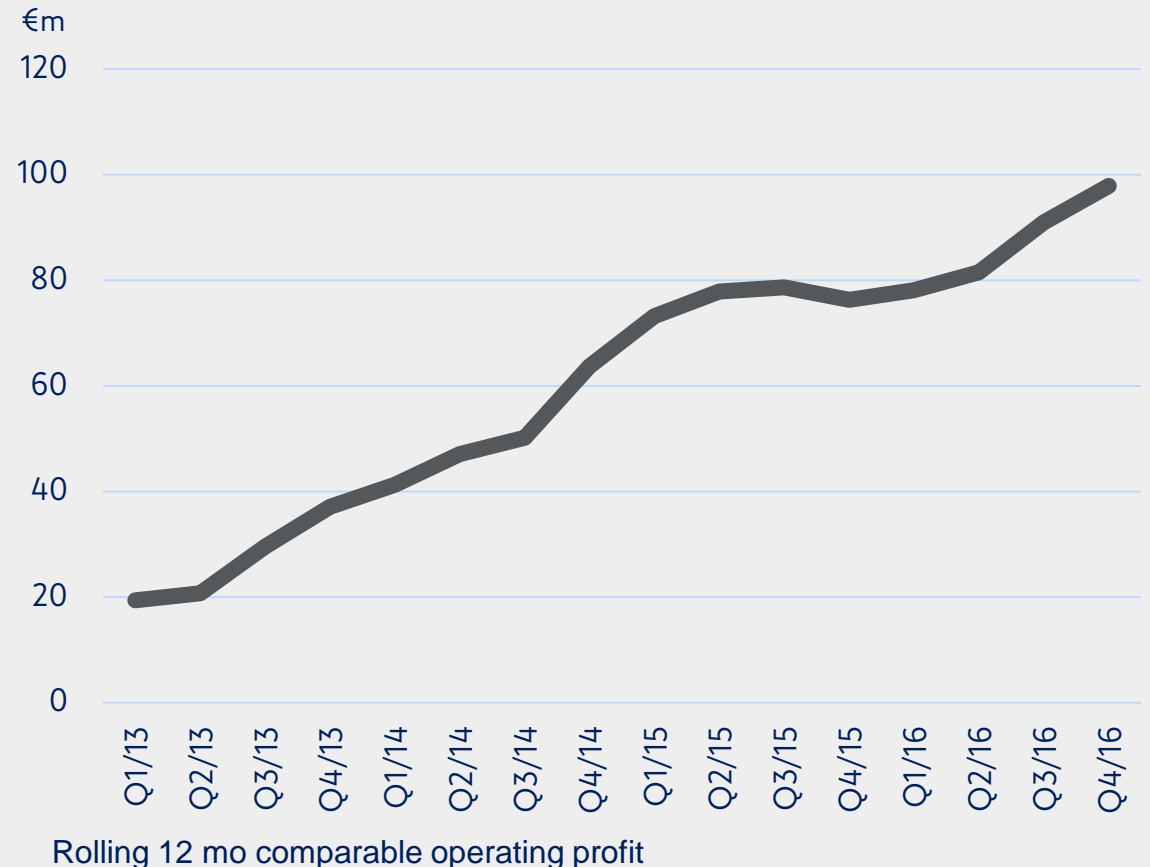


Sales Growth in Finland Has Exceeded Market Growth, Market Share 41% in 2016



Good Profit Performance of 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 good profitability
 - Market continues to have significant growth potential





Car Trade



Trends Impacting Car Trade Change

Car sharing and
short-time
leasing

Autonomous
driving

Limitations in
emissions and
car use

Electric cars

User-friendly
multi-channel
services

Cornerstones of the Car Trade Strategy



Increasing VV-Auto's business in cooperation with Volkswagen Group



Increasing service business independent of principals



Developing the multi-channel customer experience

Caara

- 400 cars sold in 5/2016-12/2016
- Doubling sales and volume in 2017
- CaaraGo got off to a good start – demand has been a positive surprise
- Agile development model, from business idea to operation in just five months



AutoCarrera

- 489 new Porsches sold in 2016
- This year has started well, 29% growth in new orders
- New cars in all model ranges are selling well
- Synergies in processes have been identified and partly implemented



K Group's Renewal Continues

- Making K Group more focused continues: the grocery trade, the building and technical trade and the car trade
- Improving customer experience in both stores and digital channels
- Integrations and synergies of acquisitions
- Continuing improvement of profitability in the building and technical trade
- Further improvement of cost efficiency
- One unified K



For shopping
to be fun