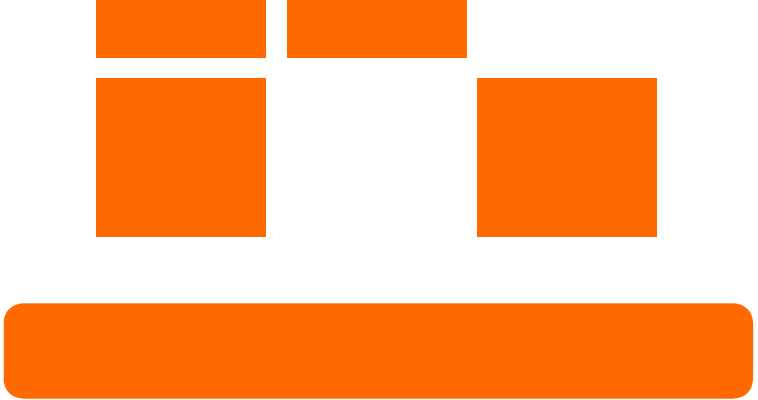
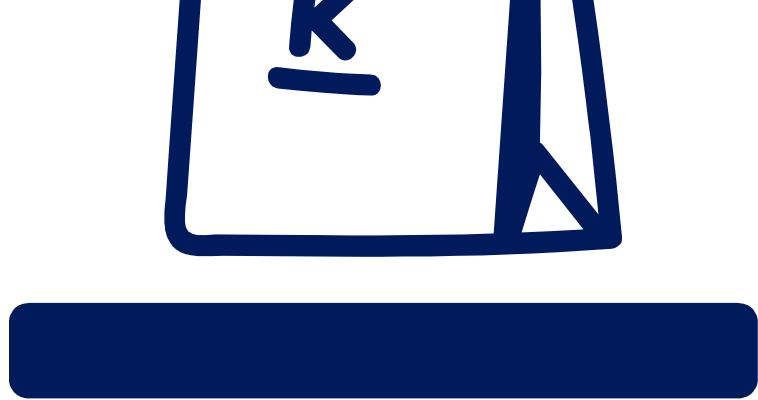


Kesko investor presentation

June 2016

CFO Jukka Erlund



K Group the Third Biggest Retail Operator in Northern Europe

- K Group's retail sales €13.2bn (pro forma 2016)
- K Group formed by Kesko and 1,088 K-retailer entrepreneurs
- Operations in nine countries
- 45,000 trading sector professionals, over 30,000 in Finland
- Significant social impact in Finland
- Kesko shares listed on Nasdaq Helsinki with €4.5 bn market capitalisation and close to 42,000 shareholders (5/2017)

ONE UNIFIED  THE CUSTOMER AND QUALITY - IN EVERYTHING WE DO

 CITYMARKET  Supermarket

 Market  ESPRO  NESTE 

 Rauta  
 SENUKAI



 Payta



The Core of Kesko's Strategy is Profitable Growth in Three Strategic Areas

Grocery trade



Retail sales €6.7bn*

1,400 stores in Finland

#2 in the Finnish retail market

#1 in Finnish food service business

Building and technical trade



Retail sales €5.6bn*

700 stores in 9 countries

#1 in Northern Europe

Car trade



Retail sales €0.9bn*

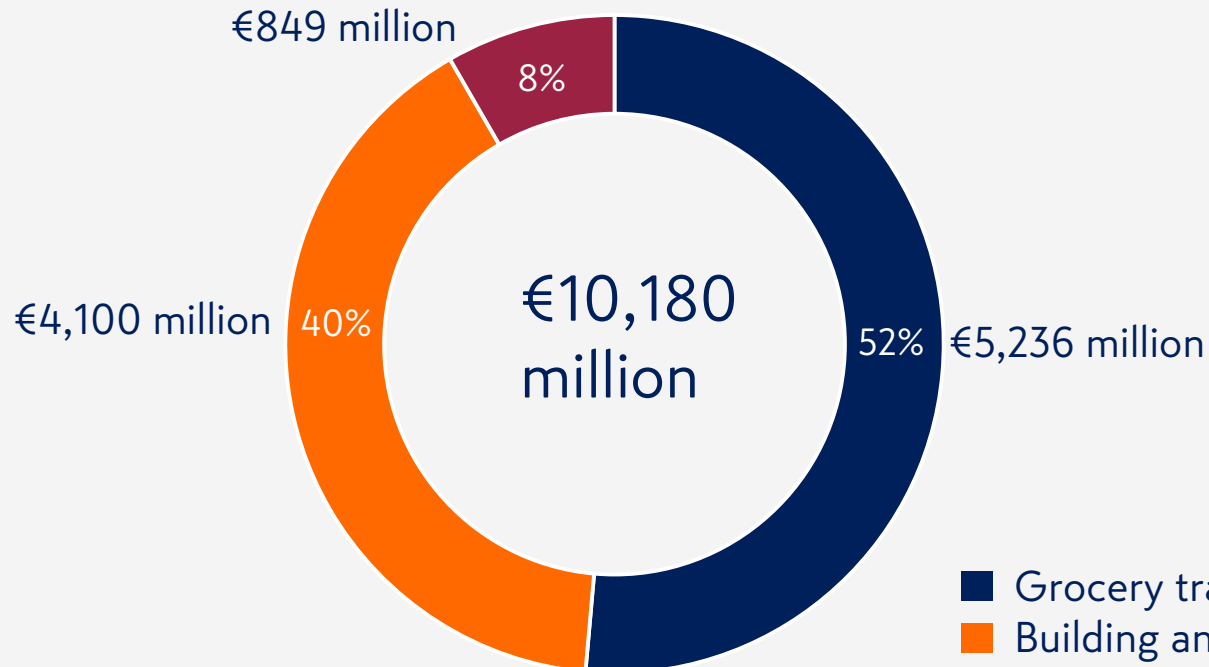
VW, Audi, Seat, Porsche and MAN trucks

#1 in Finland

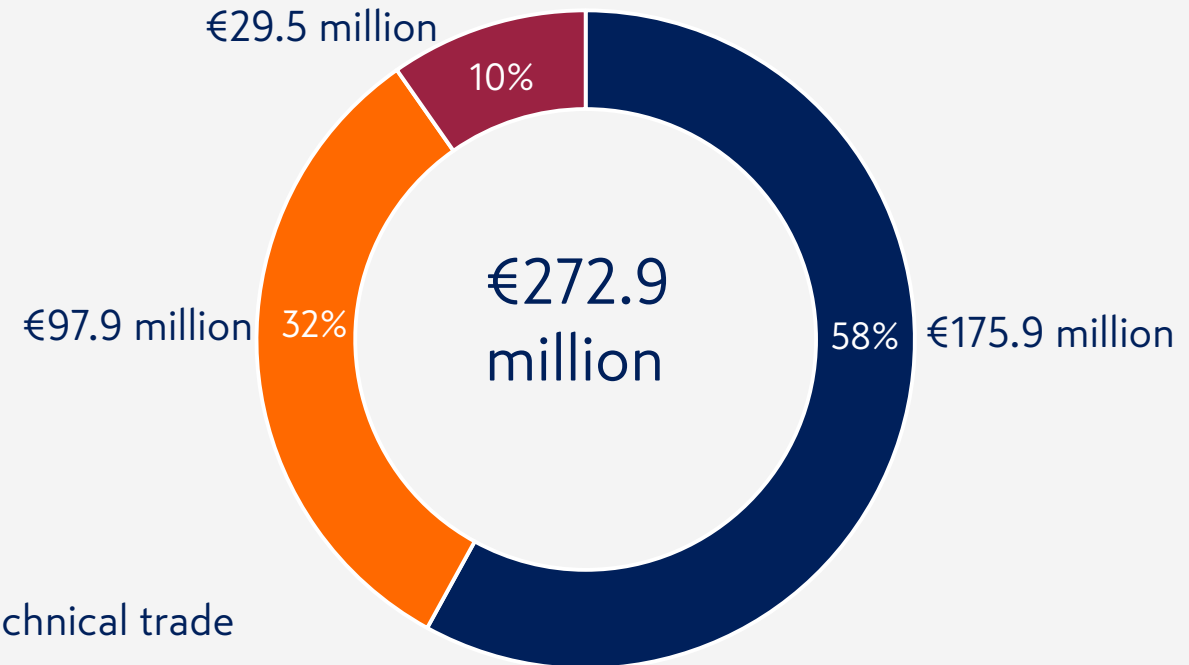
*Pro forma 2016

Net Sales and Comparable Operating Profit by Division

Net sales 2016



Comparable operating profit 2016



- Grocery trade
- Building and technical trade
- Car trade

Global Megatrends Identified to Effectively Anticipate and Respond to Future Challenges and Opportunities

Global economy
- international operators
challenge local companies

Digital
revolution

Urbanization,
single person
households
and ageing
population

Consumers'
knowledge
and power has
increased

Corporate
responsibility
and strong
brands

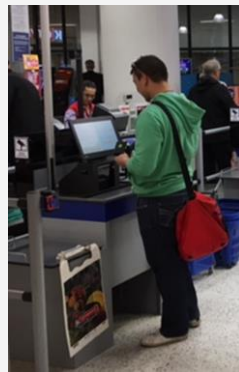
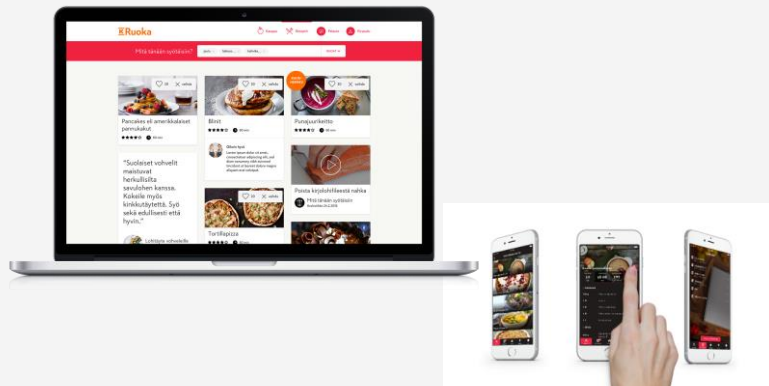
Climate
change

Growth Strategy Implementation is Progressing

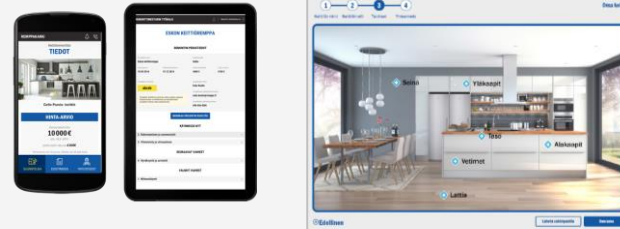


New Digital Services by Divisions

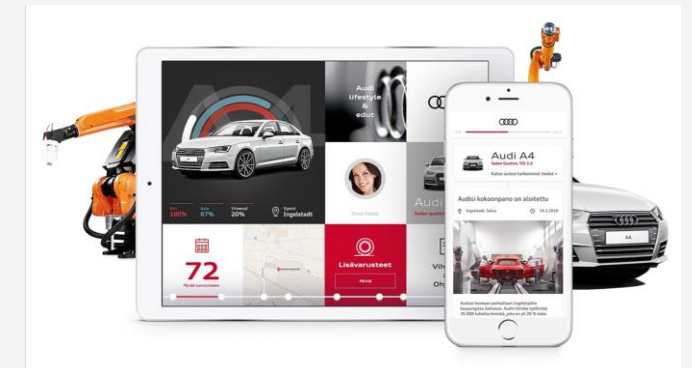
Grocery Trade



Building and Technical Trade



Car Trade



Kesko is the World's Most Sustainable Retail Operator*

- Kesko's responsibility programme contains both short-term and long-term objectives with six themes
- **Case: 100% renewable energy**
 - All electricity purchased by Kesko in Finland is renewable since 2017. The amount of electricity purchased will be app. 540 GWh, accounting for app. 1% of all electricity consumed in Finland.
 - K-Group also increases own renewable energy production and is Finland's biggest producer and user of solar power.
 - The transfer to renewable electricity also supports the K-Group's commitment to the Paris Climate Agreement's targets and the UN Sustainable Development Goal 7 'Affordable and clean energy' and Goal 13 'Climate action'.



*The Global 100 list, Corporate Knights Inc.



Grocery Trade



Grocery Trade Megatrends

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

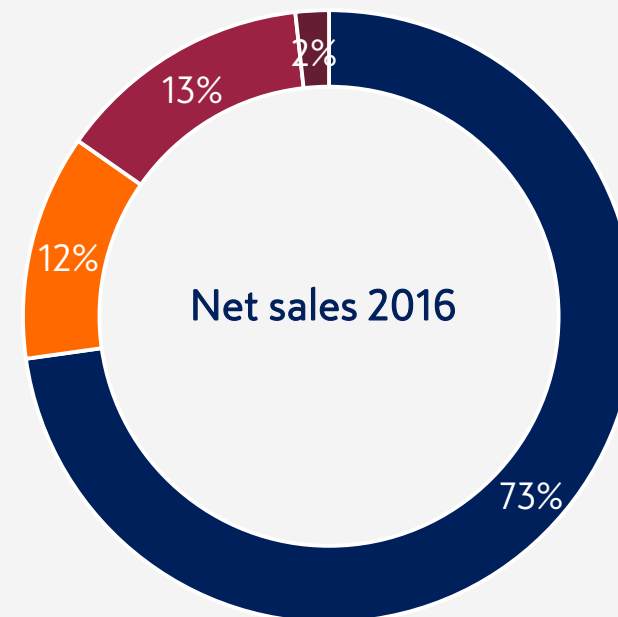
Grocery Trade Division

2016

Net sales	€5,236m
Operating profit*	€176m
Operating margin*	3.4%
ROCE*	21.3%

* comparable

In 2016, the Finnish grocery trade market was worth app. €16.8bn (incl. VAT).



■ Finland ■ SLK ■ Kespro ■ Russia

Retail Sales and Number of Stores of the Grocery Trade

	Retail sales pro forma 2016 €m, VAT 0%	# stores at 31.12.2016	# stores at 31.3.2017	Concept
K CITYMARKET	1,503+575=2,077	80	80	Hypermarket
K Supermarket	1,764	228	227	Supermarket
K Market *	1,208	638	799	Neighbourhood store
Valintatalo and Siwa stores*	662	340	99	Neighbourhood store
Neste K and others	171	162	159	Service stations

*Number of Suomen Lähikauppa's stores 563 (31.12.2016) and 481 (31.3.2017)



Building and Technical Trade



Megatrends Strengthen B2B 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

Omni-channel customer experience is coming more important

Cornerstones of the Building and Technical Trade Strategy



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



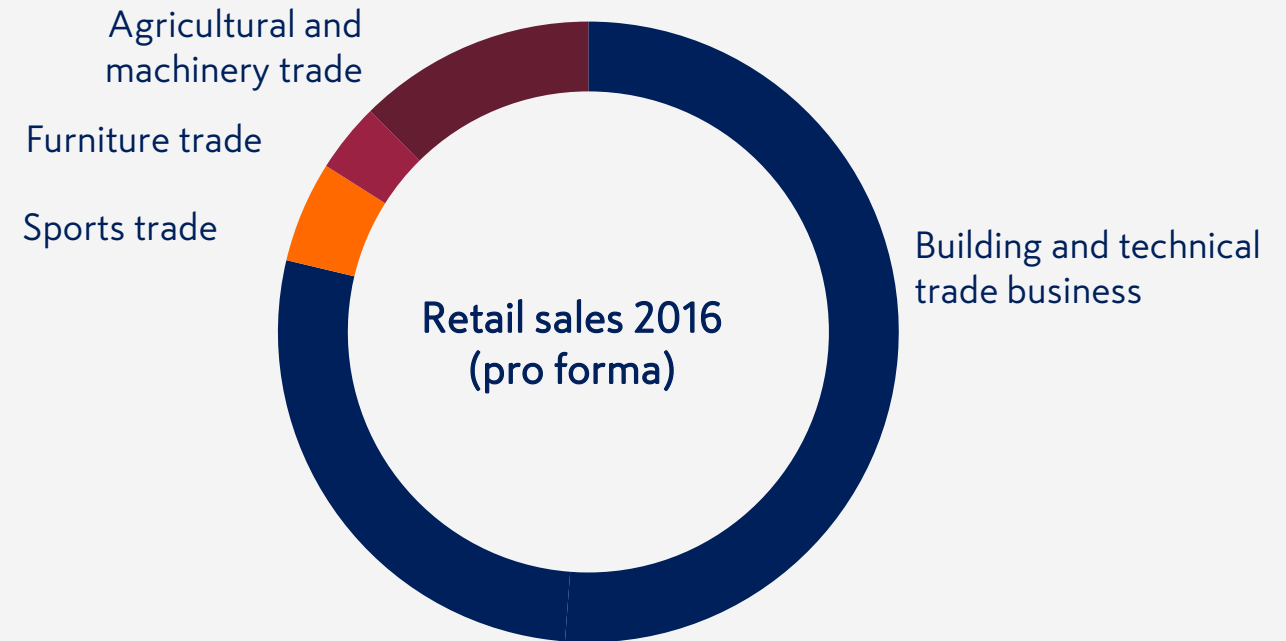
Strengthening of online trade and strong development of digital services

Building and Technical Trade Division

2016

Net sales	€4,100m
Operating profit*	€98m
Operating margin*	2.4%
ROCE*	9.8%

* comparable



B2B Customers

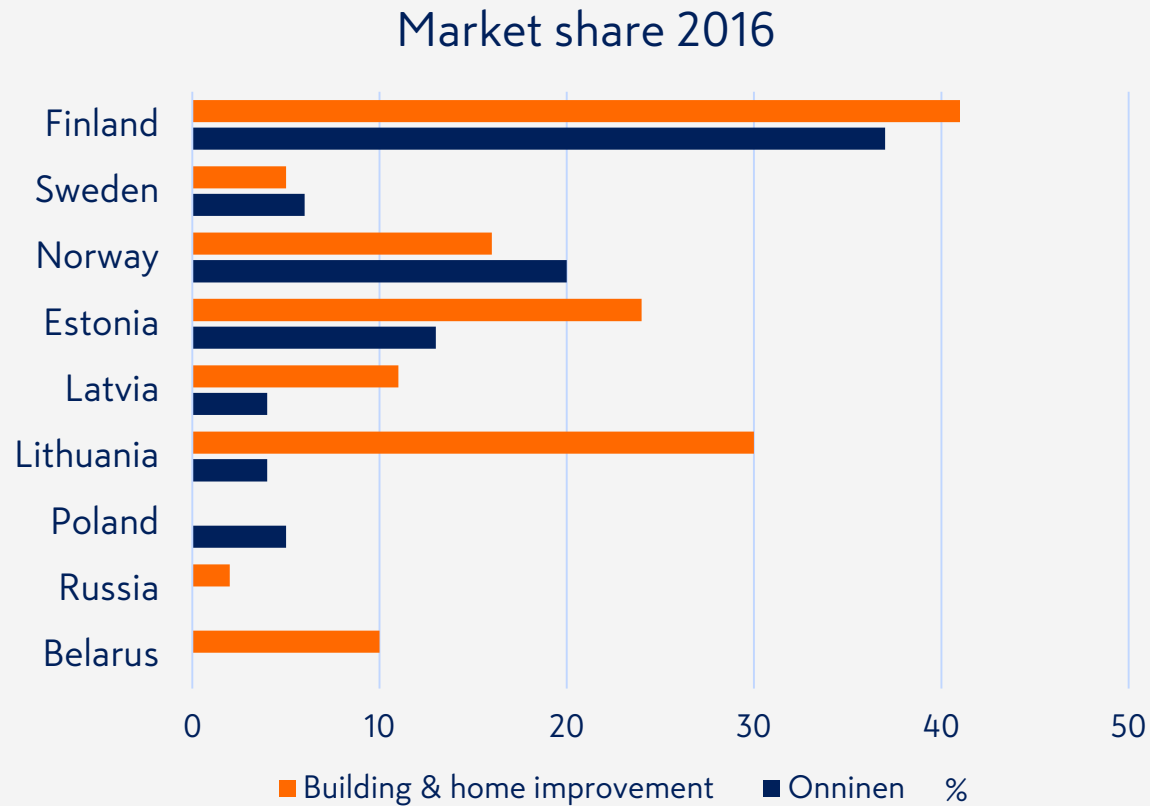
- Largest customer groups are contractors and construction companies, 80% of sales
- Building materials, HEPAC* and electricals account for 75% of sales

* HEPAC=heating, plumbing and air conditioning

B2C Customers

- 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
- Sweden as the biggest market in Nordics offers promising growth opportunities
- Bygghem #3 in Norway and Onninen strong in electricals
- Kesko Senukai #1 in Baltics and Belarus
- K-rauta has strong presence in St. Petersburg and Moscow
- Onninen well positioned in Poland



Car Trade



Megatrends Impacting Car Trade

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 business in cooperation with Volkswagen Group



Increasing service business independent of principals



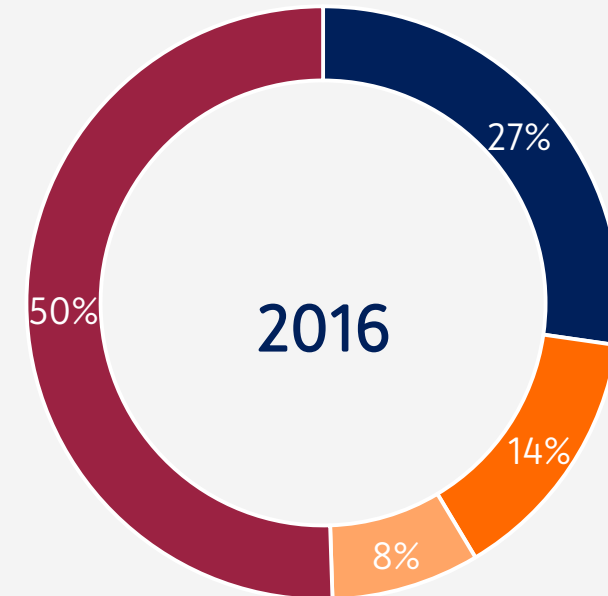
Developing the multi-channel customer experience

Car Trade Division

2016

Net sales	€849m
Operating profit*	€29m
Operating margin*	3.5%
ROCE*	23.8%

* comparable



■ New car retailing

■ Used car retailing

■ After sales retailing

■ Importing / sales to dealers



Financials and Outlook



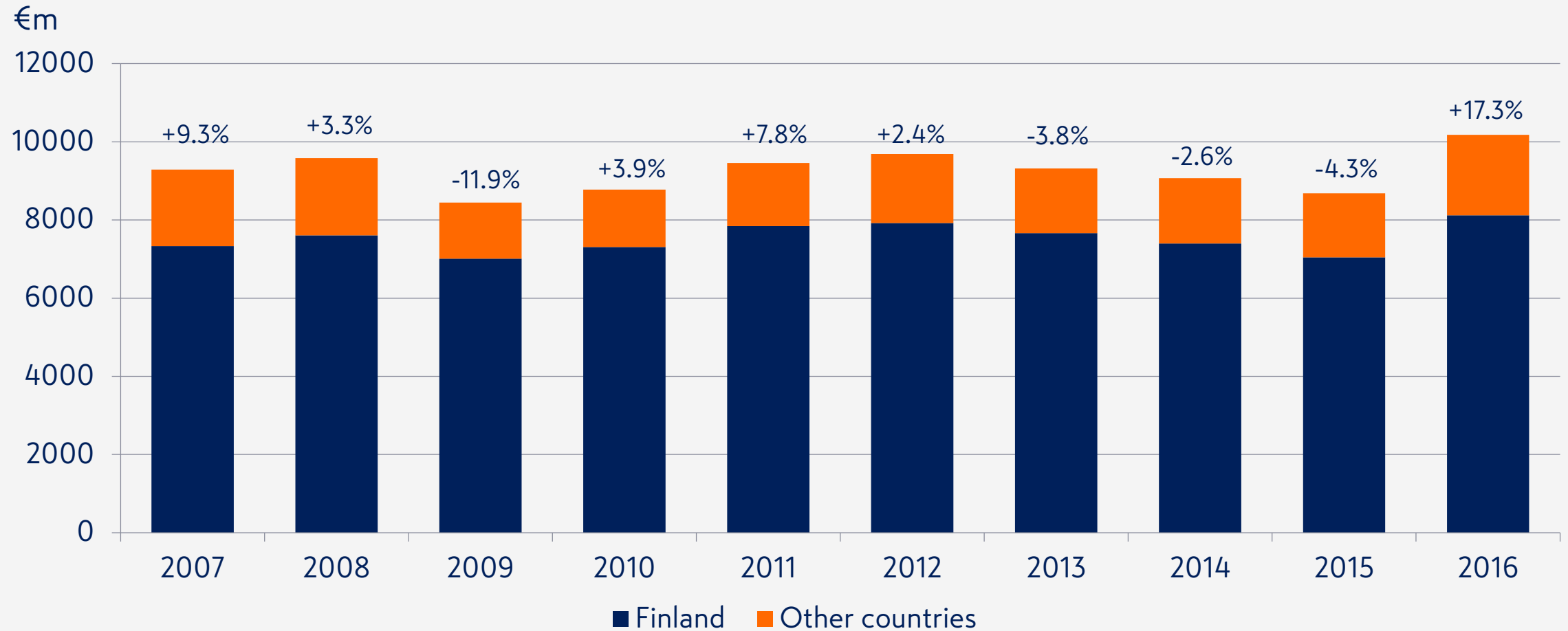
Kesko's Financial Objectives

- Return on capital employed, target: 14%
- Return on equity, target: 12%
- Interest-bearing net debt/EBITDA, target: less than 2.5
- Kesko's dividend policy: At least 50% of comparable earnings per share distributed as dividends, taking into account the Company's financial position and operating strategy

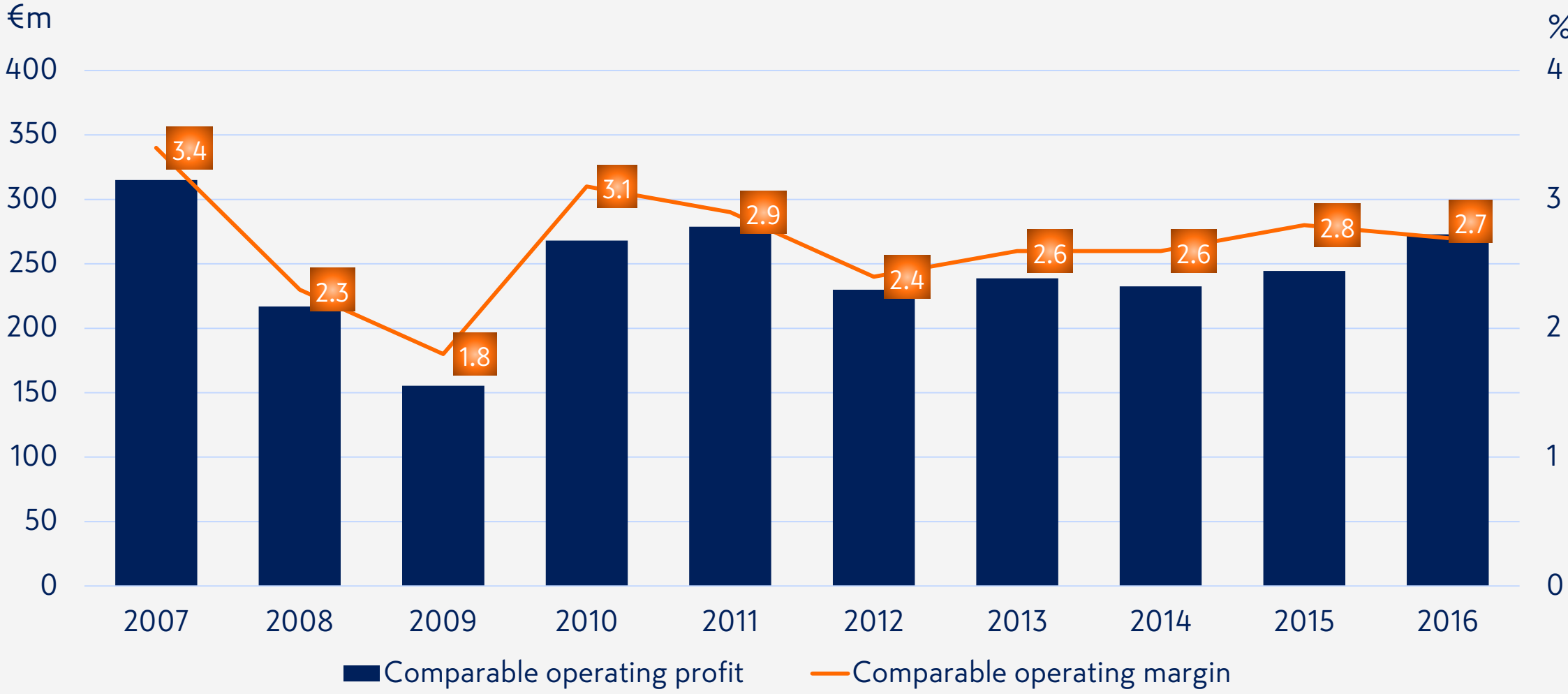
Enhancing Cash Flow Generation

- Further growth in net sales and operating margin in strategic growth areas
- Synergy benefits
 - Suomen Lähikauppa progressed better than expected, full annual impact above €30m from 2018
 - Onninen progressed as expected, full annual impact of €30m from 2020
- Executing the €50m cost savings program, full impact in 2017
- Capital expenditure in 2015-2017 c. €750m, annual capex level below €200m after 2017 (excl. acquisitions)
 - In grocery trade less store site capex needs after 2017
 - Reduced capex per store need in building and technical trade
- Target to improve NWC efficiency by €50m
- Potential further business and real estate divestments

Profitable Growth – Key Value Driver

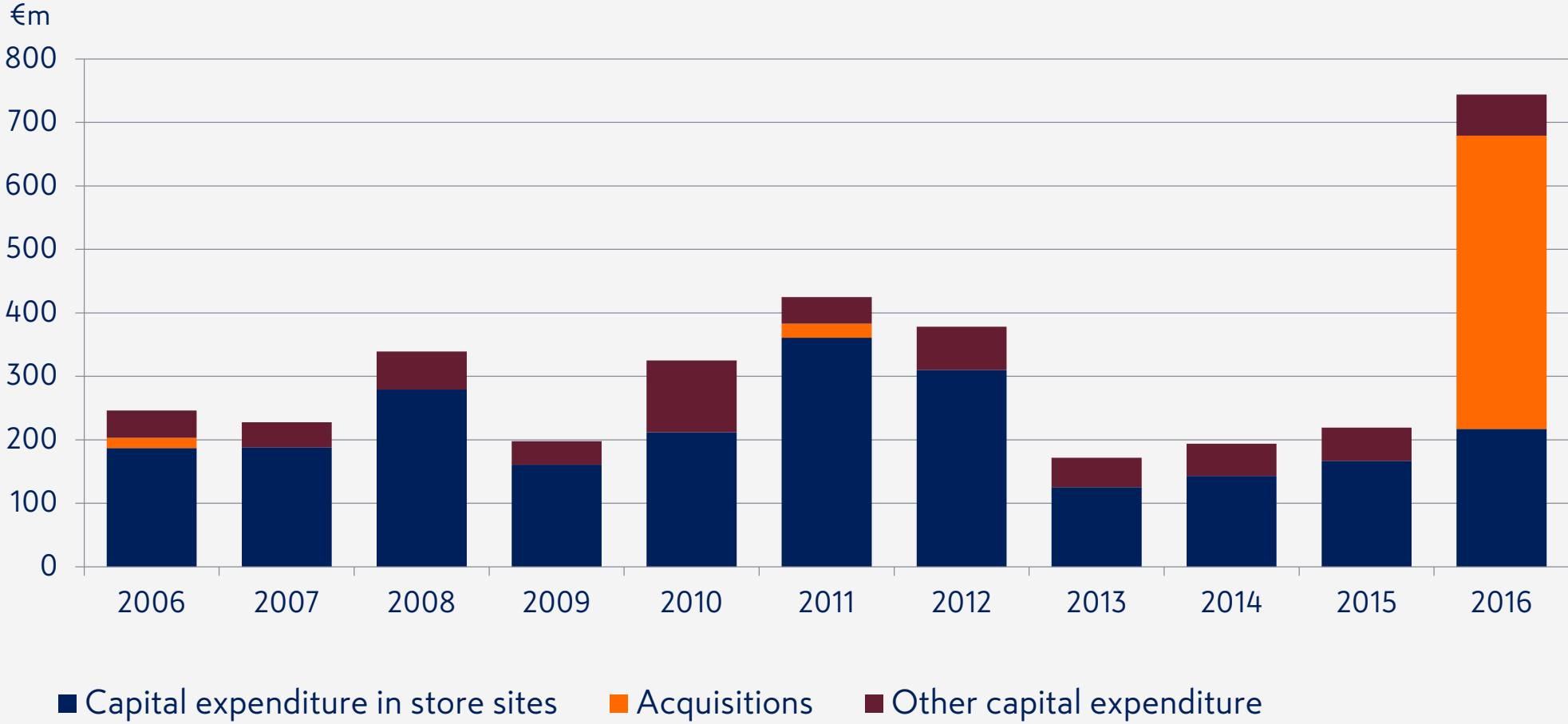


Operating Margin – Targeting Further Growth

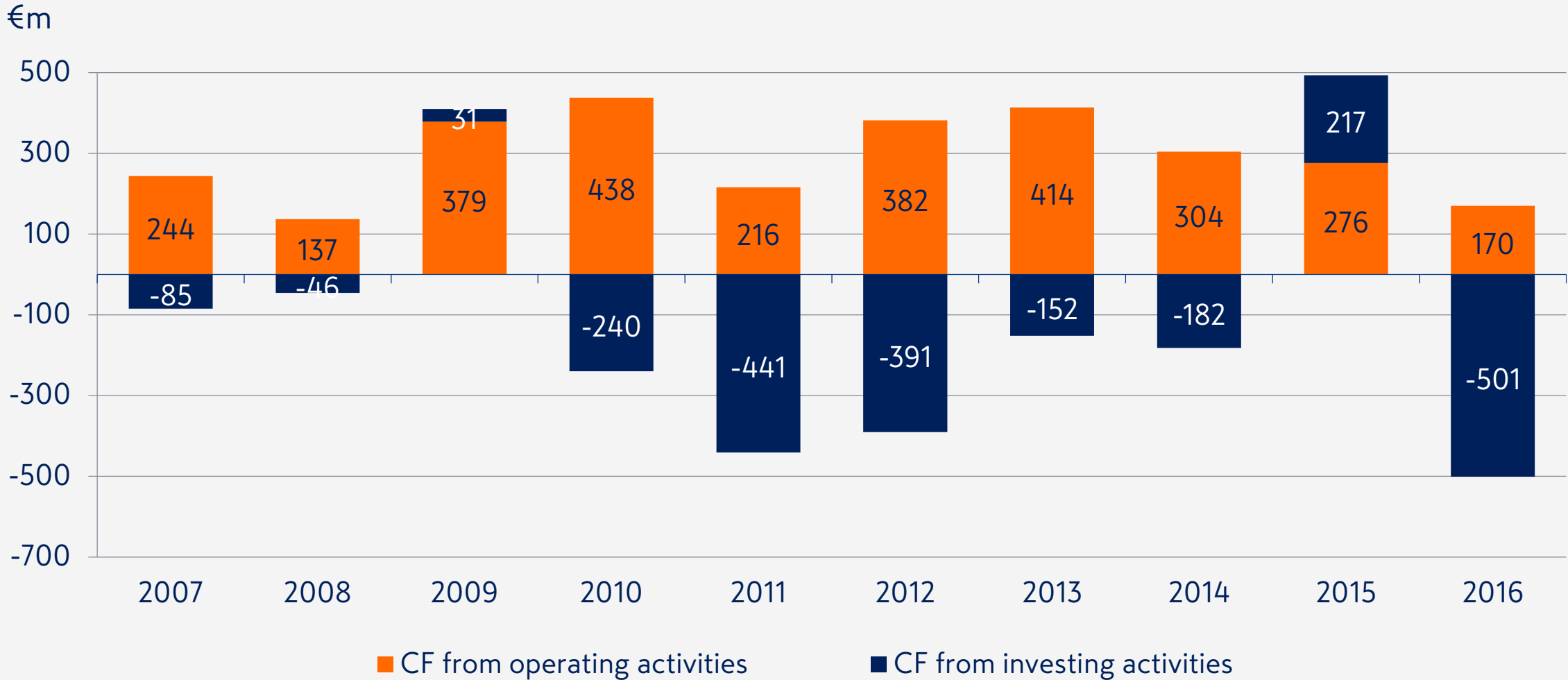


Annual Capex Level Below €200m After 2017

(Excl. acquisitions)

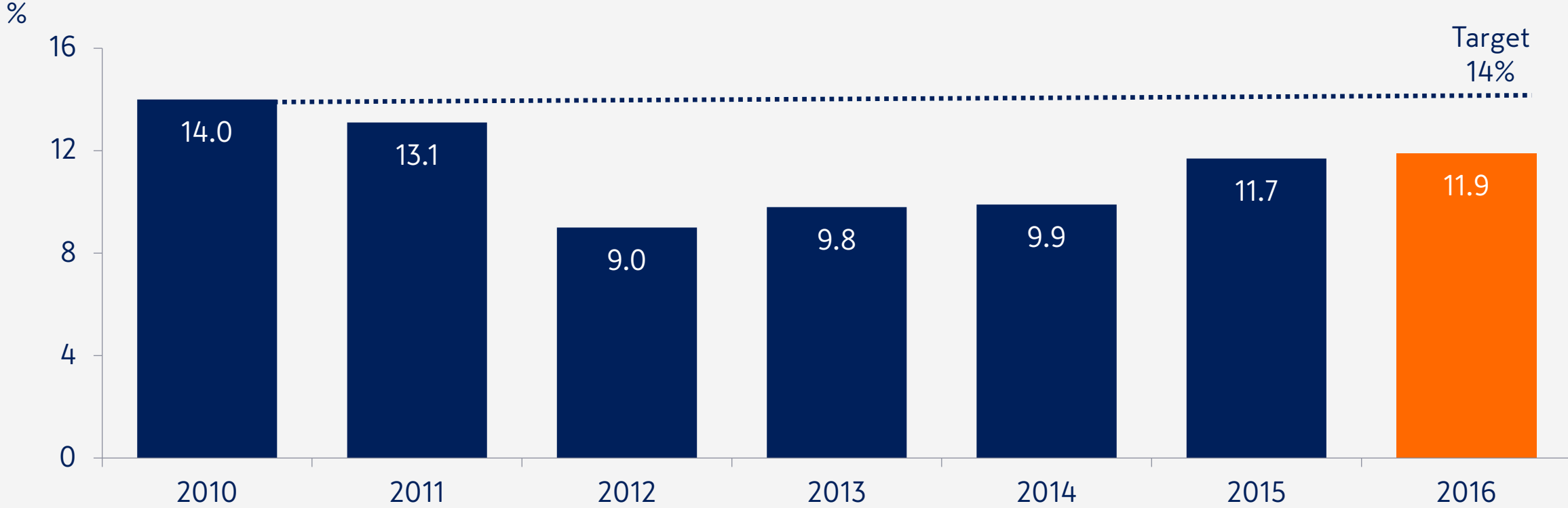


Target to Enhance Cash Flow Generation

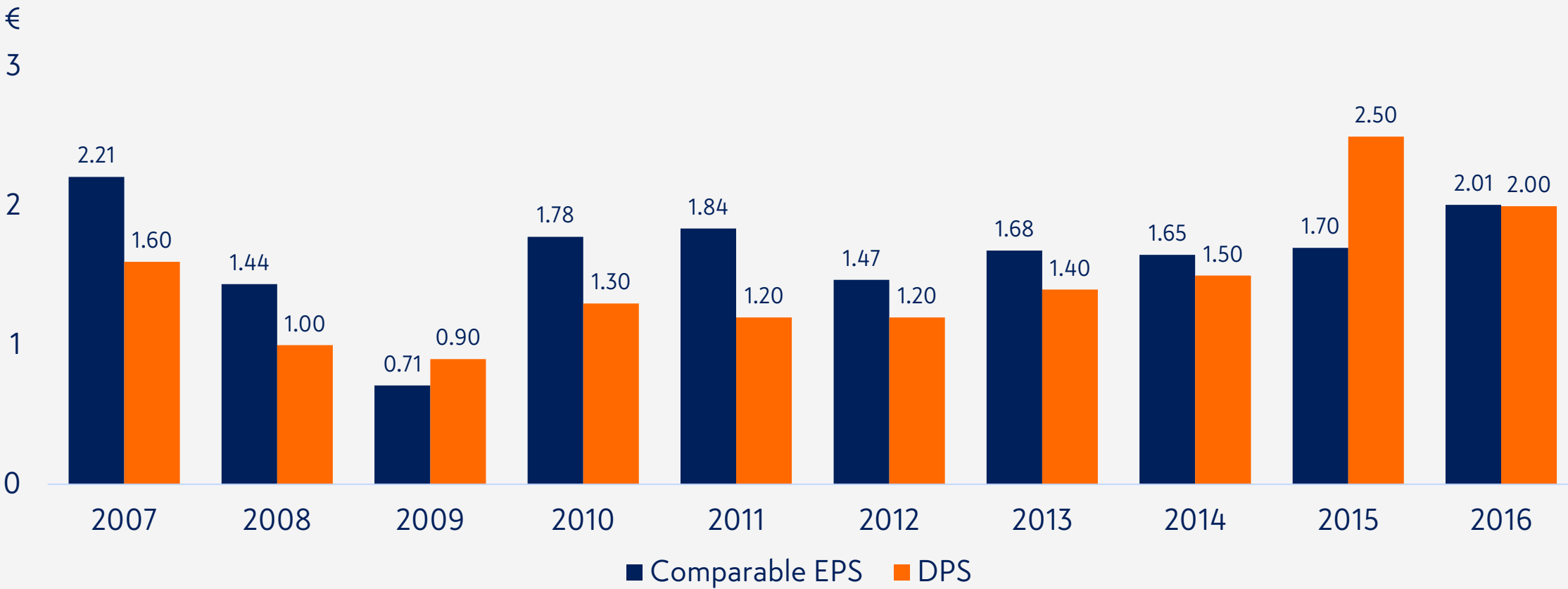


Steady Growth in ROCE

Comparable



Good Dividend Distribution to be Continued



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 (4/2017-3/2018) in comparison with the 12 months preceding the end of the reporting period (4/2016-3/2017).

The general economic situation and the expected trend in consumer demand vary in Kesko's different operating countries. In Finland, the trading sector is expected to grow. In the Finnish grocery trade, intense competition is expected to continue. The market for the Finnish building and technical trade is expected to grow. In Sweden and Norway, the market is expected to grow but at a somewhat slower rate. The trend in the Russian market is expected to remain modest. In the Baltic countries, the market is expected to grow.

Kesko Group's net sales for the next 12-month period are expected to remain at the level of the preceding 12 months. The net sales expectation takes account of the divestment of the K-maatalous business expected no later than the third quarter of 2017, the divestment of the Russian grocery trade in November 2016, as well as the transfer of the stores included in the acquisition of Suomen Lähikauppa to retailers and store closures. The comparable net sales for the next 12-month period 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.

Growth Strategy Implementation Continues

- Increasingly unified K Group focusing on growth areas
- Integrations and synergies of acquisitions
- Capture the significant growth potential in the building and technical trade profitably
- Continued improvement of cost effectiveness
- Improvement of customer experience in both stores and digital channels



Investor Calendar and Channels

July 27:
Interim Report H1/2017

October 25:
Interim Report 9M/2017

Monthly:
Sales figures

www.kesko.fi/en/investor

IR@kesko.fi

[Twitter.com/Kesko_IR](https://twitter.com/Kesko_IR)





Appendix: Interim Report Q1/2017



Highlights

- Net sales increased in all divisions and profitability remained at a good level despite renewal projects
- Extensive chain renewal in grocery trade is progressing well
- Building and technical trade division is growing in B2B trade, operating profit continued to improve
- Car trade sales and profit strengthened, Porsche is growing strongly
- Continued focus on growth areas, withdrawal from machinery trade and divestment of K-maatalous
- Kesko and Oriola are building a new kind of health and wellbeing chain in Finland

Key Performance Indicators

	Q1/2017	Q1/2016
Net sales, €m	2,597	2,013
Net sales growth, %	+29	-3
Operating profit*, €m	28.7	32.3
Operating margin*, %	1.1	1.6
Profit before tax*, €m	33.6	34.5
Earnings/share*, €	0.29	0.26
Return on capital employed*, %, rolling 12 mo	11.2	12.4
Return on equity*, %, rolling 12 mo	9.6	8.7

* Comparable

Net Sales by Division Q1/2017

Car trade

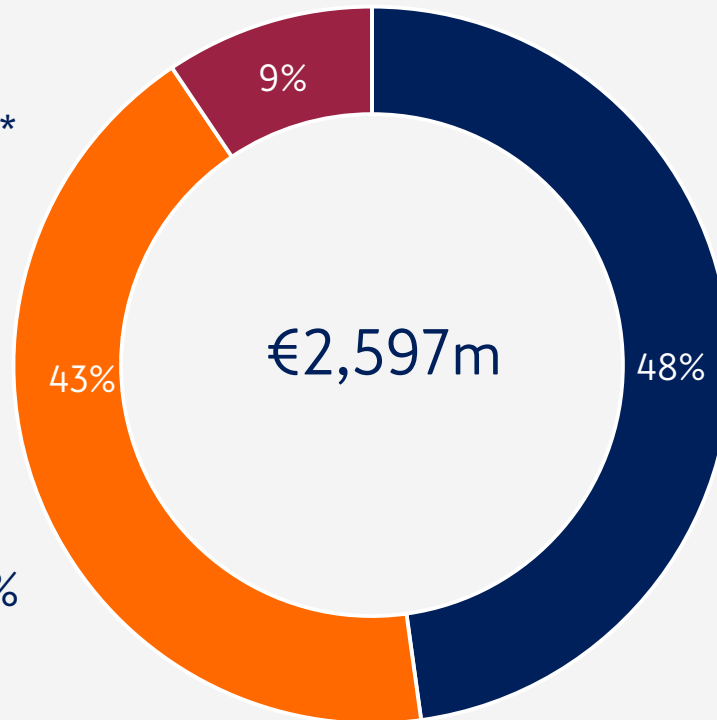
€245m

Growth 8.9%, comparably +3.4%*

Building and technical trade

€1,112m

Growth 59.9%, comparably +5.9%



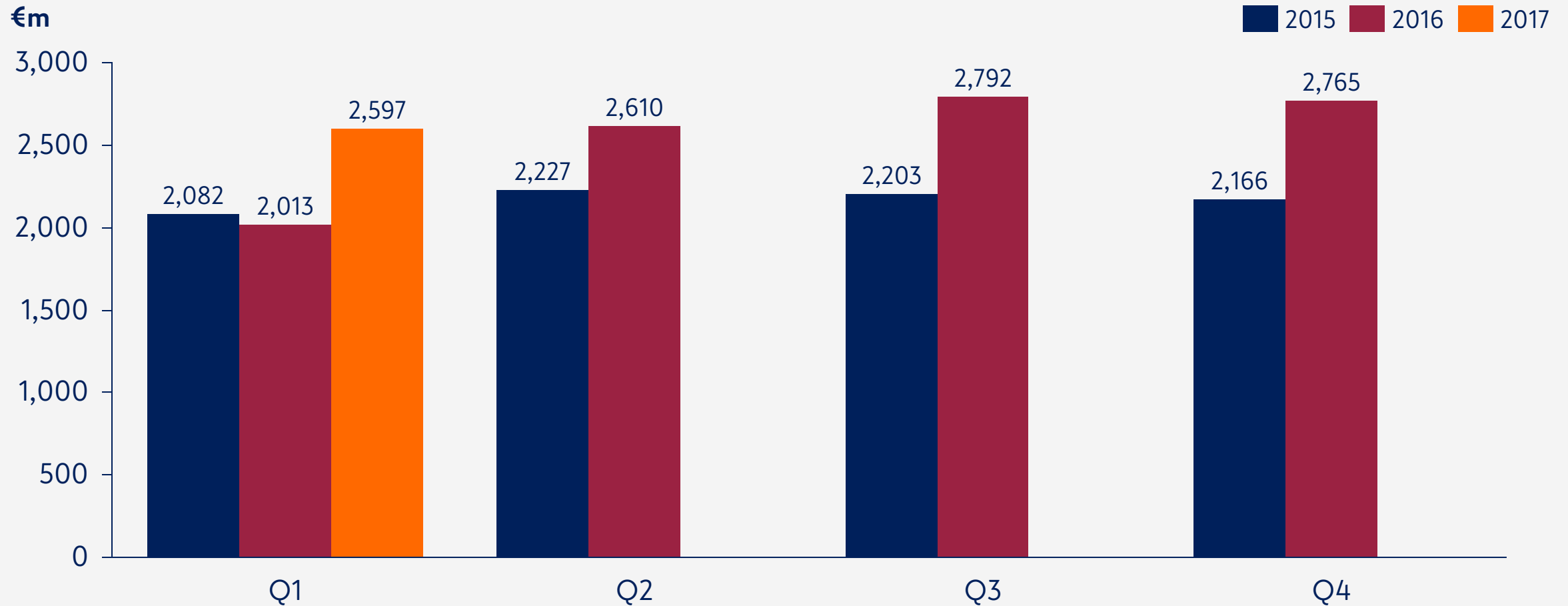
Grocery trade

€1,243m

Growth 13.6%, comparably +0.1%

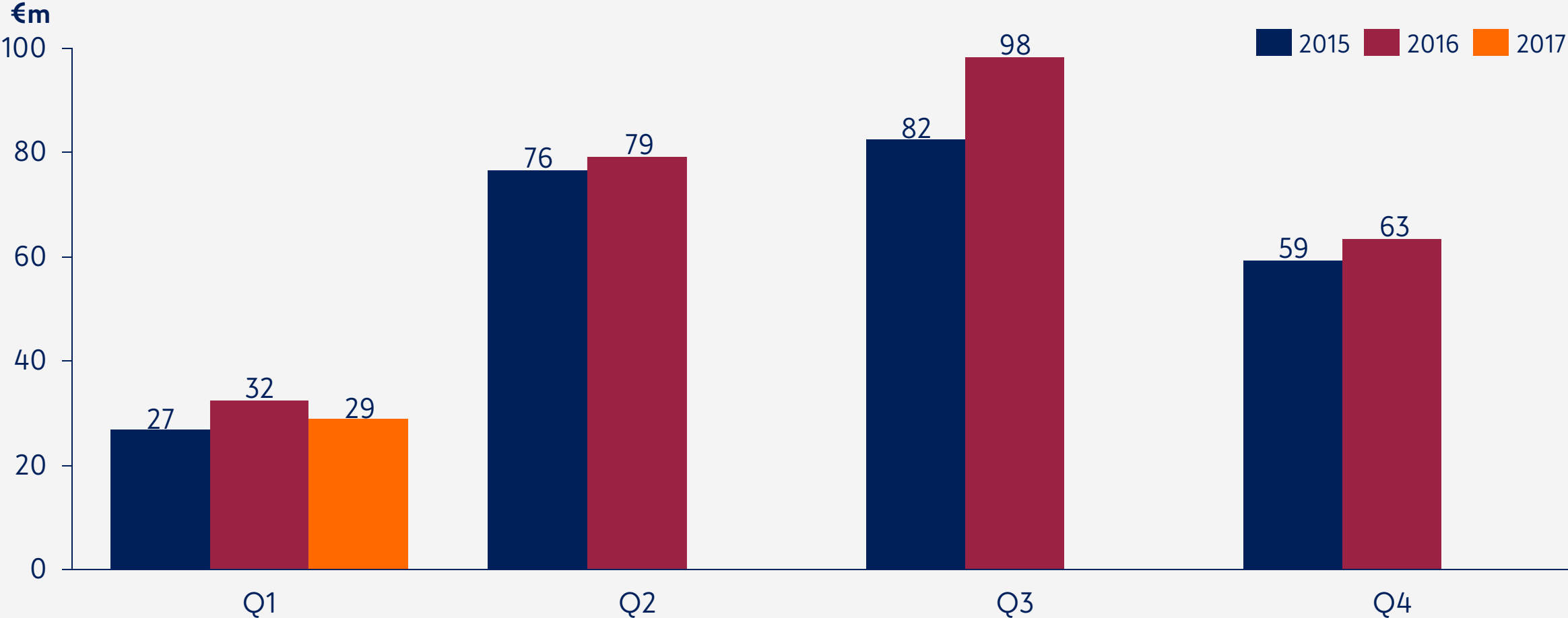
Net Sales by Quarter

Q1/2017 growth 29.0%, comparably +2.4%



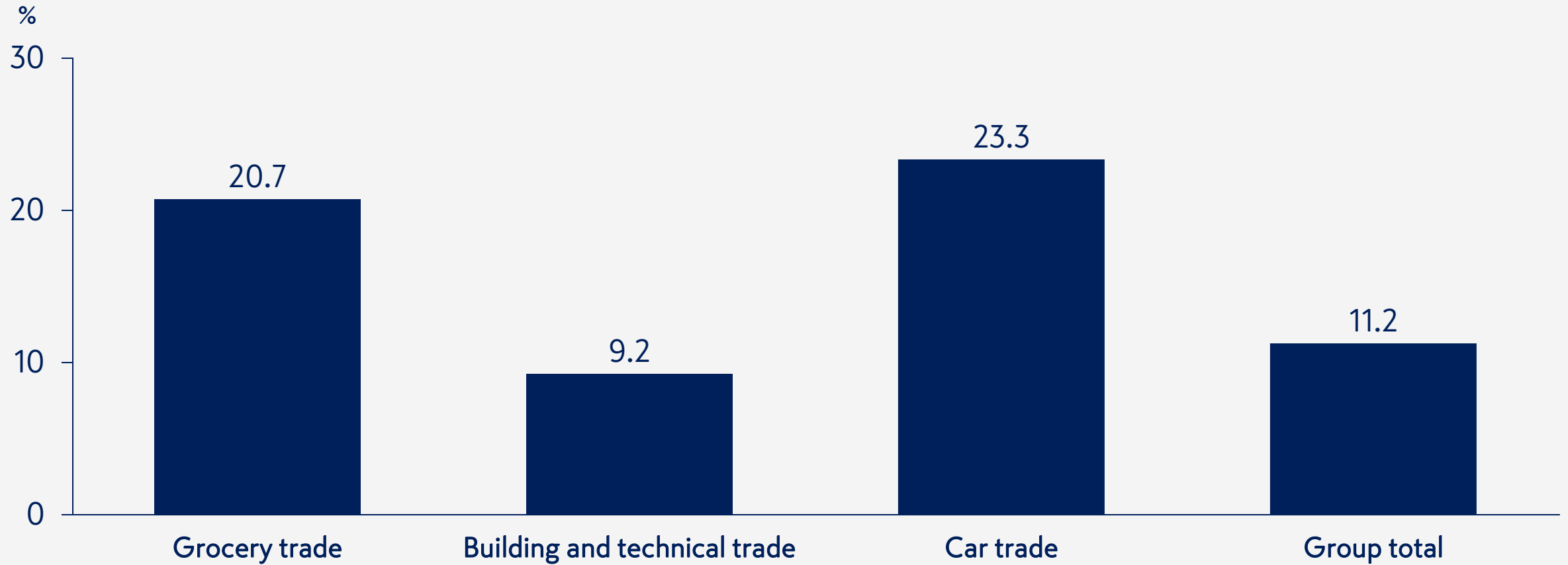
Operating Profit by Quarter

Comparable



Return on Capital Employed by Division Q1/2017

Comparable, rolling 12 mo



Strong Financial Position

	31.3.2017	31.3.2016
Equity ratio, %	47	55
Liquid assets, €m	365	746
Interest-bearing net debt, €m	226	-311
Cash flow from operating activities, Q1, €m	-57	-96
Cash flow from investing activities, Q1, €m	-34	-53



Grocery Trade



Grocery Trade

- K Group's grocery sales +15.8%, comparably excluding Suomen Lähikauppa +0.2%
- Profitability at a good level thanks to growth, efficiency measures and divestment of Russian operations
- Suomen Lähikauppa's profit impact negative owing to seasonal fluctuations and extensive change programme
- Renewal measures progressing as planned in all chains



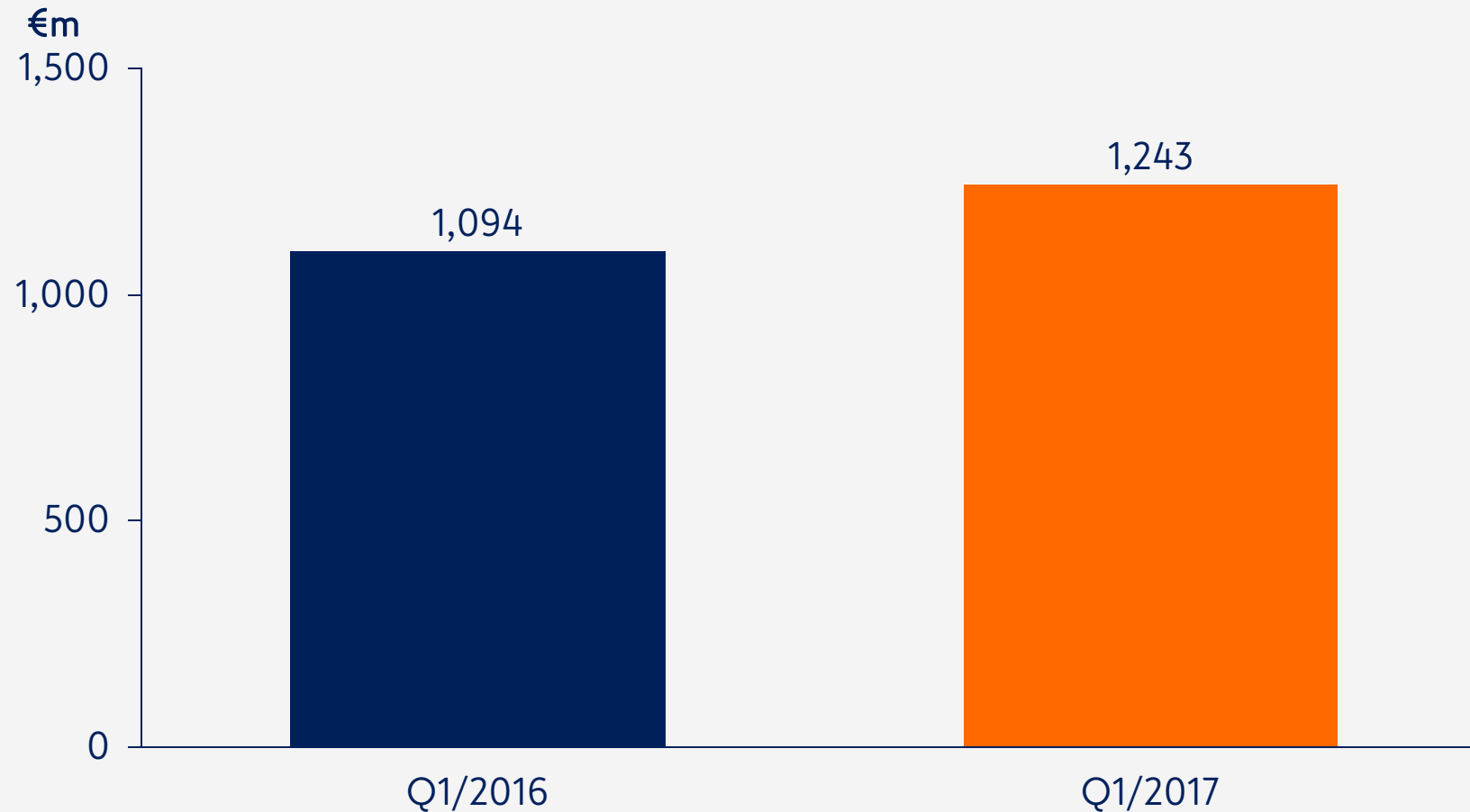
New K-Market Chain – Finland’s Most Comprehensive Neighbourhood Store Network

- Over 800 K-Markets provide a solid platform for the implementation of neighbourhood market strategy
- 407 Siwas and Valintatalos converted into K-Markets and 57 of them transferred to retailers
 - Sales and customer flows increased by over 10%
 - Purchasing and logistics operations completely integrated
- By the end of 2018, all stores transferred to retailers
- Annual synergy level over €30 million as of 2018



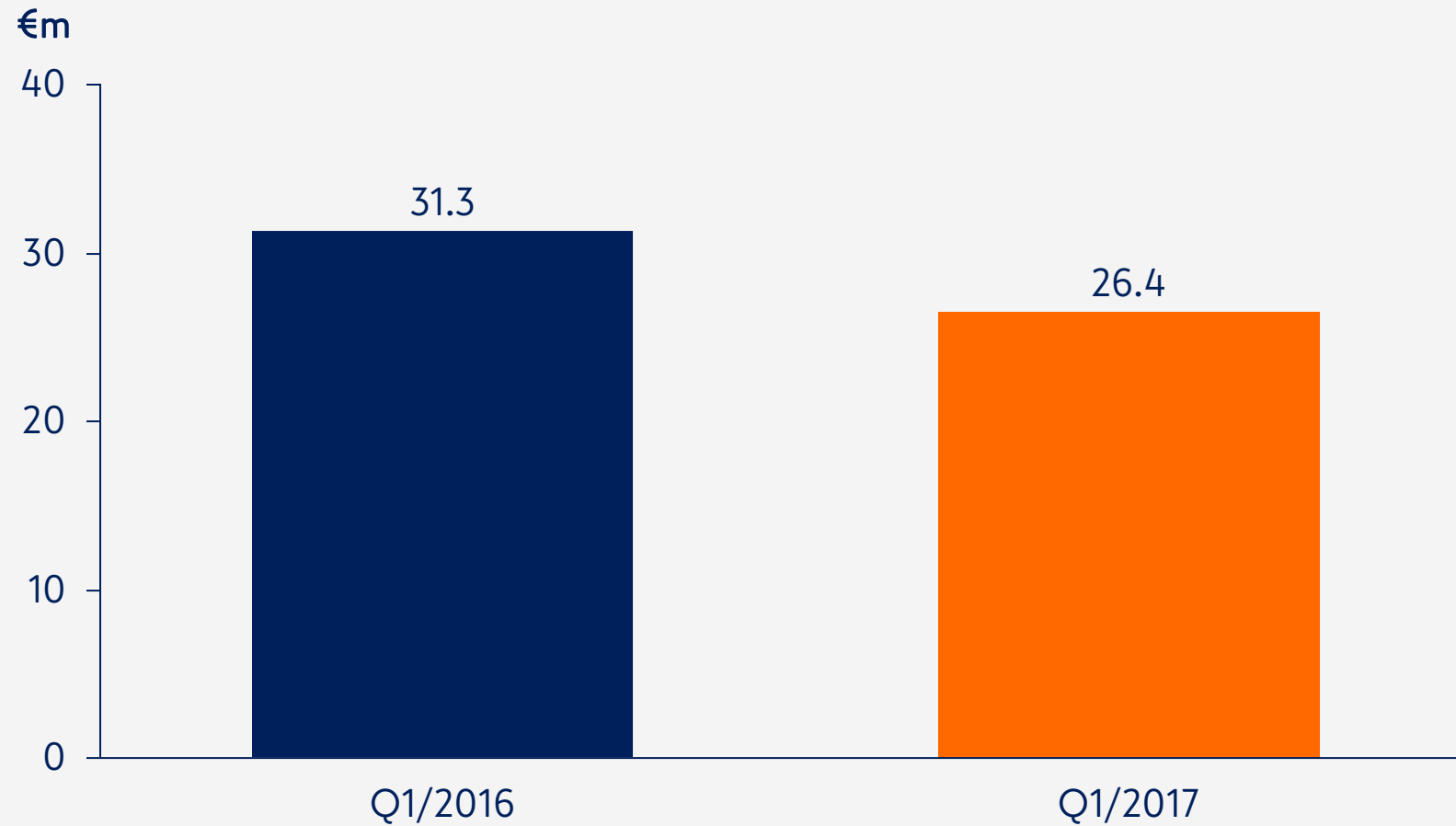
Net Sales

Q1/2017 growth 13.6%, comparably +0.1%



Operating Profit

Comparable





Building and Technical Trade



Building and Technical Trade

- Net sales growth 59.9%, in local currencies excluding Onninen 5.9%
- Strong sales growth in B2B trade continued
- Good position in growing markets
- Comparable operating profit increased despite renewal projects



Integration of Onninen into Kesko Progressing Well

- Strongest B2B sales entity in the market
- Onninen's sales growth 12% and operating profit €2.5 million (€-3.0 million, pro forma 2016)
- B2B business organised into a single entity
- Reorganisation programmes are progressing in Poland and Sweden
- Synergies being realised as planned, annual level of €30 million as of 2020



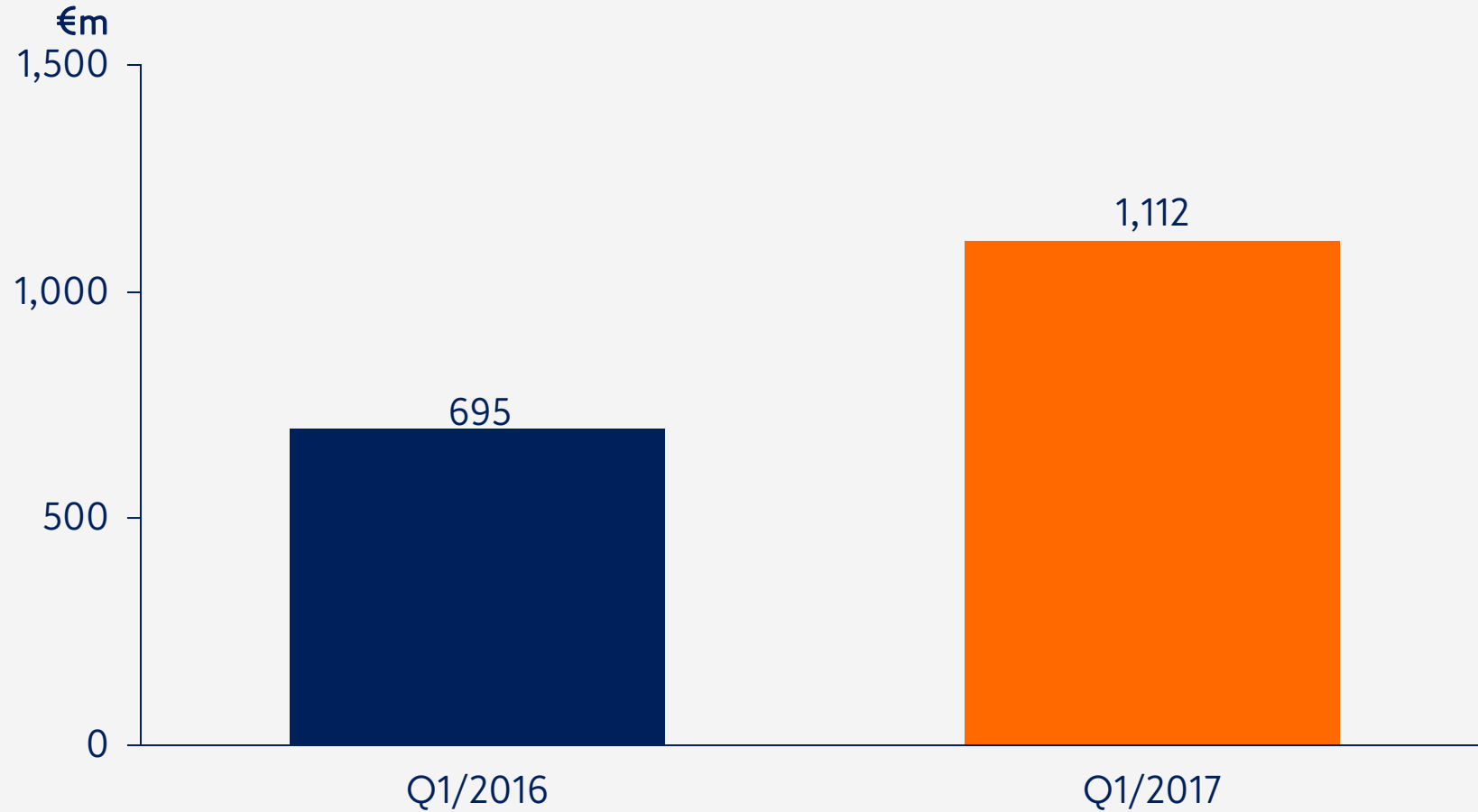
New K-Rauta Has Got Off to a Good Start

- K-Rauta and Rautia combined into new K-Rauta chain
- Finland's largest and most diversified network of building and home improvement stores at 139 locations
- Launch of renewed k-rauta.fi online store
- Emphasis on the best customer experience of the sector both offline and online
- K-Rauta brand to be renewed in all operating countries

The screenshot displays the K-Rauta website interface. At the top, a dark purple navigation bar contains links for 'Tuotemerkit', 'Kampanjat', 'Palvelut', 'Talot ja mökit', 'Inspiraatio ja ohjeet', and 'Kaupat'. On the right side of this bar are links for 'Kirjautu', 'Muistilista', and a shopping cart icon. Below the navigation bar is a white header with the 'K Rauta' logo on the left, a 'Tuotteet' dropdown menu, and a search bar with the placeholder text 'Etsi tuotteita, kauppoja, aukioloaikoja...'. The main content area features a large orange banner with the text 'K-RAUTA - YLLÄTTÄVÄN HELPPÖÄ' and a button labeled 'Tutustu palveluihin'. Below the banner is a section titled 'Pihan ja terassin suosikkituotteet' (Garden and terrace favorite products), which includes five product cards: 1. 'KAASUGRILLI WEBER GENESIS II E-210 GBS' priced at 799,00 €/kpl. 2. 'VÄRIKATE CELLO PUNAINEN 45L' priced at 9,90 €/kpl (0,22 €/l). 3. 'TERASSILAUTA KESTOPUUI 28X95 RUSKEA URITETTU AB-LUOKKA' priced at 1,59 €/m. 4. 'KUUKAUSIMANSIKKA SIEMEN RÜGEN' priced at 2,25 €/kpl. 5. 'KULMASOHYVA JA PÖYTÄ CELLO BARCELONA HARMAA' priced at 799,00 €/kpl. Each product card includes an image, a name, a price, and a 'Saatavilla' (Available) status indicator.

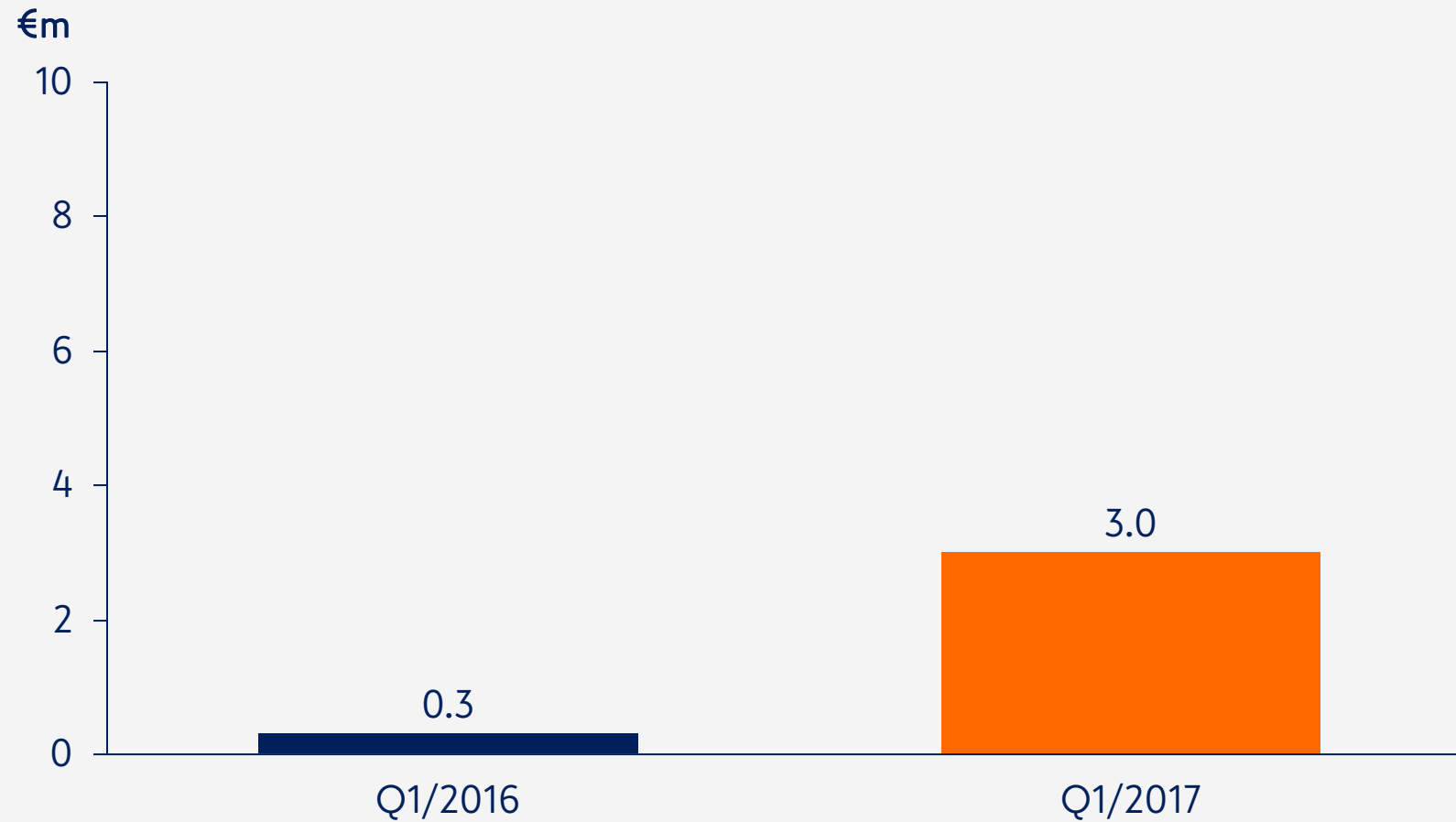
Net Sales

Q1/2017 growth 59.9%, comparably +5.9%



Operating Profit

Comparable





Car Trade



Car Trade

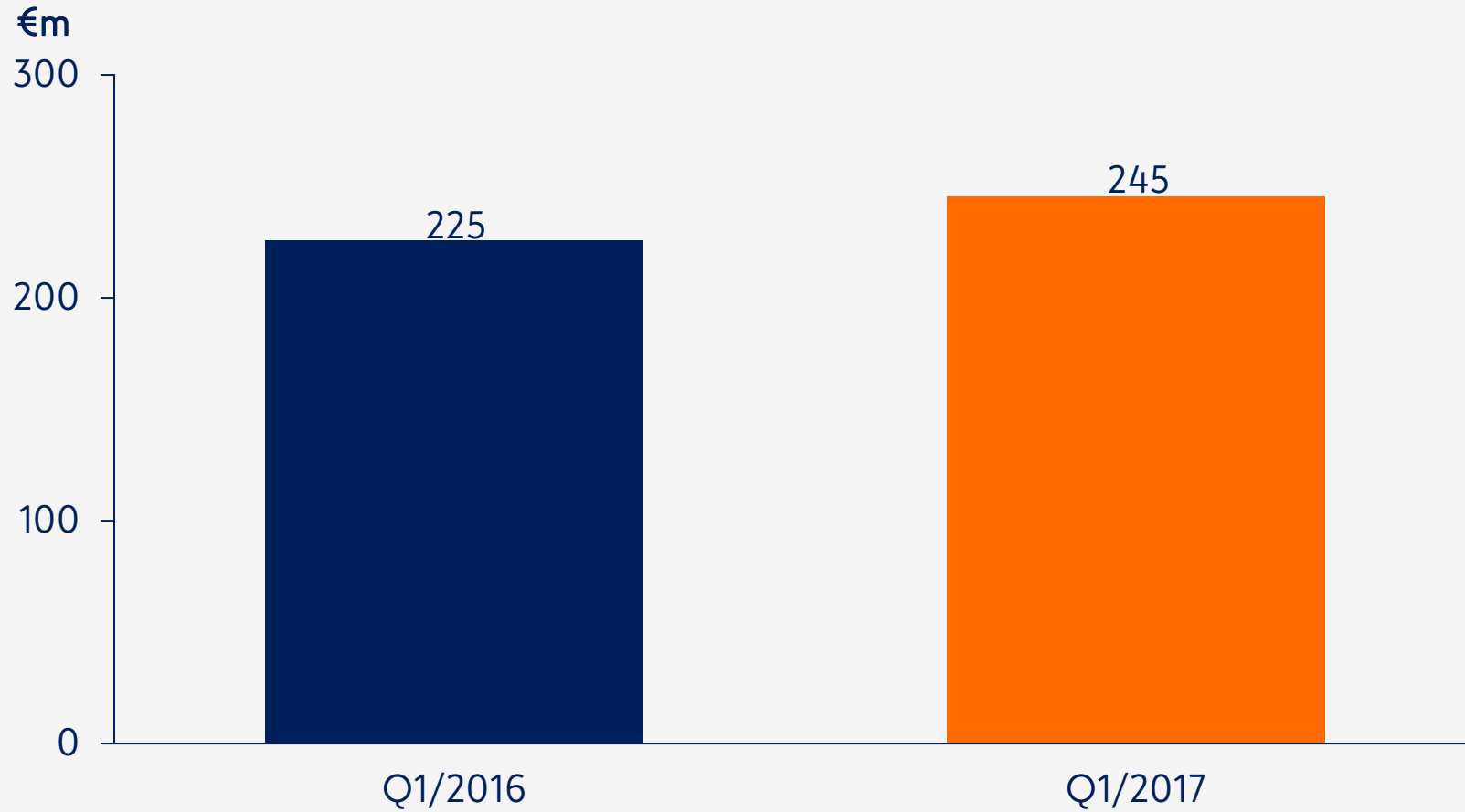
- Car trade net sales are growing and profitability at a good level
- Strong growth in first time registrations of vans +49% (market +30%)
- Long delivery times have affected first time registrations of passenger cars; situation will improve as new models become available
- Integration of Porsche is progressing well, +29% increase in customer orders
- 10% increase in overall order books



Henri Kontinen, #1 in the ATP tennis doubles ranking, appointed Porsche Brand Ambassador in Finland

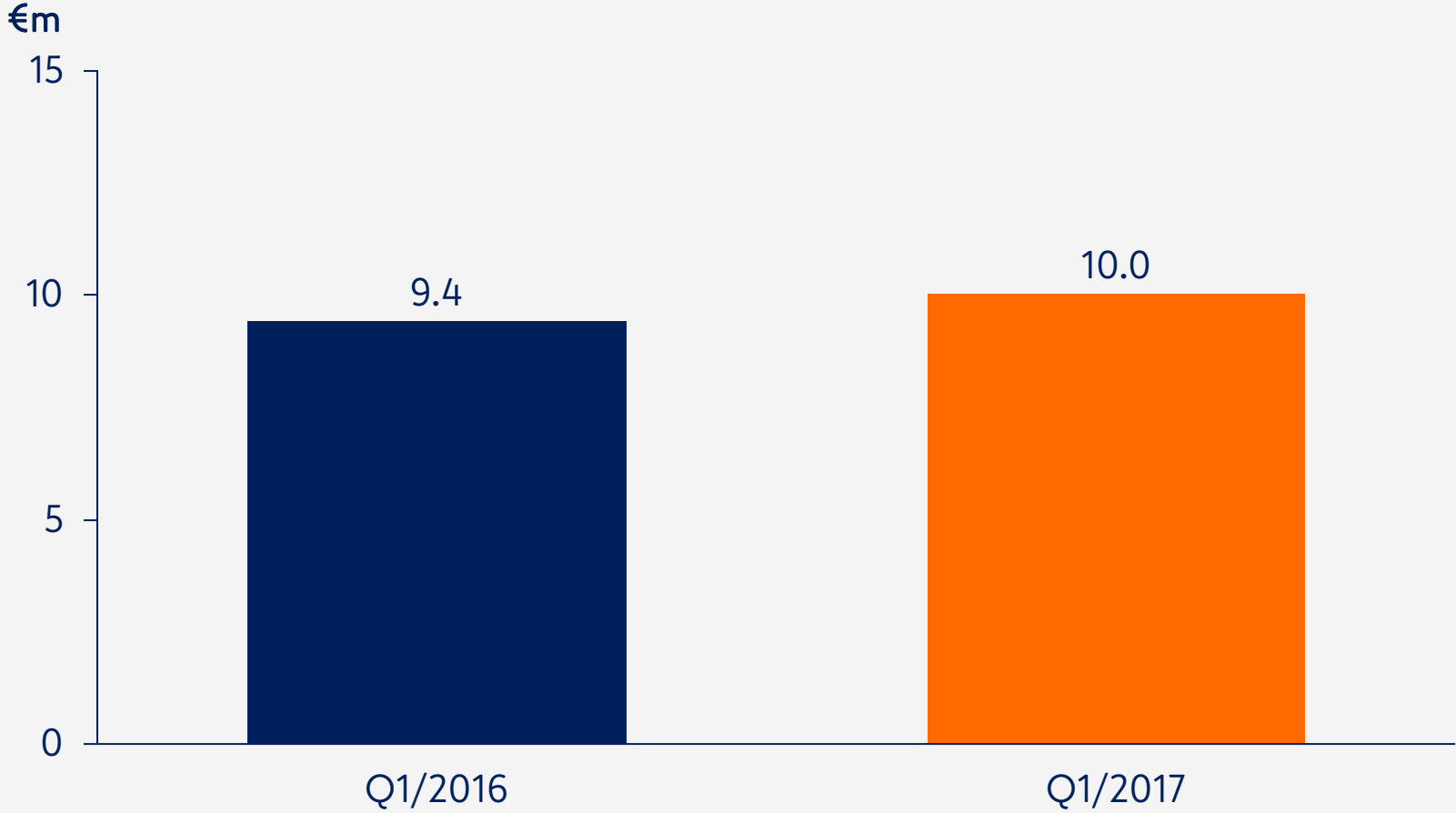
Net Sales

Q1/2017 growth 8.9%, comparably +3.4%



Operating Profit

Comparable





For shopping
to be fun