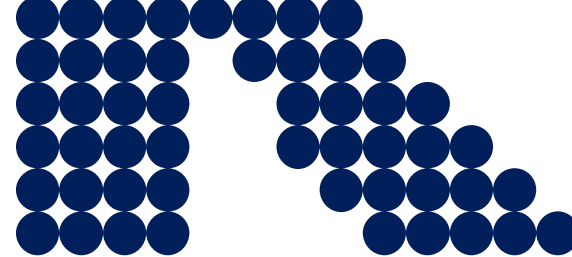


Kesko Presentation November 2016

Jukka Erlund



Kesko Q3/2016

rolling 12 mo

- Net sales €9,582m
- Operating profit* €269m
- ROCE* 12.5%
- Personnel 30,000
- Shareholders 40,000
- Market capitalisation €4.0bn (Sep 30, 2016)

* comparable



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



Kesko Operates in Three Divisions

Grocery trade



- Net sales €5.1bn
- Some 1,500 stores in Finland
- #2 in the Finnish retail market
- #1 in Finnish food service business

Building and technical trade



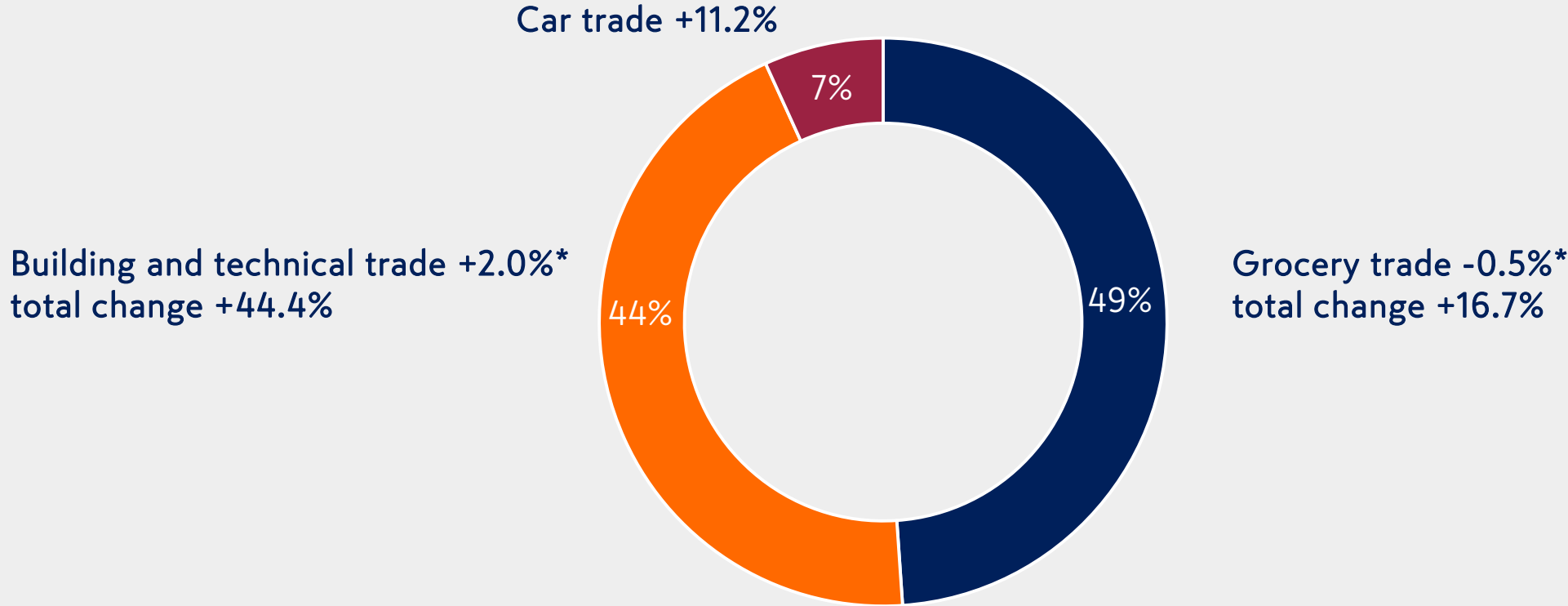
- Net sales €3.7bn
- Some 700 stores in 9 countries
- #1 in northern Europe

Car trade



- Net sales €0.8bn
- Sole importer of VW, Audi, Seat and MAN trucks
- #1 in Finland

Q3/2016 Net Sales by Division

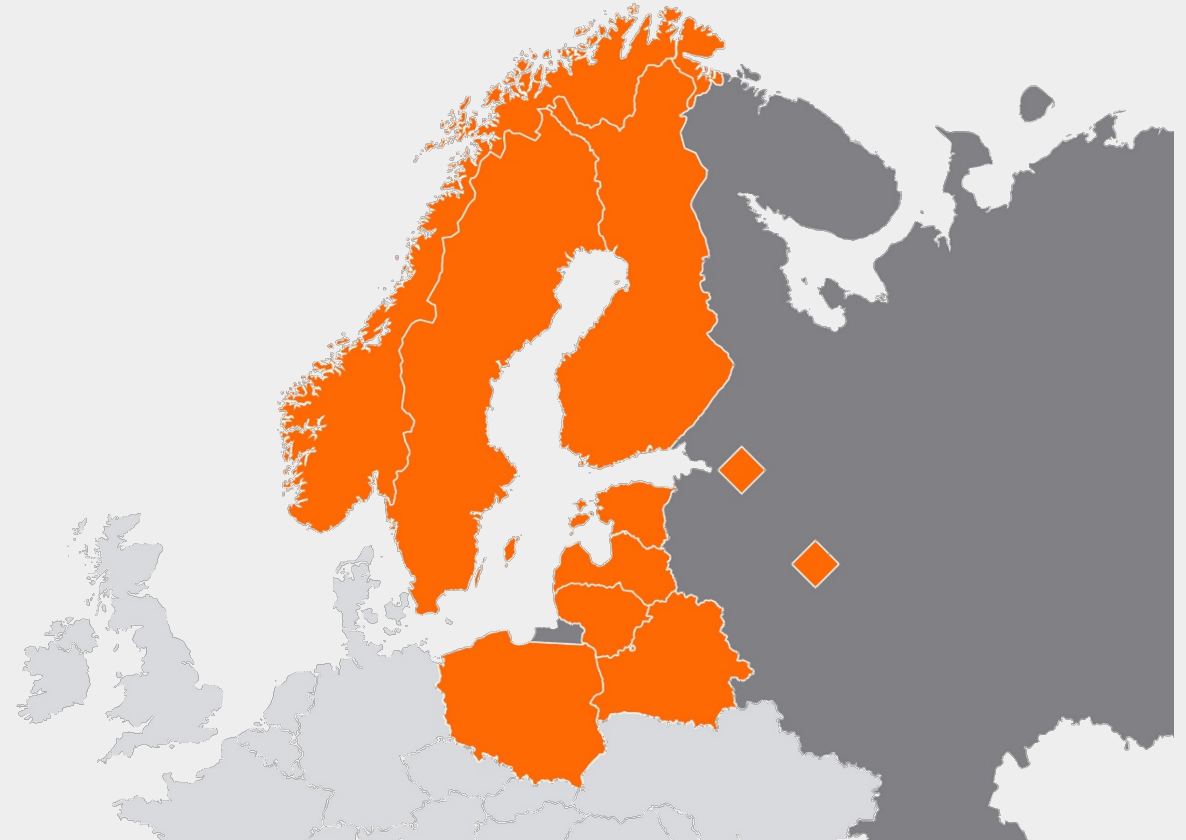


*In local currencies excl. acquisitions



Operations in Nine Countries

	Retail sales 2015, € million, (excl. Suomen Lähikauppa and Onninen)	GDP growth, 2016e, % (Source: IMF)
Finland	8,927	0.9
Sweden	209	3.6
Norway	664	0.8
Estonia	136	1.5
Latvia	90	2.5
Lithuania	366	2.6
Russia	311	-0.8
Poland		3.1
Belarus	116	-3.0



Growth Strategy

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



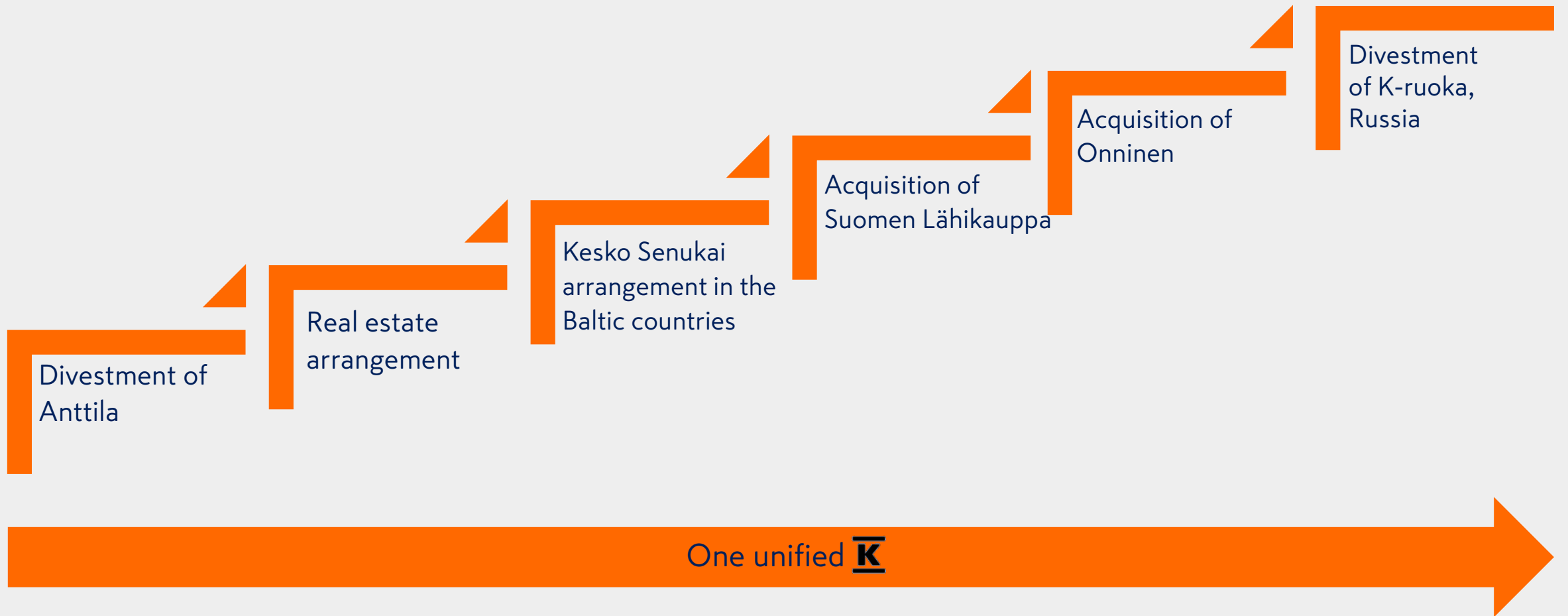
Maximising Value Creation Also in Other Businesses

- Furniture trade (Finland and Estonia)
- Agricultural trade (Finland)
- Machinery trade (Finland and the Baltic countries)
- Sports trade (Finland)
- Shoe trade (Finland)

- Total revenue some €1bn
- Strong market shares and ROCE

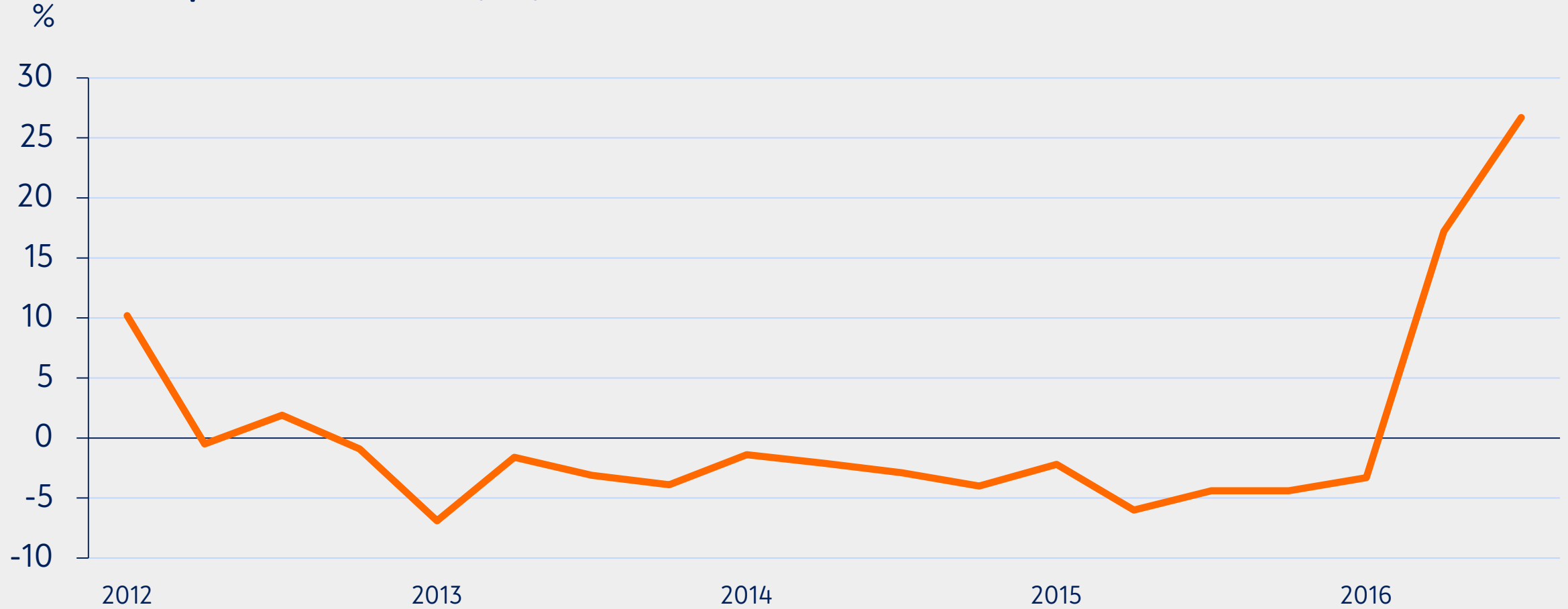


Strategy Implementation is Progressing



Net Sales on Strong Growth

Net sales performance, Q/Q





Grocery trade



Kesko's Grocery Trade

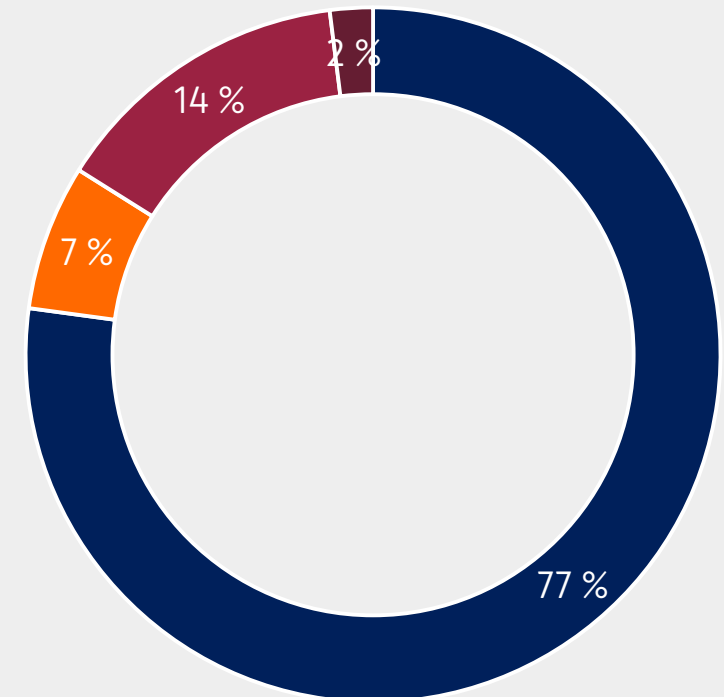
Q4/2015-Q3/2016

Net sales	€5,063m
Operating profit*	€178m
Operating margin*	3.5%
ROCE*	21.9%

* Comparable




Total market €16.6bn in 2015

Net sales Q4/15-Q3/16



■ Finland ■ SLK ■ Kespro ■ Russia

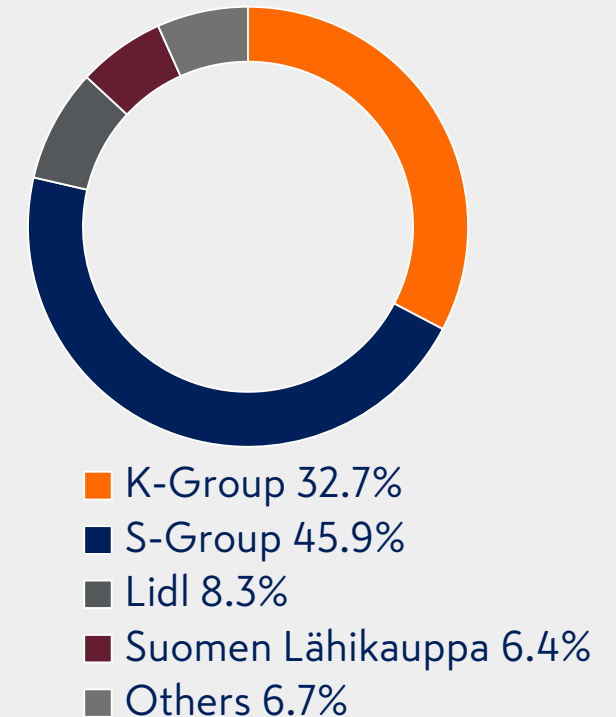
Retail Stores

	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
Others	122	108	Incl. online store

Strong Position in the Finnish Grocery Trade Market

- The leading quality actor in the Finnish grocery trade and food service wholesale market
- Acquisition of Suomen Lähikauppa has significantly increased net sales and strengthened market share, which is expected to settle down to a range of 37-38%
- Good profitability due to strong market position, enhancement actions taken and synergies resulting from the acquisition of Suomen Lähikauppa
- Divestment of Russian operations will further improve profitability and cash flow

Total market €16.6 billion in 2015



Source: Nielsen

Direction in Grocery Trade

- Most customer driven and inspirational food retailer
- Renewing concepts, brand and marketing
- Best digital services
- Staying as one of the most profitable retailers in Europe
- Maintaining profitable growth



Good Progress in Integration of Suomen Lähikauppa

- Conversion of Siwa and Valintatalo stores into K-Markets is progressing rapidly
- Customer visits and sales have increased markedly
- The stores' price level is much more competitive and selections more attractive
- Purchasing and logistical operations fully integrated by spring 2017
- Transferring the stores to retailers is progressing
- Due to good progress, we are targeting annual synergies above €30m at 2018

Kesko to Dispose of Its Russian Grocery Trade to Lenta

- On 26.10.2016, Kesko Food Russia Holding Oy signed an agreement to dispose of its grocery trade business in Russia to Lenta Ltd
- Lenta is the largest hypermarket chain in Russia in terms of selling space and the country's fifth largest retail chain in terms of 2015 sales
- Aggregate consideration for the disposal is approximately RUB 11 billion (approximately €158m)
- Growth of grocery trade in Russia would have required significant capital expenditures
- The disposal includes 11 food stores operating in the St. Petersburg and Leningradskiy regions, three land plots in the Moscow and Leningradskiy regions, as well as administrative and support functions
- The disposal is yet subject to the approval of the Russian competition authority, FAS
- The disposal is estimated to be completed on November 30, 2016



Building and technical trade

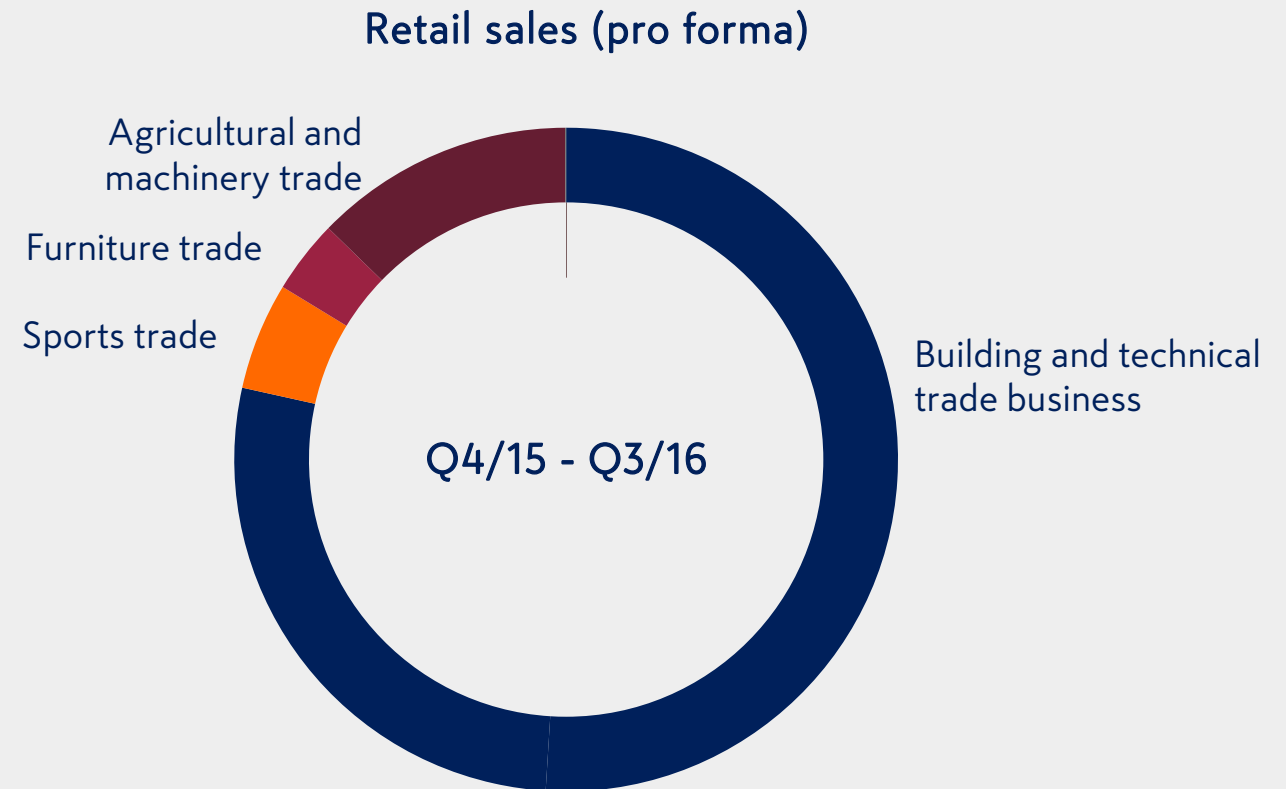


Building and Technical Trade Division

Q4/2015-Q3/2016

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

* comparable



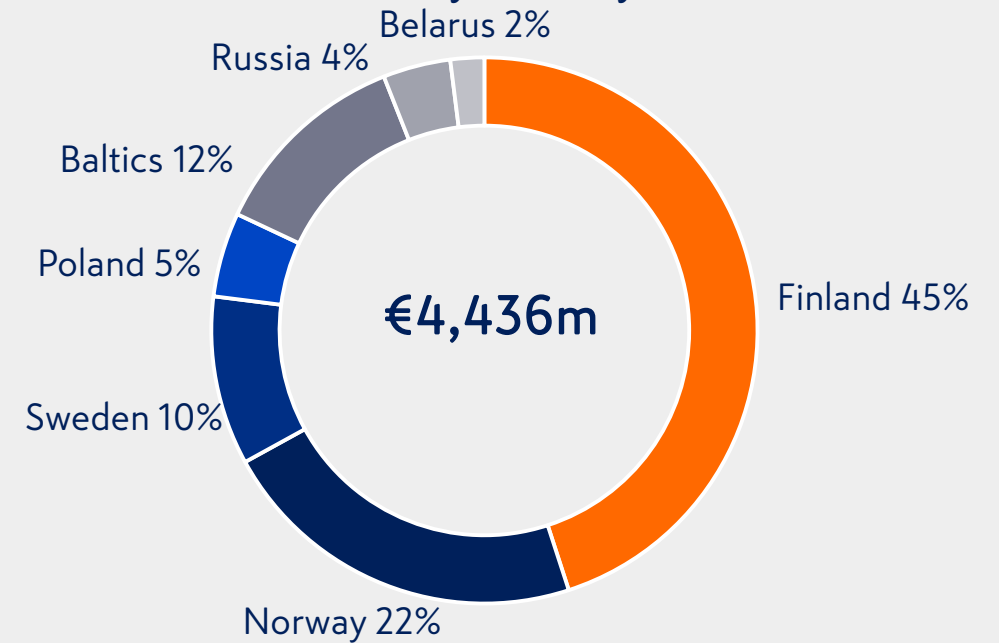
Building and Technical Trade

Sales by customer segments



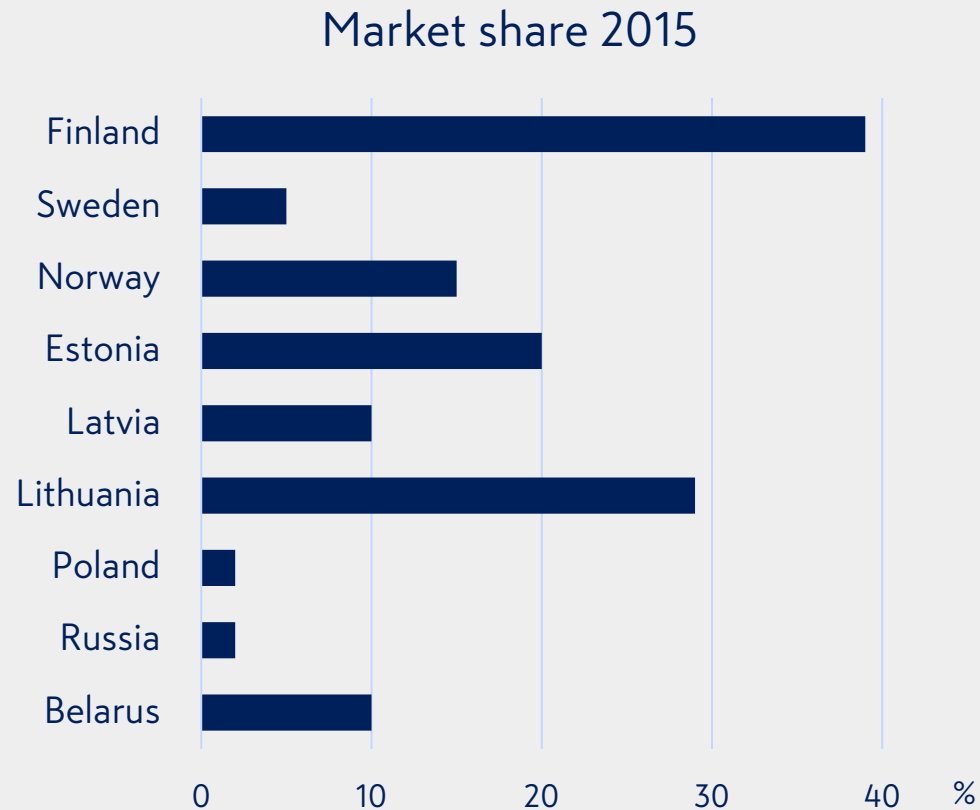
retail sales (pro forma),
excl. speciality goods trade

Sales by country



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

Operations in 9 Countries



- K-rauta and Onninen clear #1 in Finland
- Sweden as the biggest market in Nordics offers promising growth opportunities
- Byggmakker #2 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

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



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



Car trade

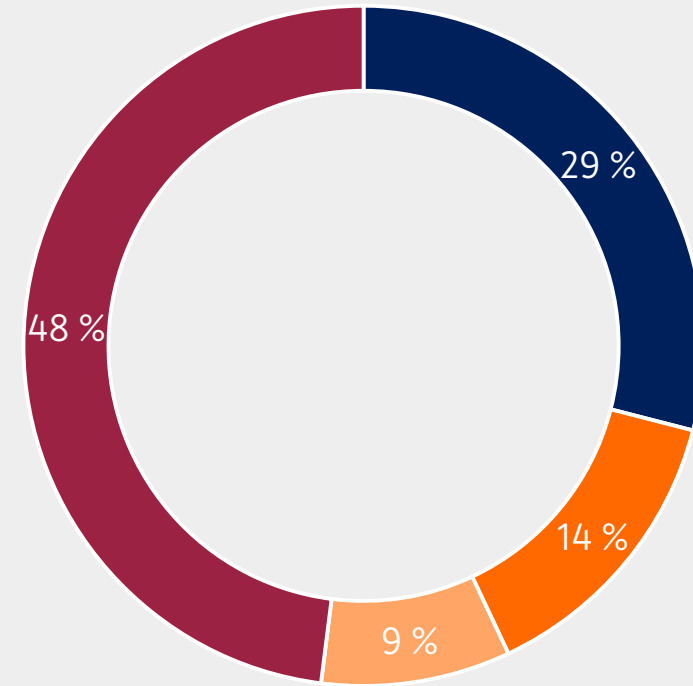


Car Trade

Q4/2015-Q3/2016

Net sales	€805m
Operating profit*	€26m
Operating margin*	3.2%
Return on capital employed*	22.0%

* comparable



■ New car retailing

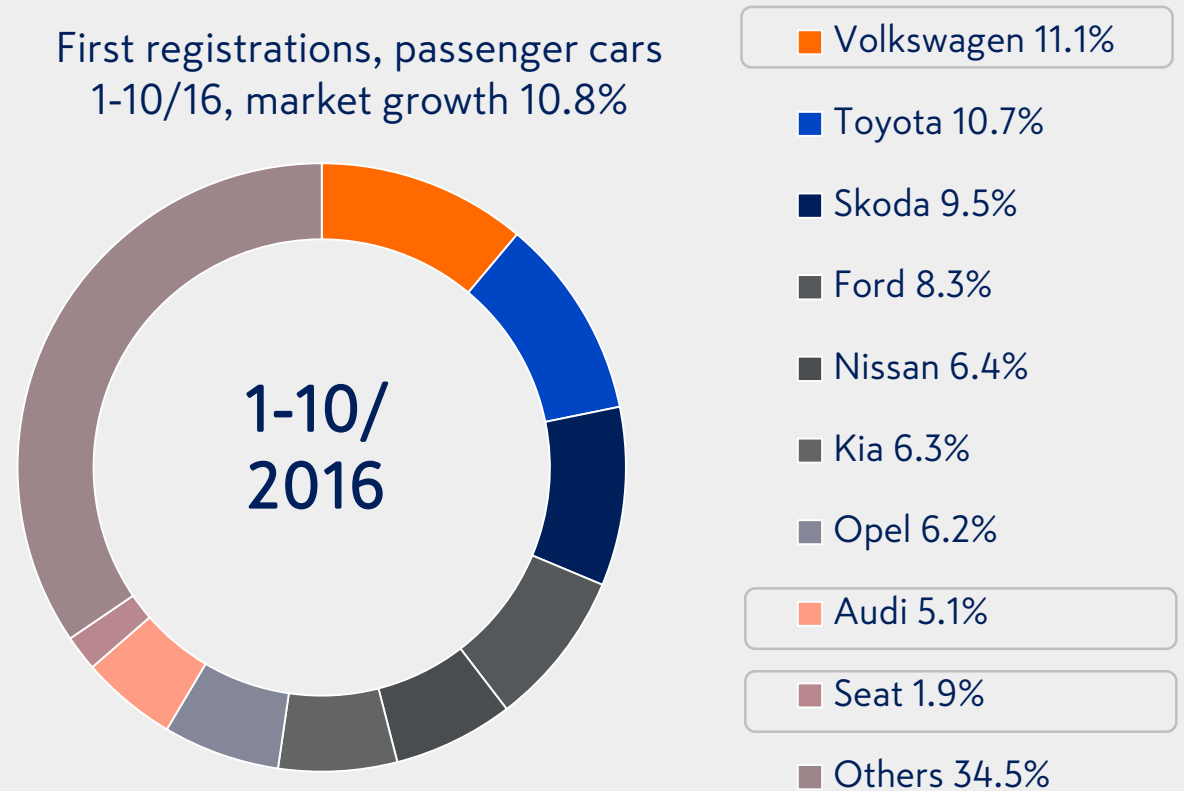
■ Used car retailing

■ After sales retailing

■ Importing / sales to dealers

Car Trade and Finnish Car Market

- The fast changes in car industry offer new business opportunities
- Deepening cooperation with VW AG
- Kesko car trade market share app. 20%
 - High market share ensures well-performing after sales
- Profitable growth from used car sales, including e-commerce





Financials



Kesko Key Figures 9/2016

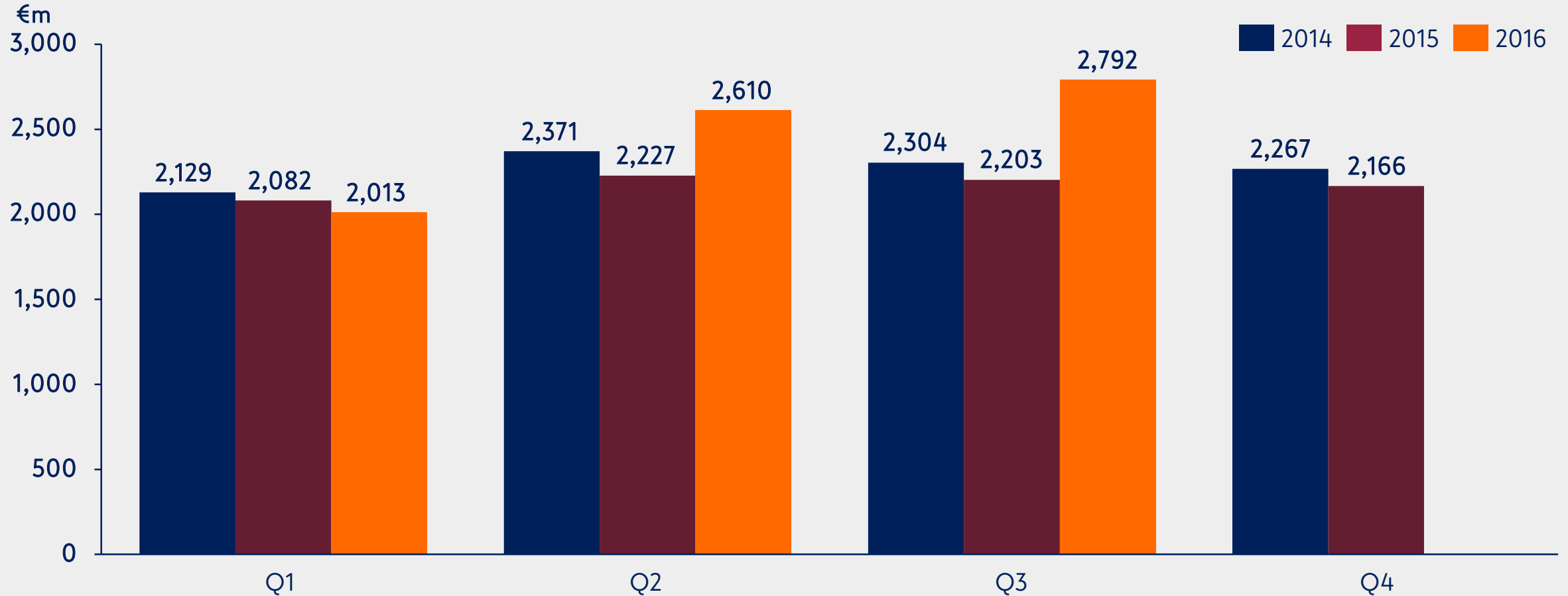
12 month rolling

Net sales growth	+9.1%	
Operating profit*	€269m	
Operating margin %*	2.8%	
<hr/>		
Net debt / EBITDA*	0.8	target <2.5
Return on capital employed*	12.5%	14%
Return on equity*	10.1%	12%

* comparable

Net Sales by Quarter

Q3 growth 26.7%, in local currencies excl. acquisitions 1.1%



Operating Margin – Targeting Further Growth

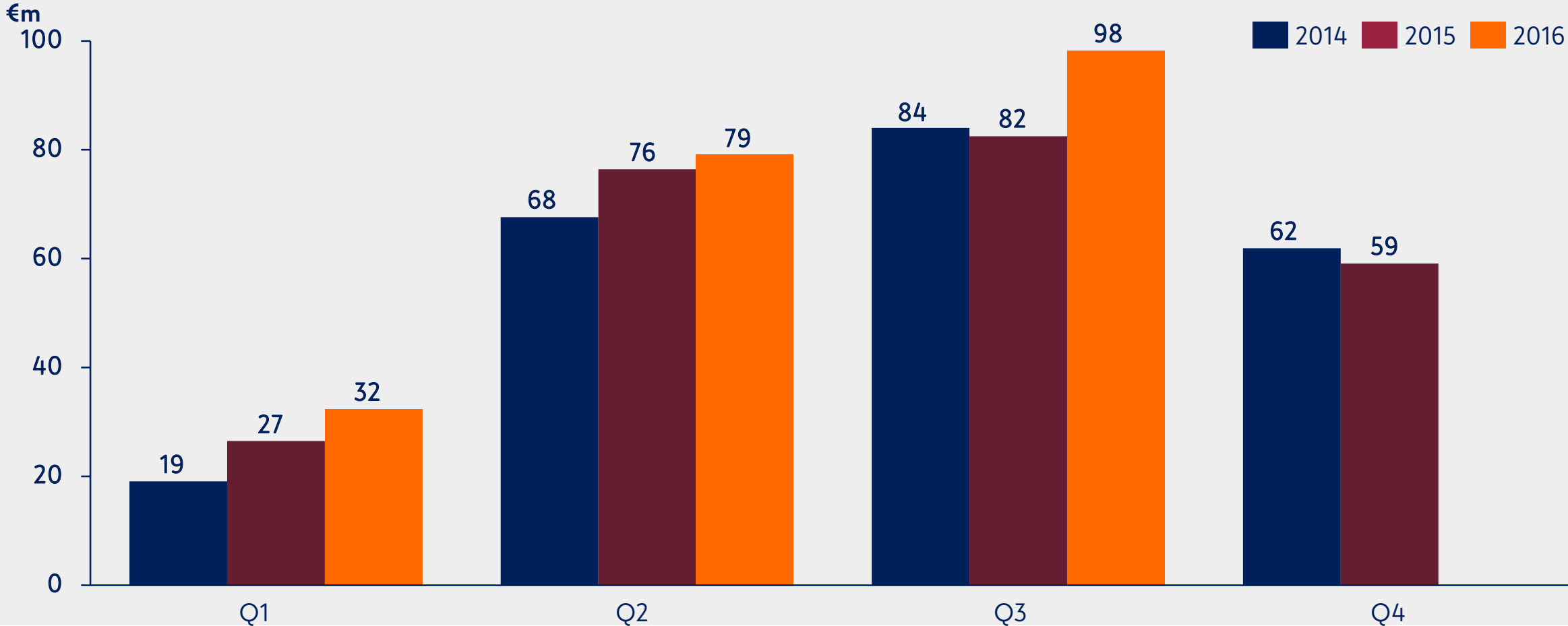


*2016 rolling 12 mo

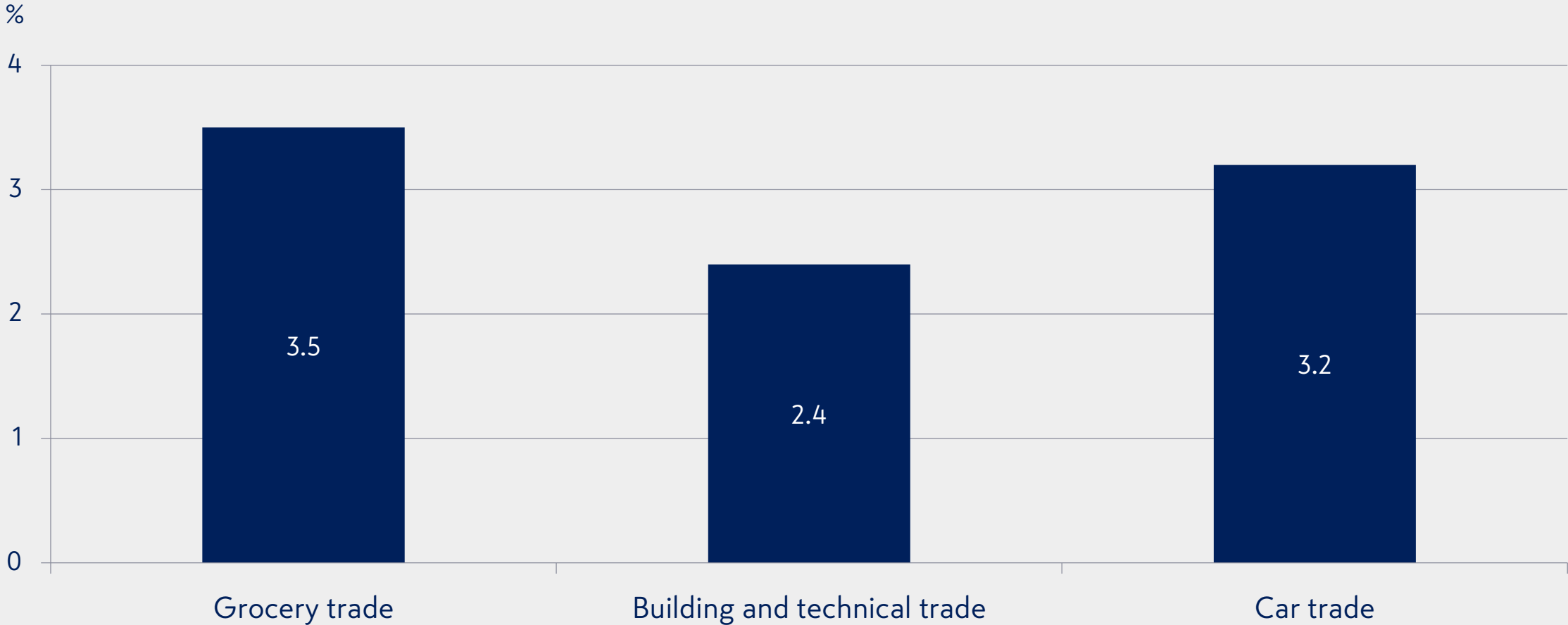


Operating Profit

comparable, by quarter



Operating Margin in Divisions – Potential for Further Growth



rolling 12 mo

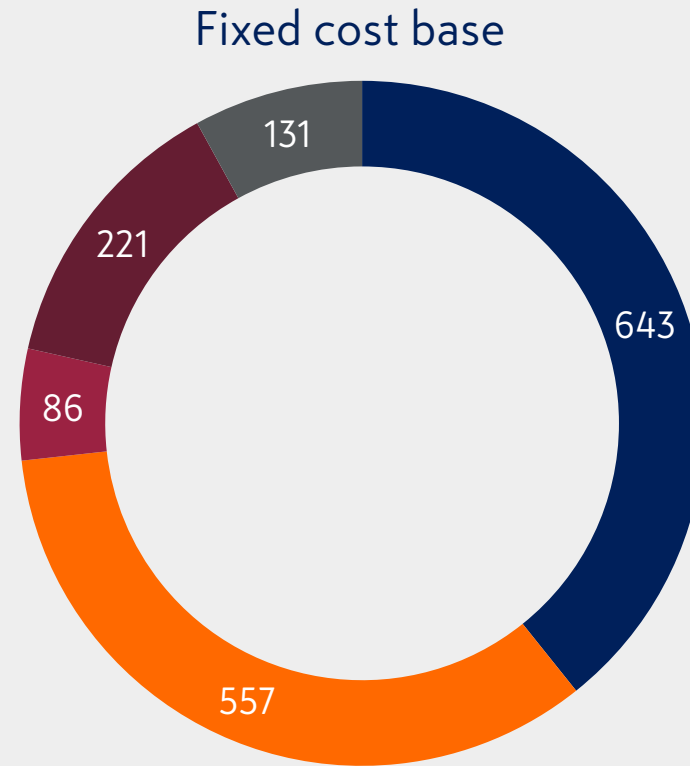


Successfully Executing €50m Efficiency Program

Main sources of the savings

- Personnel efficiency
- ICT costs
- Marketing costs
- Rents and store site costs

Majority of the actions completed – full impact 2017



Rolling 12 mo, € million*

- Personnel costs
- Rents and store site costs
- ICT costs
- Marketing and loyalty costs
- Other costs

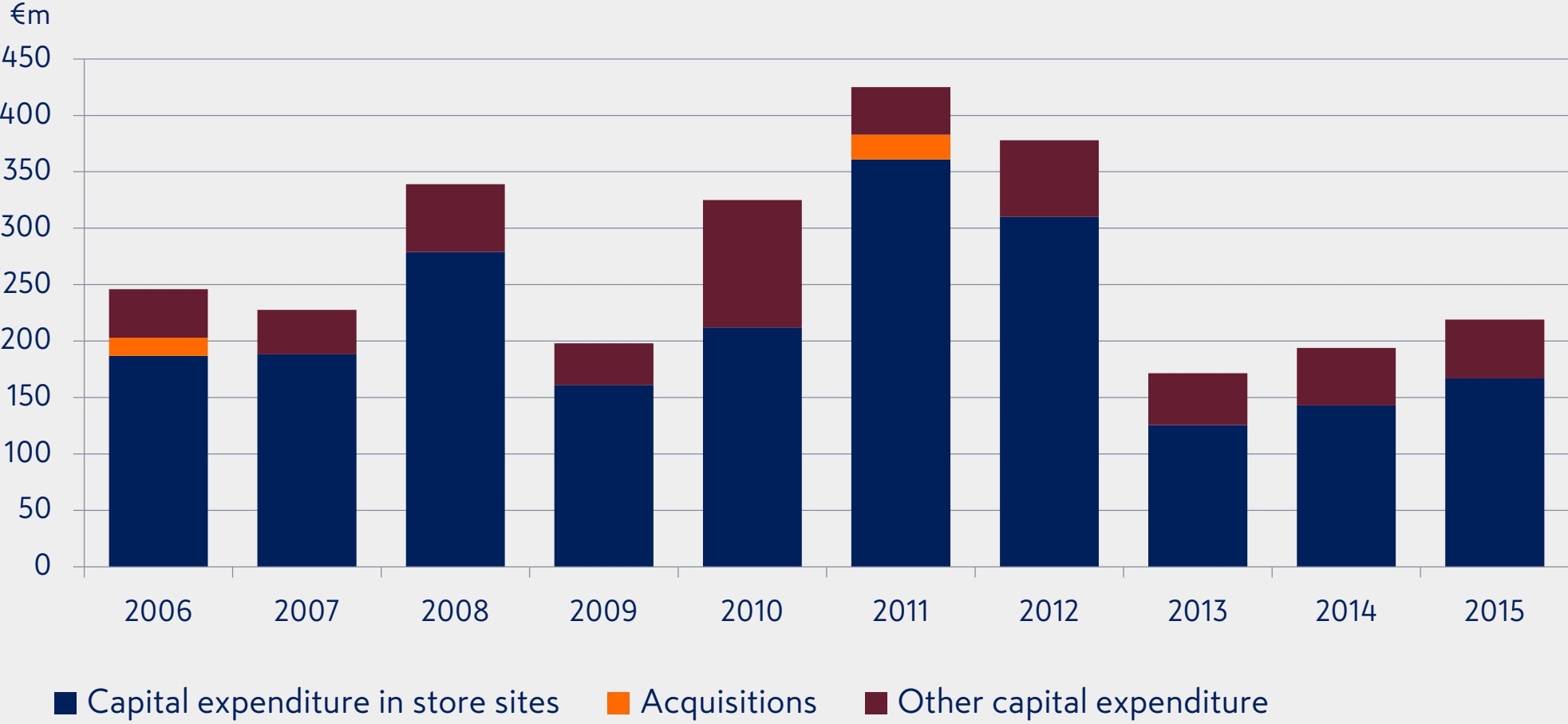
Total €1,638 million

* comparable

Enhancing Cash Flow Generation

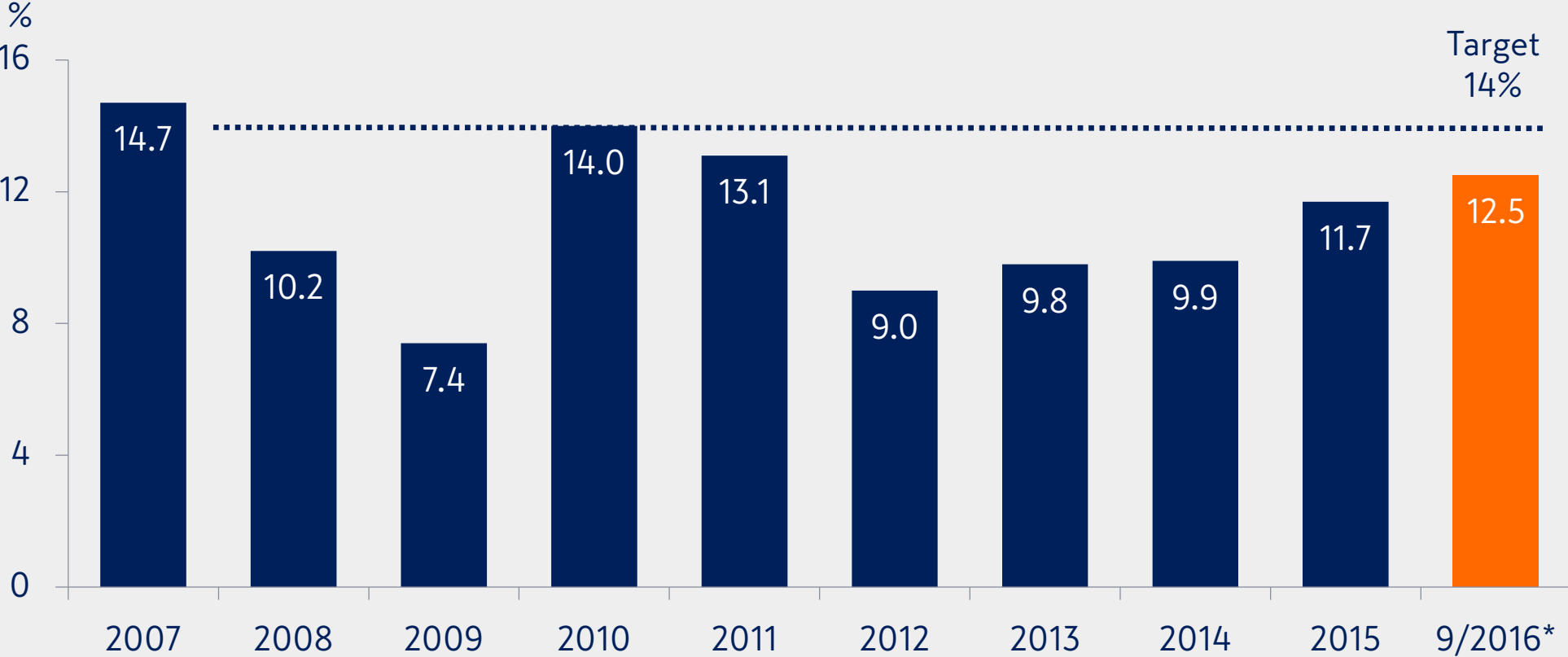
- Further growth in net sales and operating margin in strategic growth areas
- Synergy benefits
 - Suomen Lähikauppa progressed better than expected, full annual impact above €30m from 2018
 - Onninen progressed as expected, full annual impact of €30m from 2020
- Executing the €50m cost savings program
- 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

Annual Capex Level Below €200m After 2017 (Excl. Acquisitions)



Steady Growth in ROCE

comparable



Target
14%

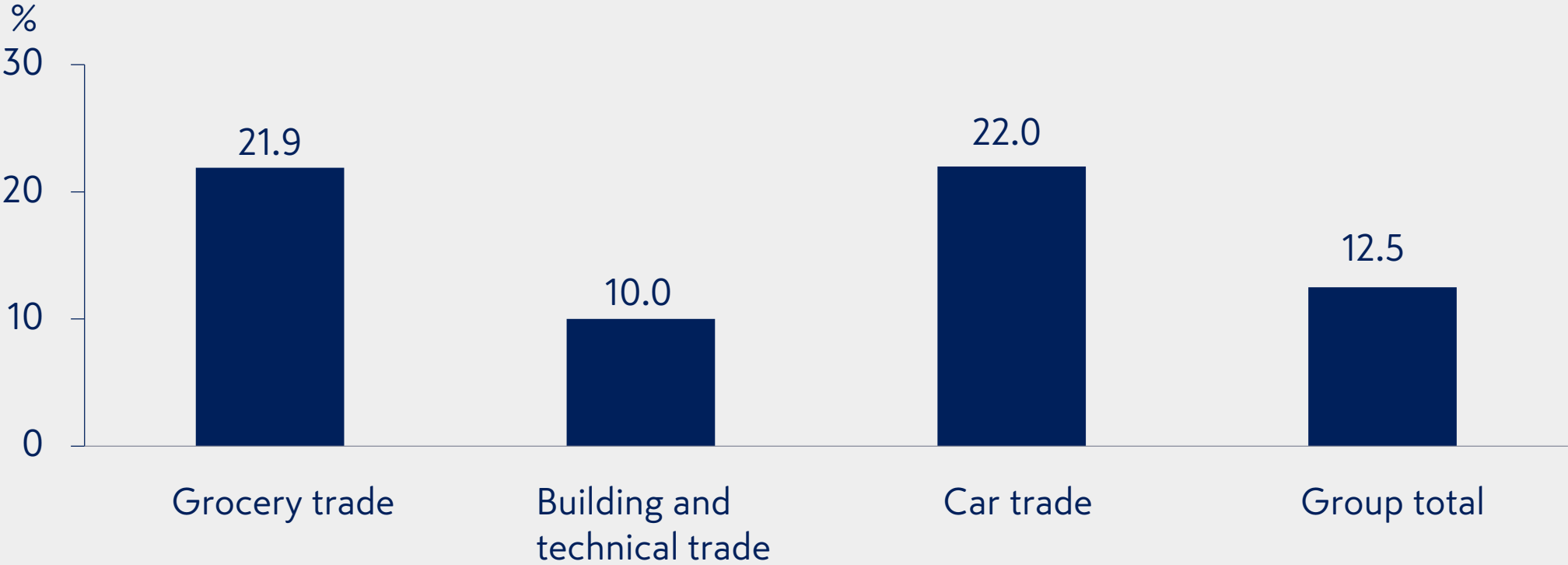
- Improving profitability
- Real estate transaction 2015
- Anttila & Intersport Russia divestment
- Further improvement from Kesko Food Russia divestment

*9/2016 rolling 12 mo



ROCE by Division

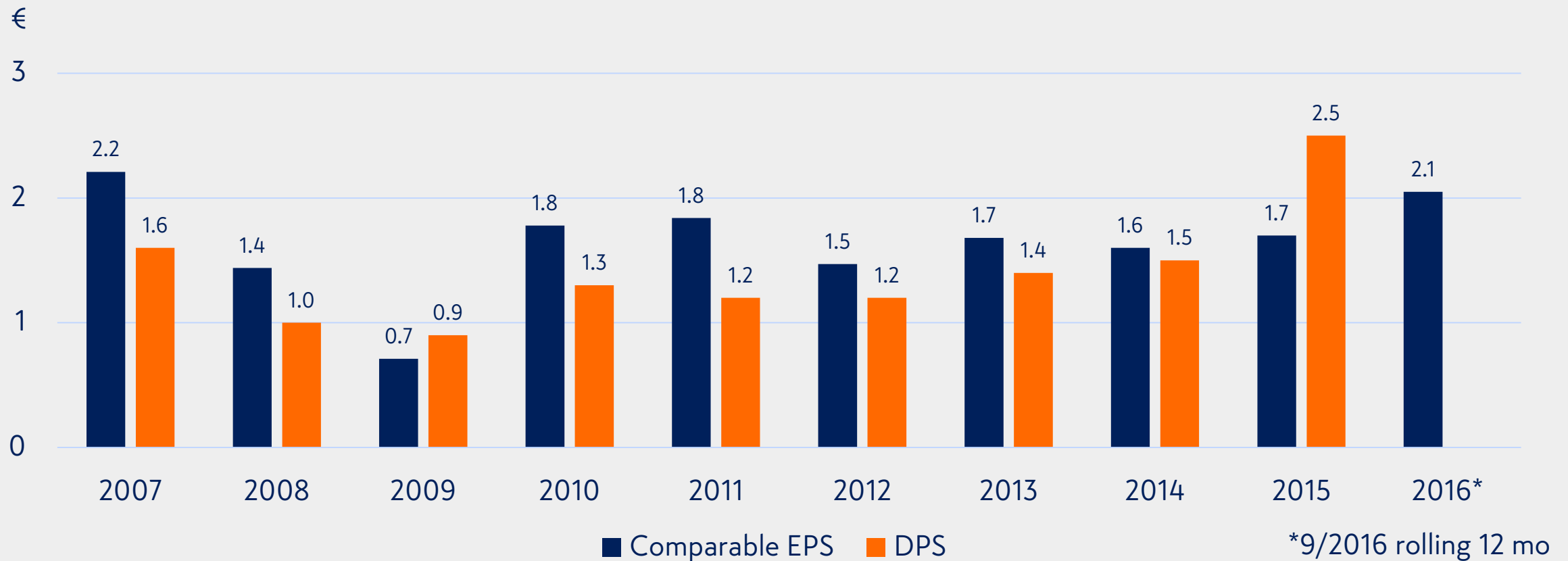
comparable, rolling 12 mo



Strong Financial Position

	30.9.2016	30.9.2015
Equity ratio, %	47.9	54.2
Liquid assets, €m	245	858
Interest-bearing net debt, €m	299	-394
Cash flow from operating activities, Q3, €m	80	86
Cash flow from investing activities, Q3, €m	-48	-46

Aim to Continue Good Dividend Yield

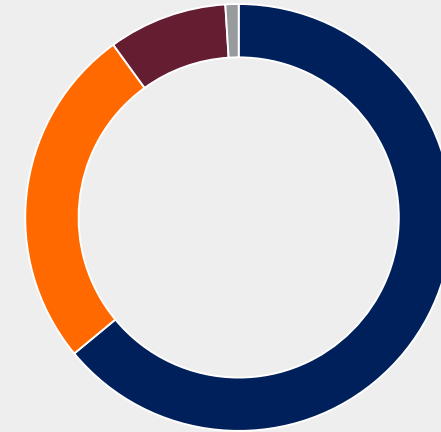


Kesko Corporation distributes at least 50% of its comparable earnings per share as dividends, taking however the company's financial position and operating strategy into account.

Real Estate in 2015

Owned properties by country	Area, 1,000 m ²
Finland	540
Other Nordic countries	66
Baltic countries and Belarus	109
Russia	191
Total	906
Carrying amount	€1,107m
Leased properties total 1,000 m ²	2,951

Classification



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

Shareholders 9/2016

	The largest registered shareholders by number of shares	Number of shares	%
1	K-retailers' Association	3,981,644	3.98
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	Foundation for Vocational Training in the Retail Trade	1,144,158	1.14
7	Varma Mutual Pension Insurance Company	1,130,986	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

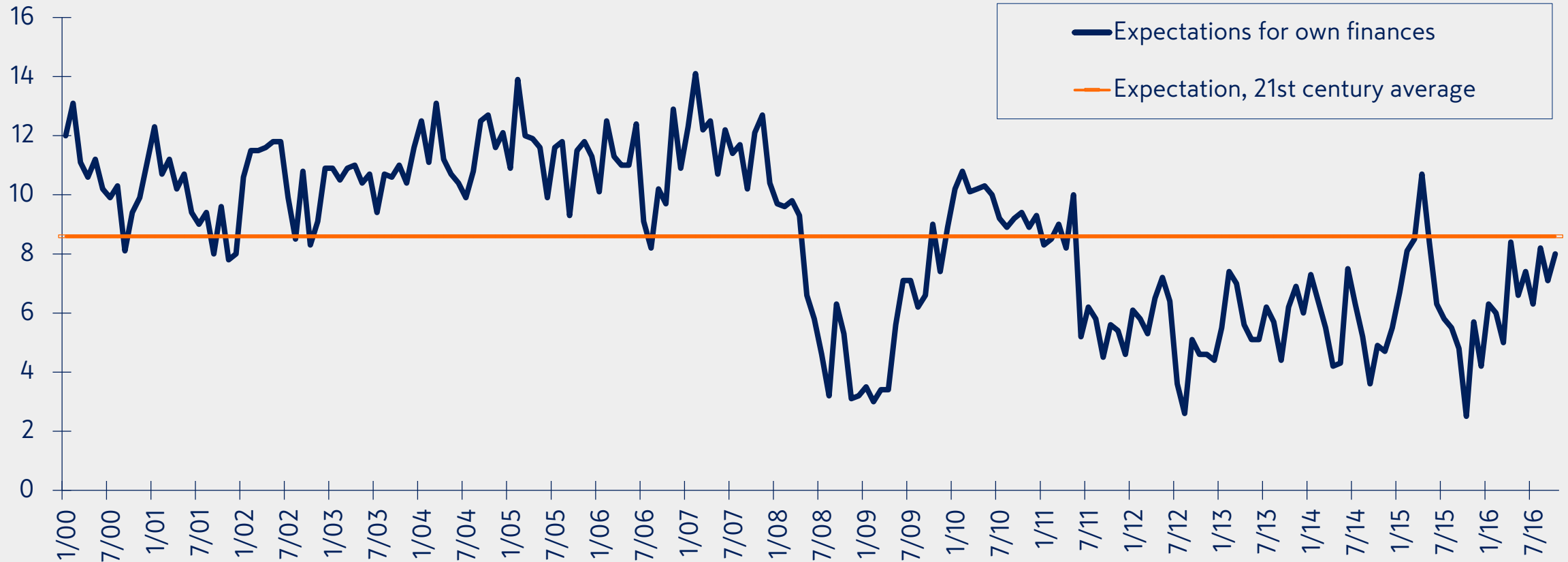
Foreign ownership of B shares 45%



Market situation and outlook



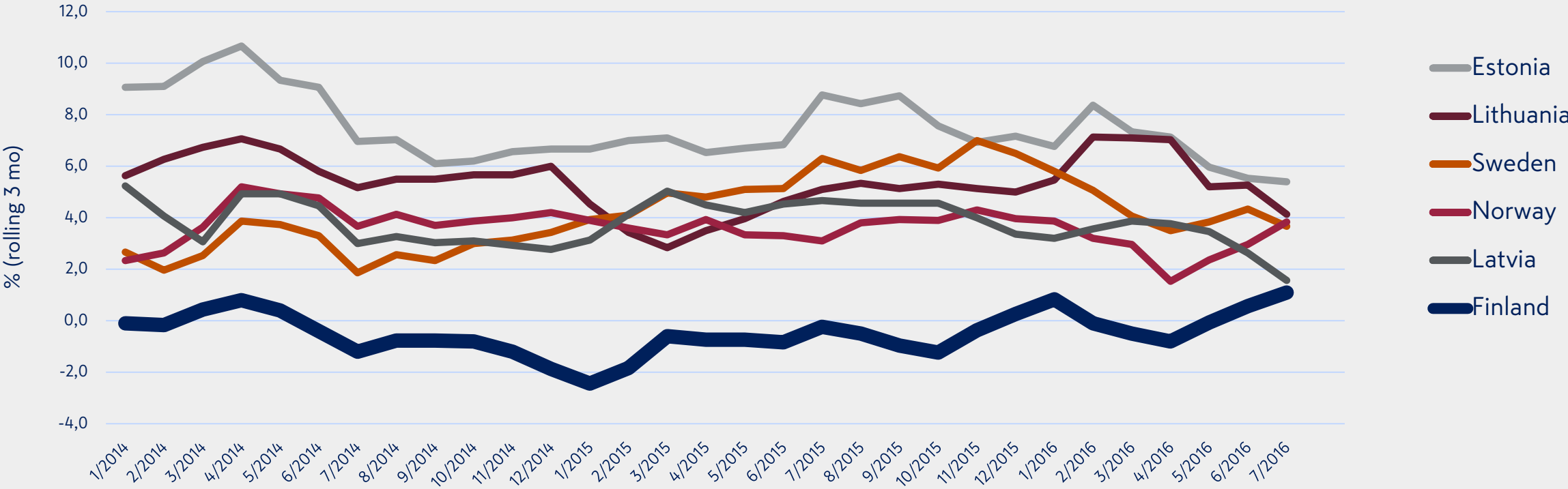
Consumer Confidence in Finland



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 (10/2016-9/2017) in comparison with the 12 months preceding the end of the reporting period (10/2015-9/2016).

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 market for the Finnish building and technical trade is expected to improve slightly. 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 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



Interim report
Q3 2016
26 October 2016

Mikko Helander



Q3 Highlights

- Kesko's net sales increased by 27%, comparable growth 1.1%
- Comparable operating profit increased to €98.2 million (€82.5 million)
- Return on capital employed 12.5% (11.3%)
- In the grocery trade, good profitability, integration of Suomen Lähikauppa has progressed well
- In the building and technical trade, market share continued to strengthen. Onninen increased the operating profit of the building and technical trade
- In the car trade, sales increased markedly and profitability improved

Key performance indicators

	Q3/2016	Q3/2015	Q1-Q3/2016	Q1-Q3/2015
Net sales, €m	2,792	2,203	7,415	6,513
Operating profit*, €m	98.2	82.5	209.6	185.3
Operating margin*, %	3.5	3.7	2.8	2.8
Profit before tax*, €m	97.5	78.2	211.2	177.3
Earnings per share*, €	0.73	0.53	1.59	1.24
Return on capital employed*, %, rolling 12 mo	12.5	11.3		
Return on equity*, %, rolling 12 mo	10.1	8.0		

* Comparable

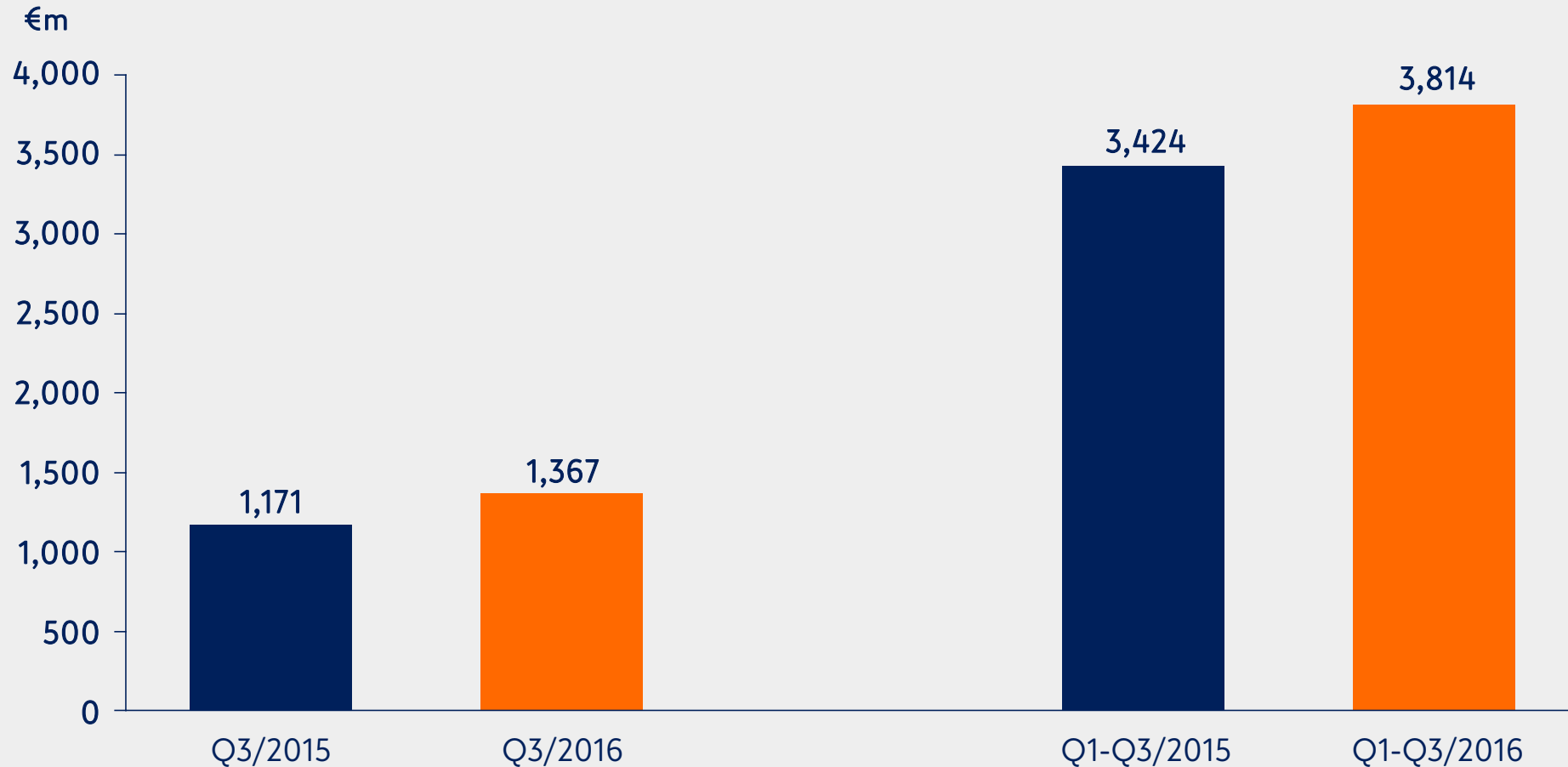
Q3 grocery trade

- K-Group's grocery sales +17.3%, Suomen Lähikauppa excluded, +0.7%
- Profitability is good and operating profit strengthened due to synergies and enhancement actions taken
- Change in grocery market prices around -0.5%
- 130 Siwa and Valintatalo stores already converted into K-Markets. Their sales have changed by +9% compared to pre-conversion sales

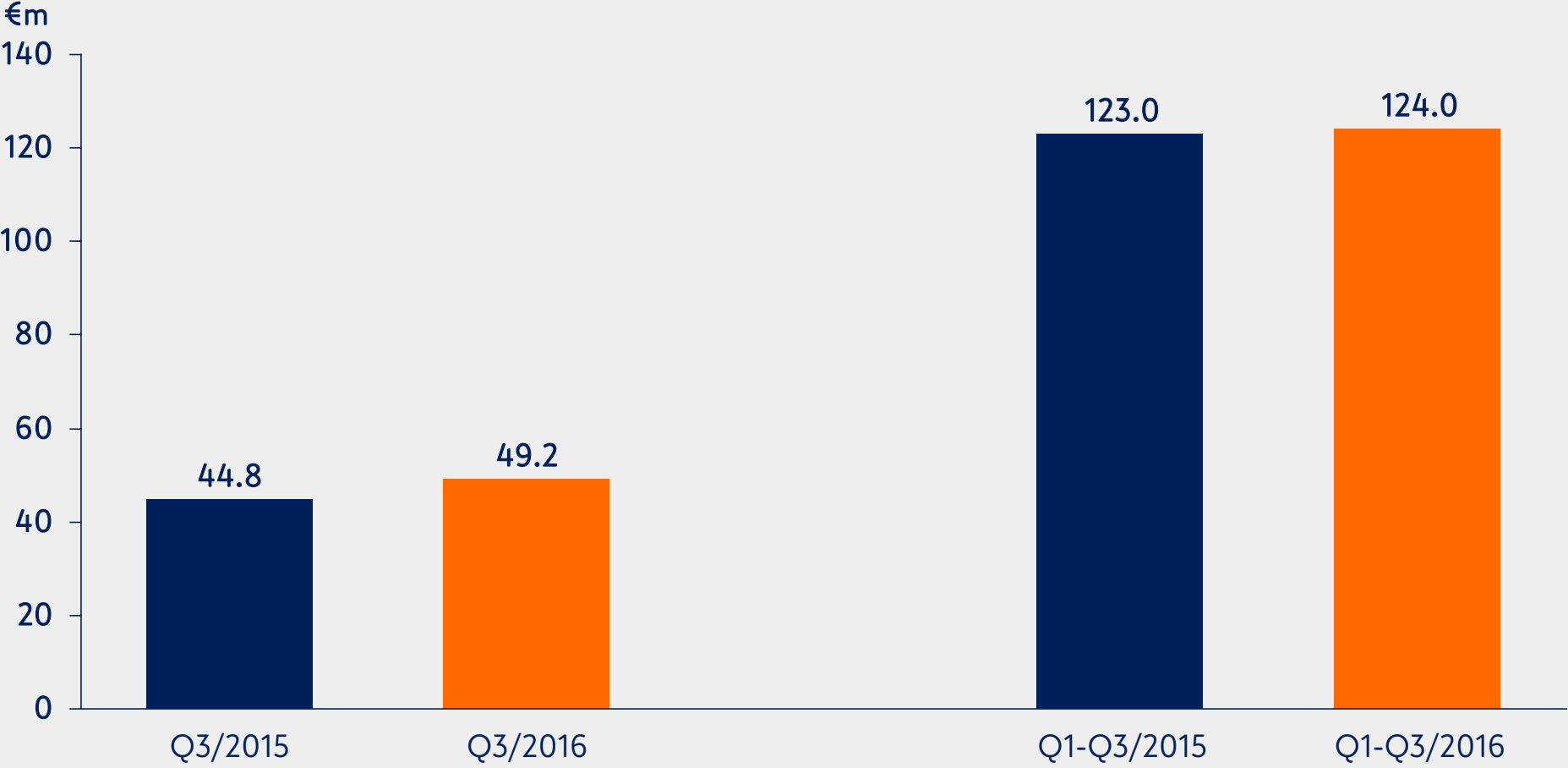


Net sales, grocery trade

Q3 growth 16.7%



Operating profit, grocery trade comparable



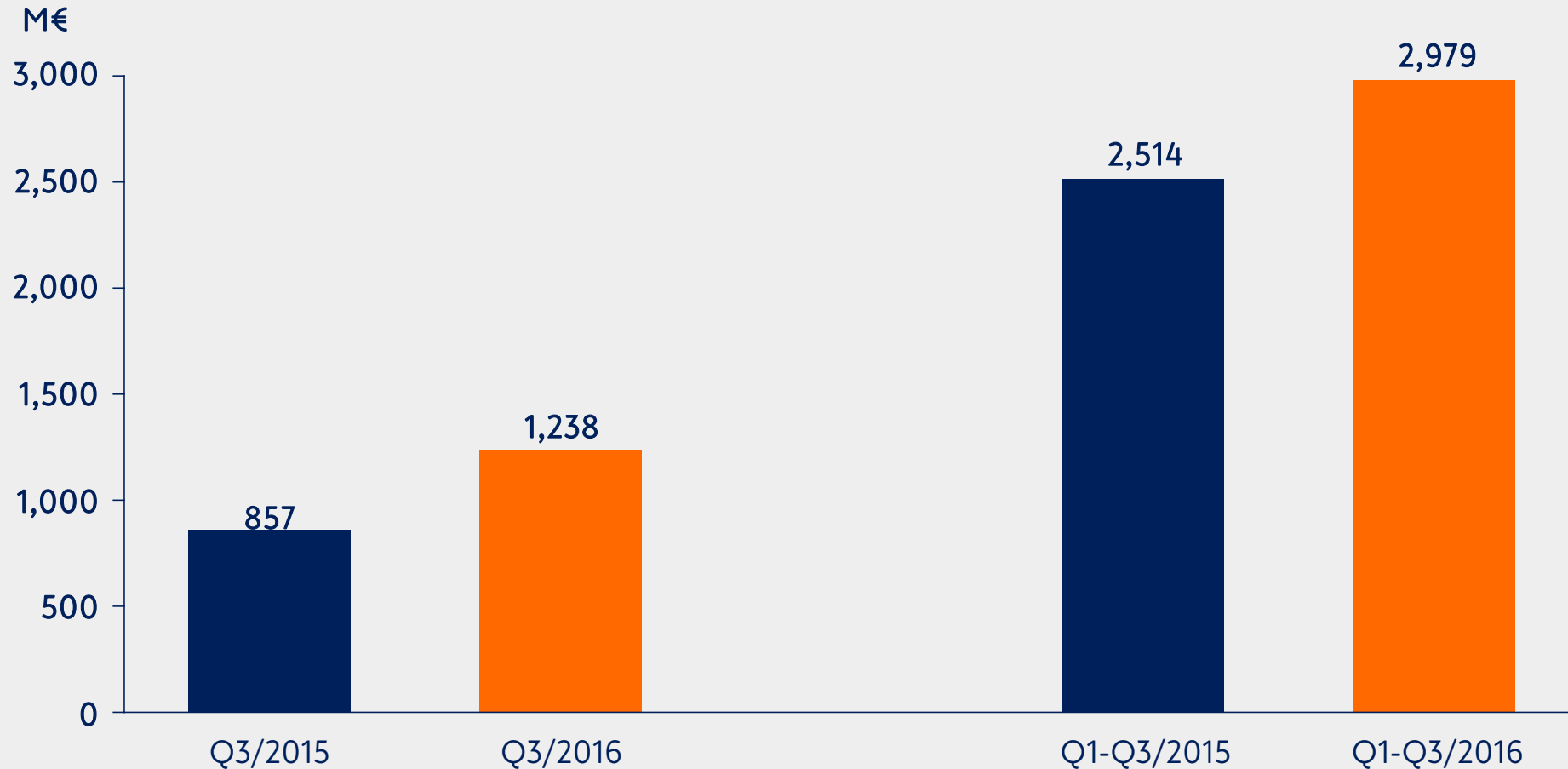
Q3 building and technical trade

- Net sales growth 44.4%, in local currencies, excluding Onninen, 2.0%
- Market share of Kesko's building and technical trade strengthened further
- Strong growth in B2B trade continued
- Operating profit of the building and home improvement stores in Sweden turned positive
- Positive profit performance in the agricultural and machinery trade, the sports trade and the furniture trade

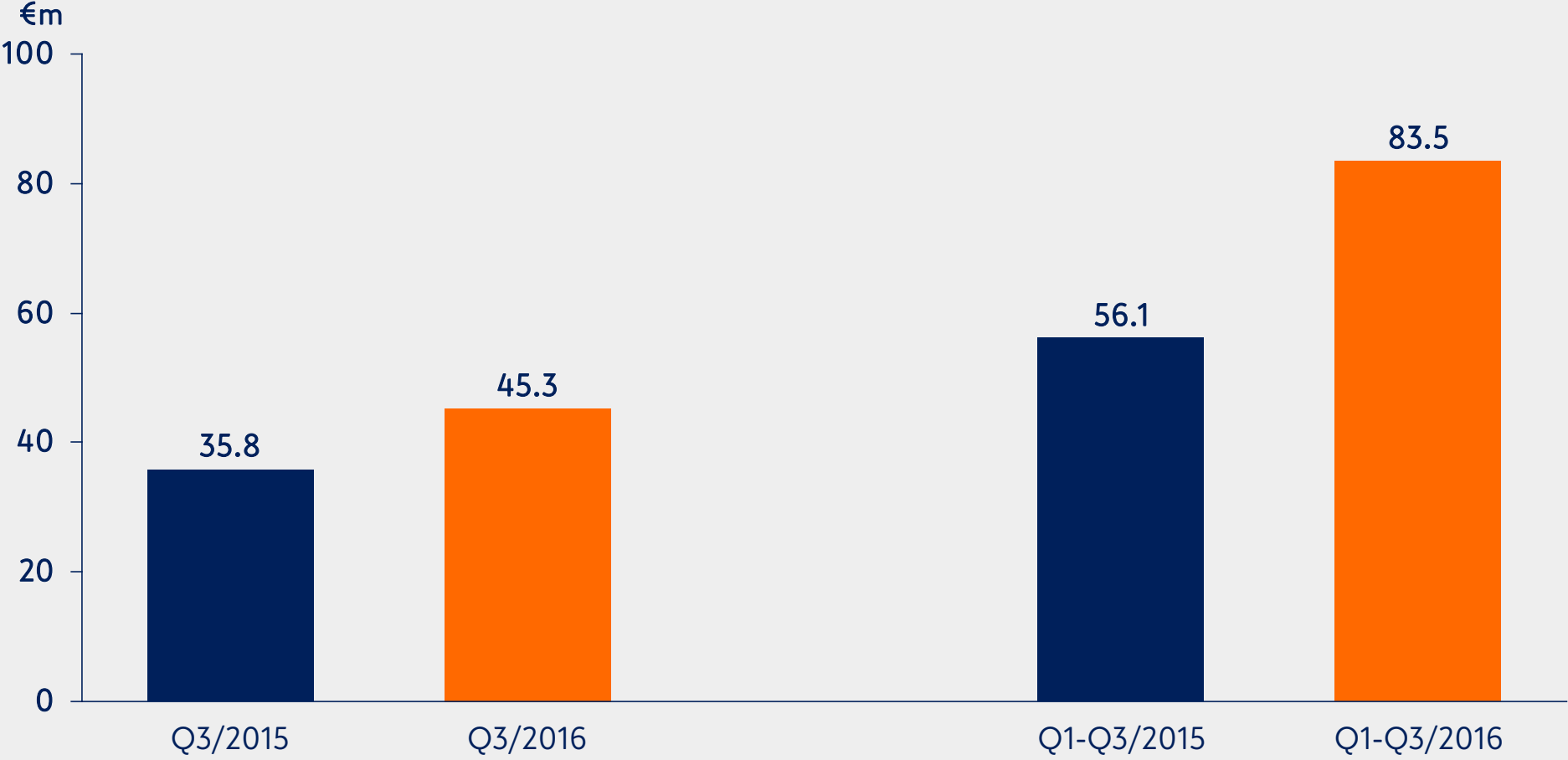


Net sales, building and technical trade

Q3 growth 44.4%, in local currencies excl. acquisitions 2.0%



Operating profit, building and technical trade comparable



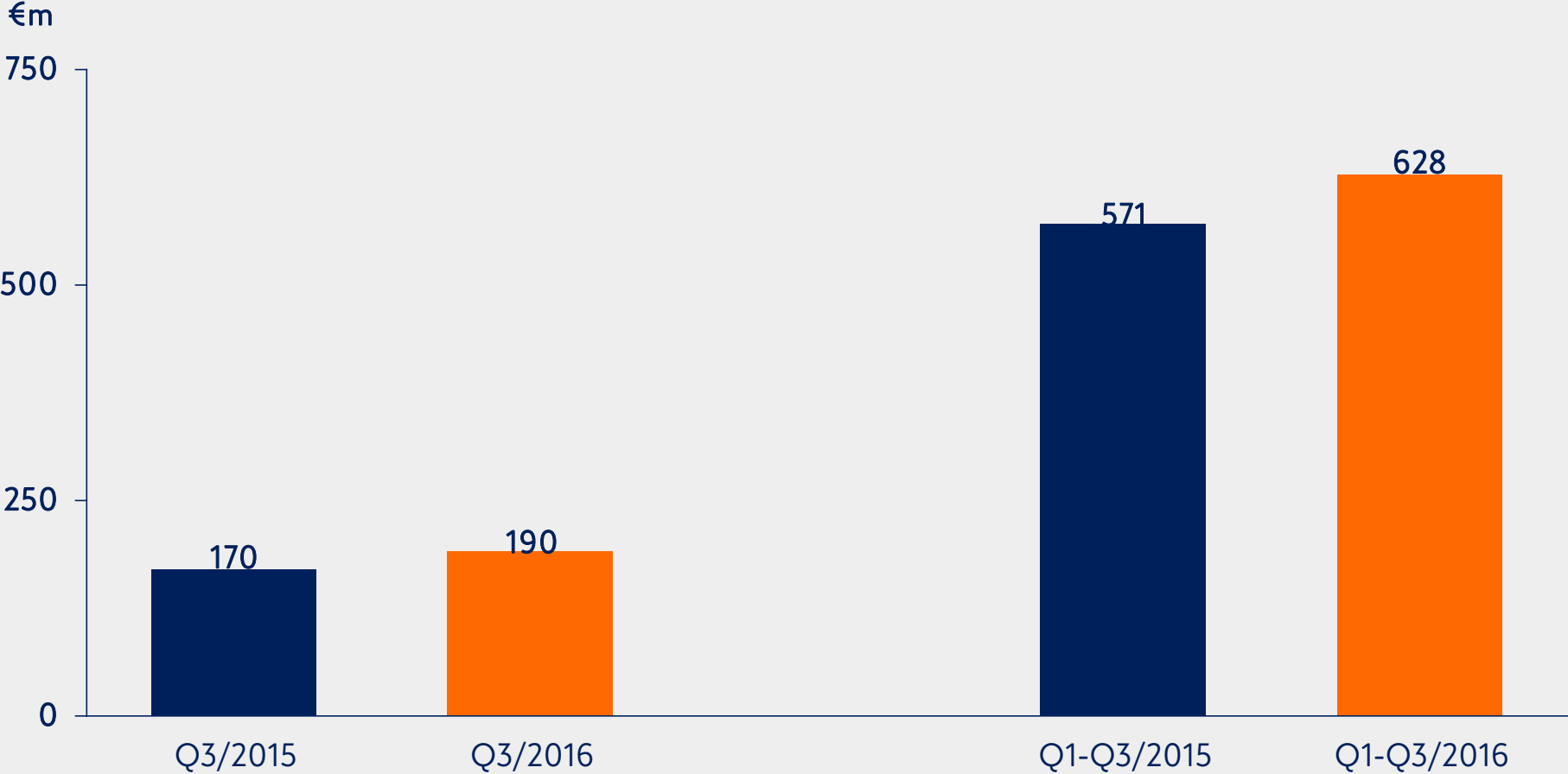
Q3 car trade

- Car trade net sales growth 11.2%. Total car trade market increased markedly
- Profitability remained at a good level, operating profit €6.8 million
- First registrations of Volkswagen passenger cars increased by 1.5%, those of Seat by 32.7% and those of Audi by 8.2% in January-September
- Trade-in car trade increased by 20%. Strong start for the new Caara.fi online store
- Order book growth 11%

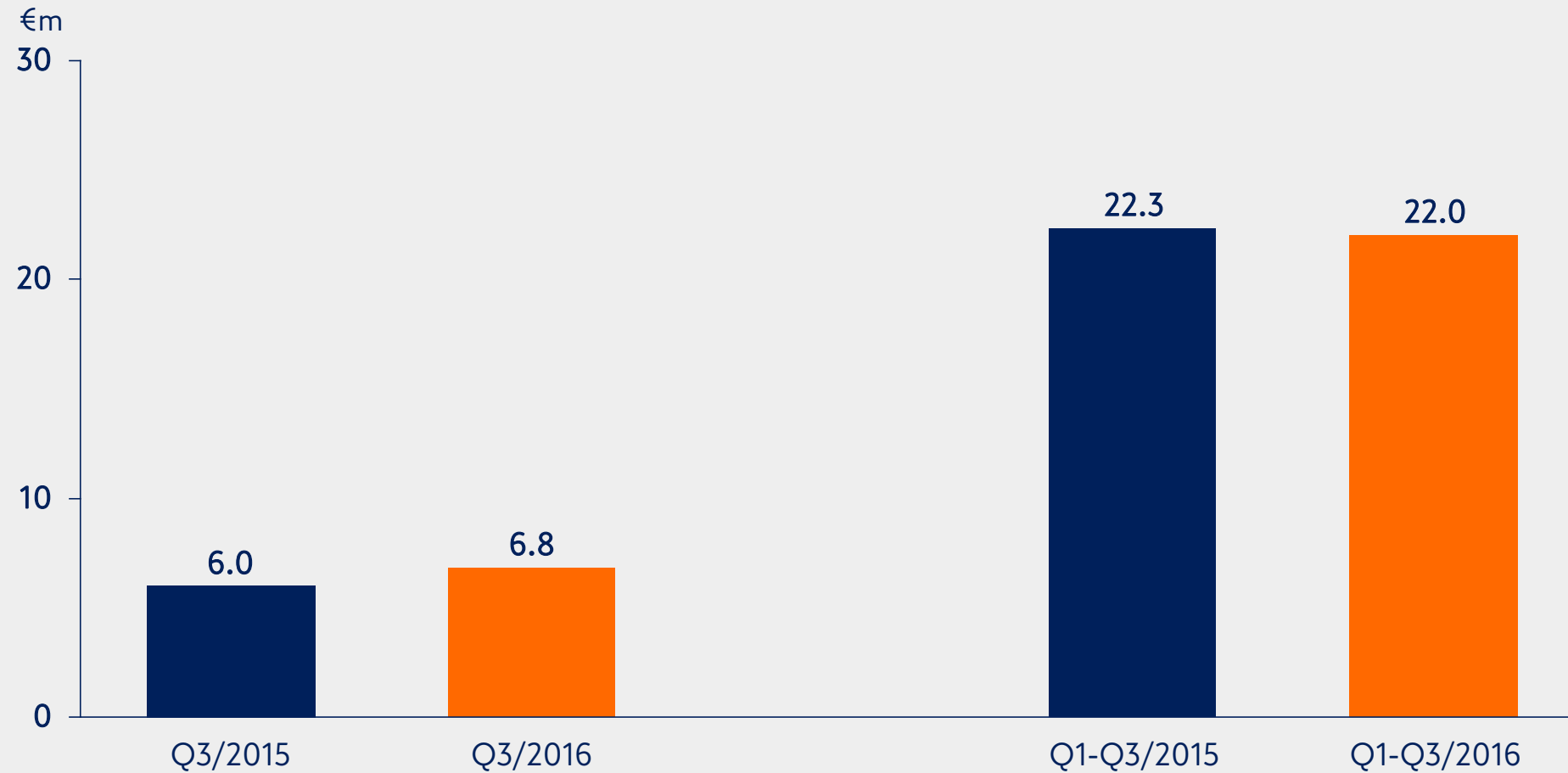


Net sales, car trade

Q3 growth +11.2%




Operating profit, car trade comparable



Special focus areas

- Reduction of unit costs and further improvement of efficiency
- Total reform of marketing
 - Improving marketing effectiveness
 - Management by data and increasing targeted marketing
 - Building a single unified K-brand and identity



**Our Responsible
Working Principles
guide is now called
K Code of Conduct**

Main changes:

- Separate guides for personnel and business partners
- K Code of Conduct ambassadors in all operating countries
- SpeakUp reporting channel



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For shopping
to be fun