



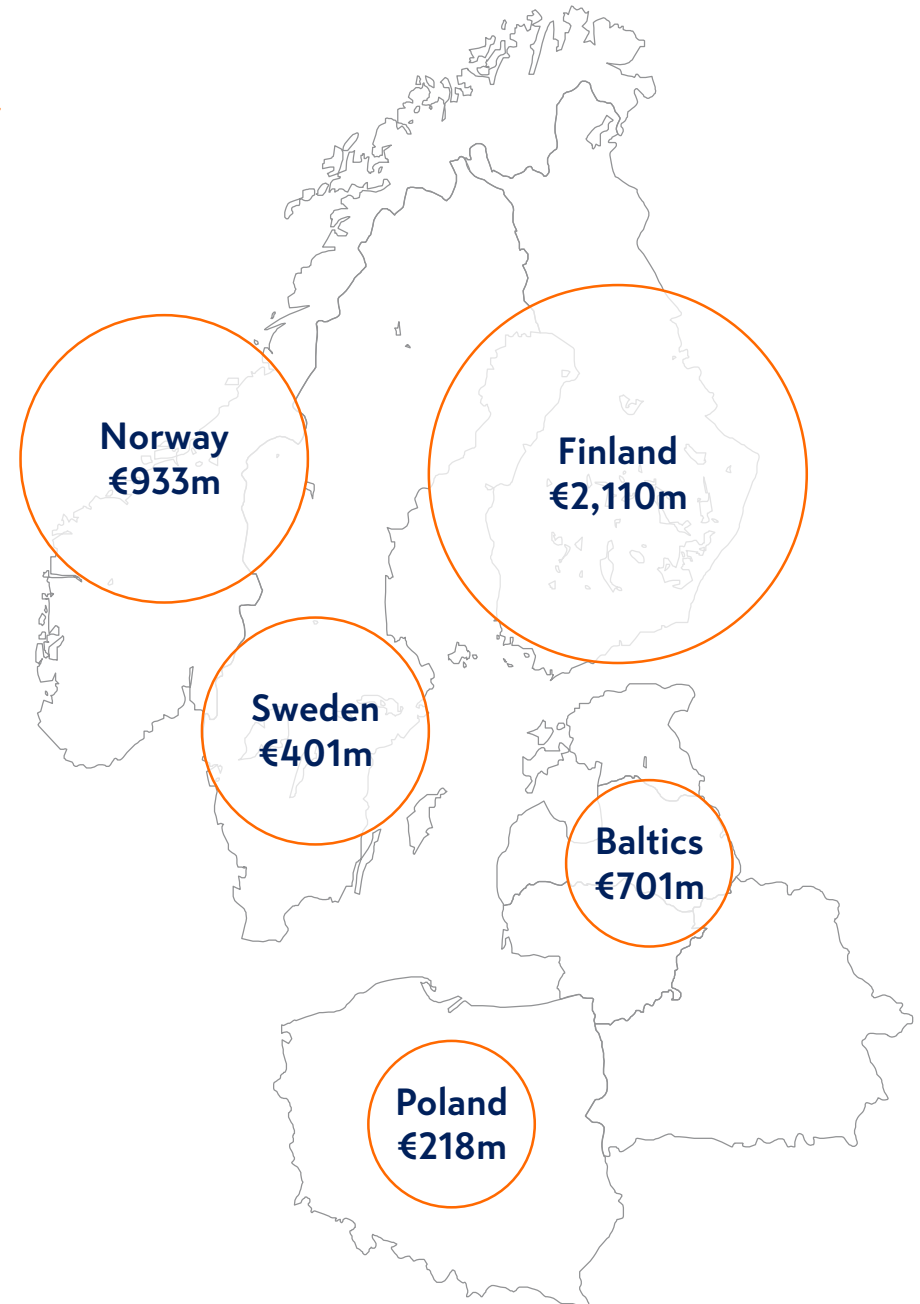
KESKO CMD 2018

Value Creation in Building and Technical Trade

Jorma Rauhala, President, Building and Technical Trade, Deputy CEO

Building and Technical Trade in Brief

- Number 1 operator in building and technical trade in Northern Europe
- Sales €4.4bn
- 430 stores in 8 countries
- Comprehensive digital services
- Serves three customer segments



Retail sales 2017, excl. speciality goods trade and the Russian business operations, which will be discontinued in 2018

Solid Foothold in Eight Countries

Solid business across the eight main countries, with **0.3 million** customer contacts a day, increasingly online



137 K-Rauta stores, 55 Onninen stores, retail sales €2,110m*



65 Bygghjelp stores, 25 Onninen stores, retail sales €933m



17 K-Rauta stores, 14 Onninen stores, retail sales €401m



8 K-Rauta stores, 8 Onninen stores, retail sales €128m



9 K-Senukai stores, 4 Onninen stores, retail sales €70m



22 K-Senukai stores, 3 Onninen stores, retail sales €385m



17 Oma stores, retail sales €120m



35 Onninen stores, retail sales €218m

*Excluding speciality goods trade

Building and Technical Trade Brings Value to Three Customer Segments



Technical professionals



- Technical contractors
- Infrastructure
- Industry
- Retailers



Professional builders



- Construction companies
- Renovation contractors
- Decoration contractors



Consumers



- Renovators
- Home and garden builders
- Decorators
- Gardeners

Customer Drivers Differ in Each Customer Segment



Technical professionals

Main product categories

- Heating, plumbing
- Electricals
- Ventilation and refrigeration

Customer requirements

- 100% availability for key items
- Reliable next day deliveries
- Personal sales, always available



Professional builders

- Building materials
- Timber
- Surface materials

- 100% availability for key items
- Personal sales, always available
- Deep assortment

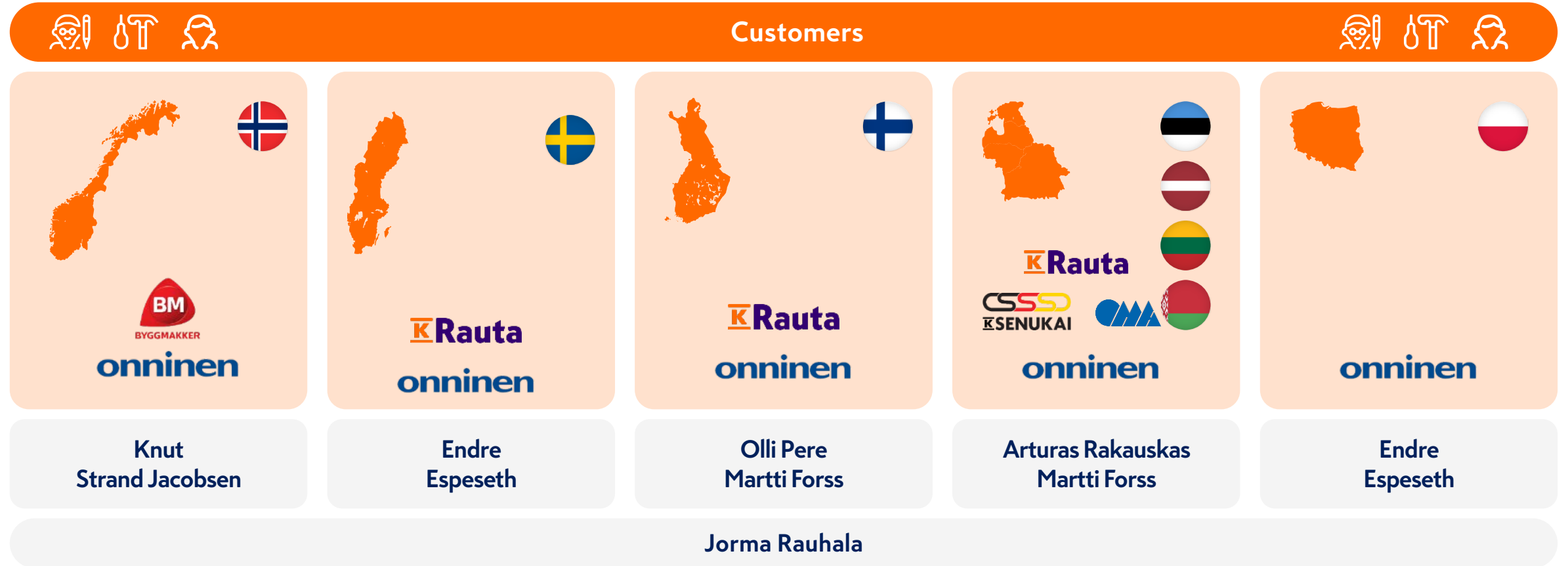


Consumers

- Surface materials
- Bathroom
- Garden products

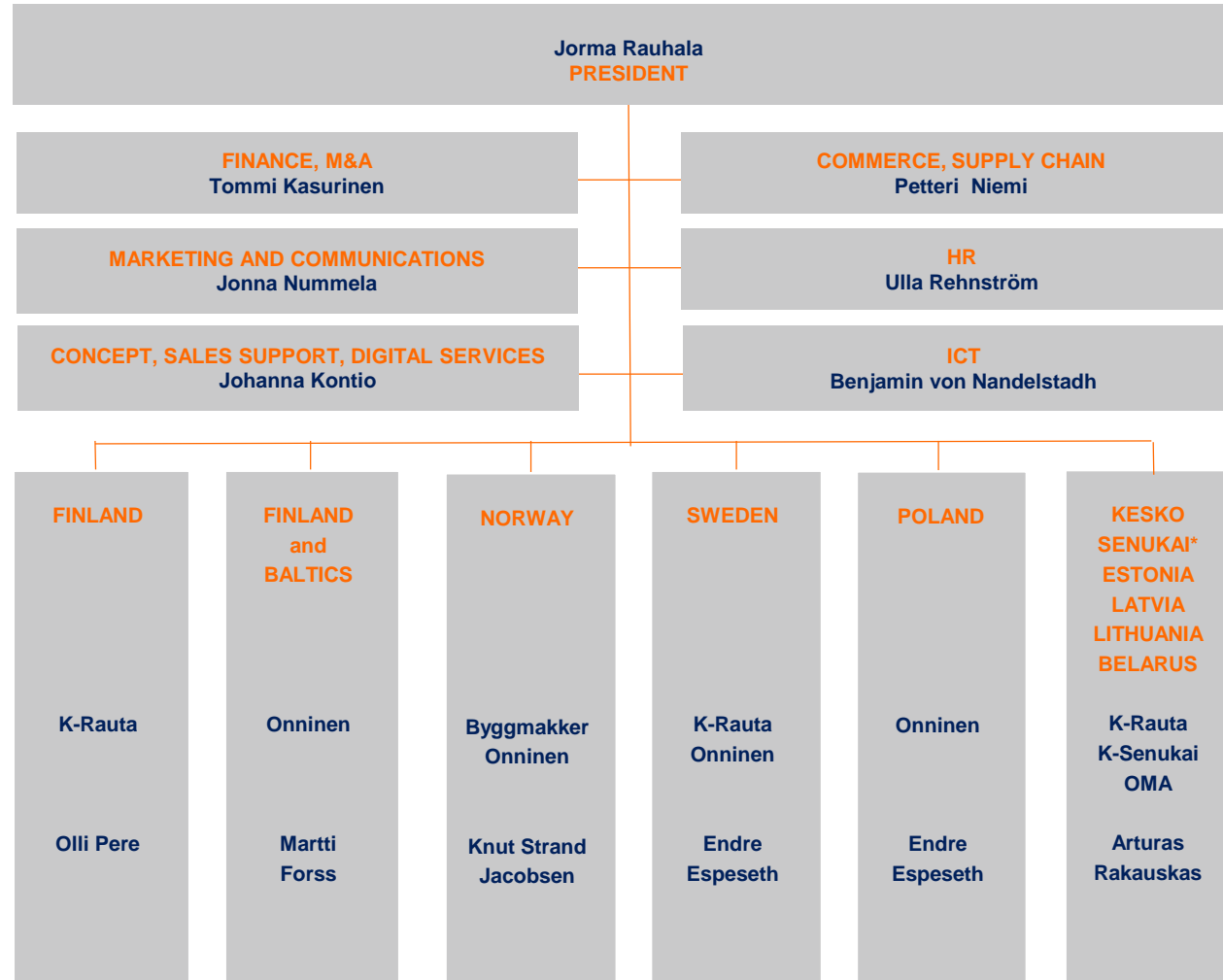
- Competitive prices
- Approachable and competent customer service with advice
- Easy to shop, good availability
- Showrooms and visual displays

Sharper Country Specific Focus



New Management Model

Effective as of
1 April 2018



* Kesko Senukai is led
through company board

Strong Strategy Execution



Financial performance



	2015	2017
Net sales	€1,989m	€3,639m
Operating profit	€62m	€79m



Focusing on core business



Acquisition of Onninen
Kesko-Senukai arrangement
Divestments in speciality goods and machinery trade
Divestment of K-Rauta Russia



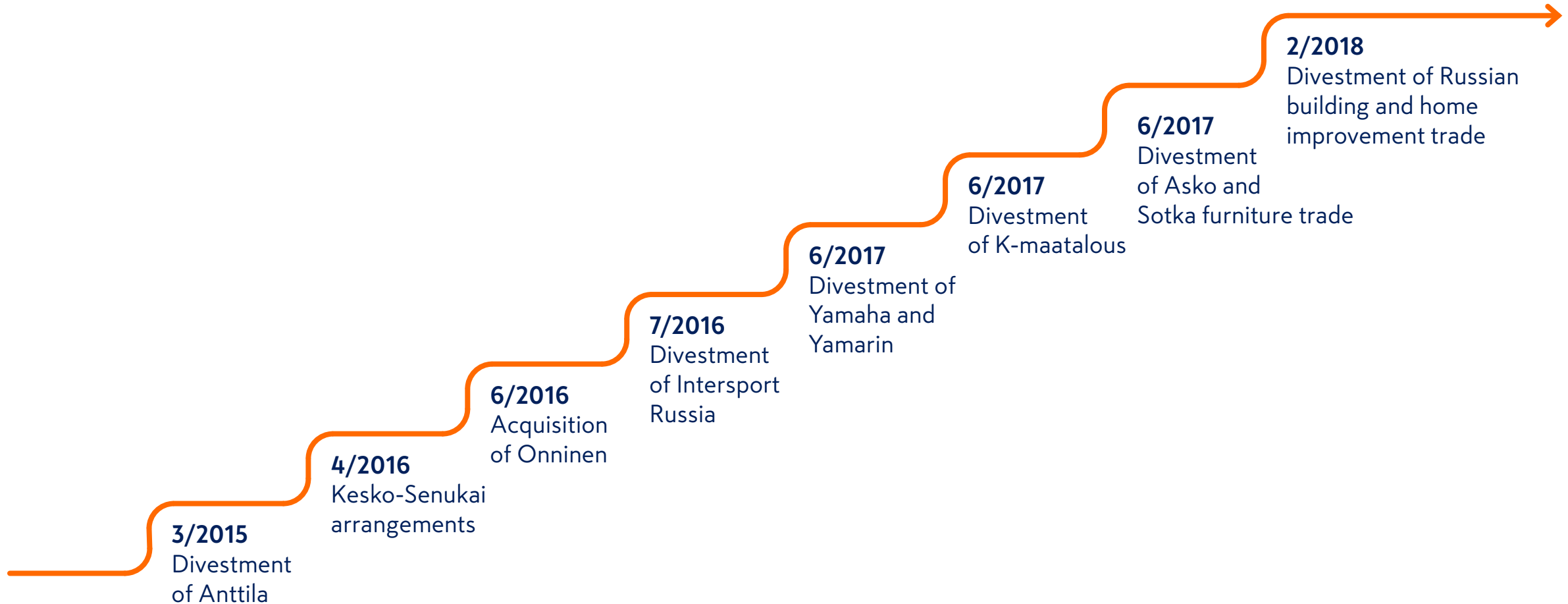
Operational efficiency



Changed management model
Measures to improve profitability in Sweden and Poland
Merging the K-Rauta and Rautia chains
New digital services and eCommerce

Continued operations, comparable operating profit, building and technical trade excluding speciality goods trade

Profitability Improvement with a More Focused Portfolio





Successful Onninen Acquisition

- Acquisition strengthened position in the well-growing professional customer segment
- Expansion into technical trade with HEPAC and electrical product groups
- Strong growth in sales, EBITDA €48.3m*
- Focus on profitability improvement continues

*Rolling 12 months Q1/18, comparable



Continued Profitability Improvement with Strategy Execution

Operating Environment Changing at Growing Speed



The market is consolidating



Consumers increasingly outsourcing construction to professionals



Growing need for renovation building



Non-traditional players entering the market



Digital is a critical part of the customer journey

Strategic Direction to Become an Even Stronger Operator in the Northern European Building and Technical Trade



Country focus
with specified
strategic actions



Three customer
segments served
according their
specific customer
needs



Synergies – within
individual countries
and between the
operating countries



Organic growth
and profitability
improvement



Selected
acquisitions
to win a chosen
country and
segment

Market Offering Ample Opportunities



Building & home improv.

Onninen

Retail market 2017 (€bn)

5.0

2.5

Market position

#3-4

#4



Building & home improv.

Onninen

Retail market 2017 (€bn)

5.5

4.2

Market position

#5-11

#6



Onninen

Retail market 2017 (€bn)

4.6

Market position

#2



Building & home improv.

Onninen

Retail market 2017 (€bn)

3.1

2.1

Market position

#1

#1



Building & home improv.

Onninen

Retail market 2017 (€bn)

2.7

1.2

Market position

EE #2
LAT #3
LIT #1

EE #2
LAT #4
LIT #3



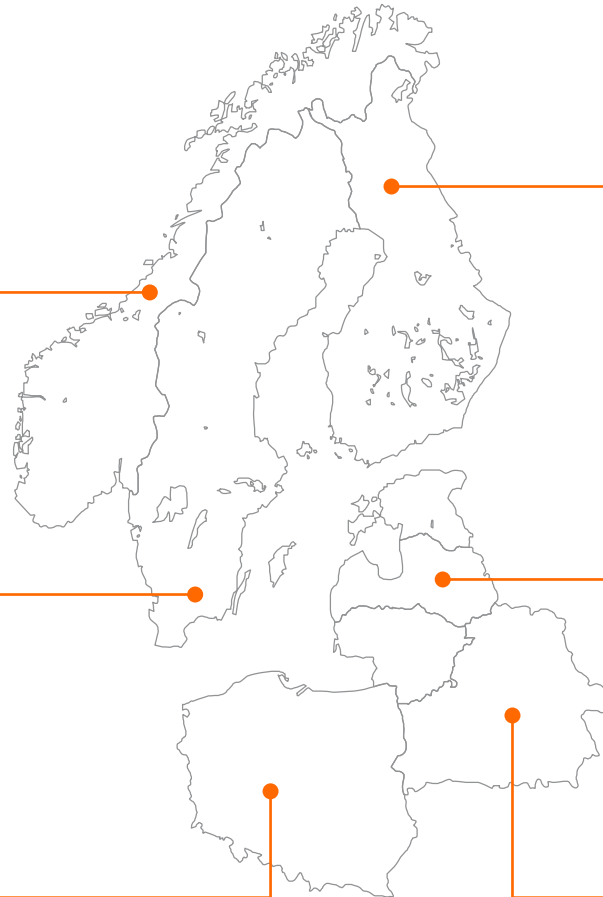
Building & home improv.

Retail market 2017 (€bn)

1.1

Market position

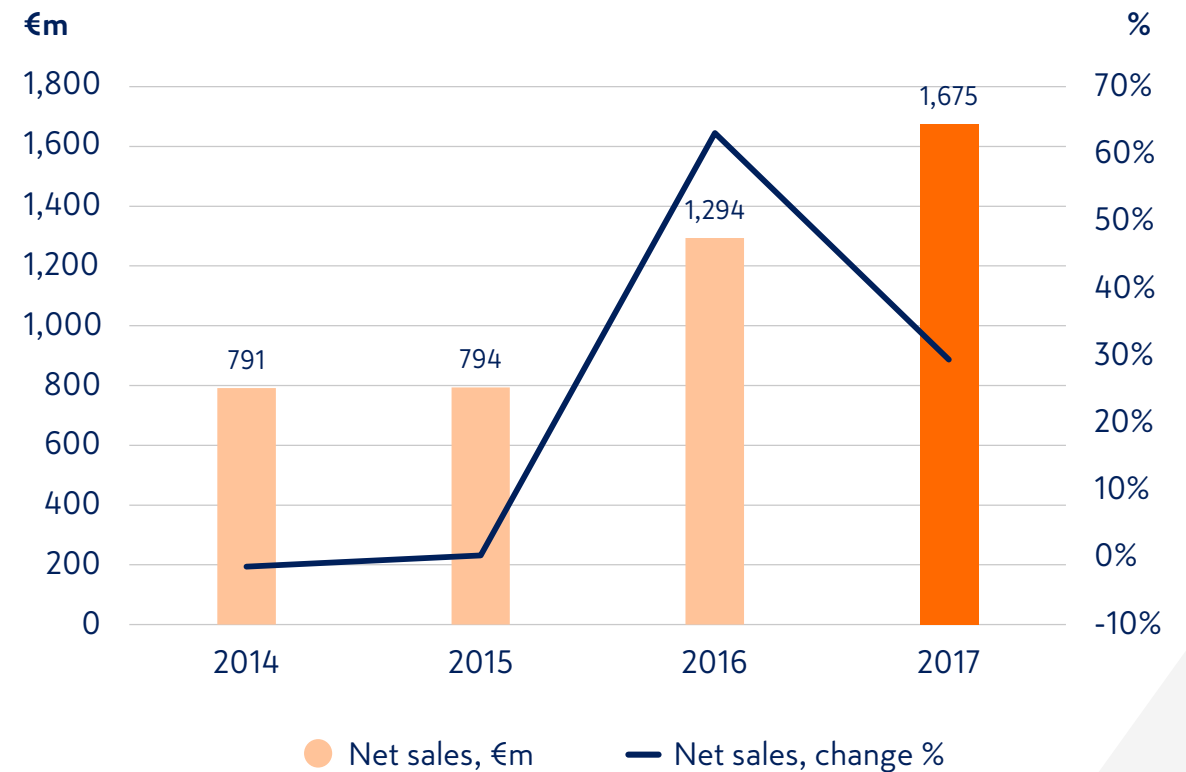
#1



Fully Utilising the Potential of Market Leadership in Finland

Future value creating actions

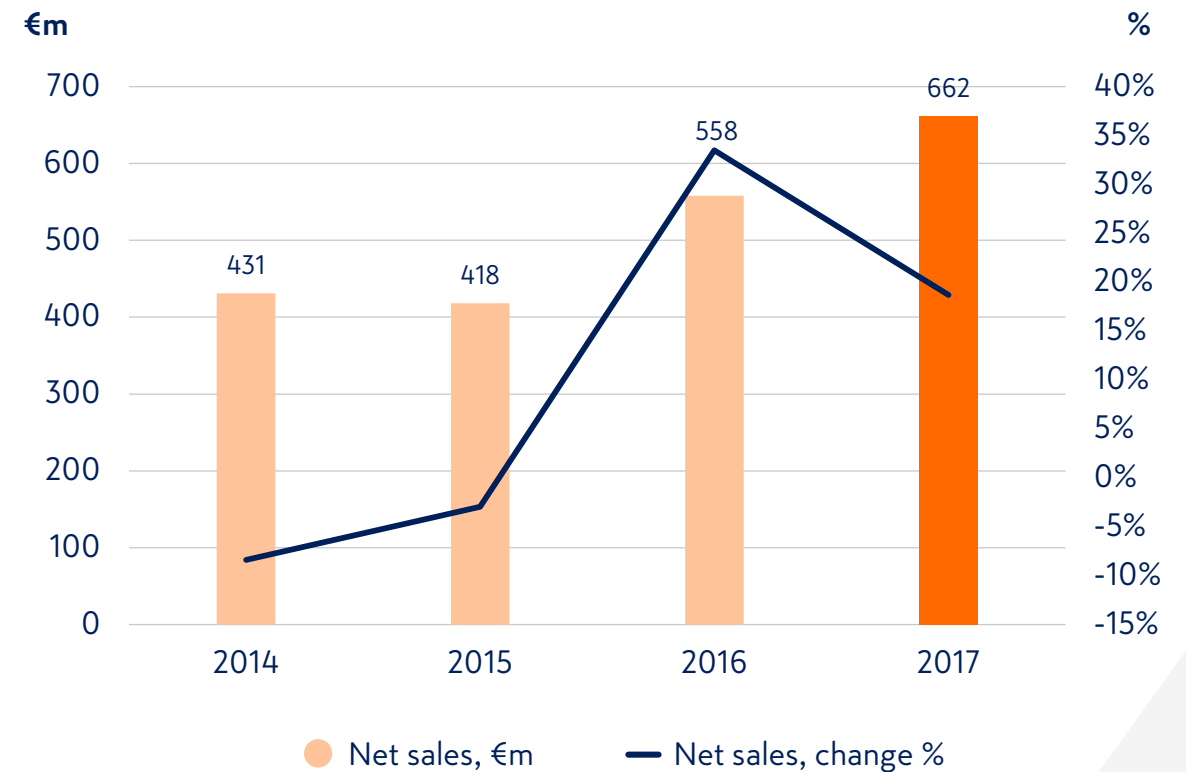
- Growing the Onninen Express store network
- Store-specific business ideas in K-Rauta
- Developing digital channels



Raising the Business to Next Level in Norway

Future value creating actions

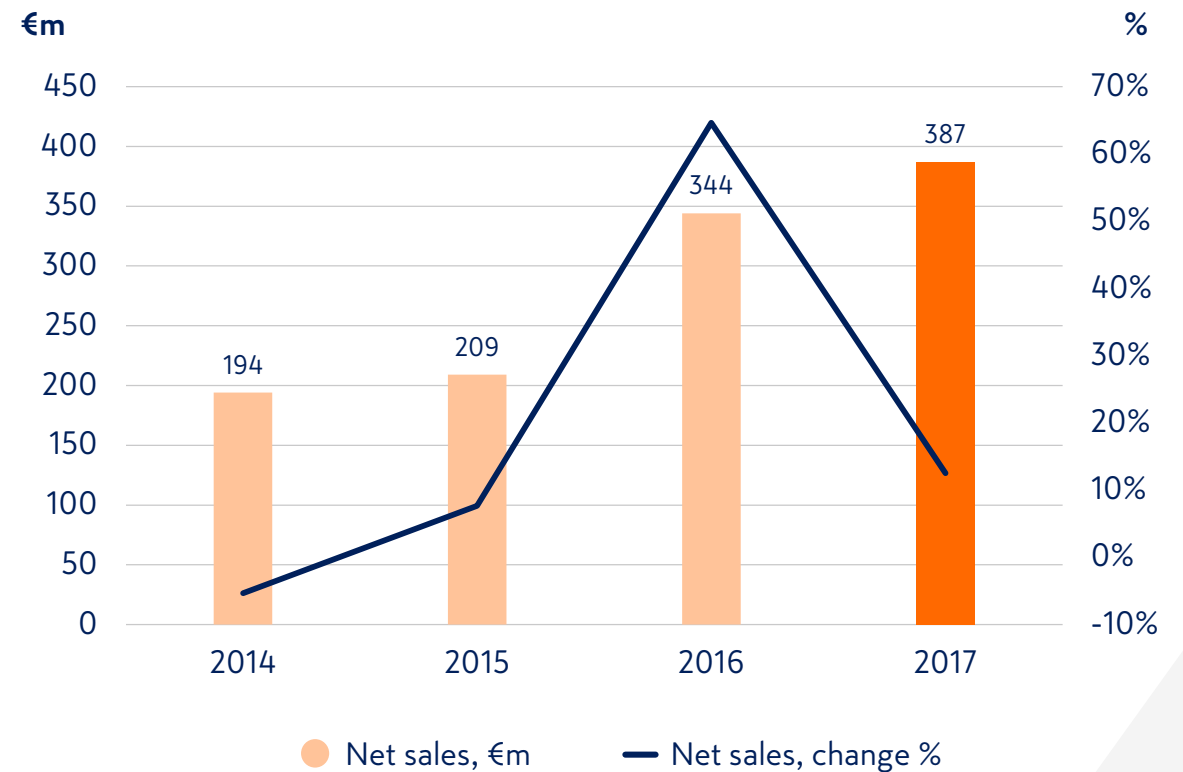
- Growth in Bygghemmer sales and profitability
- Acquisitions to change the Bygghemmer business model
- Strengthened Bygghemmer management model



Gaining Sustainable Profitability in Sweden

Future value creating actions

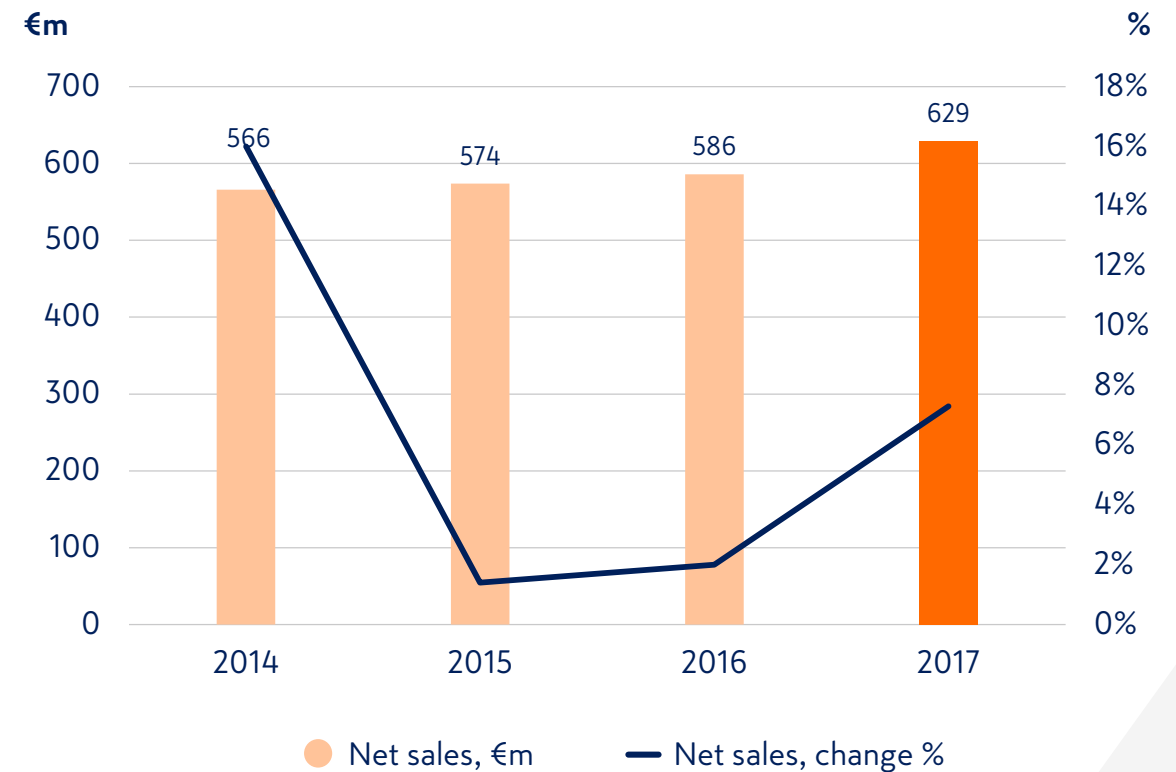
- Measures to improve profitability
- New management team in place
- Increased focus on all three customer segments



Strengthening Value Creation Potential in Kesko Senukai

Future value creating actions

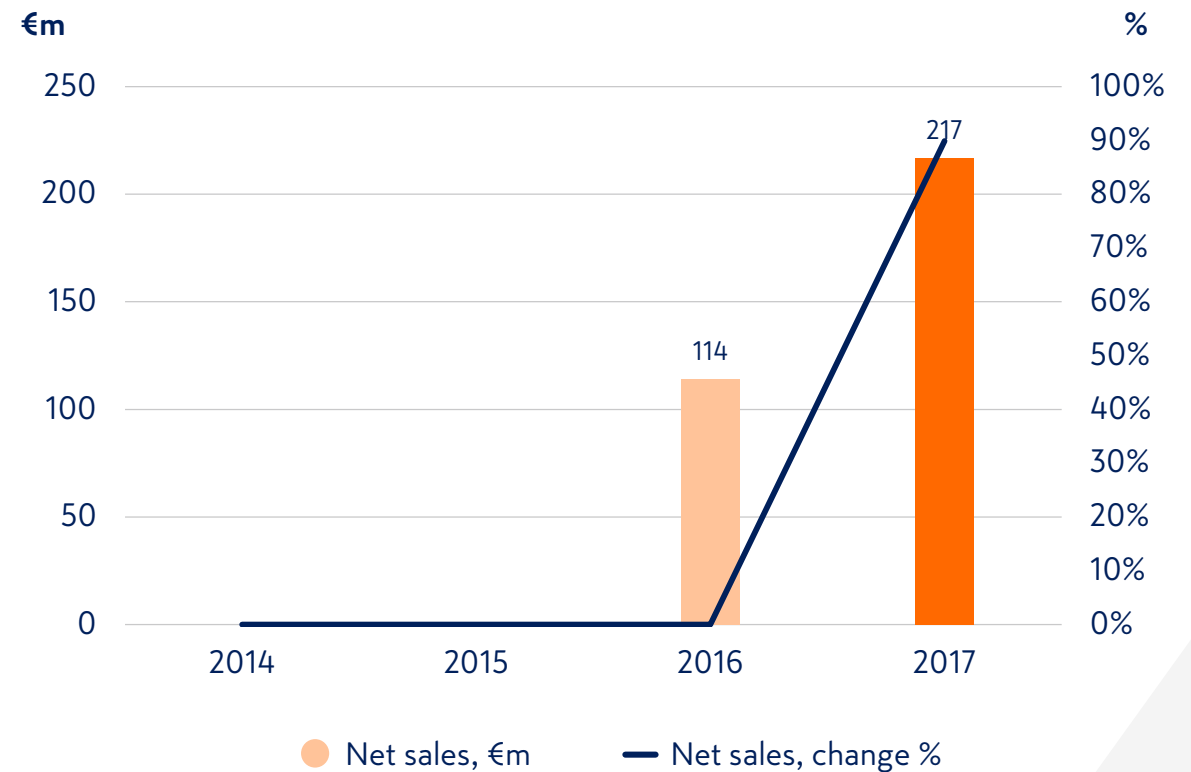
- Remodelling the store network in line with the K-Senukai concept according to local needs
- Growing the store network especially in big cities
- Development of digital services



Continuing Turnaround in Poland with Systematic Execution

Future value creating actions

- Continuing the ongoing turnaround
- Changes to the store network
- Potential evaluation of future options



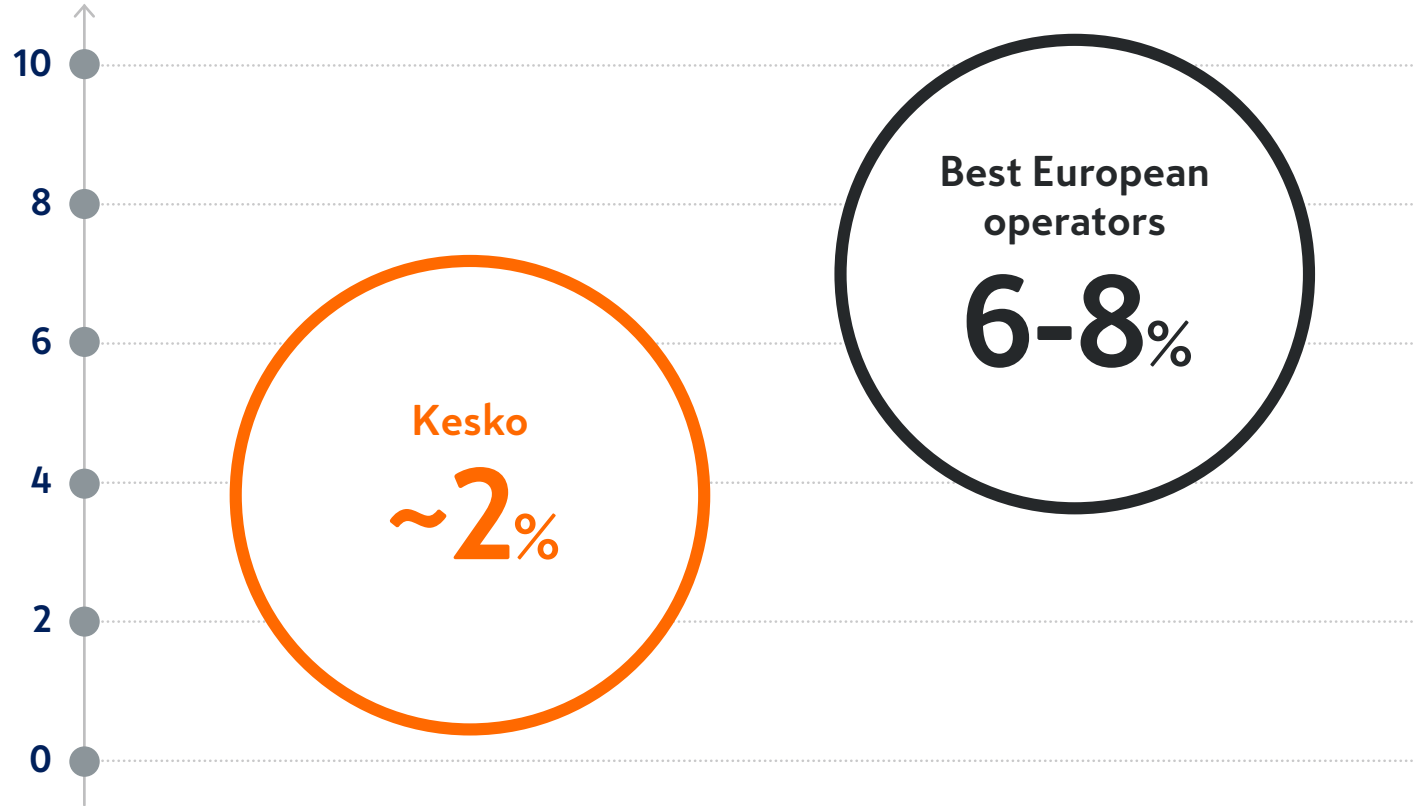
Operations in Russia Divested to Focus on Northern Europe

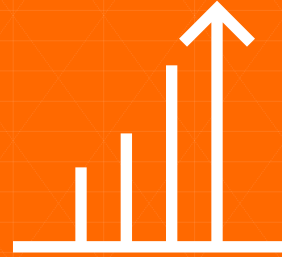
- Kesko sold the K-Rauta store sites in Russia for a price of some €169m
- All building and home improvement trade operations in Russia discontinued in H1/2018
- The transaction will significantly improve return on capital employed



Good Value Creation for Upcoming Years

Operating margin (%)





Taking Building and Technical Trade to the Next Level Through Customer Driven Country Focus