

Kesko CMD 19 June 2018

Agenda

13.30-17.30 Presentations

- Welcome
- **Kesko's Journey Towards a More Focused Retailing Company:**
Mikko Helander, President and CEO, Jukka Erlund CFO
- **Value Creation in Building and Technical Trade:**
Jorma Rauhala, President, Building and Technical Trade, Deputy CEO
- **Coffee break**
- **Fast Developing Car Trade:**
Johan Friman, President, Car Trade
- **Profitable Growth in All Channels in Grocery Trade:**
Ari Akseli, President, Grocery Trade, Anni Ronkainen, CDO
- Closing Remarks

17.30-21.00 Drinks and Dinner with Management



Kesko CMD 19 June 2018

Speakers



Mikko Helander,
President and CEO



Jukka Erlund,
CFO



Jorma Rauhala,
President, Building
and Technical Trade
Deputy CEO



Johan Friman,
President,
Car Trade



Ari Akseli,
President,
Grocery Trade



Anni Ronkainen,
CDO



KESKO CMD 2018

Kesko's Journey Towards a More Focused Retailing Company

Mikko Helander, President and CEO
Jukka Erlund, CFO

K Group and Kesko in Brief



Biggest in Finland,
#3 in Northern Europe
with retail sales of
nearly **€13bn**



Profitable growth
strategy in **3** core
divisions



1,800 stores in
8 countries and
comprehensive
digital services



Strong financial
position with good
dividend capacity



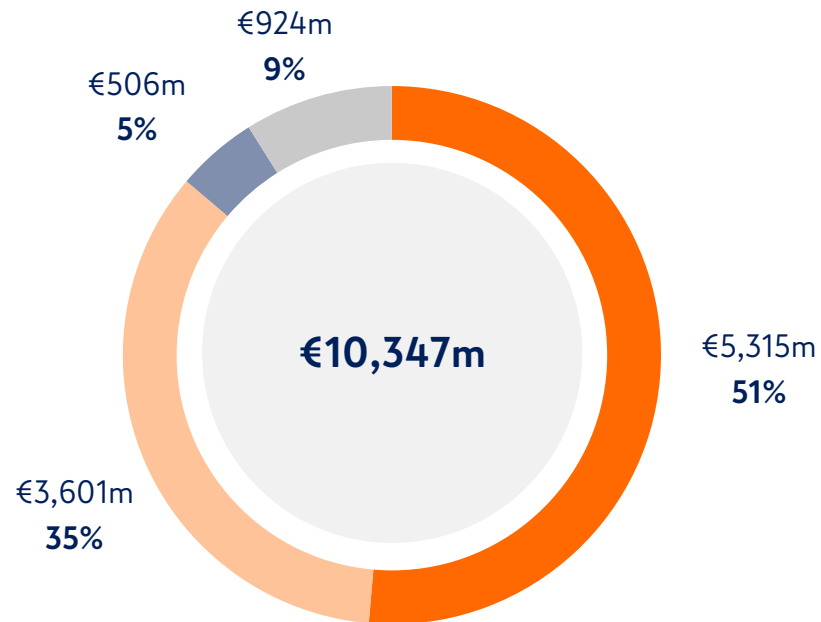
Market cap approx.
€5bn with **42,000**
shareholders



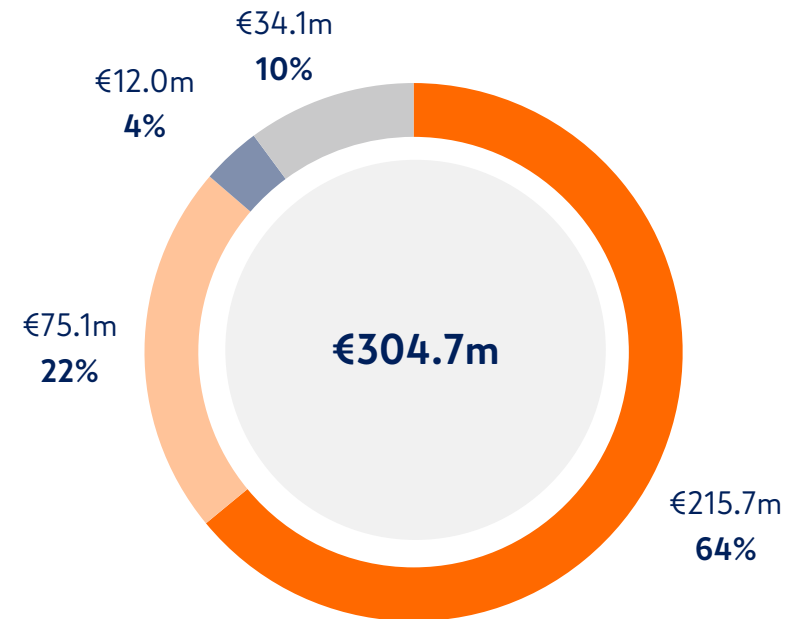
World's most
sustainable trading
sector company

Net Sales and Operating Profit

Net sales



Comparable operating profit



● Grocery trade
 ● Building and technical trade excl. speciality goods trade
 ● Speciality goods trade
 ● Car trade

Rolling 12 months Q1/18, continued operations

Targeting Profitable Growth



Grocery trade

Growth in grocery trade in Finland



Building and technical trade

Growth in building and technical trade in Northern Europe



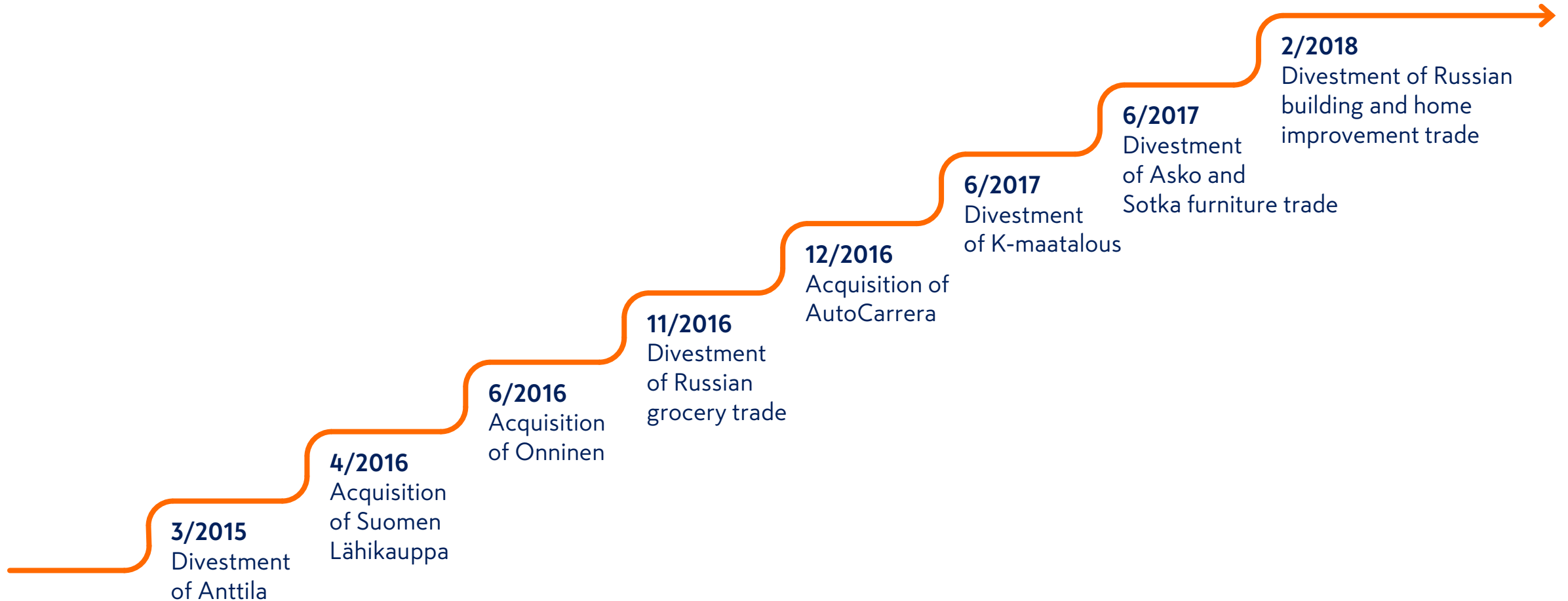
Car trade

Growth in car trade especially in Finland

One unified 

Progress Towards a Strong, More Focused Company

Investments in core business operations €1.3bn, divestments €1.0bn



Profitable Growth Achieved in All Three Divisions



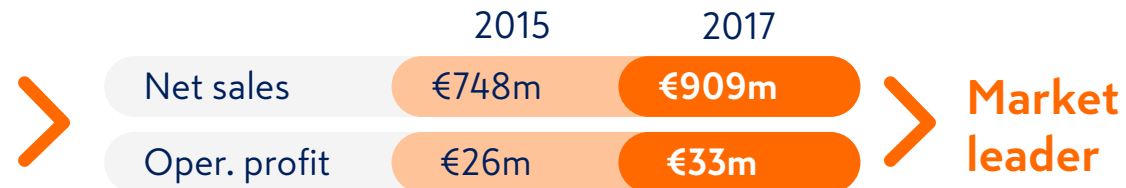
Grocery trade



Building and technical trade



Car trade



Continued operations, comparable figures, building and technical trade excluding speciality goods trade

Good Performance Has Continued in 2018

- Jan-May 2018 comparable sales growth 4.2%
 - Solid growth in grocery trade +5.8% and car trade +6.4%
 - Also good sales growth in building and technical trade in April-May
- Q1/2018 profitability better than previous year
 - Comparable operating profit €40.0m, divestments taken into account growth 49%
 - ROCE* at the level of 13.5%

Rolling 12 months Q1/18, comparable



Strong Customer Driven Strategy Execution

Quality and Customer Orientation



- Redesign of the K brand and chain brands
- Store site network upgrades
- New customer feedback systems
- Developing the retailer business model

Best Digital Services



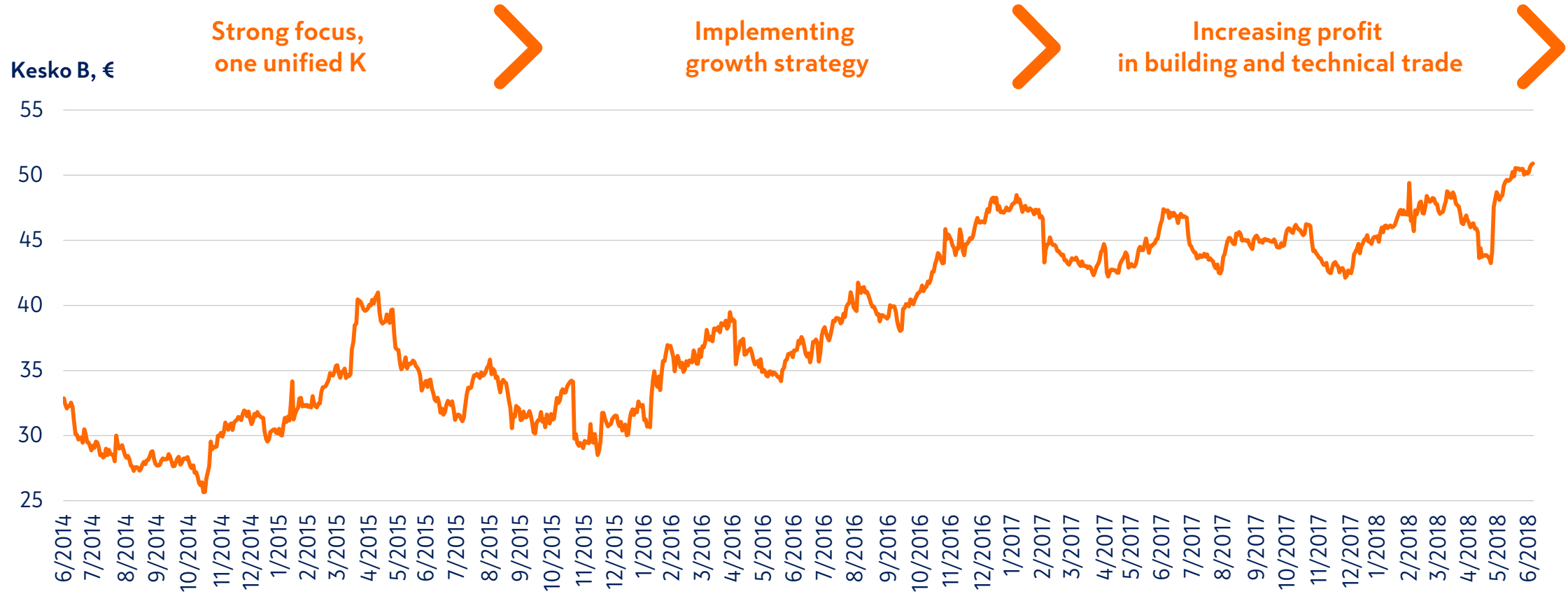
- Launching new eCommerce and mobile services
- Utilising data and analytics
- Investments in new technology

One Unified K



- Building one strong K brand
- Remodelling the Plussa loyalty programme
- Streamlining company structure

Value Creation Through Good Strategic Choices and Successful Execution

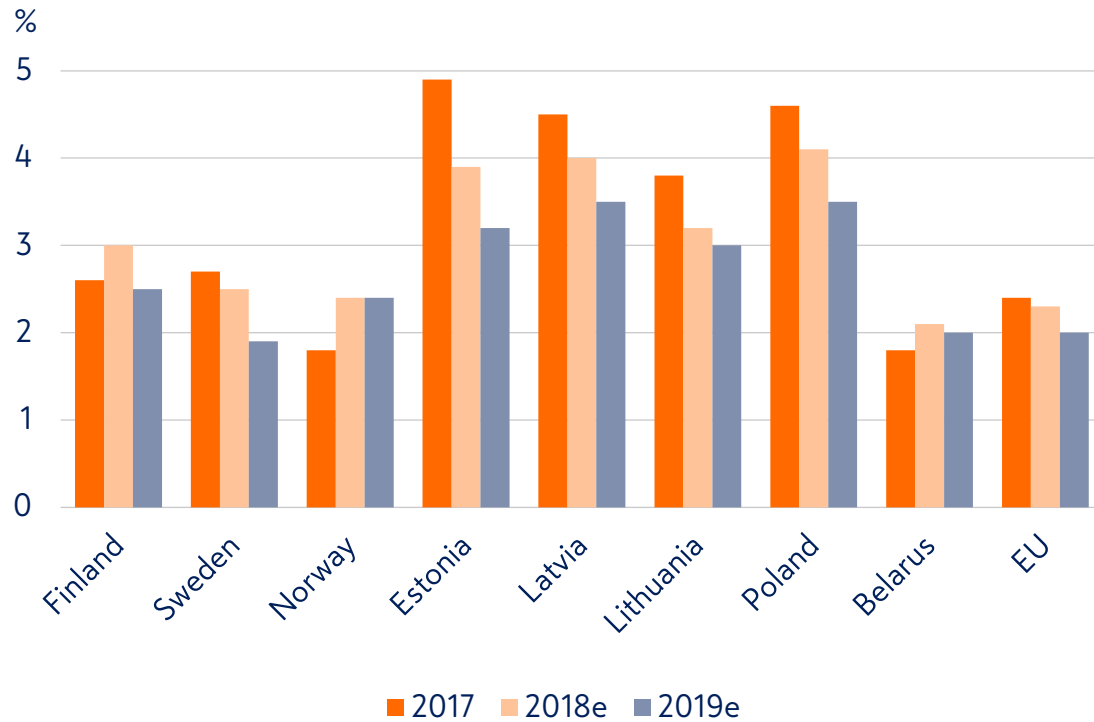




Continuing with Our Chosen Growth Strategy

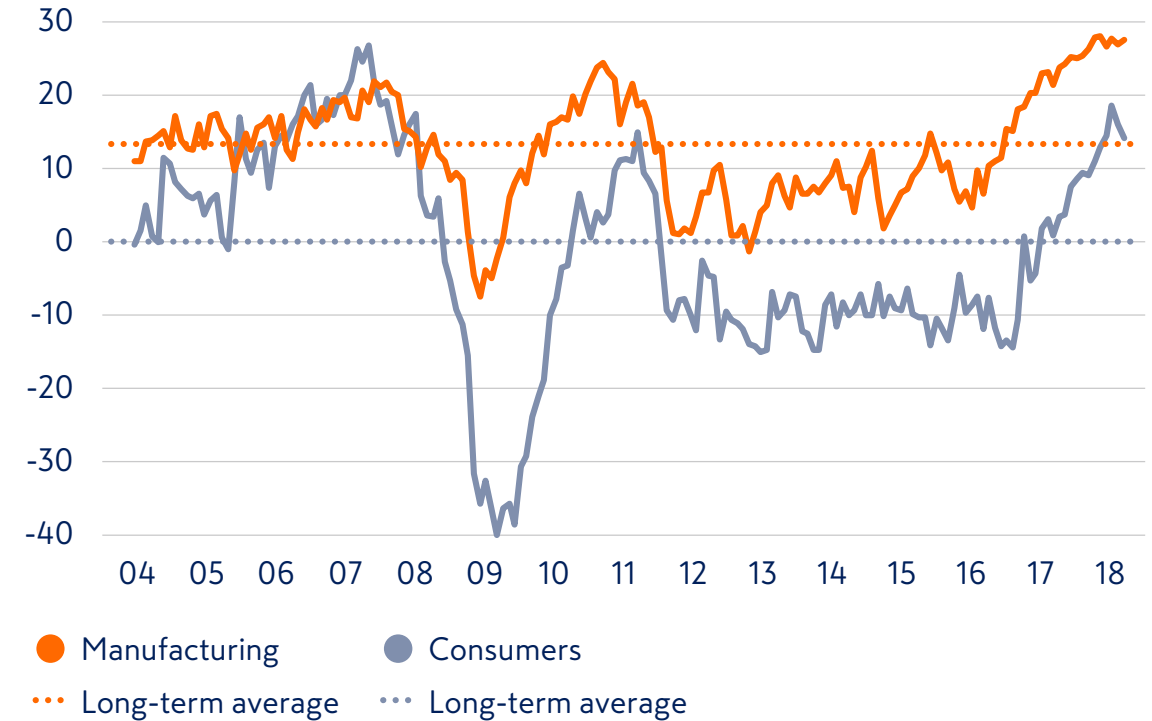
Kesko's Operating Countries Among the Best in Europe with Healthy and Stable Business and Political Environments

Expected GDP growth in Kesko's operating countries



Source: Nordea, IMF, European Commission

Manufacturing and consumer confidence
Balance, seasonally adjusted



Our Strategy Responds to the Changing Retail Landscape



Digitalisation and
eCommerce



Sustainability and
strong brands



Increasingly individual
customer behaviour



Globalisation

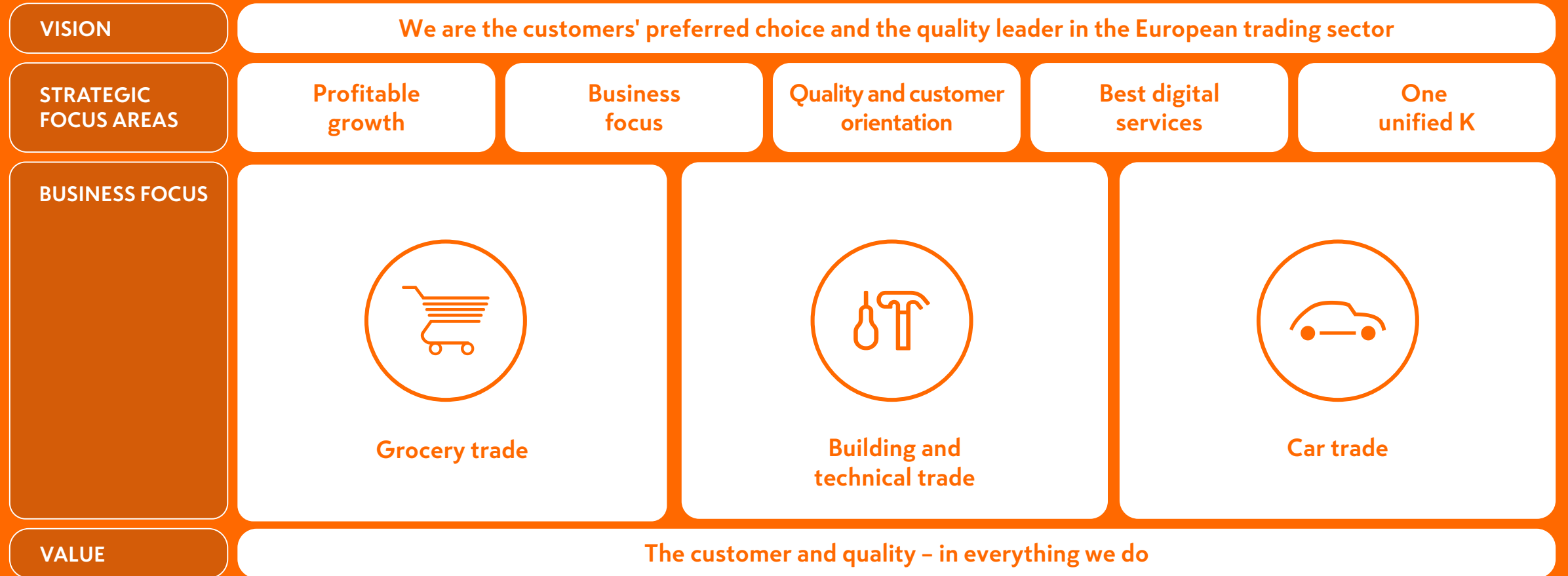


Increased consumer
knowledge and power



Convenience

We Continue With Our Existing Growth Strategy



Our Grocery Trade Among the Most Profitable Retailers in Europe

- Market share growth with good profitability
- Exceeding customer expectations with store-specific business ideas
- Retailer model as a competitive advantage
- Growth from eCommerce and mobile services
- Expanding the foodservice business



Good Value Creation Potential for Upcoming Years in Building and Technical Trade



Operating margin (%)



Car Trade Growing Faster Than the Market

- Close partnership with the VW Group
- Targeting market share growth
- Improving profitability in importing, retailing and after-sales
- Expanding new mobility services
- Omni-channel customer experience

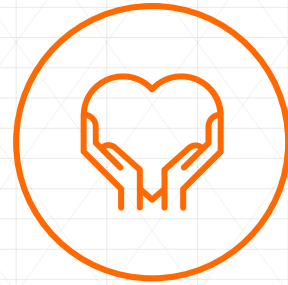


One Unified K – Creating Value For Customers



- Building a strong and trusted K brand
- Further synergies across businesses
- Loyalty programme: serving our most loyal customers better
- Innovations and new business opportunities





**Kesko Is the Most Sustainable Trading Sector
Company In the World and an
Active Member of Society**



Moving Towards Our Financial Targets

Jukka Erlund, CFO

Main Financial Targets

| | Roll. 12 months Q1/18 | Target level |
|------------------------------------|-----------------------|--------------|
| Return on Capital Employed, %* | 13.5 | 14.0 |
| Return on Equity, % | 10.9 | 12.0 |
| Interest-bearing net debt / EBITDA | -0.1 | <2.5 |

Kesco's dividend policy

At least 50% of comparable earnings per share distributed as dividends



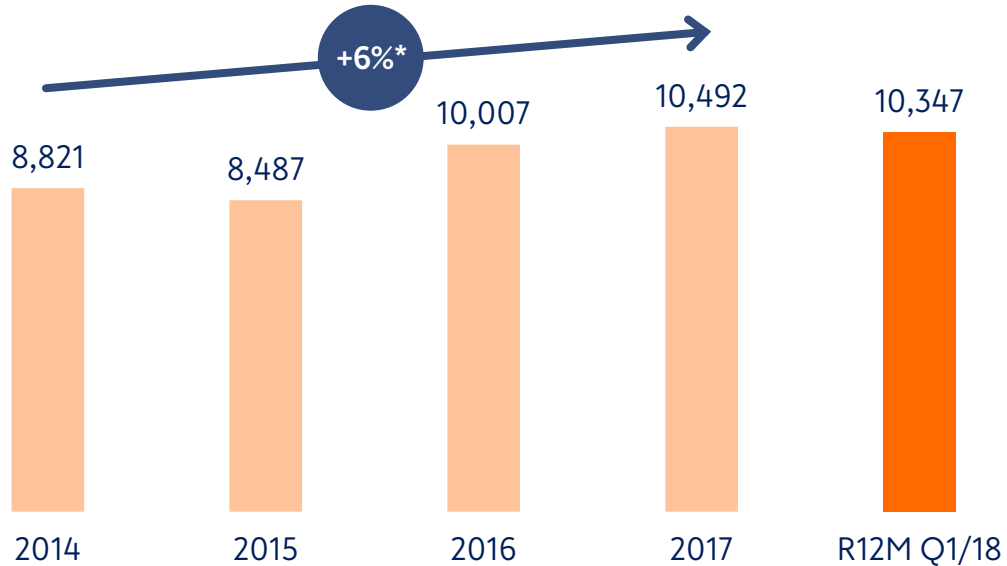
Payout ratio (5y average) : 103.4%
Dividend yield (5y average B share) : 5.4%

* Comparable figures, continued operations

Executing Profitable Growth Strategy

Net sales

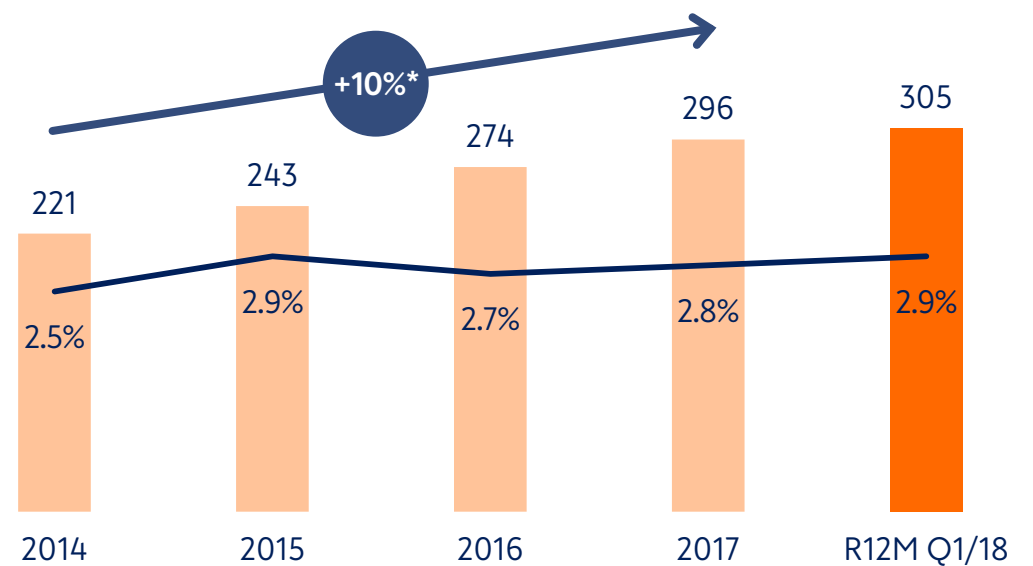
€m



Net sales growth €1.7bn in 2014-2017

Comparable operating profit

€m

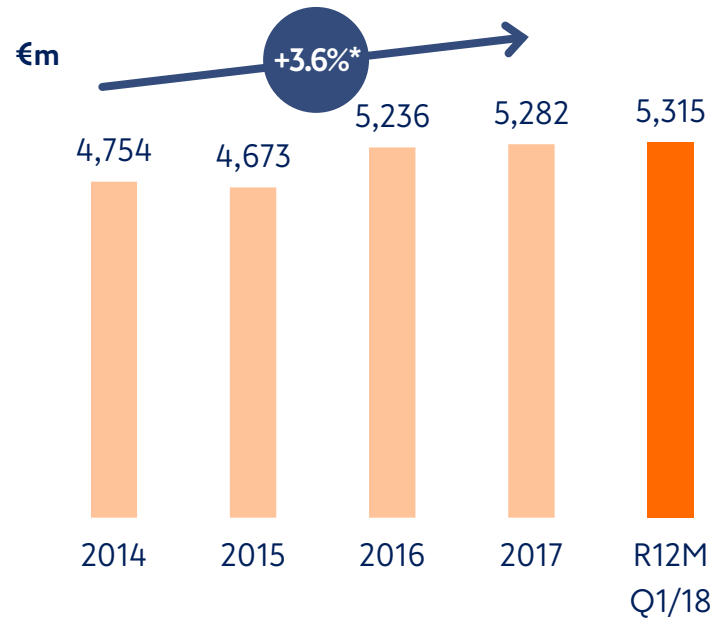


Operating profit growth €76m in 2014-2017

Continued operations *CAGR

Sales Growth in All Divisions

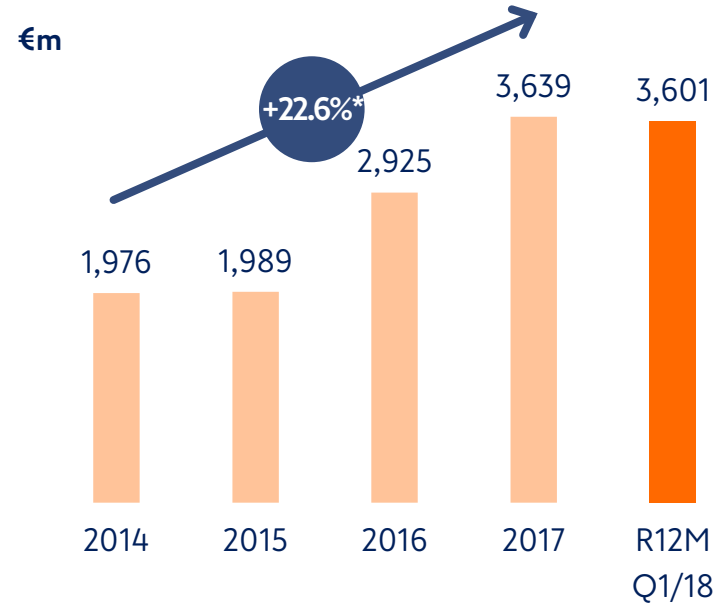
Grocery trade – net sales



Growth: €528m

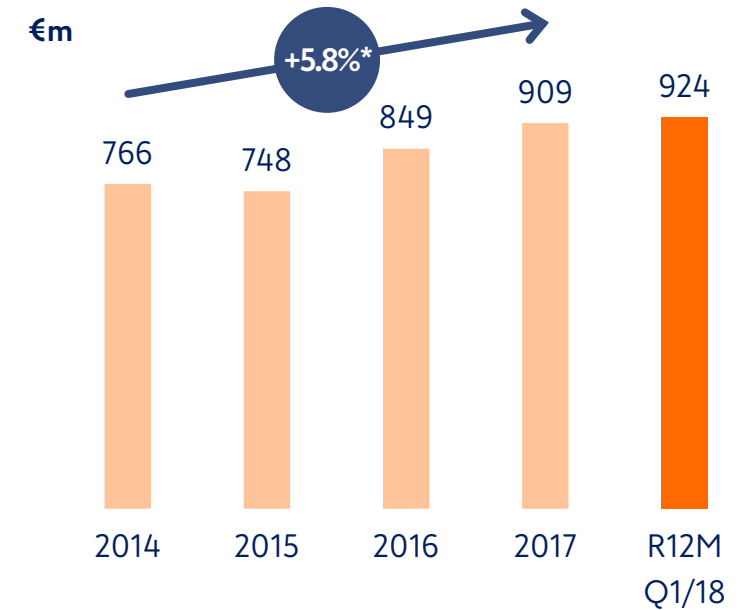
Continued operations *CAGR

Building and technical trade excluding speciality goods – net sales



Growth: €1,663m

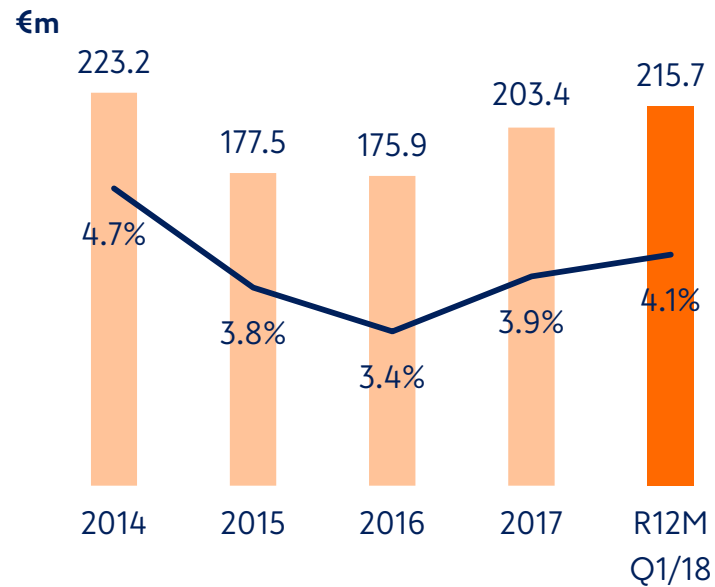
Car trade – net sales



Growth: €143m

Operating Margin on a Growth Track

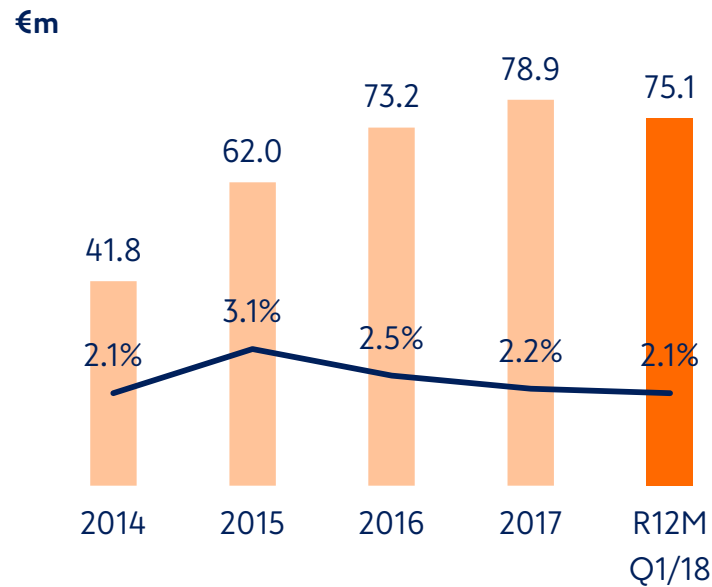
Grocery trade – operating profit



Increase in traffic and basket due to quality initiatives
 Successful integration of Suomen Lähikauppa
 Profitability uplift in non-food and Kespro Horeca

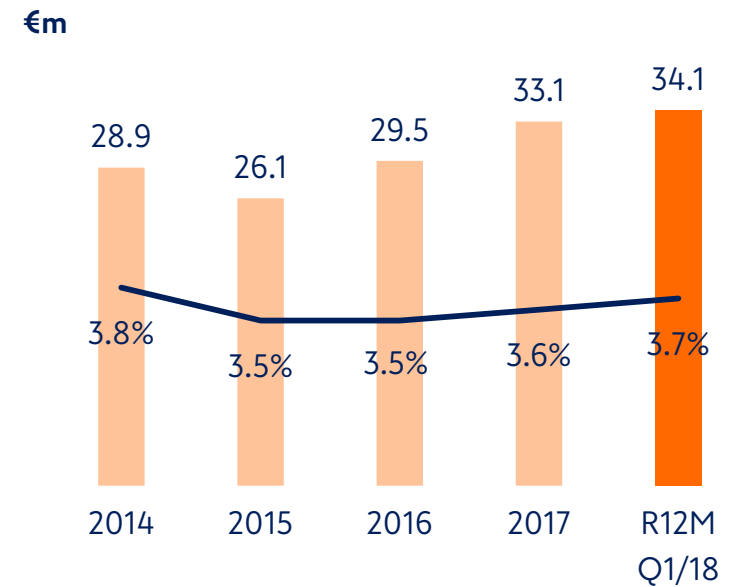
Comparable figures, continued operations

Building and technical trade excluding speciality goods – operating profit



Onninen acquisition and profitability uplift
 Finland and the Baltics performing well and on a growth track
 Targeted improvement in Sweden, Poland and Norway

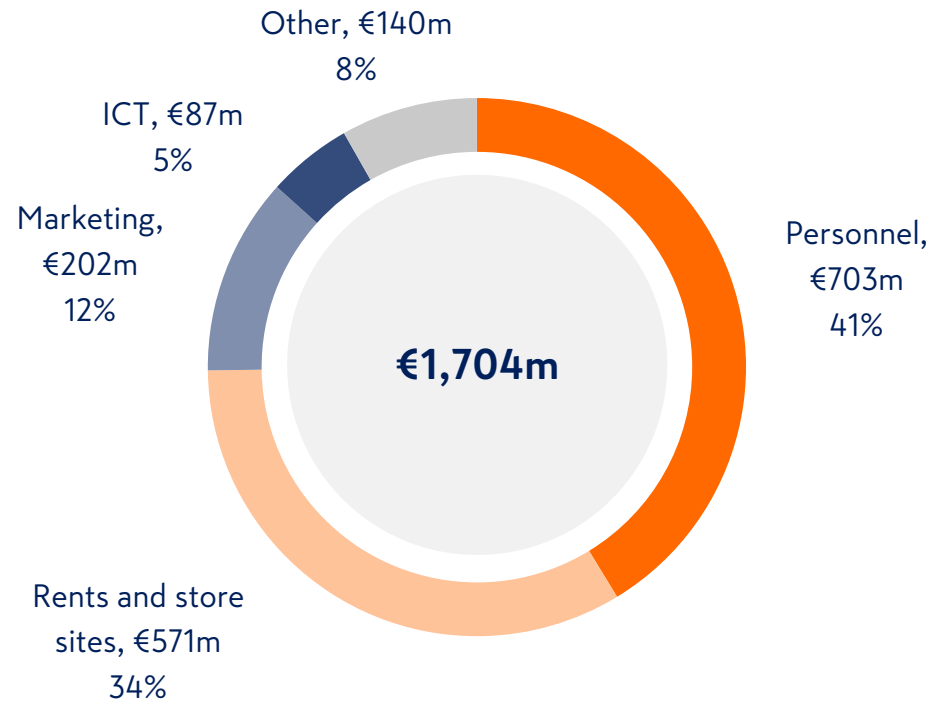
Car trade – operating profit



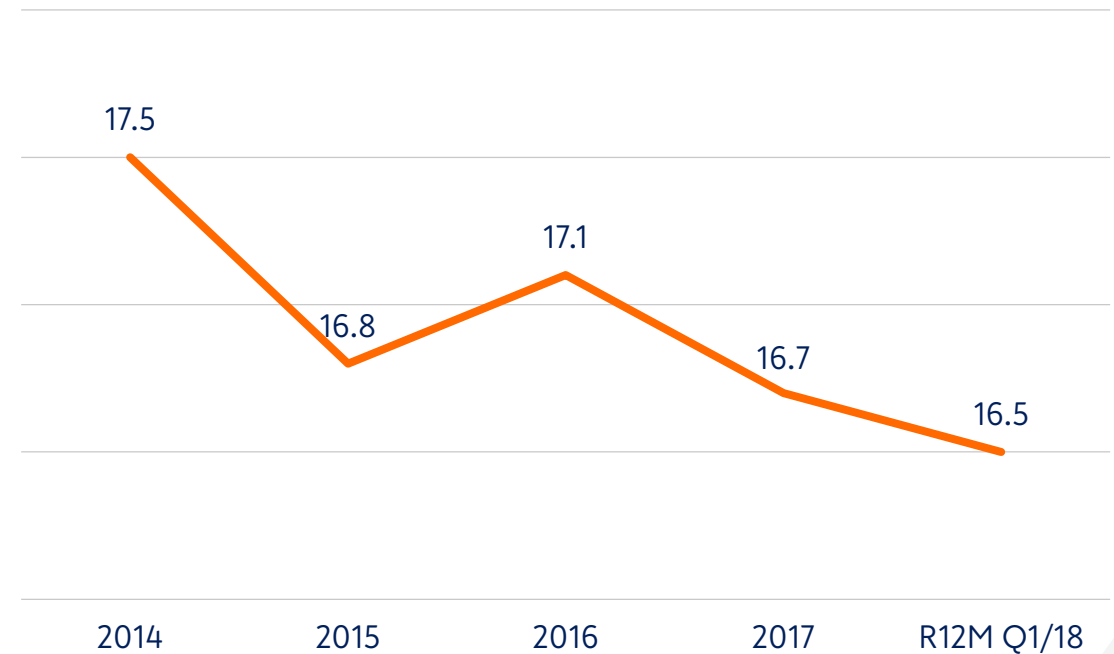
Good growth track in importing, retailing and after sales
 Strong performance in Porsche operations

Improved Cost-to-Sales Ratio due to Volume Growth

Fixed cost base



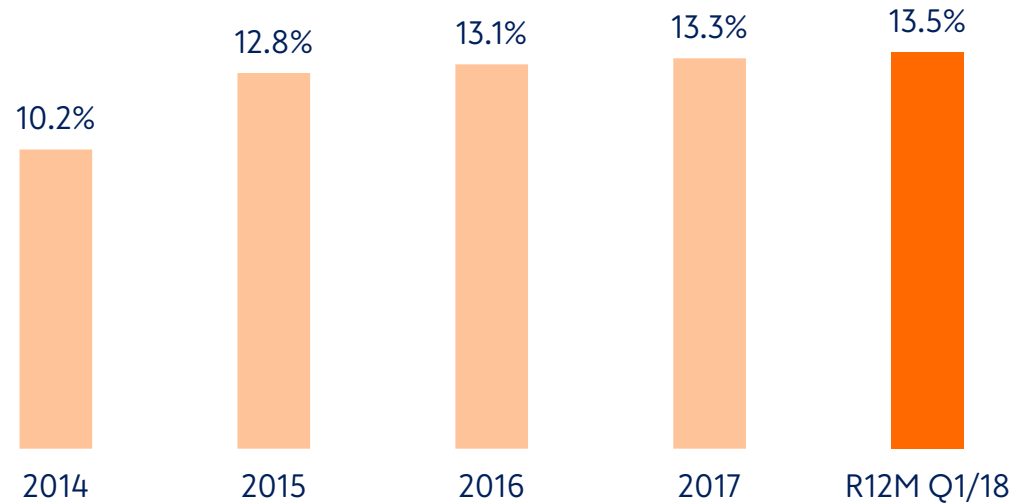
Costs as share of net sales, %



Comparable figures, continued operations

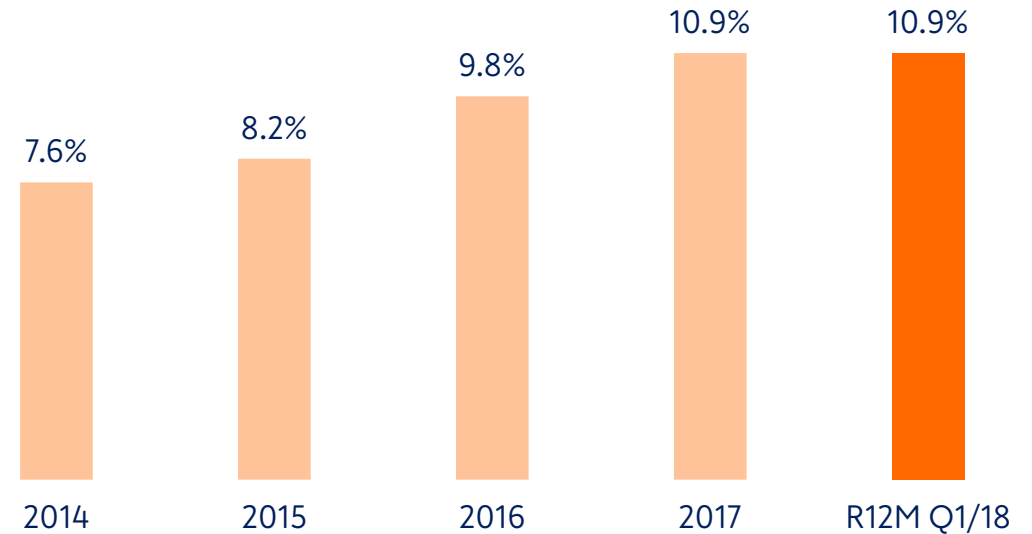
ROCE and ROE on Track towards Their Targets

ROCE*, target 14%



Profitability improvement in core businesses
Divestments of low profitability operations

Comparable ROE, target 12%

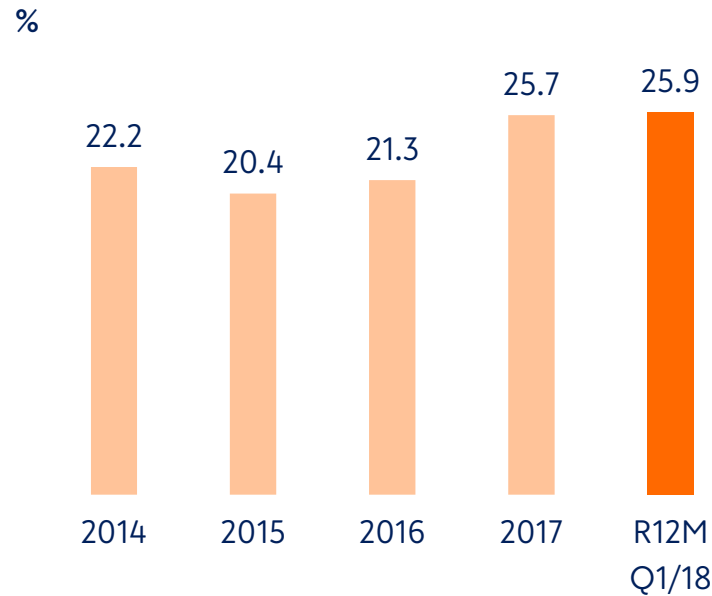


Operating profit uplift combined with improved financial net and effective tax rate
Close to 100% pay-out ratio in dividends

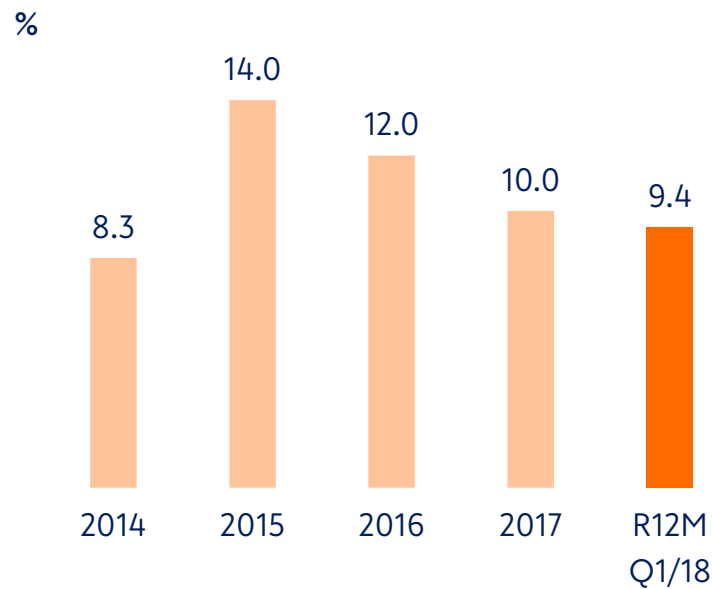
*Comparable figures, continued operations

The Biggest ROCE Improvement Potential in Building and Technical Trade

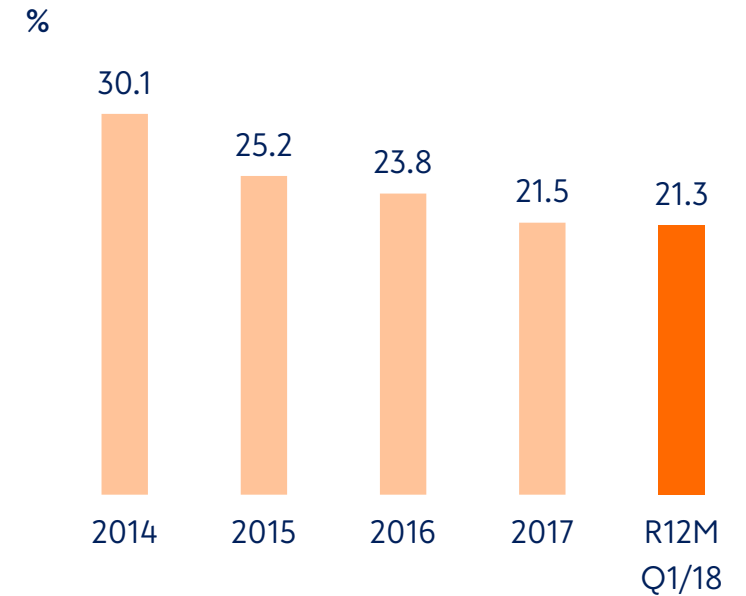
Grocery trade – ROCE



Building and technical trade excluding speciality goods – ROCE



Car trade – ROCE



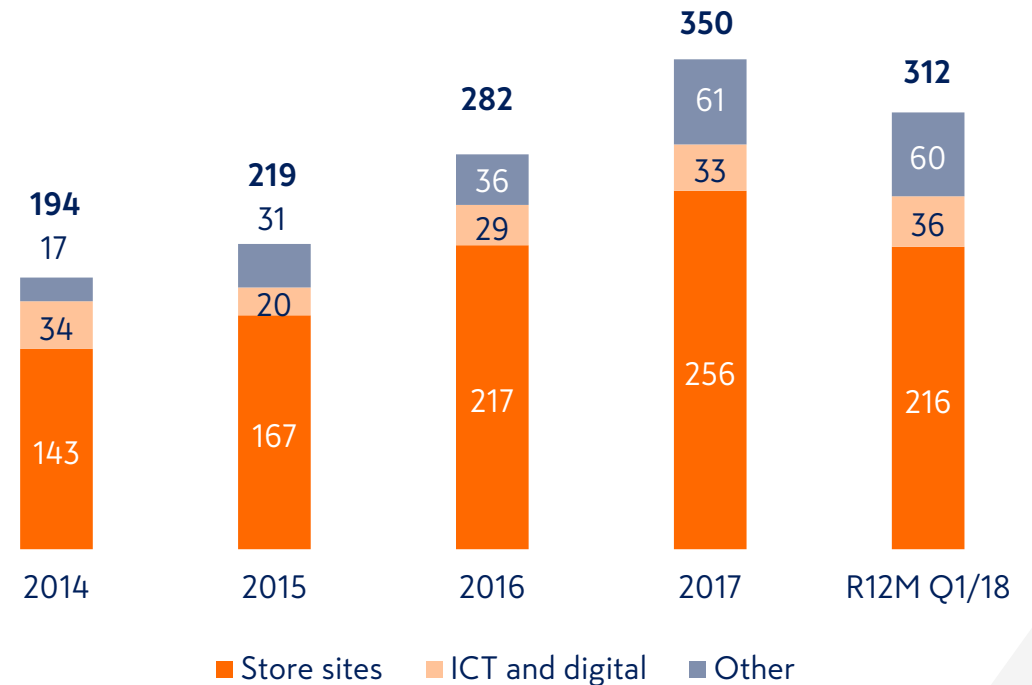
ROCE affected by increased capital employed due to acquisitions and growth investments

Comparable figures, continued operations

Capital Expenditure to Decrease from the 2017 Level Excluding Acquisitions

- Organic capex peaked at 2017 – going forward, expected to decrease to a level of €200-250m
- Capex in store sites to decrease after exceptionally high level in recent years
- ICT and digital investments to increase
- Leasing fleet to raise capex in the next few years
- Additional acquisitions targeted to build scale and improve competitiveness especially in building and technical trade

Capex*
€m

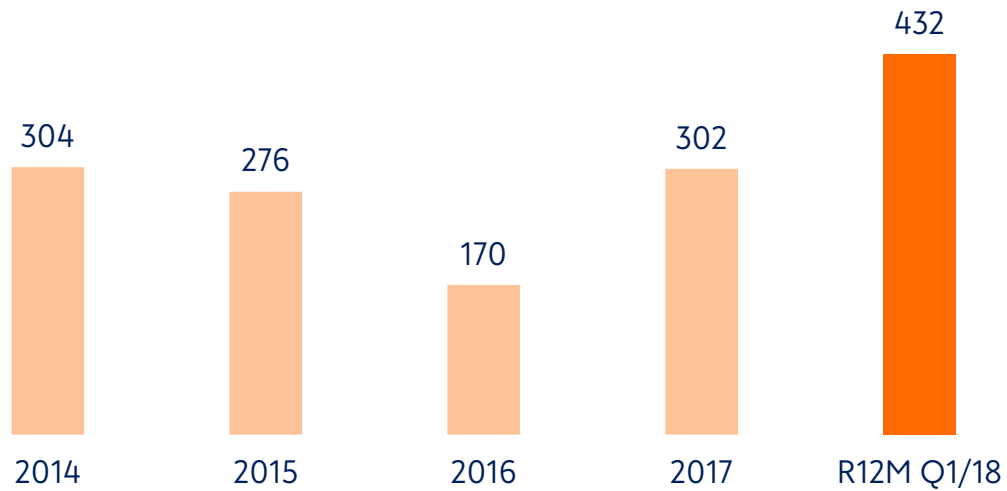


*Additionally, €462m in acquisitions in 2016

Cash Flow Generation to be Further Enhanced

Operative cash flow

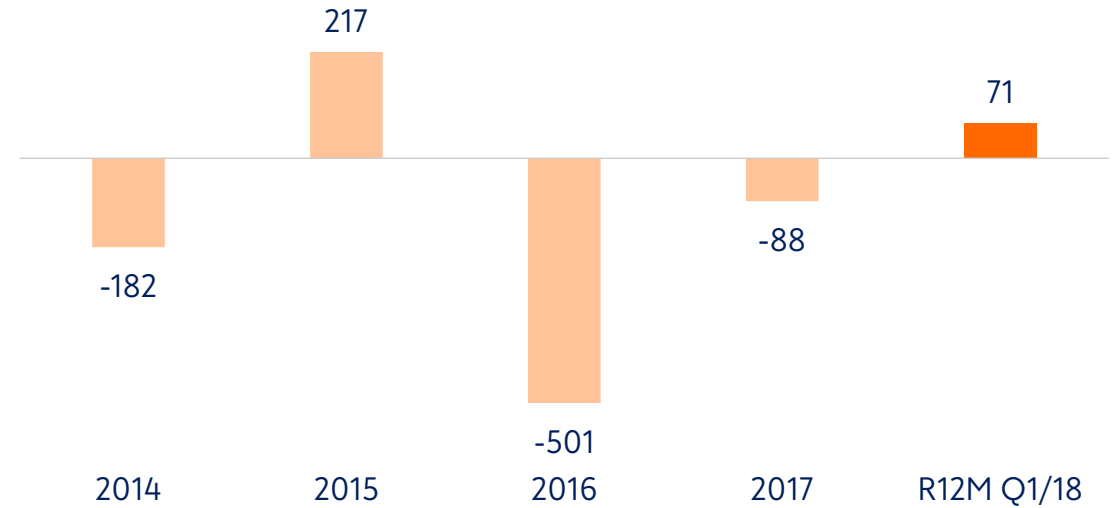
€m



Focus on further improvements in profitability and NWC

Cash flow from investing activities

€m

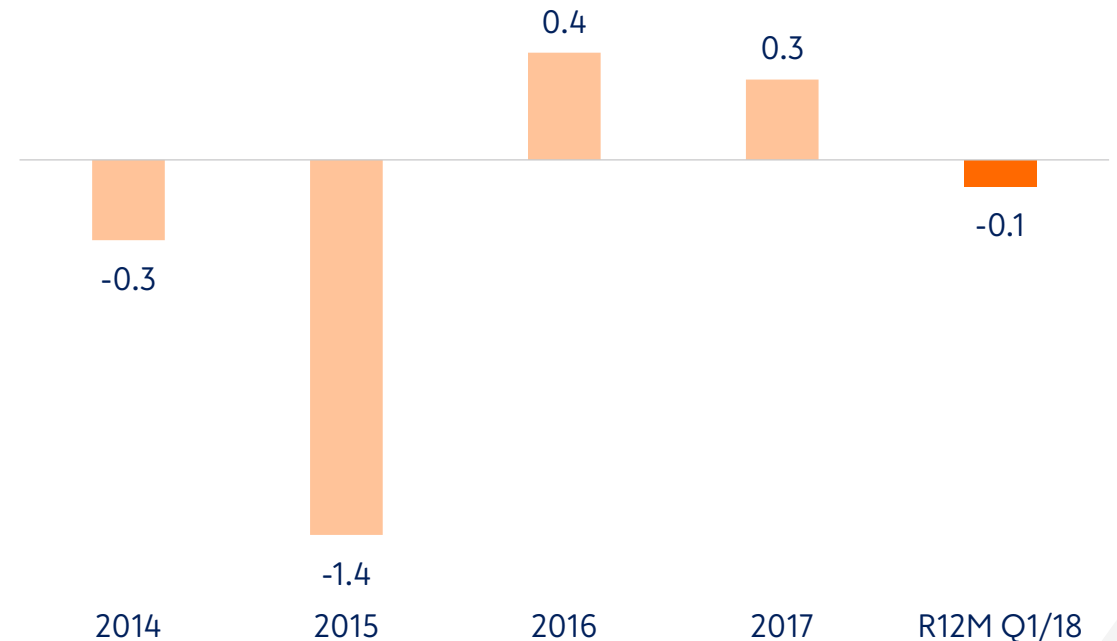


Total net capex at a moderate level due to €1bn from divestments

Strong Financial Position

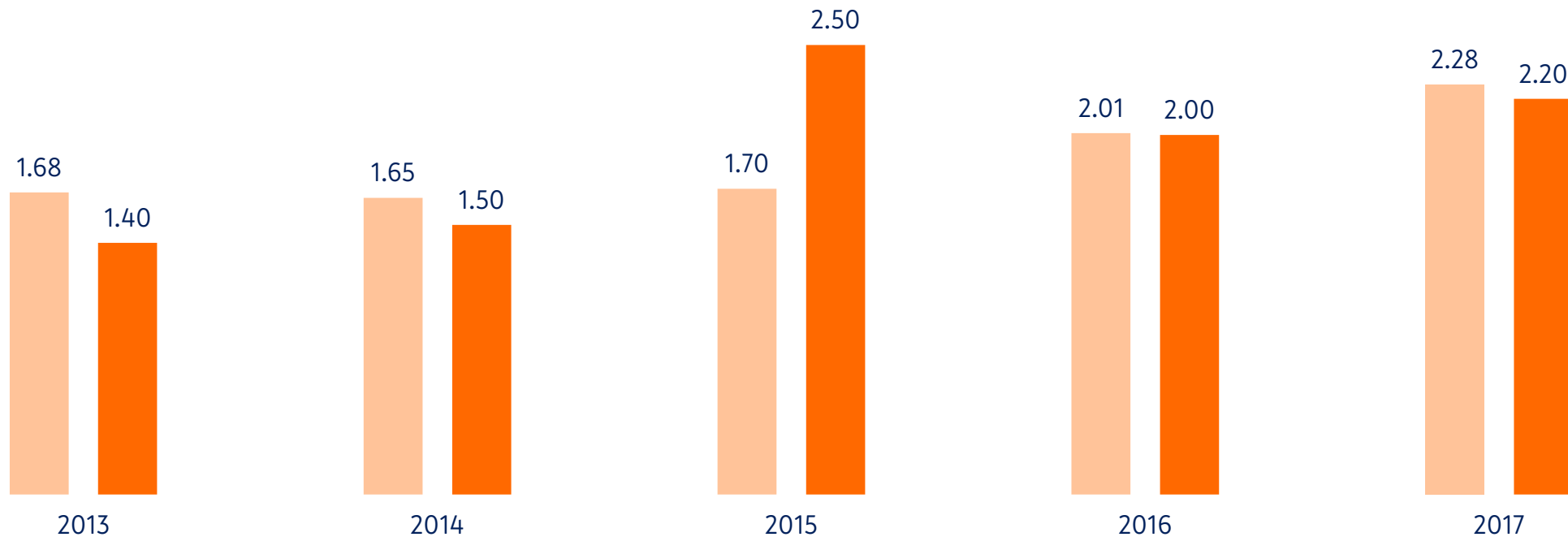
- Financial position strong despite €1.3bn investments in 2015-2017
- M&A firepower up to above €1bn – acquisition criteria include value creation and good strategic fit
- Strong balance sheet enables both strategic growth initiatives as well as good pay-out ratio for dividends

Net debt/EBITDA target 2.5x



Steady Growth Targeted in Dividends

● Comparable earnings per share, € ● Dividend, €



Real Estate Portfolio in Good Shape

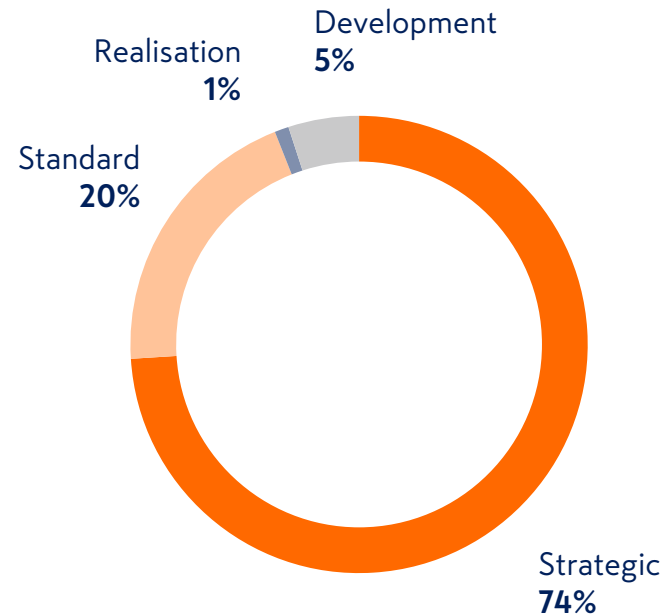
Book value of owned stores by region, €m

| | 2017 |
|------------------------------|------------|
| Finland | 817 |
| Other Nordic countries | 40 |
| Baltic countries and Belarus | 38 |
| Total | 895 |

Lease liabilities by region, €m

| | 2017 |
|------------------------------|--------------|
| Finland | 2,455 |
| Other Nordic countries | 73 |
| Baltic countries and Belarus | 350 |
| Poland | 15 |
| Total | 2,893 |

Breakdown of owned properties



Strategic: Properties Kesko wants to own. Significant properties for business operations.

Standard: Properties Kesko owns but could sell and then lease back.

Realisation: Properties Kesko no longer has use for.

Development: Plots and properties that require development to fit their planned purpose.



IFRS 16 Leases

Illustration of Impact to Key Ratios by IFRS 16

New IFRS 16 will be applied retrospectively as of 1 January 2019, comparative numbers for 2018 to be restated

Lease accounting summarised

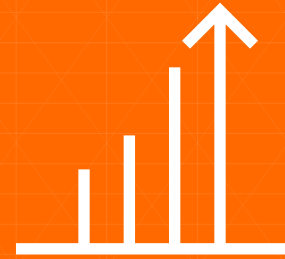
- Lease agreements recognised in the balance sheet as assets and interest-bearing liabilities
- Rent expenses replaced by depreciation and interest expense in the income statement

Impacts of the new standard

- Operating profit and EBITDA will increase
- ROCE% will decrease
- Interest-bearing net debt and net debt/EBITDA to increase
- No changes to total cash flow

| Illustrative Impact of IFRS16 | 2017 Actual | IFRS16 Impact | 2017 Adjusted** |
|----------------------------------|-------------|---------------|-----------------|
| Continued operations | | | |
| EBITDA, €m* | 422 | +396 | 818 |
| Operating profit, €m* | 296 | +96 | 392 |
| Finance net, €m* | 4 | -101 | -97 |
| Profit before tax, €m* | 300 | -5 | 296 |
| EPS, €* | 2.29 | -0.03 | 2.26 |
| Capital employed, €m*** | 2,224 | +1,984 | 4,208 |
| ROCE, %* | 13.3 | -4.0 | 9.3 |
| Group | | | |
| Interest-bearing net debt | 136 | +2,190 | 2,326 |
| Interest-bearing net debt/EBITDA | 0.3 | +2.4 | 2.7 |

*Comparable ** Based on amount as if IFRS 16 would have been applied as of 1.1.2017 *** Average for 12 months



Creating Value Through Good Strategic Choices And Successful Execution



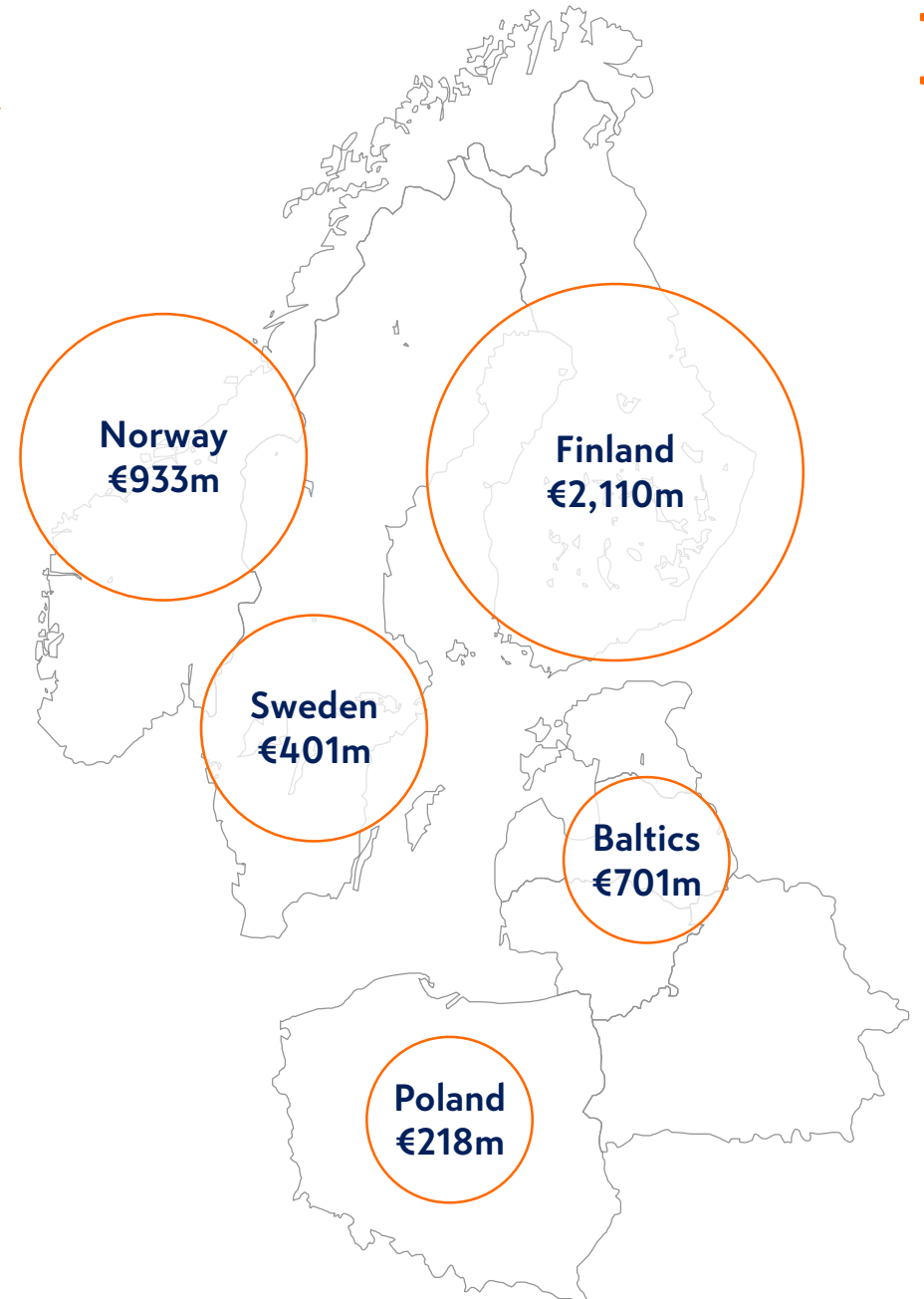
KESKO CMD 2018

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

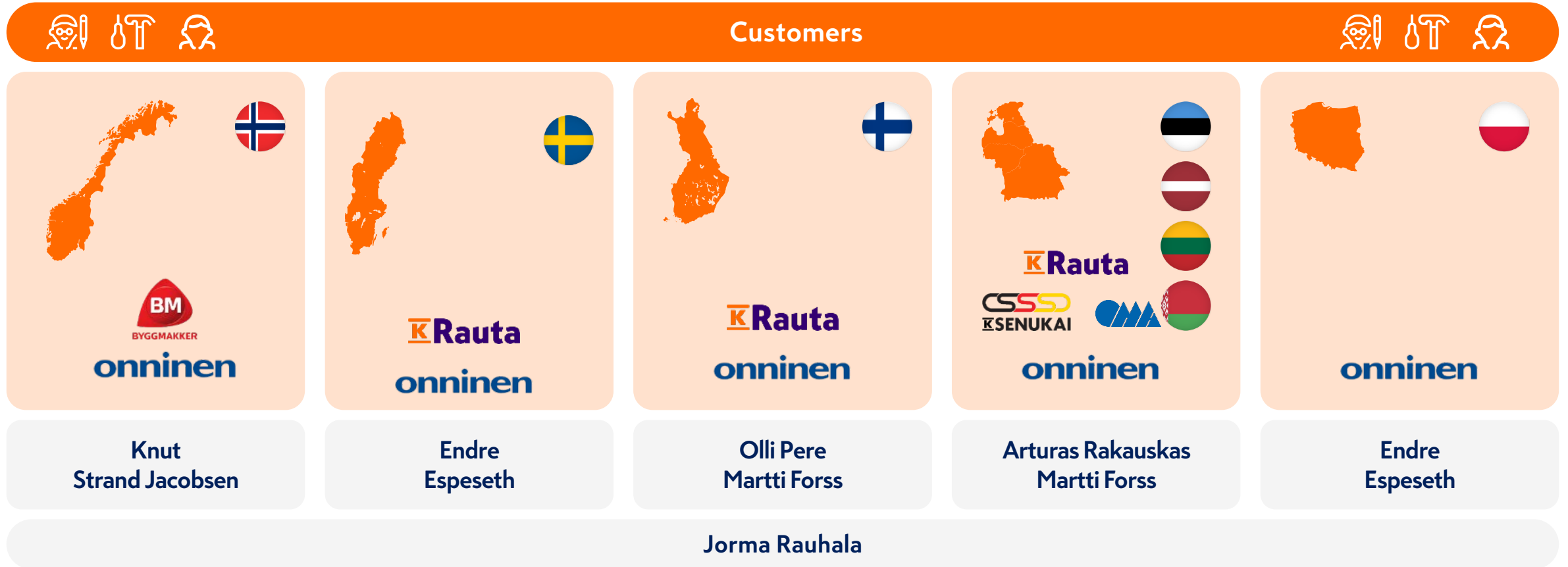


Consumers

- Surface materials
- Bathroom
- Garden products

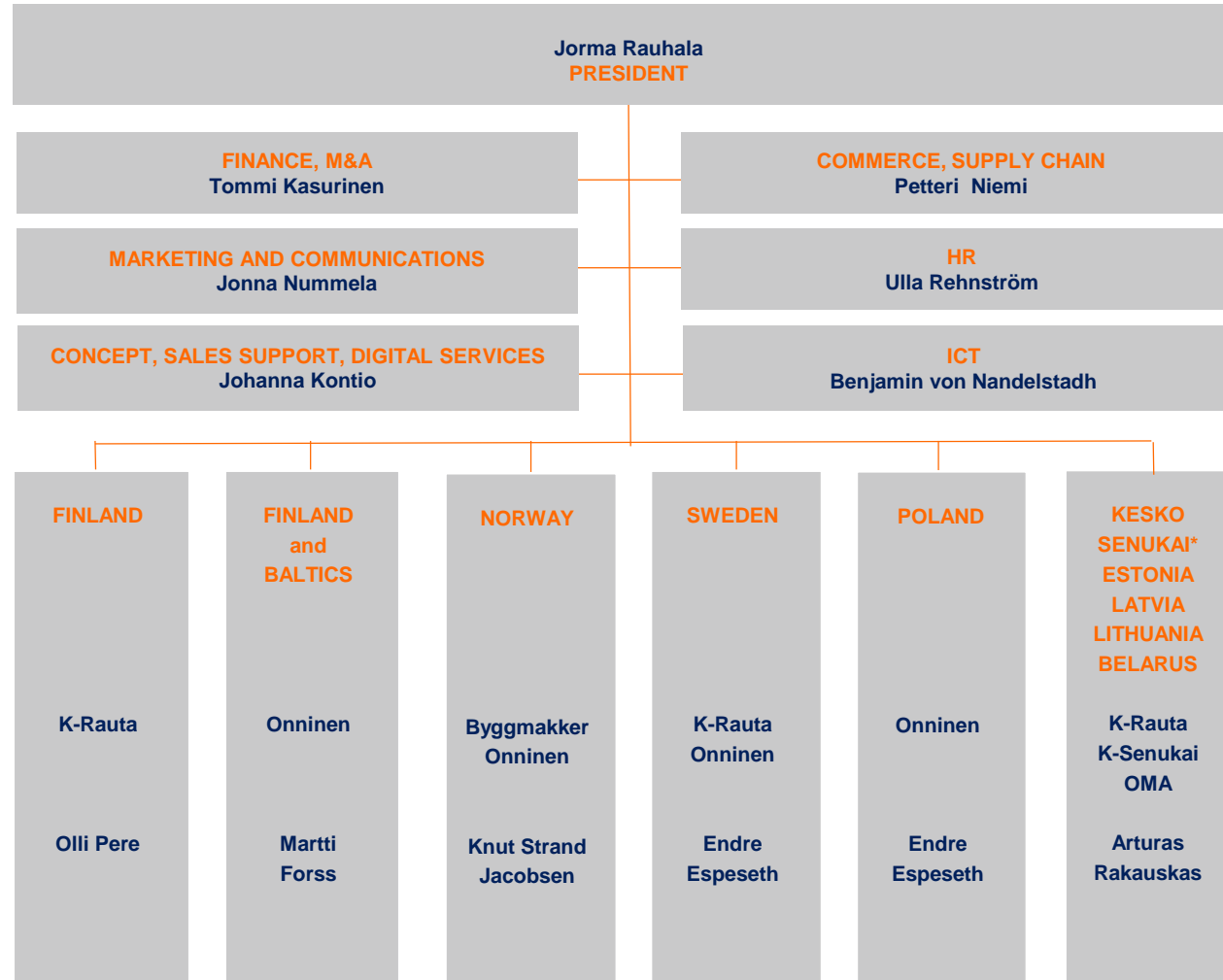
- Competitive prices
- Approachable and competent customer service with advice
- Easy to shop, good availability
- Showrooms and visual displays

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



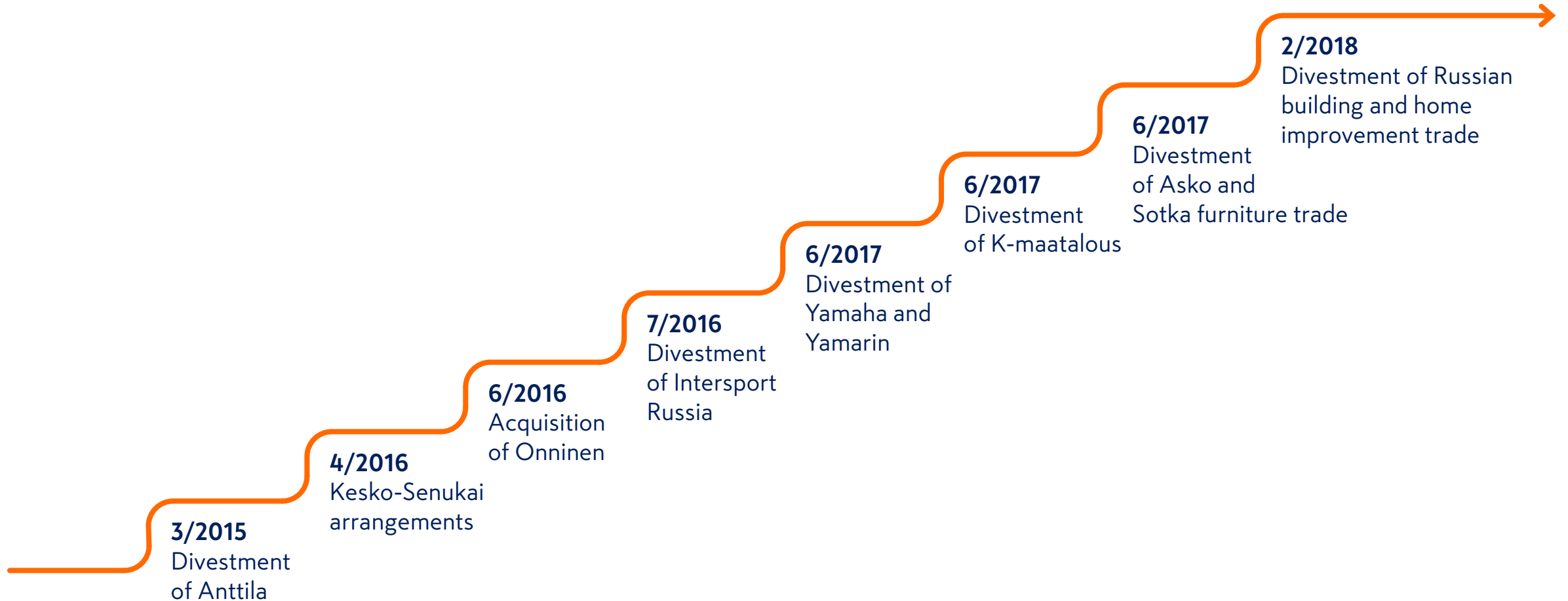
Operational efficiency



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.

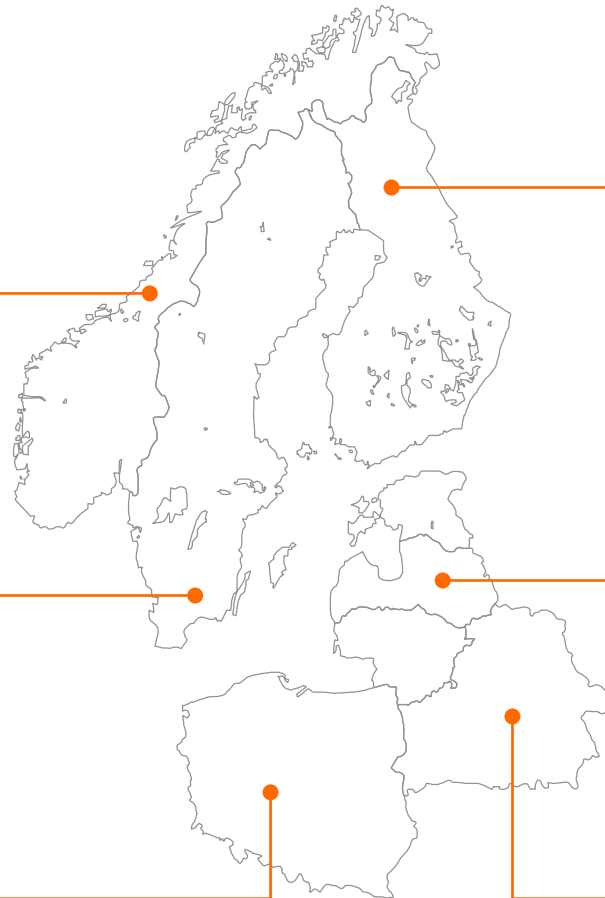
Onninen

| | | |
|--------------------------|---------------------------|---------------------------|
| 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.

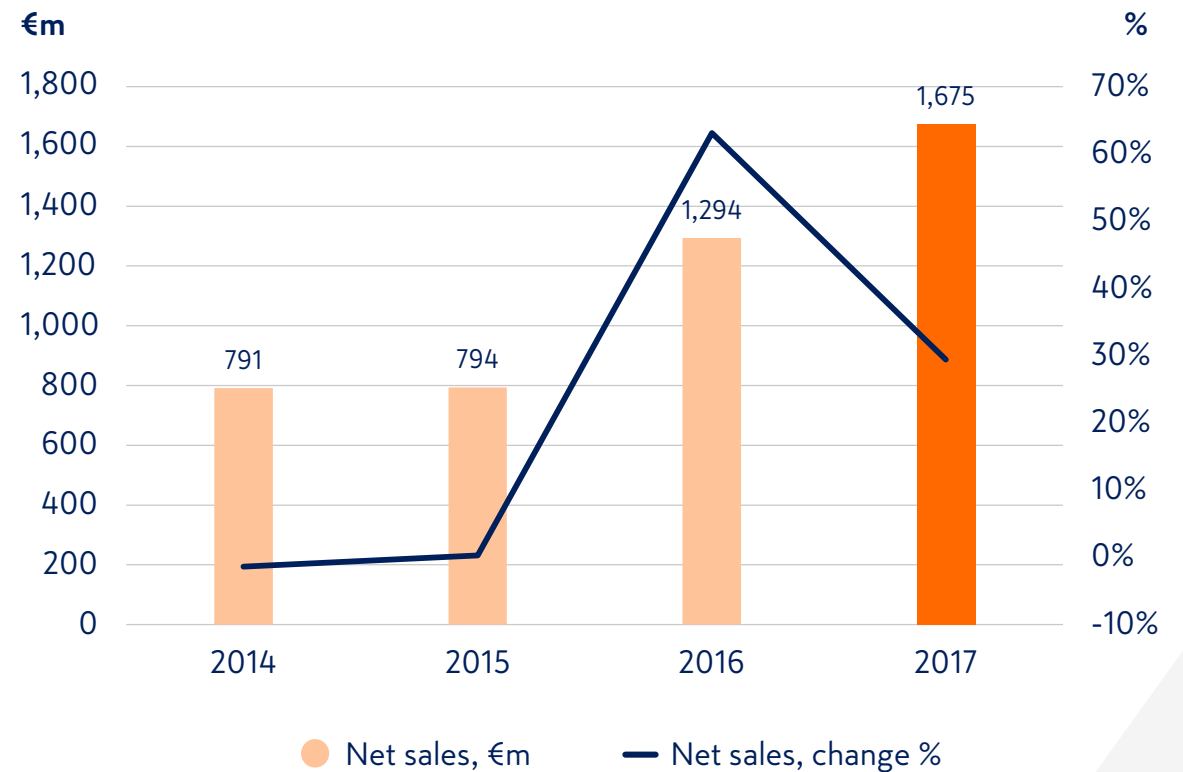
| | |
|--------------------------|-----|
| Retail market 2017 (€bn) | 1.1 |
| Market position | #1 |



Fully Utilising the Potential of Market Leadership in Finland

Future value creating actions

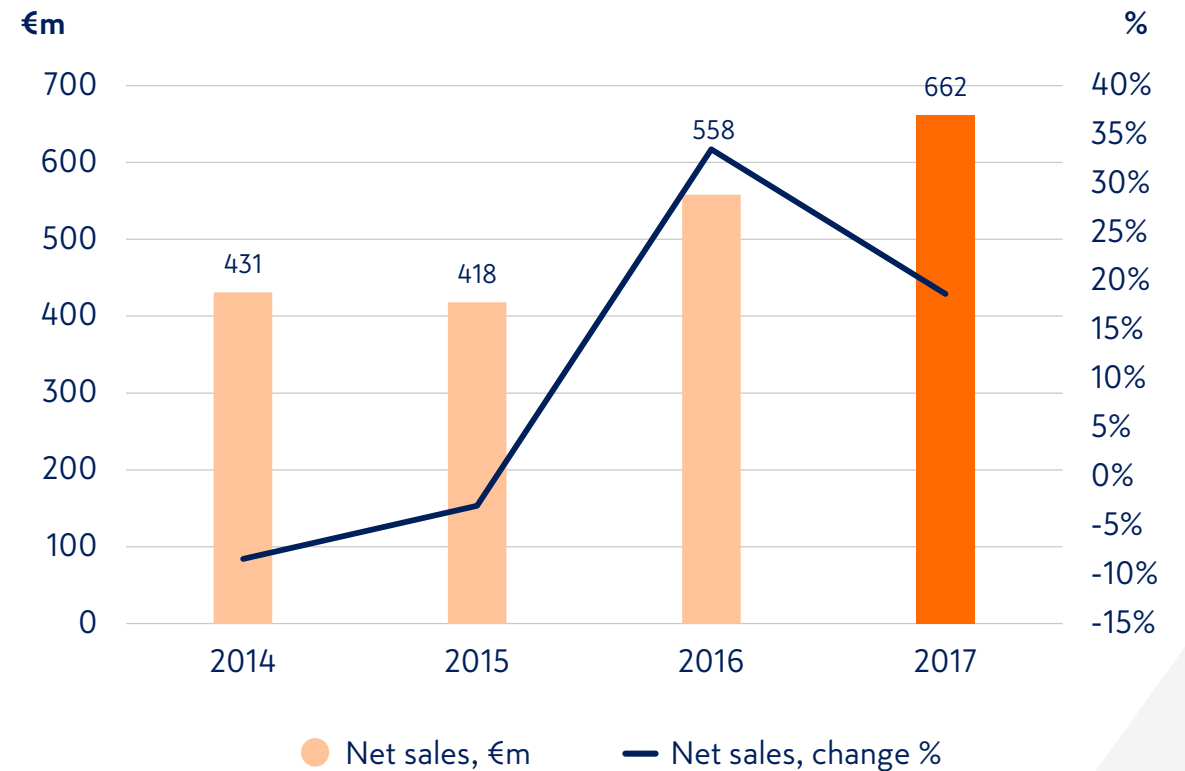
- Growing the Onninen Express store network
- Store-specific business ideas in K-Rauta
- Developing digital channels



Raising the Business to Next Level in Norway

Future value creating actions

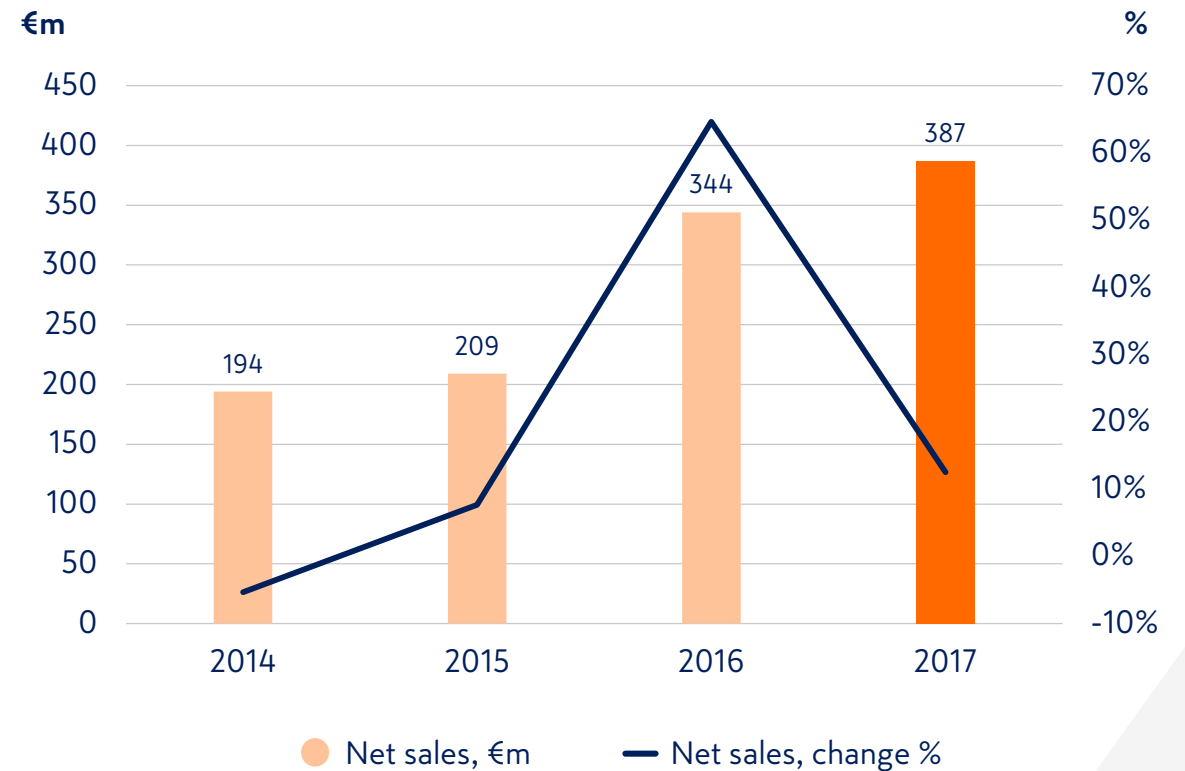
- Growth in Bygghem sales and profitability
- Acquisitions to change the Bygghem business model
- Strengthened Bygghem management model



Gaining Sustainable Profitability in Sweden

Future value creating actions

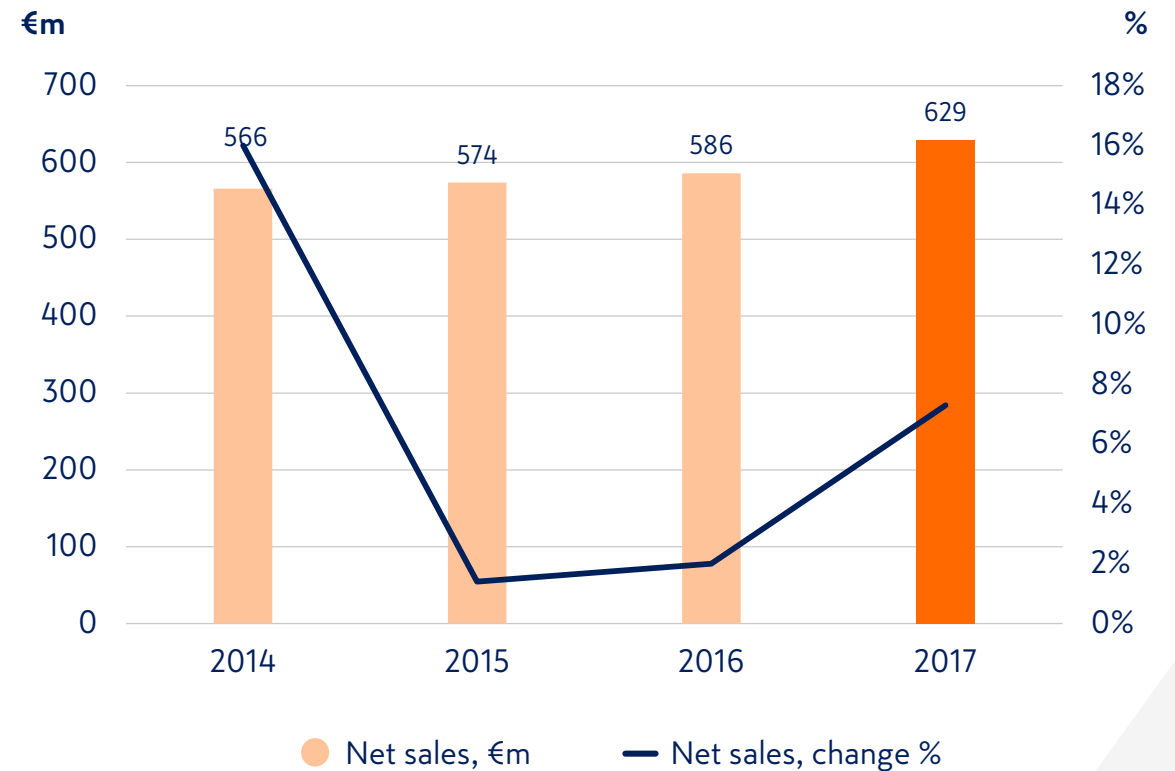
- Measures to improve profitability
- New management team in place
- Increased focus on all three customer segments



Strengthening Value Creation Potential in Kesko Senukai

Future value creating actions

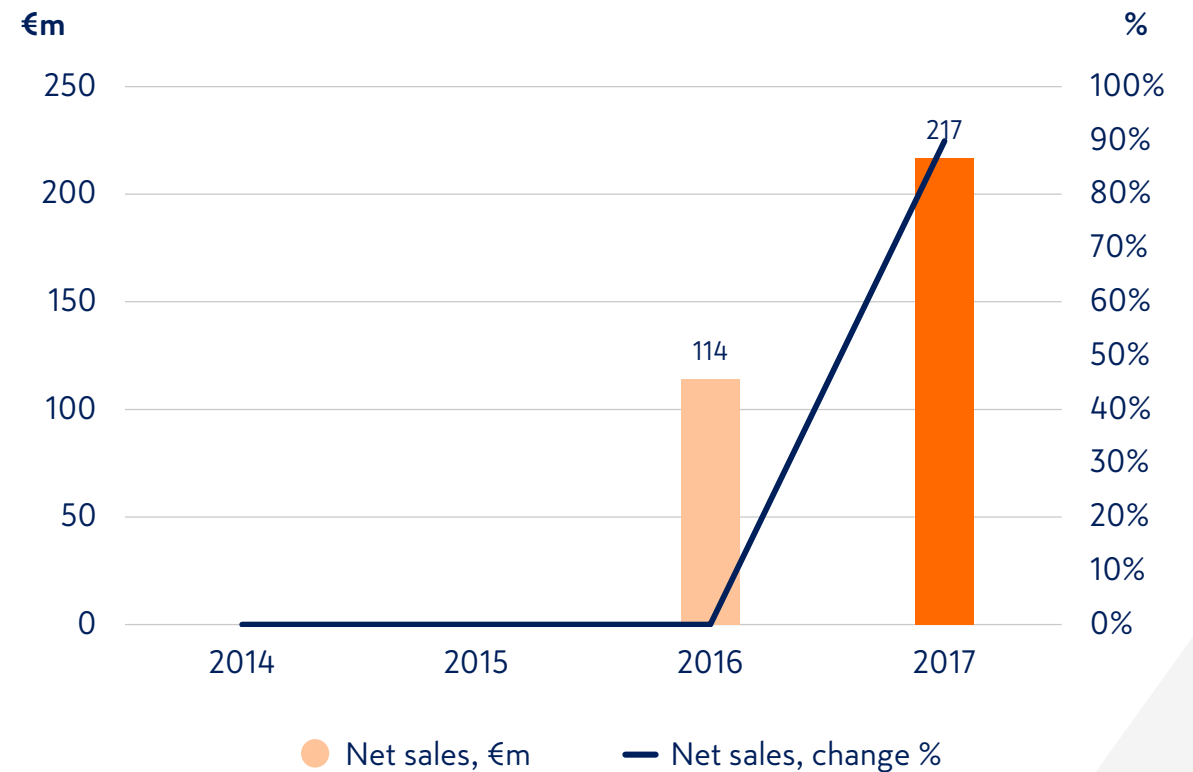
- Remodelling the store network in line with the K-Senukai concept according to local needs
- Growing the store network especially in big cities
- Development of digital services



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



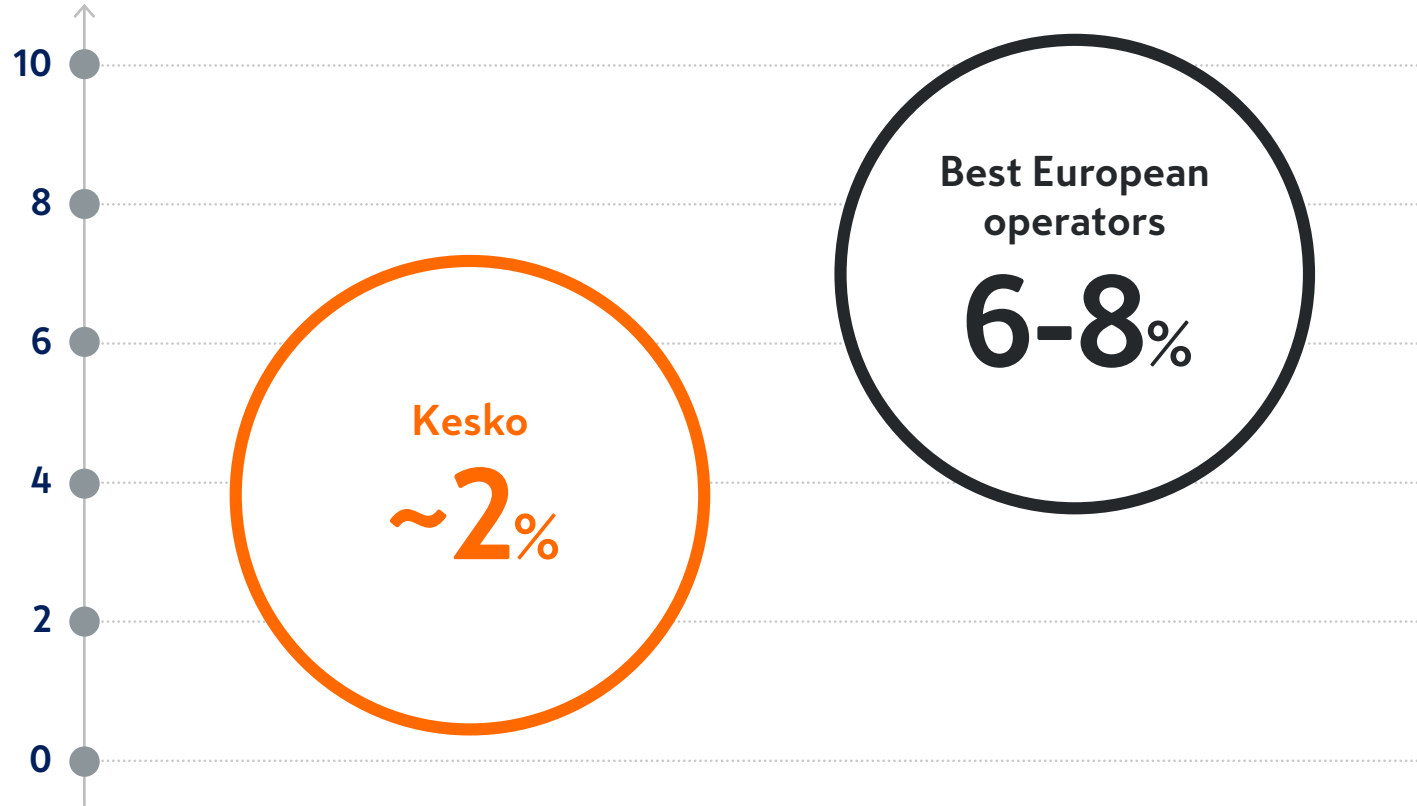
Operations in Russia Divested to Focus on Northern Europe

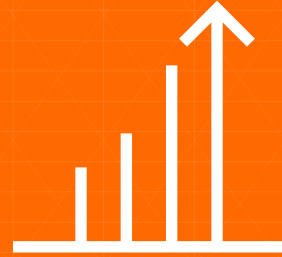
- Kesko sold the K-Rauta store sites in Russia for a price of some €169m
- All building and home improvement trade operations in Russia discontinued in H1/2018
- The transaction will significantly improve return on capital employed



Good Value Creation for Upcoming Years

Operating margin (%)





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



KESKO CMD 2018

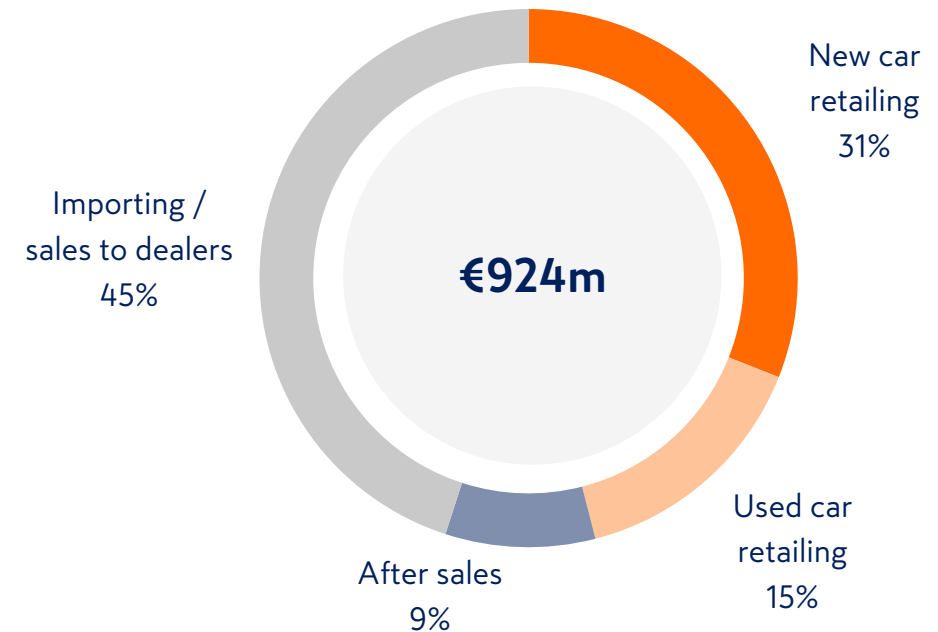
Fast Developing Car Trade

Johan Friman, President, Car Trade

Car Trade Business in Brief

- Operating the Volkswagen Group's business in Finland: Audi, Volkswagen, SEAT, Porsche and MAN
- Market leader with sales of over €0.9bn
- Value chain includes importing, retailing and after sales as well as an extensive dealer and servicing network
- Various service concepts developed under the K-Caara platform

Net sales
Rolling 12 months Q1/18



Strong Strategy Execution



Financial performance



| | 2015 | 2017 |
|------------------|-------|-------|
| Net sales | €748m | €909m |
| Operating profit | €26m | €33m |



Growing the business in collaboration with the VW Group



Acquisition of Porsche business in Finland – 14% net sales growth
SEAT sales started in all own retail outlets – growth in market share



Launching new mobility services



K-Caara platform for used car sales, rental & leasing and repair services
New digital services, e.g. 30% growth in online service booking

Continued operations, comparable operating profit

Excellent Performance by the Acquired AutoCarrera

- Expanding our brand portfolio within the VW Group to include Porsche passenger cars
- Net sales €55.3m, +14%*
- Earnings improving with an operating profit margin of 5.5%*
- Strong performance continued in Q1/2018:
 - Sales +28%
 - Registrations up by 66%

*2017 figures



Leasing Services Off to a Good Start

- K-CaaraLeasing – own leasing company for B2B customers
- K-CaaraDeal – leasing product for B2C customers
- Both launched in Q1/2018
- Full ownership of the customer relationship
- Earnings and improved margins stay with us throughout the car's lifecycle: new car sales, service & repair, body-repair, used-car sales





Targeting Continued Growth and Profitability Improvement

Fast Changing Operating Environment

Market overview



Industry consolidation



Dealer business expanding to services



Increasing need for supply chain efficiency

Customer expectations



Price attractive mobility solutions



From owning a car to paying for use



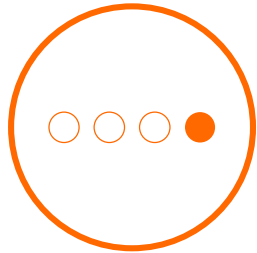
Company cars mainly through leasing

Volkswagen Group's Response Is to Invest Heavily in Future Mobility

Targets 2025



annual unit sales of e-cars



every fourth new Volkswagen Group vehicle battery powered



new electrified models to customers



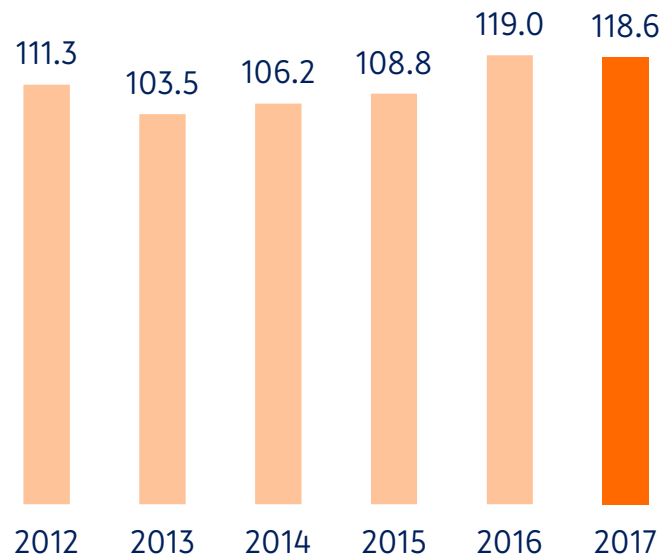
billion euro investments in e-mobility, digitalisation, autonomous driving and mobility services



New Vehicle Registrations Growing in Finland

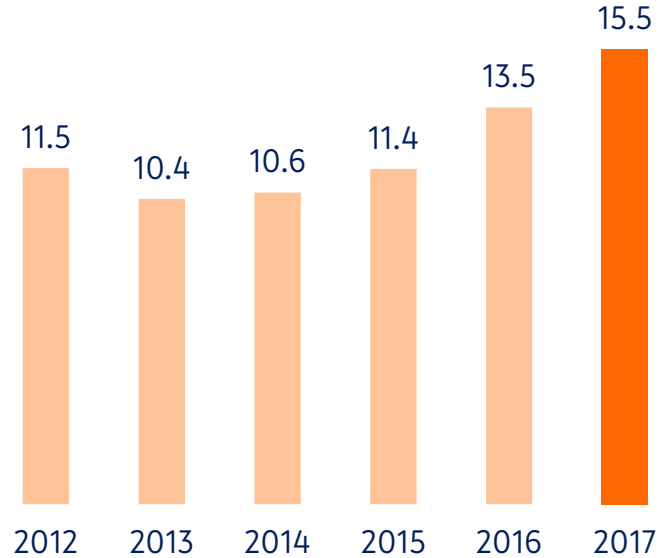
Passenger cars

'000



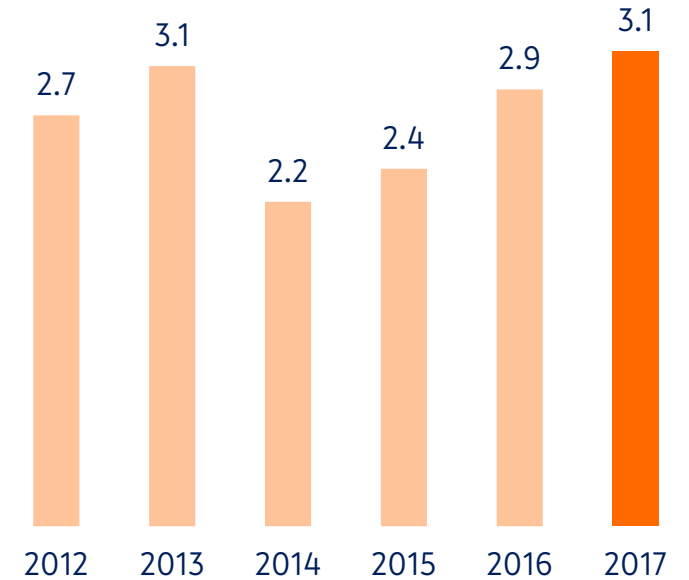
Vans

'000



Trucks over 6tn

'000



Car Trade Strategy

Targeting to Grow Faster Than the Market



**Growing the business
in collaboration with
the VW Group**



**Expanding the service
business independent
of the VW Group**



**Best customer
experience –
in all channels**

Growing the Business in Collaboration with the VW Group



Future value creating actions

- Growing our volume in collaboration with the Volkswagen Group – focus on electric cars
- Expanding our brand portfolio within the VW Group



Expanding the Service Business Independent of the VW Group



Future value creating actions

- Extension of services under the K-Caara platform
- K Charge – a nationwide charging network for electric cars
- Transition from owning a car to paying for the use of a car e.g. car sharing concepts
- Developing after sales services



Expanding the Service Business by Building a Nationwide Charging Network for Electric Cars in 2018-2019

By the end of 2019
a network of 400 charging points
at over 70 K-store locations



100 fast charging points
where cars can be charged
during a shopping trip

An **over 50% increase** in public
fast charging points in Finland

As much of the electricity as possible
produced with solar power



K Group is the **biggest** producer
and user of solar power **in Finland**



Best Customer Experience – in All Channels

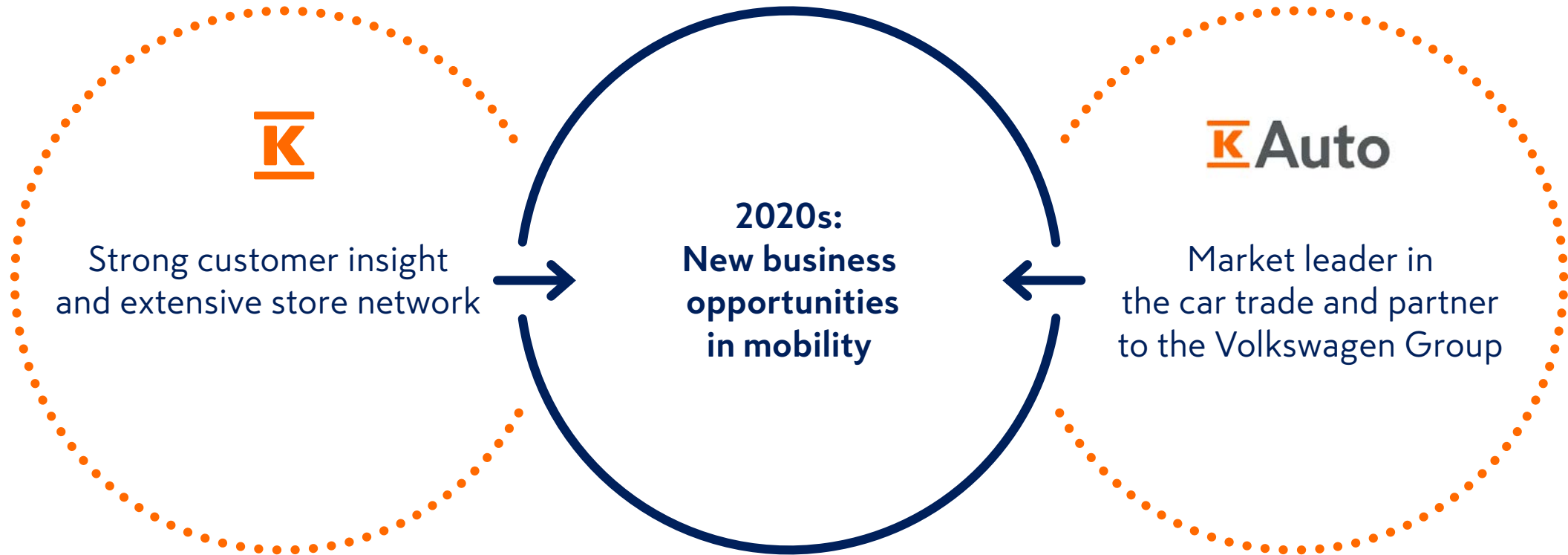


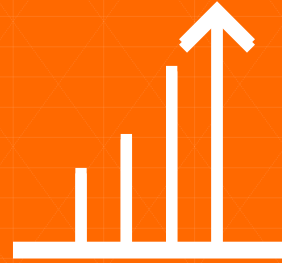
Future value creating actions

- Utilising customer data from the K Group loyalty programme
- Increasing online sales capabilities e.g. new car sales, accessories



Synergies for Future Mobility Concepts





**Growing Faster Than the Market – and
Continuously Improving Profitability**

KESKO CMD 2018

Profitable Growth in All Channels in Grocery Trade

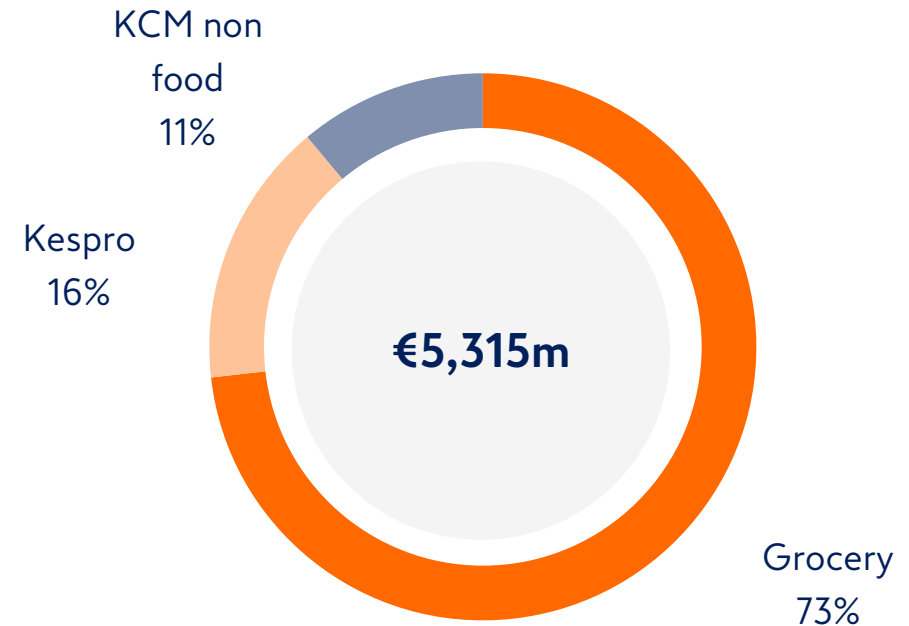
Ari Akseli, President, Grocery Trade
Anni Ronkainen, CDO

Grocery Trade Business in Brief

- One of the most profitable players in Europe
- The quality leader in the Finnish grocery trade and foodservice market
 - K Group number 2 in Finnish grocery retailing
 - Kespro number 1 in Finnish foodservice market
 - Rapidly expanding online food store network
- K Group's market share at its highest in over 15 years (~37.0%)
- 1.2 million customer visits per day
- Over 1,200 stores in the retailer business model

Net sales

Rolling 12 months Q1/18



Successful Strategy Execution



Growth and profitability >

| | 2015 | 2017 |
|------------------|-------|-------|
| Market share | 32.7% | 37.0% |
| Operating profit | €177m | €203m |



Brand and store redesigns >

All chain brands redesigned
800 out of 1,200 stores modernised



Developing the retailer business model >

557 stores and 220 retailers in the multi-store model



Customer and quality >

Daily customer flow increased from 900,000 to >1.1m
Implementation of store-specific business ideas
New customer feedback system: >1m contacts annually
New eCommerce and K-Ruoka mobile app with >500,000 users

Success Stories in Strategy Execution



K-retailer entrepreneurship and store-specific business ideas



Neighbourhood market store remodelling



K-Citymarket's market share

PÍRKKA

Own brand products



Rebranding and store modernisations



Foodservice business



New mobile services and grocery eCommerce

K-retailer Entrepreneurship Makes Every K-store Different



Every K-store is different,
tailored to local customer demand

Store-specific business idea
= the store's competitive advantage
The store's own vision guiding the way

The chain's competitive advantages
Store-specific business ideas acknowledge
the chain strategy

Fundamentals in order
= **Competitiveness**
Commitment to chain selection and pricing

Nearly 60% Share of the Neighbourhood Market

- Strong sales growth in the neighbourhood market
- Comprehensive redesign of the store network
- Acquisition of Suomen Lähikauppa a true success story
 - Total investment approximately €120m
 - 400 new K-Markets, additional sales of almost €700m
 - Sales growth approximately 15%
 - Synergies set to be achieved ahead of schedule
 - All stores transferred to retailers by the end of June 2018



K-Citymarket Gaining Market Share

- Comprehensive hypermarket concept redesign
- 56 store redesigns completed, all stores by the end of 2018
- Continuous development of fresh food departments
- Good development also in non-food product categories
 - Category optimisation
 - Increased share of private brands (Hemtex, mywear)
 - Remodelling of cosmetics departments
- The existing store network is optimal and competitive



Differentiation and Improved Profitability Through Own Brand Products

- Currently 2,800 own brand products
- More than 500 suppliers in over 30 countries
- The aim is to increase the share of sales of own brands from 19% to 21%



PÍRKKA



PÍRKKA *Parhaat*



Rebranding and Store Modernisation Continues

Effective implementation of store-specific business ideas – Every K is different

Focusing on store network development in growth centres

CITYMARKET

Sales €2.1bn
Comprehensive concept renewal
56 out of 81 store redesigns completed
Current store network optimal and competitive

Supermarket

Sales €1.8bn
Rebranding, **128** out of 241 stores renewed
Store network expansion profitably

Market

Sales €2.0bn
Modernisation, over **700** out of 800 stores made over
Store network expansion profitably

NESTE

Sales €0.1bn
Further developing the service station concept
57 out of 70 stations redesigned
Future network of 85 service stations

Developing the Foodservice Business

Market trends



Total foodservice wholesale market continuing strong growth



Fragmented customer segments



Eating out & take away are growing

Kespro today



Key figures

- Net sales €827m*
- Market leader
- High customer satisfaction



Customers

- Private horeca customers
- Chain customers
- Public sector
- Resale customers
- K-food stores

*Rolling 12 months Q1/18



Continuing Profitable Growth Strategy

Grocery Trade Market Overview



Continuing total market growth



Consumers' growing purchasing power



Growing demand for convenience



Eating out & take away are growing



Tight price competition as the new normal



Consumers shifting focus to premium



Growth in eCommerce



New business opportunities may emerge: liberalisation of pharmaceutical markets and alcohol legislation

Strategic Direction to Continue Profitable Growth



Most customer-oriented and inspiring food stores



Developing and modernising the store network



Offering a seamless omni-channel customer experience



Developing retailer entrepreneurship as a competitive advantage



Expanding the foodservice business

Most Customer-oriented and Inspiring Food Stores



Future value creating actions

- Wide implementation of store-specific business ideas
- The use of data to improve personalised customer experience
- Continuous concept development based on future trends and research
- Competitively priced high volume products supplemented by value-adding store-specific products



Developing and Modernising the Store Network

Future value creating actions

- Maintaining and expanding the network profitably
- Focusing on growth centers
- More often Kesko owns the strategic store locations



Offering a Seamless Omni-channel Customer Experience



Future value creating actions

- Extending the network of online grocery to cover 75% and K Transport deliveries to cover 50% of households
- Strengthening of capabilities and utilisation of data analytics (AI) and service design

TILAA TÄNÄÄN
K-Ruoka
VERKKOKAUPASTA

k-ruoka.fi/kauppa
K-Ruoka-sovellus

Developing Retailer Entrepreneurship as a Competitive Advantage

Future value creating actions

- Over 600 stores operating in the multi-store model by the end of 2018
- Expansion of the store-specific business ideas
- Quality enhancement measures to continue



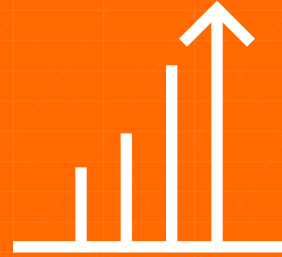
Expanding the Foodservice Business



Future value creating actions

- Developing own brands
- Sales increase in fresh product categories
- Acquiring new customers
- Complementary acquisitions: Reinin Liha and Kalatukku E. Eriksson as examples





**One of the Most Profitable
Retailers in Europe**



Seamless Customer Experience in All Channels and Devices

Anni Ronkainen, CDO

The Power of Consumers, Data and Mobile is Changing the Business



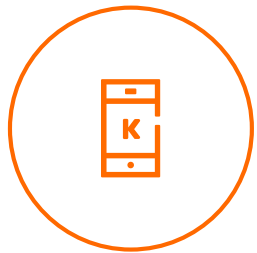
Increased **consumer knowledge and power, individuality**



Data and AI will change businesses significantly



A positive **customer experience** is crucial in every touch point



Mobility – customers are always online



Globalisation changes customer expectation and the competitive landscape



Marketing technologies are changing more rapidly than organisations

A Multichannel Customer Is a More Valuable Customer



The same customers use both traditional and digital services and these need to be seamlessly integrated

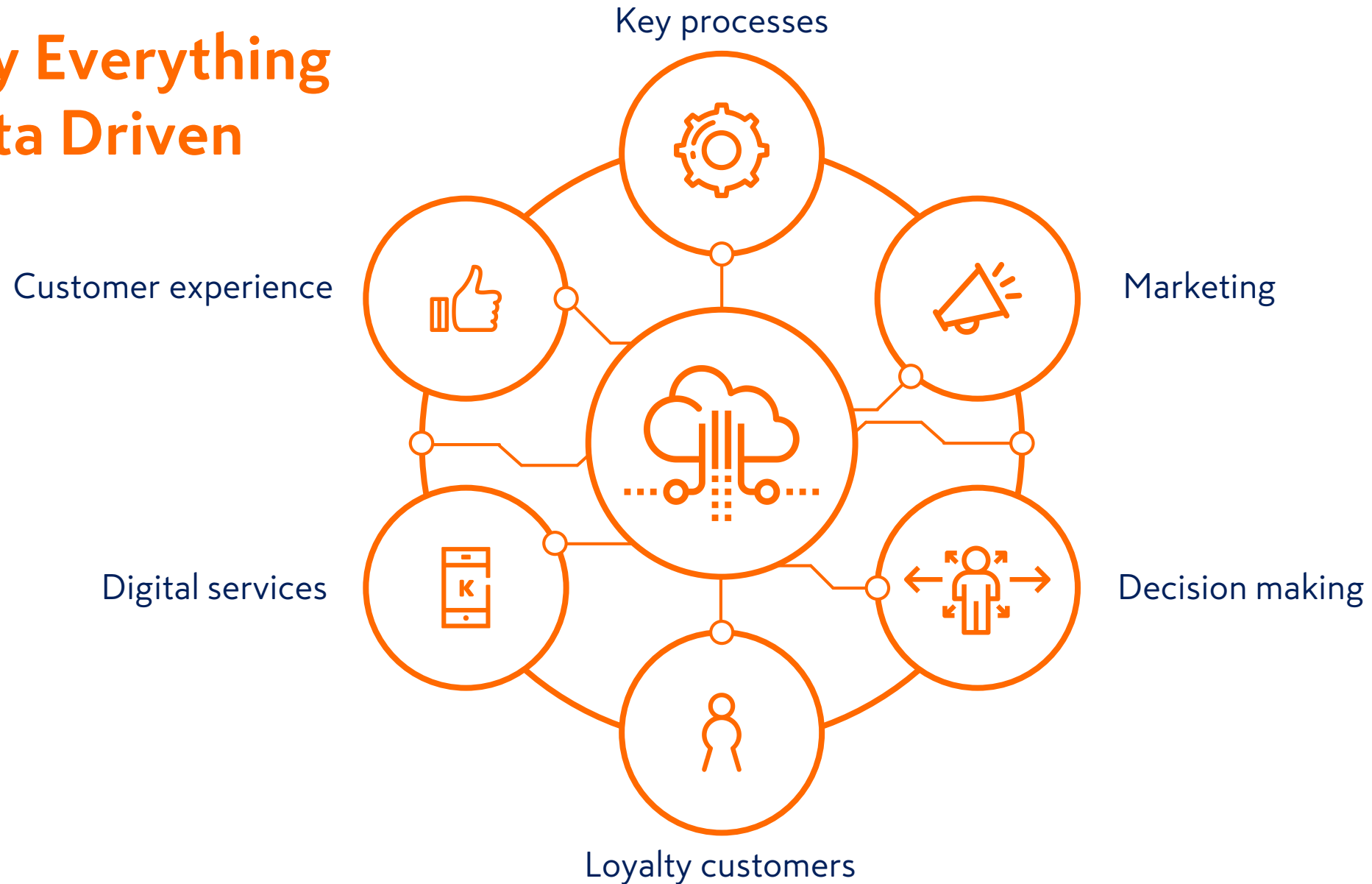


Customer driven digital services generate sales and customer loyalty by making shopping easier regardless of device, time or place



In the future, the player who successfully connects human encounters in the stores with advanced digital services will prevail

Today Everything is Data Driven



K-AI Helps in Decision Making and Inspires Customers

K-AI improves key processes

- Assortment planning
- Pricing optimisation
- HR processes
- Logistics
- Marketing
- Risk management



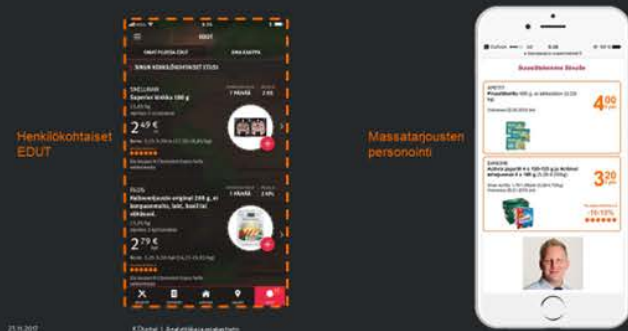
K-AI enables clear customer benefits

- Personalised marketing
- Personalised suggestions
- Personalised search in web services

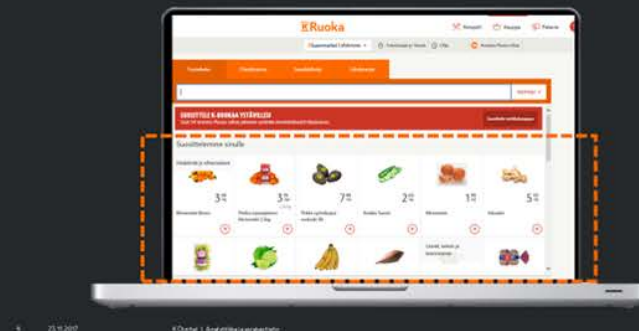
Improved customer experience in every touch point during the customer's shopping journey

With the Help of K-AI We Create a More Personalised Customer Experience

KAI ► PERSONALISED BENEFITS



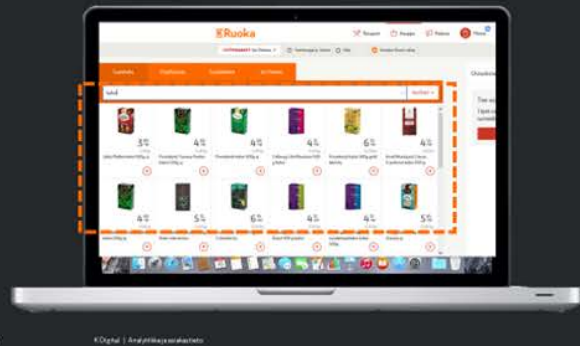
KAI ► PERSONALISED SUGGESTIONS



KAI ► OWN RECIPES



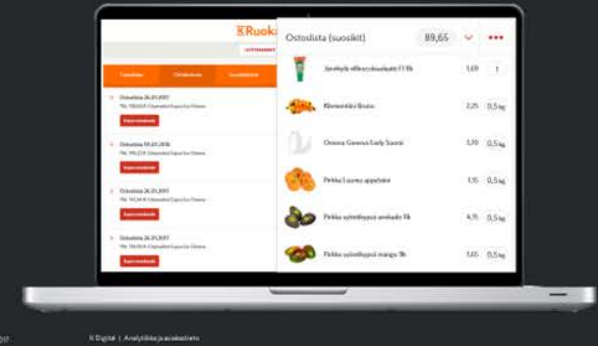
KAI ► PERSONALISED SEARCH



KAI ► RELEVANT CONTENT



KAI ► OWN BUYING HISTORY AND FAVORITES



Rapid Growth in Online Grocery



Online grocery grew by 30% in 2017, current growth 60% yoy



Approx. 130 K-food stores currently offering online grocery



Average purchase 5x higher than in a physical store



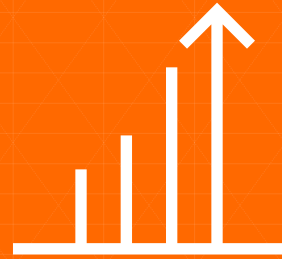
Reaching 3m Finns



Increasing loyalty and sales to K-food stores



In biggest cities: K-Citymarket's selection of over 20,000 products available online
Efficient deliveries with K Transport



**One of the Most Profitable
Retailers in Europe – Serving Customers
Seamlessly in All Channels**



KESKO CMD 2018

Closing Remarks

Mikko Helander, President and CEO

Targeting Strong Value Creation

- Creating value through good strategic choices and successful execution
- Taking building and technical trade to the next level through customer driven country focus
- Car trade growing faster than the market – and continuously improving profitability
- Our grocery trade is one of the most profitable retailers in Europe – serving customers seamlessly in all channels





For shopping
to be fun