



Kesko Corporation's Annual General Meeting in Helsinki on 11 April 2018 / Esa Kiiskinen, kauppaneuvos,  
Chairman of Kesko's Board of Directors

**Esteemed shareholders, dear meeting participants – welcome to Kesko's 2018 Annual General Meeting**

K Group today is the biggest retailer in Finland and the third biggest retailer in Northern Europe. In 2017, Kesko and K Group continued on a strong growth path, focusing on three strategic areas: the grocery trade, the building and technical trade, and the car trade. We also continued to improve the customer experience in both physical stores and digital channels, and further focused on establishing 'one unified K'. Our net sales grew in all divisions and our profitability improved compared to the year before. Our good financial performance confirms that we have been right in choosing a customer-oriented strategy that emphasises quality.

Our whole operating environment is undergoing major changes: new technology and global e-commerce are transforming the trading sector at an accelerating pace. At Kesko, we have continued our own determined efforts to change in accordance with our strategy and we are strongly involved in the sector transformation. As competition grows ever tighter, success depends on increasingly agile and fast implementation of new ideas. The only way we can take Kesko to the next level is by changing and being as flexible and as digital as possible.

Kesko Group's financial position is strong. Our financial stability means we are excellently positioned to increase Kesko's competitiveness also going forward. President and CEO Mikko Helander will elaborate on the themes of strategy implementation, financial performance and successes in 2017 in his review.

**Ladies and gentlemen, dear meeting participants**

2017 was a year of festivities in Finland, as the country celebrated its centennial. Finland also placed high on various international rankings. K Group has actively taken part in the development of the Finnish society throughout the decades, and we want to continue to participate in developing the country's future competitiveness, too.

News about the economy have been positive in recent months. Consumer survey shows that consumer confidence in Finland is at its highest level in its 30-year measuring history, while the number of people employed has risen by nearly 80,000.

However, neither Kesko nor Finland can afford to be complacent and steer away from the road of continuous renewal.

The positive economic sentiment hides some risks. The pressure on public-sector finances caused by changes in the economic dependency ratio is only beginning to materialise. Education levels have stopped rising. As jobs concentrate in the greater Helsinki region, household living expenses rise.

The success of Kesko in upcoming decades, much like that of the whole society, requires a strong culture of continuous improvement and questioning of old structures. This ethos is clearly reflected, for example, in

Kesko's new performance management and compensation scheme, and in the proposed change to the compensation structure of Kesko Corporation's Board of Directors, now presented to the General Meeting.

At the core of Kesko's new *performance management* are raising the overall target level and linking compensation to the achievement of the targets. It is proposed that for Kesko's Board of Directors, the compensation structure be changed so that a portion of the fees be paid as shares in the company, in an effort to commit the Board members more forcefully to the long-term development of the Company.

**Dear meeting participants,**

Lately we have witnessed various attacks on both the democratic political system and free trade around the world. Companies have increasingly had to define their underlying values and role in solving challenges faced by societies.

Kesko's mission is *to create welfare responsibly for all our stakeholders and for all society*. For its part, Kesko aims to have an active role in providing solutions to societal issues – whether it is reducing unemployment, mitigating climate change, challenges in Finnish food production, or accelerating circular economy.

Kesko again ranked as the most sustainable trading sector company in the world on the Global 100 list. We have been a pioneer in corporate responsibility work for decades. One milestone in our corporate responsibility work in 2017 was reached when we became the first company in Finland to set science based emission targets. We are also currently the biggest producer of solar power in Finland.

As society changes, the focus of corporate responsibility work shifts constantly. One of the key areas of corporate responsibility going forward will be the reliability and transparency of the use of customer data, for which the new EU General Data Protection Regulation (GDPR) will set a framework. We make sure all customer data are safe and used confidentially to meet customer needs.

**Esteemed shareholders,**

The Board of Directors of Kesko Corporation proposes to this General Meeting that a dividend of €2.20 per share be paid for the year 2017 on the basis of the adopted balance sheet. The proposal is based on the company's dividend policy, according to which Kesko distributes at least 50% of its comparable earnings per share as dividends, taking into account the company's financial position and operating strategy. Our concentration on core business operations has freed up capital: this combined with our solid performance ability enables the payment of strong dividends.

Finally, on behalf of the Board of Directors, I want to thank Kesko's management, K Group personnel in all operating countries and operations, and our shareholders and other partners for a successful and profitable year in 2017.

By leaning on our strengths and values and by creating new with an open mind, we can continue to be successful also in years to come, as part of a healthy society. I warmly welcome you all to the Annual General Meeting of Kesko Corporation.