



**Annual General Meeting, 30 March 2009**

**President and CEO Matti Halmesmäki**

**KESKO**

**Kesko is the leading provider of trading sector services and a highly valued listed company.**



**KESKO**



# 3.6 million Finnish K-Plussa cardholders

## K-store's and partner's customer programmes

- K-Plussa card accepted at more than 3,500 outlets

## K-chains' customer programmes

## Joint customer programme



*Kaikki mitä tarvitset*

K-Plussa points up to 5%



K-Plussa special offer  
guarantee always at least  
10%



Convenient shopping  
Points to bank  
account

# Kesko's year 2008 and present situation

- Operating profit €286 million (€322 million)
- Earnings per share €2.24 (€2.90)
- Kesko is solid (equity ratio 52%), goodwill accounts for not more than 5% of equity, liquidity is excellent
- Food trade's contribution to net sales (38%) and profit (51%, €123 million) strengthened
- Volkswagen and Audi, and Intersport recorded good sales and profit
- Towards the year end, demand declined in several product lines, especially in the building and home improvement trade, and the car and machinery trade



# Kesko's year 2008 and present situation

- Measurement principles of inventories and trade receivables were tightened further in 2008
- For the last three years, proceeds from the sale of businesses and real estate totalled €506 million, a cash flow effect of €1.1 billion
- In 2008, investments were €338 million (€228 million) – future investments will be prioritised



# Kesko's four divisions



## Food trade

38% of net sales

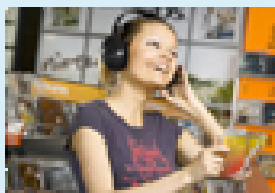
51% of operating profit\*



## Building and home improvement trade

30% of net sales

23% of operating profit\*



## Home and speciality goods trade

16% of net sales

13% of operating profit\*



## Car and machinery trade

15% of net sales

13% of operating profit\*

Year 2008 figures

\* Operating profit excl. non-recurring items

# Food trade

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Net sales in 2008  
€3,707 million



Operating profit\* in 2008  
€123 million



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- K-food stores' retail sales increased by 6.1%
  - K-food stores' market share was 33.7% (-0.2 pp)  
(Source: AC Nielsen)
  - Pirkka product sales increased by 14.6%
  - Eight K-citymarkets, 13 K-supermarkets and 12 K-markets were opened

\* excl. non-recurring items

# Pirkka – the right to know what you are eating

- By far the most highly valued and best known own retail brand in Finland
- Pirkka range includes over 1,700 products
- Sales development 14.6%
- Pirkka product prices are as much as one third lower than those of corresponding branded products
- Pirkka Product Research received high international recognition for quality competence – ISO 17025 accreditation



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# Building and home improvement trade

Net sales in 2008  
€2,978 million

Operating profit\* in 2008  
€56 million

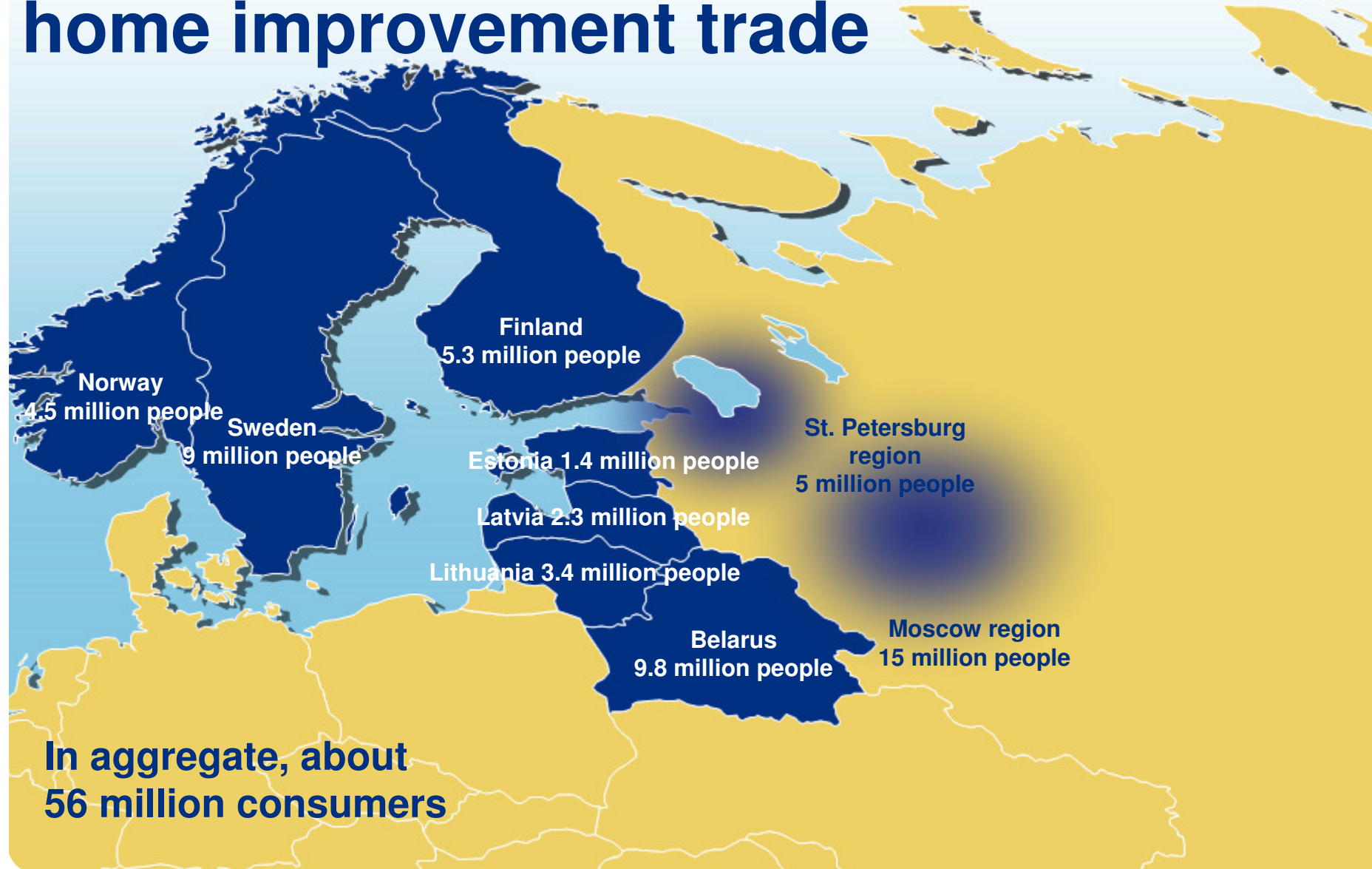


- Rautakesko's market position strengthened although sales growth weakened towards the end of the year
- In addition to the weakening market, profitability was negatively impacted by the expansion of the store site network, and a further tightening of the measurement principles of trade receivables and inventories
- During 2008, two new stores were opened in Finland and 12 abroad
- The first K-rauta in the Moscow region was opened in Jaroslavl last Saturday, 28 March

\* excl. non-recurring items



# Kesko's market area in the building and home improvement trade



# Home and speciality goods trade

Net sales in 2008  
€1,606 million

Operating profit\* in 2008  
€31 million



- Anttila's profitability remained strong regardless of the decline in the interior decoration trade towards the end of the year
- Intersport recorded a strong 7.5% net sales growth and excellent profit
  - January 2009 was an all-time high
- The profitability of Asko, Sotka and Musta Pörssi remained lower than expected
- Kenkäkesko's sales and profit improved over the previous year
- K-citymarket Oy included in the home and speciality goods trade division at the beginning of 2009

\* excl. non-recurring items

# Car and machinery trade

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Net sales in 2008  
€1,480 million

Operating profit\* in 2008  
€30 million



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- Audi and Volkswagen significantly strengthened their market position
  - VV-Auto achieved a record result
  - Konekesko's sales and profitability dropped, especially as the recreational machinery market declined. The market situation clearly weakened in the Baltic construction and agricultural trade

\* excl. non-recurring items

# The internet is increasingly important for customers as a source of information and a purchase place



# People also buy on the internet

**NETANTTILA.COM**

12 million visitors in 2008

Opened in 1999

**KODINYKKÖNEN** 

3 million visitors in 2008

Opened in 2007

**KONEBOX** 

Opened in 2008

# E-commerce development

**Electronic commerce complements the service offer and competitiveness of conventional retailing – customers decide how and where they want to shop**

## Threats

- Foreign competition increases. In Finland, some 20-25% of online purchases are made from foreign online stores
- Customers can easily compare products and prices on a world-wide scale

## Opportunities

- E-commerce has grown faster than traditional commerce
  - The recession is expected to accelerate the growth, as businesses increase their efficiency
- NetAnttila, Kodin1.com, Konebox.fi and the upcoming Budget Sport online store are competitive concepts
- Part of e-commerce needs to be assisted by local service. The K-Group's existing store site network is well suited to contribute.
- Customers need, for example:
  - advice in choosing or tailoring products
  - service in the use of products
  - products easily and without delay from the place they want



# Work and productivity programme in Kesko and K-stores



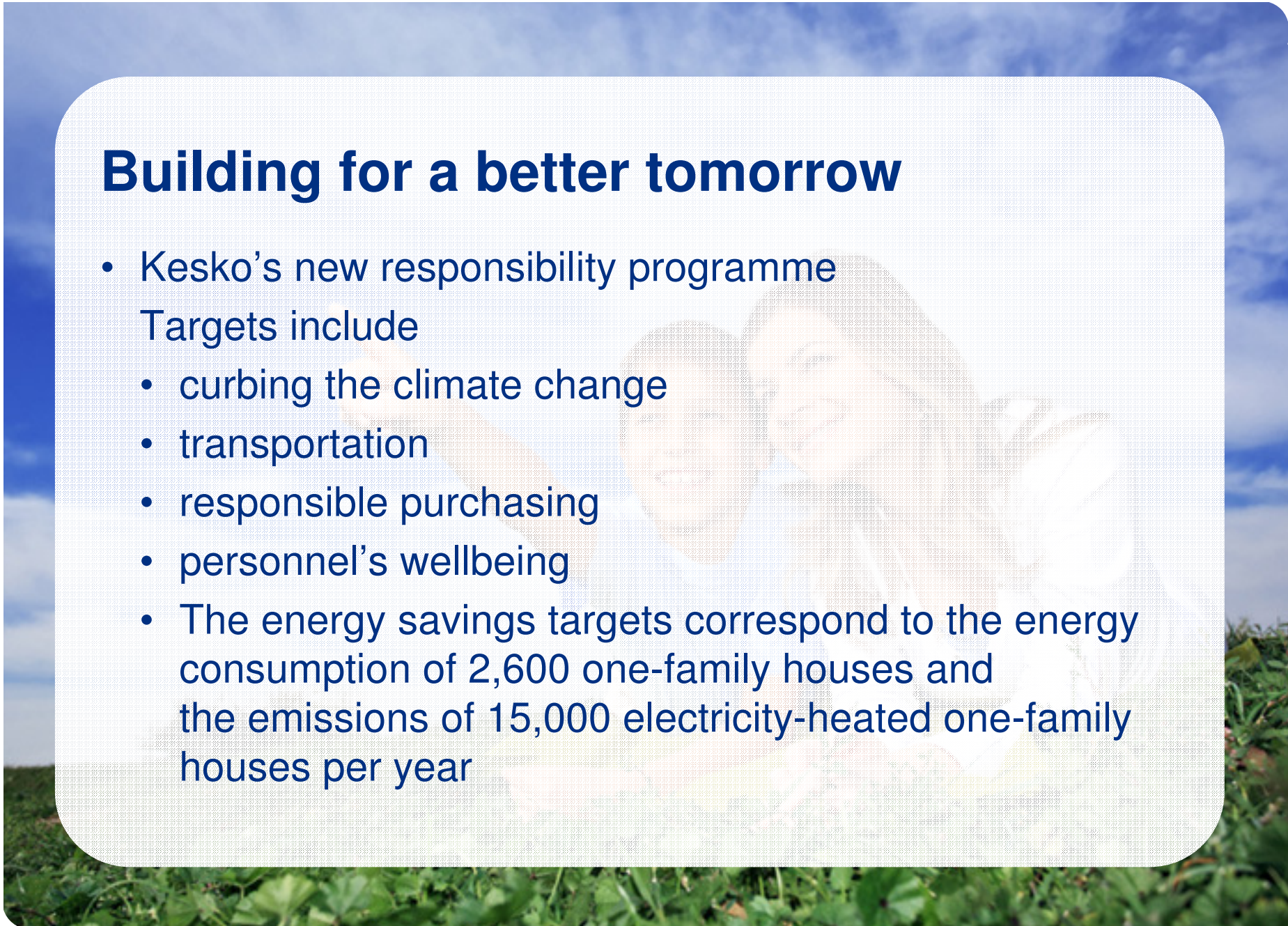
# Improved efficiency through electronic operating systems

- Electronic operating systems are cost-effective, fast and accurate
- ⇒ Automatisations of functions from suppliers to Kesko and from Kesko to stores
  - high degree of purchase invoice automation to be increased further
  - use of automatic orders to be increased and demand forecasting to be adopted
  - degree of automation in logistics processes to be raised
  - background and support functions to be electronified
    - invoicing and accounting

**Kesko and K-stores are  
a responsible operator,  
reliable shopping place  
and partner**



## Building for a better tomorrow

- Kesko's new responsibility programme
- Targets include
- curbing the climate change
  - transportation
  - responsible purchasing
  - personnel's wellbeing
  - The energy savings targets correspond to the energy consumption of 2,600 one-family houses and the emissions of 15,000 electricity-heated one-family houses per year
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# Product ranges for responsible consumption

- K-retailers' local purchases nearly €600 million in 2008
- A total of about 600 products in the Organic, Swan symbol and Fairtrade ranges
- The Year 2008 Fairtrade prize to Kesko Food



# Pioneer in sustainable development on a national and international scale



## Major indexes and assessments:

- Dow Jones Sustainability Index: Kesko has been included 6 times in the DJSI World and DJSI STOXX indexes
  - in 2008/2009 assessment, full score for eco-efficiency
- The World Economic Forum: Kesko has been included in The Global 100 Most Sustainable Corporations list since 2005 when it was first launched
- SAM Sustainability Yearbook 2008 & 2009: Kesko the best in the consumer staples sector
- FTSE4Good Indices: Kesko included as a member as of 23 March 2009
- Others: [www.kesko.fi](http://www.kesko.fi) / responsibility



FTSE4Good

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# K-retailers

- Kesko's special competitive advantage is cooperation with K-retailers
- At the end of 2008, there were 1,305 K-retailers (1,285 in 2007)
  - K-retailers are successful entrepreneurs. More than 95% of K-retailers who began their career five years ago are still active K-retailers. The corresponding figure for entrepreneurs on average is 53.6% (Statistics Finland)
  - In 2008, a record number (139) of new K-retailers

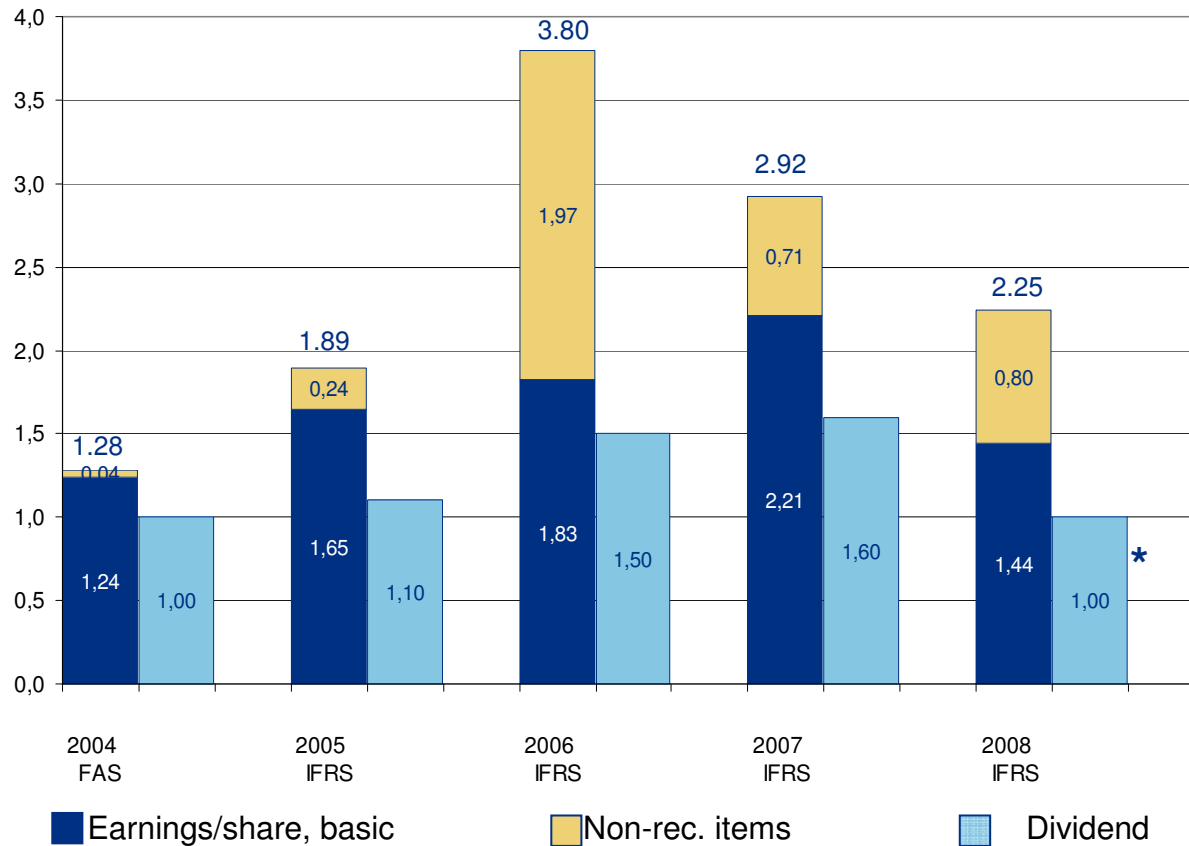


# Dividend policy

- Kesko Corporation distributes at least 50% of its earnings per share excluding non-recurring items as dividends, taking however the company's financial position and operating strategy into account.
- The Board of Directors proposes to the Annual General Meeting that €1.00 per share be distributed as dividends, or a total amount of €97,851,050.00
- Earnings per share €2.25
- The proposed dividend represents 44% of earnings per share and 69% of earnings per share excluding non-recurring items
- The proposed dividend distribution represents 7% of Kesko Corporation's equity
- Effective dividend yield 5.6% (B share)

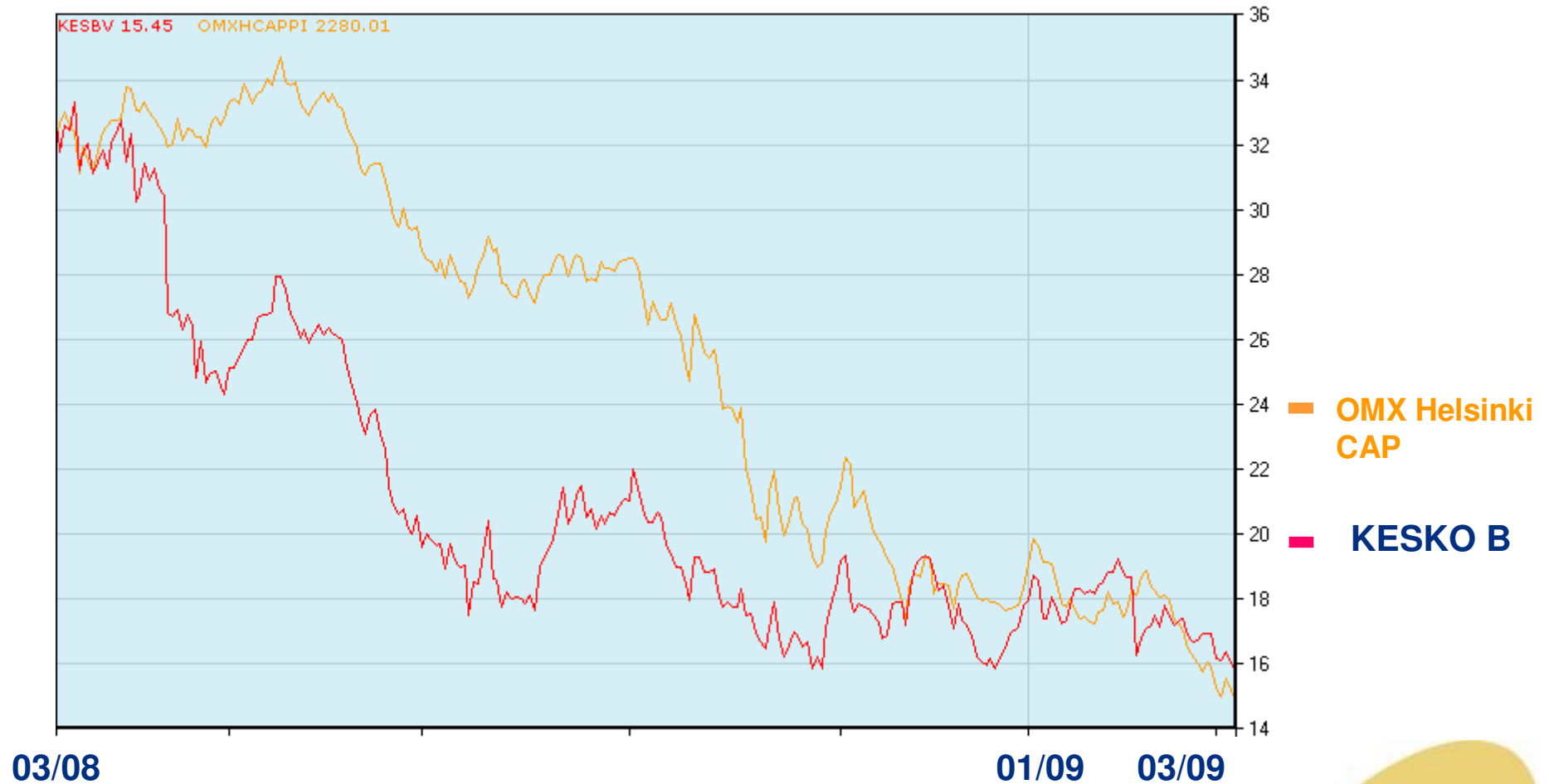


# 40 years of responsible dividend distribution



\* proposal to the AGM

# Share price trend, 12 months



# Future outlook

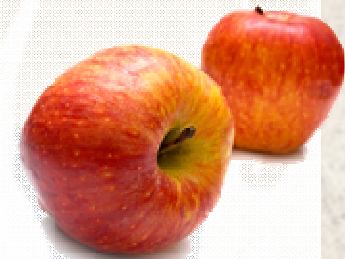
The increased uncertainty about the economic outlook makes any statement about the Group's future outlook significantly more difficult. In consequence of the weakening economic development, the Kesko Group's net sales and operating profit excluding non-recurring items from continuing operations in 2009 are expected to remain at a lower level compared with the net sales and operating profit excluding non-recurring items of 2008. The Group's liquidity and solvency are expected to remain strong.

## **Significant changes with respect to the trading sector in 2009**

- Recession and depression
- Layoffs, part-time employments, dismissals, etc.
- Weak predictability
- Change has been extraordinarily rapid
- Situation varies greatly from one product line to another
- The trading sector's investments provide more jobs

## Significant changes with respect to the trading sector in 2009

- The VAT on food will be lowered as of 1 October 2009
- Store opening hours
- Employers' contributions (e.g. Kela, The Social Insurance Institution of Finland) have been lowered
- Low interest rate level



A background image featuring a close-up of a sunflower's head on the left side, with its yellow petals and brown center. The right side of the image shows a clear blue sky with soft, white clouds. A white rounded rectangle is overlaid on the image, containing the title and list.

# Surviving the recession

- Adapting costs and funds to the current market
  - Minimisation of credit losses
  - Maintenance of stocks marketability
  - Kesko's strong balance sheet and good financial position enable investments and leveraging opportunities during the recession
  - K-retailers' ability to adapt their operations in a difficult financial situation is good
- Work and productivity programme being implemented since 2007

*Thank you!*



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