

KESKO

General Meeting

President and CEO

Matti Halmesmäki

8 April 2013

Thank you!



Changes in Kesko's Corporate Management Board effective 5 February 2013

Store Sites and Investments



Arja Talma
Store Sites and Investments

Rautakesko Ltd's President
1 Nov. 2011 – 5 Feb. 2013

Building and home improvement trade



Terho Kalliokoski
Rautakesko Ltd's President

Kesko Food Ltd's President
1 May 2005 – 5 Feb. 2013

Food trade



Jorma Rauhala
Kesko Food Ltd's President

Home and speciality goods trade



Minna Kurunsaari
Senior Vice President, home and
speciality goods trade and e-services

Car and machinery trade



Pekka Lahti
VV-Auto Group Oy's President

Human Resources and Stakeholder Relations

Accounting, Finance, IT



Jukka Erlund
Senior Vice President,
Chief Financial Officer



Matti Mettälä
Senior Vice President, Human
Resources and Stakeholder
Relations

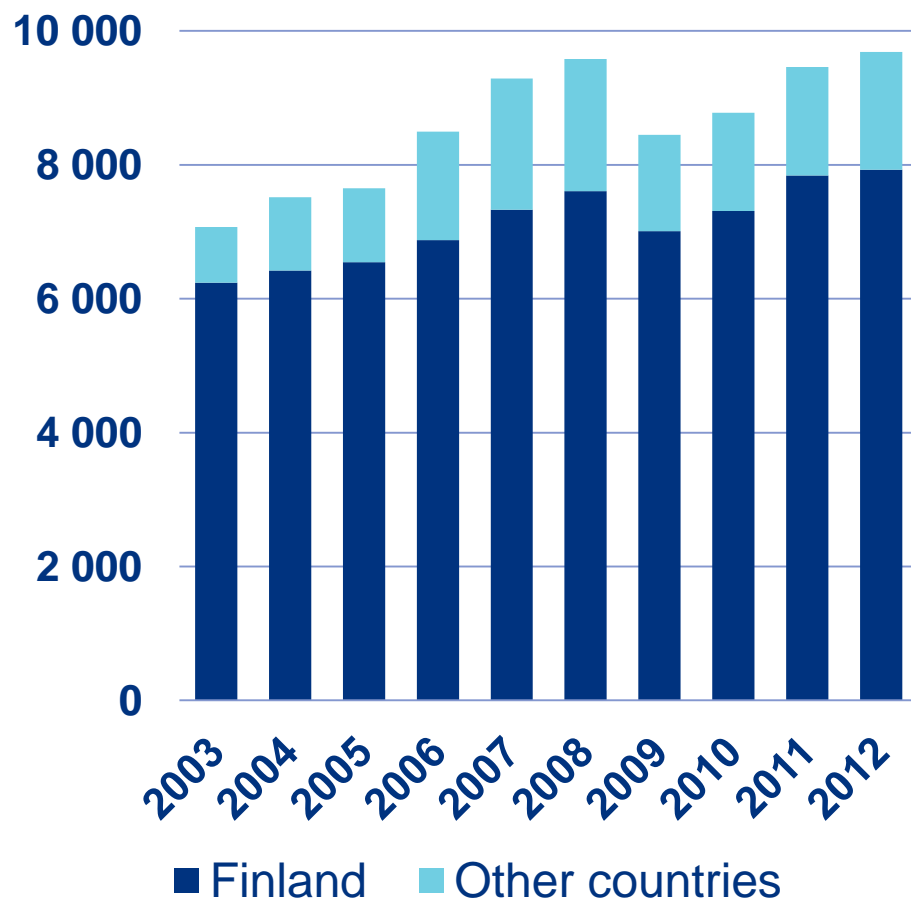
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K-Group's retail sales €12.1bn

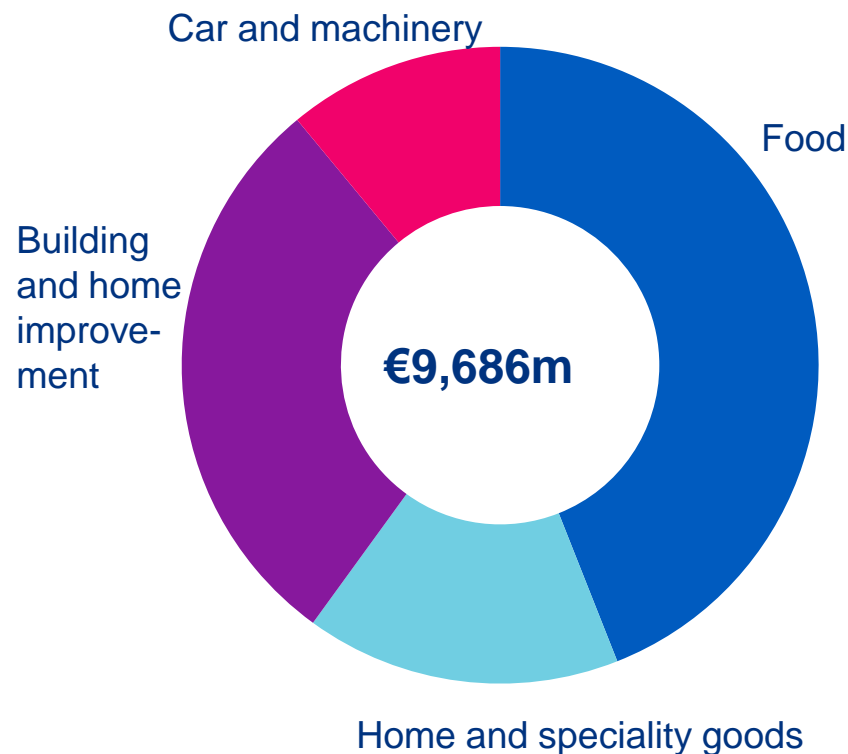
K-Group's retail and B2B sales (VAT 0%)	€m
Food trade	5,515
Home and speciality goods trade	1,750
Building and home improvement trade	3,701
Car and machinery trade	1,138
Total	12,104

- K-Group's retail sales (in 2012) €12,104 million
- S Group's retail sales (in 2012) €12,037 million

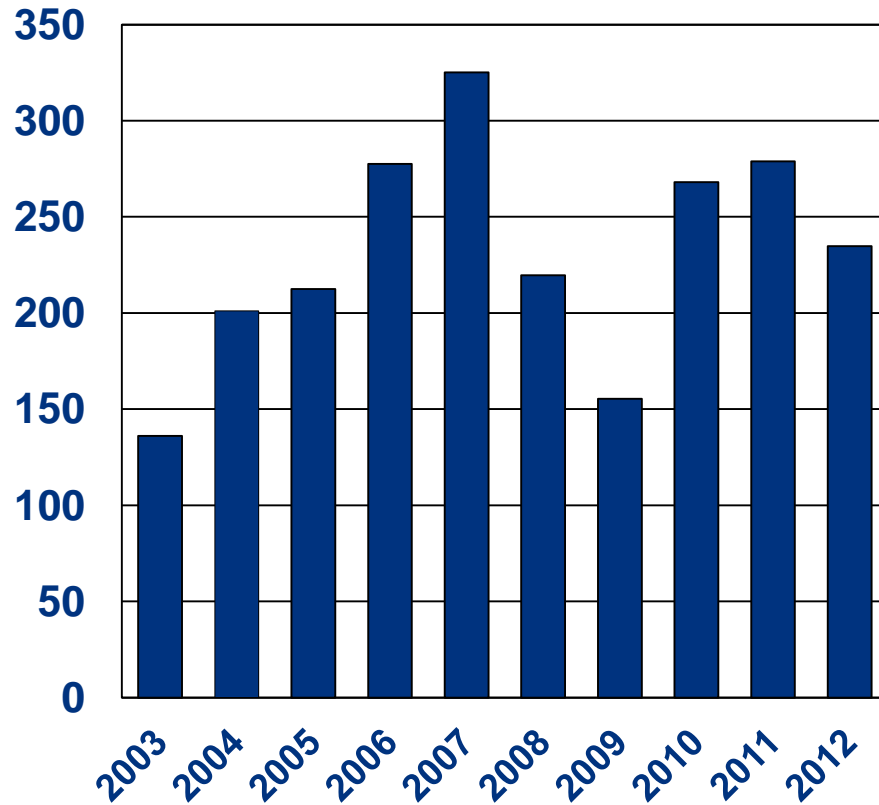
Kesko Group's net sales



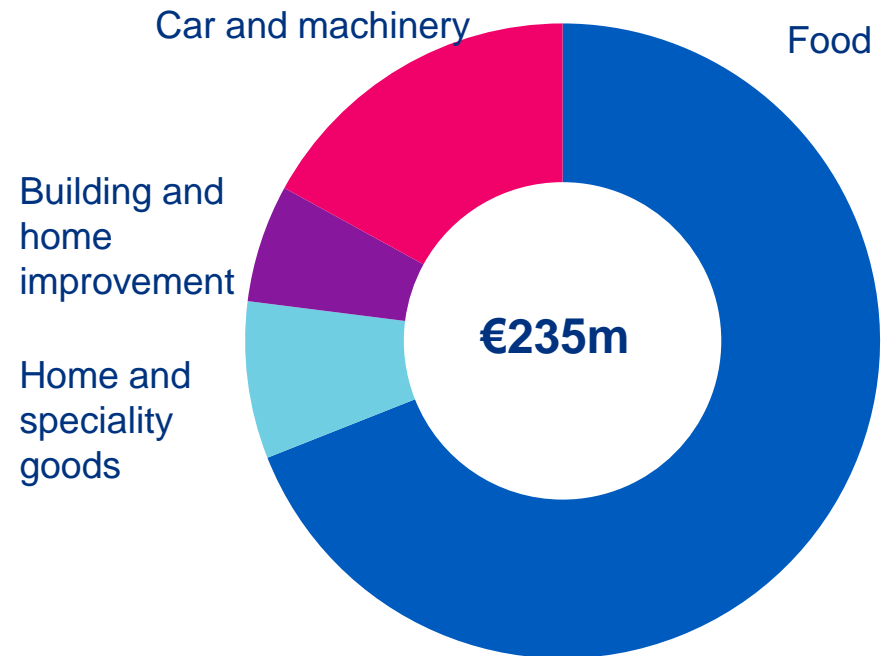
Breakdown by division, 2012



Operating profit excl. non-recurring items, € million

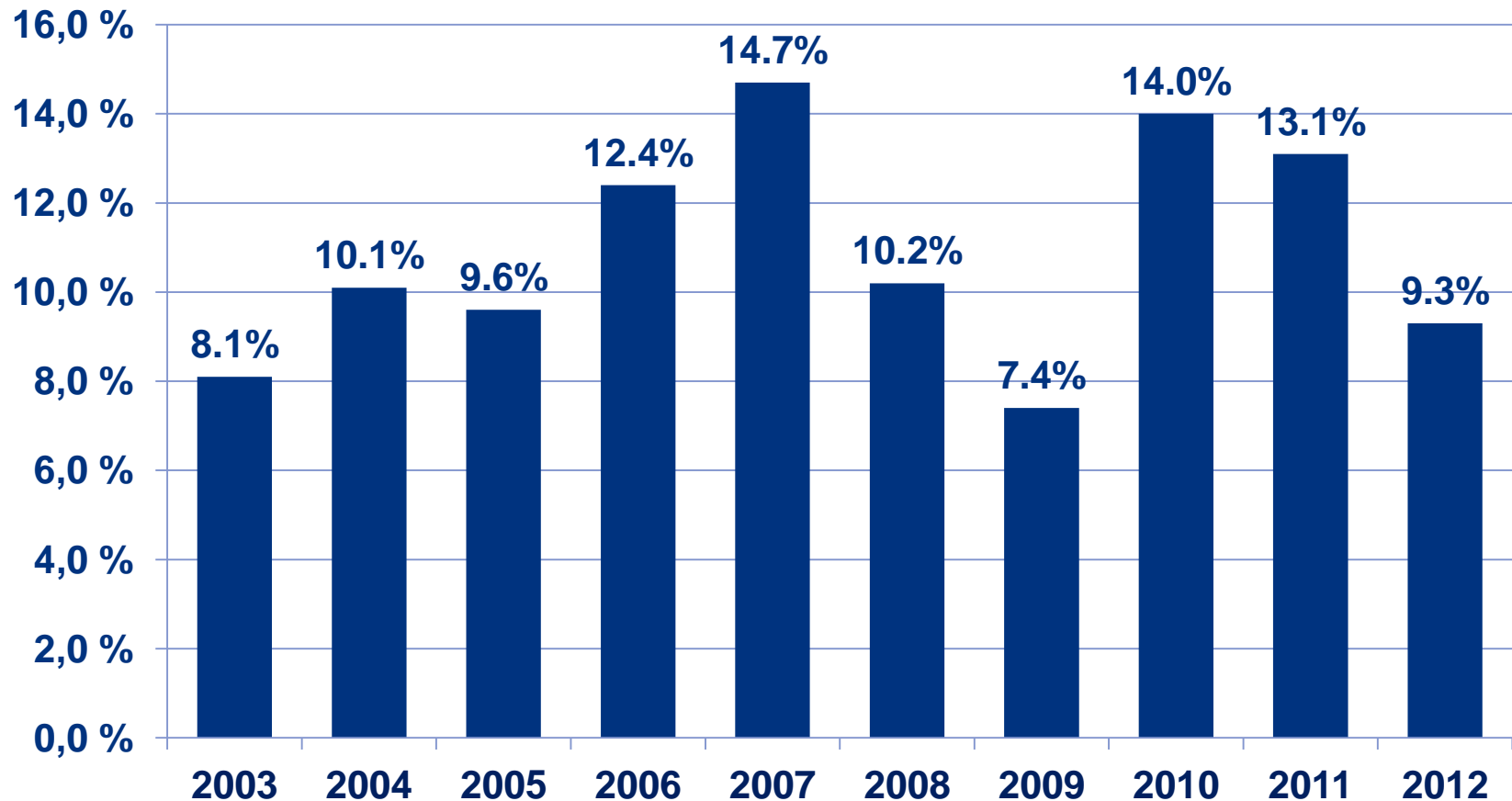


Breakdown by division, 2012



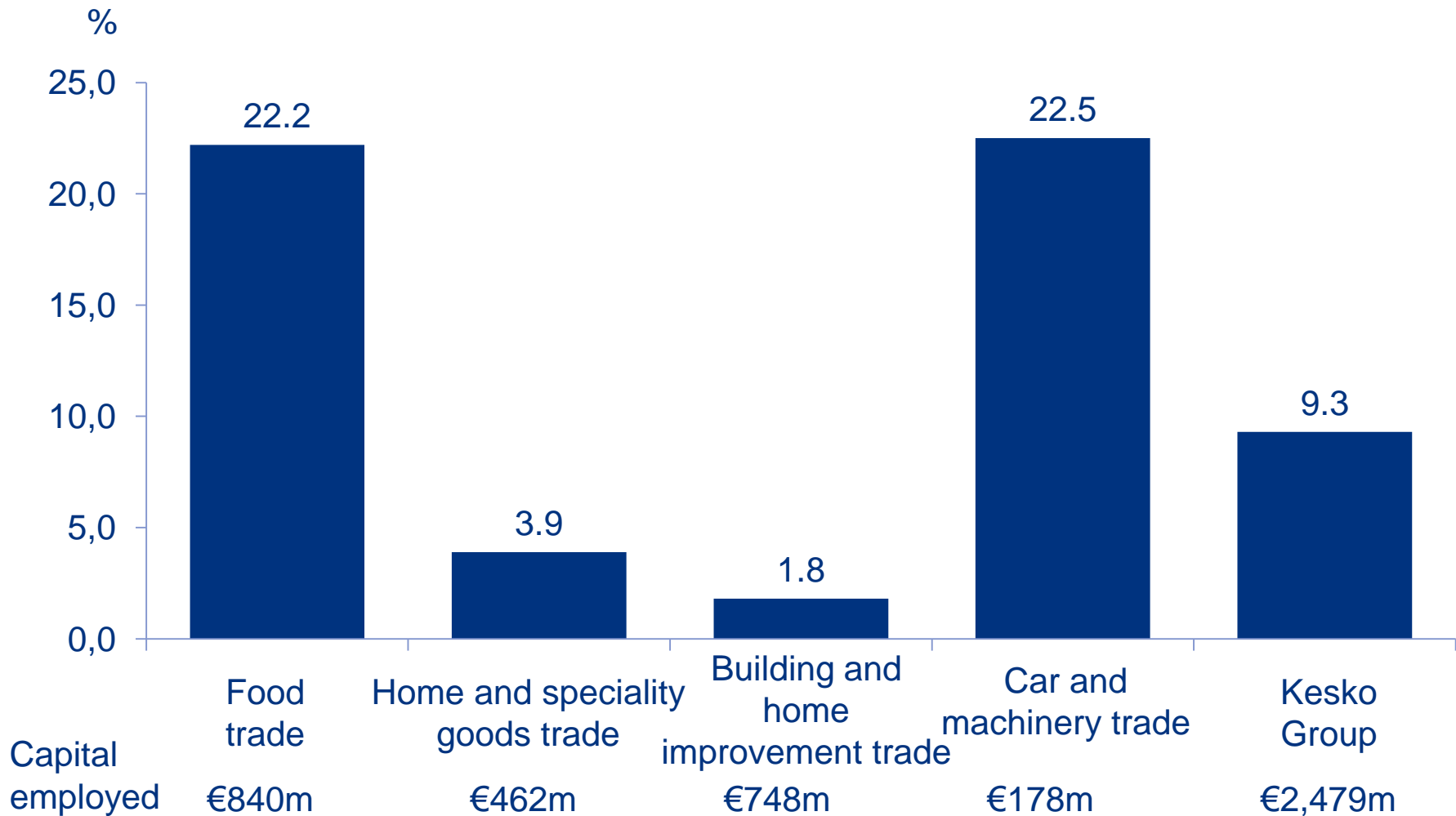
Return on capital employed, %

excl. non-recurring items

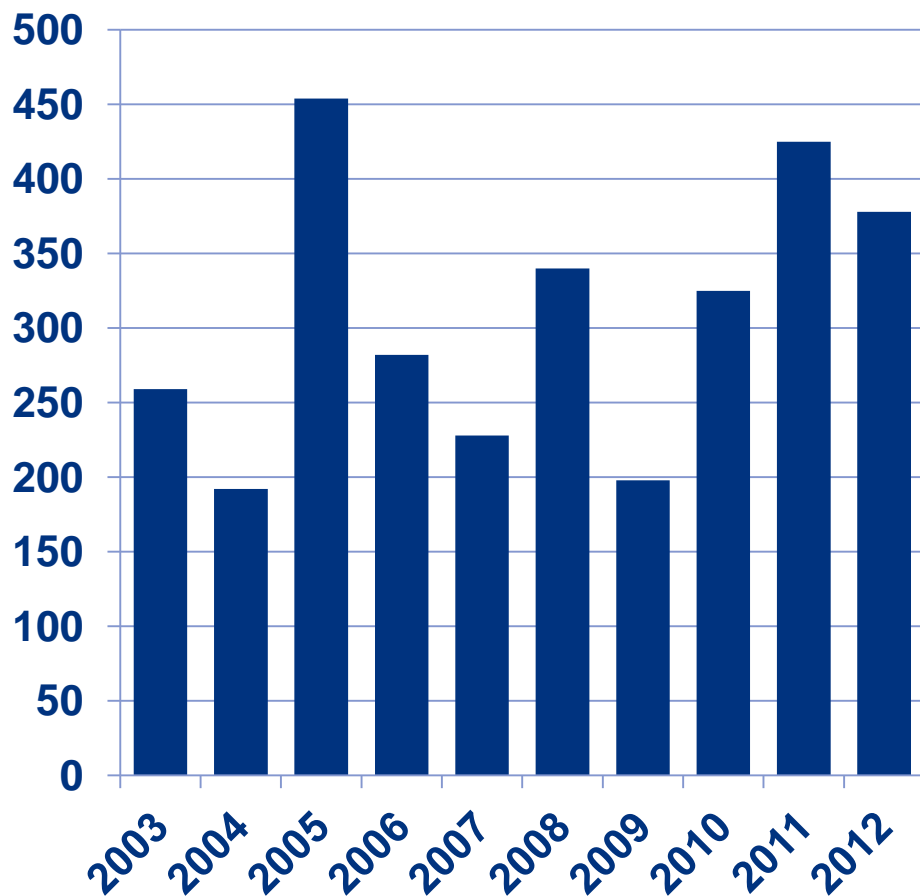


Return on capital employed in 2012

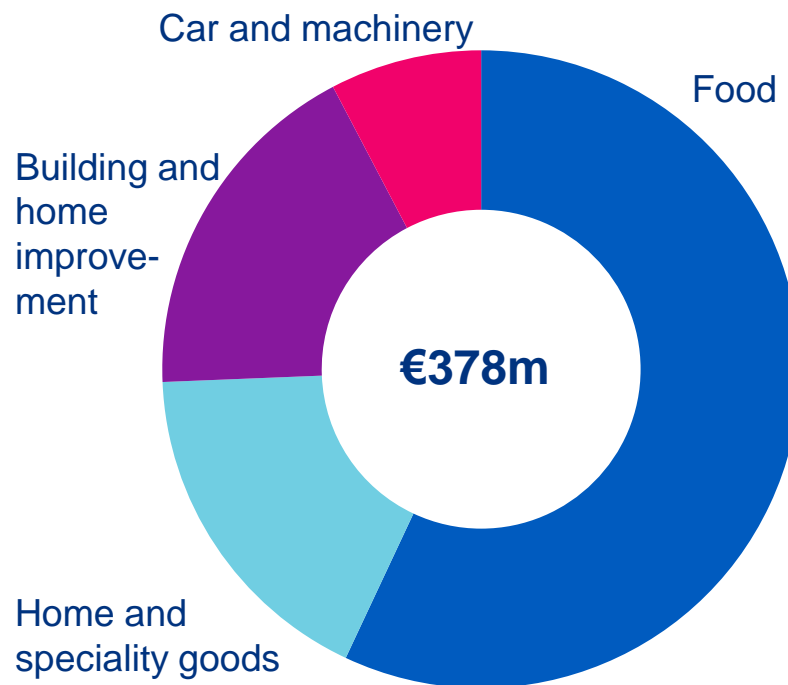
Excl. non-recurring items



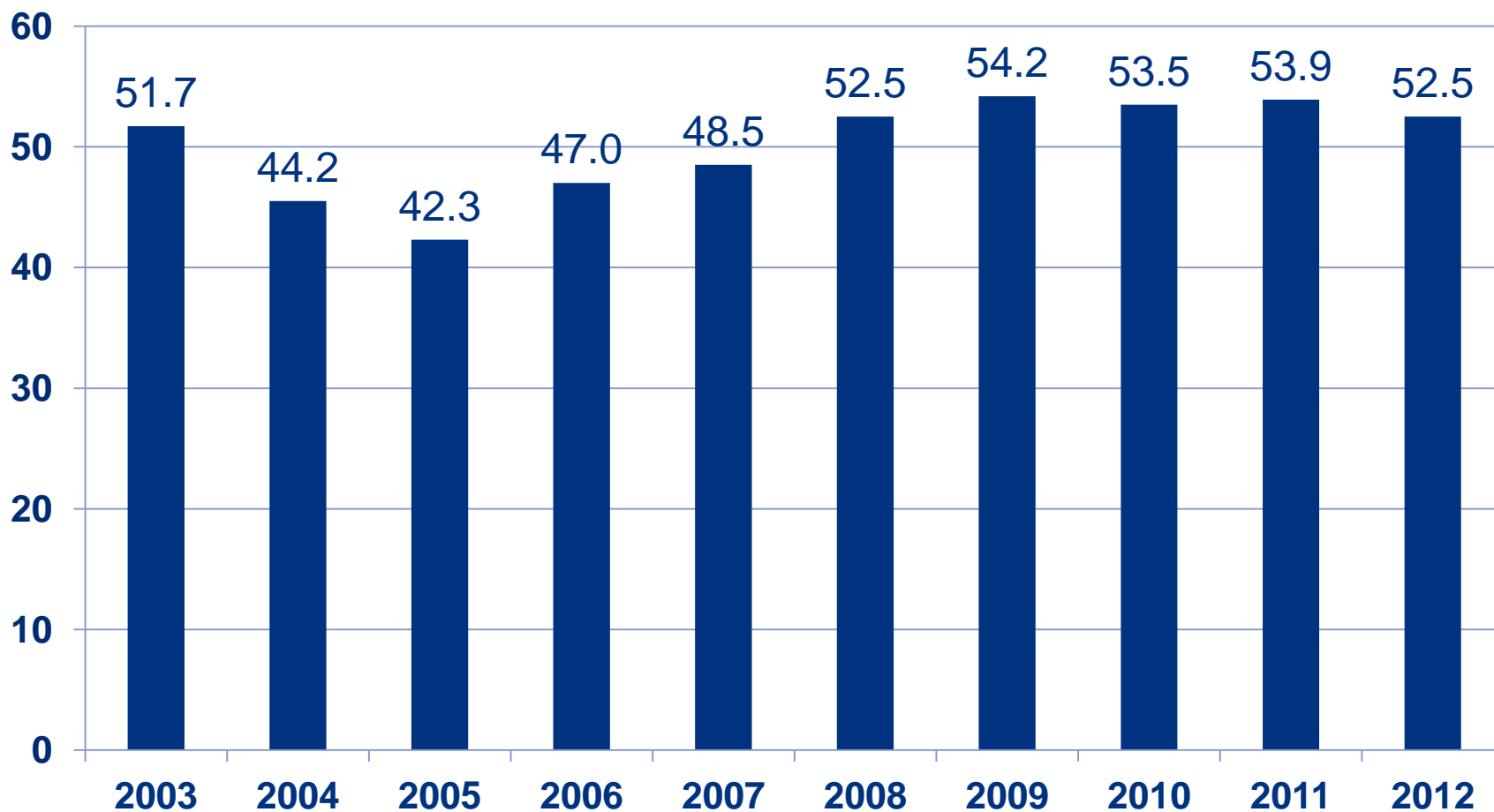
Capital expenditure



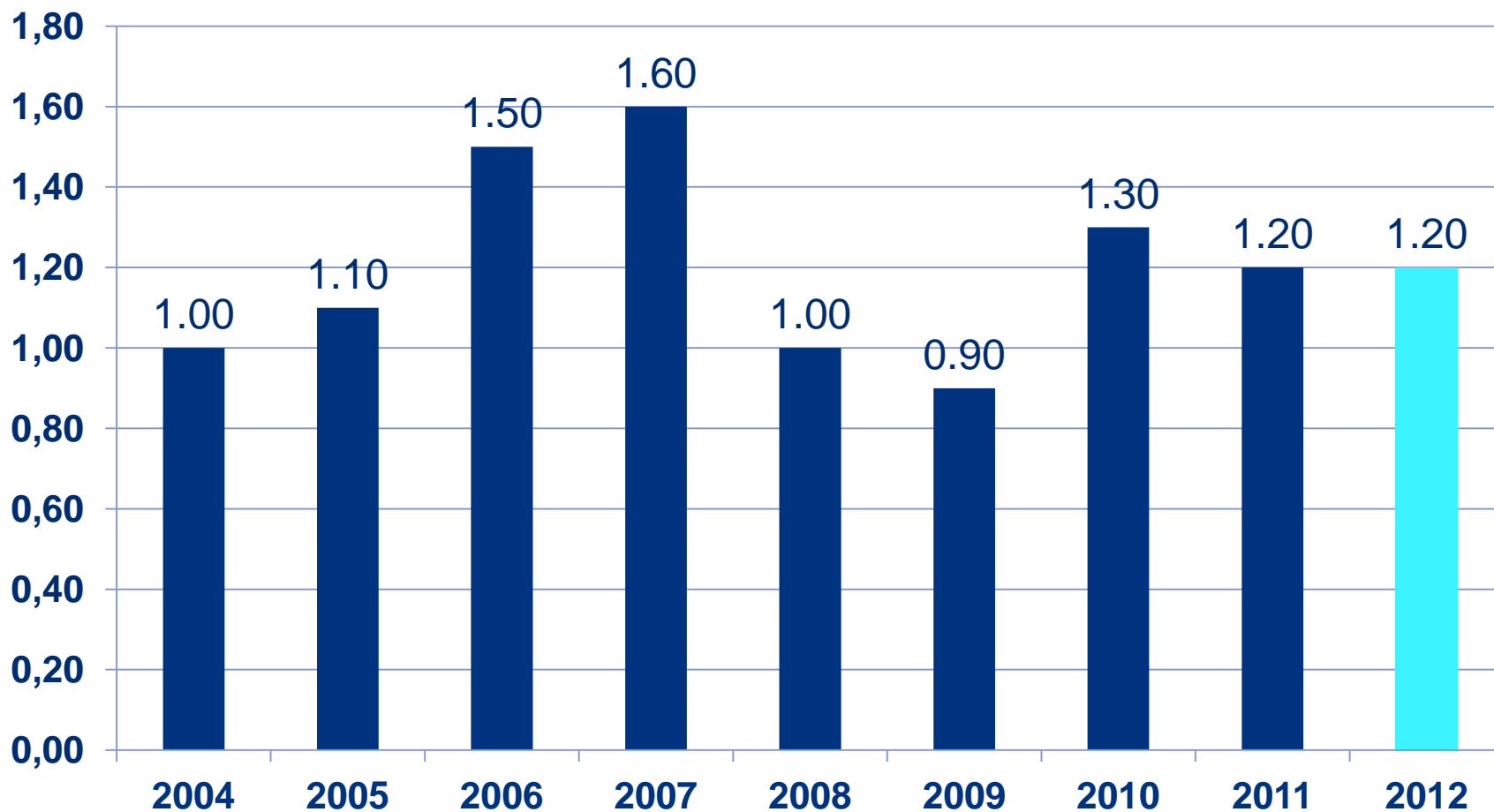
Breakdown by division, 2012



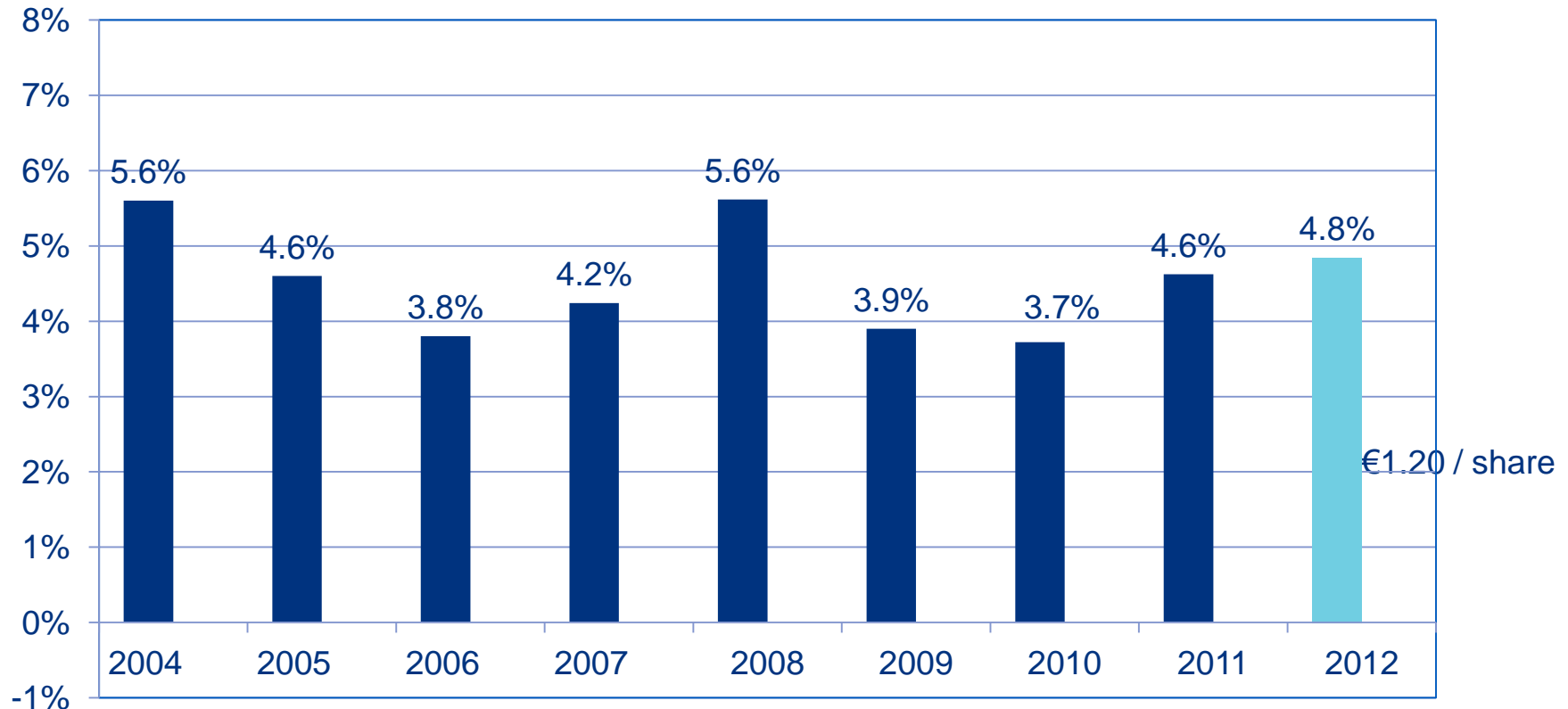
Equity ratio, %



Board's proposal for dividend/share (€)



Effective dividend yield of B share (€)



Effective dividend yield 5.03% at the closing rate of €23.85 at the date of dividend distribution proposal, 4.9% at the current rate (€24.39 at 5 April 2013)

Share price trend, 10 years


























Higher sales and profitability from all divisions



Focus on the customer

Over 1.3 million customer visits every day

 80	 30	 32	 49	 56+31	 93	 106	 4	 4
 212	 11	 32	 9	 88	 110	 1		
 455	 191	 72	 32	 18+60	 6	 (As at 31 Dec. 2012)		



Divisions

Food trade

Home and speciality goods trade

Building and home improvement trade

Car and machinery trade

Category management Store site acquisition Marketing Information management Support functions Business models and concepts

Kesko Group and Group control

Competence development Real estate Finance and accounting control IT management Communications and brands
 Risk management Internal audit Corporate responsibility District operations Management system

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Listed company Risk taking capacity Funding Culture and values

Group strategy

Portfolio strategy Internationalisation strategy Investment strategy Synergies Healthy growth
 → Increasing Group value

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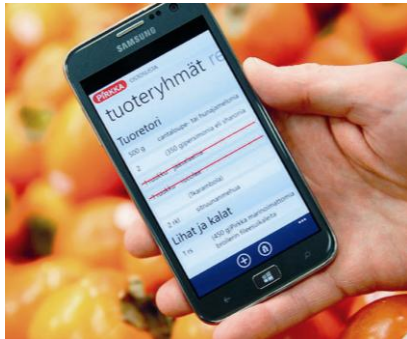
Strategic focal points



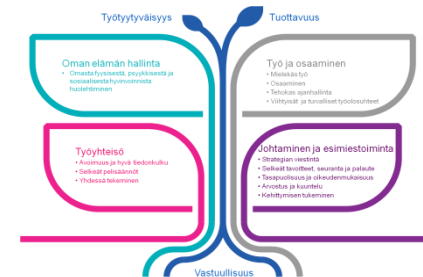
Strengthening sales growth and improving profitability



Leveraging business opportunities in Russia



E-commerce and multi-channel services



Corporate responsibility and employees' job satisfaction and wellbeing

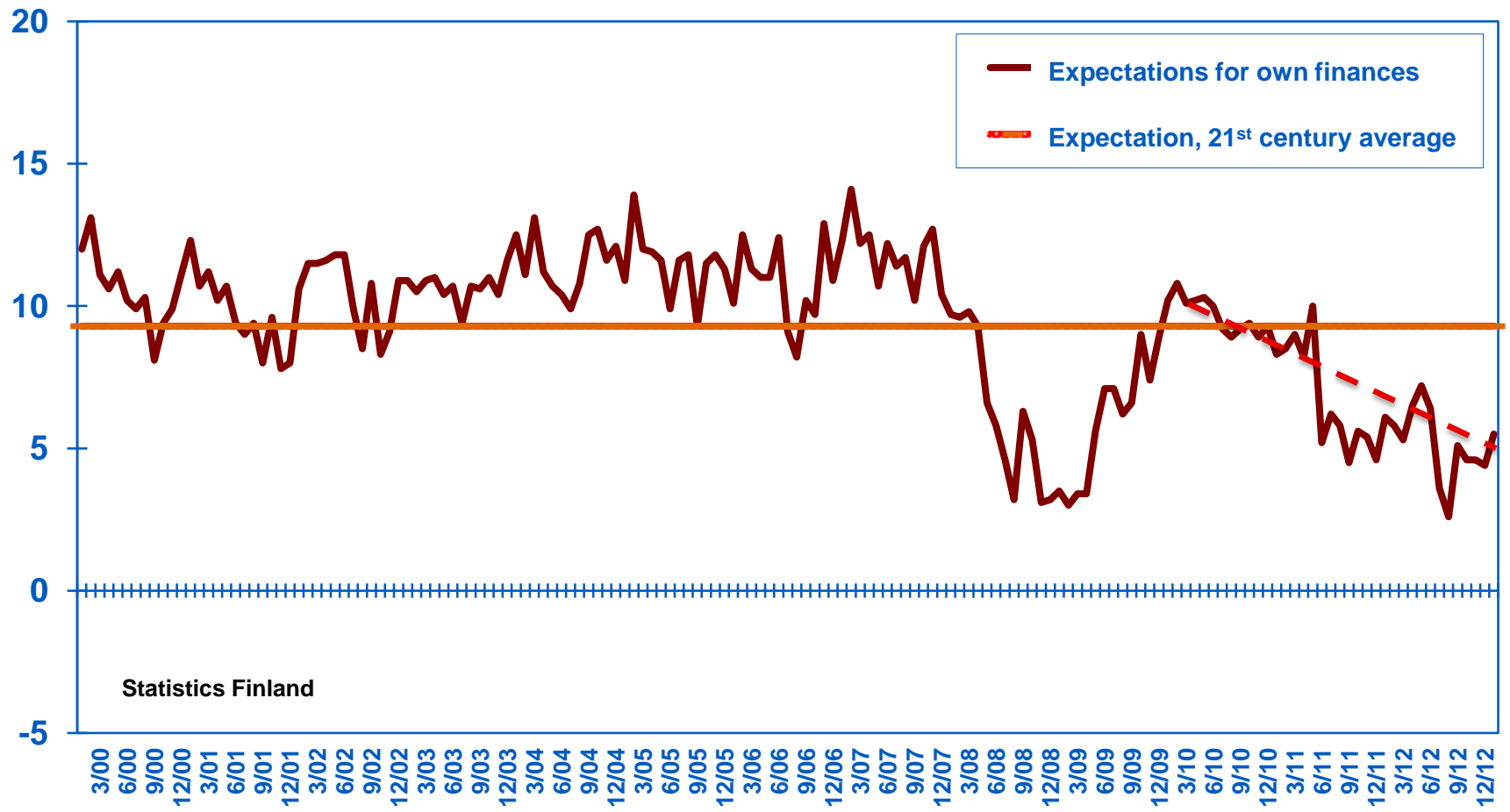
Strong financial position and good dividend payment capacity

Tightening economic and competitive situations

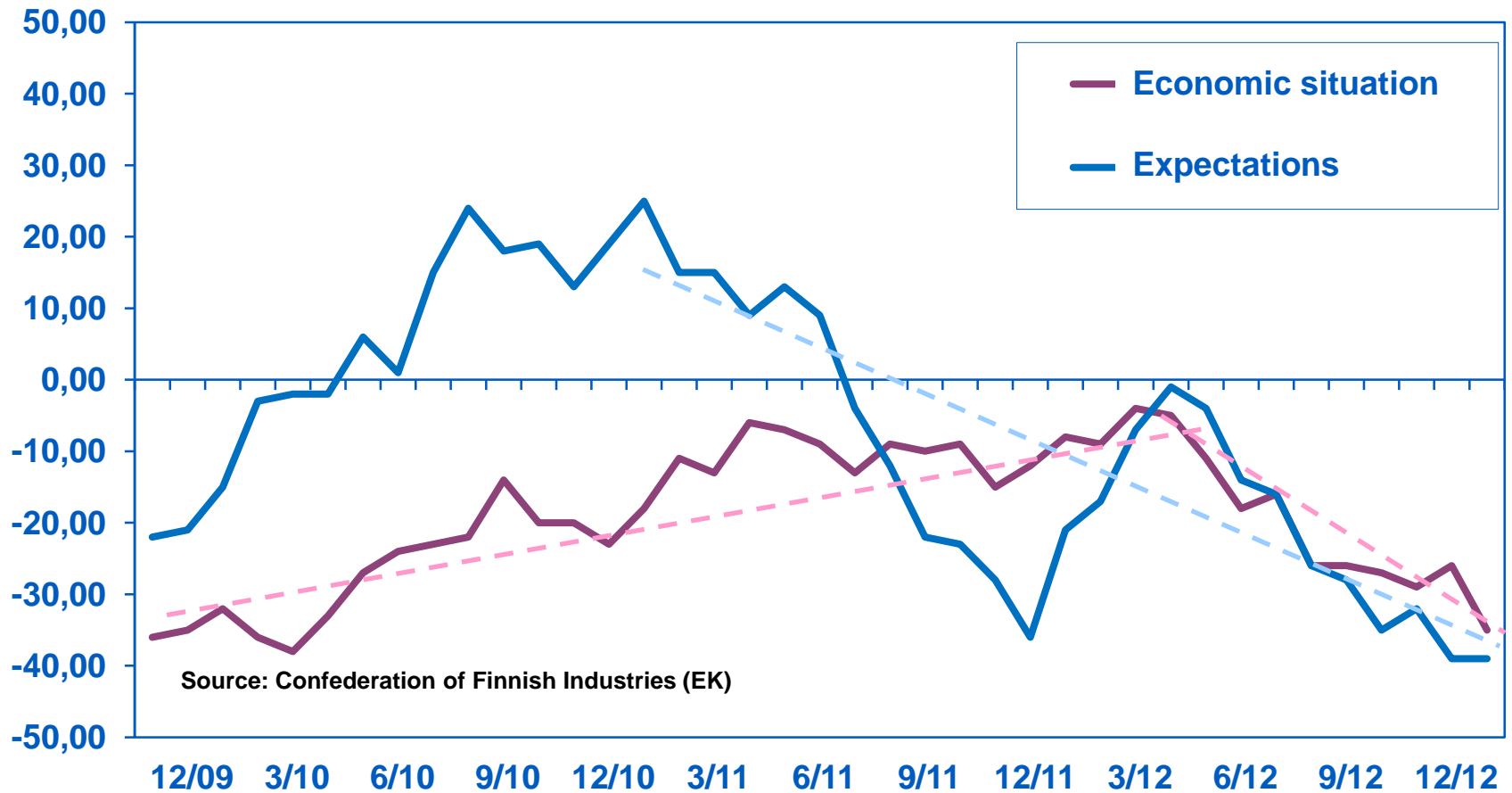
- Weakened employment
 - Taxation is increasing and has increased
 - VAT +1 percentage point,
pressures to raise municipal tax rates
 - Inflation has remained high
 - Consumer confidence and spending intentions have fallen
-
- consumers' purchasing power is weakening
 - price increasingly important in purchasing decisions
 - online shopping and price competition are increasing

Weak consumer confidence

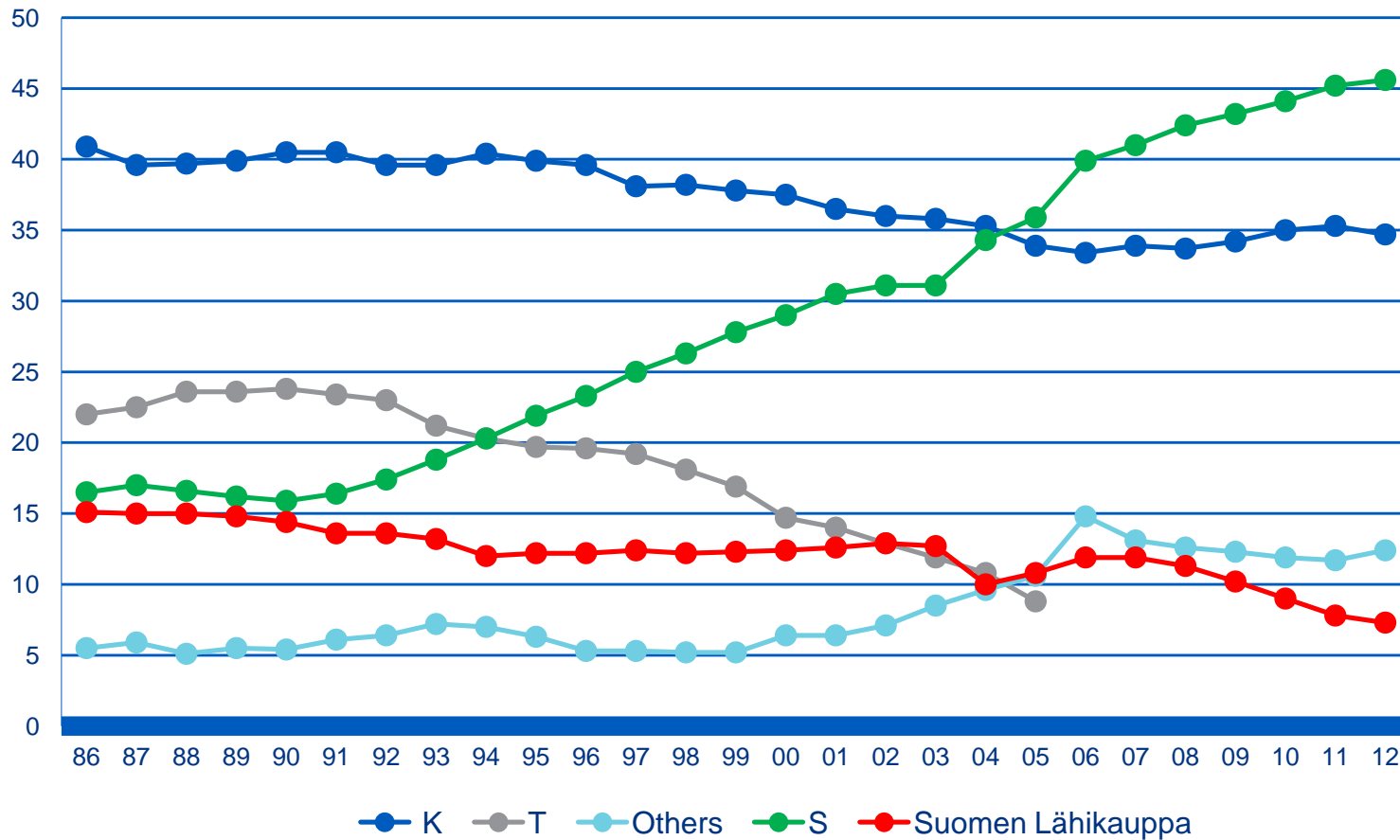
Consumers' expectations for their own finances for the next 12 months



Trading sector's subdued outlook for economic development



Market share trends in the food trade 1986 - 2012



Source: AC Nielsen's store register 2012, taxable sales

Kesko's profitability programme - €100m cost savings- progressing as planned

- Ensuring competitiveness, improving the return on capital employed
- Cost adjustments
 - savings target €100 million
 - measures for staff cost enhancement; reduction of workforce in the whole Group 885 person-years, of which 486 in Finland
 - other significant savings in marketing, ICT purchases and real estate costs
- Capital adjustments
 - adjustment of capital expenditure to €200-300 million in the next few years
 - reduction of working capitals, especially in inventories



Russian trade is growing

The first K-food store opened in St. Petersburg, Sittsevaya on 5 Dec. 2012

- "Best in Fresh" as the basic concept
 - 23,000 products
- Target for openings in 2013, 3 K-food stores in St. Petersburg
- Target by 2016, a network of 10 stores
- Target for 2017, net sales of €500m and a positive result
- Capital expenditure in 2012-2017 estimated at €300m
- Business in Moscow to be launched based on experiences from St. Petersburg



K-rauta Russia

- 14 K-rauta stores, net sales (2012) €284m
 - St. Petersburg 9
 - Moscow 2
 - Jaroslavl, Kaluga, Tula
- In 2017, net sales target €800m



Intersport Russia

- 100% ownership to Kesko in 04/2012
- 29 Intersport stores in six cities, net sales €28m
- In 2015, net sales target €50m





Online services improve customer service and competitiveness

Use of e-services growing strongly - K-Group's web pages have 5 million visitors per month



Customers and competitive situation require comprehensive online interaction

- Selections are growing, price transparency is increasing and operating practices in supplier cooperation are changing



K-Group's online stores in Finland

NETANTTILA.COM



KODIN 1



citymarket.fi



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Kesko Group's employee satisfaction rate of 3.94 (1-5) for 2012 represented the level of the previous year (3.92)

Job satisfaction

Life management

- Taking care of own physical, mental and social wellbeing

Working community

- Openness and good flow of information
- Clear rules
- Working together

Productivity

Work and competence

- Meaningful work
- Competence
- Efficient time management
- Pleasant and safe working conditions

Management and supervisory work

- Communication of strategy
- Clear objectives, monitoring and feedback
- Equality and fairness
- Appreciation and listening
- Development support

Responsibility

Kesko included on 'The Global 100 Most Sustainable Corporations in the World' list for the ninth time

- Kesko continues on the most important sustainable development indices: Dow Jones DJSI World and DJSI Europe, FTSE4Good and Nordic Carbon Disclosure Leadership
- World Finance awarded Kesko for 'the Best Corporate Governance in Finland' for a third successive time
- Kesko's Board approved the updated responsibility programme
- Kesko and K-retailers participate in the Youth Guarantee programme preventing social exclusion among young people
 - Kesko's Board granted €100,000 from donation funds for the programme implementation



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