

KESKO

**Kesko's
General Meeting**

16 April 2012

President and CEO Matti Halmesmäki

KESKO

A woman with blonde hair, wearing a red cardigan over a white top, is smiling as she shops in a grocery store. She is holding a red tomato in her left hand. A young child with blonde hair, wearing a blue jacket, is reaching for a tomato from a white cardboard box labeled 'PÍRKKA'. The background is filled with various fresh produce, including large quantities of red and yellow tomatoes, green bell peppers, and other vegetables. The scene is brightly lit, typical of a supermarket produce section.

KESKO'S
YEAR
2011

Kesko's divisions

Food trade



Terho Kalliokoski

- Corporate Management Board member since 17 March 2005



Total of 964 stores

Home and speciality goods trade



Minna Kurunsaari

- Corporate Management Board member since 1 December 2011



Total of 446 stores in 13 different chains

KESKO

Kesko's divisions

Building and home improvement trade



Arja Talma

- Corporate Management Board member since 17 March 2005
- President of Rautakesko since 1 November 2011



Total of 451 stores in Finland, Sweden, Norway, Estonia, Latvia, Lithuania, Russia and Belarus

Car and machinery trade



Pekka Lahti

- Corporate Management Board member since 1 March 2005



KESKO

Common operations

Human Resources



Riitta Laitasalo

- Corporate Management Board member since 1 January 2001

Corporate Communications and Responsibility



Merja Haverinen

- Corporate Management Board member since 1 April 2011

Accounting, Finance, IT



Jukka Erlund

- Corporate Management Board member since 1 November 2011

Kesko had a year of profitable growth

- The K-Group's retail sales in 2011 were €11.8 billion, up 7.2% (VAT 0%)
- The Kesko Group's net sales were €9,460 million, up 7.8%
- Operating profit excluding non-recurring items was €279 million, up €11 million
- Solvency and liquidity excellent
 - Equity ratio 53.9%
- Dividend proposal €1.20 per share
 - 65% of earnings per share excluding non-recurring items
 - Dividend yield 4.6%

Kesko had a year of profitable growth

- In the food trade, market share and profit improved
 - Six new K-citymarkets and 17 K-supermarkets were opened, five K-citymarkets and 10 K-supermarkets are being built
 - Pirkka sales grew by +32%
- The profit of the home and speciality goods trade was weakened by the reform of Anttila's logistics and purchasing operations and the launch of Intersport operations in Russia. Asko and Sotka achieved excellent sales and profits
- The sales of the building and home improvement trade increased markedly, profit performance still slow
 - K-rauta strengthened its market position in Finland and is growing especially in Russia and the Baltic countries
- Volkswagen and Audi achieved record level profits and market shares

The Group's net sales €9.5 billion in 2011

	2011	2010	Change
Food trade	4 182	3 896	+7 %
Home and speciality goods trade	1 564	1 569	0 %
Building and home improvement trade	2 716	2 519	+8 %
Car and machinery trade	1 174	955	+23 %
Total	9 460	8 777	+8 %

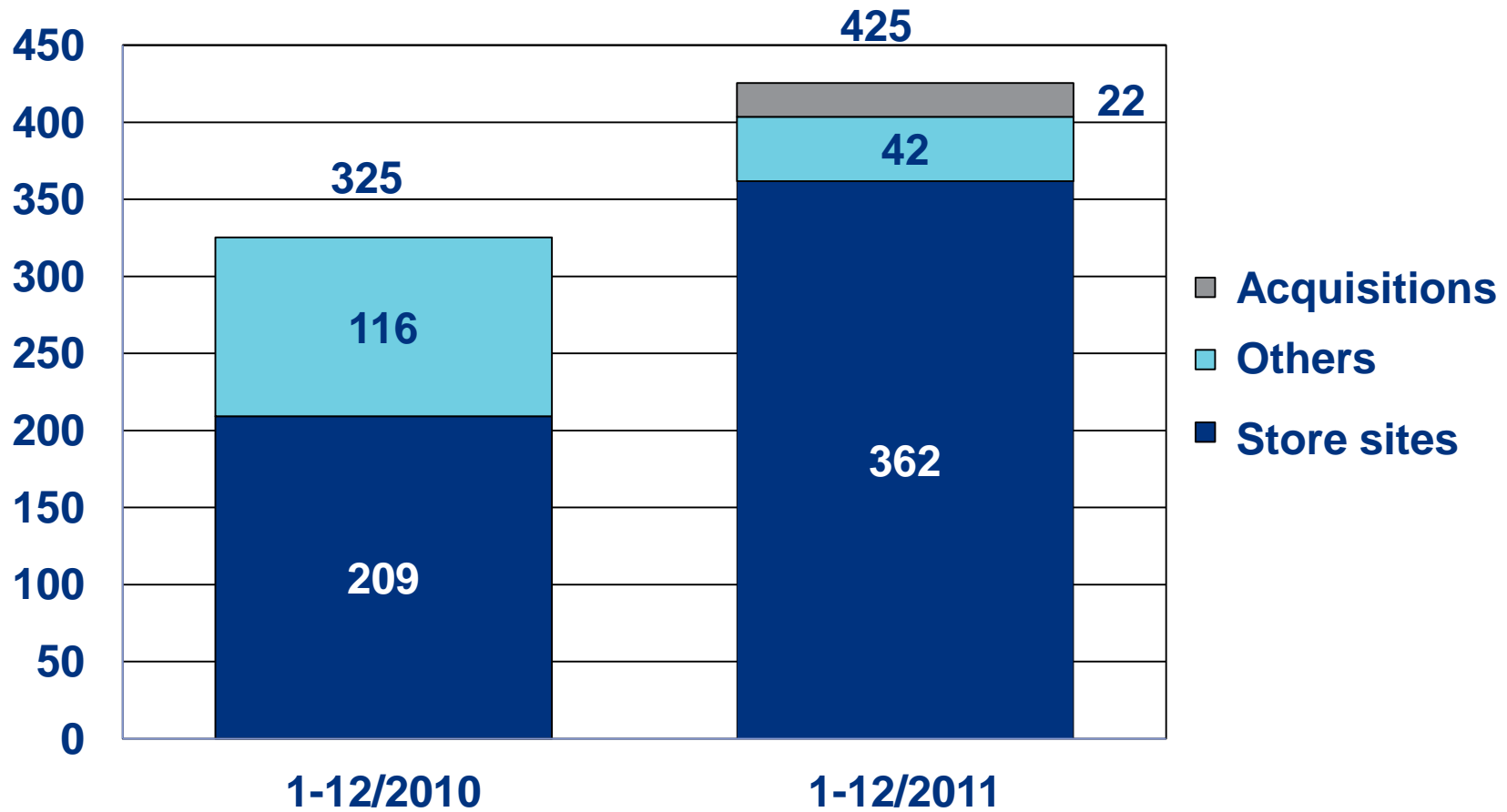


The Group's operating profit excluding non-recurring items for 2011 €279 million

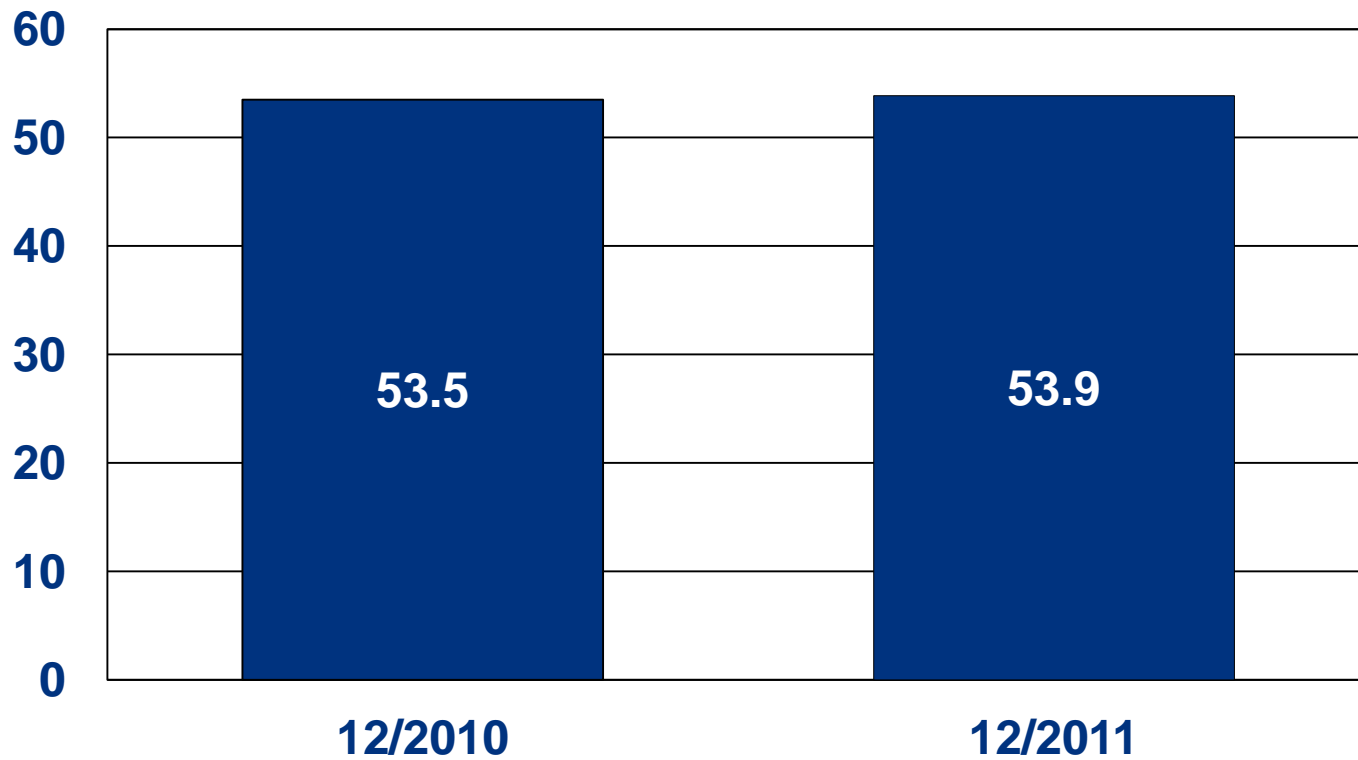
	2011	2010	Change
Food trade	172	160	12
Home and speciality goods trade	37	66	-29
Building and home improvement trade	27	24	3
Car and machinery trade	52	33	19
Total	279	268	11



The Group's capital expenditure (M€)

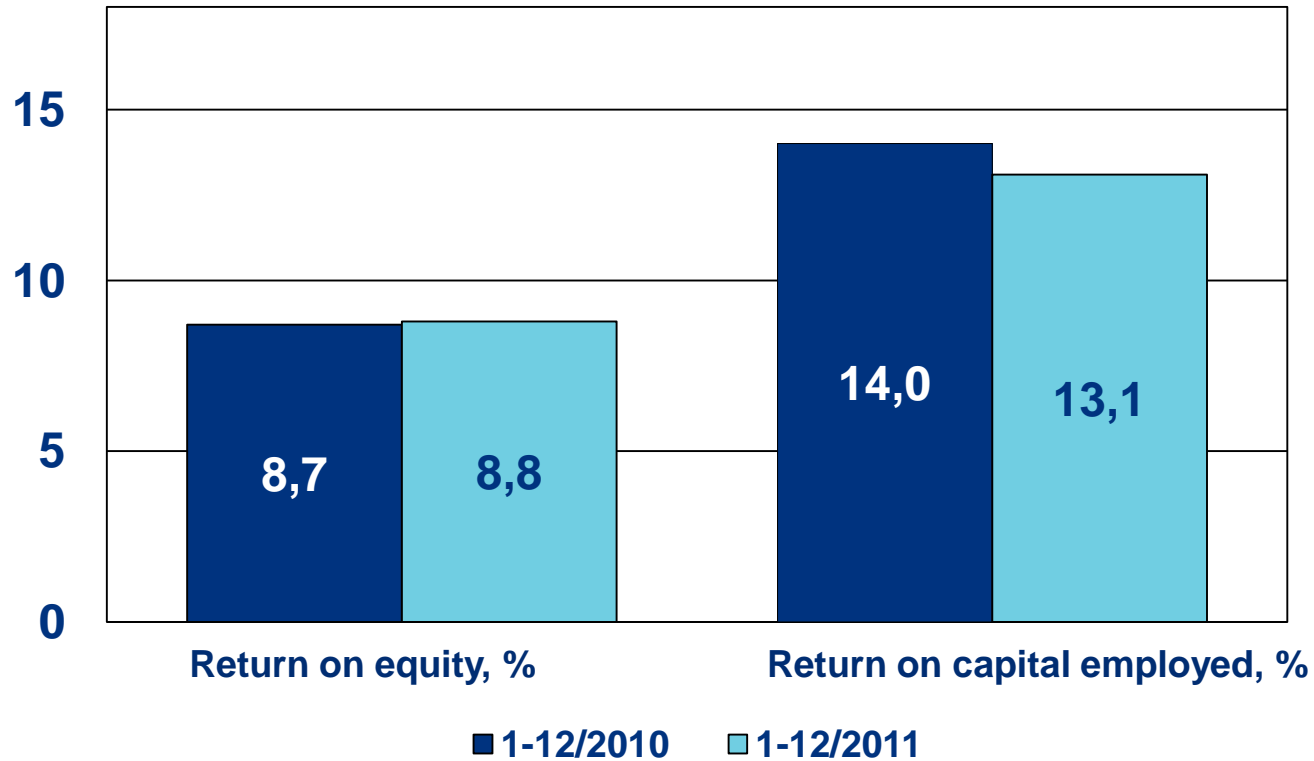


Equity ratio, %

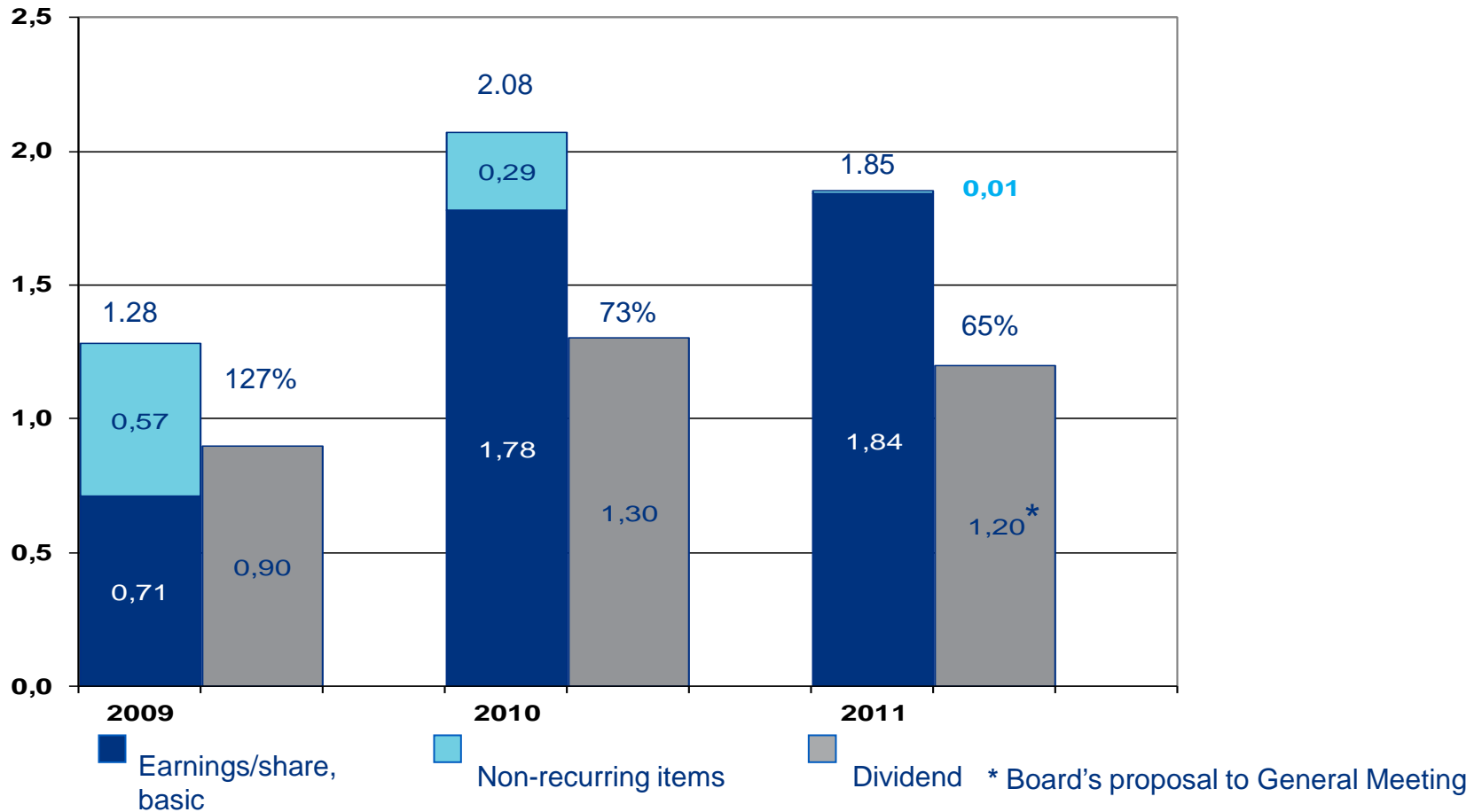


Return on capital, %

(excluding non-recurring items)



Earnings/share (€) and dividend/share (€)



Effective dividend yield

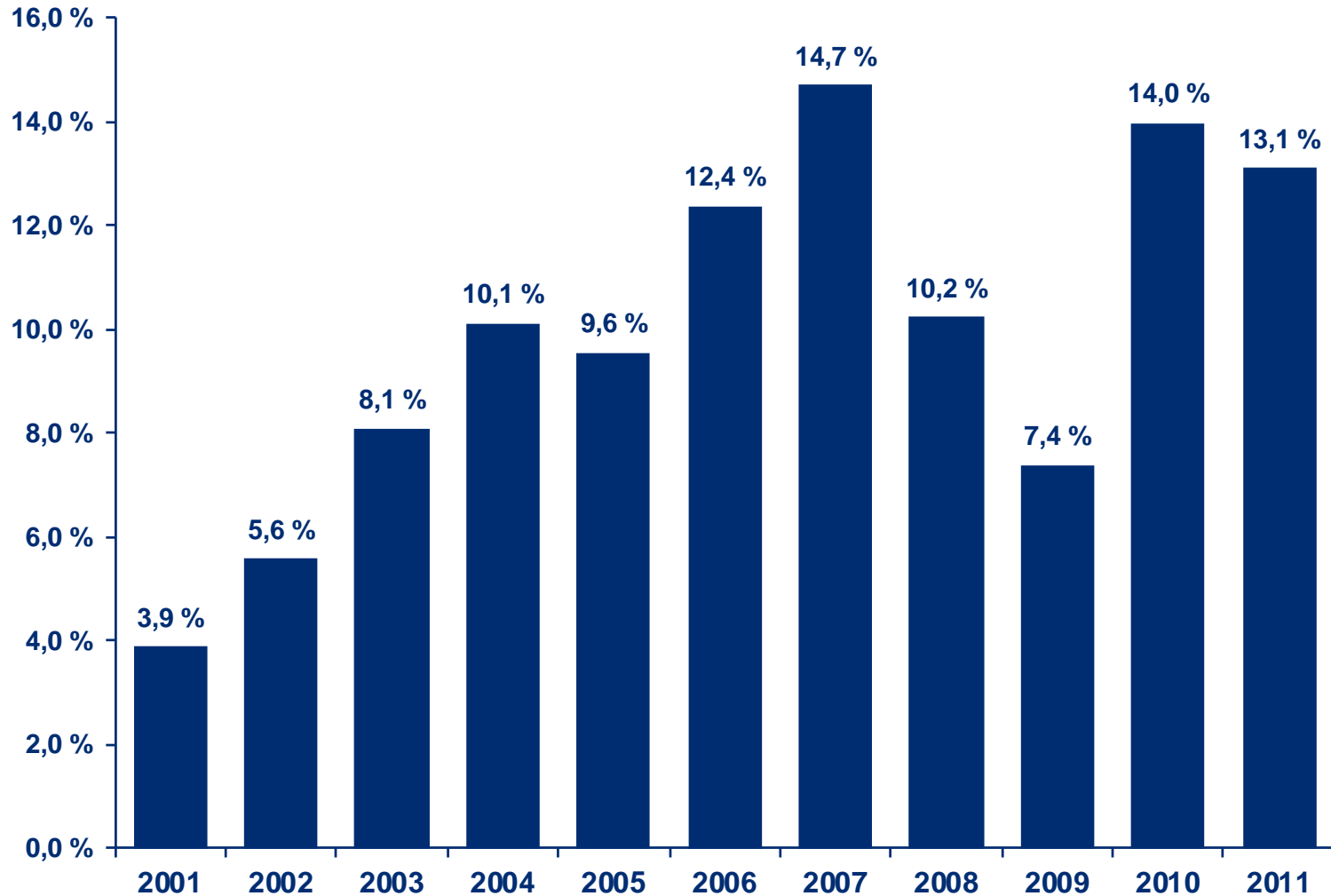
2009
3.9%

2010
3.7%

2011
4.6%

Return on capital employed, %

(excl. non-recurring items)





Healthy growth and profitability from all divisions

Kesko's strategy for profitable growth

- The objective is to improve customer satisfaction and to increase shareholder value
- The objective of all divisions is healthy sales growth exceeding that of the market
 - chain-specific competitive assets clearly visible to customers
 - increasing the share of e-commerce and online services
- A key objective is to increase capital returns
 - capital expenditure in Russia
 - in an uncertain economic situation, accurate prioritisation of investments to targets with the best returns
- Solvency and liquidity are kept strong
- Strong balance sheet enables good dividend payment capacity

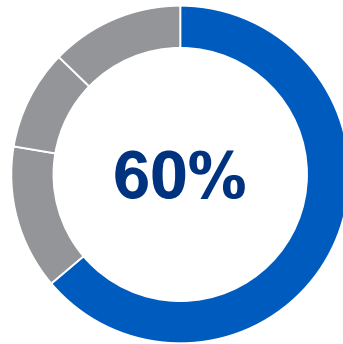
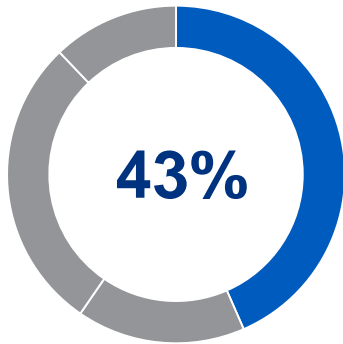


Food trade

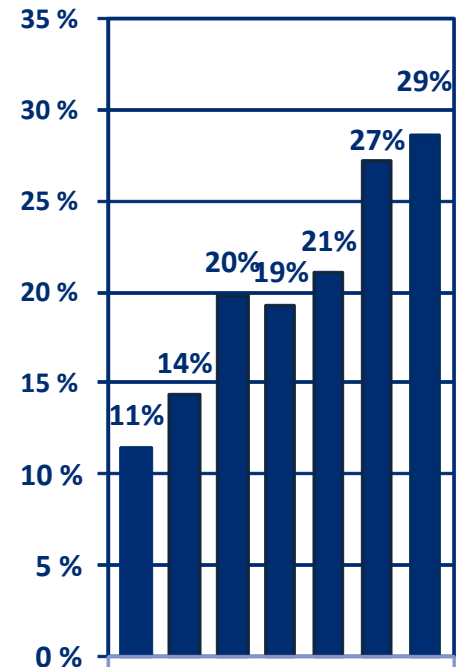


Contribution to Kesko's net sales at 31 Dec. 2011

Contribution to Kesko's operating profit at 31 Dec. 2011 (excl. non-recurring items)



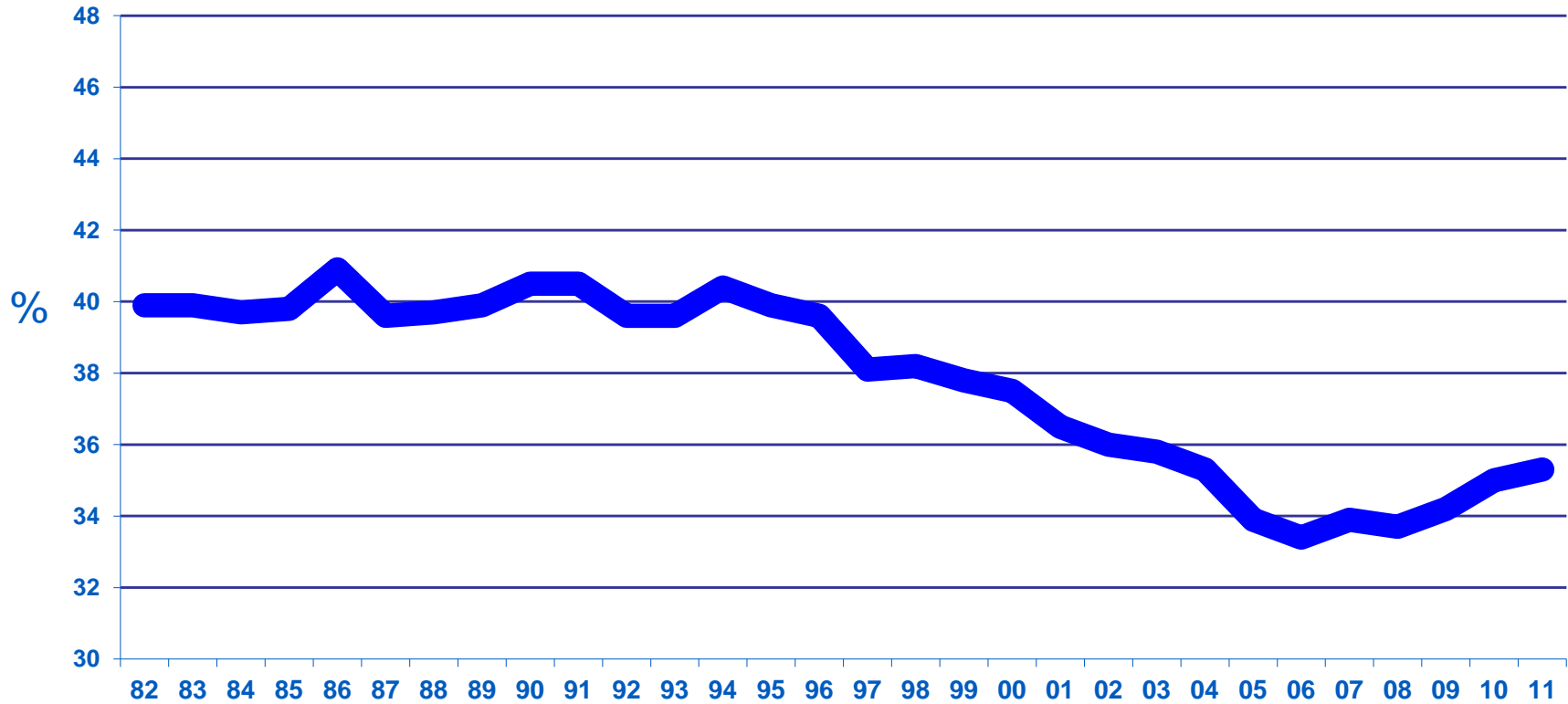
Total of 964 stores



Kesko Food's return on capital employed, % (excl. non-recurring items)

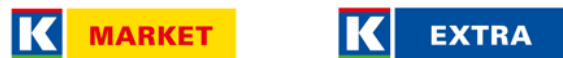
Food trade

K-food stores' market share has turned to growth in recent years



K-food store is the best, focusing on service

- Over 900,000 customers shop at K-food stores every day
- The best fruit and vegetable department, bakery department and service counter
- The widest selection of organic and local foods
- Pirkka – the best price-quality ratio, valued by customers!



K-retailer takes care of it

- K-food trade represents the cooperation of approximately 900 K-retailers and Kesko Food
- Kesko Food's functions are
 - centralisation of purchasing power, management of common selection and maximum pricing
 - development of tools and operating models needed by K-retailers, improving operating efficiency and quality
- K-retailers and their staff are responsible for the stores' customer service
 - customer relationships
 - selection and services demanded by local customers



K-food retailer's services also available online

ETUSIVU NÄIN TILAAT ASIAKASPALVELU KAMPANJAT OMAT TIEDOT OSTOSKORI

K MARKET RUOHOLAHTI

Tuore tapa ostaa tutusta K-marketistasi

Tervetuloa K-market Ruoholahden verkkokauppaan! Täällä voit kerätä vaivattomasti ostokset ja valita niille kuljetuksen tai noudon kaupasta. Ennen ostoksille siirtymistä sinun tulee vain rekisteröityä verkkokauppaan. Palvelujen hinnat: nouto 3,50 euroa, kuljetus 9,90 euroa.

Mukavia ostoshetkiä toivottaen,
Kauppias Niko Grönberg

Tarkista oletko toimitusalueellamme

Postinumerosi **TARKISTA**

Kirjaudu sisään

Käyttäjätunnus

.....

REKISTERÖIDY **KIRJAUDU**

Etsi tuotteita Anna hakusana **Q** TARKENNETTU HAKU

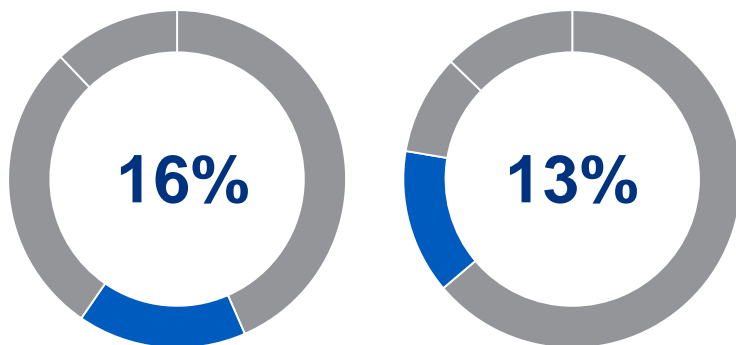
TUORETORI LEIVÄT & LEIVONNAISET KAUPPIAAN HERKKUTORI LIHA KALA & ÄYRIÄISET MAITOKAAPPI VALMISRUOAT MAUSTAMIINEN JA LEIVONTA

RUOKAKOMERO HERKKUNURKKA JUOMAT PAKASTEET LAPSILLE LEMMIKEILLE KEITTIÖ KOTI HYGIENIA

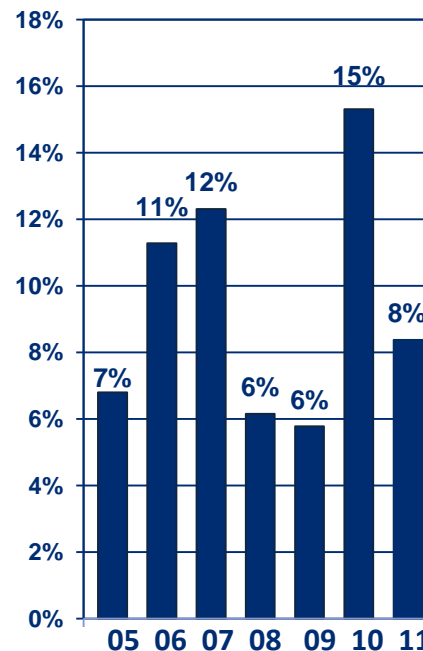
Home and speciality goods trade

Contribution to Kesko's net sales at 31 Dec. 2011

Contribution to Kesko's operating profit at 31 Dec. 2011 (excl. non-recurring items)



Total of 446 stores in 13 different chains



Home and speciality goods trade

Home and speciality goods trade's return on capital employed, % (excl. non-recurring items)

Home and speciality goods trade

K-Group's home and speciality goods trade, retail and B2B sales	Sales in 2011 (VAT 0%), M€
K-citymarket, home and speciality goods	629
Anttila dept. stores and NetAnttila	334
Kodin Ykkönen department stores	133
Intersport	193
Budget Sport	32
Kesport	23
Asko	91
Sotka	103
Musta Pörssi and Konebox	92
Shoe stores	44
Total	1,673

Customer-driven, attractive chain concepts are being built



Home Leisure
Clothing Cosmetics &
other non-food



Online store



Home Beauty
Fashion TopTen



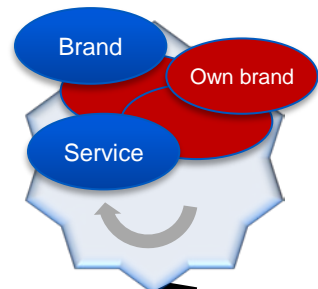
NETANTILA.COM



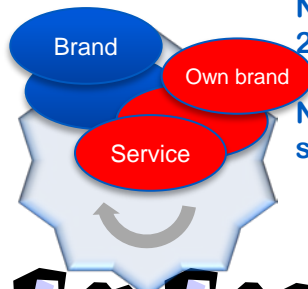
Home
Furniture TopTen



Kodin1.com

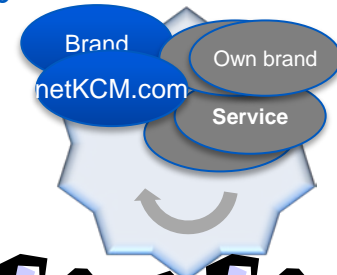


Net sales M€650
75 hypermarkets

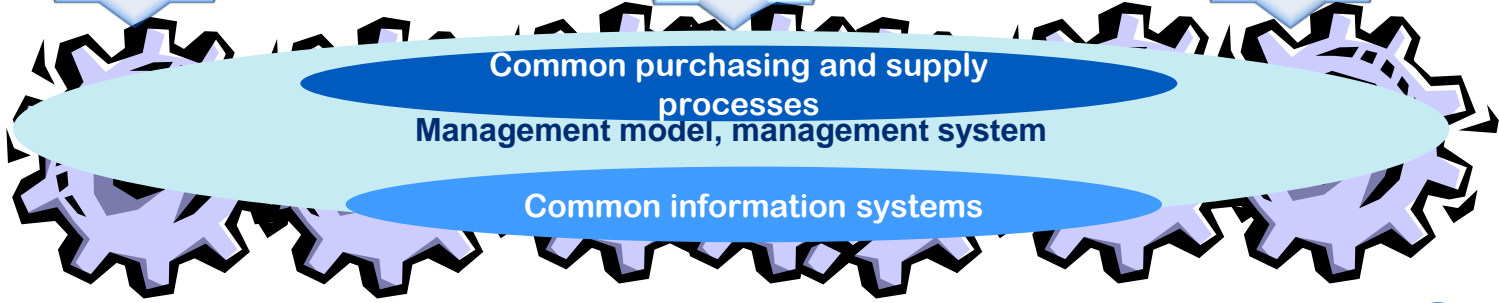


Net sales M€270
27 dept. stores

NetAnttila
sales M€74

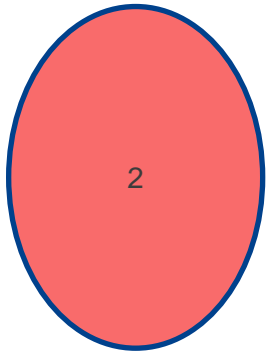


Net sales M€133
10 dept. stores for
home goods and
interior decoration



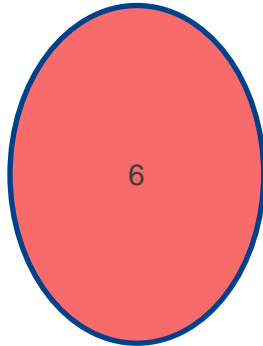
Concepts are visible to customers in stores and customer information steers operations

Trend conscious



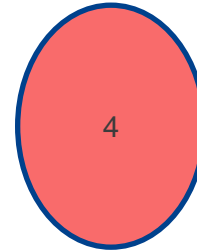
Trend conscious, young, fashionable urban adults (with families) who take care of their looks and buy make-up and other cosmetics.

Elegant



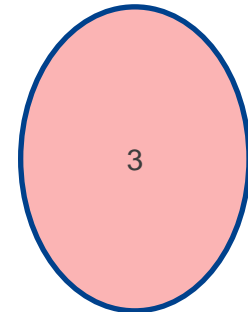
Adult families with a good income who buy classic and trendy, quality goods in home decoration, table setting, gardening, cosmetics; traditional branded products.

Quality conscious families with children



Consumers preferring convenience and ease of use in branded products. Children's products (e.g. Lego), female underwear. Strong branded products.

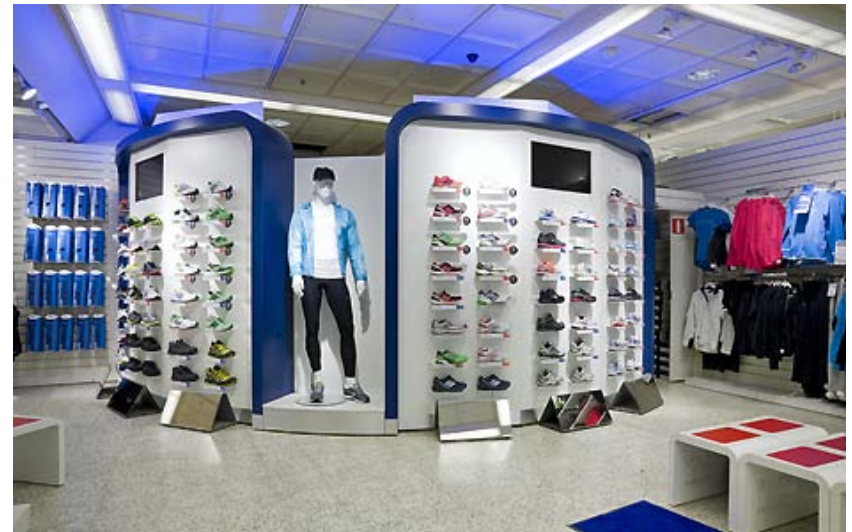
Economical families



Affordable price level; emphasis on leisure, entertainment and special offer products.

Intersport

- Kesko has been a partner in Intersport International since 1992
- Intersport, Budget Sport and Kesport stores are a clear market leader in Finland
- Intersport Finland's net sales in 2011 were €170 million and operating profit was €10 million
- Launch of the new Intersport - Sport to the People store concept
- Russian Intersport licence and 35 Intersport stores



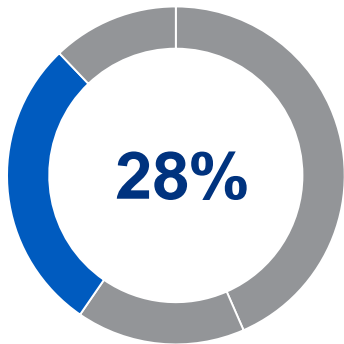
Asko and Sotka

- part of the Kesko Group since 2005
- net sales €178 million, operating profit €14.9 million
- store network covers the whole of Finland
- Asko
 - 32 stores, sales €112 million
 - for quality conscious home decorators – comprehensive decoration solutions, inspiring stores and reliable service
 - Finland's most trusted furniture store for the 6th time in succession
- Sotka
 - 49 stores, sales €126 million
 - for consumers who value affordability and easy shopping

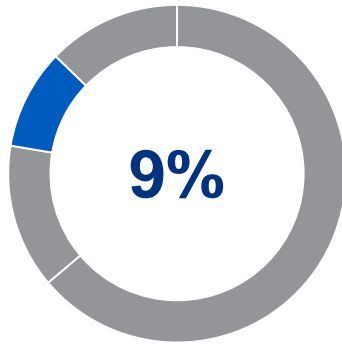


Building and home improvement trade

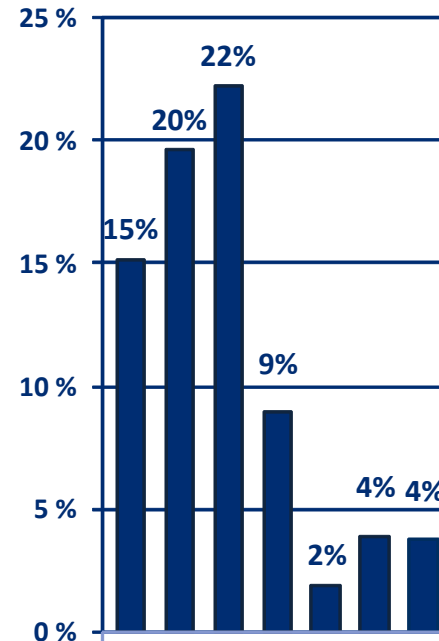
Contribution to Kesko's net sales at 31 Dec. 2011



Contribution to Kesko's operating profit at 31 Dec. 2011 (excl. non-recurring items)



Total of 451 stores in Finland, Sweden, Norway, Estonia, Latvia, Lithuania, Russia and Belarus



Building and home improvement trade

Rautakesko's return on capital employed, % (excl. non-recurring items)

Rautakesko



K-rauta, Rautia and Rautakesko B2B Sales clearly the sector's number one operator in Finland

In 2011, the K-Group's market share was 38.4%, up 1.23%

(Source: Finnish Hardware Association, DIY)

Rautakesko is the biggest in Northern Europe

- In terms of retail sales, the K-Group became the 5th biggest operator in the building and home improvement sector in Europe
- the K-rauta concept has proved its competitiveness against the biggest European operators
- Growth in foreign operations was stronger than in Finland, accounting for 55% of net sales
- Growth in Russia continues, with focus on Moscow



Rautakesko's strategic projects



The best products and services for customers easily and affordably



WIDEST SELECTIONS

- Customer driven selection management
- Pricing strategy
- International synergies

COMPREHENSIVE ENTERPRISE RESOURCE PLANNING SYSTEM

- Common systems and processes
- Uniform basic and enriching information
- Platform for new operating models

SERVICES

- Increasing sales of services
- Widening selection of service products
- Online supply and customer services

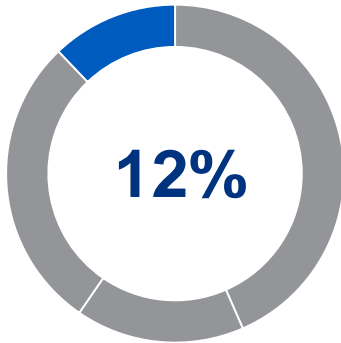
GROWTH IN RUSSIA

- New stores in Moscow and St. Petersburg
- Preparing for expansion into new areas
- Supply chain structure (sources, own import, logistics)

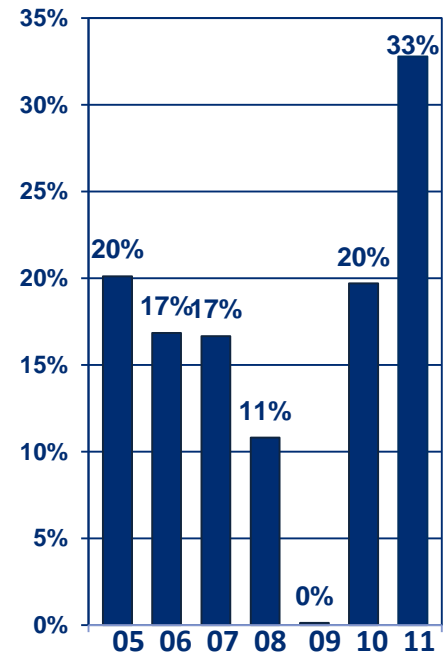
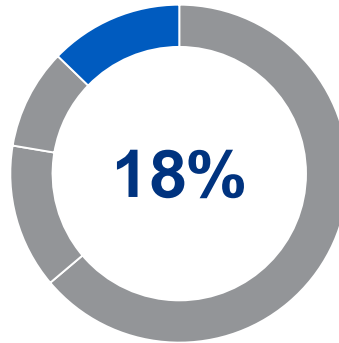
Car and machinery trade



Contribution to Kesko's net sales at 31 Dec. 2011



Contribution to Kesko's operating profit at 31 Dec. 2011 (excl. non-recurring items)



Car and machinery trade's return on capital employed, % (excl. non-recurring items)

Car and machinery trade

KESKO

Volkswagen Audi Seat

- In 2011, the market share of Volkswagen, Audi and Seat, 20.7% (19.3%), stood at an all-time high
 - Volkswagen market leader in passenger cars with its 13.8% market share
 - Audi market leader in premium class with its 5.0% market share
 - Seat's market share reached 1.5%
 - Volkswagen market leader in vans with its 24.6% market share



Volkswagen Audi Seat

- Volkswagen Group's objective is to become the world's largest car manufacturer by 2018
 - Strengthening customer loyalty through improved service
- Car tax change effective 1 April 2012 strongly increased registrations at the beginning of the year
 - Passenger car registrations were up by 34% and those of vans by 48% (1-3/2012)
 - VV-Auto's market share 19.9% (18.9% in 2011), Audi and Volkswagen vans performing strongly
 - However, the full-year total market is forecast to decline
- In May, a Volkswagen Center will be opened in Espoo and Turku



Service Engineer Jouni Gustafsson won the VW Service Engineers' World Championships in 2011. Volkswagen CEO Martin Winterkorn was one of the prize presenters.

Yamaha Yamarin

- Yamaha
 - motorcycles, mopeds, ATVs, snow mobiles, outboards and watercraft
 - motorcycle market leader in Finland
 - 30 years as the outboard market leader in Finland now with its over 50% market share
- Yamarin
 - New Yamarin Cross boat model line-up has been a test and sales success in both Finland and the export market



Electronic revolution in shopping



K-Group's strength has always been customer service in the stores



Electronic revolution increases competition – customers have more alternative options



Intersport stores



Intersport online stores



Competitors' stores



Competitors' online stores, also foreign

Customer's buying need

Searching for options
(selections, prices, availability)

Buying decision

Electronic services significantly change customer behaviour

E-services enable customers increasingly more often to choose where and when they make their buying decisions

Mobile 24/7

From social media 'likes' to social business benefits



Social media



www.plussa.com



Customer identification



QR codes



Product information and prices



Special offers and coupons



GIS data

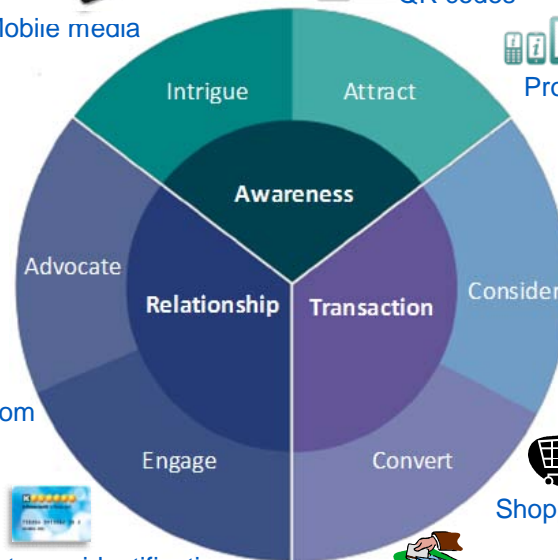


Shopping basket



Payment

Source: YOC-Gruppe, Mobile Success Stories in Retail



E-services are an important factor in addition to traditional service when buying decisions are made in stores.

KESKO



k-citymarket.fi

Facebook

Twitter

netKCM

Google+

mobiili



Foursquare

Sähkösuora

Purchased Media

Kesko's objective is to offer the best combination of retail operations and services to customers



Wholesale trade



Retail trade



Combination of retail operations and services relevant to customers

Responsibility in the K-Group is part of our daily activities

We are a forerunner in the areas of economic, environmental and social responsibility, in recognition of which are

- Numerous responsibility rewards and index listings
- Listing among 'The Global 100 Most Sustainable Corporations in the World' again this year



Shopping at a K-store is a responsible choice

- Product selections include organic, local and Fairtrade products
 - 700 organic products
 - Pirkka breads from local bakeries
 - Pirkka product packaging has carbon footprint labels
 - Nutrient contents calculated for the 4,700 recipes available at Pirkka.fi
 - More than 200 Fairtrade products
- The carbon footprint from K-food stores' transportation is reduced by using a two-tier trailer
- The total length of lids and doors in K-food stores' refrigeration equipment is nearly seven kilometres



Responsible purchasing and ecologicalness

- indication of origin on K-citymarket's and Anttila's own brand products
- products made of Fairtrade cotton in Anttila, Kodin Ykkönen and NetAnttila
- K-rauta and Rautia stores' Energy Expert service helps improve the energy efficiency of homes
- household waste returned to Eco Points at K-stores
- Intersport's Sport to the People concept provides advice and physical activity events



Ympäristöä arvostaen



Autamme asiakkaitamme säästämään ympäristöä.

Kaikilla Anttila-tavarataloilla on ympäristösertifikaatti.



ENERGIAOSA AJA
Mukavan asumisen asiantuntija

Energiatohokkuus tarkoittaa pienempää energialaskua ja puhtaampaa ympäristöä. Mutta ennen kaikkea se merkitsee mukavampaa asumista lämpimässä ja nykyaikaisessa kodissa.

Asu mukavasti
Energiatohokkaassa kodissa on mukava asua. Huoneissa on lämmin, veto ei kiusaa ja ilmastointi on raikasta.

Säästä energiaa
Energiatohokkaat ratkaisut maksavat itsensä takaisin. Hyvä lämmöneristys, tiiveys ja hallittu ilmanvaihto vaikuttavat suoraan energialaskuun.

Huolehdi ympäristöstä
Rakennusten lämmitys aiheuttaa yli kolmanneksen kasvihuonepäästöistämme. Jokainen energiatohokas ratkaisu on sijoitus tulevaisuuteen.

Wellbeing at work at Kesko

Job satisfaction

Productivity

Life management

- Taking care of our physical, mental and social wellbeing

Work and competence

- Meaningful job
- Competence
- Efficient management of schedules
- Comfortable and safe working conditions

Working community

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

Management and leadership

- Communication of strategy
- Clear objectives, monitoring and feedback
 - Impartiality and fairness
 - Support to development

Responsibility

KESKO

Kesko in Russia

- Rautakesko
 - In 2011, net sales €237 million
 - 15 stores
 - personnel c. 1,850
 - capital expenditure in profitable growth and store site network especially in the Moscow area
- Intersport
 - acquisition of Russian licence and business operations in 8/2011
 - 35 stores
 - personnel c. 430
- Kesko Food
 - preparations for launching business operations are progressing



Successful opening of Moscow's second K-rauta on 16 March 2012



Development of Russia's Intersport

- Changes in selection
- Strengthening supplier relationships jointly with Intersport International
- High-quality Intersport concept implementation
- Development of store site network



Food trade's near-future objectives in Russia

- In 2012-2013, Kesko Food will open four large grocery stores in Russia, two of which in St. Petersburg and two in Moscow
- The objective is to acquire store sites in both St. Petersburg and Moscow for at least ten large grocery stores
- Capital expenditure is estimated at €300 million in 2011-2015
- Kesko Food continues acquisition surveys in both St. Petersburg and Moscow
- Kesko Food's objective is to achieve €500 million in net sales and a positive operating result in Russia by 2015



Thank you! Have a nice spring!

