



Chairman of Kesko's Board of Directors, retailer Esa Kiiskinen
The Annual General Meeting of Kesko Corporation in Helsinki on 7 April 2014

ESTEEMED SHAREHOLDERS
DEAR MEETING PARTICIPANTS

The general economic situation remained weak last year. Gross Domestic Product diminished for a second year on a row. The weak economic situation was still seen also in the low consumer confidence and low desire to purchase. The trading sector is on a major turning point.

Despite the market situation, the K-Group retained its position last year as the biggest operator in the trading sector in Finland. The sales of the K-Group were approximately €11.6 billion, down 4.4% on the year before.

Last year, Kesko's net sales grew in the food trade and declined in other divisions. The decline in the general economic situation and consumer demand had an impact especially in Finland on the decrease of the net sales in the home and speciality goods trade and the building and home improvement trade.

Thanks to the profitability programme that was started in 2012 and implemented efficiently, Kesko's profit improved by €49 million. All operations of the Group contributed to the cost savings, and savings were done across all costs.

President and CEO Matti Halmesmäki will speak about Kesko's key events, sales and performance last year in more detail.

I would like to thank President and CEO Halmesmäki and the Group management for their professional and successful work and ask them to convey thanks to all of Kesko's employees in the eight countries where we operate.

Dear listeners

Last month, in its discussion on spending limits, the Finnish Government decided on new adjustments of €2.3 billion that will be implemented as cost cuts and tax increases. It is unfortunate



for the trading sector and households that the adjustment measures include tax increases. High taxes and increased regulation have a significant negative impact on the operating prerequisites of the trading sector. Especially in international e-commerce, it is very difficult for Finnish trading companies to succeed because of over-tight taxation and regulation that decreases the competitiveness of Finnish trading companies.

A positive aspect in the decisions made in the discussion was that value-added tax was not raised. Raising value-added tax would have further weakened the competitiveness of the Finnish trading sector compared to other countries. The total tax rate in Finland is already far too high, and therefore it is necessary to rationalise the public economy. National debt will rise to approximately 50 percent of Gross Domestic Product, and the share of the public economy of GDP has risen to an almost world-record level of 58 percent. In order to balance the public economy, service structures have to be renewed with resolve.

Dear meeting participants, even though the adjustment measures decided on will decrease consumers' purchase power and consuming possibilities, it does not have to translate directly into corresponding losses to Finnish companies. Every one of us can influence the success of Finnish companies by purchasing more Finnish products and services with the decreasing purchase power. Kesko and K-stores are active in supporting Finnish work. An example of this is the Blue and White Footprint campaign that was started recently.

The trading sector is facing a revolution with factors such as the increase of e-commerce and multi-channel commerce, the rising level of customers' expectations and the role of customer-based services as an increasingly important competitive edge. The revolution in the trading sector is accelerated by the current slow economic growth. The operations of the K-Group are developed in order to guarantee our customers the possibility to plan and carry out purchases as they need regardless of time and place.

Store sites are still a key foundation of the business of Kesko and K-retailers, and good store sites are needed in all of Kesko's divisions also in the future. The location of a store site has got a new meaning due to the rapid increase in the use of e-services. Those who can combine a brick-and-mortar store and e-services efficiently and in line with customer expectations will be the ones who are most successful. Kesko evaluates its store sites regularly as customer needs change and in accordance to a life cycle approach to store sites.

In November, we announced that we were beginning to investigate setting up a real estate investment fund. President and CEO Matti Halmesmäki will talk about it in more detail in his presentation.

Esteemed General Meeting participants

There has been active public discussion about management remuneration systems, so I will state briefly the basics of the remuneration system of Kesko's management.



The remuneration plan for Kesko's President and CEO and for the other members of the Group Management Board consists of a non-variable monetary salary, fringe benefits, a performance bonus based on criteria set annually and share-based compensation.

In 2013, the performance bonus system for Kesko's management covered some 130 persons. Kesko's Board decides on the criteria of the management's performance bonus system annually.

In addition to the performance bonus system, Kesko has a share-based compensation plan for the management and other separately named key persons. The core objective is to promote Kesko's business and increase the company's value by combining the objectives of the shareholders and the key persons. The plan also aims to commit the grantees to Kesko Group and give them the opportunity to receive Kesko series B shares. Based on the Remuneration Committee's proposal, Kesko's Board determines the vesting criteria for the share-based compensation and the key persons in the target group. The Board also confirms the share-based compensation to be paid to each key person based on the fulfilment of the vesting criteria. For the vesting period of 2013, the persons in the share-based compensation plan received 20% of the maximum share-based compensation according to the criteria set by the Board. A total of 50,520 shares were granted to 141 key persons.

Kesko has acquired a total of 1.2 million own series B shares in order to implement the share-based compensation plans for 2011-2013 and 2014-2016. For the vesting periods of 2011-2013, a total of some 208,000 shares have been granted. The company thus holds approximately one million own series B shares as treasury shares.

There are some 500 persons in Kesko's management and personnel who have retirement benefits based on membership in the Kesko Pension Fund. All Kesko employees had the possibility, and all members of the management had the obligation to join Kesko Pension Fund's department A before it was closed in 1998. The contents of department A members' retirement benefits have not changed since the department was closed. The President and CEO and the other members of the Group Management Board except for two members are members of the Kesko Pension Fund, and their retirement benefits are determined based on its rules. A more detailed description of the retirement benefits can be found on the Remuneration Statement 2013.

Dear listeners

Last year, Kesko continued the long-term and determined responsibility work for which it has been recognised both in Finland and internationally in the past years. Kesko published its updated responsibility programme that contains objectives for Kesko's and the entire K-Group's operations both for the short term and until 2020.

K-food stores introduced a new K-responsibility concept that makes our responsible operations more visible to customers. In November, Kesko's Corporate Responsibility Report 2012 was selected as Finland's best in the Sustainability Reporting Award Finland Competition 2013. In



addition, Kesko was again selected in the main sustainable development indices. Kesko is the only Finnish company that has been included in The Global 100 Most Sustainable Corporations ever since 2005.

Among our responsibility measures, I want to bring special attention to the measures with the objective of employing young people. Kesko and K-stores are active participants in the social guarantee for young people initiative with a view to promoting employment and preventing social exclusion among young people. The K-Group has a tailored programme for employing young people in K-stores and in Kesko. The objective of the programme is to employ at least 1,000 young people in the target group of the youth guarantee by the end of 2014. By the end of February, more than 700 young people had already been employed in K-stores and Kesko across Finland.

Esteemed shareholders

The Board of Kesko Corporation has proposed to this General Meeting that a dividend of €1.40 per share be distributed on the basis of the adopted balance sheet for 2013. It represents 80% of earnings per share and 83% of earnings per share excluding non-recurring items. In the five previous years, 83% of earnings per share excluding non-recurring items have been distributed as dividends on average.

The proposal is based on the company's dividend policy, according to which Kesko distributes at least 50% of its earnings per share excluding non-recurring items as dividends, taking into account, however, the company's financial position and operating strategy.

On behalf of Kesko's Board of Directors, I would like to thank all of you present and all our shareholders and other business partners for profitable cooperation in 2013.

I would also like to add that the general meeting is, within the limits of the agenda, also intended to serve as a forum for active discussion between shareholders and the Board of Directors.

I would like to warmly welcome all of you to Kesko Corporation's Annual General Meeting!