



## Annual General Meeting 31 March 2008

Matti Halmesmäki, President and CEO

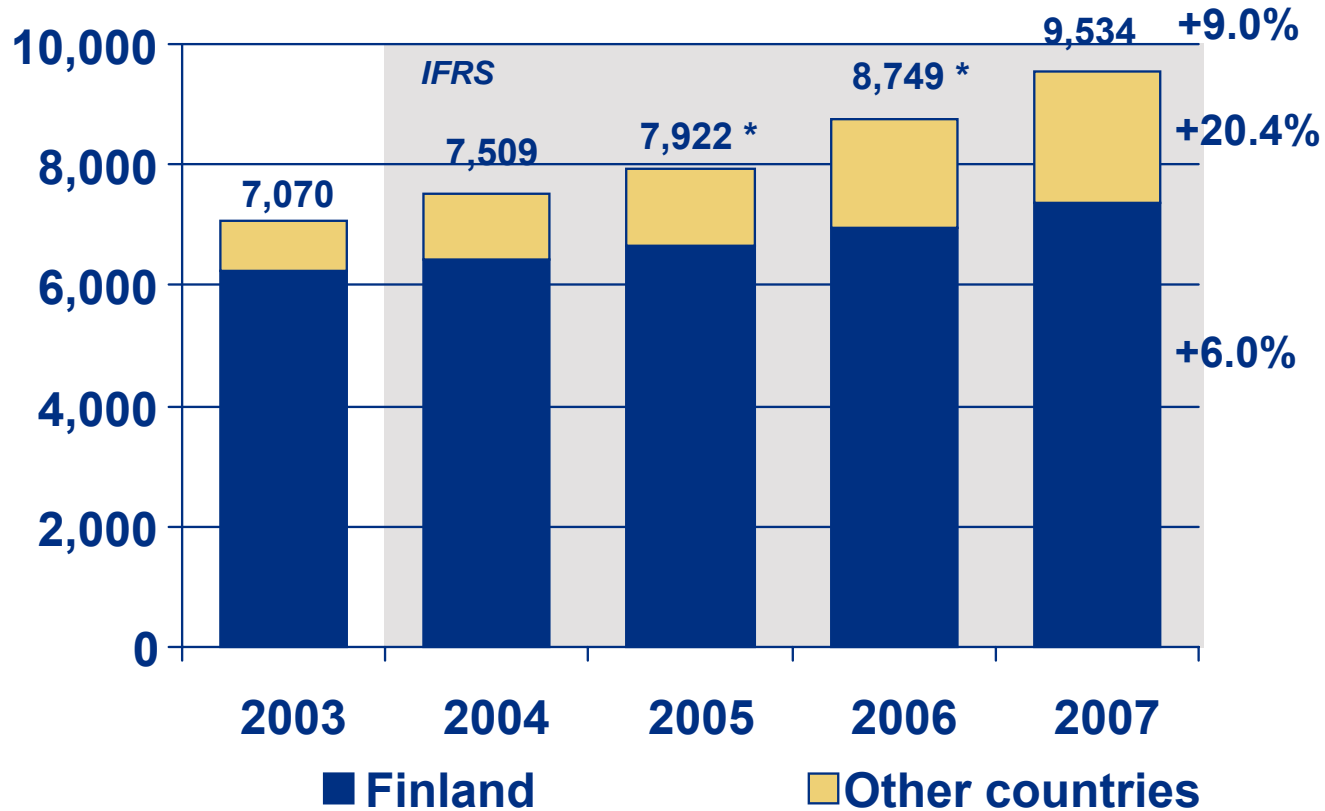
**KESKO**

# Kesko's strong performance continued in 2007

- Record sales and profit
- 9% net sales growth excluding the effect of acquisitions
  - 20% growth abroad, 45% growth in Russia
  - Net sales from foreign operations over €2 billion
- Operating profit excluding non-recurring items €325 million, up €45 million (+16%)
  - Operating profit excluding non-recurring items 3.4% of net sales (3.2%)
  - Especially Kesko Food and Rautakesko improved their results
  - New Car Tax Act significantly postponed VV-Auto's sales to 2008
- Number of K-Plussa cooperation cards already exceeds 400,000

# Net sales

Net sales in 2003-2007, M€



\* excl. Rimi Baltic

# Divisions and their contribution to net sales

## Kesko Food

Grocery trade

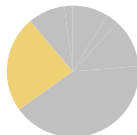


41%  
of net sales



## Rautakesko

Building and home improvement trade

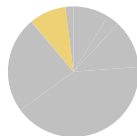


27%  
of net sales



## VV-Auto

Car and spare parts trade

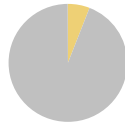


8%  
of net sales



# Divisions and their contribution to net sales

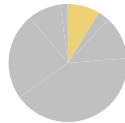
**Anttila**  
Department store  
trade



6%  
of net sales



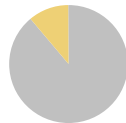
**Kesko Agro**  
Agricultural  
trade



8%  
of net sales



**Other  
operations**

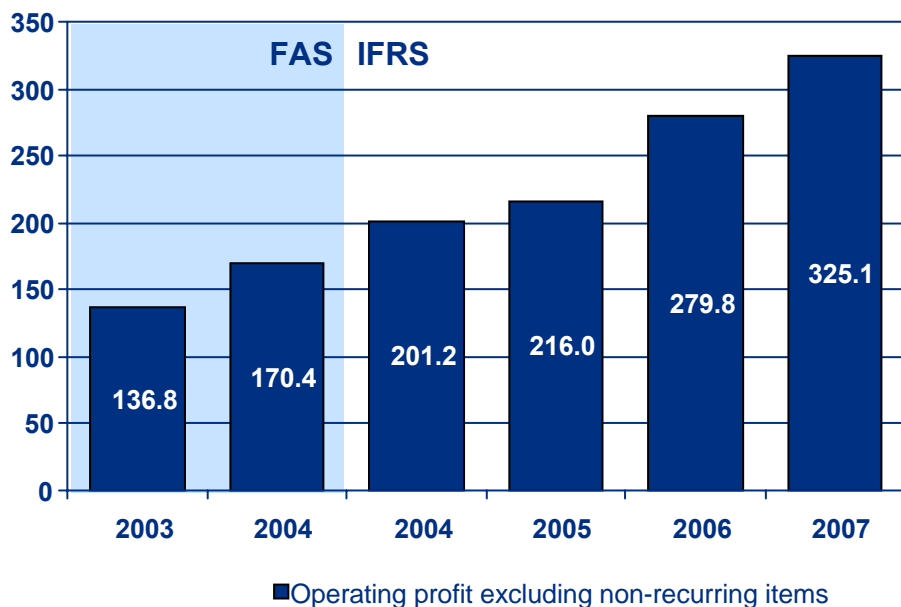


10%  
of net sales

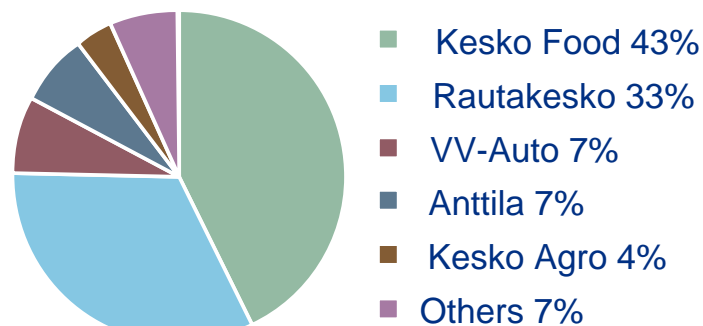


# Group's operating profit excluding non-recurring items

Operating profit excl. non-recurring items  
2003-2007, M€



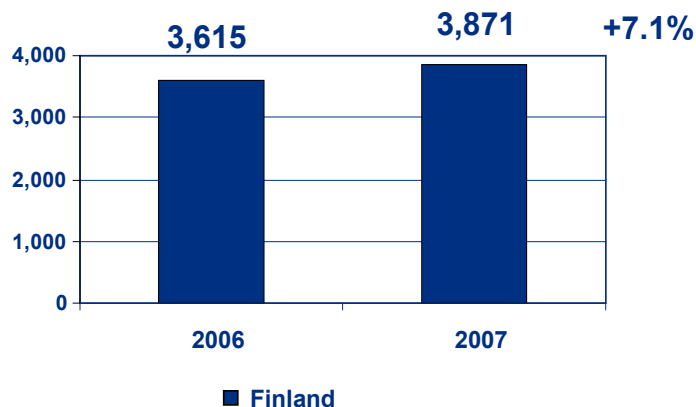
Operating profit by division  
excl. non-recurring items





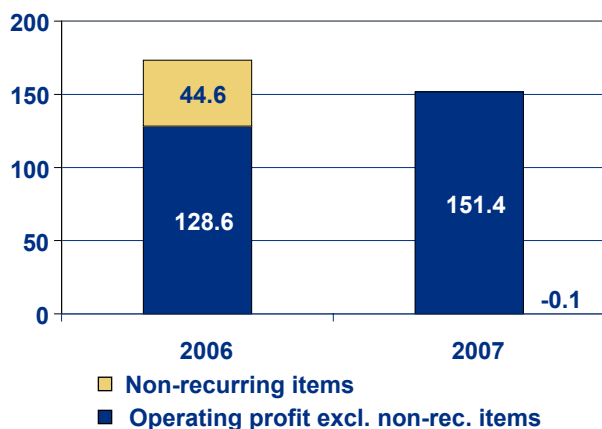
# Kesko Food had a strong year

Net sales for 1-12, M€

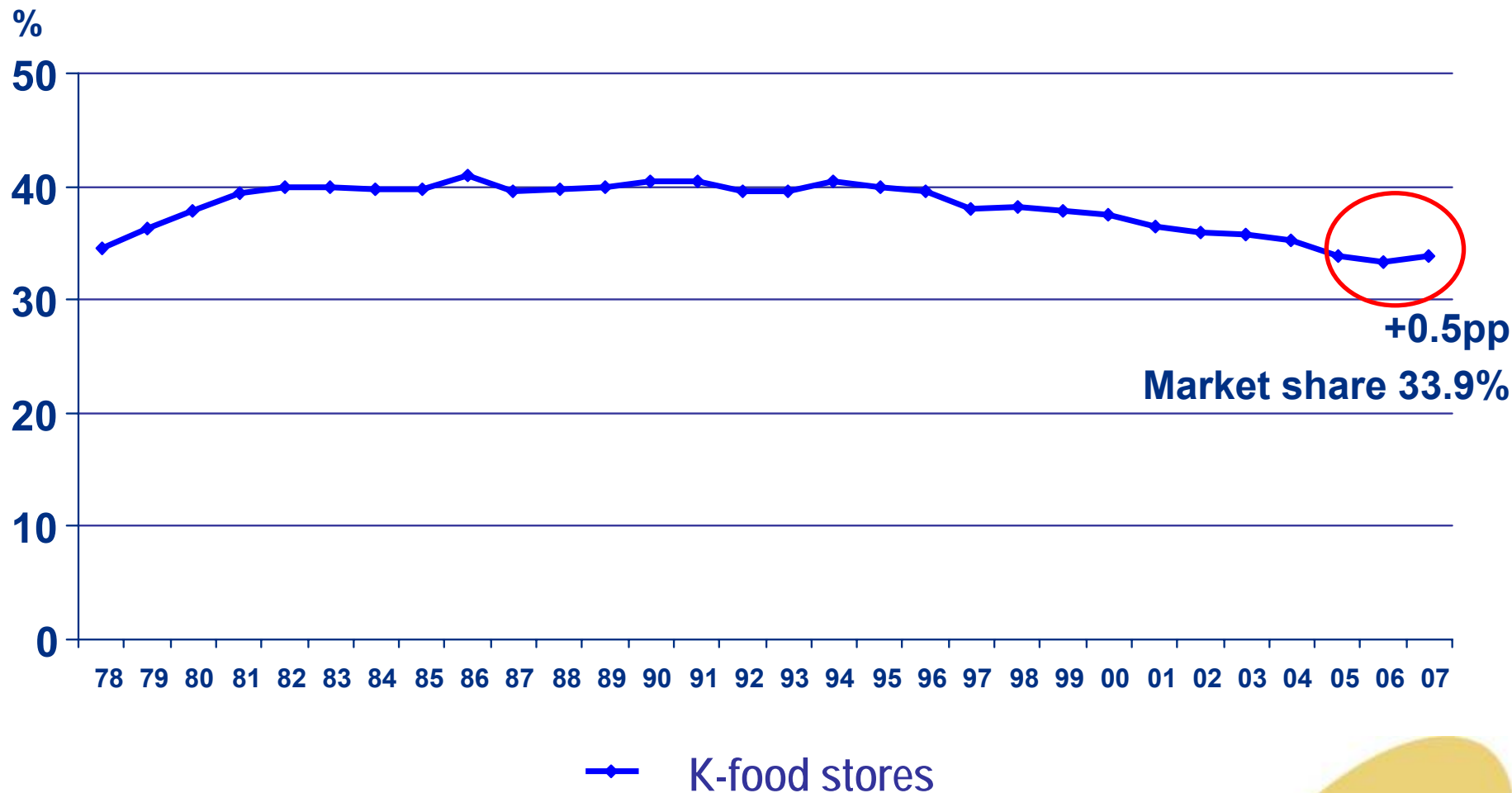


- **Net sales** increased by 7.1%
- **Operating profit excl. non-recurring items** was up by €22.8 million
  - 3.9% of net sales (change +0.4 pp)
- K-food stores' **retail sales** grew by 7.4%
- Opportunities to expand operations in Russia and the Baltic countries are being actively sought

Operating profit for 1-12, M€



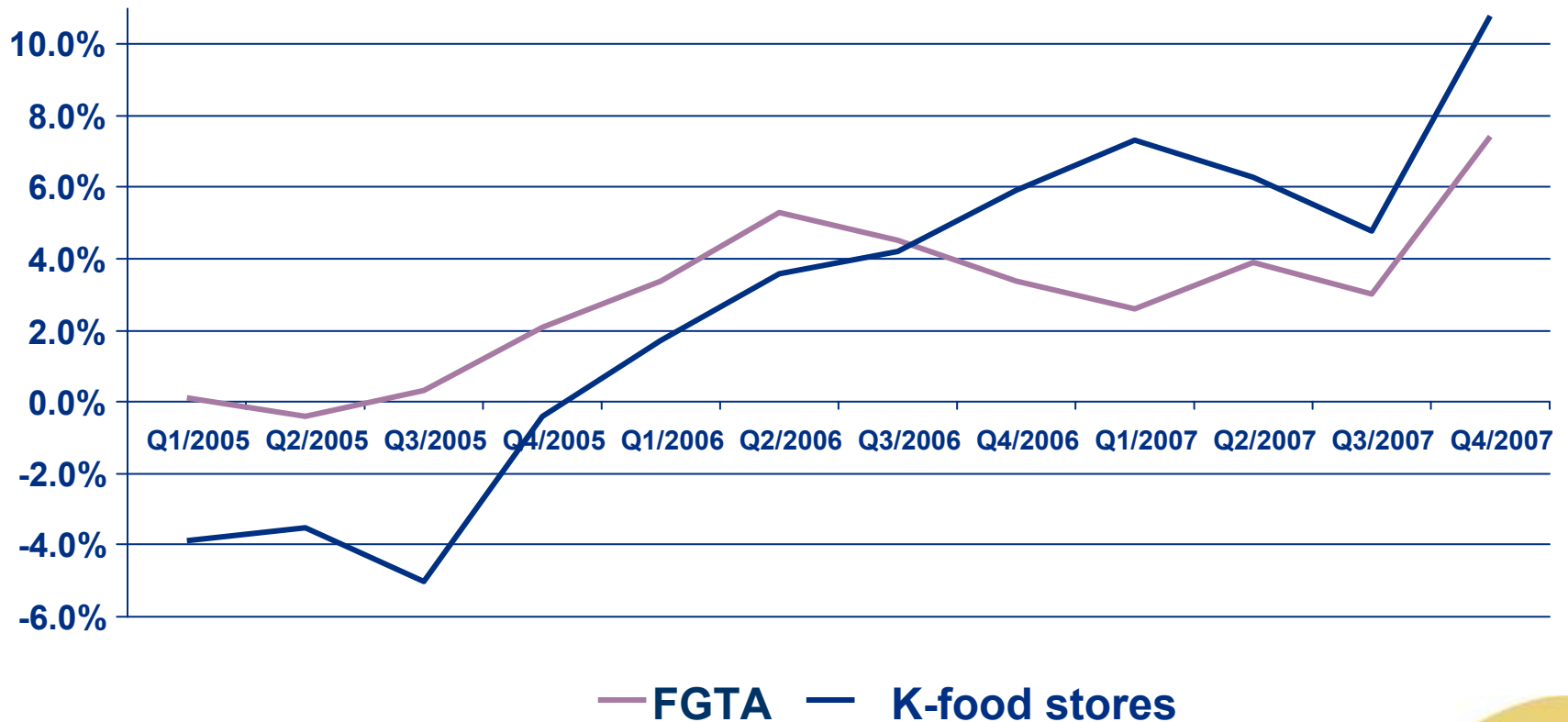
# Market share of the K-Group's grocery sales in 1978 - 2007



Source: A.C. Nielsen



# Grocery retail trends by quarter 2005-2007



# **PÍRKKA** – the right to know what you are eating

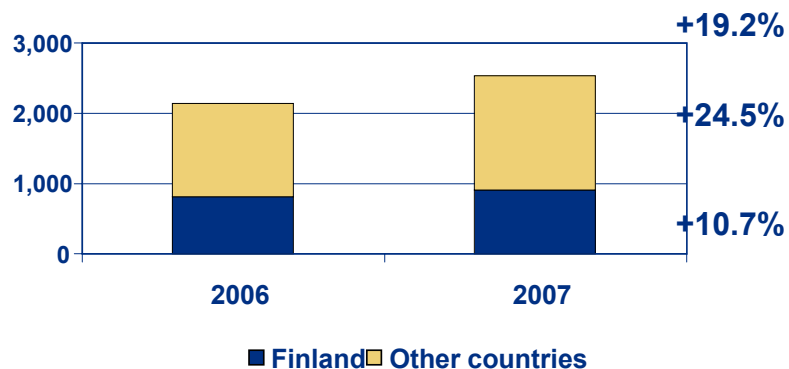


- Kesko Food's own Product Research Unit annually tests over 10,000 samples
- Nutritioncode service and GDA (guideline daily amount) label on Pirkka products
- Reduction of salt, fat and sugar content of Pirkka products
- 500 sales assistants trained as healthy diet experts



# Rautakesko's sales and profit on a strong growth path

Net sales for 1-12, M€

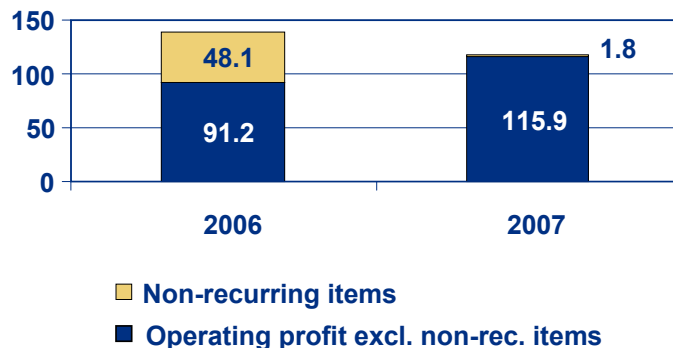


- **Net sales** increased by 19.2%
  - Foreign subsidiaries contributed 64%

- **Operating profit excluding non-recurring items** was up by €24.8 million
  - 4.6% of net sales (change +0.3 pp)

- **Investments** €77.0 million (€75.8 million)
  - 16 new store sites were opened, of which 11 abroad

Operating profit for 1-12, M€



# Rautakesko's operations by country in 2007

## Norway

- Byggmakker, 120

## Finland

- K-rauta, 41
- Rautia, 104

## Sweden

- K-rauta, 17

## Estonia

- K-rauta, 5

## Russia

- K-rauta, 8

## Latvia

- K-rauta, 7

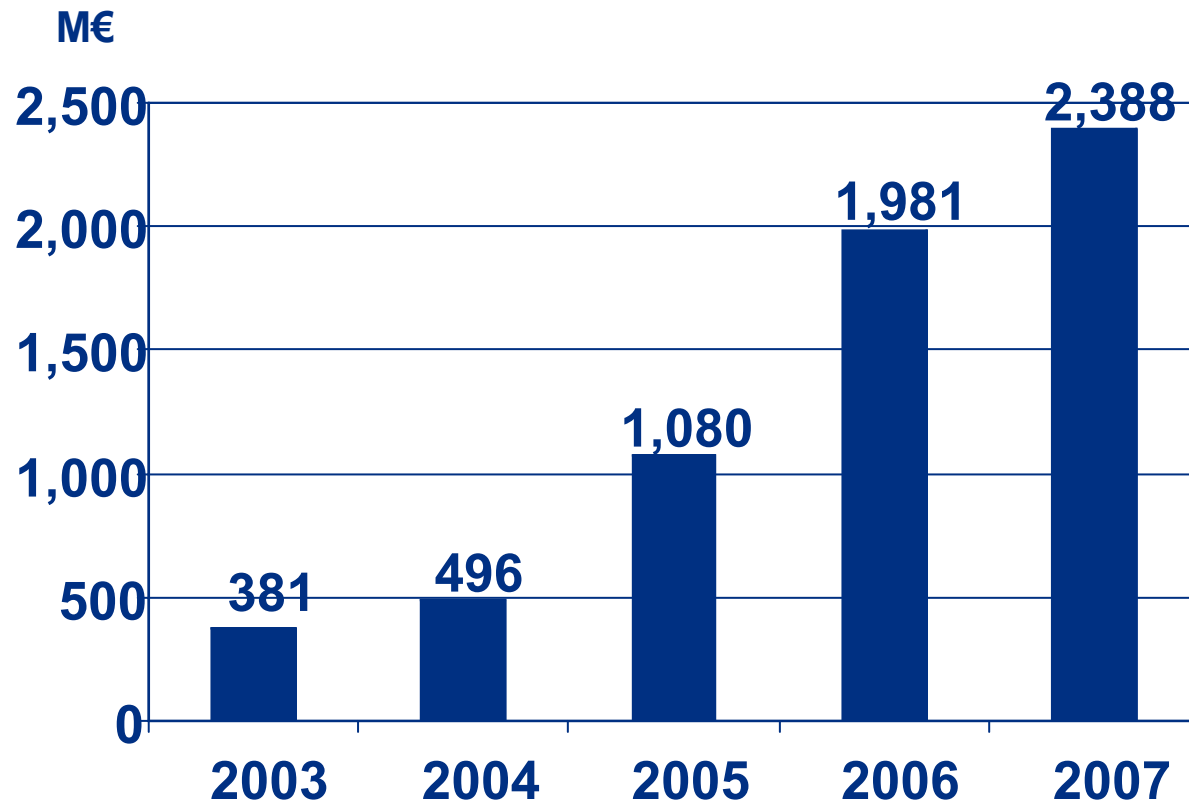
## Lithuania

- Senukai, 14 own  
+ 76 partnership  
stores

## Belarus

- OMA (from 07/ 2007), 3

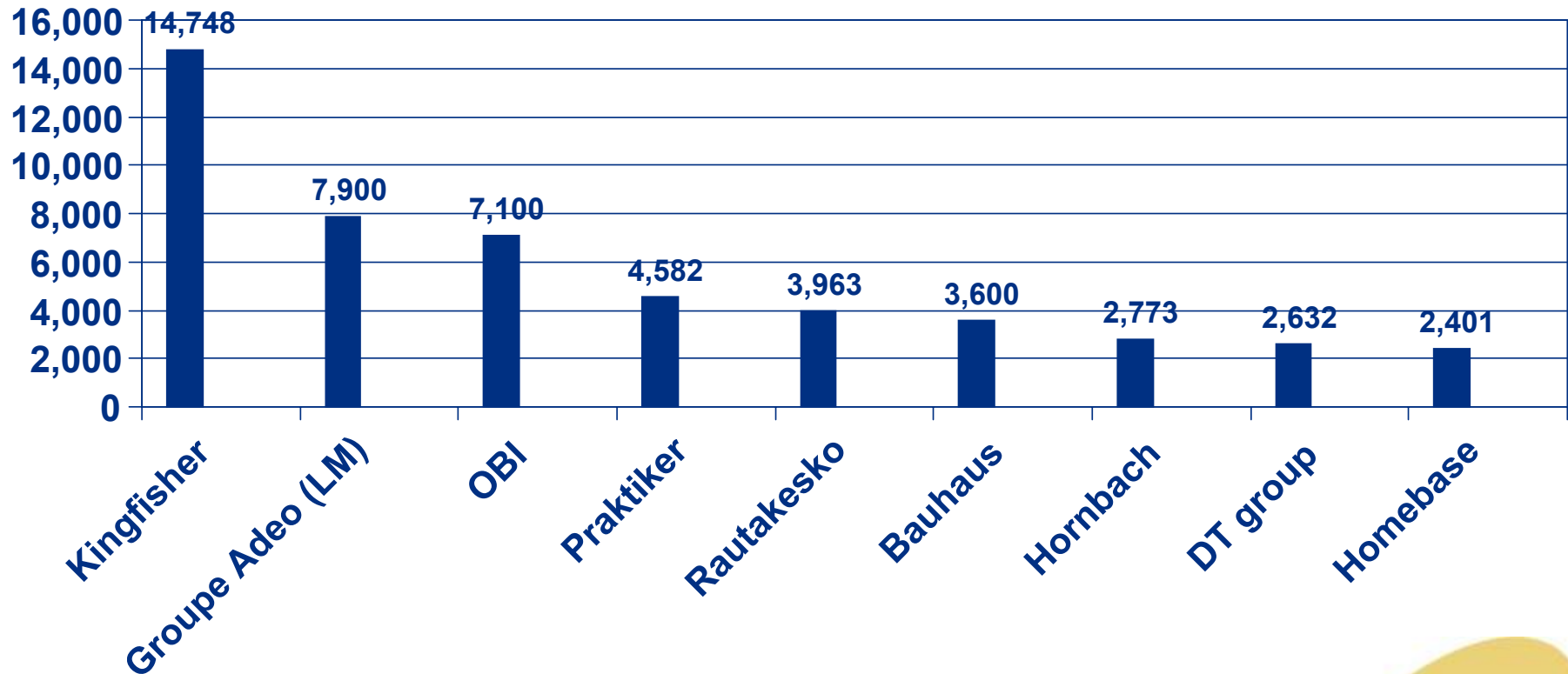
# Retail sales development in Rautakesko's foreign operations



■ Retail sales development in foreign operations

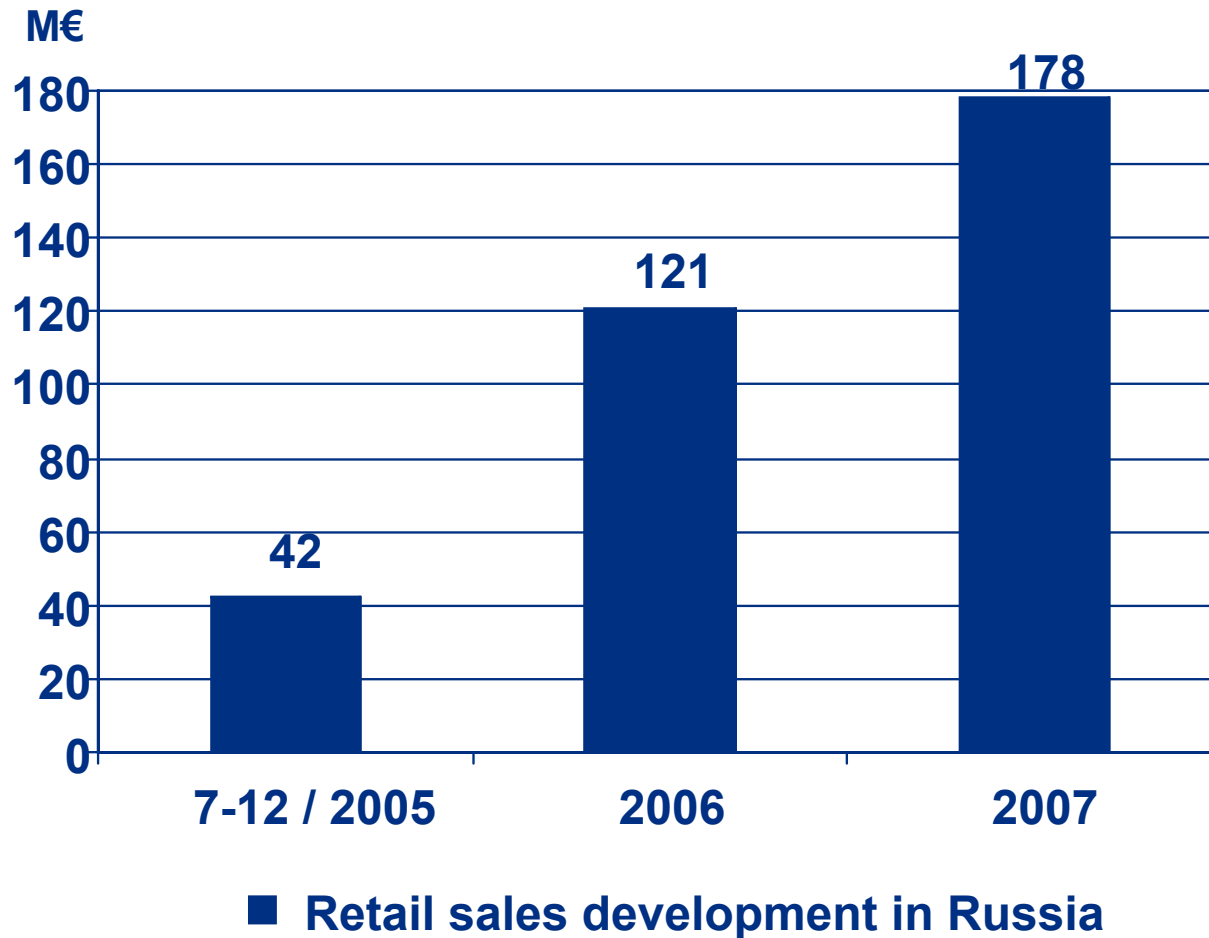
# Major operators in the European building and home improvement trade

Retail sales and sales to professional customers, incl. VAT  
M€



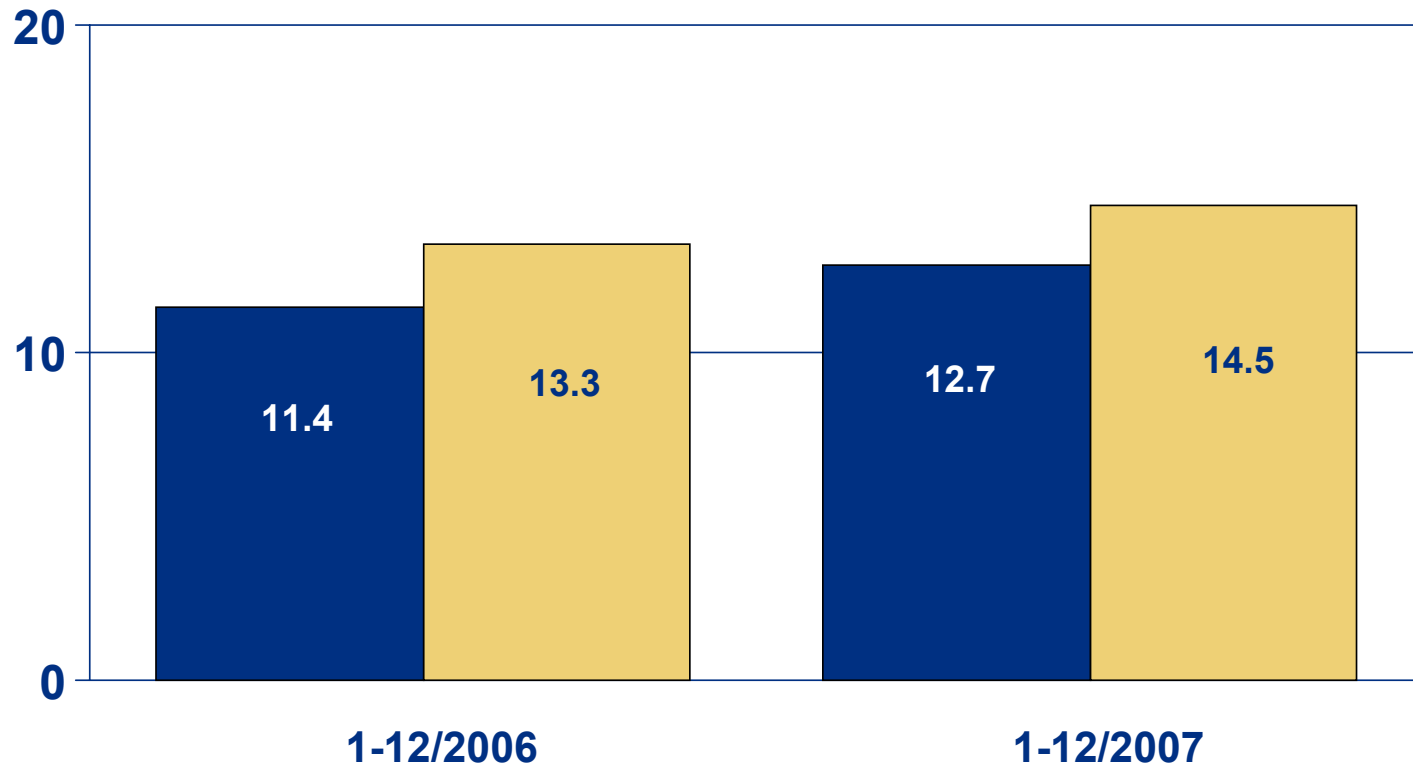
Sources: annual reports, www pages, EDRA statistics (Groupe Adeo 2006)

# Rautakesko's retail sales development in Russia





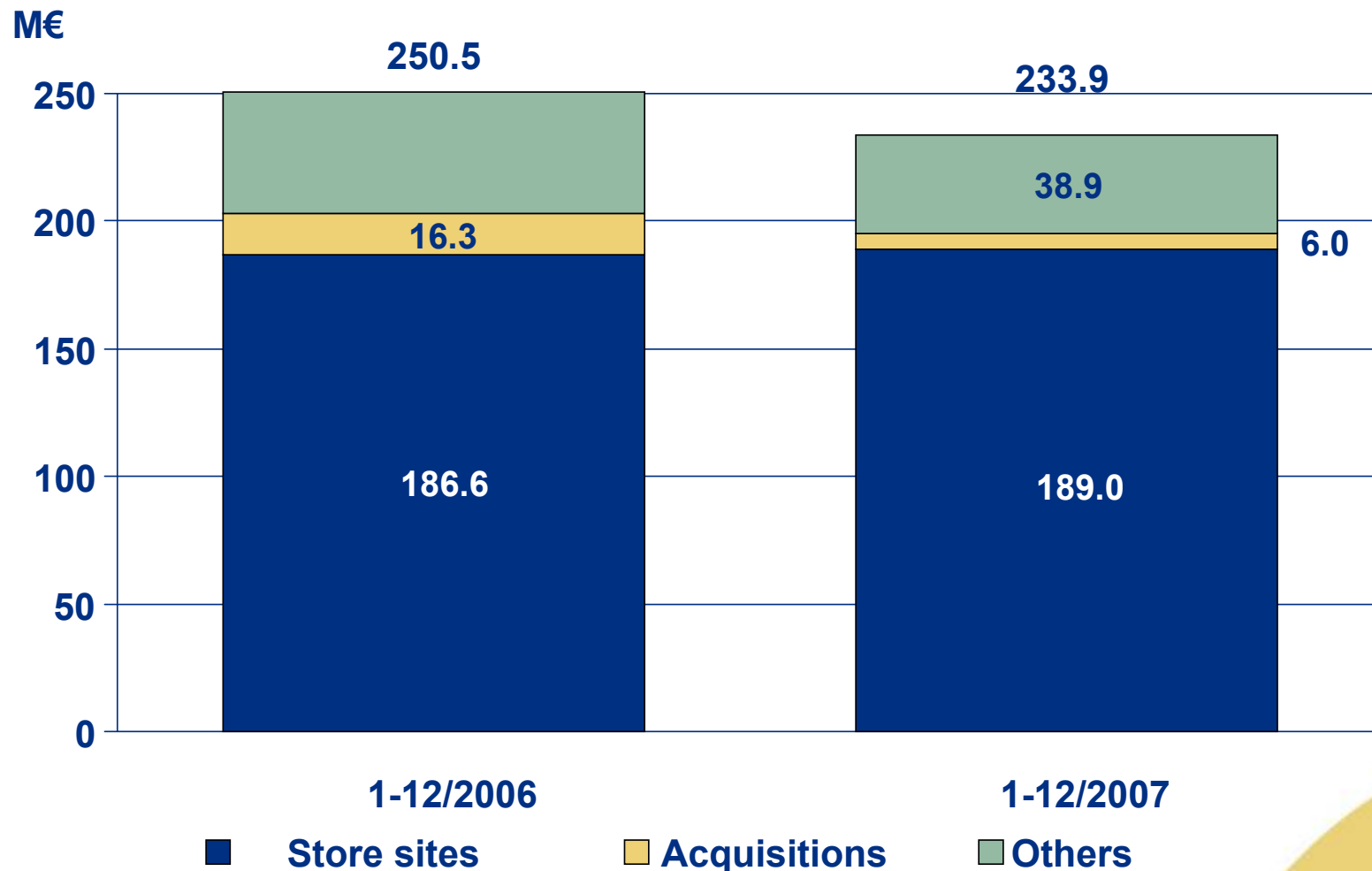
# Kesko Group's return on capital, %



■ Return on equity, %, excl. non-recurring items

■ Return on invested capital, %, excl. non-recurring items

# Kesko-Group's investments, continuing operations

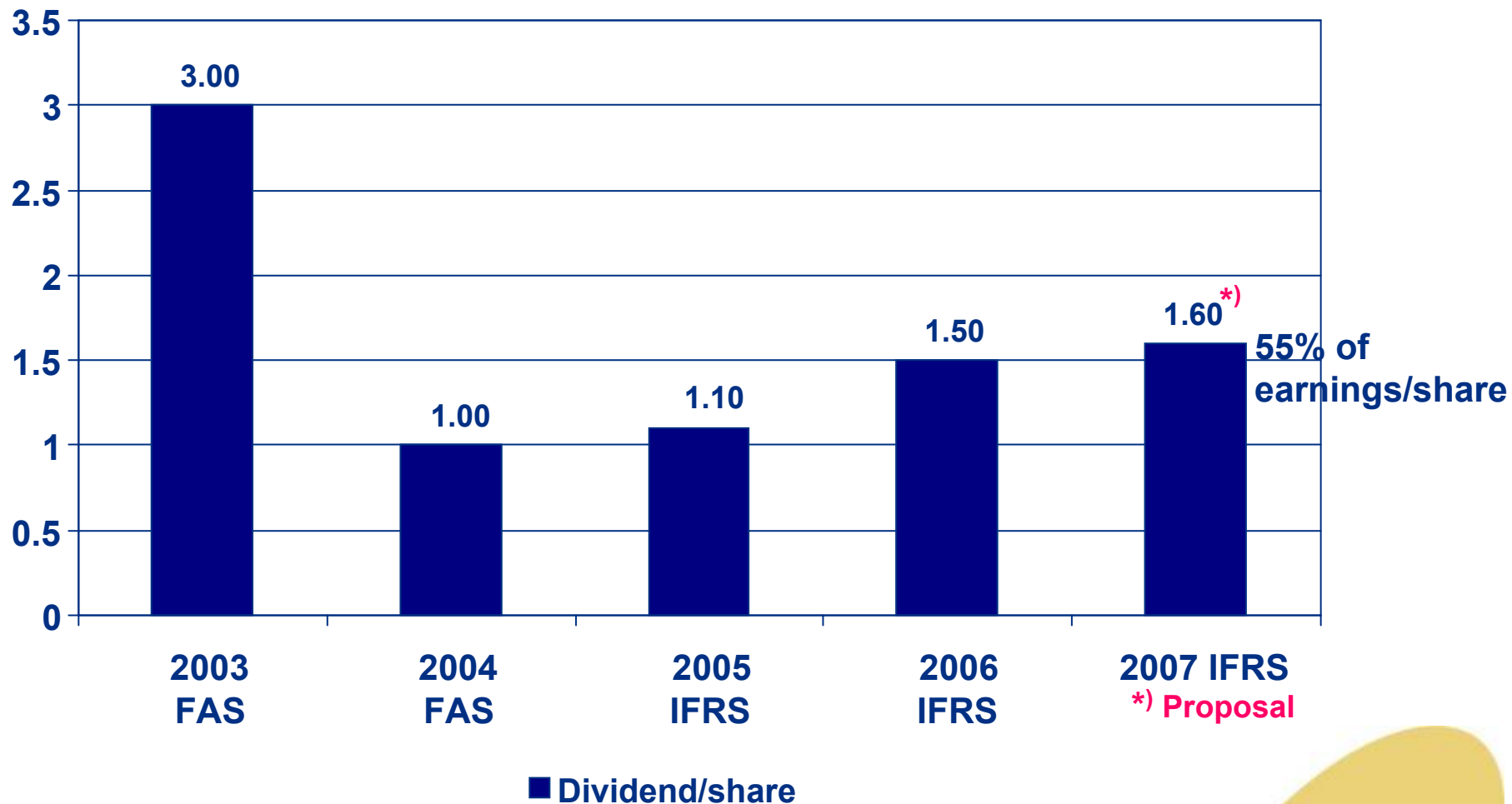


# We are intensively expanding our retail store network

- Within the next three years, **Kesko Food** will open
  - 20 new K-citymarkets
  - 50 new K-supermarkets
  - 40 new K-markets
  - A great number of stores will be refurbished
  - Kesko Food's opportunities to expand internationally are actively sought
- **Rautakesko** is expanding strongly in Finland and abroad
  - In 2008, 7 new building and home improvement stores will open in Finland and 13 in other countries
  - In addition, several store expansions
- Other store openings during the next three years
  - **Anttila**: three new department stores
  - **Intersport**: five new stores
  - **Budget Sport**: four new stores
  - **Musta Pörssi**: seven new stores
  - In addition, several refurbishments and expansions



# Dividend/share, €



# The K-Group's contribution to wellbeing

- The K-Group employs nearly 50,000 people in eight countries
- In 2007 the K-Group paid
  - €776 million in wages and salaries
  - €123 million in income tax
  - €73 million for social security
- Kesko paid about €500 million in wages, salaries and fees
  - of which some €17 million in employee bonuses
- K-retailers' purchases from local suppliers increased by 14% and passed the milestone of half a billion (€534 million)



# Kesko's and the K-Group's outlook for the future



# Our vision

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

This can only be achieved by exceeding our customers' expectations, which is our most important value.





# Kesko's strategic emphases

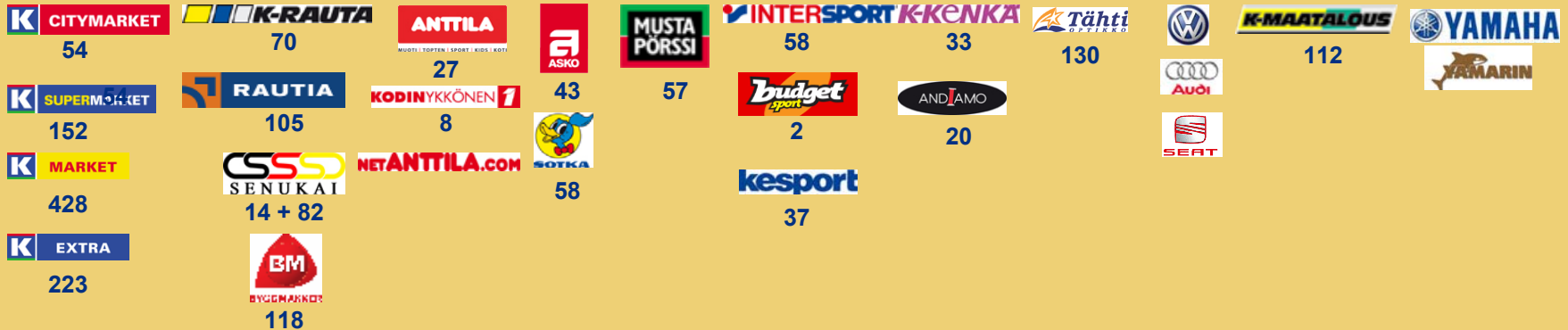
**Healthy  
focused  
growth**

**Sales and  
services for  
consumer-  
customers**

**Responsible  
and cost-  
efficient  
business  
models**

# Customer

## K-stores and retail store chains



## Divisions



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

## Corporate management

Competence development    Real estate    Accounting and finance management    IT management    Communication and brands  
 Risk management    Internal audit    Responsibility and quality    District operations    Management system

## Kesko Group



Listed company    Risk-taking capacity    Finance    Culture and values

## Corporate strategy

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

# 3.5 million K-Plussa customers

K-stores' and partners' customer programmes, about 3,000 in all

- Active interaction between the customer and the store

## K-chains' customer programmes

- K-food store chains' customer loyalty benefits
- Asko's and Sotka's customer loyalty benefits
- Kodin Ykkönen's and Anttila's customer loyalty benefits
- K-rauta's and Rautia's benefits for builders and renovators

€100m → €200m

## Joint Plussa benefits



Kaikki mitä tarvitset

3.5 million cards



c. 400,000 cards

All you need

Plussa points  
up to 5.0%

Plussa points to  
bank account



€0.5 million

LIIKUTA K-PLUSSA-KORTTIA, LIIKUTAT LAPSI


Healthy  
way of life



# K-Plussa customer loyalty system

- **Customer relationship programmes**
- **Leveraging customer information**
- **1.9 million K-Plussa households and 3.5 million K-Plussa cardholders** (about 5% increase)
  - Number of cardholders +172,764
  - Number of K-Plussa supercards in cooperation with the OP Bank Group totals around 400,000
- The total of K-Plussa sales increased by 8.5% in 2007
- The total of K-Plussa rewarding increased by 26.6%
- The Pirkka magazine readership increased from 2.56 million to 2.61 million

# Clarification of brand and marketing strategies

- Strengthening of chain brands
- The strong **KESKO** and  brands
- Internationalisation of Rautakesko and the K-rauta brand
- Development of electronic customer communication
- The K-Group's online stores include **NetAnttila, Kodin1.com and CM Store**
- According to surveys, NetAnttila has the highest recognition rate and enjoys an image of offering the best online selections in Finland
- Electronic Musta Pörssi and Budget Sport store sites

# Work and productivity programme in Kesko and K-stores in 2008-2011



# K-retailers' and Kesko's cooperation for the benefit of customers

- 1,285 K-retailer-entrepreneurs in Finland
- 113 Bygghuset retailers in Norway
- 77 Senukai retailers in the Baltics

**Total number of the K-Group stores 2,120**

- In Finland 1,750
- Abroad 370

**K-retailers are successful entrepreneurs**

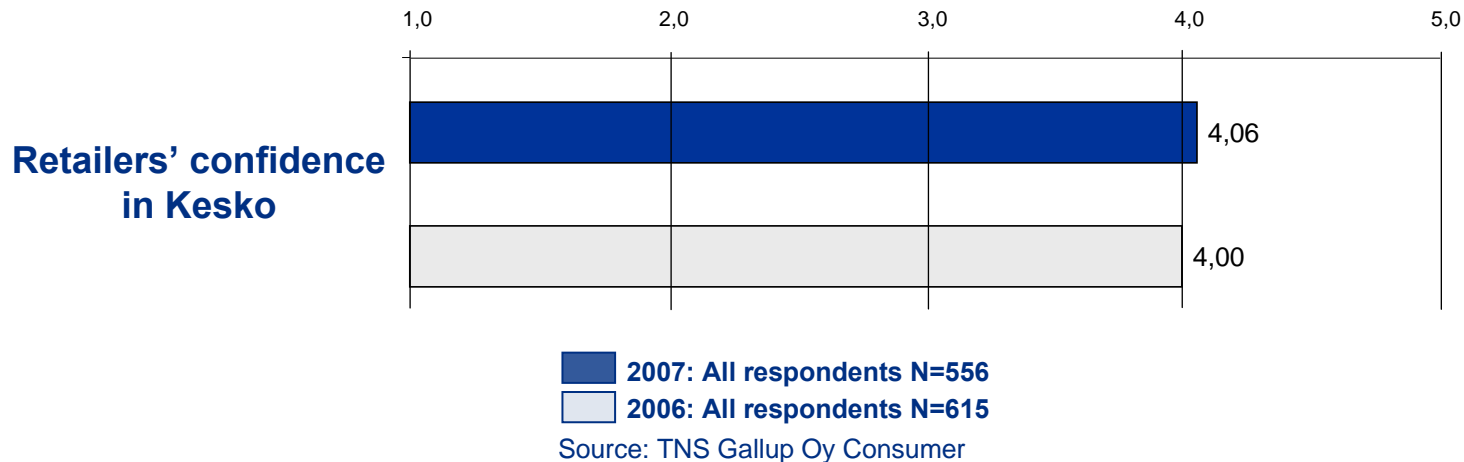
- over 95% of retailers who started 5 years ago are still active today
- The corresponding average among entrepreneurs is 53.6% (Statistics Finland)





# K2 chain system reform 2001 →

- K-retailers are and will be the K-Group's most important asset
- A comprehensive survey showed that the essence of K-retailer-entrepreneurship has not changed, the operating conditions have improved significantly
- The most important objectives set for the implementation have been achieved



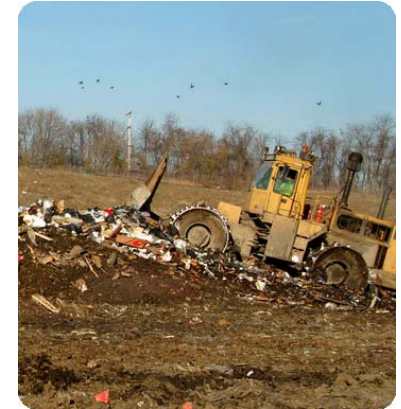
# Kesko's and the K-Group's responsible operations



**Social  
responsibility**

**Environmental  
responsibility**

**Economic  
responsibility**



# Pioneer in sustainable development in Finland and throughout the world

## Major indexes and assessments

- Dow Jones Sustainability Index: Kesko has been included five times in the DJSI World and DJSI STOXX indexes
- The World Economic Forum: Kesko is included in The Global 100 Most Sustainable Corporations list (1,800 corporations were evaluated)
- SAM Sustainability Yearbook 2008: Kesko in the silver class in the food and drug retail sector
- AccountAbility Rating 2006: Kesko ranked 8th among the world's largest companies and the best in the trading sector (Fortune G50+)
- Innovest: Kesko Food and Sainsbury were awarded the highest quality rating AA for sustainability among food retailing companies



**KESKO**

# Main results in the K-Group

- CO2 emissions from electricity purchased by Kesko for the K-Group have decreased by about 40% since 2001
- Energy consumption in Finland has decreased relatively in Finland since 2005
- Recovery rate of waste in warehouse operations is 90%
- Product selections for responsible consumption
  - Luomu organic products, swan symbol and fairtrade products
  - 90% of imported fruit and vegetables are certified for traceability, safety and environmental requirements
- In 2008, the responsibility programme will be clarified
  - incl. energy consumption targets and energy efficiency of real estate



# Putting children on the move – Young Finland, K-Plussa



- We promote healthy lifestyles for children and youths
- Ten years of cooperation with the Young Finland Association:
  - 'Let's get the toes tapping' campaign in day care centres
  - Exercise campaign for schoolchildren
  - Use your K-Plussa card to put children on the move' campaign







***Thank you!***