

Chair of Kesko's Board of Directors
Heikki Takamäki
Annual General Meeting of Kesko Corporation in Helsinki on 29 March 2010

DEAR PARTICIPANTS OF THE MEETING,
LADIES AND GENTLEMEN!

Last year's recession had a major impact on the operations in the trading sector. Customers were cautious, particularly when purchasing consumer durables. Construction of new buildings declined substantially, which was reflected in a marked decrease in the sales of building materials, in particular. In Kesko's operating countries, the market for building and machinery trade declined most in Estonia, Latvia and Lithuania. Considering market trends, Kesko did well last year. The work and productivity programme started in 2007 continued, the stocks and trade receivables were adapted to comply with sales, and investments were prioritised. As a result, the performance in all divisions was positive. Sales growth of K-food stores was better than the market, which had been our target.

Consumer confidence is now showing some signs of recovery. However, as unemployment continues to grow and taxes will probably rise, private consumption will hardly begin start to increase this spring.

A couple of important changes for the trading sector were made in legislation last year.

The value added tax on retail sales of food was reduced. K-food stores implemented the full reduction in the prices of the products. Discussion about food prices was lively in other respects, too, both among customers and in the media.

Most people seemed to forget, however, that even before the reduction in the value added tax, food prices in relation to income are low in Finland and after this reduction lower than ever. In other respects, too, food prices started to drop last year. According to Eurostat statistics, food prices decreased by 6% in Finland this year by the end of January, which is more than the impact of the change in the value added tax.

Dear audience,

The interim report of the Growth Project working group ordered by the Finnish Government and published in January says:

"The importance of competition is highlighted in the domestic service sector, where growth in Finland has been slow by international standards. Because, in addition to the price, competition is often based on improving the quality and attraction of the service, competition can contribute to demand-driven growth in the service sector."

That is exactly the case.

Improving availability of services and products and increasing productivity and efficiency requires that regulation is reduced.

The liberalisation of the retail sales of non-prescription drugs would contribute to the growth in the service sector and improve customer service. And the same applies to town planning.

The Ministry of the Environment has recently presented some opinions and made decisions that clearly narrow the trading sector's opportunities to improve the service offer. For decades, the traditional Finnish trading sector has been investing in the building and maintenance of the store network to meet customer needs, also in sparsely populated areas.

Kesko has invested and will invest in stores of all sizes. Because of internal migration, retail services need to be built where they are needed; for example some 15,000 new inhabitants move to the Greater Helsinki area, including neighbouring municipalities, every year.

Service needs cannot be met in confined and expensive downtown areas only. The fact that construction in city centres is expensive also puts pressure on product prices. What we need are retail services in locations with good traffic connections, particularly stores which require much space.

By locations with good traffic connections, I do not refer to shopping centres far away from population centres.

Downtown services and new service centres built on outskirts, near housing areas, have unnecessarily been seen as contradictory. Both need to be enhanced. I think that we have in the K-Group taken our responsibility seriously in this respect. Our comprehensive store network of different product lines and size categories extends throughout Finland. More than half of all Finns live within one kilometre of the nearest K-food store.

Kesko's input in enhancing responsible operations has been strong in other respects, too. We are included in the major international responsibility indexes and our Corporate Responsibility Report continues to be assessed as one of the world's best in the trading sector.

And we will continue on this path.

We have drawn up a comprehensive responsibility programme for 2008-2012. In the programme, we have set targets and also planned actions for different areas of responsibility.

Here are some examples:

Our savings target of electrical and heating energy corresponds to the annual electricity consumption of about 2,600 one-family houses and to the annual emissions of about 13,000 one-family houses.

In Keslog's domestic transportation, we drive about 2.5 times around the globe every day. Here our reduction target of 10% in emissions by 2012 corresponds to the elimination of some 1,000 passenger cars from roads.

In the area of social performance, I want to emphasise work capacity. Most companies in our sector, too, have been through cooperation procedures and have had to decrease the number of employees. As baby-boomers are now retiring, longer job careers are necessary. We are taking practical actions to improve our employees' work capacity and wellbeing at work.

The results of annual personnel surveys are one of the factors contributing to supervisors' bonuses. In addition to normal performance and development reviews, Kesko has had several projects focusing on wellbeing at the workplace.

Kesko's own occupational health service has an important role to play. Our aim has been to reduce sickness absences above all by improving leadership. In spite of recession, employees' job satisfaction has remained very stable at Kesko. Commitment to work has

strengthened and the employees' experience on equality, rated high even before, has in general further improved.

Along with the entry into force of the Universities Act in autumn 2009, universities were separated from the state budget and the state no longer guarantees their financial standing. In the future, all universities have to safeguard their finances with fund-raising campaigns. Universities have established funds for this purpose.

Several universities have contacted us with requests for donation. For us, universities are a valued source of employees; business education and commercial training of various levels as a whole are important for our operations and their development.

We have discussed on how to participate in the funding of universities. The statement made now deviates from our previous policy in that instead of the previous €300,000 we now propose that €1.3 million be reserved for donations. We regard this amount as reasonable, considering the multiple and manifold requests received.

The additional sum of €1 million will be distributed mainly to universities and some of it also to polytechnics.

Esteemed shareholders, dear audience,

On behalf of Kesko's Board of Directors, I want to thank all our shareholders, Kesko Group management and employees, K-retailers and all our business partners for successful cooperation.

I kindly ask President and CEO Matti Halmesmäki to convey the Board of Directors' thanks to all Group employees in each country where Kesko operates.

Within the framework of the agenda, the Annual General Meeting is also intended to provide a forum for active discussion between shareholders and the Board of Directors. This is a correct and excellent place for such an exchange of ideas.

I warmly welcome you to the Annual General Meeting of Kesko Corporation!