

# KESKO



## **Interim report**

**January-March 2014**

**24 April 2014**

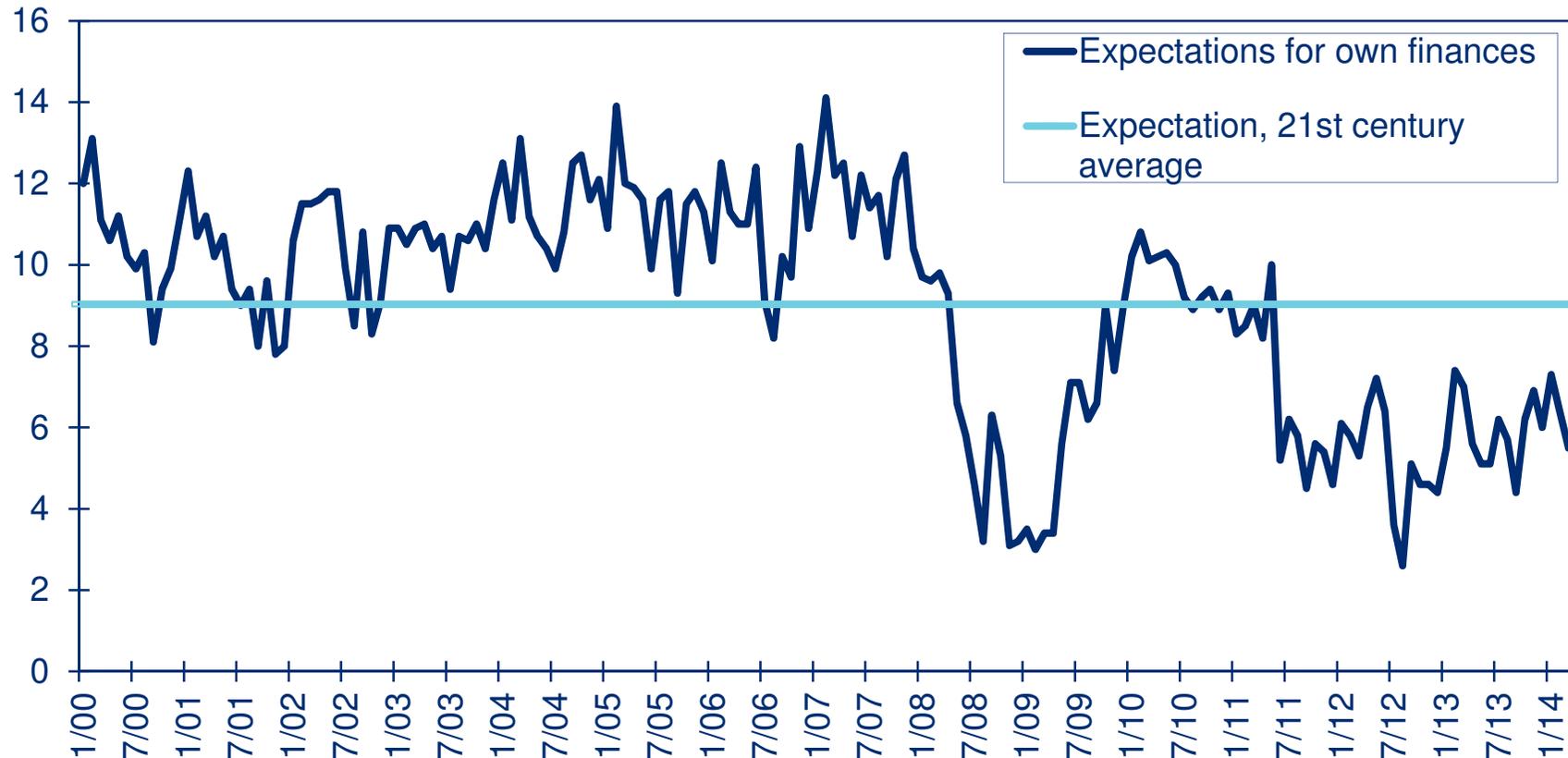
**CFO Jukka Erlund**

# Kesko's operating profit excl. non-recurring items improved and was €19.1 million

- Kesko's net sales €2.1 billion, change -1.4%
  - Sales increased in the building and home improvement trade and in the car and machinery trade, and declined in the food trade and in the home and speciality goods trade
  - In foreign operations, net sales grew by 9.3% in euros and by 20.9% in local currencies
- Operating profit excl. non-recurring items improved and was €19.1 million (€18.6 million)
  - Due to Kesko's business structure, the profit of the first quarter is the smallest
  - Return on capital employed excl. non-recurring items was 9.9% (8.8%)
  - Enhancement measures continued in all operations
  - Non-recurring items include a restructuring provision of €30.0 million for Anttila
- Financial position remained strong
  - Liquid assets €532 million
  - Equity ratio 53.2% (51.7%)
  - The Annual General Meeting resolved in April to distribute €1.40 per share as dividends, or a total of €138 million
- Kesko Group's net sales and operating profit excluding non-recurring items for the next 12 months are expected to remain at the level of the preceding 12 months, unless the overall consumer demand weakens significantly.

# Consumers' expectations for own finances

## Own finances in 12 months



Source: Statistics Finland

# Profit for 1-3/2014

	1-3/2014	1-3/2013
Net sales, €m	2,129	2,159
Fixed costs excl. non-recurring items, €m	432	438
Operating profit excl. non-recurring items, €m	19	19
Non-recurring items, €m	-32	1
Net financial items, €m	-2	-3
Income tax, €m	3	-5
Net profit for the period, €m	-12	11

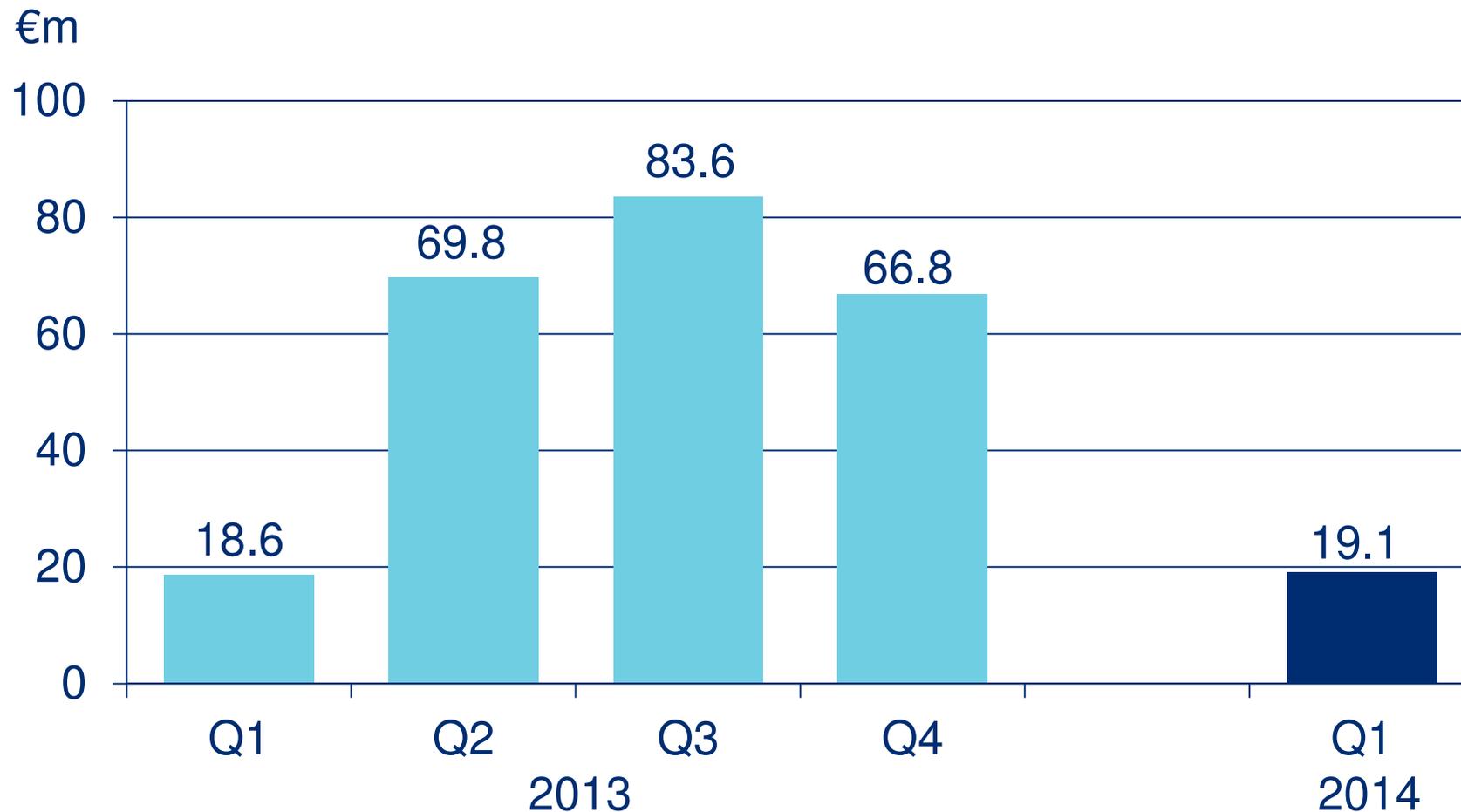
# Financial position strengthened

	1-3/2014	1-3/2013
Cash flow after investing activities, €m	-139	-100
Capital expenditure, €m	43	41
Equity ratio, %	53.2	51.7
Interest-bearing net debt, €m	25	233
Liquid assets, €m	532	411
Inventories, €m	840	859

## Net sales by division (€m)

	1-3/2014	Change
Food trade	1,007	-3.7%
Home and speciality goods trade	312	-9.5%
Building and home improvement trade	581	3.5%
Car and machinery trade	272	9.2%
<b>Group total</b>	<b>2,129</b>	<b>-1.4%</b>

# Operating profit excl. non-recurring items by quarter

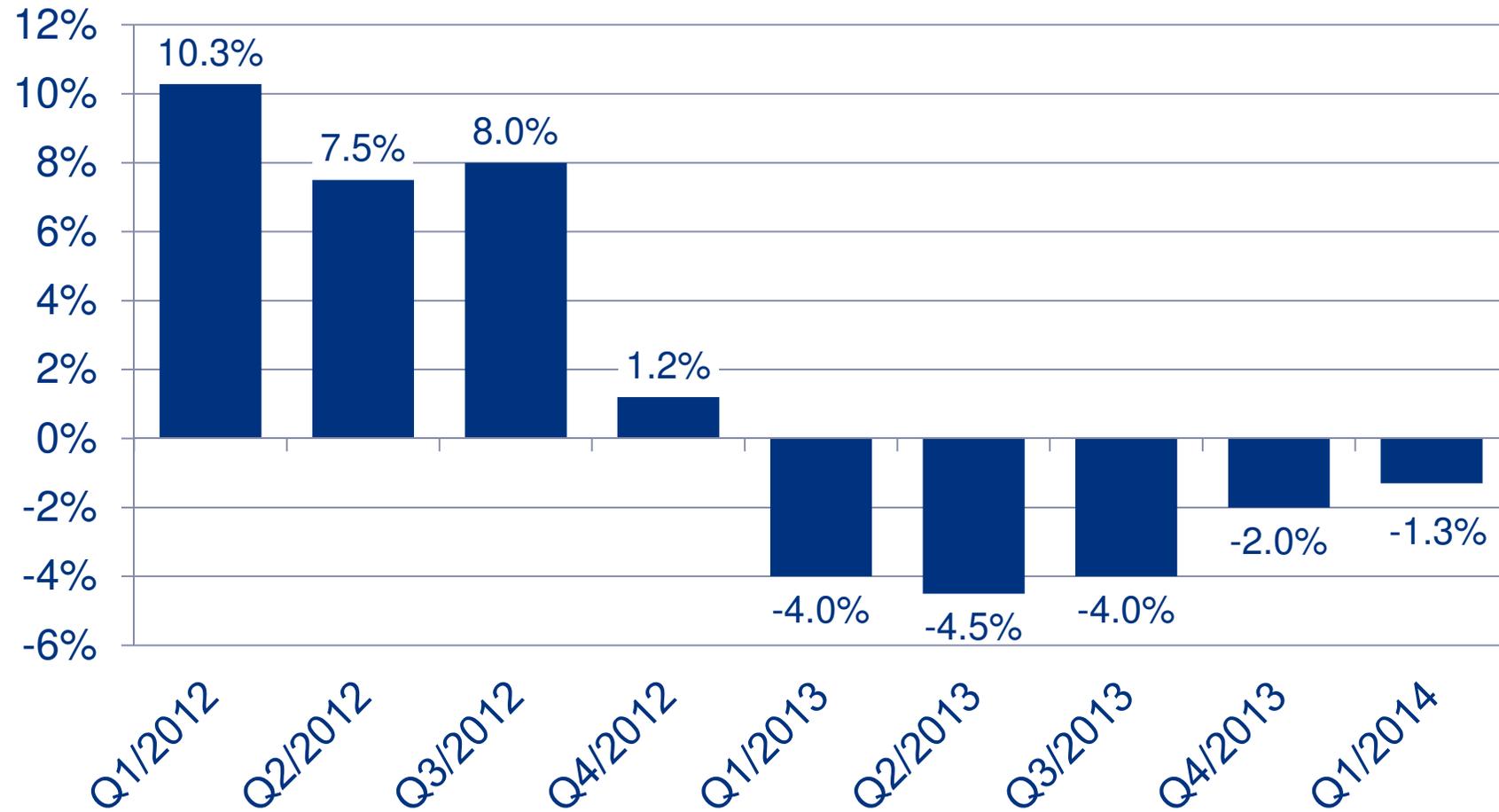


# Operating profit excl. non-recurring items by division (€m)

	1-3/2014	Change
Food trade	46.5	-1.7
Home and speciality goods trade	-22.7	-4.9
Building and home improvement trade	-10.4	6.2
Car and machinery trade	8.2	0.5
<b>Group total</b>	<b>19.1</b>	<b>0.5</b>

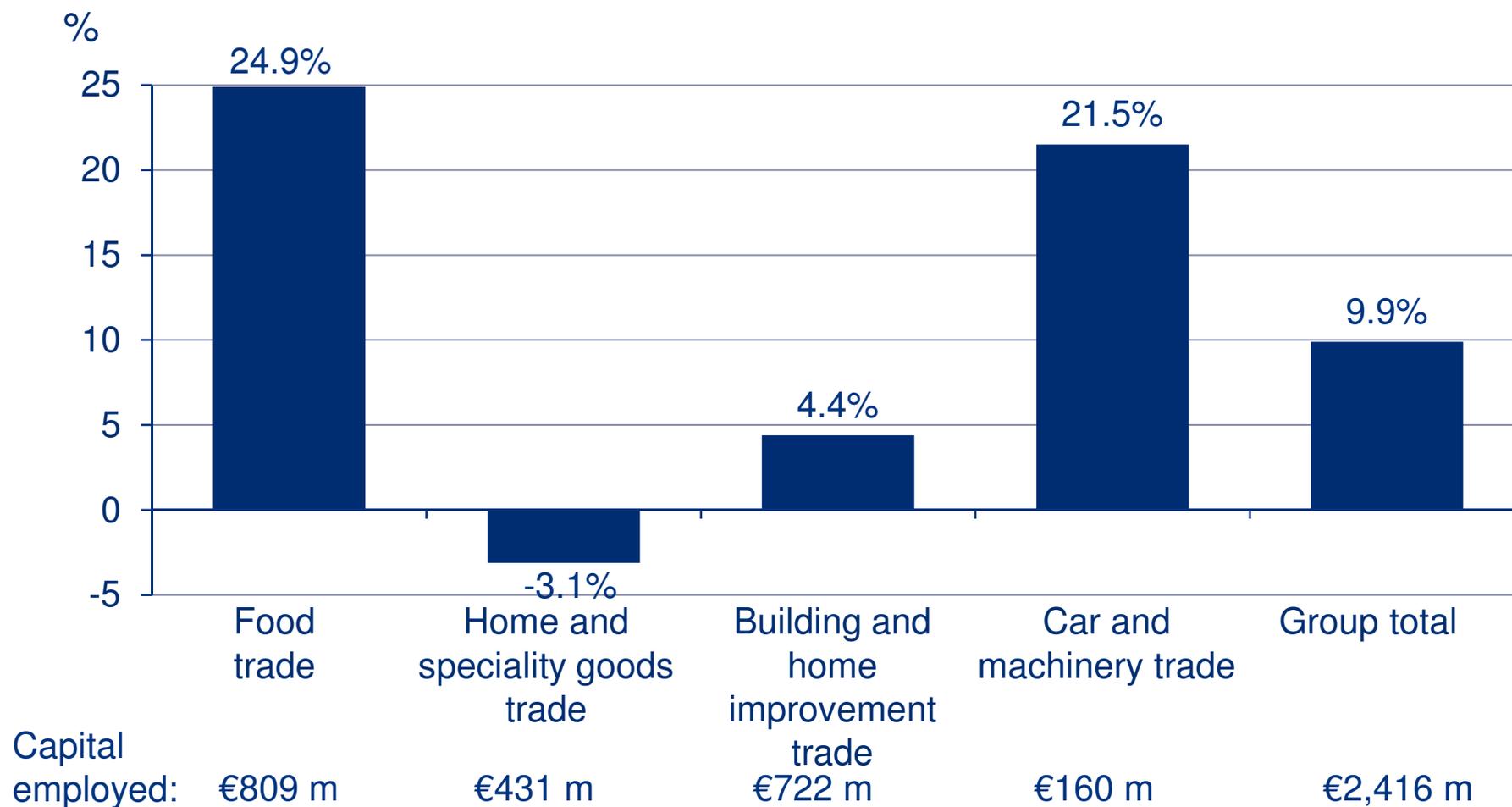
# Year-on-year change in fixed costs

excluding non-recurring items



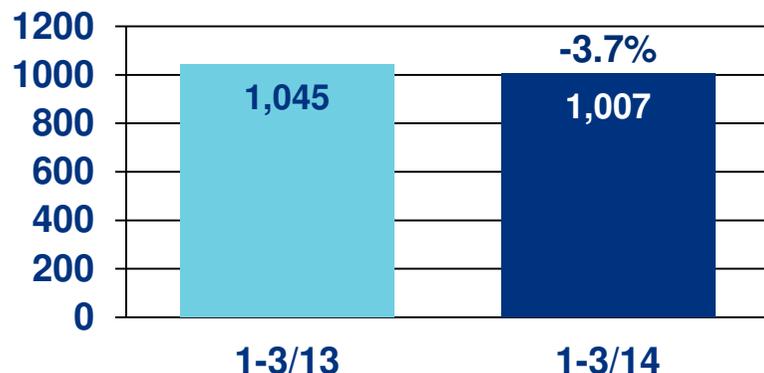
# Return on capital employed

excl. non-recurring items, moving 12 mo

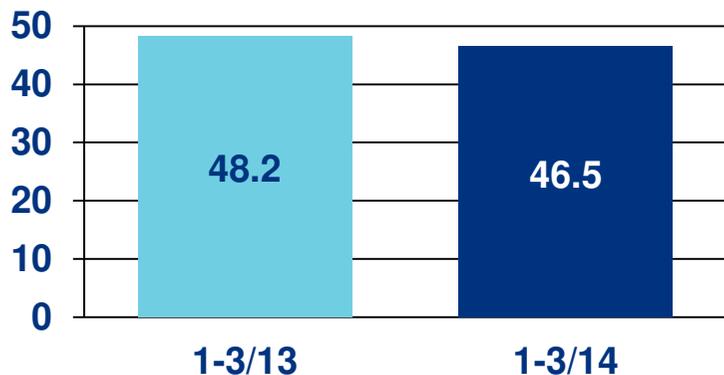


# Steady profit performance in the food trade

Net sales, €m

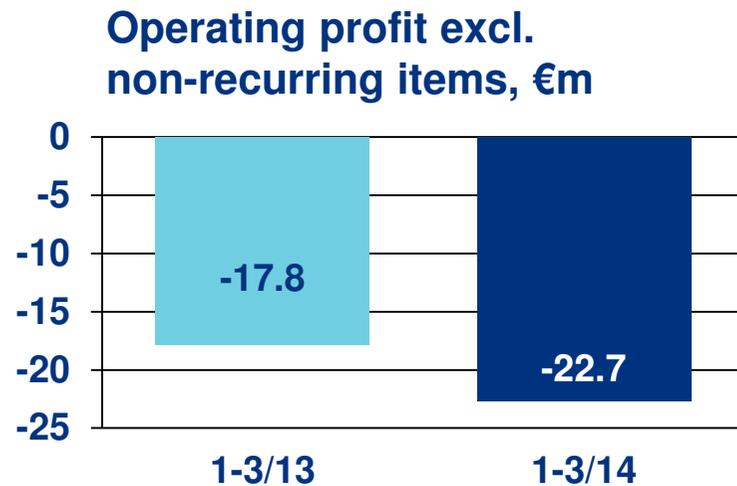
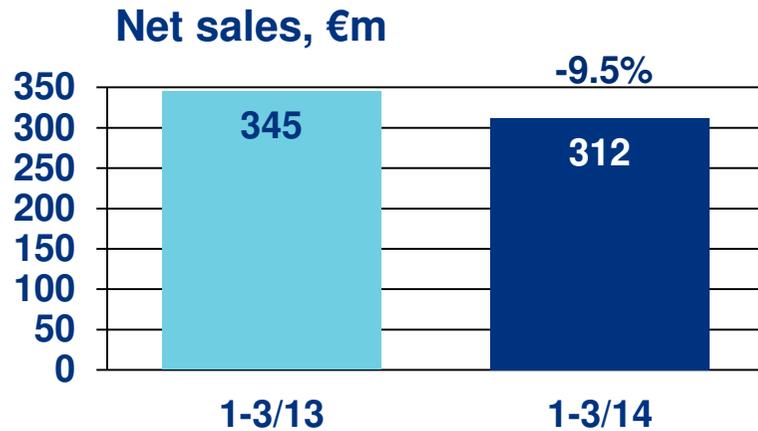


Operating profit excl. non-recurring items, €m



- Kesko Food's net sales down 3.7%
  - The sales of K-food stores weaker than market performance
  - In Russia, the sales and profitability of food stores better than expected
- Cost savings improved profitability
  - The impact of electricity derivatives €-2.6 million compared to the previous year
- Capital expenditure €18 million (€17 million)
- Three new K-supermarkets and one new K-market opened in Finland

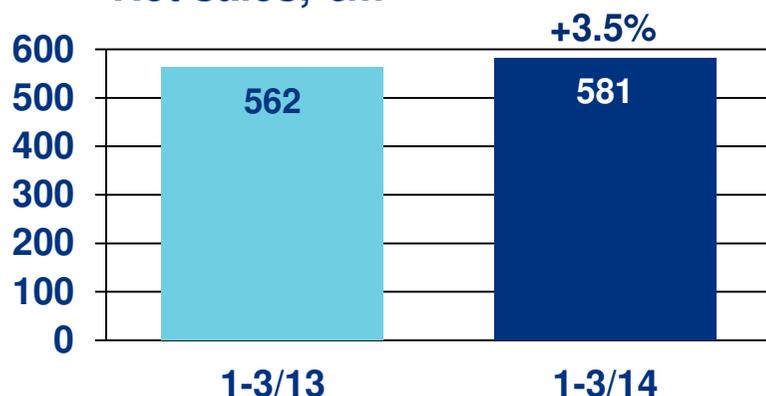
# Difficult market situation in the home and speciality goods trade



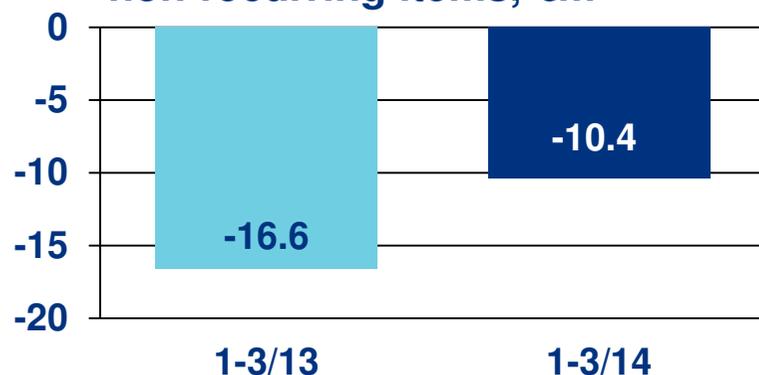
- The profitability of K-citymarket home and speciality goods better than the year before
- Intersport Finland's profit remained at a good level despite weak sales of winter sports equipment
- Anttila's sales and profitability showed a clear decline
  - Decision made to close eight Anttila department stores and plans made to close four Kodin1 department stores
  - Restructuring provision of €30 million for Anttila
- Capital expenditure €4 million (€8 million)

# In the building and home improvement trade, sales increased and profitability improved significantly

Net sales, €m

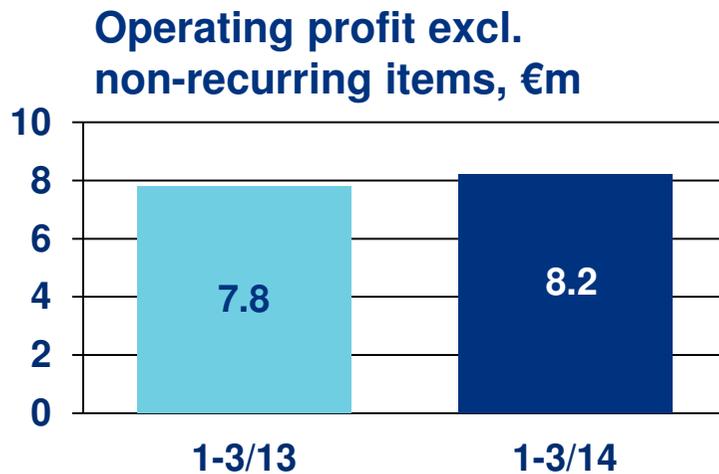
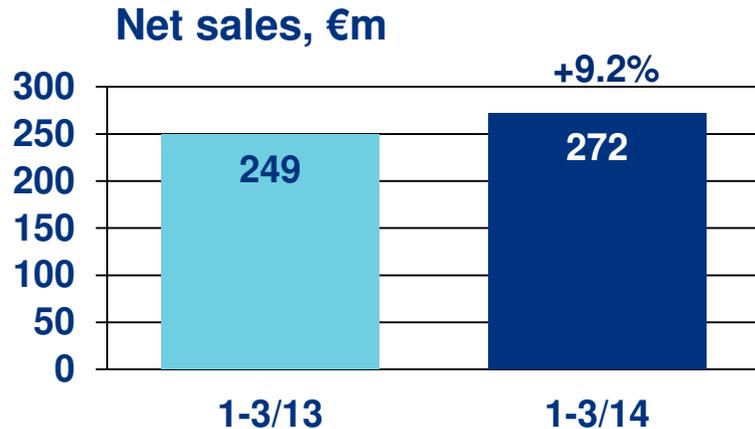


Operating profit excl. non-recurring items, €m



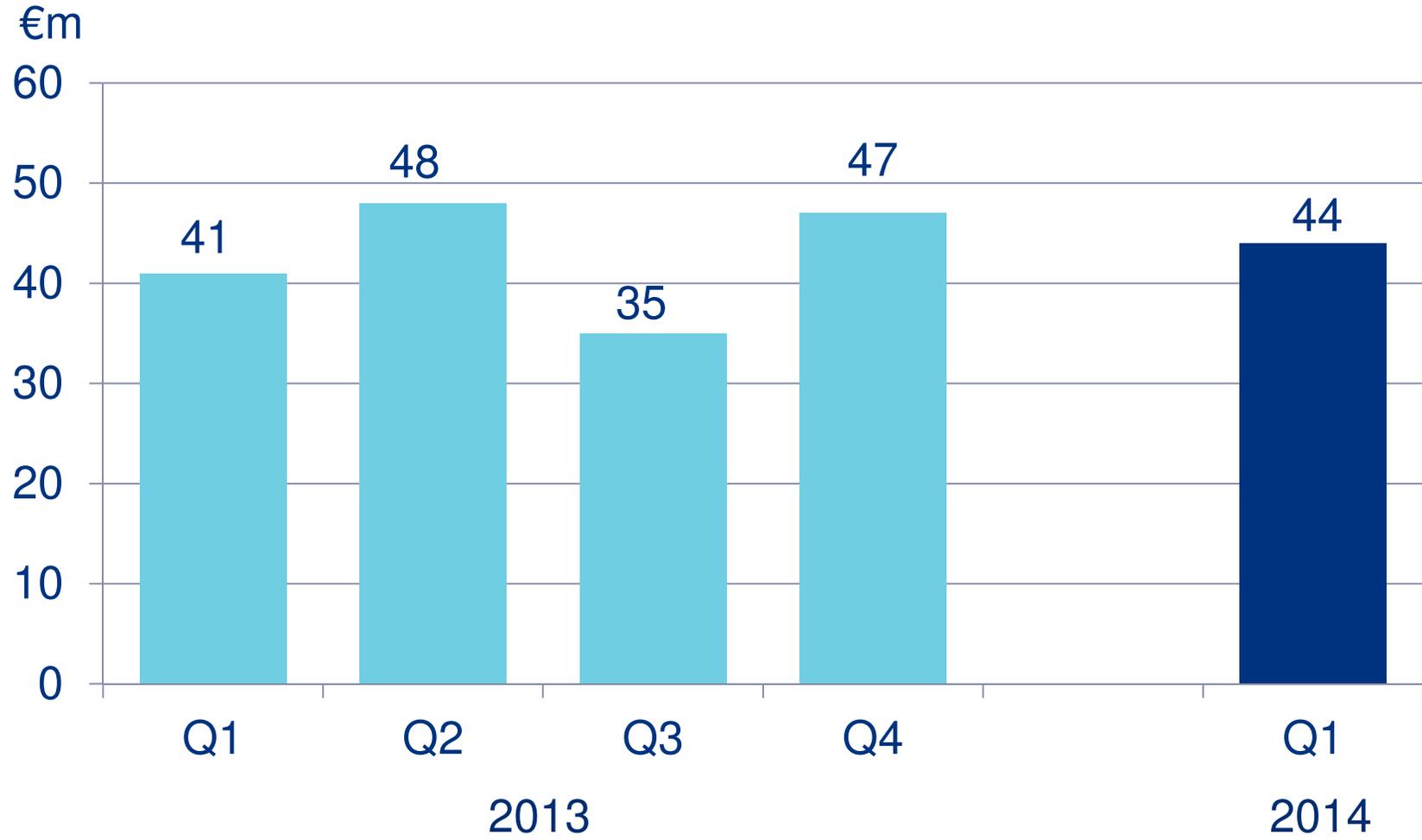
- Sales increased in all countries in local currencies
  - Sales up 8.7% in local currencies
  - Strong growth especially in building materials and B2B sales
  - The sales of K-rauta, Rautia and B2B Service up +5.6% in Finland, market position strengthened further
- Operating profit increased on the year before, due to the increase in sales and to cost savings
- Capital expenditure €12 million (€13 million)

# Volkswagen continued as market leader



- Audi's market share rose to a record level
  - The market share of Audi, Volkswagen and Seat 20.9% (19.9%)
- Net sales of VV-Auto up +11.2%
  - Market performance of first time registered passenger cars and vans in Finland +10.0%
- Konekesko's net sales up 2.0%, the sales of agricultural machinery increased clearly in the Baltic countries
- Profitability of the car trade at a good level due to increase in sales and to enhancement measures

# Capital expenditure was prioritised



# Future outlook

Estimates of the future outlook for Kesko Group's net sales and operating profit excluding non-recurring items are given for the 12 months following the reporting period (4/2014-3/2015) in comparison with the 12 months preceding the reporting period (4/2013-3/2014).

Future prospects for the general economic situation and consumer demand continue to be characterised by significant uncertainty in Kesko's operating area. Due to the weakened economic situation and decline in consumers' purchasing power, demand in the trading sector is expected to remain weak in Finland.

Kesko Group's net sales and operating profit excluding non-recurring items for the next 12 months are expected to remain at the level of the preceding 12 months, unless the overall consumer demand weakens significantly.

# Corporate Responsibility Report published online only for the first time

- Key results:
  - As much as 91% of the energy savings target for 2016 has already been achieved
  - The K-responsibility concept made visible in K-food stores
  - A permanent operating model for employing people with mental or physical disabilities in K-stores
  - Kesko and K-stores have employed 718 young people in the Youth Guarantee programme
  - The target of BSCI full audits was clearly exceeded
  - Tax reporting expanded
- New in the report:
  - Compliance with GRI G4 guidelines
  - Benefits of an online report: 11 videos, easy to share on social media
  - More stakeholder addresses



# KESKO



*Thank You!*