

KESKO

Interim report
January - June 2014
22 July 2014
CFO Jukka Erlund

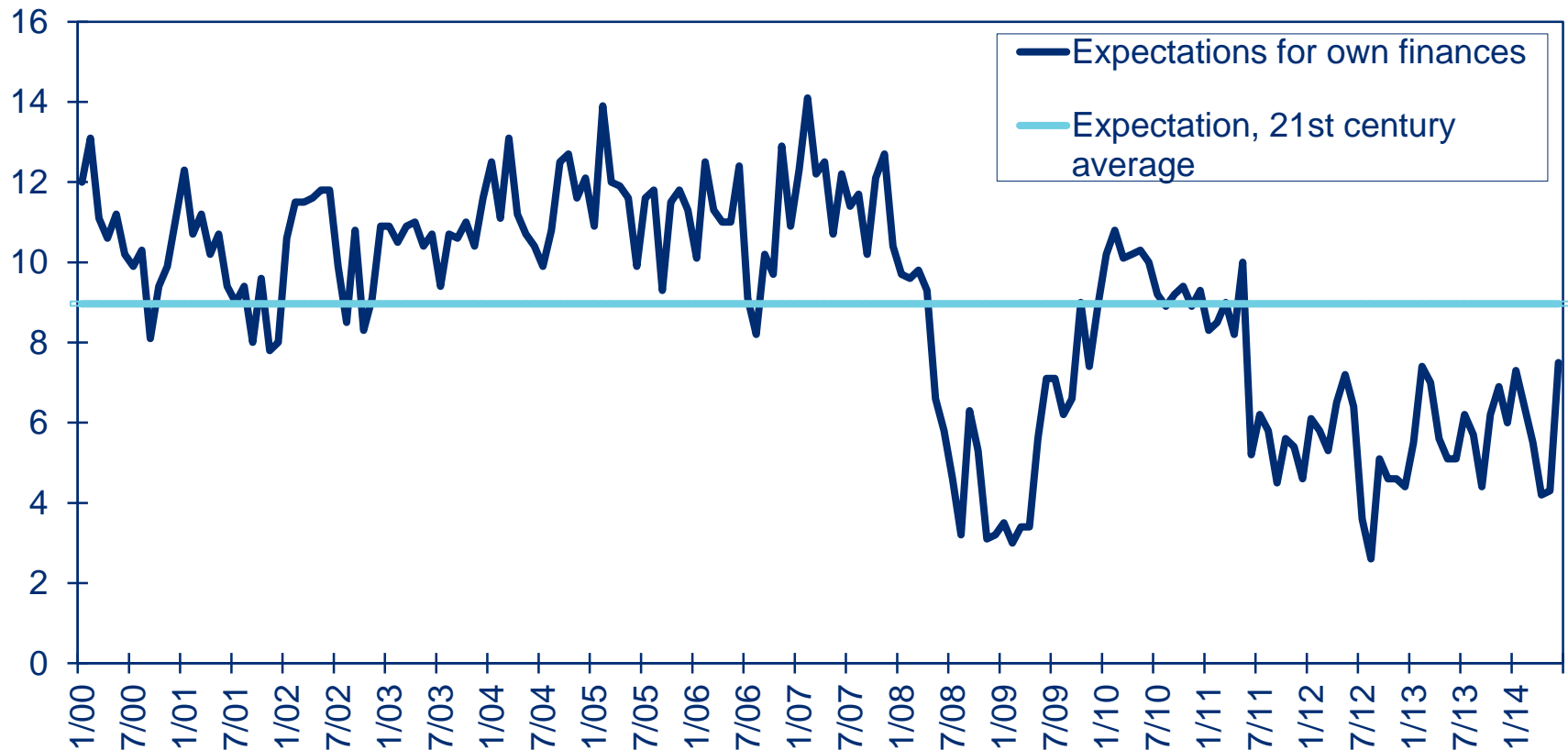


Kesko's operating profit excluding non-recurring items for January-June at previous year's level

- Kesko's net sales were €4.5 billion, change -1.8%
 - Sales increased in the building and home improvement trade and in the car trade
- Operating profit excl. non-recurring items was €86.7 million (€88.4 million)
 - Profitability improved significantly in the building and home improvement trade, but continued to weaken in Anttila
 - Enhancement measures continued in all business operations
 - Return on capital employed excl. non-recurring items was 9.9% (9.3%)
- Strong financial position
 - Liquid assets €461 million (€474 million)
 - Equity ratio 52.3% (50.5%)
- Total net sales from Russia are expected to exceed €1 billion in 2017 and operations are expected to be profitable
- 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 1-6/2014

	1-6/2014	1-6/2013
Net sales, €m	4,499	4,580
Fixed costs excl. non-recurring items, €m	874	884
Operating profit excl. non-recurring items, €m	87	88
Non-recurring items, €m	-30	8
Net financial items, €m	1	-3
Income tax, €m	15	28
Net profit for the period, €m	42	65

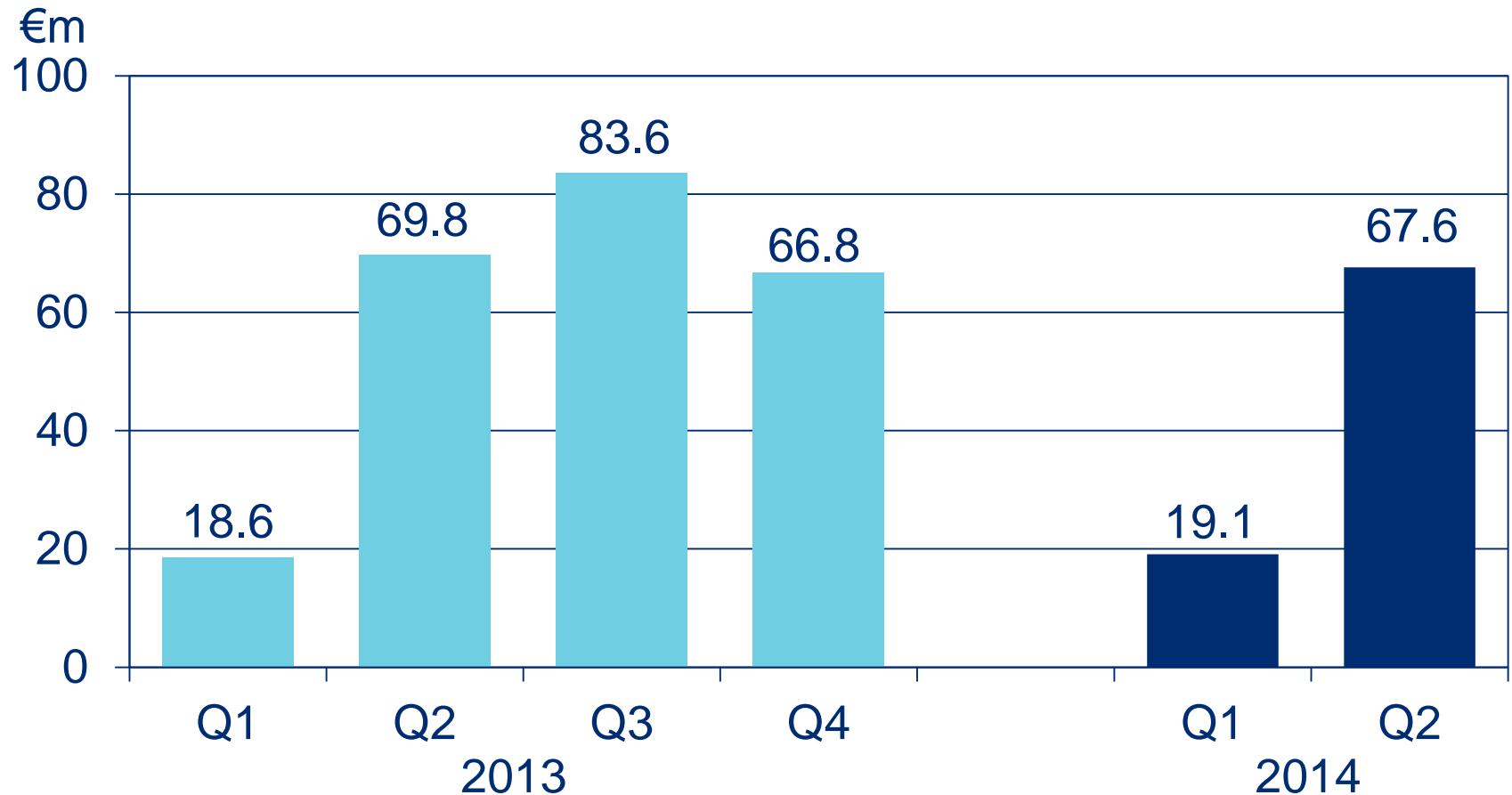
Financial position

	1-6/2014	1-6/2013	1-12/2013
Equity ratio, %	52.3	50.5	54.5
Liquid assets, €m	461	474	681
Capital expenditure, €m	99	90	171
Interest-bearing net debt, €m	78	113	-126
Inventories, €m	828	807	797

Net sales by division (€m)

	1-6/2014	Change	4-6/2014	Change
Food trade	2,112	-1.5%	1,106	+0.6%
Home and speciality goods trade	600	-10.0%	288	-10.5%
Building and home improvement trade	1,317	+1.2%	736	-0.6%
Car and machinery trade	556	+0.9%	283	-6.0%
Group total	4,499	-1.8%	2,371	-2.1%

Operating profit excl. non-recurring items by quarter

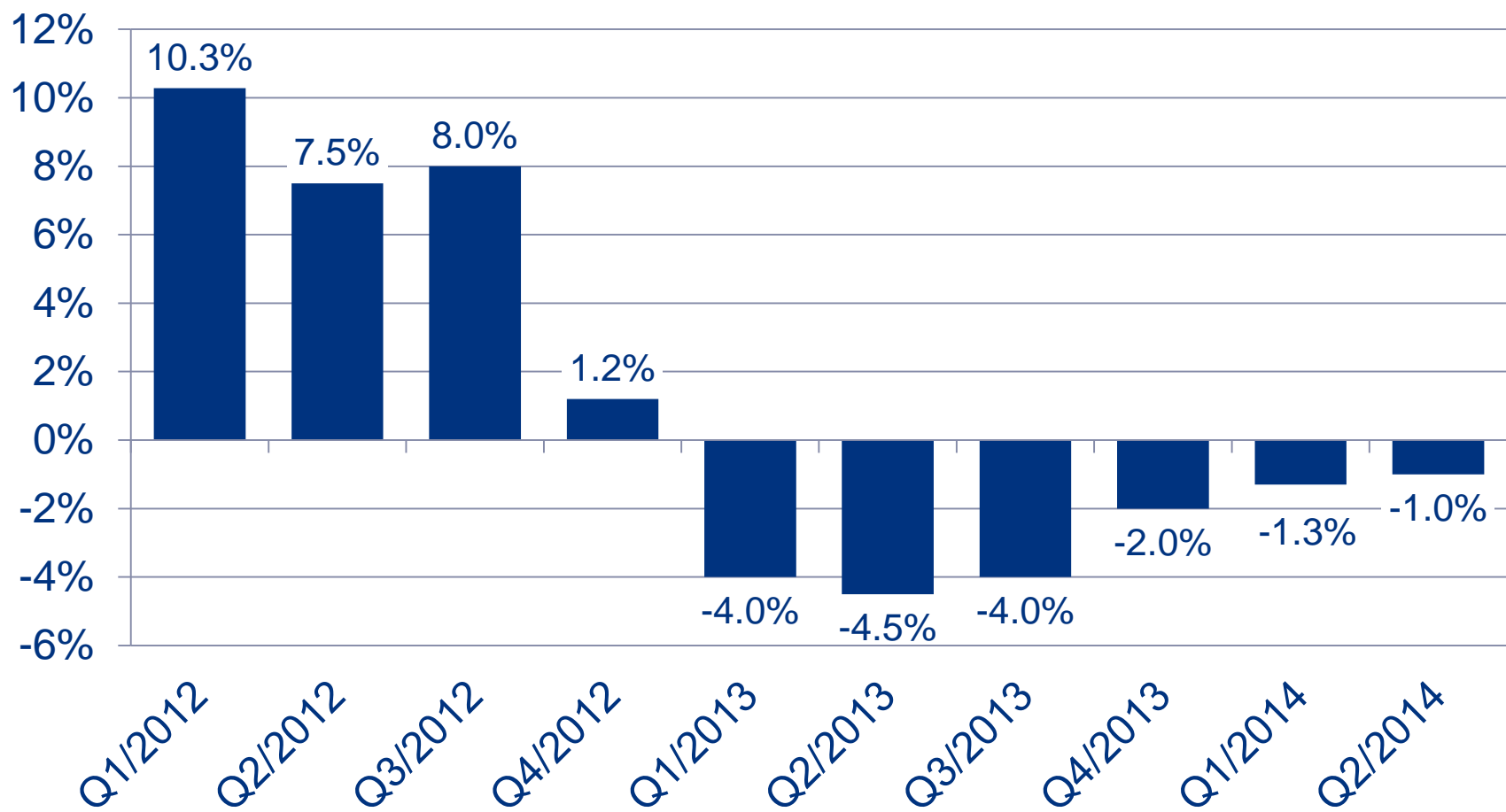


Operating profit excl. non-recurring items by division (€m)

	1-6/2014	Change	4-6/2014	Change
Food trade	99.4	0.4	52.9	2.2
Home and speciality goods trade	-41.0	-13.2	-18.3	-8.2
Building and home improvement trade	16.2	13.3	26.6	7.1
Car and machinery trade	19.1	-1.7	10.9	-2.1
Group total	86.7	-1.7	67.6	-2.1

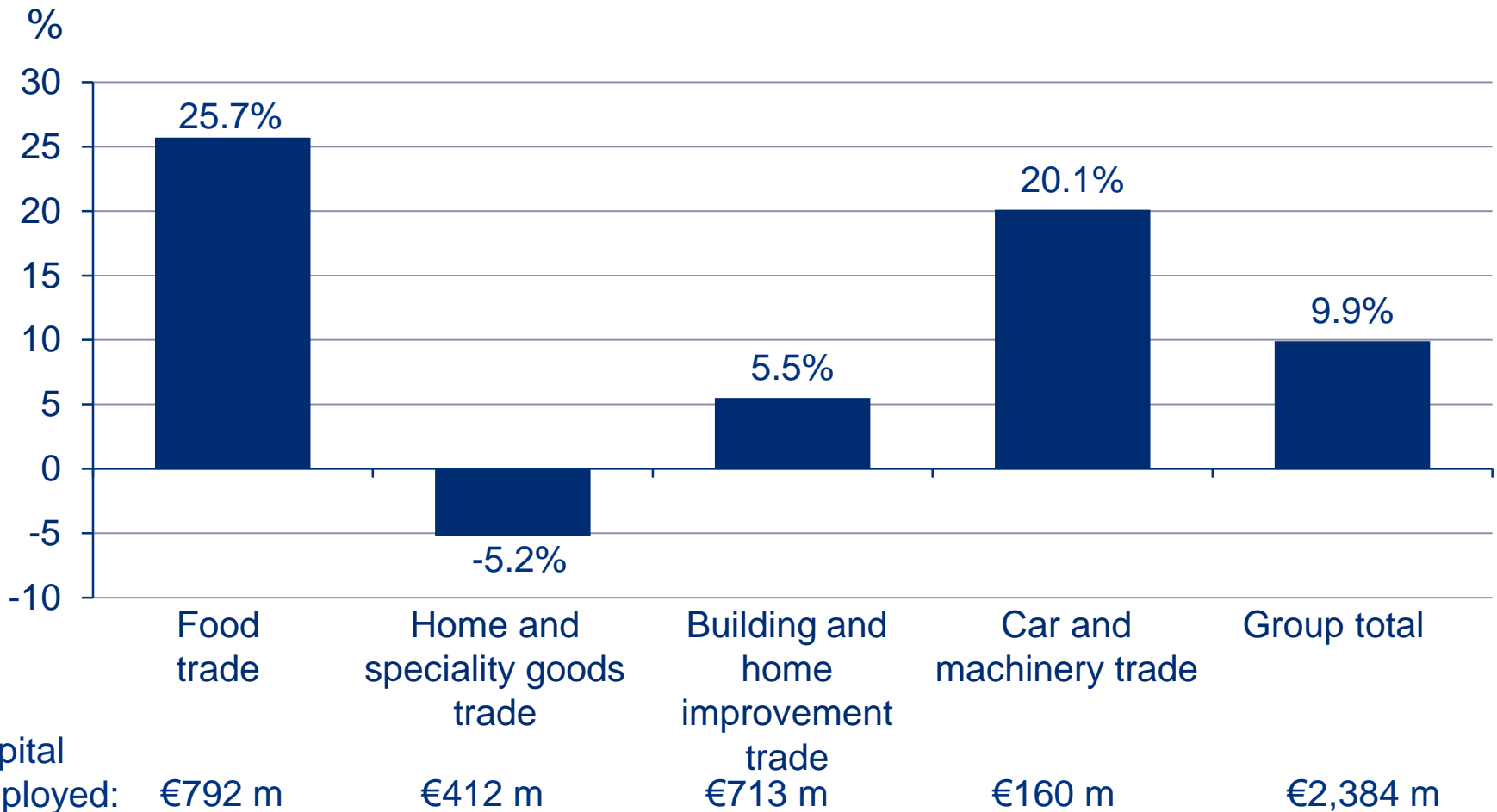
Year-on-year change in fixed costs

excluding non-recurring items



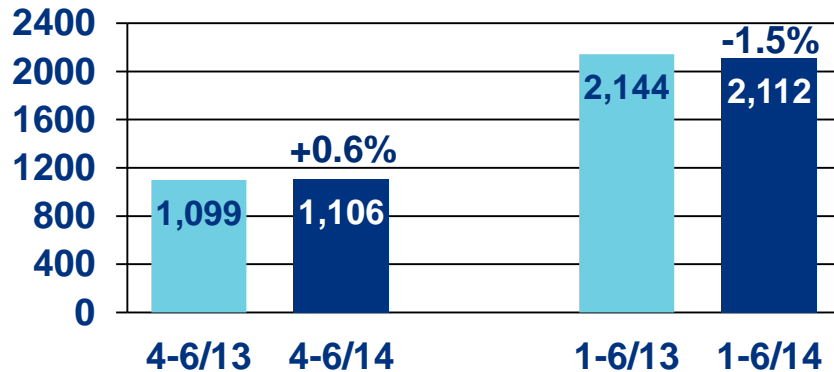
Return on capital employed

excl. non-recurring items, moving 12 mo

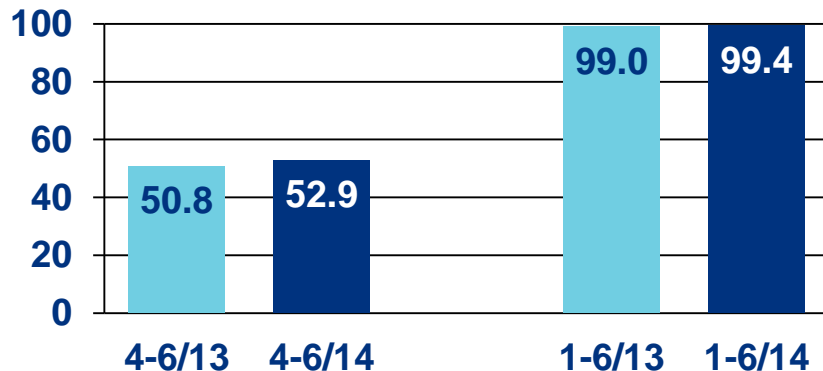


Steady profit performance in the food trade

Net sales, €m

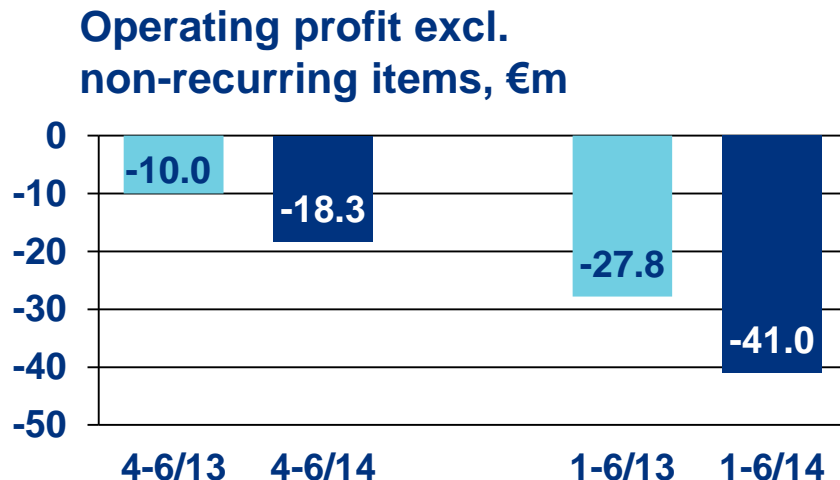
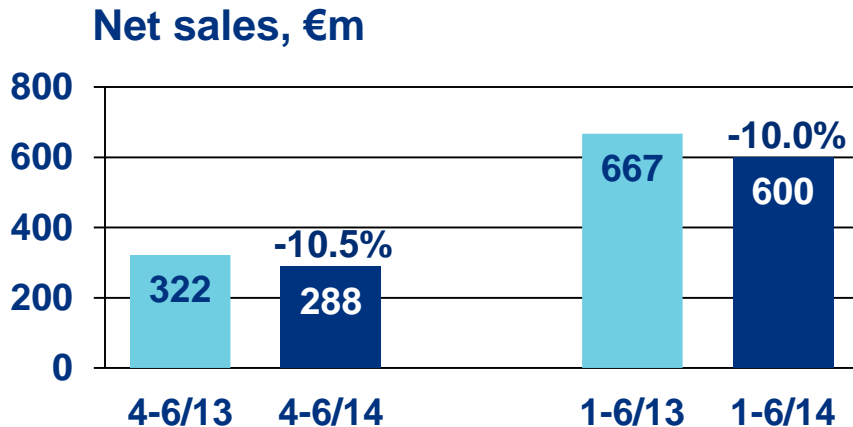


Operating profit excl.
non-recurring items, €m



- Kesko Food's net sales down 1.5%
 - Decreased purchasing power also reflected on the food trade
 - Increase in prices has stopped
 - Sales of K-food stores below market performance
- In Russia, sales and profitability of food stores better than expected
- Profitability improved by cost savings
- Capital expenditure €47 million (€44 million)
- Four new K-supermarkets and two new K-markets opened in Finland

Market situation in the home and speciality goods trade continued to deteriorate

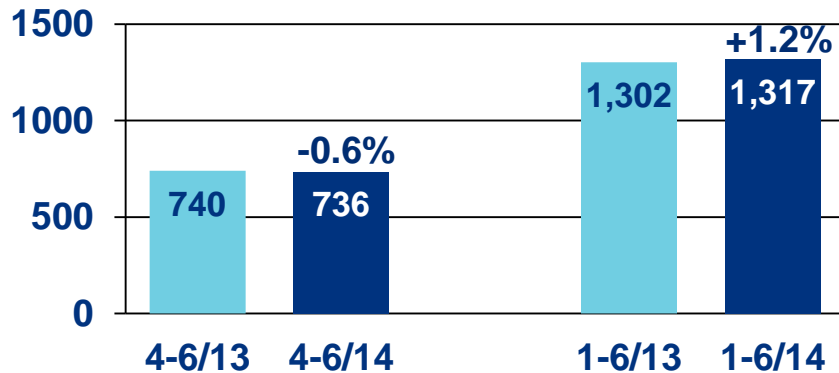


- Profitability of the home and speciality goods chains negatively impacted by sales decline
- Anttila's profit continued to decline and was clearly loss-making
 - Eight Anttila department stores and four Kodin1 department stores to be closed
 - Decisions on a total reduction of around 400 full-time equivalents in department stores and centralised functions
- Intersport Finland's profit remained at a good level despite sales decline
- Sales of online stores increasing
 - Musta Pörssi to concentrate on e-commerce
- Capital expenditure €7 million (€14 million)

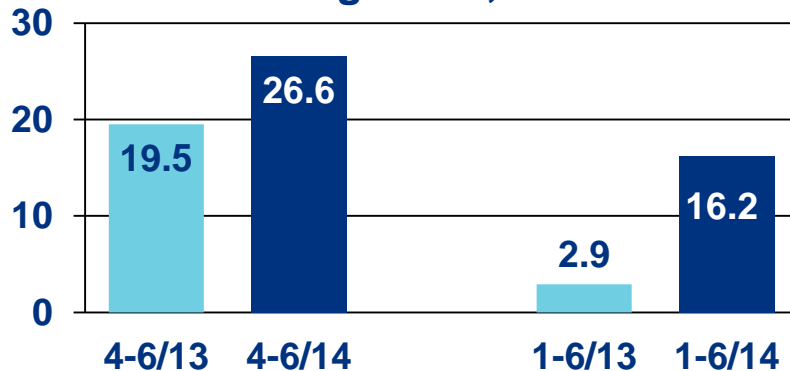
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Sales and profit of the building and home improvement trade on the increase

Net sales, €m



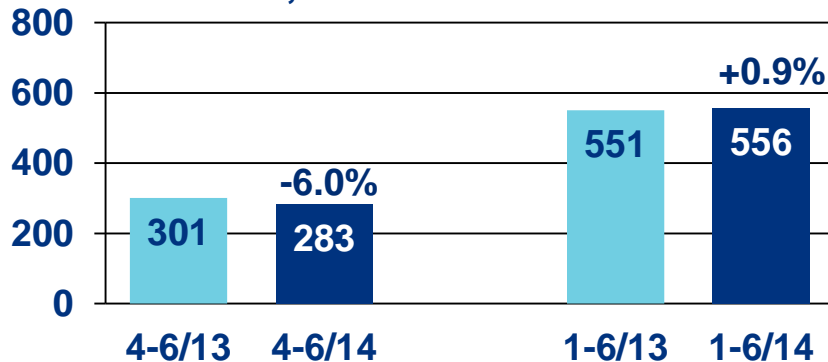
Operating profit excl. non-recurring items, €m



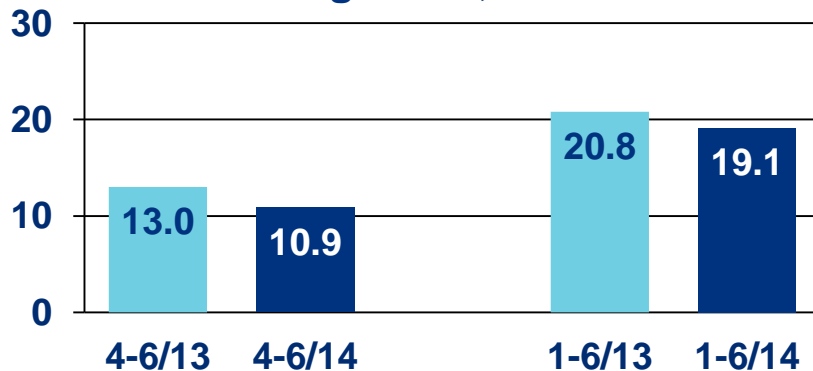
- In terms of local currencies, sales were up in all countries, at 5.8% in total
- Market position of K-rauta and Rautia in Finland continued to strengthen
- Operating profit was up from the previous year due to sales increase and cost savings
 - Profit improved especially in foreign operations
- Capital expenditure €27 million (€22 million)

Volkswagen continued as market leader

Car and machinery trade:
Net sales, €m

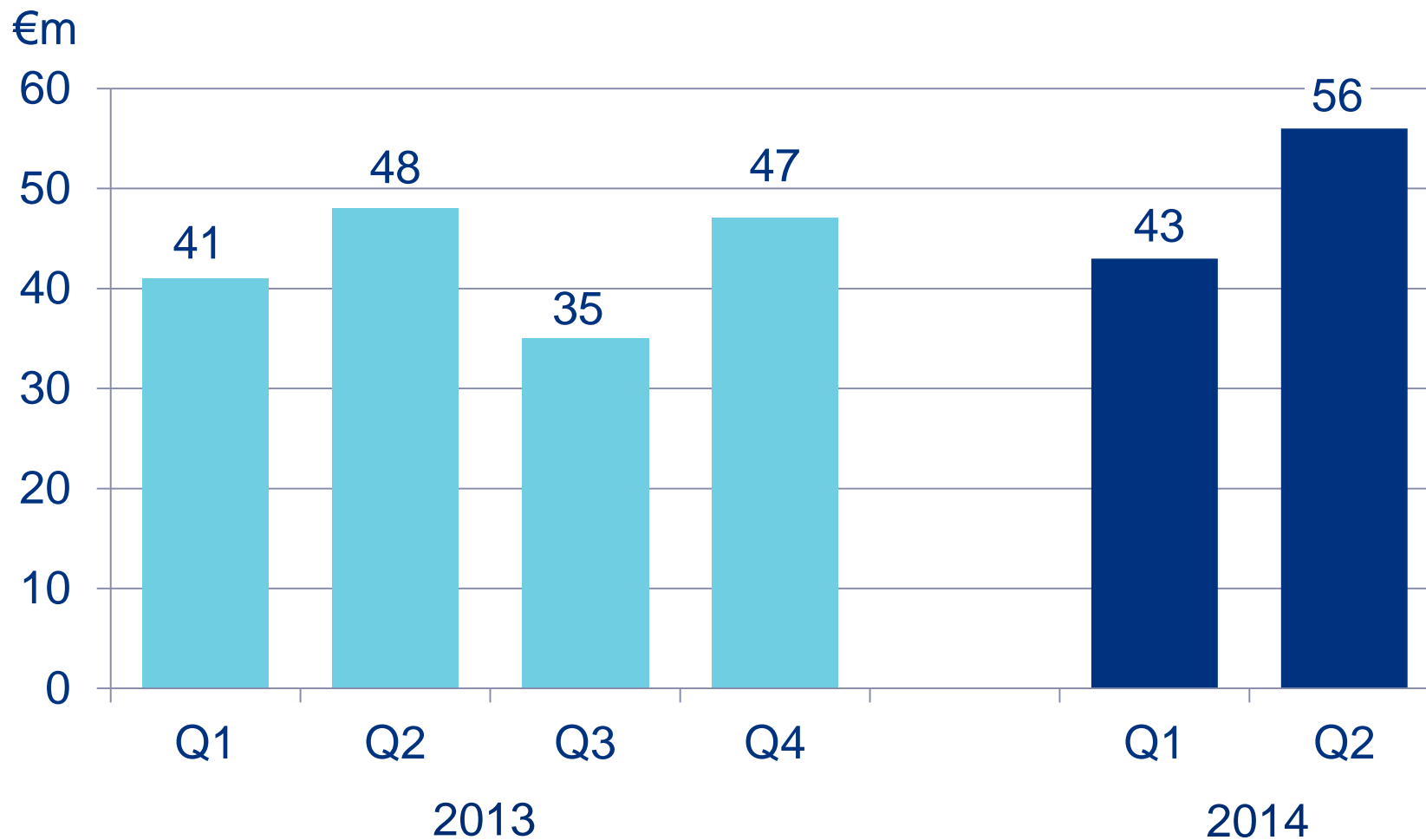


Operating profit excl.
non-recurring items, €m



- Market share of Audi, Volkswagen and Seat 21.0% (21.1%)
- VV-Auto's net sales performance +3.4%
 - Market performance of new registrations of passenger cars and vans +4.6% in Finland
- Konekesko's net sales performance -5.7%, market performance declined in the agricultural machinery trade
- Profitability of the car trade at a good level due to sales increase and enhancement measures

Capital expenditure



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 (7/2014-6/2015) in comparison with the 12 months preceding the reporting period (7/2013-6/2014).

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 the decline in consumers' purchasing power, demand in the trading sector is expected to remain weak.

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.



Thank you!

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