

Investor Presentation Q3/2017

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CFO Jukka Erlund



The Core of Kesko's Strategy is Profitable Growth in Three Strategic Areas

Grocery trade



Retail sales €6.7bn*

1,300 stores in Finland

#2 in the Finnish retail market

#1 in Finnish food service business

Building and technical trade



Retail sales €5.1bn*

600 stores in 9 countries

#1 in Northern Europe

Car trade



Retail sales €0.9bn*

VW, Audi, Seat, Porsche and MAN trucks

#1 in Finland

*Pro forma rolling 12 mo 9/2017

Kesko 2015 Strategy Sets Foundation for Growth

The core of Kesko's new strategy is profitable growth in three strategic areas

Kesko's Board of Directors has decided on a strategy aimed at achieving profitable growth in three strategic areas: the grocery trade, the building and home improvement trade and the car trade. We will operate the retailer business model or Kesko's own stores when it provides competitive advantage. Kesko will differentiate from the competitors with quality and customer orientation, and by bringing the best digital services in the trading sector to the market.

"Kesko will seek profitable growth in the future by focusing on three strategic growth areas: the grocery trade, the building and home improvement trade and the car trade. In addition, all business operations will be developed aiming at business success."

"When we operate even more as a unified company we will be able to offer our customers even better services and to operate more efficiently. In the grocery trade, our objective is to turn the market share around. In the building and home improvement trade, we want to further strengthen our already strong position in Europe. As the market leader in the Finnish car trade, we want to increase our market share in Finland and the Baltic countries."

Stock exchange release May 27, 2015



Profitable growth

Focused

Quality and customer orientation

Best digital services

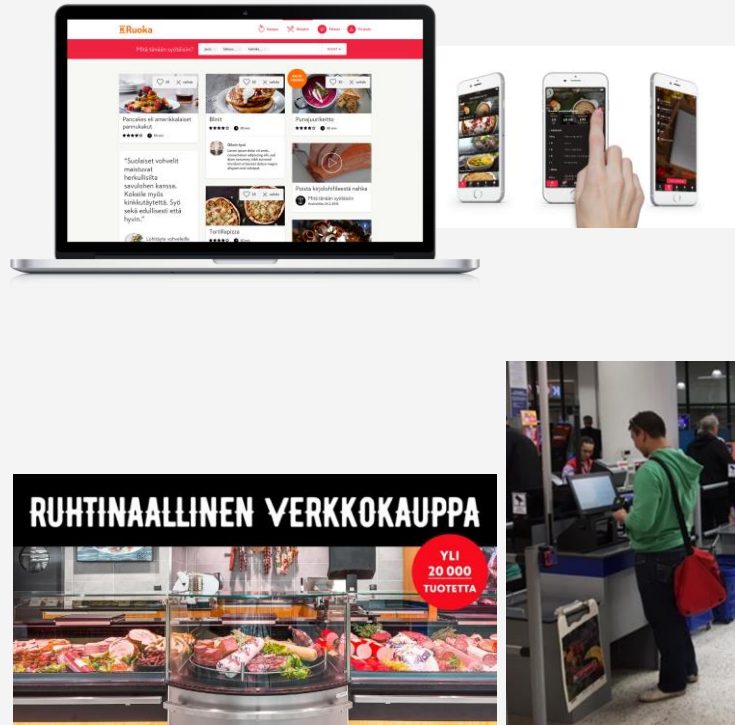
Unified

Growth Strategy Implementation is Progressing towards More Focused Business Portfolio

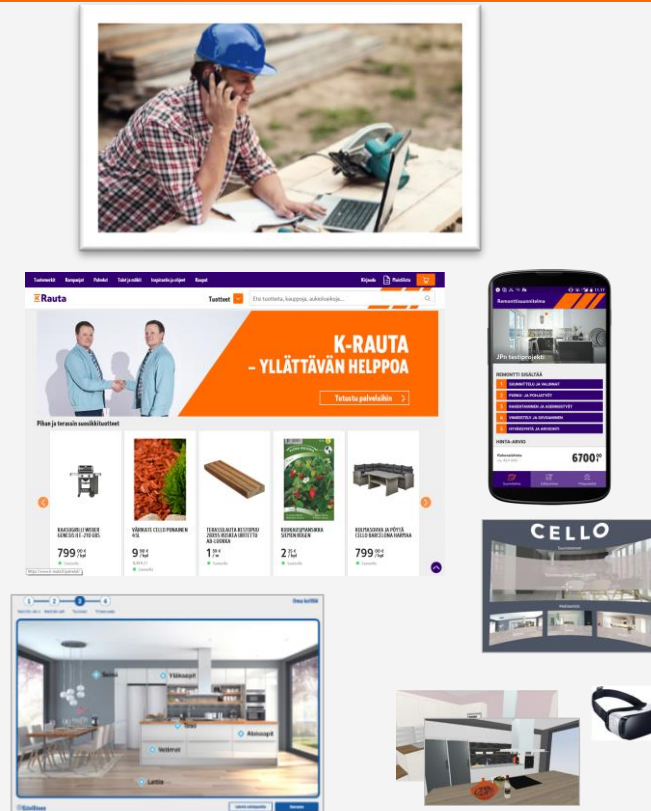


Bringing the Best Digital Services in the Trading Sector

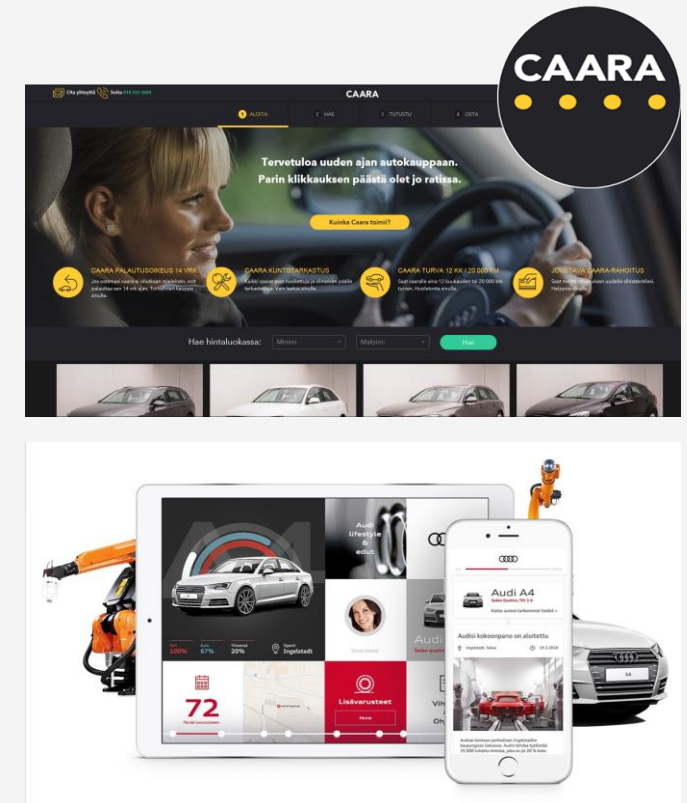
Grocery trade



Building and technical trade



Car trade



Main Financial Objectives

Objective	Realisation in 2015	Realisation in 2016	Rolling 12 mo 9/2017	Target level
ROCE*	11.7%	11.9%	11.4%	14%
ROE*	8.2%	9.8%	9.9%	12%
Interest-bearing net debt/EBITDA	-1.4	0.4	0.4	<2.5

Capital expenditure in 2015-2017 c. €750m (excluding possible acquisitions)

Kesko's dividend policy: Kesko Corporation distributes at least 50% of its comparable earnings per share as dividends, taking into account, however, the Company's financial position and operating strategy.

* Comparable



Net sales growth

Operating margin expansion including synergy benefits and full impact from cost savings program

Improved NWC efficiency

Reduced capital expenditure needs

Enhanced cash flow

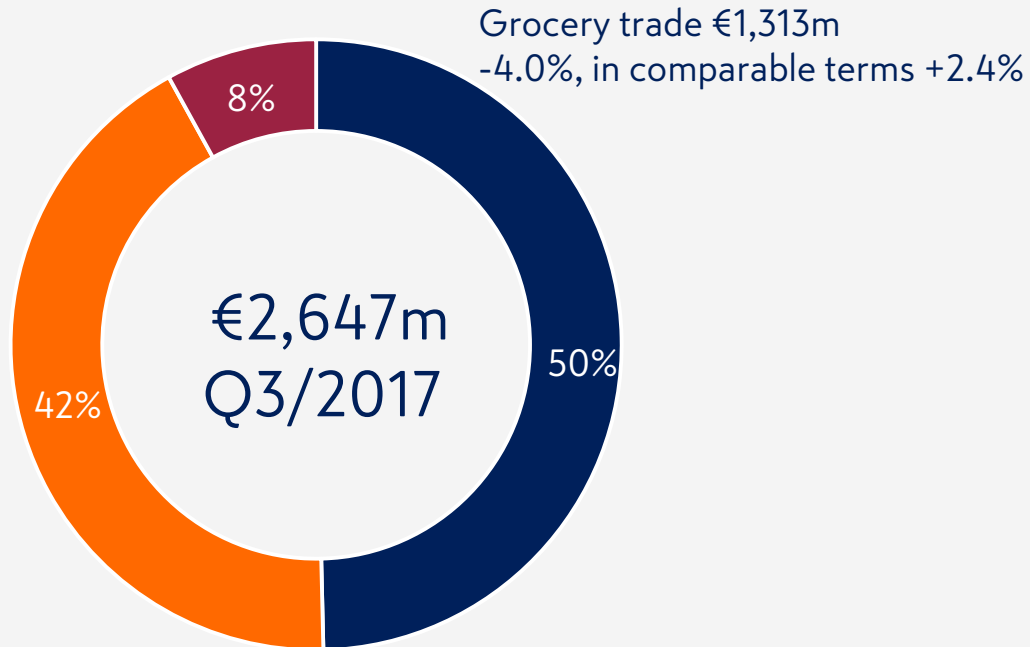
Highlights

Q3/2017

- Net sales grew in comparable terms in all divisions, profitability improved, and cash flow from operating activities strengthened
- In grocery trade, work to renew K-food store chains well under way; integration of Suomen Lähikauppa and related synergy benefits materialised sooner than anticipated
- In building and technical trade, positive development in Finland; operating profit of Onninen in particular continued to grow
- In car trade, sales and profitability continued to develop positively
- Kesko included again in prestigious Dow Jones Sustainability Indices, DJSI World and DJSI Europe

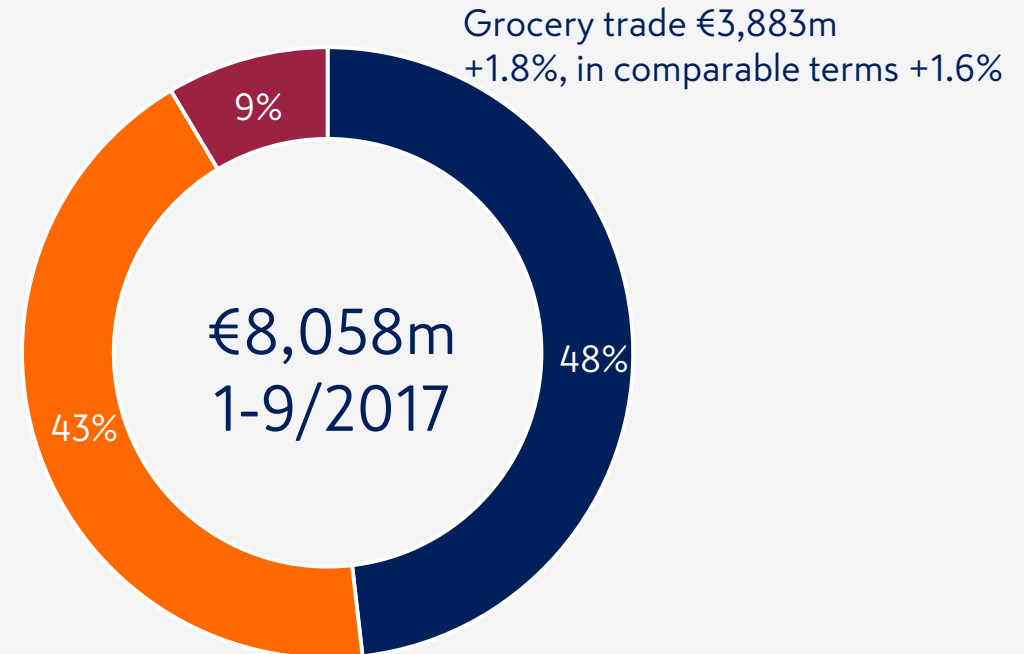
Net Sales by Division

Car trade €212m
+12.0%, in comparable terms +3.2%



Building and technical trade €1,121m
-9.4%, in comparable terms +0.8%

Car trade €691m
+10.1%, in comparable terms +3.3%



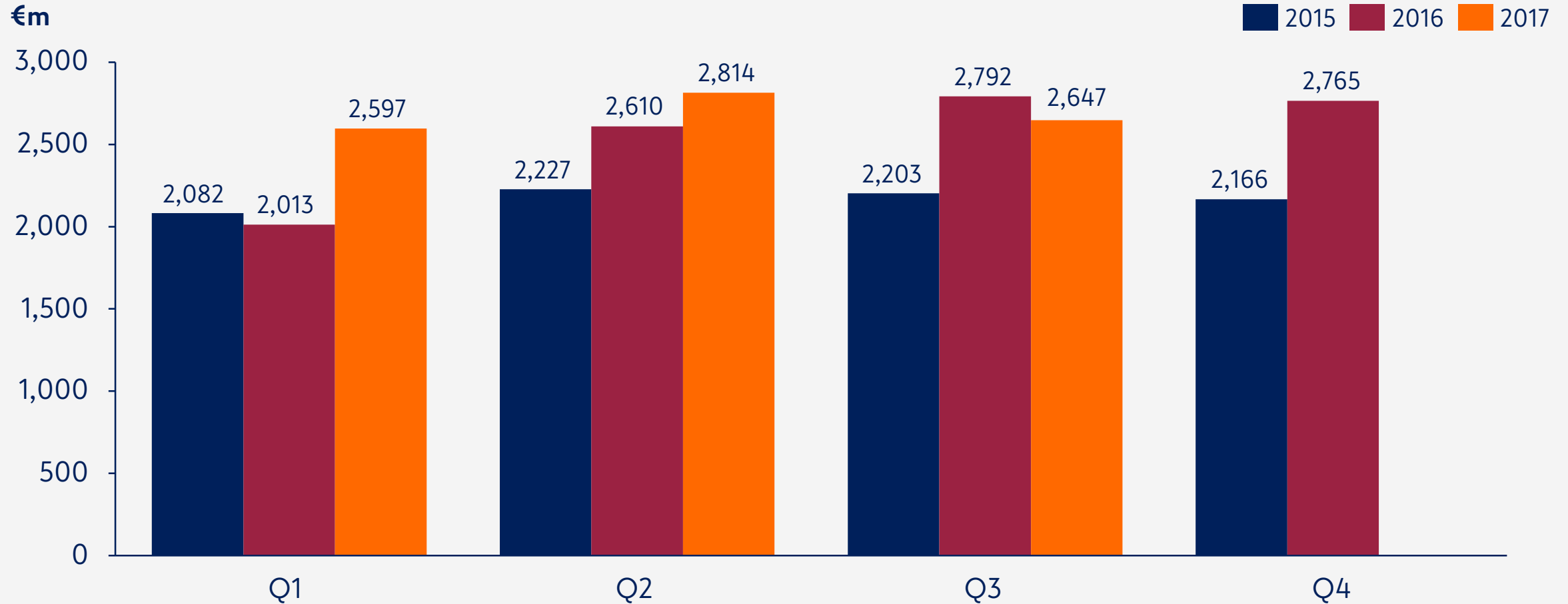
Building and technical trade €3,486m
+17.0%, in comparable terms +0.7%

Net Sales and Operating Profit Grew

	Q3/2017	Q3/2016	1-9/2017	1-9/2016
Net sales, €m	2,647	2,792	8,058	7,415
Net sales growth, comparable, %	+1.8	+1.1	+1.4	+2.0
Comparable operating profit, €m	102.5	98.2	215.8	209.6
Comparable operating profit, %	3.9	3.5	2.7	2.8
Profit before tax, €m	98.0	84.8	270.0	188.7
Comparable profit before tax, €m	101.9	97.5	218.2	211.2
Comparable earnings per share, €	0.72	0.73	1.62	1.59
Return on capital employed, comparable, %, rolling 12 months	11.4	12.5	11.4	12.5
Return on equity, comparable, %, rolling 12 months	9.9	10.1	9.9	10.1

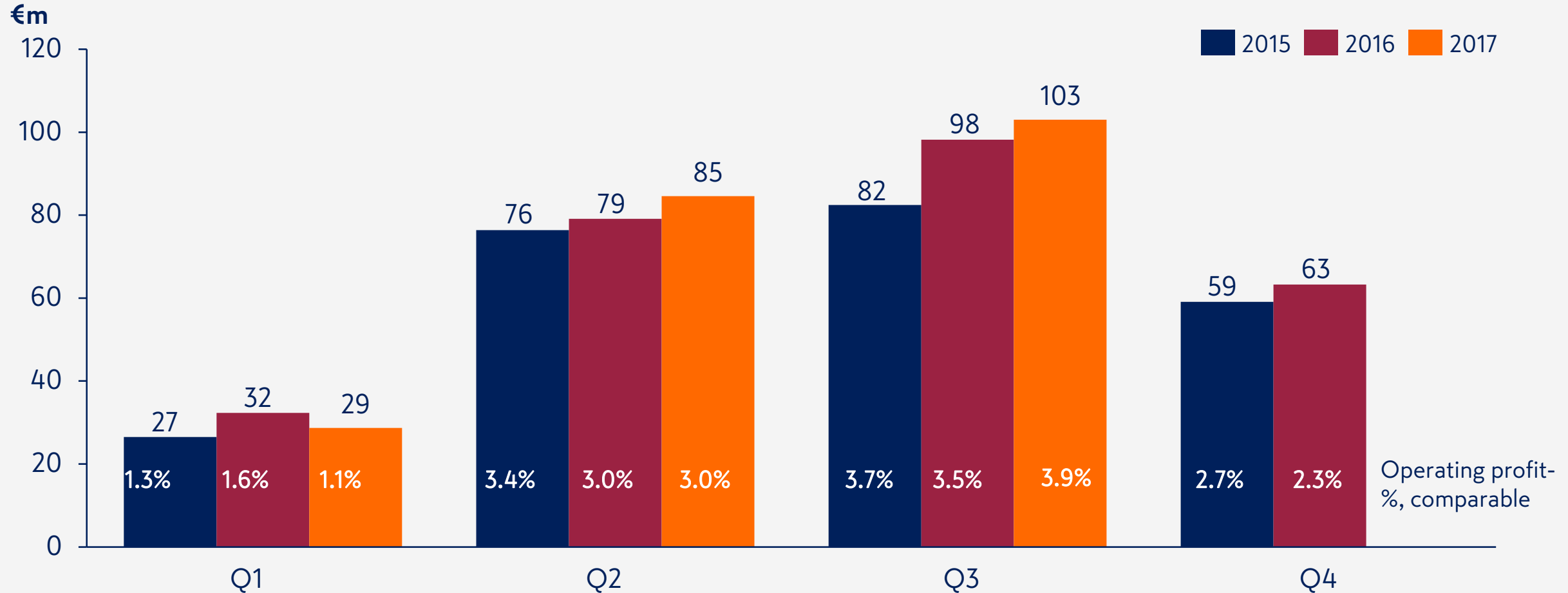
Net Sales by Quarter

Q3/2017 -5.2%, in comparable terms +1.8%



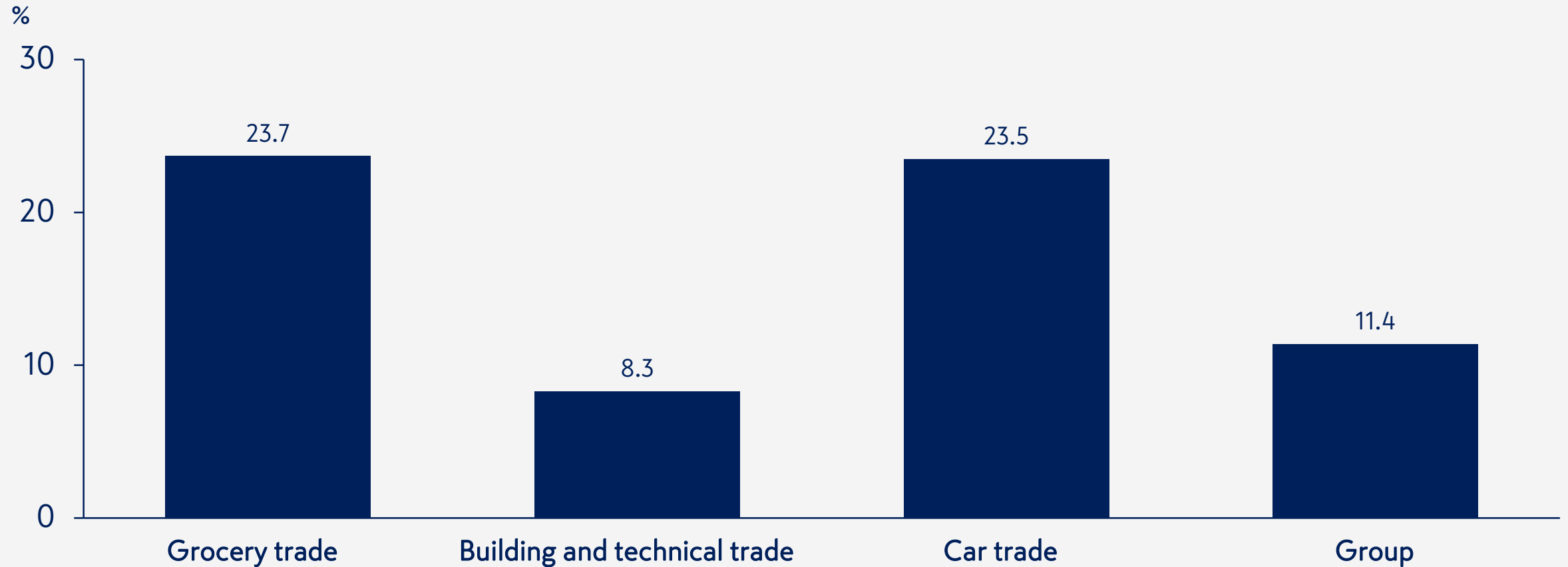
Operating Profit by Quarter

Comparable



Return on Capital Employed 11.4%

Comparable ROCE, rolling 12 months



Strong Financial Position

	30 September 2017	30 September 2016
Equity ratio, %	49.1	47.9
Liquid assets, €m	370	245
Interest-bearing net debt, €m	159	299
Interest-bearing net debt / EBITDA, rolling 12 months	0.4	0.8
Cash flow from operating activities, Q3, €m	102.1	80.2
Cash flow from operating activities per share, Q3, €	1.03	0.81
Cash flow from investing activities, Q3, €m	-52.3	-47.6
Capital expenditure, gross, Q3, €m	62.7	73.6



Grocery Trade



Grocery Trade

The market

- Recovery in Finnish economy supports growth in trading sector, increased emphasis on quality and product selection
- Moderate growth in grocery consumer prices, +0.2% in Q3/2017

Highlights Q3

- Reworking of K-food store chains well under way
- Sales and customer flows growing for all chains
- Profitability improved thanks to good sales development, synergy benefits and divestment of Russian operations
- Integration of Suomen Lähikauppa and resulting synergy benefits have materialised sooner than anticipated, transfer of stores to retailers expected to be completed ahead of schedule by the end of H1/2018

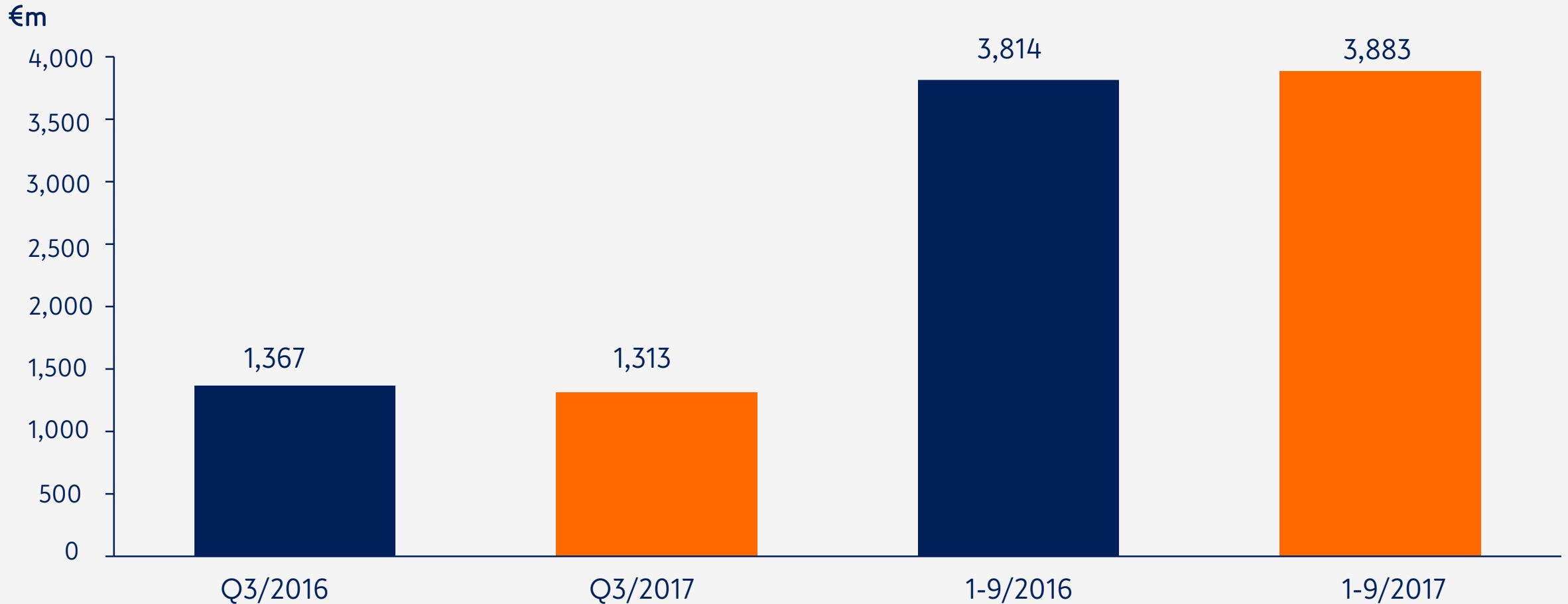
K-Citymarket's Renewal Strengthens the Chain's Market Position

- Progress in new concept implementation: 27 stores of 81 renewed (9/2017)
- Store-specific business ideas: each K-Citymarket is different
- Fresh foods departments renewed, strong sales development especially in the fruit and vegetable and fish sections
- Changes in non-food product selection: cosmetics, clothing, home textiles; Hemtex24h and Mywear collections launched in Q3
- Development of services continues: food online store, self-service checkouts, parcel, telecom subscription and car wash services



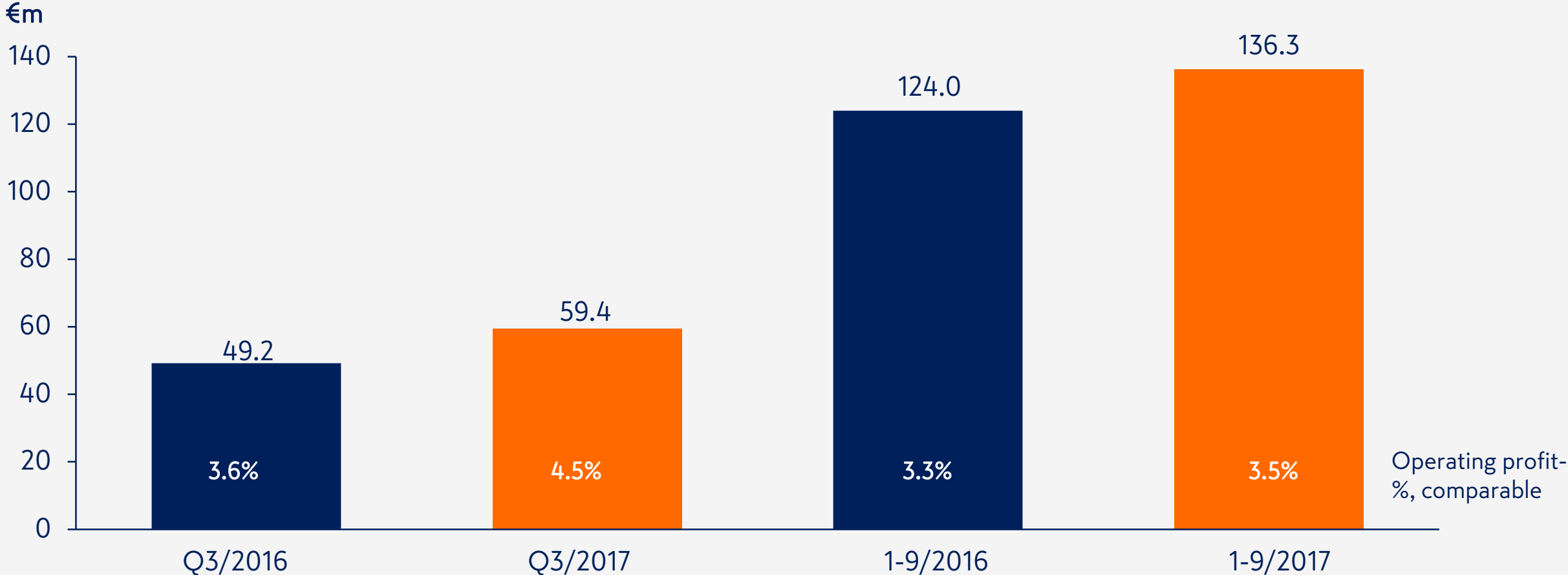
Grocery Trade Net Sales

Q3/2017 -4.0%, in comparable terms +2.4%



Grocery Trade Operating Profit

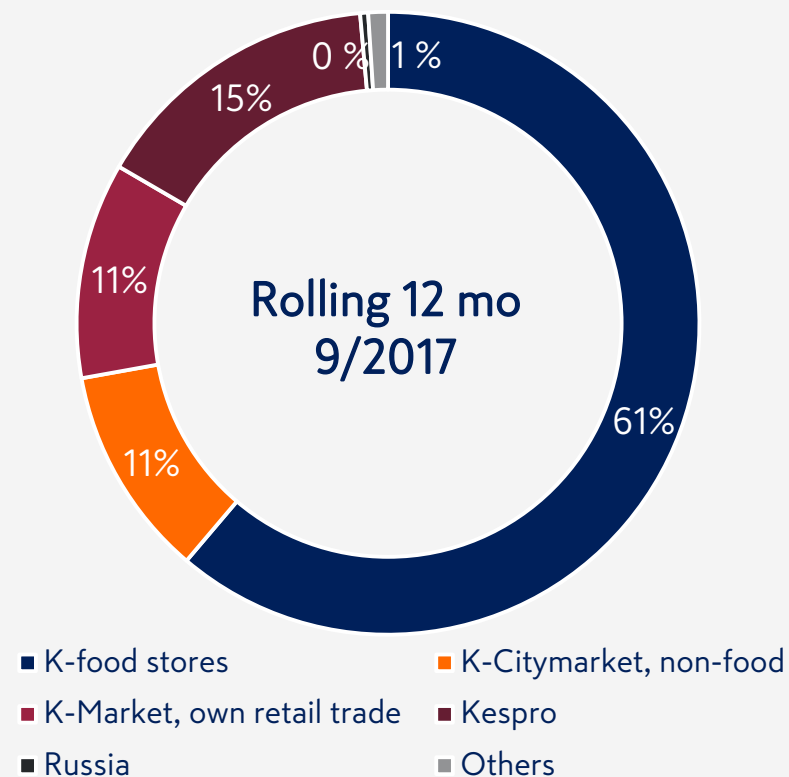
Comparable



Grocery Trade Key Figures

	Q3/2016	Q3/2017	Rolling 12 mo 9/2017
Net sales	€1,367m	€1,313m	€5,305m
Operating profit*	€49.2m	€59.4m	€188.2m
Operating margin*	3.6%	4.5%	3.5%

* Comparable



Grocery Trade Store Network

	Retail sales pro forma rolling 12 mo 9/2017 €m, VAT 0%	# stores at 9/2017	Concept
K CITYMARKET	1,534+578=2,112	81	Hypermarket
K Supermarket	1,809	231	Supermarket
K Market *	1,808	822	Neighbourhood store
Neste K and others**	162	156	Service station

Additionally, rolling 12 mo 9/2017 retail sales for Kespro €812m

* 2016 sales include sales for K-Market, Siwa and Valintatalo chains

** Including online stores

In 2016, the Finnish grocery trade market was worth app. €16.8bn (incl. VAT)



Building and Technical Trade



Building and Technical Trade

The market

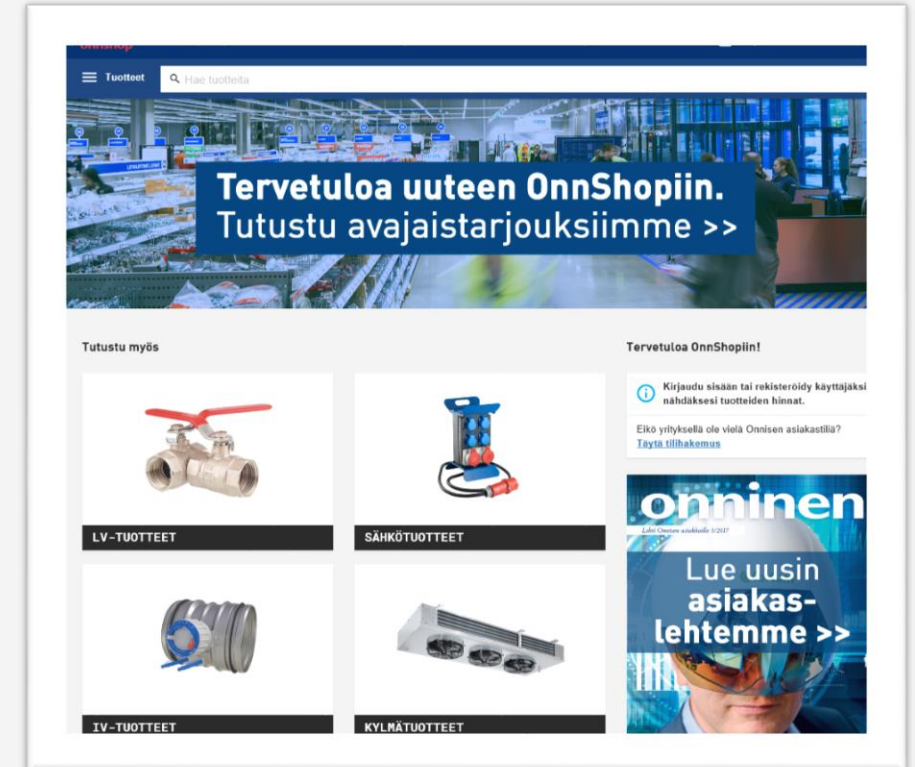
- Growth in B2B business is expected to continue stronger than growth in B2C
- Market in Nordic countries and the Baltics expected to grow, but at a somewhat slower rate

Highlights Q3

- Net sales excluding the speciality goods trade increased in comparable terms by 3.2%, driven by B2B trade
- Growth in Finland continued strong for both Onninen and K-Rauta
- Kesko Senukai's profit burdened by renewals and expansions in store site network in the Baltics and Belarus
- Sales and operating profit in the speciality goods trade diminished by divestments made in H1/2017

Solid Progress Made in Onninen's Integration

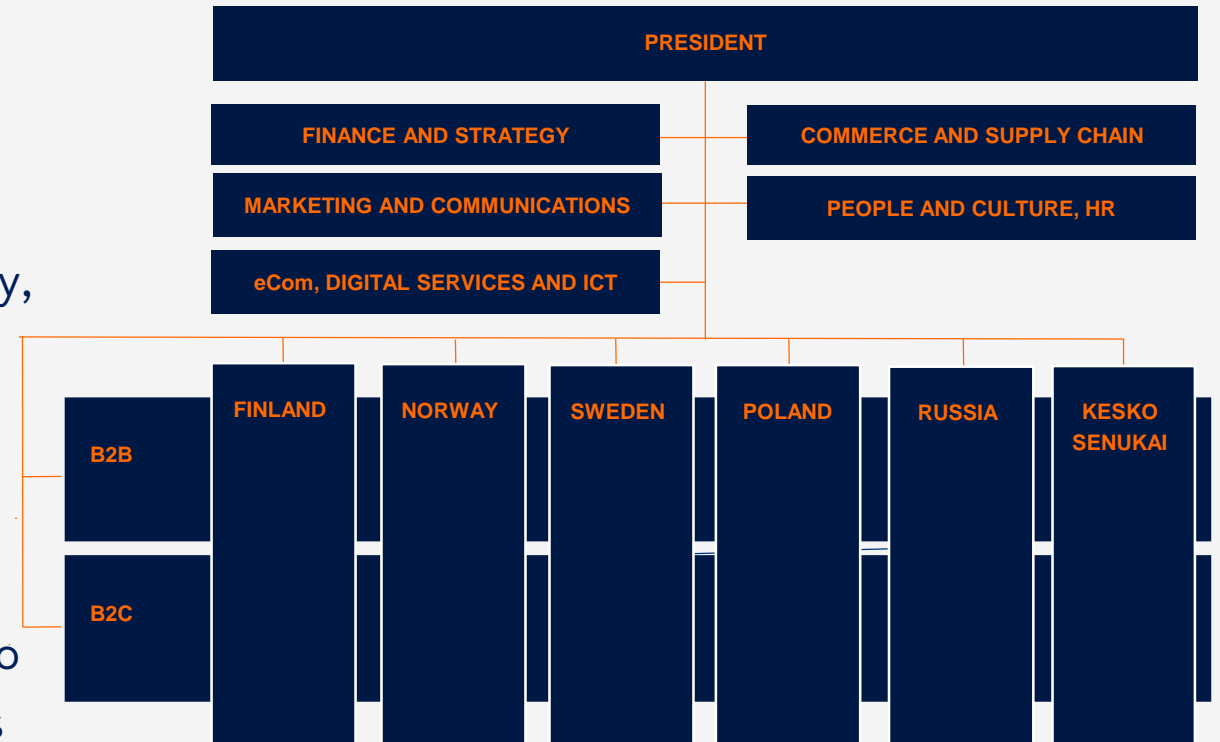
- Continued growth in sales and operating profit
- Strong position and positive development in Finland
- Good progress in measures to improve profitability in Poland
- Losses reduced in Sweden, profitability measures continue
- Integration focus on the customer interface, supported by investments in digital customer service channels



12 October 2017: launch of new OnnShop online store for professionals

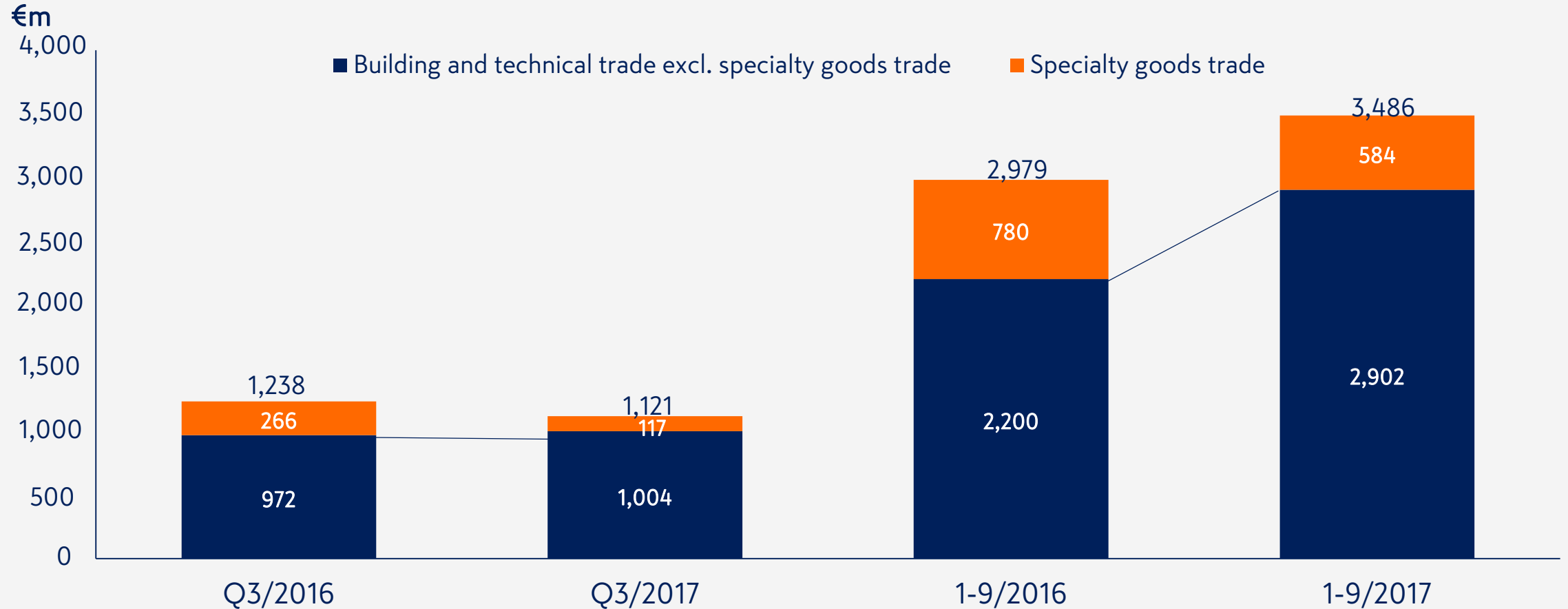
New Organisation Structure for the Division

- Changes to organisation structure and responsibilities to strengthen growth and profitability in Northern Europe
- Increased emphasis on local companies in each country, supported by shared functions
- Finland a separate profit unit
- A joint commerce organisation for the whole division to ensure efficient sourcing and improve competitiveness



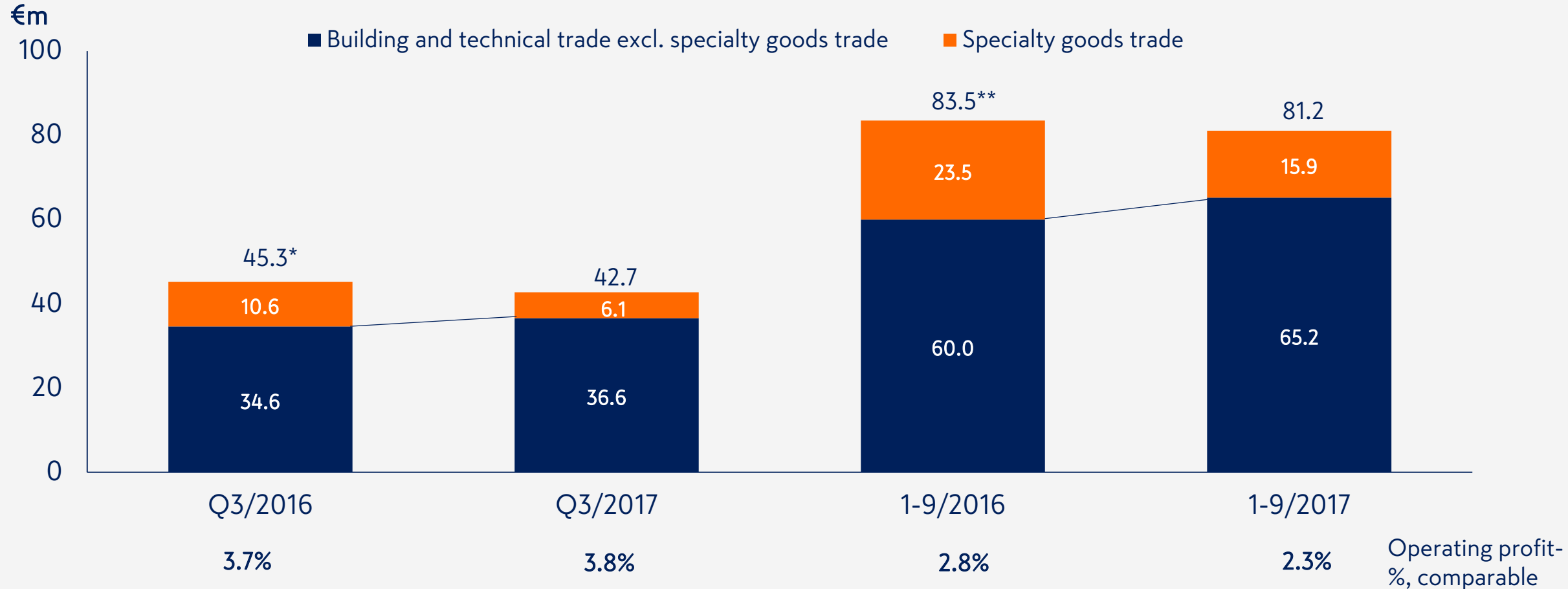
Building and Technical Trade Net Sales

Q3/2017 -9.4%, in comparable terms +0.8%



Building and Technical Trade Operating Profit

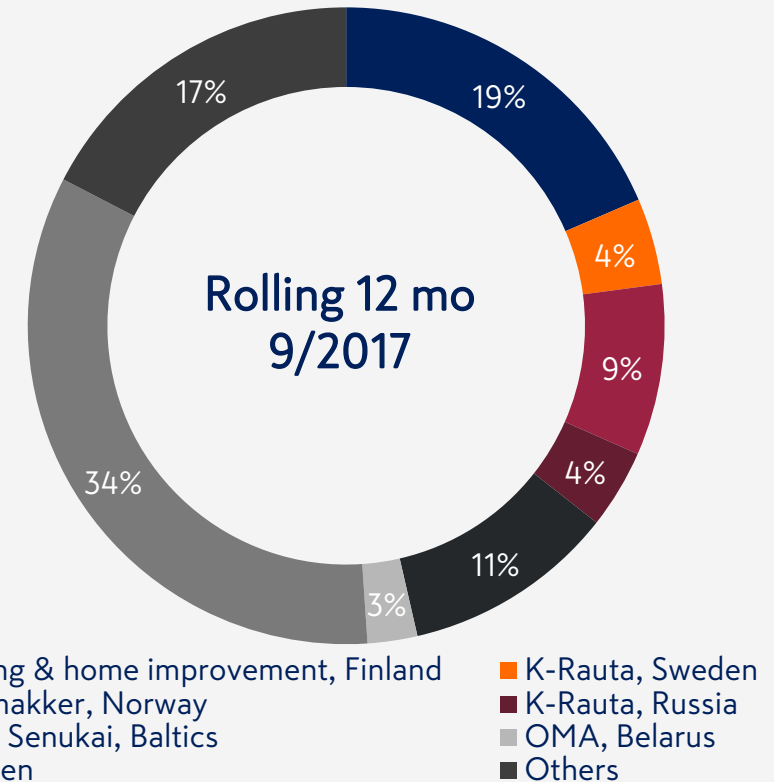
Comparable



Building and Technical Trade Key Figures

	Q3/2016	Q3/2017	Rolling 12 mo 9/2017
Net sales	€1,238m	€1,121m	€4,607m
Operating profit*	€45.3m	€42.7m	€95.7m
Operating margin*	3.7%	3.8%	2.1%

* Comparable





Car Trade



Car Trade

The market

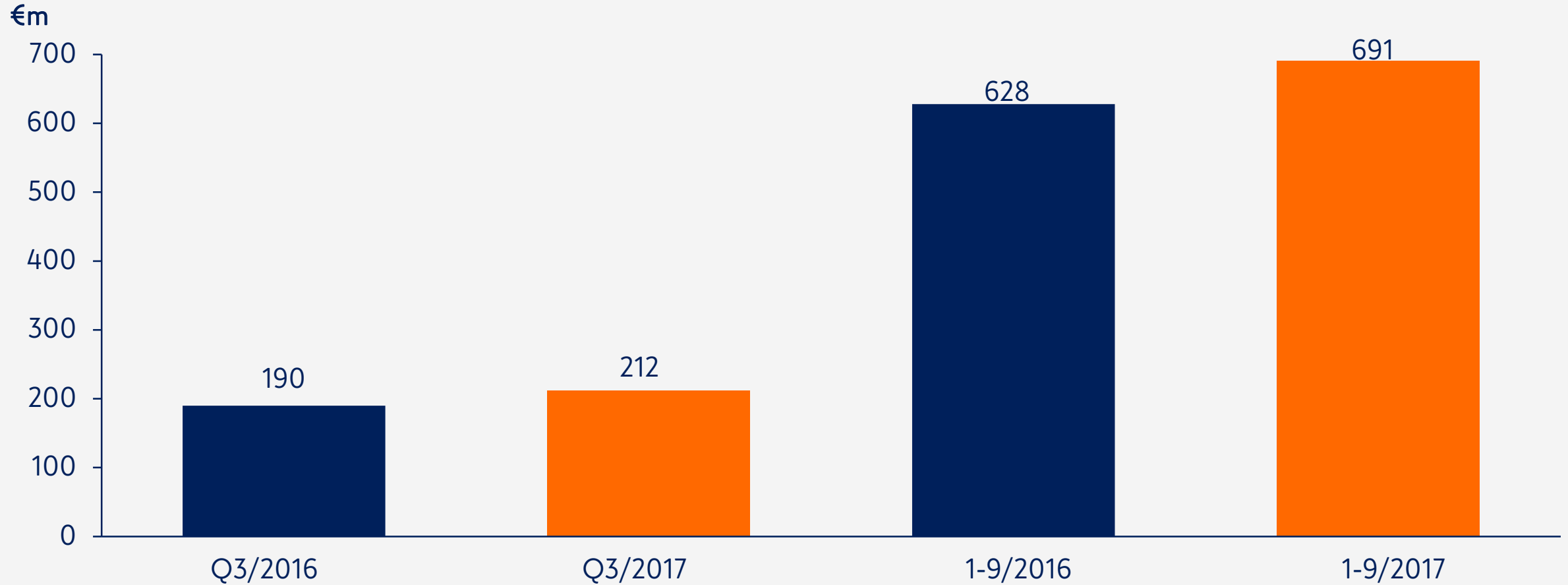
- Registrations rising, positive economic development has strengthened the sales of vans in particular
- Renewal of Finnish car stock possibly to be expedited with scrapping premiums – campaign begins at the start of 2018

Highlights Q3

- Sales and profitability in car trade continued to develop positively
- Combined market share of passenger cars and vans rose to 18.5% (17.2%)
- Positive development in Porsche business continued
- SEAT sales began in all own retail outlets

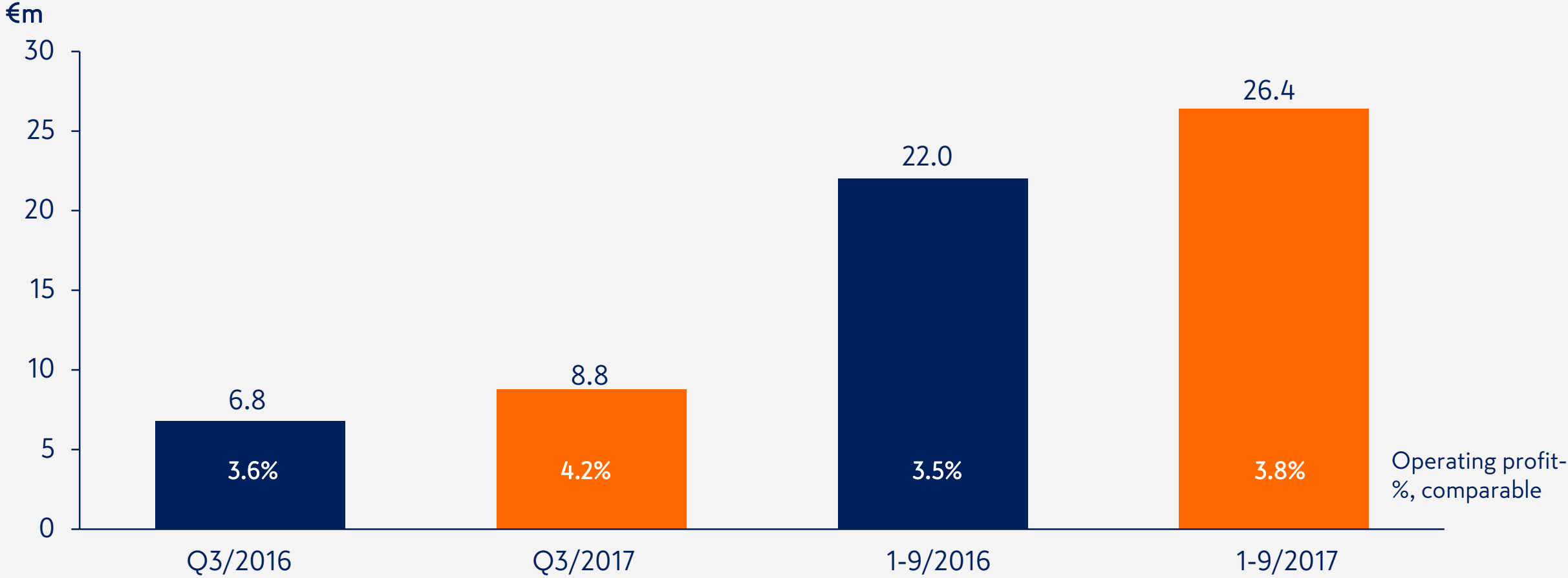
Car Trade Net Sales

Q3/2017 +12.0%, in comparable terms +3.2%



Car Trade Operating Profit

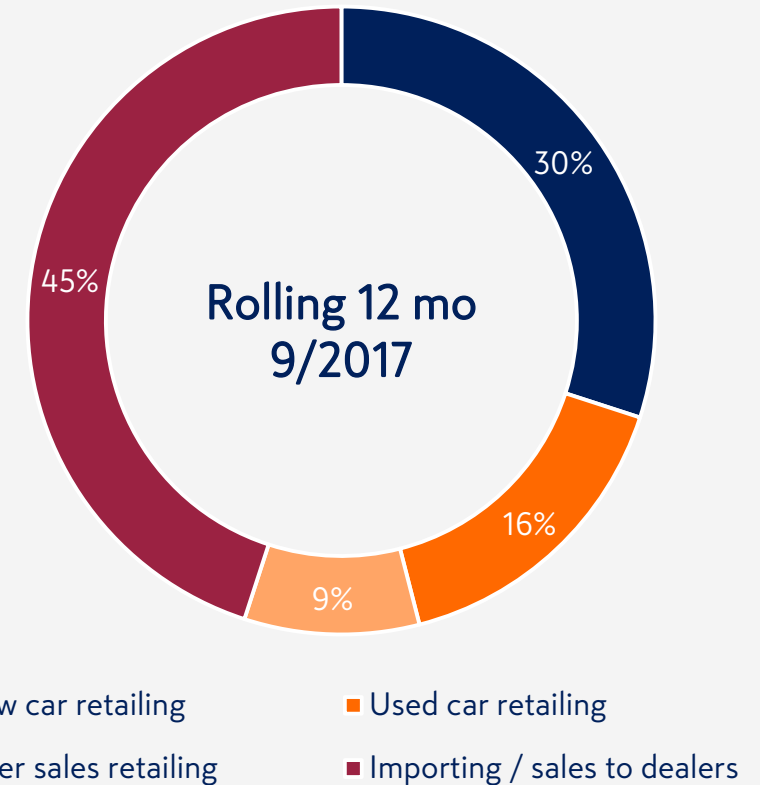
Comparable



Car Trade Key Figures

	Q3/2016	Q3/2017	Rolling 12 mo 9/2017
Net sales	€190m	€212m	€913m
Operating profit*	€6.8m	€8.8m	€33.9m
Operating margin*	3.6%	4.2%	3.7%

* Comparable





Outlook



Outlook

Estimates for the outlook for Kesko Group's net sales and comparable operating profit are given for the 12-month period following the reporting period (10/2017-9/2018) in comparison with the 12 months preceding the end of the reporting period (10/2016-9/2017).

In comparable terms, the net sales for the next 12 months are expected to exceed the level of the previous 12 months. Due to divestments and restructuring, Kesko Group's net sales for the next 12 months are expected to fall below the level of the previous 12 months.

The comparable operating profit for the next 12-month period is expected to exceed the level of the preceding 12 months.

Upcoming Events

1 February 2018:

Financial statements release 2017

Week 10:

Annual report 2017

11 April 2018:

Annual General Meeting
– date to be confirmed

25 April 2018:

Q1/2018 interim report

25 July 2018:

Q2/2018 half year financial report

24 October 2018:

Q3/2018 interim report

Sales figures published monthly

www.kesko.fi/investor

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