



Kesko's Half Year Financial Report Q2/2019

All-time Best Q2 Result: Strong Growth Strategy Execution Increased Net Sales and Improved Profit Further

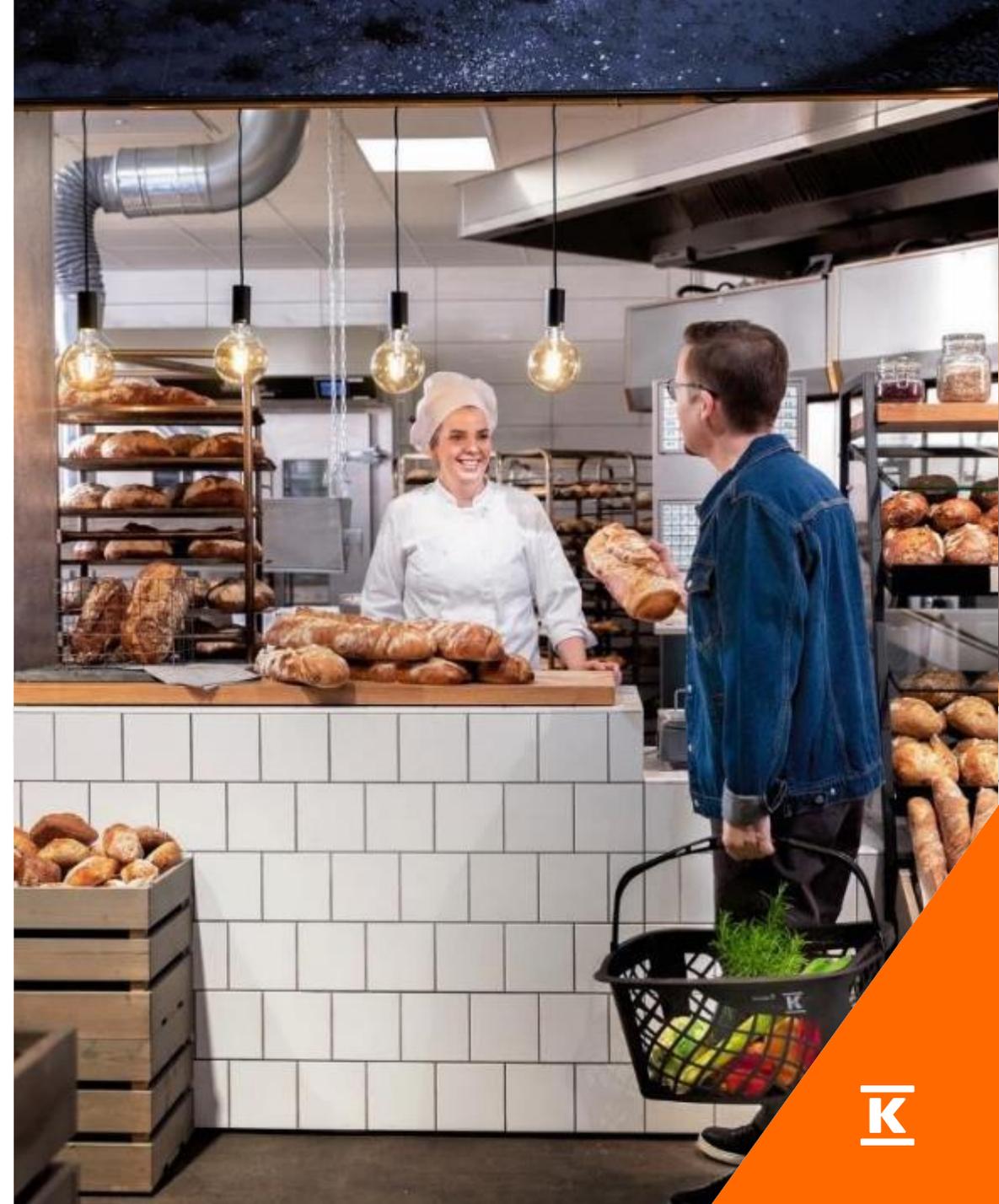
Mikko Helander, President and CEO

24 July 2019



Highlights Q2/2019

- Strong strategy execution increased net sales and improved profit further
- Growth in the grocery trade division still clearly outpacing the market
- Sales grew and profit increased in the building and technical trade division
- Acquisition of the Fresks building and home improvement store chain completed in Sweden
- Acquisition of Laakkonen's Volkswagen, Audi and SEAT businesses completed on 1 July 2019
- New main office building K-Kampus opened



Key Performance Indicators

Strong strategy execution increased net sales and improved profit further

	Q2/2019	Q2/2018	1-6/2019	1-6/2018
Net sales, €m	2,781.4	2,672.7	5,182.2	5,085.9
Change in net sales, comparable, %	+2.1	+4.0	+0.8	+3.7
Operating profit, €m	122.5	113.2	179.9	177.0
Operating margin	4.4	4.2	3.5	3.5
Finance net, €m*	-23.1	-26.1	-46.8	-51.4
Profit before tax, €m	99.2	85.0	133.8	123.3
Earnings per share, basic, €	0.73	0.60	1.06	0.94

Comparable figures, continuing operations

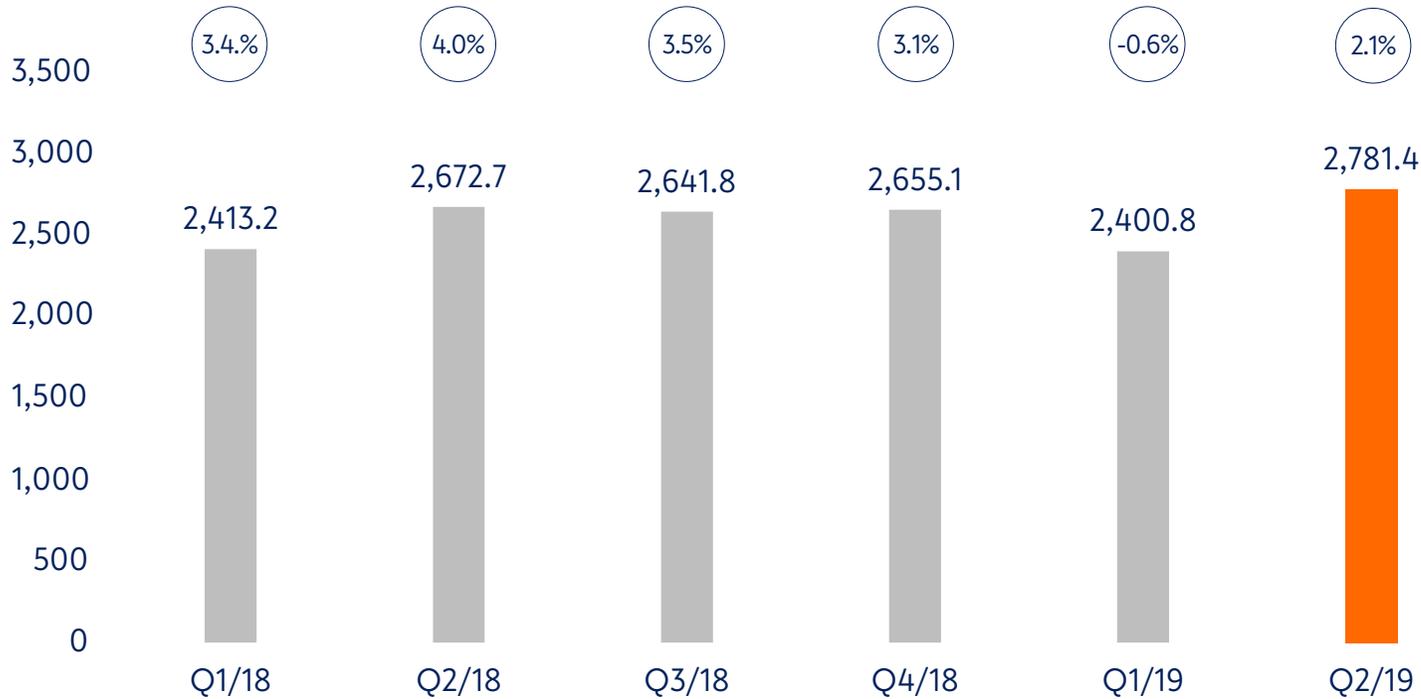
* Includes interest expenses for lease liabilities: 4-6/2019 €24.2m (€25.2m); 1-6/2019 €48.8m (€50.6m)

Net Sales

Q2 net sales up by 4.1%, comparable growth 2.1%

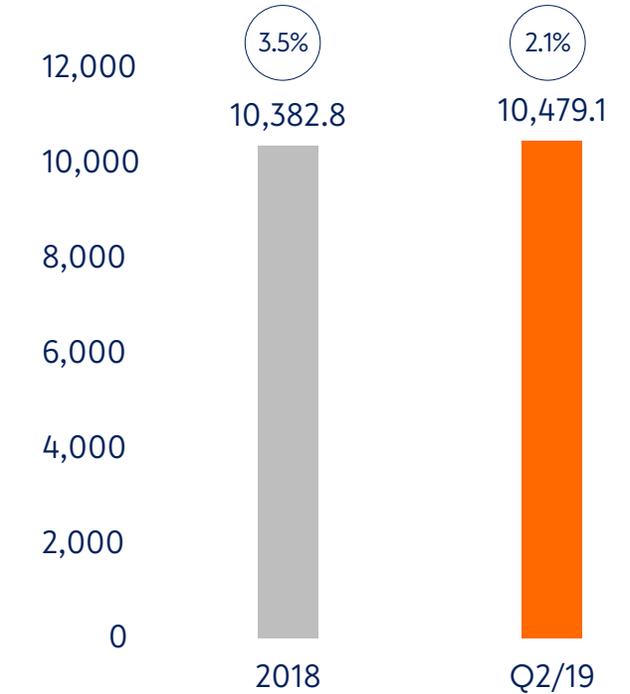
(%) Comparable growth

€m



Rolling 12 months

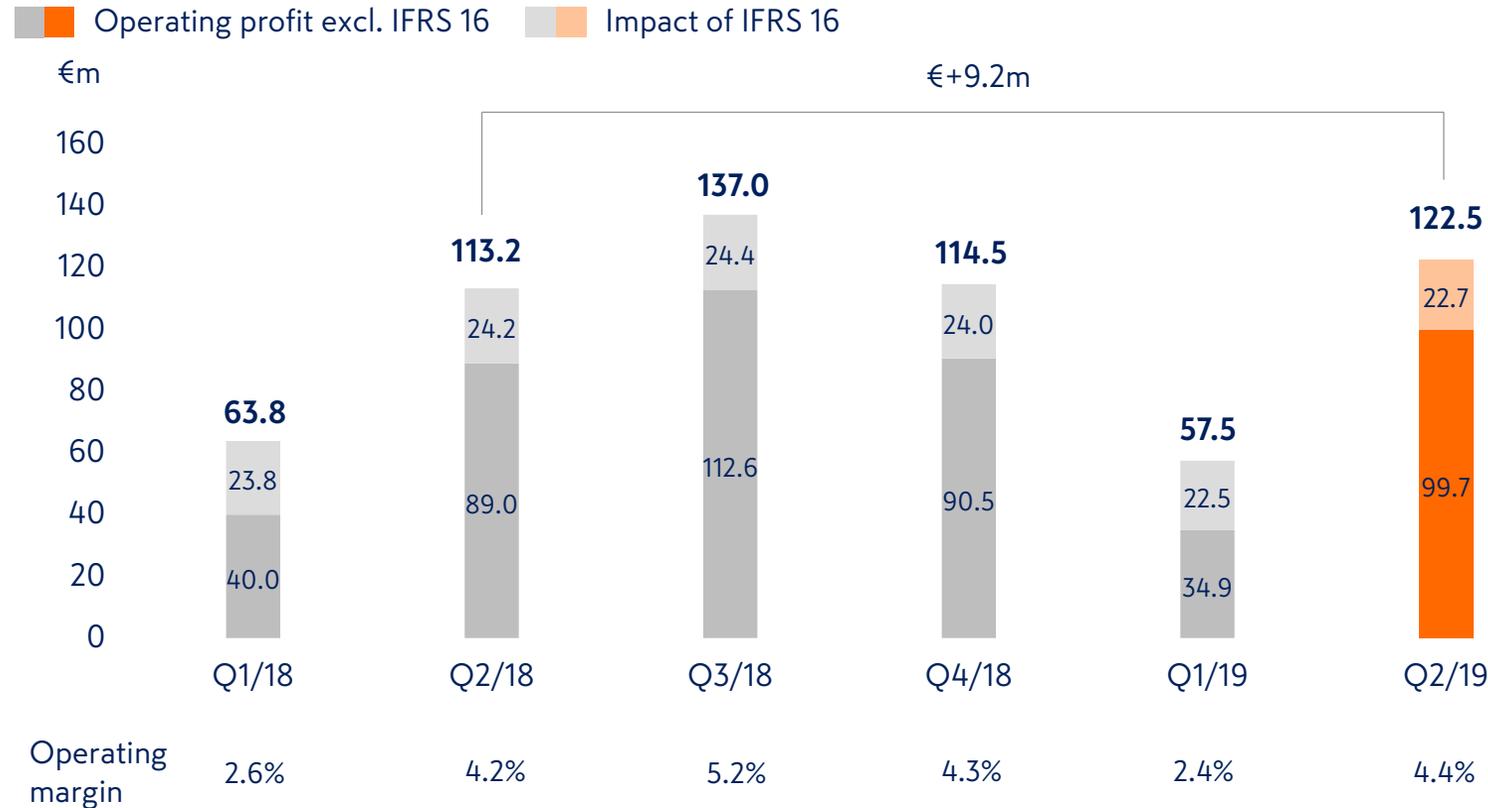
€m



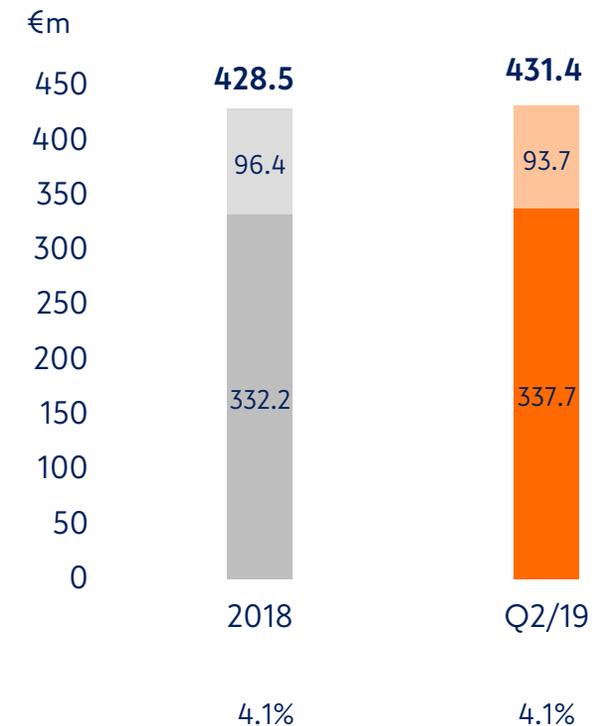
Continuing operations

Operating Profit

Q2 operating profit grew by €9.2 million



Rolling 12 months



Comparable operating profit, continuing operations

Strong Financial Position

Acquisitions and investments totalling €471 million carried out in January-June

	30.6.2019	30.6.2018
Liquid assets, €m	200.6	446.1
Interest-bearing net debt excl. lease liabilities, €m	439.6	145.7
Interest-bearing net debt/EBITDA (excl. IFRS 16 impact)	1.0	0.4
Lease liabilities, €m	2,351.6	2,199.1
Continuing operations Q2:		
Cash flow from operating activities, €m	271.4	215.7
Cash flow from operating activities (excl. IFRS 16 impact), €m	190.7	139.8
Capital expenditure, €m	*373.4	74.2

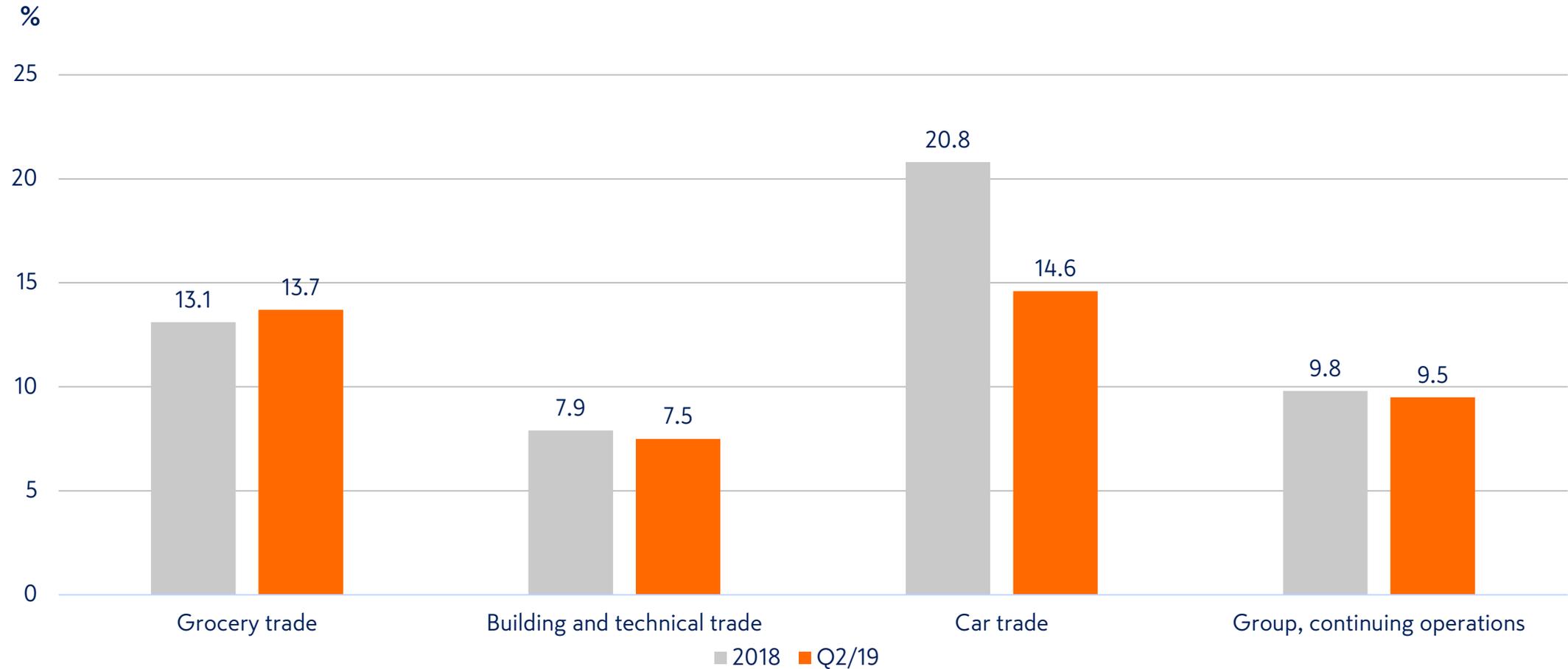
* Acquisitions €207.5 million

Investments in Line with Growth Strategy 1-6/2019

	1-6/2019, €m
Sørbø's building and home improvement stores in Norway and Fresks building and home improvement store chain in Sweden	234
Volkswagen, Audi and SEAT businesses of Huittisten Laatuauto and LänsiAuto	11
Kruunuvuoren Satama, store sites	86
Other store site investments	69
IT and other investments	71
Total	471

Return on Capital Employed 9.5%

Comparable, rolling 12 months





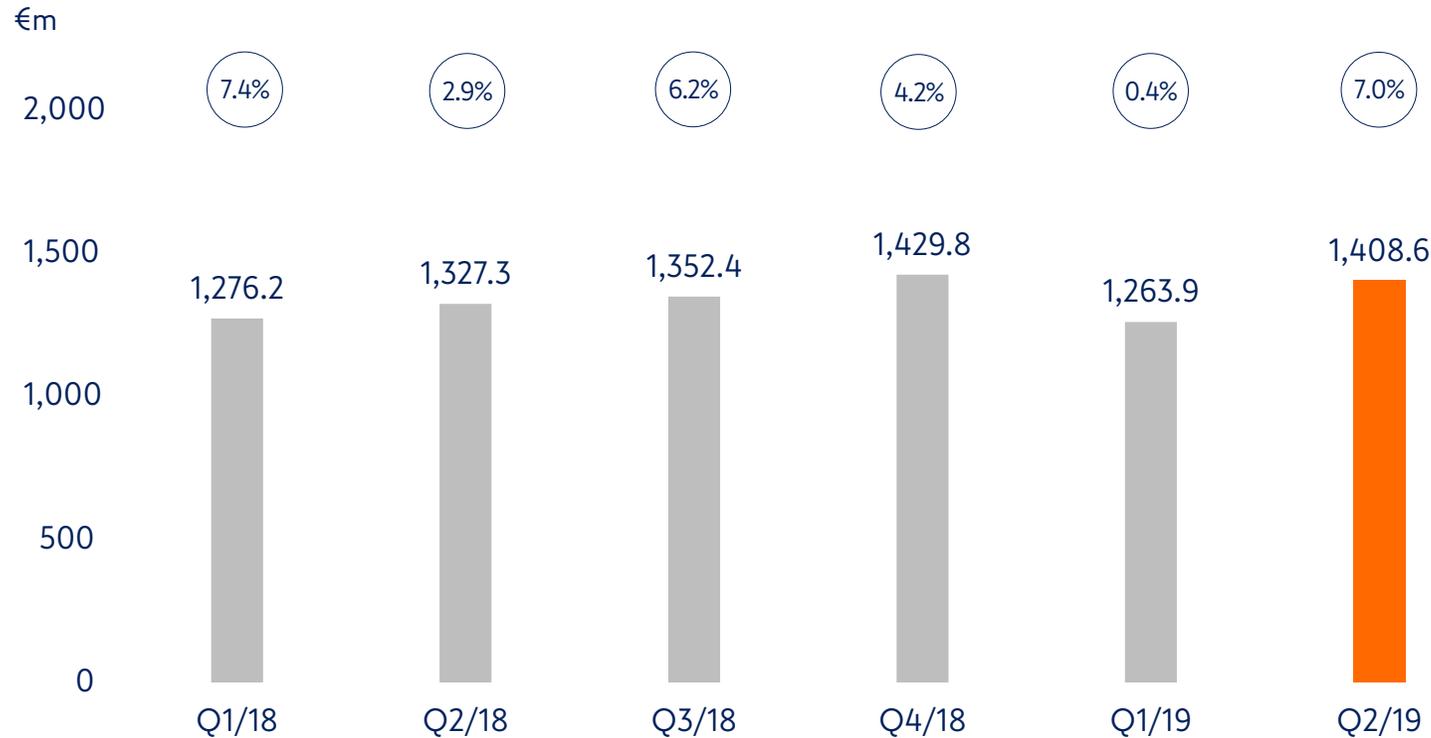
Grocery Trade



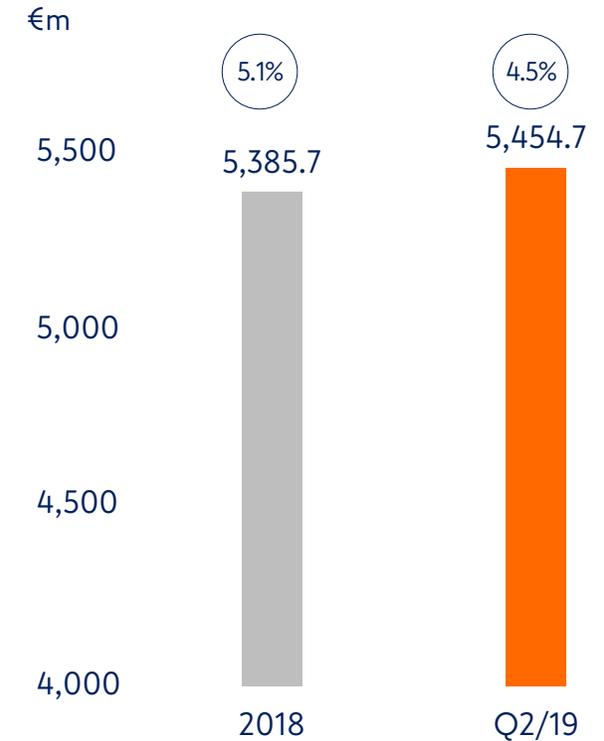
Grocery Trade Net Sales

Net sales growth in Q2 continued strong, comparable growth 7.0%

⊖ Comparable growth

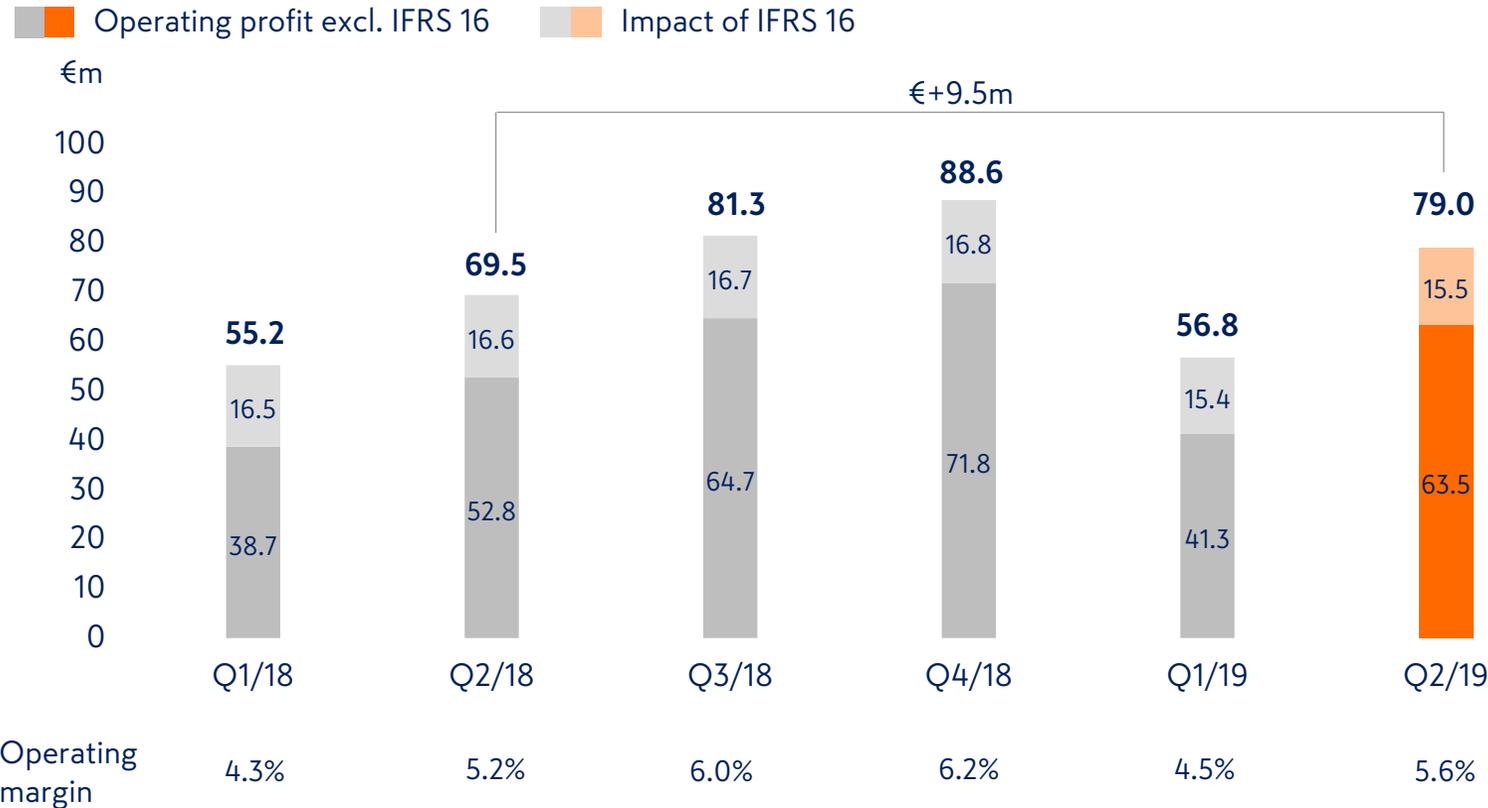


Rolling 12 months

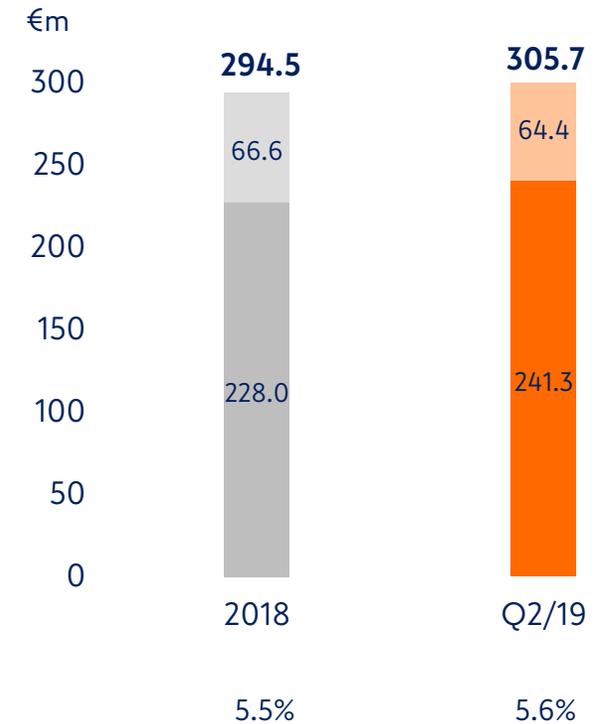


Grocery Trade Operating Profit

Operating profit improved further in Q2, growth €9.5 million



Rolling 12 months



Comparable operating profit

Grocery Trade

The market

- Total market growth* 4.2% in Q2, 2.4% in H1
- Q2 sales boosted by the timing of Easter, which fell on April this year
- Grocery prices up by approx. 1.5%
- Consumers value quality and convenience, prices still important
- Growth the strongest online, eating out and foodservice also growing

Q2

- K Group's grocery sales +6.6%, growth clearly outpacing the market
- Customer numbers grew in all chains
- Strong growth continued in online sales of groceries, +119%
- Profitability boosted by growth in sales and good cost-efficiency

* The Finnish Grocery Trade Association PTY

Sales Growth Clearly Outpacing the Market – Based on Functional Strategy

- Good customer experience at the core of everything we do
- Strengthening K-retailer entrepreneurship as a competitive advantage
 - Store-specific business ideas – every K is different
 - Multi-store model – has increased the appeal of K-retailer entrepreneurship
- Efficient utilisation of customer data at the store and in all operations
- The acquisition and successful integration of Suomen Lähikauppa
- Redesigns for the whole store network and all chain brands
- Advanced digital services and rapidly growing online sales
- Backed by efficient processes: purchasing, logistics, IT





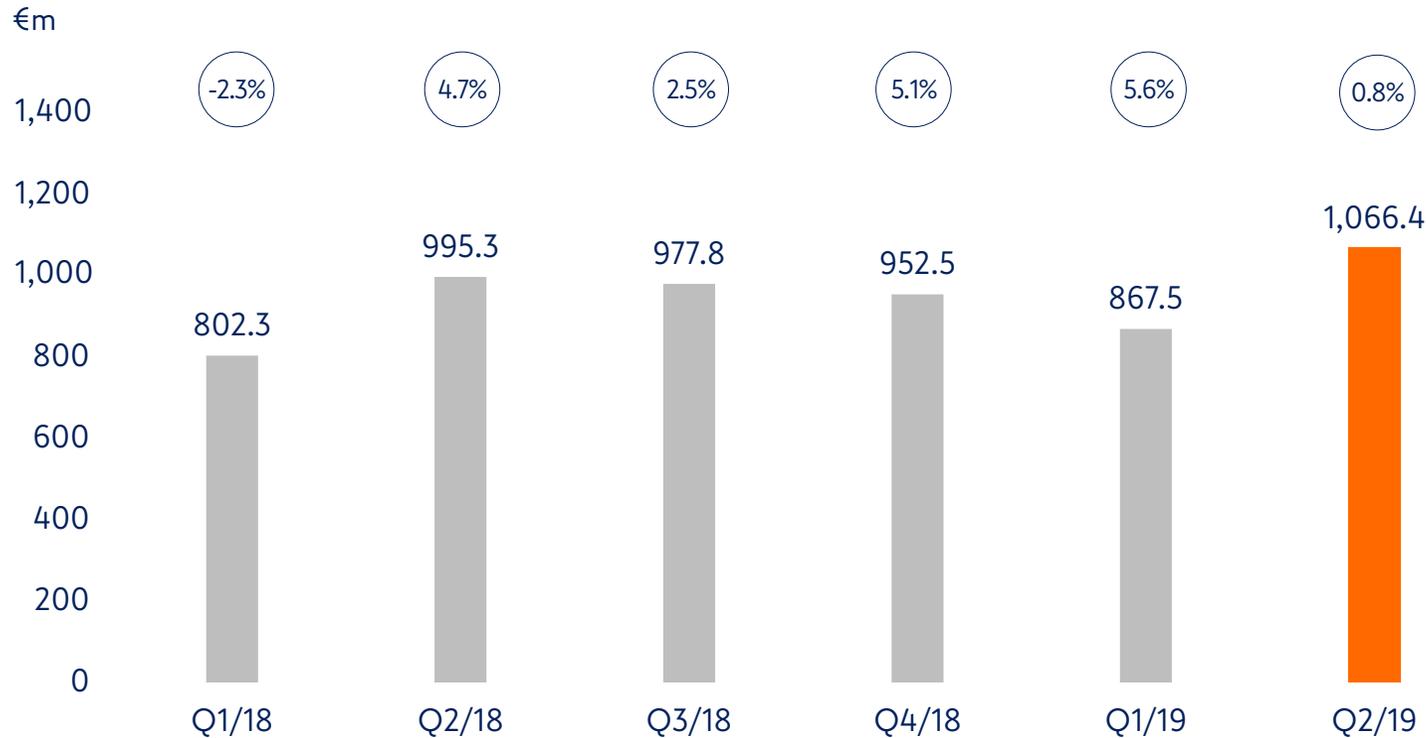
Building and Technical Trade



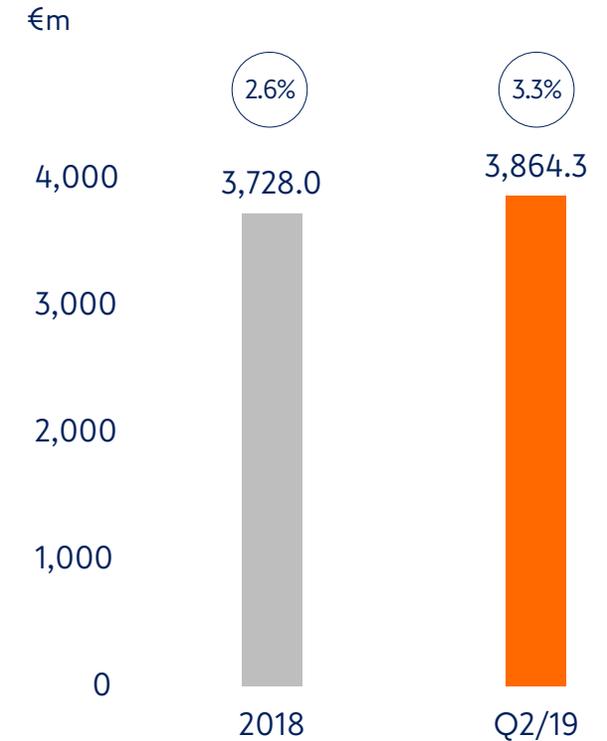
Building and Technical Trade Net Sales

Significant 7.1% growth in Q2 net sales, comparable growth 0.8%

⊗ Comparable growth



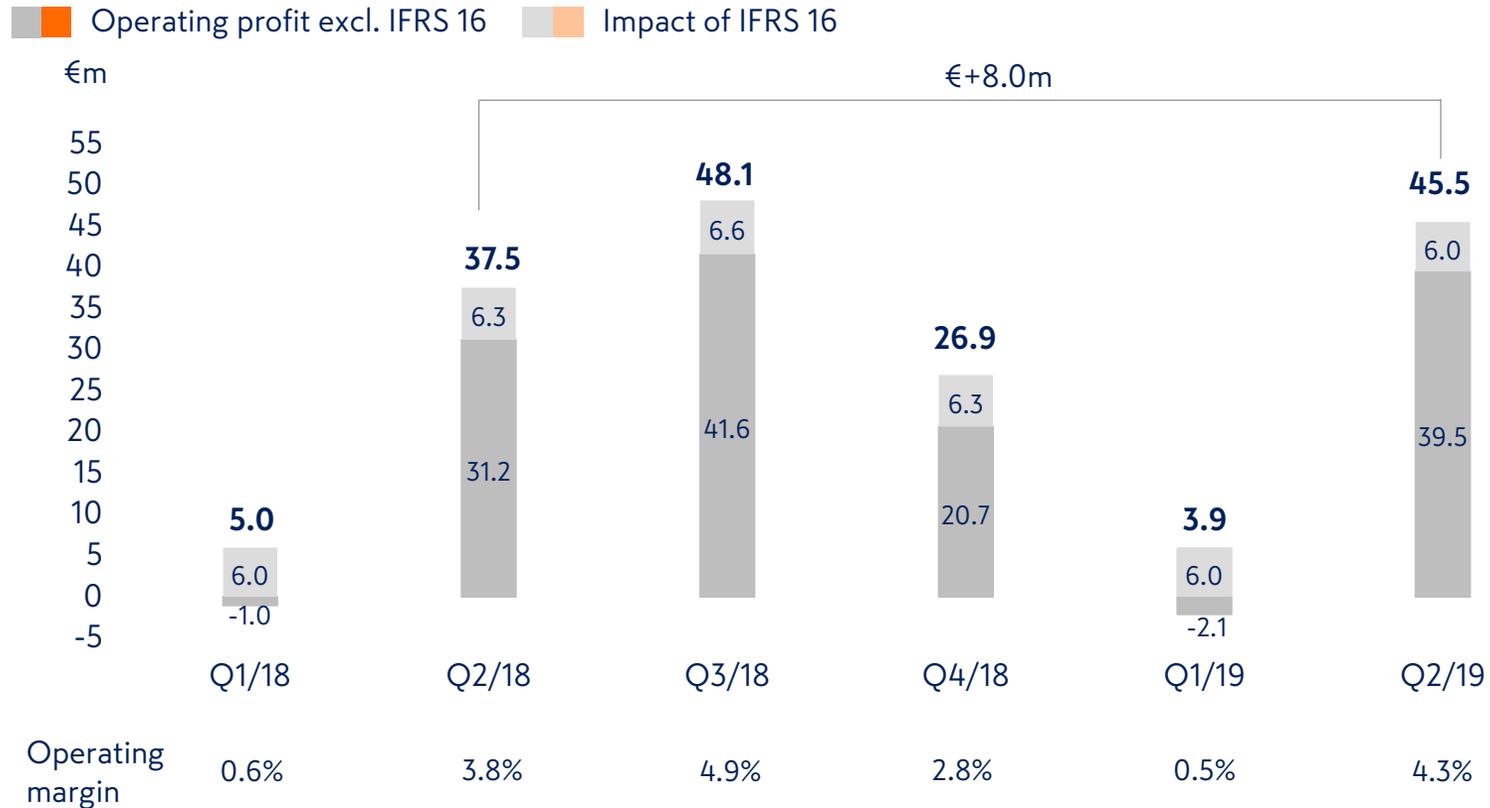
Rolling 12 months



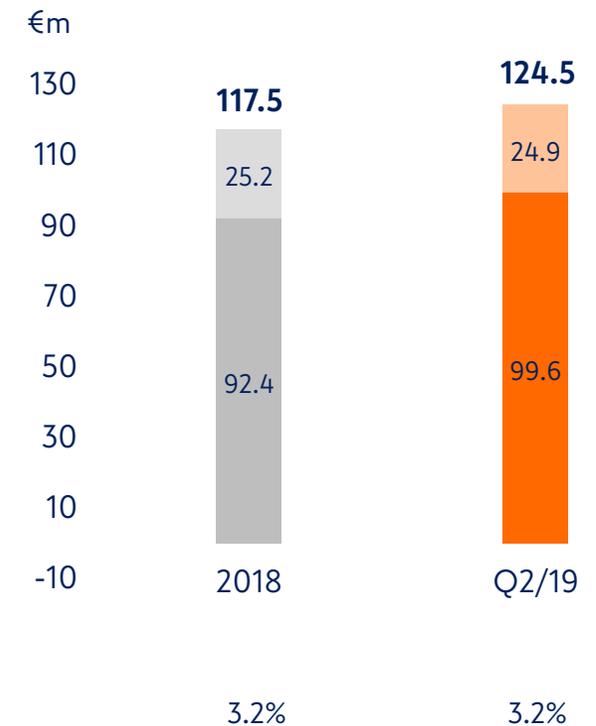
Figures excluding speciality goods trade

Building and Technical Trade Operating Profit

Significantly improved Q2 operating profit: growth €8.0 million, impact of acquisitions €5.6 million



Rolling 12 months



Comparable operating profit, figures excluding speciality goods trade

Building and Technical Trade

Excluding speciality goods trade

The market

- Focus shifting to renovation building
- Negative calendar impact in B2B trade due to the timing of Easter and number of selling days
- Market consolidation continues
- Stronger emphasis on digital services and online sales

Q2

- Net sales growth 7.1%, comparable growth 0.8%
- Growth the strongest in the Baltic countries, Sweden and Norway
- Comparable operating profit €45.5 million, up by €8.0 million. Impact of acquisitions €+5.6 million
- Extensive transformation programme in Sweden and the integration of the Fresks chain both proceeding according to plans

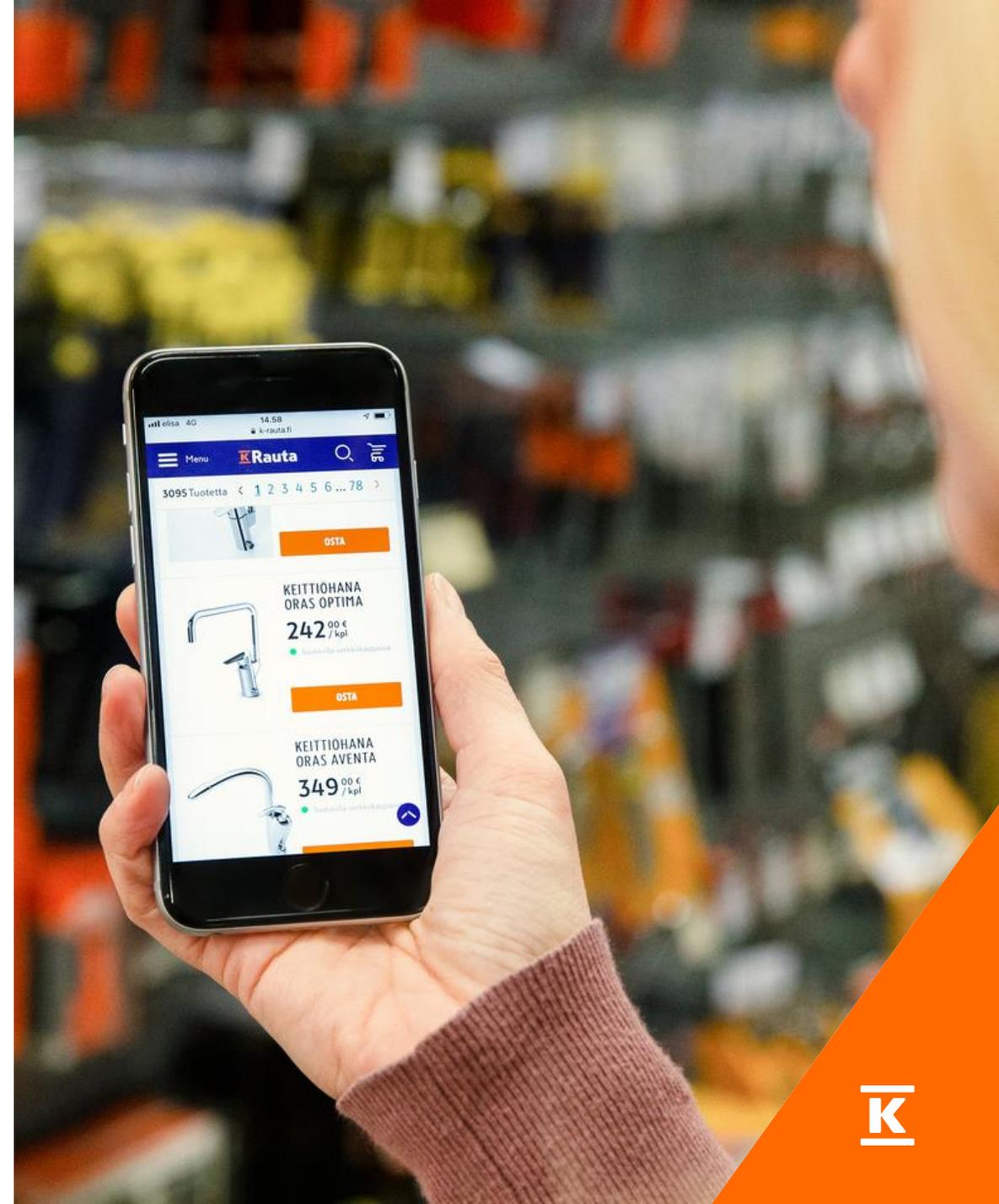
Fresks Has Significantly Strengthened Our Position in Sweden

- The acquisition of the Fresks building and home improvement store chain was completed in May
 - 2018 net sales €205 million and EBITDA €18 million
- The acquisition made us one of the leading building and home improvement store operators in Sweden
- Will clearly improve our profitability in Sweden – significant advantages of scale and synergies
- New K-Bygg brand especially aimed at professional builders



Growth in Online Sales at K-Rauta.fi 109%

- More delivery options for the customers
- Significant expansion of selection with home delivery
- Smartly-priced cargo transports for big and heavy deliveries
- Better utilisation of our extensive store network
 - 133 K-Rauta stores across the country, short transports
 - Click & collect service





Car Trade

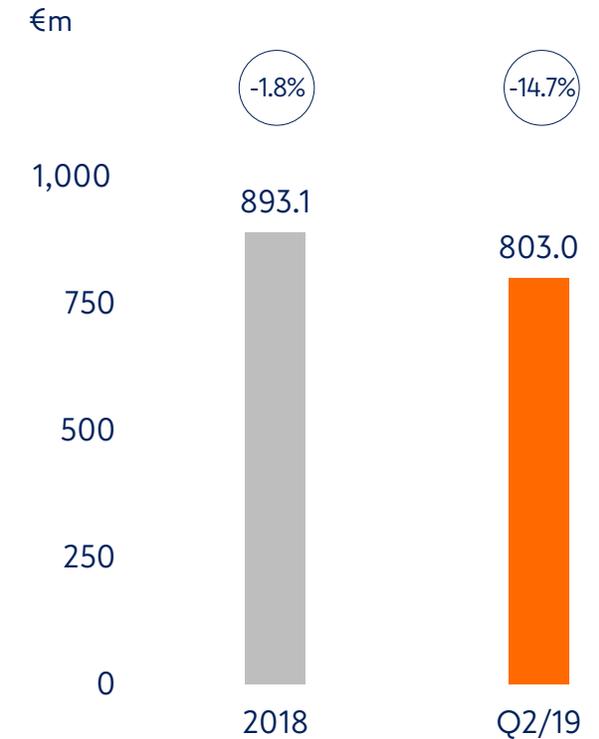


Car Trade Net Sales

Q2 net sales down by 13%, market remained challenging

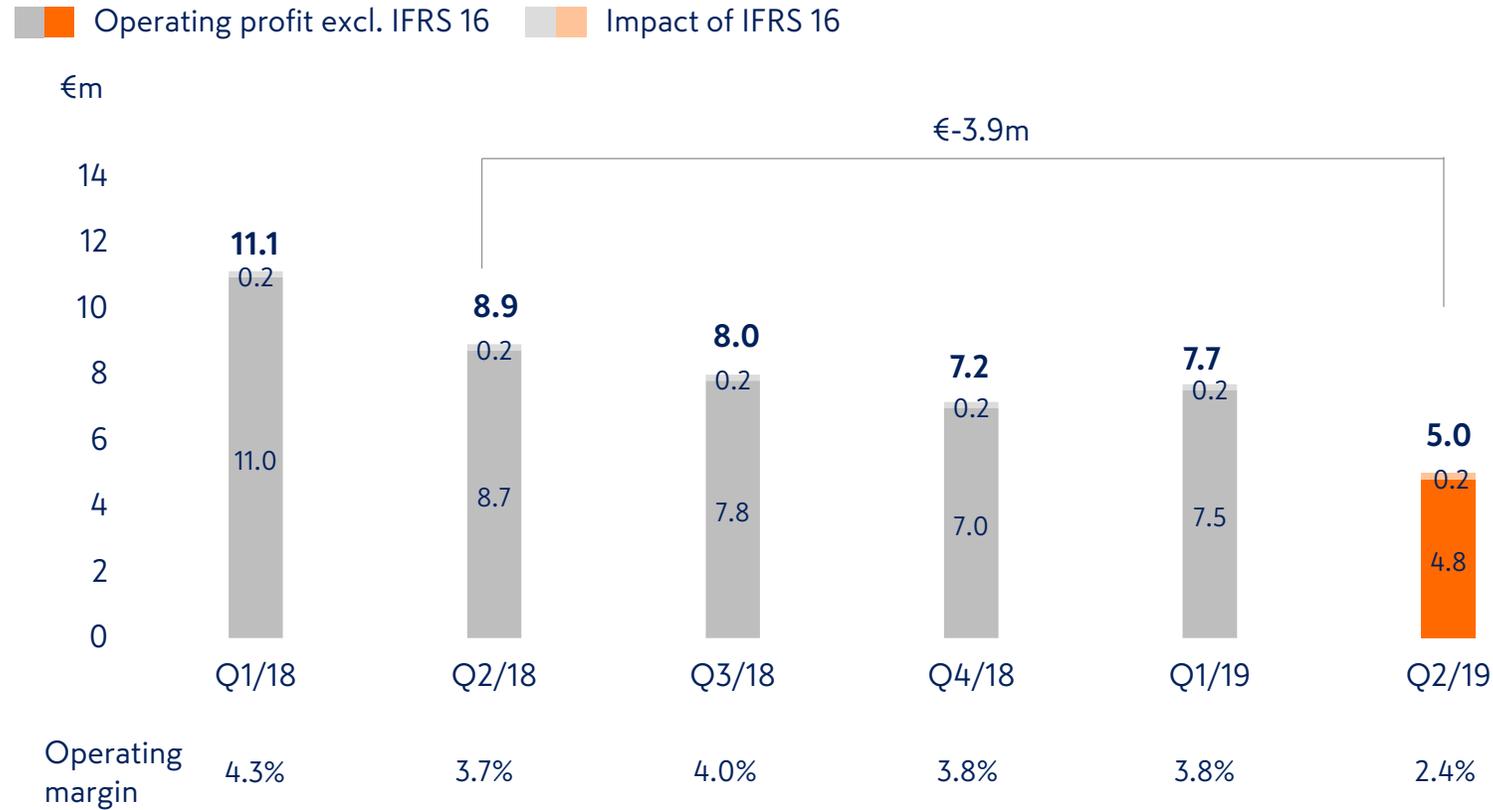


Rolling 12 months

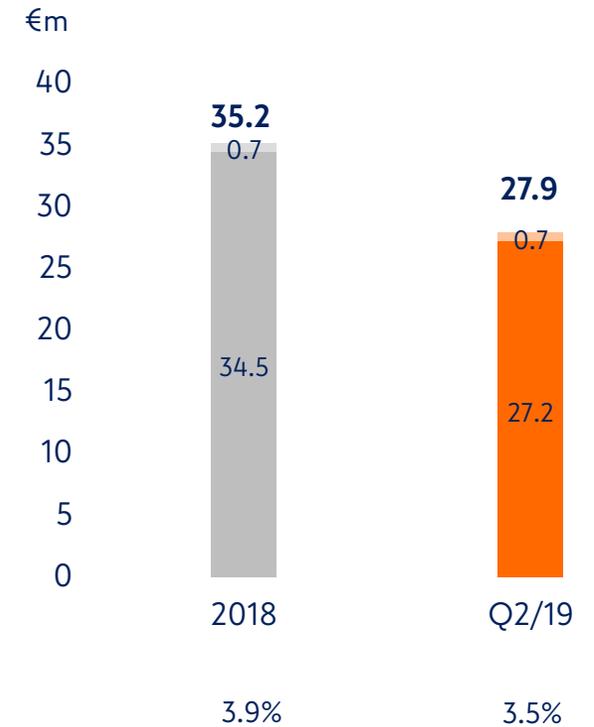


Car Trade Operating Profit

Q2 operating profit €5 million despite market disturbances



Rolling 12 months



Comparable operating profit, continuing operations

Car Trade

The market

- The implementation of WLTP emissions testing has caused significant disturbances in new car sales in Europe
- Consumer demand has also been weakened by uncertainties regarding car taxation and motive power
- First registrations of passenger cars and vans in Finland -11.4% in Q2, -13.0% in H1
- The market is expected to improve in H2

Q2

- Net sales and profitability decreased as a result of the decline in new car sales
- WLTP implementation has resulted in significant availability issues for the range, situation now improving
- We continue to expand our electric car charging network, 62 charging stations opened
- Leasing fleet has grown to 1,055 cars
- Acquisition of Laakkonen's Volkswagen, Audi and SEAT businesses completed on 1 July 2019

Strategic Strengthening of Sales Network Proceeding Well

- Acquisitions completed in 2019
 - Laakkonen Group's Volkswagen, Audi and SEAT businesses
 - Huittisten Laatuauto
 - LänsiAuto's Volkswagen, Audi and SEAT businesses
- 2018 pro forma net sales of the acquired businesses €355 million, operating profit €6.5 million
- Integration of the acquired businesses is proceeding according to plans
- The acquisitions enable more efficient sales and service network operations



Significant New Additions to the Range

- Porsche Taycan
- Audi Q5 TFSI e plug-in hybrid
- Bentley Bentayga Hybrid
- Volkswagen ID.3
- SEAT Mii electric
- etc...





Outlook

Outlook

Estimates for the outlook for the net sales and comparable operating profit for Kesko Group's continuing operations are given for the 12-month period following the reporting period (7/2019-6/2020) in comparison with the 12 months preceding the end of the reporting period (7/2018-6/2019). The outlook is based on the IFRS standards that took effect on 1 January 2019, and includes the impact of IFRS 16 Leases on the Group's comparable operating profit for both the 12-month period following the reporting period as well as the 12-month period preceding the reporting period.

The general economic situation and the expected trend in consumer demand vary in Kesko's different operating countries. In Finland, the trading sector is expected to grow. In the Finnish grocery trade, intense competition is expected to continue, although, as purchasing power increases, the importance of quality will be emphasised more than previously. In the building and technical trade, the growth in B2B sales is expected to continue stronger than the growth in the retail market. The market is expected to grow in the Nordic and Baltic countries, but at a somewhat slower rate.

In comparable terms, the net sales for continuing operations for the next 12 months are expected to exceed the level of the previous 12 months. The comparable operating profit for continuing operations for the next 12-month period is expected to exceed the level of the preceding 12 months.

New Main Office Building K-Kampus Opens

“More than 1,800 Kesko employees have moved to K-Kampus, our new main office building. Working in the new building enables increased collaboration across organisational boundaries, in the spirit of “one unified K”.”



K