



4 DECEMBER, 2019

Solid **K**-Performance





K Founding words
were spoken at Tampere
Fire Station in 1912



Kesko's story started
almost 80 years ago





Leading Retailer in Northern Europe



Retail sales of
over **€13 billion**



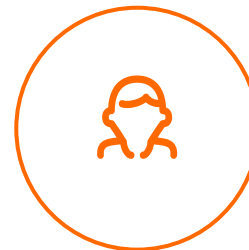
1.5 million
customers
every day



1,800 stores
in eight
countries



Purchases from
Finnish industry
€6.6 billion



Personnel
43,000

The World Is Changing Fast

Climate change



Digitalisation

Globalisation



Urbanisation

Growth Strategy

Focus:



Grocery trade



Building and technical trade



Car trade

One unified **K**

Sustainability
and combatting
climate change



Grocery Trade

Net sales Q3/2019, rolling 12 months

€5,505m

Number of stores, approx.

1,250



Building and Technical Trade

Leading operator in building and technical trade in Northern Europe

#1

Net sales Q3/2019, rolling 12 months

€4,314m

Number of stores in eight countries, approx.

430



Car Trade

Brands: Volkswagen, Audi, SEAT, CUPRA, Porsche and Bentley passenger cars, Volkswagen Commercial Vehicles and MAN trucks and busses

Net sales Q3/2019, rolling 12 months

€826m



Over 30 Acquisitions and Divestments

Investments in
growth
€2.3 billion

Divestments
€1.0 billion

Recent activity

- Acquisition of Heinon Tukku (pending)
- Acquisition of Fresks stores in Sweden
- Divestment of Onninen's contractor business in Sweden
- Strengthening the dealer network in car trade
- Strengthening the Bygghem chain in Norway
- Acquisition of the online retailer 1A in the Baltics
- Divestment of K-Rautas in Russia



Kesko's net sales Q3/2019

€2,804m

Growth compared to Q3/2018 6.1%

Kesko's comparable operating profit
Q3/2019

€152.0m

Growth compared to Q3/2018 €15.0m





Kesko's net sales Q3/2019
rolling 12 months

€10,641m

Growth since 2014 17.4%

Kesko's comparable operating profit
Q3/2019, rolling 12 months

€446.5m





Market share of K-food stores
rising strongly

36.1%

31.9% in 2014

Sales growth in Finland since 2014

Approximately **€1 billion**





K Group's role in building strong
K-Rauta's market share

42%

39.1% in 2014

Onninen's market share

36.3%

35.8% in 2014





Growth in core business net sales
since 2014

€2.9bn





Kesko's market capitalisation
has risen significantly

€6.2bn

€2.7bn 9/2014

+181%

Kesko B share yield 10/2014-11/2019





GROCERY TRADE

All Eyes on Customer



We are Changing the Finnish Grocery Trade Market

The price driven market has changed into more quality, selection and ease of shopping –driven.

Trends

- Ease of shopping, multichannel
- Individuality and diversity of customer needs
- Experiences and inspiration
- Sustainability, Finnish products and local food
- Healthy food, especially vegetarian
- Eating out



A photograph of a grocery store aisle, showing shelves stocked with various products. In the foreground, there are baskets of fresh produce, including red apples and yellow lemons. A person's arm in a blue jacket is visible on the left, reaching towards the shelves. The image is partially obscured by a white diagonal shape that serves as a background for the text.

Recipe Behind the Success

- K-food retailers as forerunners in new selections
- Agile, store-specific business ideas
 - Sustainable, inspiring, high-quality selections
 - Ease and convenience
- Advanced digital services
- Redesigns for all chain brands and store network
- Competitive prices and extensive Pirkka selection

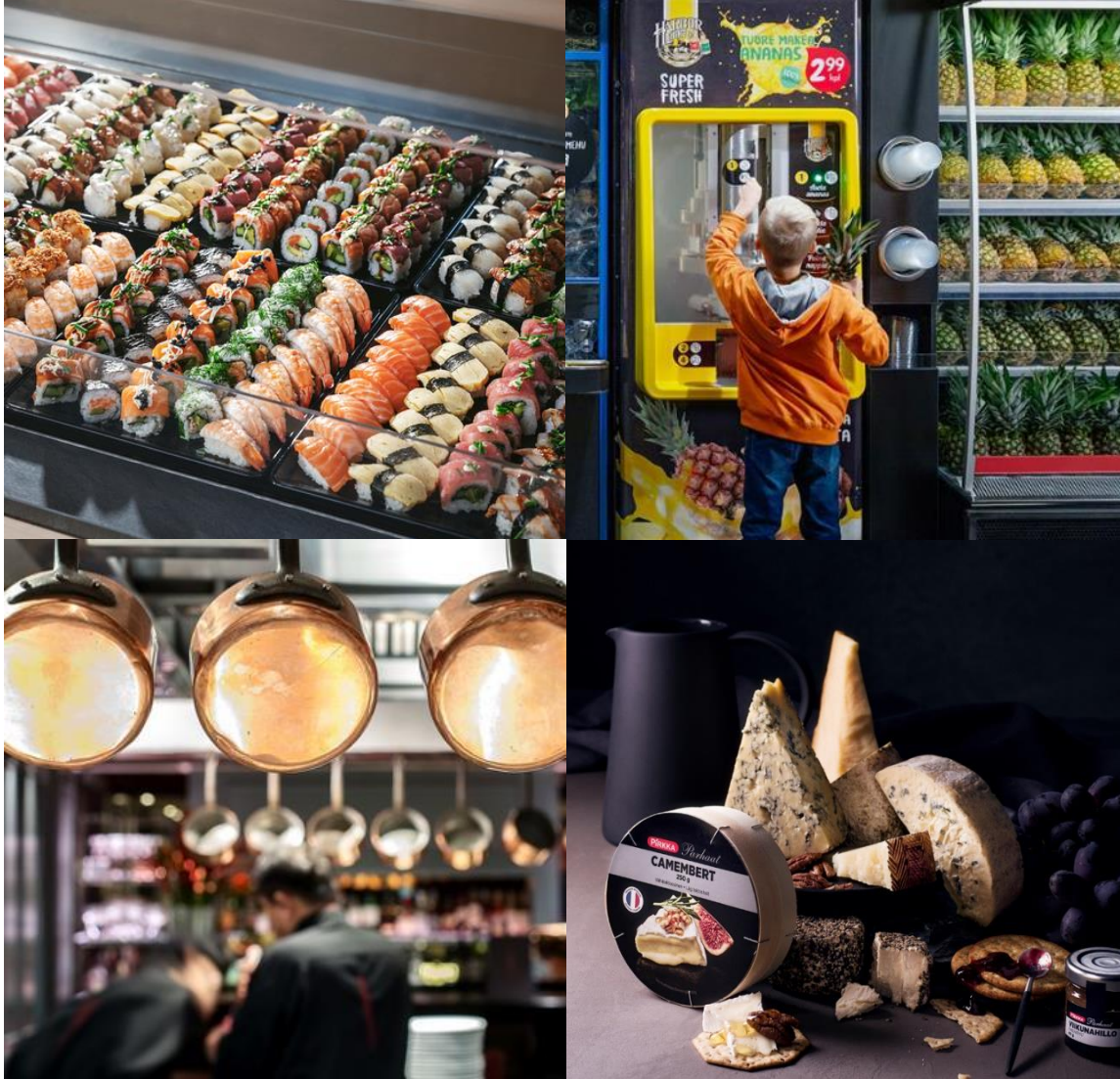
Our Strategy Is Working

K Group's role as
a forerunner
has strengthened

Customer satisfaction
is clearly up

Strong growth in market
share and profitability





Hard to Copy

Customer driven renewal
continues

Potential for further growth and
improvement



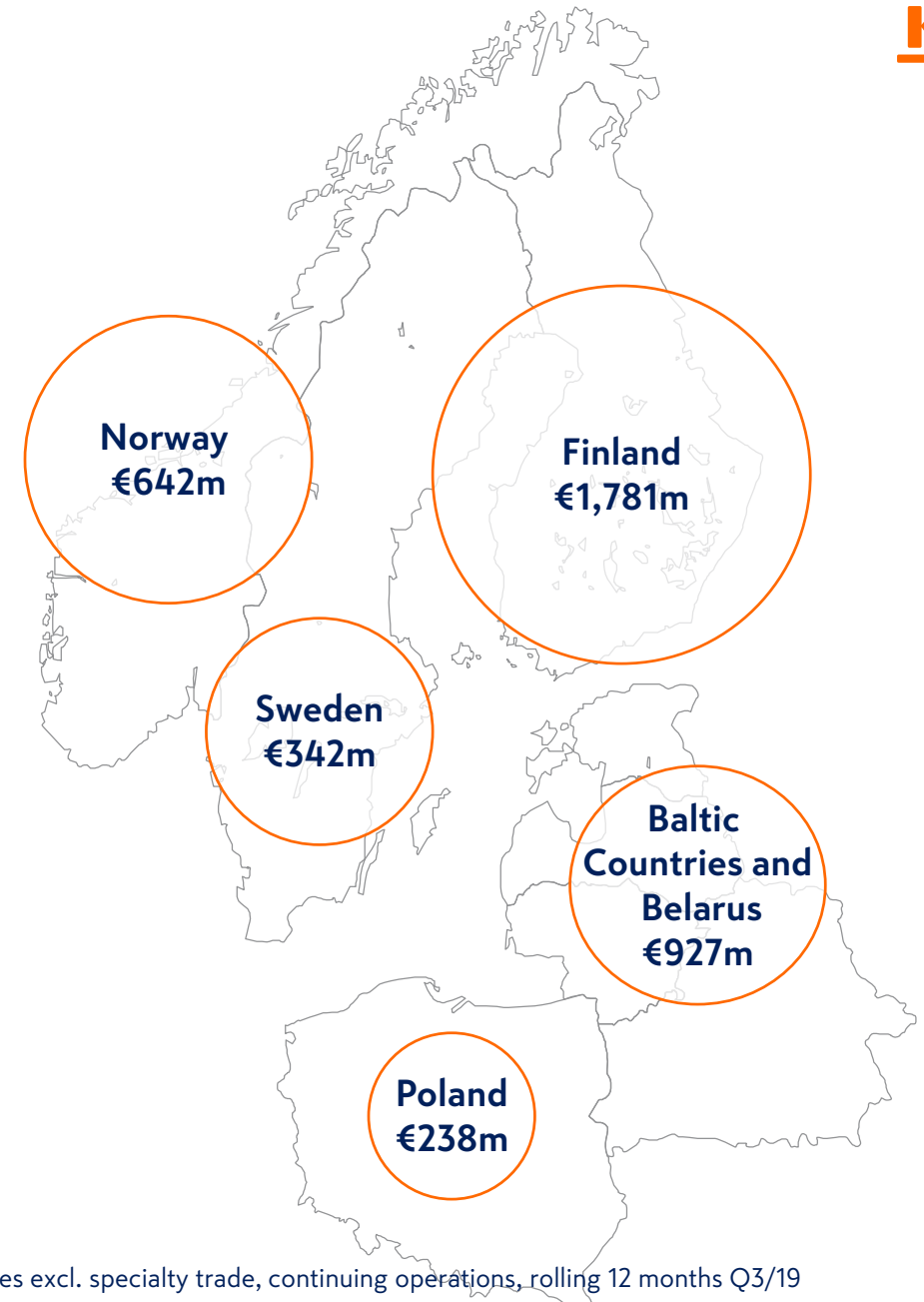
BUILDING AND TECHNICAL TRADE

Successfull portfolio transformation
bringing results



Portfolio Transformation

- Strengthened portfolio by divestments and acquisitions
- Stronger and broader offering in the growing B2B segment
- A geographically balanced foothold: operations outside Finland account for 56% of net sales



Strategic Choices to Become an Even Stronger Operator in the Northern European Building and Technical trade



Country focus with specified strategic actions



Three customer segments served according their specific customer needs



Synergies – within individual countries and between the operating countries



Organic growth and profitability improvement



Selected acquisitions to win a chosen country and segment

Execution of Country-Specific Strategies Bearing Results

Finland:



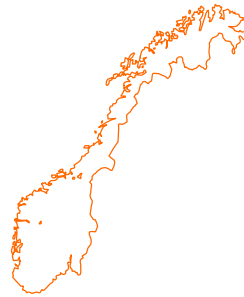
Fully utilising the potential of market leadership in Finland

Baltic Countries:



Successful redesign of stores and selections to continue

Norway:



Focus on integrations and profitability in Norway

Sweden:



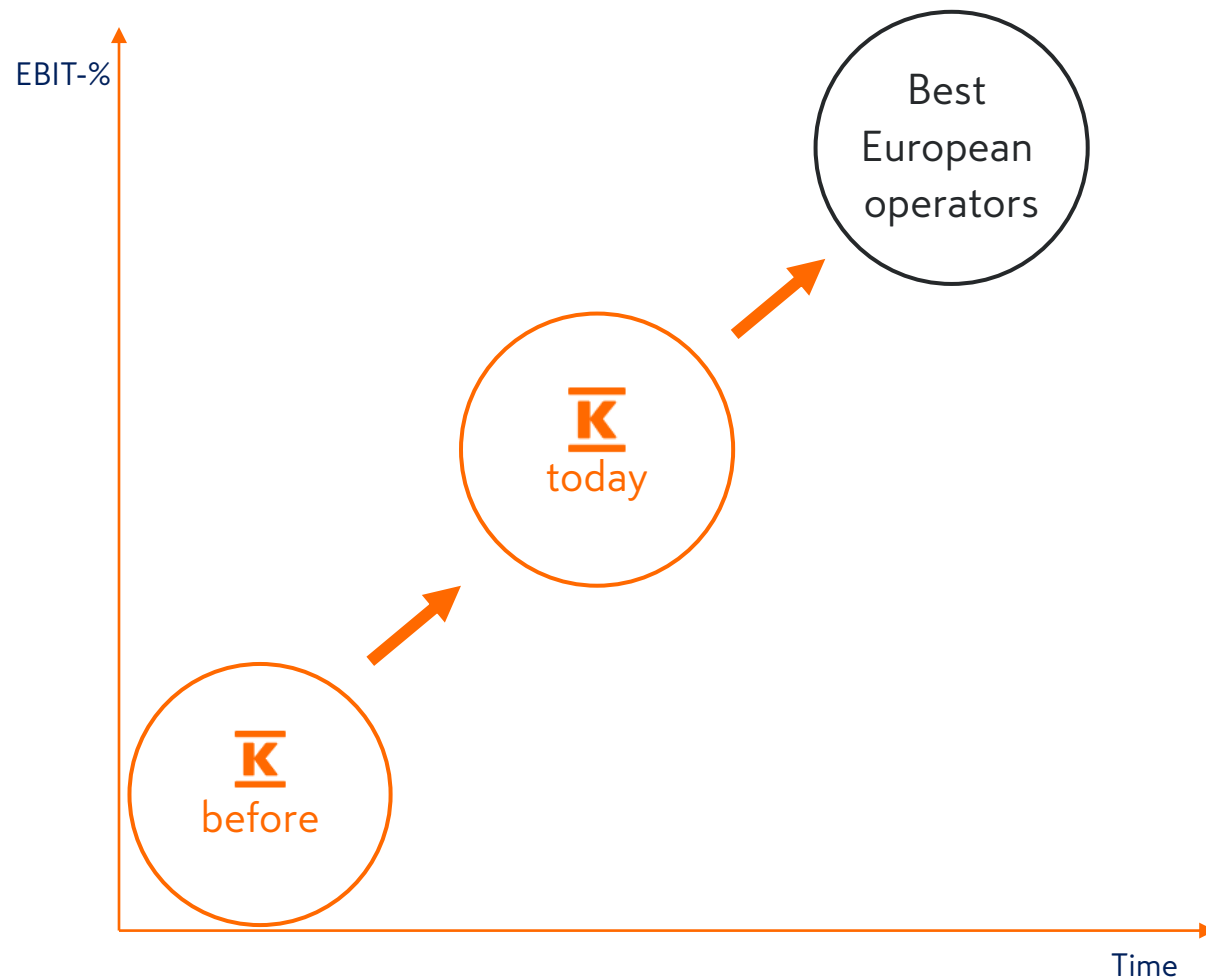
Comprehensive transformation program ongoing, Fresks chain rebranded to K-Bygg

Poland:



Successful profitability improvement in Poland

Cornerstones of Profitable Growth



Customer- and sales-driven operations

Utilising economies of scale and synergies

Possible acquisitions and efficient integration

K – the most sustainable trading sector company in the world



CAR TRADE

Strengthening Competitiveness



Operating Environment Changing Rapidly

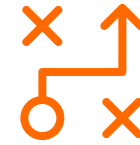
Car Trade Market



Market consolidation



Expanding to service business



Efficiency of supply chain

Customer Expectations



Alternative powertrain choices

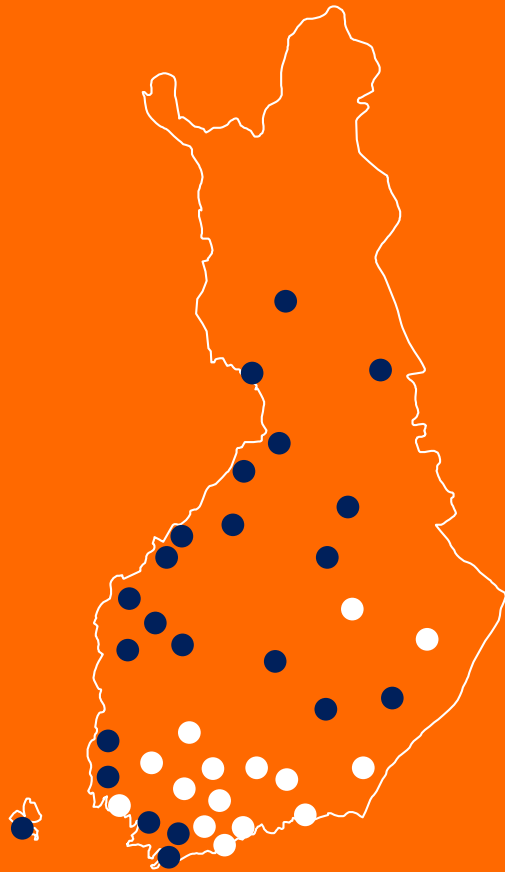


Increasing private leasing



The importance of sustainability

Strong Footprint in the Recovering Business Environment

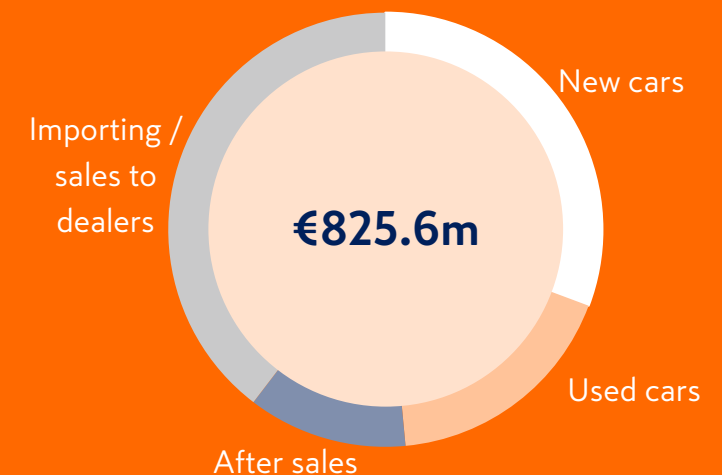


- Own retail, K-Caara
- Independent retail

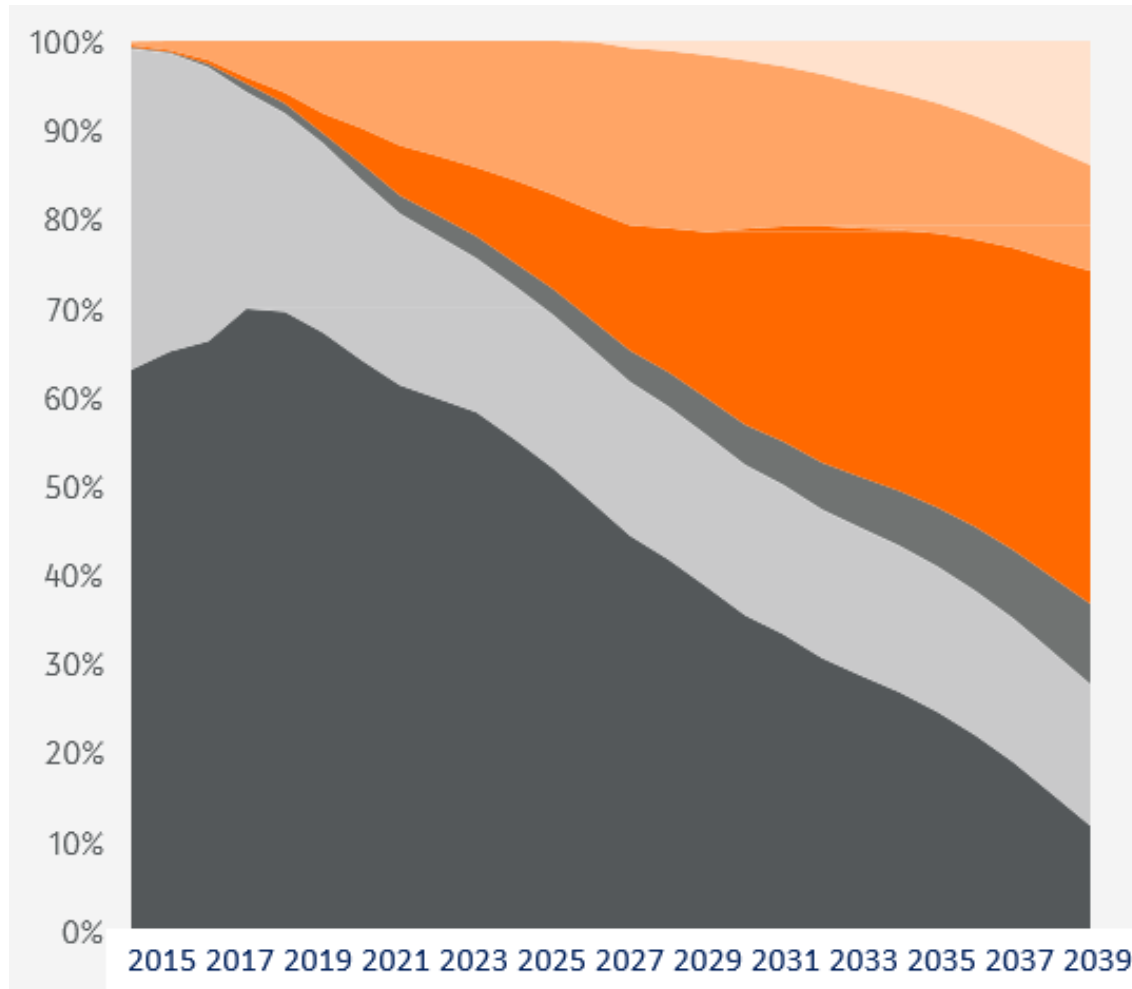
- Acquisitions to strengthen our dealer network
- Integration of acquisitions proceeding as planned
- More efficient operations, costs adjusted

Net sales

Rolling 12 months Q3/19



Changes in Powertrain Choices



Estimate of New Registrations, %

- Petrol (incl. hybrid)*
- Diesel (incl. hybrid)*
- Gas*
- Electric
- Plug-in hybrid
- Hydrogen

*) Petrol, diesel and gas include also biofuels in addition to fossil fuels.
Petrol includes also full hybrid cars.

New Offering 2020 and On



- **Availability of cars** returning to normal after WLTP challenges in 2019
- **Electrifying and expanding range**
 - Volkswagen Golf and Passat plug-in hybrids, Audi Q5 plug-in hybrid, Audi A4, Porsche Cayenne Coupe plug-in hybrid
 - Full-electric Porsche Taycan, Volkswagen ID.3, SEAT Mii electric, Audi e-tron
- **Service offering:** leasing fleet has grown over 1,600 cars





Financial Targets and Business Environment



Kesko's Financial Targets

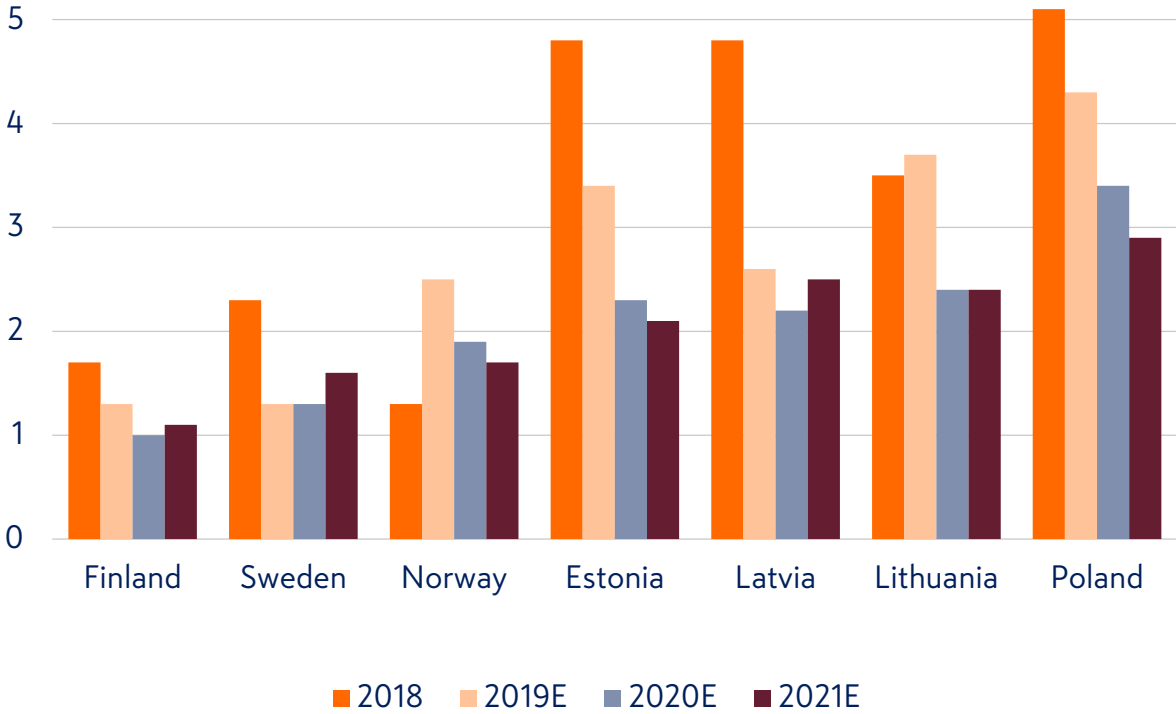
Indicator	Target level	Level achieved in Q3/2019*
Comparable operating margin, %	5.0%	4.2%*
Comparable return on capital employed, %	11.0%	9.6%*
Interest-bearing net debt/EBITDA, excluding the impact of IFRS 16	at maximum 2.5	1.0

* Continuing operations, rolling 12 months

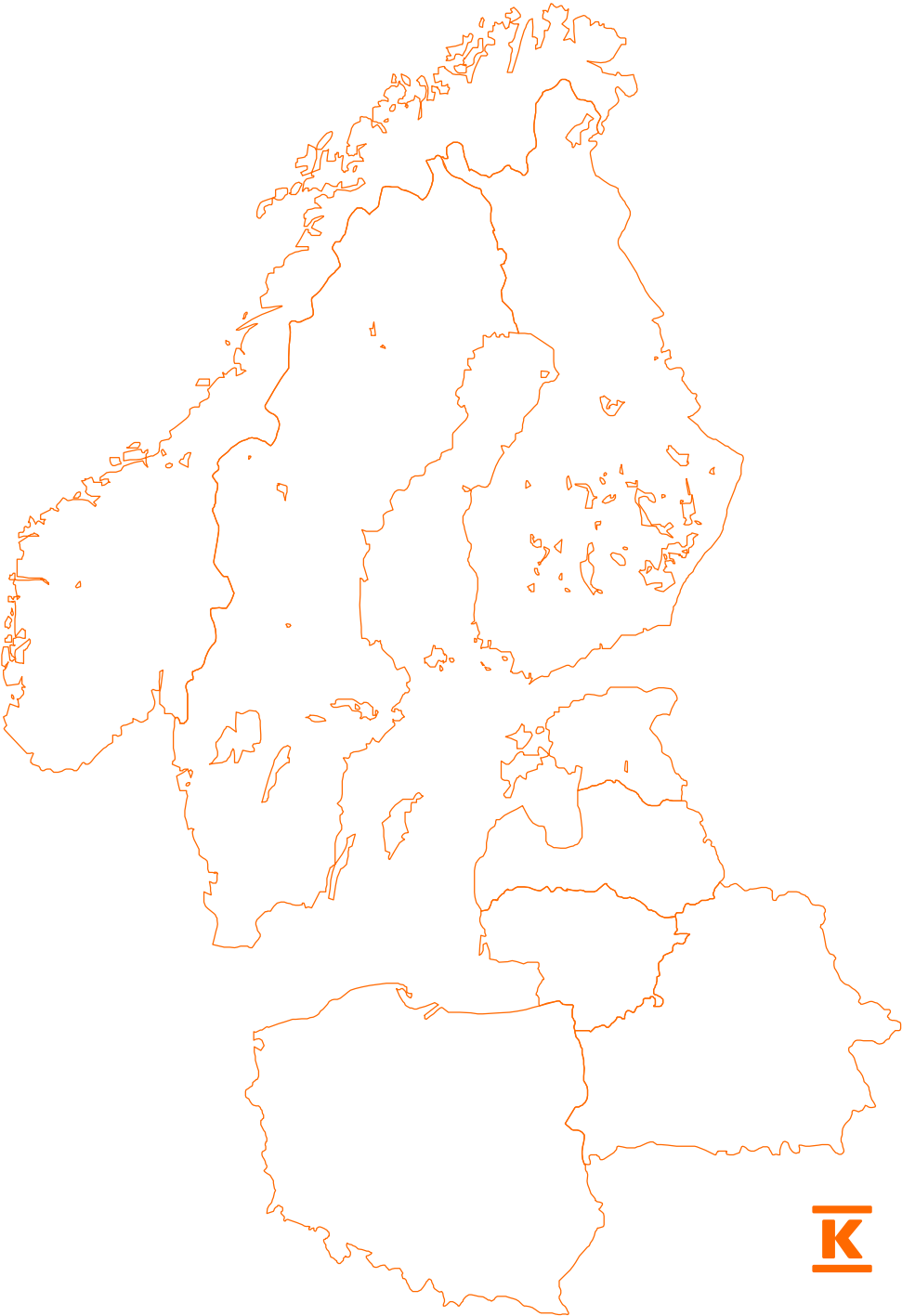
Main themes and actions to achieve the financial targets

- All business division:
 - Customer driven organic growth
 - Improved efficiency
- Improved cash flow generation
- Focused capital expenditure:
 - Selected acquisitions
 - Limited store sites expansion needs
 - Further development of digitalisation

GDP Growth in Northern Europe

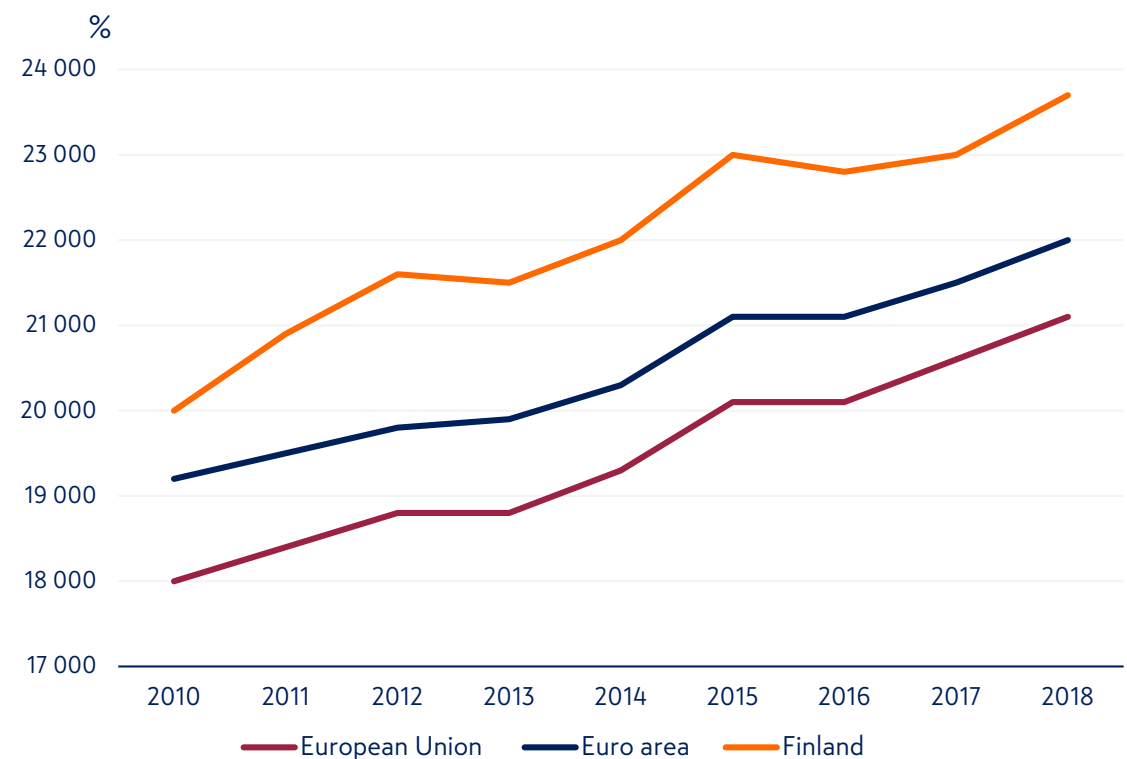


Source: Bloomberg, consensus



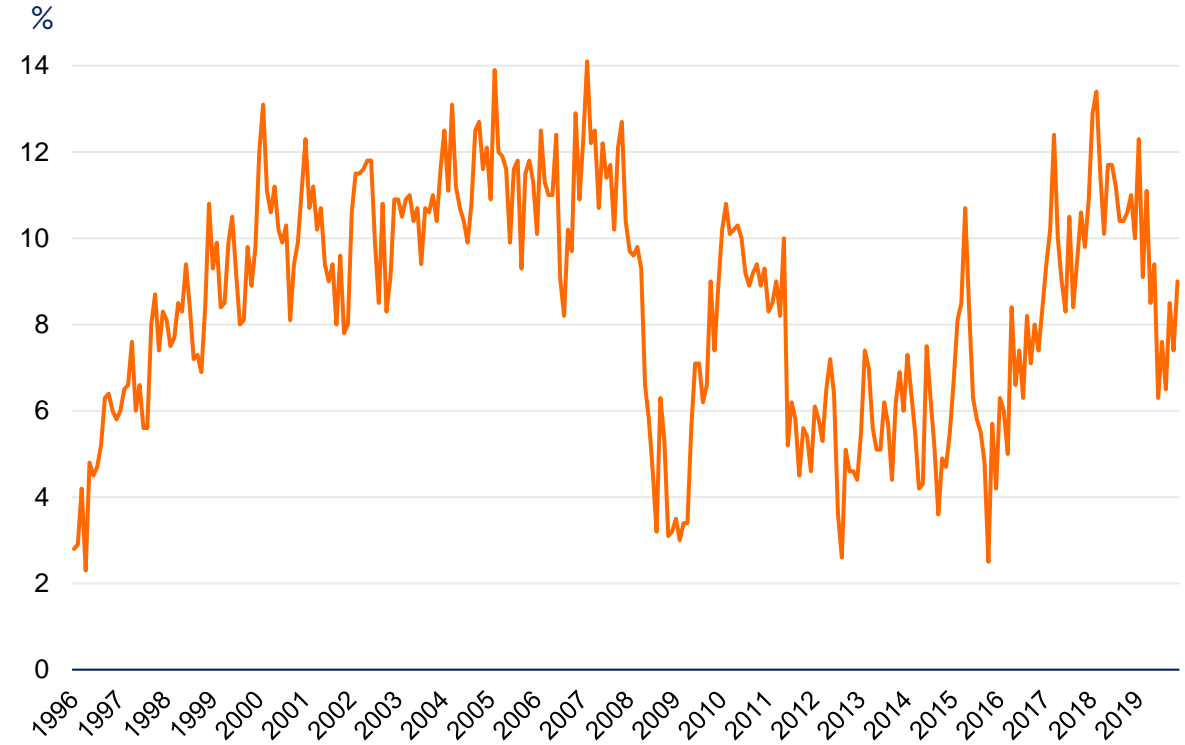
Strengthening Purchasing Power

Purchasing power parities (PPPs)



Source: Eurostat

Finnish consumers' views on their own economic situation in one year's time (balance)



Source: Statistics Finland



Strategic Priorities in a Nutshell

PRIORITIES

- ✓ In the grocery trade, growing our sales and profitability further in the changing market by utilising our strategic strengths in everything we do
- ✓ In the building and technical trade, further growing our sales and profitability by country: continuous improvement of processes and well-executed acquisitions
- ✓ In the car trade, returning sales and profitability to a good level and further improvement through maximum utilisation of the Volkswagen Group's improved and more extensive range of models
- ✓ Maximum utilisation of data and new technologies across K Group
- ✓ Constant improvement in operational efficiency and competitiveness – preparing for a slowdown in economic growth
- ✓ Even stronger focus on and visibility for sustainability in all actions by 1,800 K stores

Outlook

Kesko continues the determined customer-oriented transformation of its business and execution of its strategy.

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.

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