

# KESKO



## Financial statements

January-December 2012

5 Feb. 2013

CFO Jukka Erlund

*First K-ruoka opened  
in St. Petersburg  
on 5 Dec. 2012*

# Kesko's Corporate Management Board from 5 Feb. 2013



**Chair**  
**Matti Halmesmäki**  
**President and CEO**



**Jorma Rauhala**  
**food trade**



**Minna Kurunsaari**  
**home and speciality goods trade,**  
**customer information and**  
**e-commerce projects**



**Terho Kalliokoski**  
**building and**  
**home improvement trade**



**Pekka Lahti**  
**car and machinery trade**



**Arja Talma**  
**store sites and**  
**investments**



**Jukka Erlund**  
**CFO**



**Matti Mettälä**  
**human resources and**  
**stakeholder relations**

# Appointment of SVP responsible for Kesko's store sites and investments and member of Corporate Management Board from 5 Feb. 2013: Arja Talma

At the end of 2012, the capital in real estate owned by Kesko was €1.4 billion and lease liabilities were €2.3 billion, and the total area of store sites owned and leased by Kesko was approximately 4.1 million square metres. In the next five years, Kesko's capital expenditures will total approximately €1.0-1.5 billion, especially in Russia.

- 50-year-old Master of Science in Economics, eMBA

## Present post

- Rautakesko Ltd's President since 1 Nov. 2011
- Member of Corporate Management Board since 17 Mar. 2005

## Major previous duties:

- Kesko Corporation, Senior Vice President, CFO 2005 - 2011
- Kesko Corporation, Vice President,  
Corporate Controller 2004 - 2005
- Joined Kesko Group 1 Jan. 2004



# Appointment of Rautakesko Ltd's President and member of Corporate Management Board responsible for the building and home improvement trade from 5 Feb. 2013:

## Terho Kalliokoski

In 2012, the net sales of the building and home improvement trade were €2,827 million. Rautakesko is the fifth largest building and home improvement trade chain in Europe and it operates in eight countries. In Finland, the K-rauta, Rautia and K-maatalous retailers with their personnel are responsible for the operations of the building and home improvement stores and the agricultural stores.

- 51-year-old Master of Science in Economics

### Present post

- Kesko Food Ltd's President since 1 May 2005
- Member of Corporate Management Board since 17 Mar. 2005

### Major previous duties:

- |  |             |
|--|-------------|
| • Kesko Real Estate, Vice President      | 2002 - 2005 |
| • Kesko, District Director               | 1998 - 2002 |
| • Supermarket Chain Unit, Sales Director | 1996 - 1997 |
| • Joined Kesko Group                     | 1 Feb. 1985 |



**KESKO**

# Appointment of Kesko Food's President and member of Corporate Management Board responsible for the food trade from 5 Feb. 2013:

## Jorma Rauhala

In 2012, the net sales of the food trade were €4,311 million. More than 900 K-food retailers with their personnel are responsible for serving K-food store customers in Finland. In 2012, Kesko Food expanded its operations into Russia.

- 47-year-old Master of Science in Economics

### Present post

- K-citymarket, food, Vice President since 10/2012

### Major previous duties:

- Kespro Ltd, Managing Director 2007 - 2012
- Kesko Food Ltd, Purchasing Director, HoReCa 2005 - 2007
- Kesko Food Ltd, Product Group Director, HoReCa 2003 - 2005
- Joined Kesko Group 1992



# Kesko's customer and profitability programmes are progressing

- Kesko's net sales €9.7 bn, up 2.4%
  - Sales growth rate fell towards the year end
  - Position of e-commerce and online stores continued to strengthen
- Operating profit excl. non-recurring items €235 million (€279 million)
  - Profit was affected by several new store openings, the expansion of Russian business operations and increased costs
  - Return on capital at excellent level in the food trade and the car trade, low in the building and home improvement trade and the home and speciality goods trade
- Kesko's financial position improved significantly towards the year end thanks to good capital management and the surplus assets returned by the Kesko Pension Fund
  - Liquid assets €489 million, net debt €135 million
- The Kesko Group's net sales for 2013 are expected to match the level of the previous year. The operating profit excluding non-recurring items for 2013 is expected to exceed the operating profit excluding non-recurring items for 2012, unless the overall consumer demand significantly weakens.
- Dividend proposal €1.20 per share

# Kesko's profitability programme is progressing as planned

- The profitability programme is aimed to ensure competitiveness and to improve the return on capital employed
- The profitability programme includes significant measures
  - To increase sales
    - chains' customer programmes and competitive advantage projects
    - strong emphasis on the development of e-commerce and multi-channel services
  - To enhance purchasing operations
  - To adjust costs
    - Saving target €100 million
  - To adjust capitals
    - adjustment of capital expenditures to €200-300 million in the next few years
    - reduction of working capital, especially in inventories

# Progress of the €100 million cost saving programme

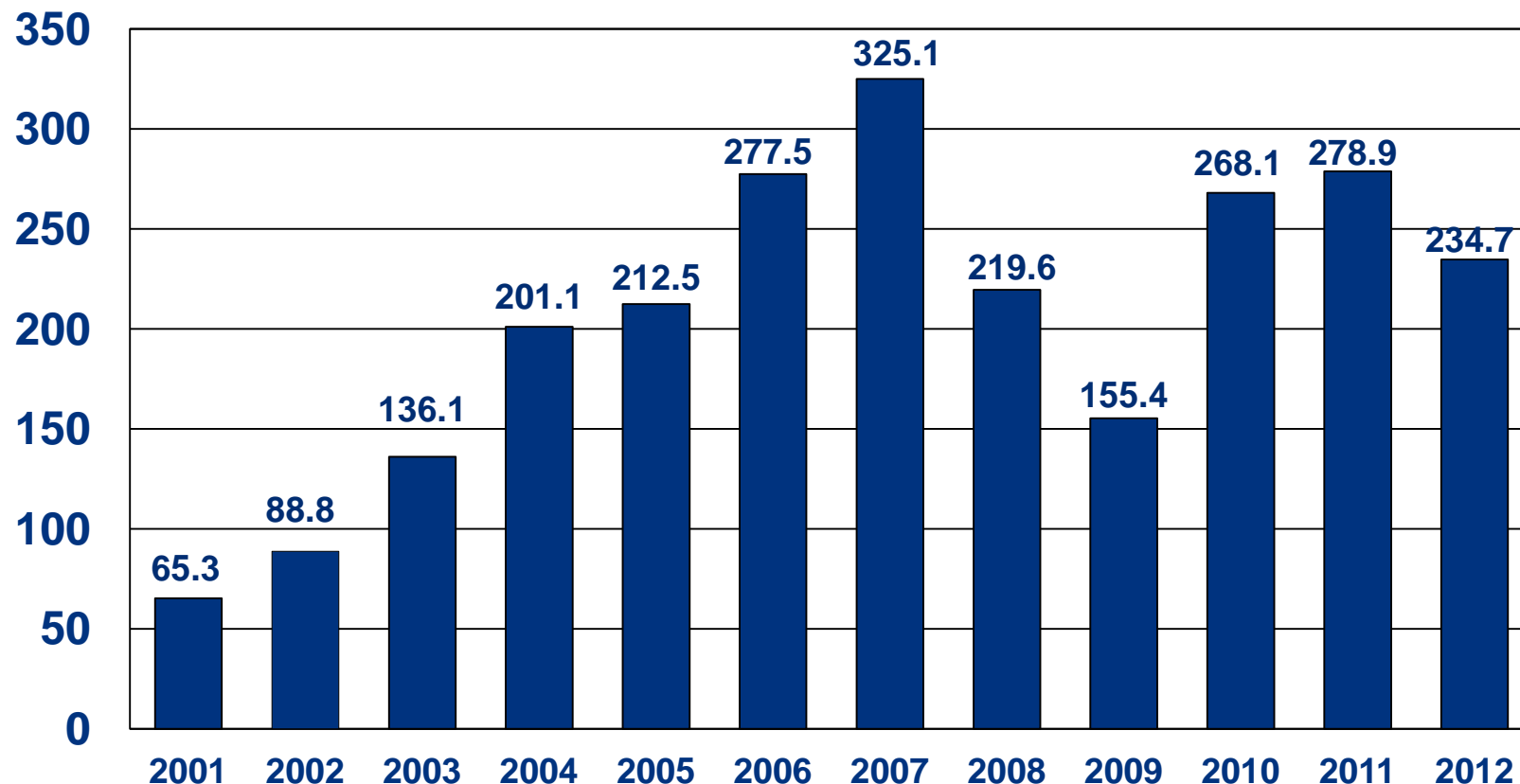
- Savings are applied to all divisions and all operating countries
  - Most of the €100 million cost savings will be achieved in 2013
  - Measures taken to enhance personnel costs have been implemented as announced previously, the reduction of labour in the whole Group 885 person-years, of which 486 in Finland
  - Other significant savings from enhanced marketing, centralised ICT purchases and adjustment of real estate costs
  - Special enhancement measures in operations with poor profitability
    - Adjustment of the number of personnel in Rautakesko's foreign operations, reform of Anttila's chain concepts and cost savings, implementation of Musta Pörssi's e-commerce based operating model and reform of Intersport's business operations in Russia and reorganisation of the store network



# Net sales by division (M€)

	2012	Change	Q4/2012	Change
Food trade	4,311	+ 3%	1,132	+ 2%
Home and speciality goods trade	1,603	+ 2%	487	- 3%
Building and home improvement trade	2,827	+ 4%	657	0%
Car and machinery trade	1,114	- 5%	227	- 14%
<b>Group total</b>	<b>9,686</b>	<b>+ 2%</b>	<b>2,459</b>	<b>- 1%</b>

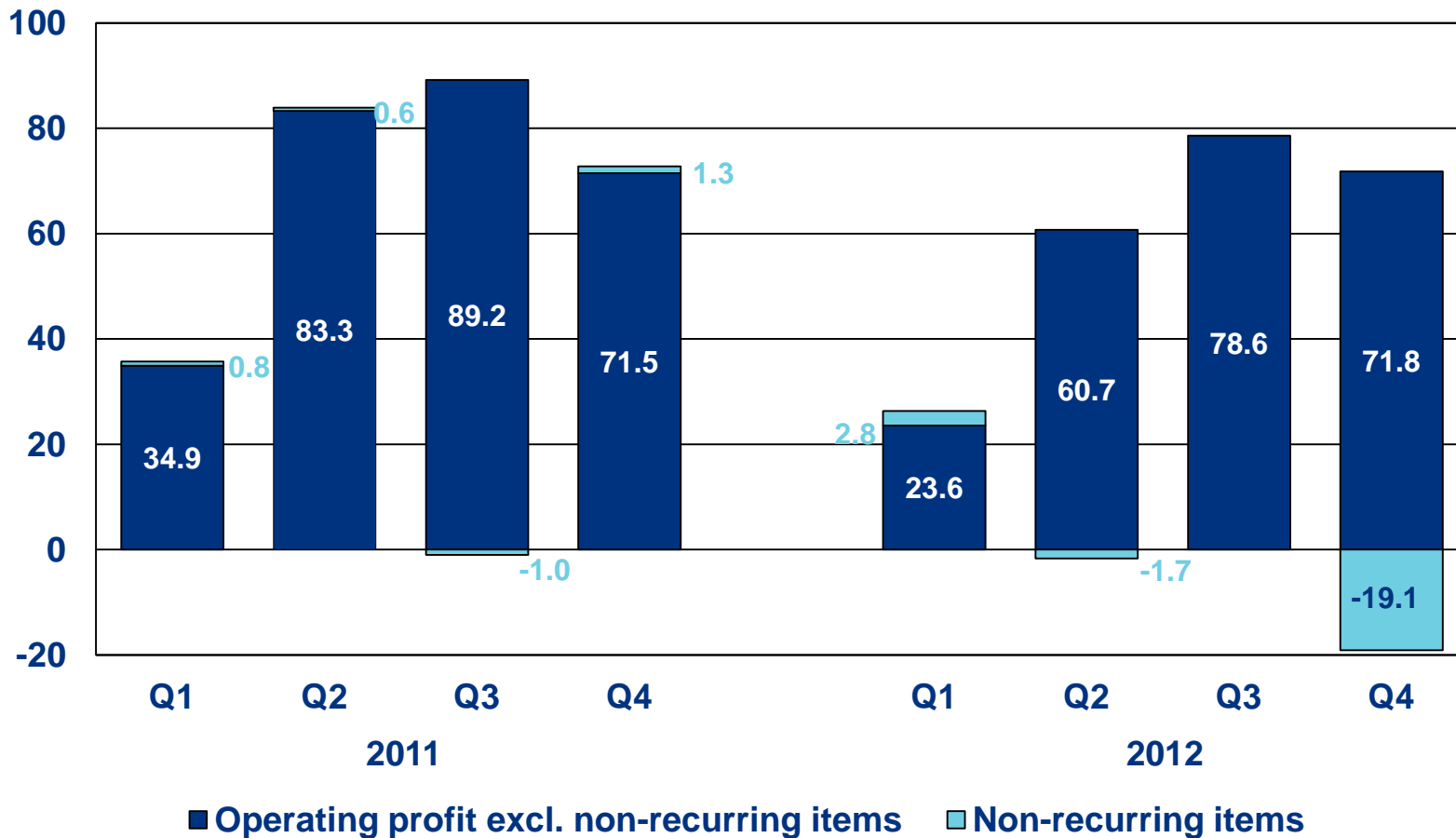
# Operating profit excl. non-recurring items January-December (2001–2012)



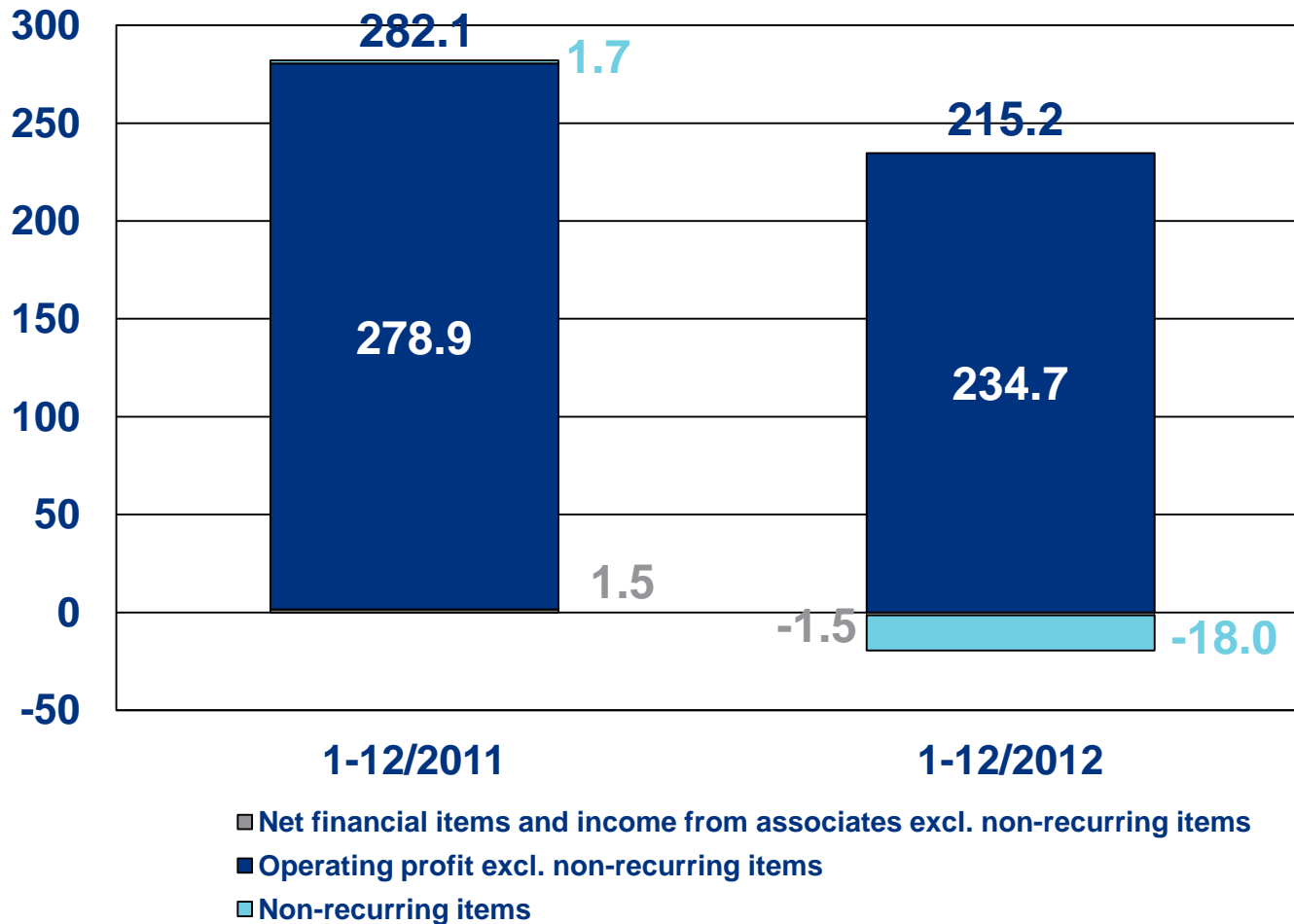
# Operating profit excl. non-recurring items by division (M€)

	2012	Change	Q4/2012	Change
Food trade	168	- 4	45	6
Home and speciality goods trade	20	-17	32	-1
Building and home improvement trade	14	- 13	-11	-6
Car and machinery trade	42	- 10	5	-2
<b>Group total</b>	<b>235</b>	<b>- 44</b>	<b>72</b>	<b>0</b>

# Operating profit by quarter (M€)

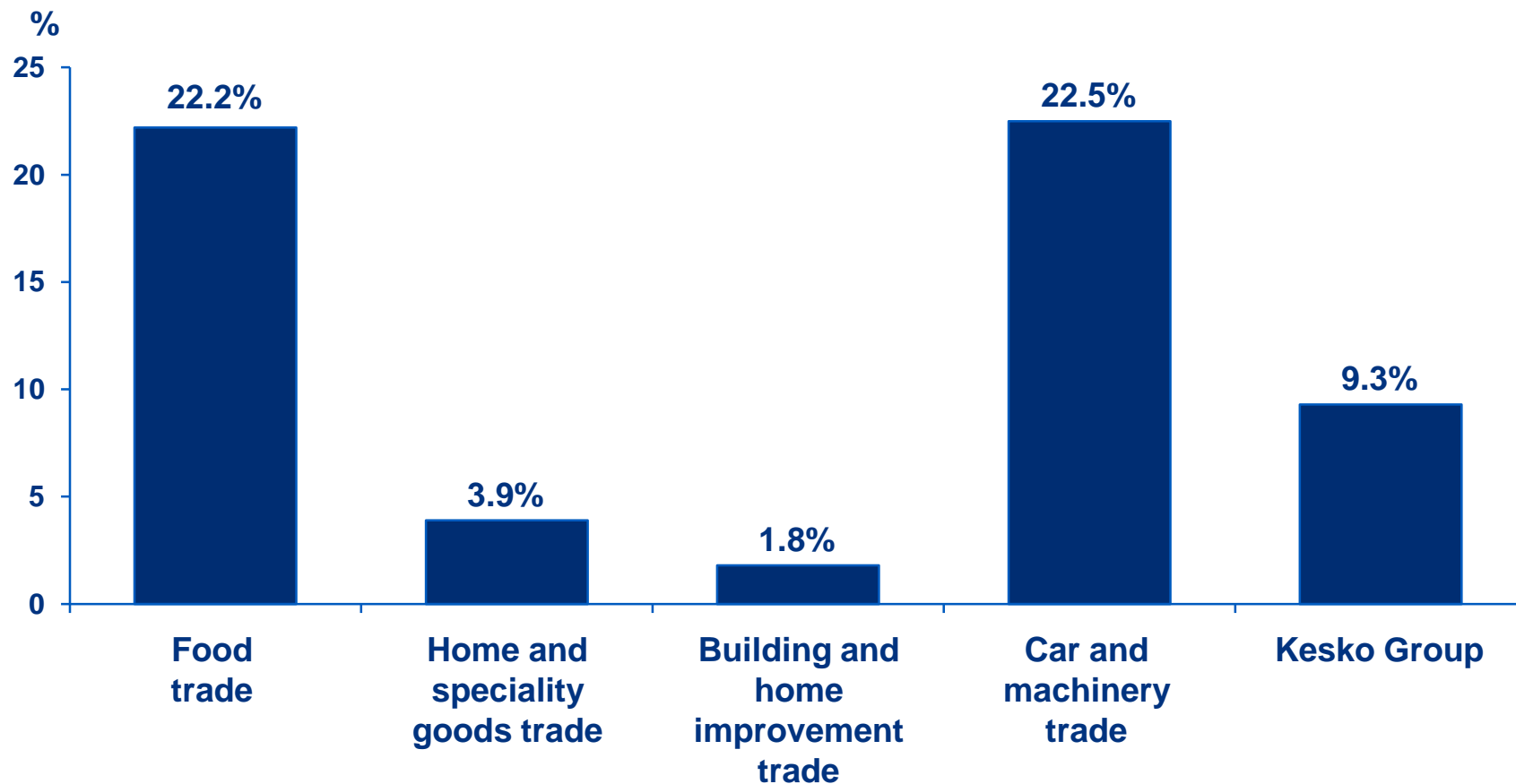


# Group's profit before tax 1-12/2012 (M€)

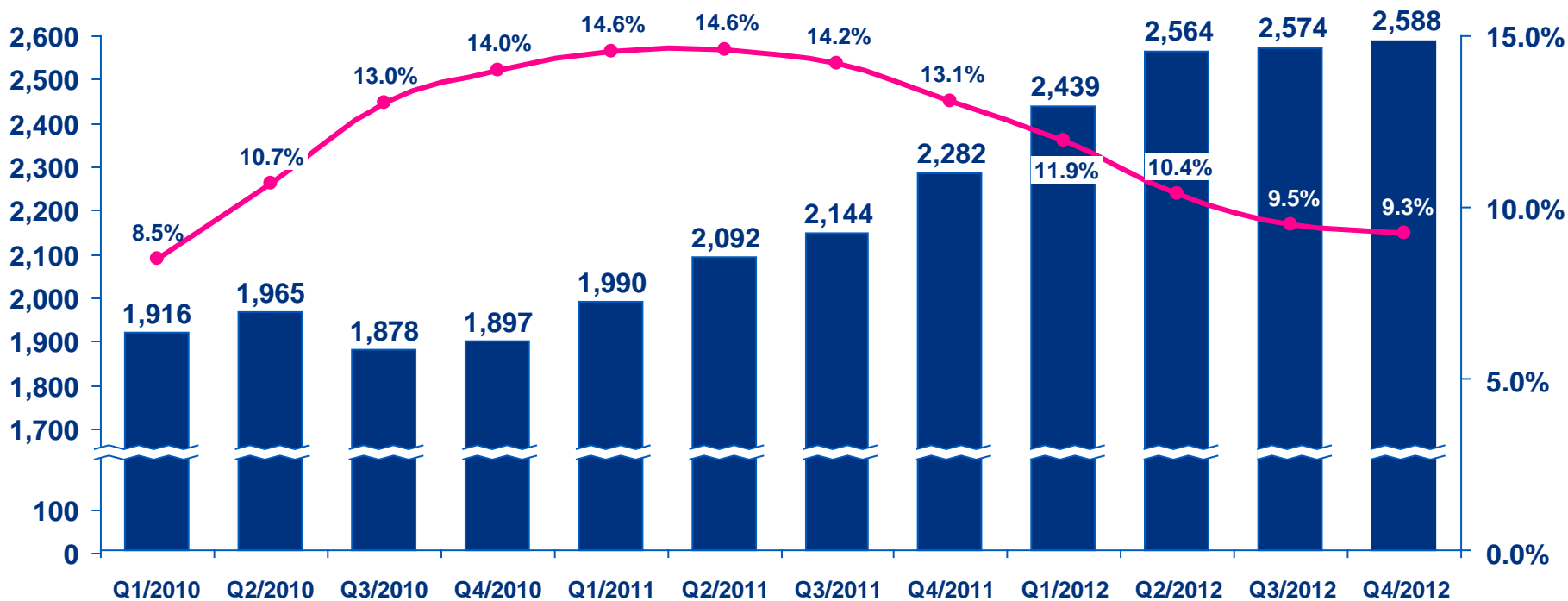


# Return on capital employed in 2012

excluding non-recurring items



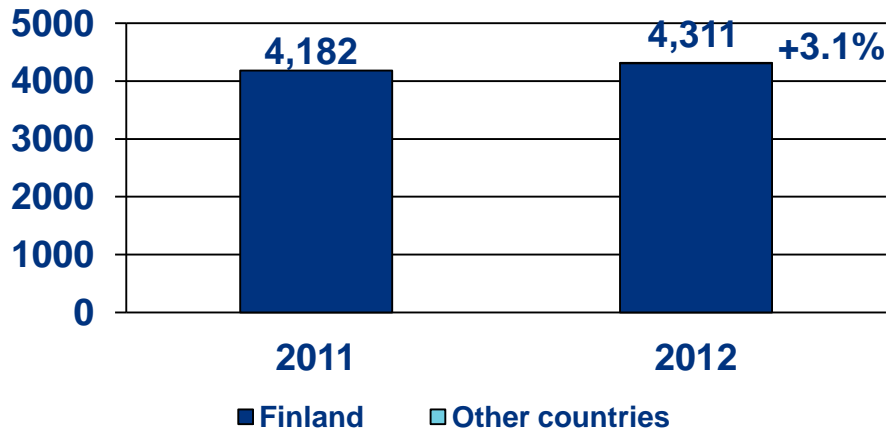
# Improved return on capital as key objective



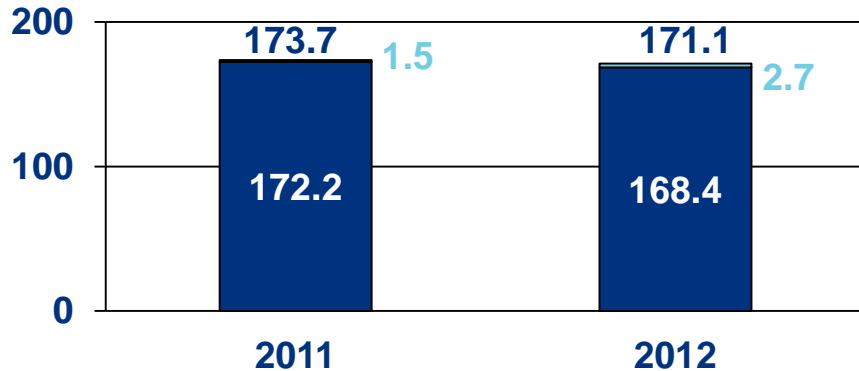
—●— Return on capital employed, %, moving 12 mo  
■ Capital employed, average for the quarter, €million

# Food trade, year of good profitability

Net sales 1-12, M€



Operating profit 1-12, M€



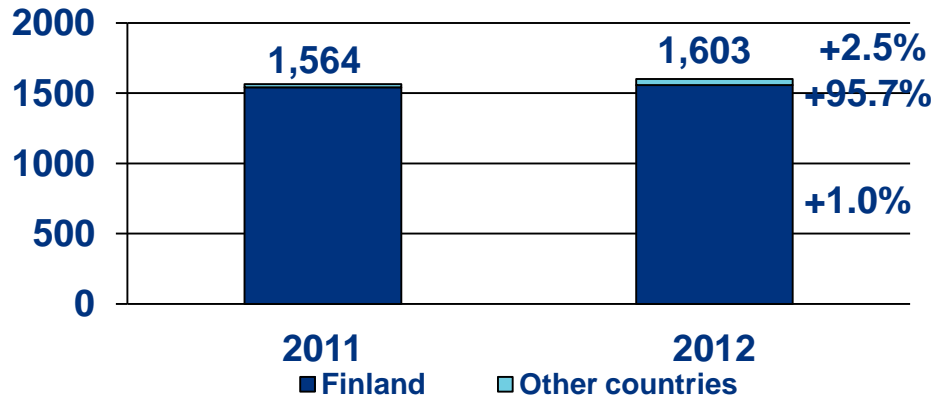
■ Operating profit excl. non-recurring items ■ Non-recurring items

- Growth rate of K-food stores' grocery sales did not reach the targets, growth 3.9%
  - Sales of Pirkka products were up 12%
- Operating profit nearly matched the previous year's level regardless of the expansion of store site network and the launch of business operations in Russia. Profitability improved as a result of enhanced operations and cost adjustments.
- Five K-citymarkets and 11 K-supermarkets opened in Finland
- In December, the first K-ruoka store opened successfully in St. Petersburg
  - The objective is to open three new stores in St. Petersburg in 2013

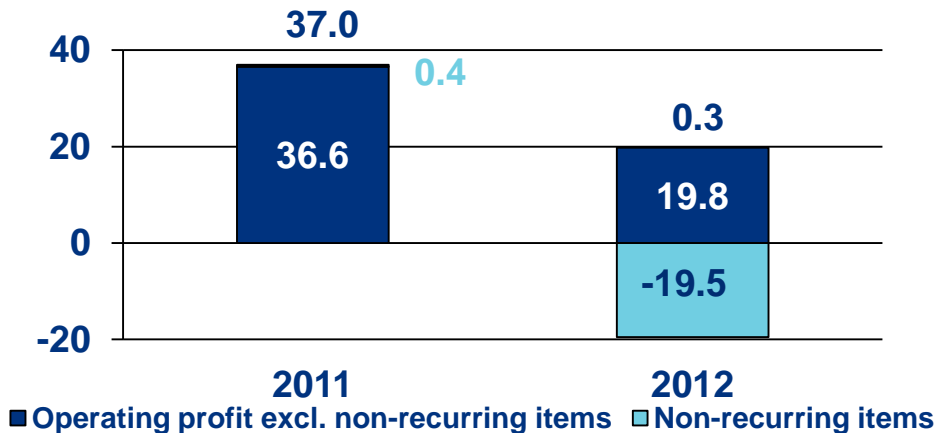


# Home and speciality goods trade, emphasis on multi-channel trade

Net sales 1-12, M€



Operating profit 1-12, M€

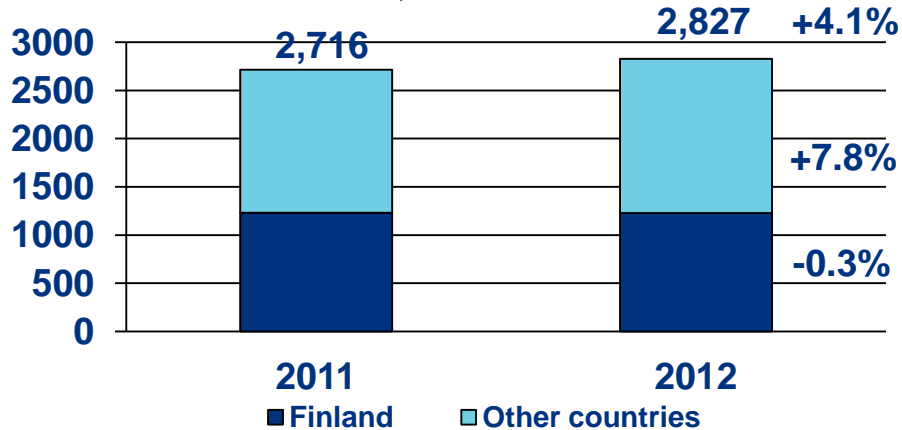


- The sales of K-citymarket, Intersport and Budget Sport, as well as Asko and Sotka increased and profitability was good
- The sales and profitability of Musta Pörssi, Anttila and Kodin1 department stores fell from the previous year. Anttila's profit performance was impacted by new department stores. Profit was negatively impacted also by costs from launching Intersport in Russia
- In 2013, the focus will be on reforms and profitability improvement
  - Reform of Anttila's multi-channel operating system and cost savings
  - Online store as Musta Pörssi's primary customer channel
  - Reform of Intersport stores in Russia and closure of unprofitable stores

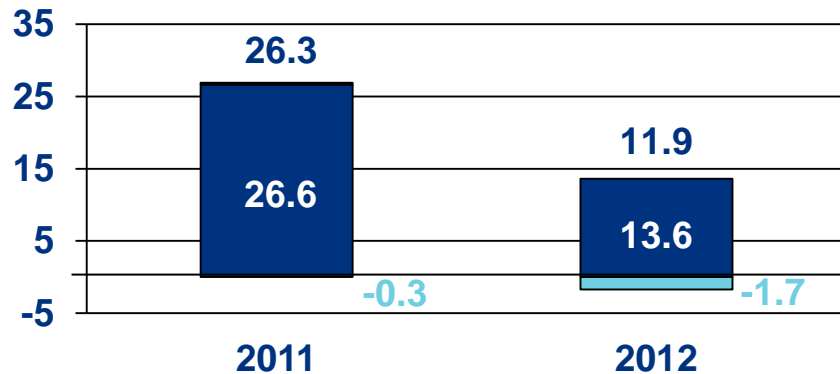
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# Building and home improvement trade, focus on profitability improvement

Net sales 1-12, M€



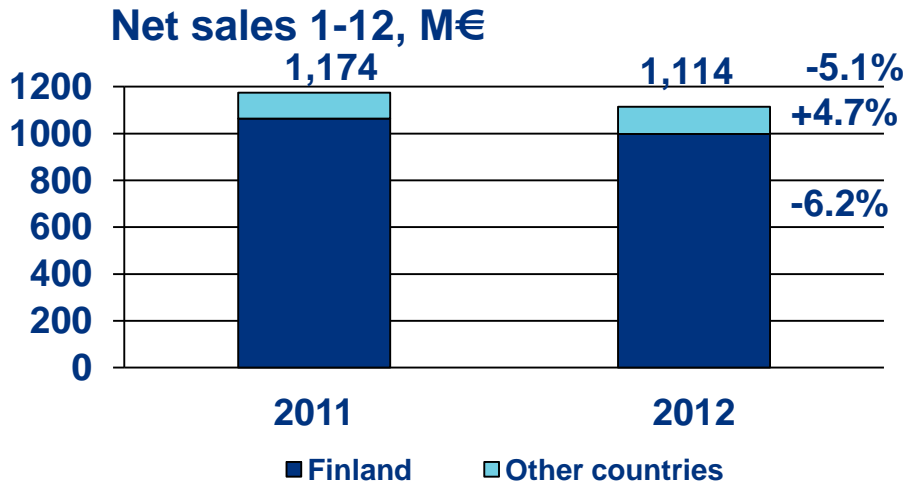
Operating profit 1-12, M€



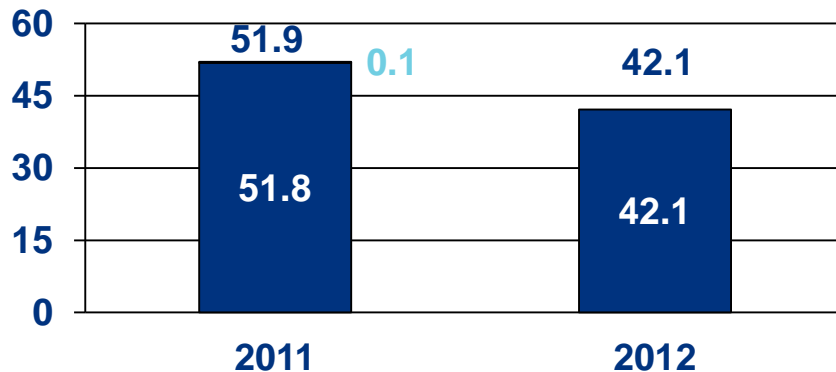
■ Operating profit excl. non-recurring items    ■ Non-recurring items

- Market growth rate in the building and home improvement trade fell after the strong growth in the first part of the year
  - Especially in the Nordic countries, the market contracted during the latter part of the year
- Profitability was negatively impacted by new store openings in Sweden and Russia, and write-offs on inventories, trade receivables and raised import duties
- Capital expenditure €63 million (€110 million)
- In the building and home improvement trade focus is on improving profitability
  - Personnel reductions in foreign operations 400 person-years

# Car trade, strong profit and market position



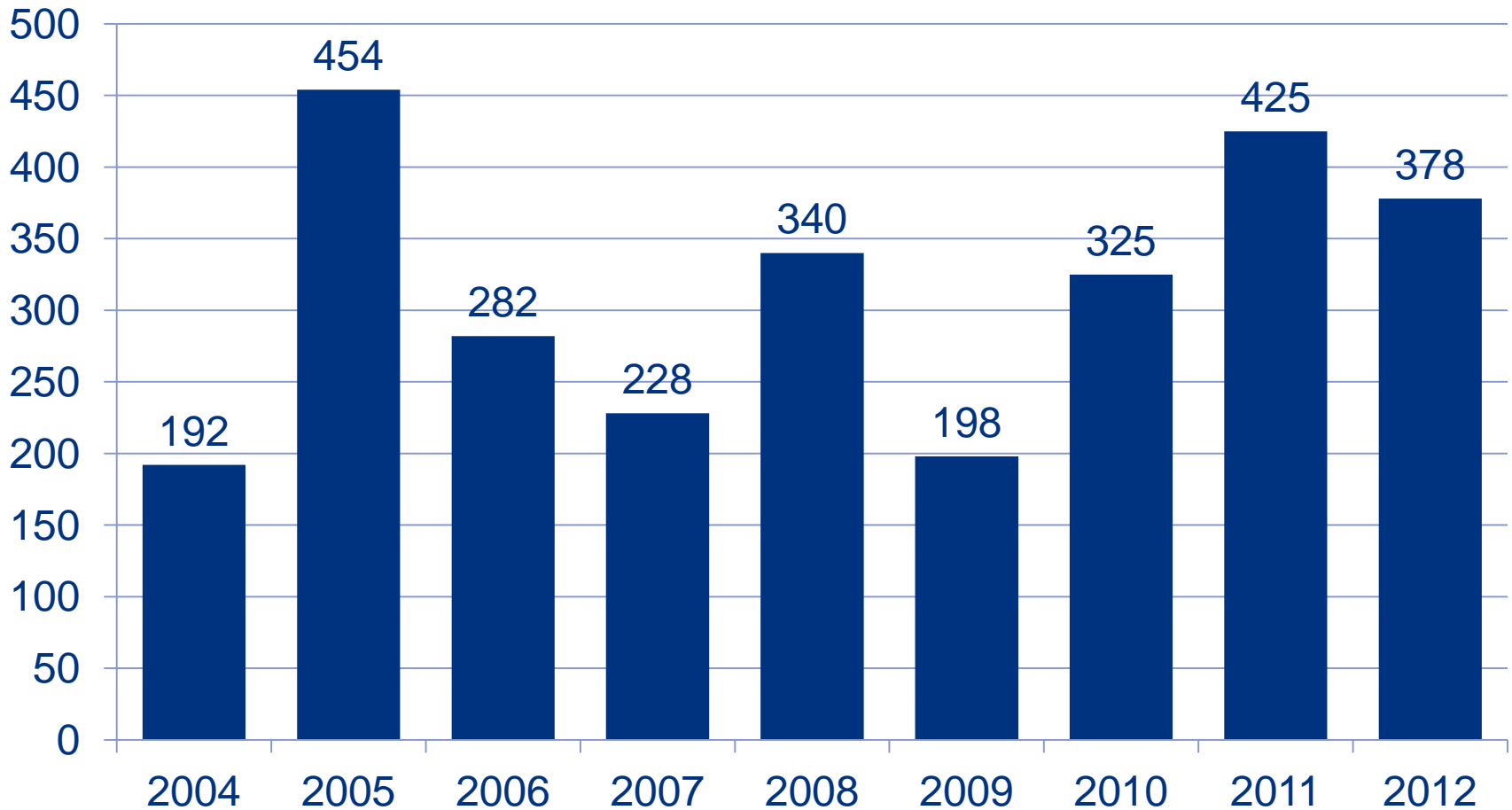
## Operating profit 1-12, M€



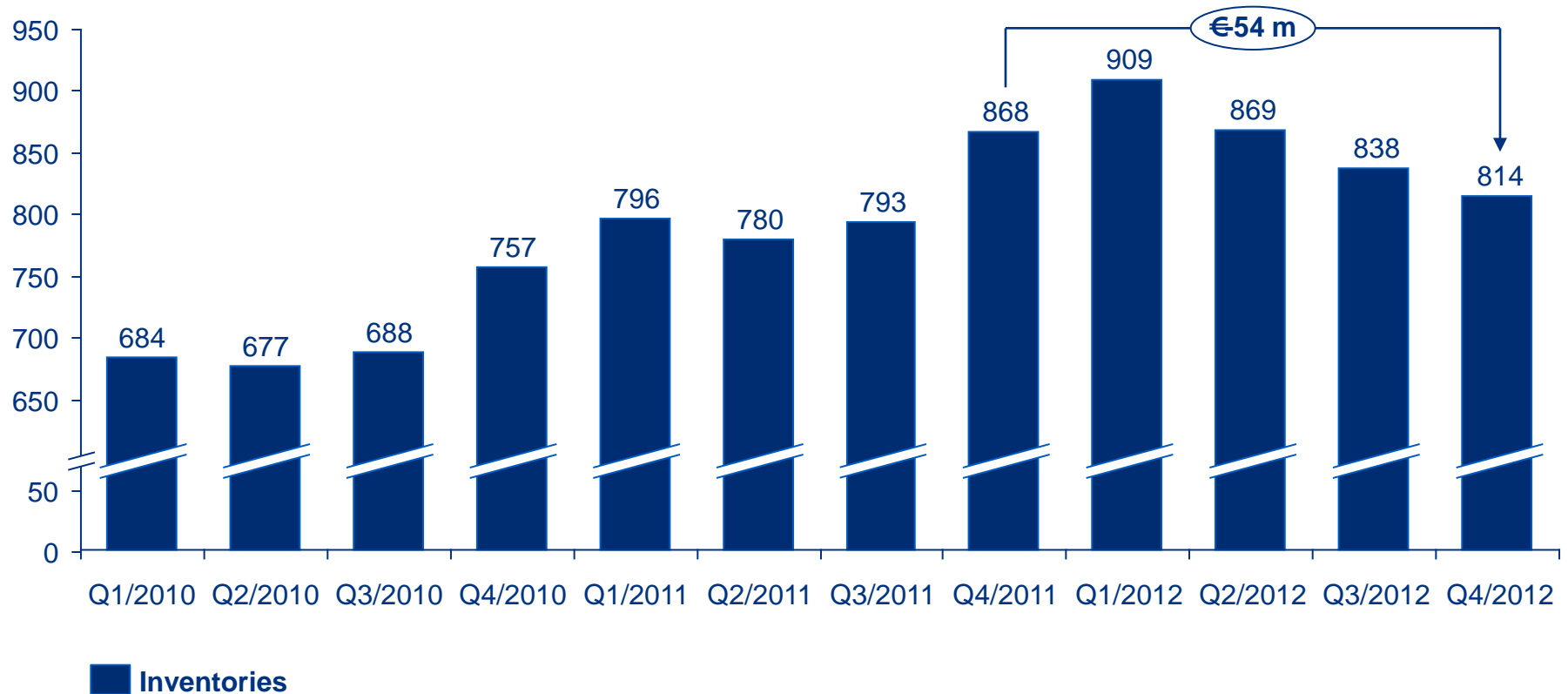
■ Operating profit excl. non-recurring items ■ Non-recurring items

- VV-Auto's sales performance in January-December -6.9% owing to market trend
- Market share of Audi, Volkswagen and Seat passenger cars and vans 20.2%
  - Volkswagen the best selling passenger car and van brand in Finland
- Return on capital 23% in the car and machinery trade
  - Inventories were successfully adjusted in the car trade after market demand fell
- Good sales performance in the Baltic machinery trade
- Capital expenditure in the car trade €25 million

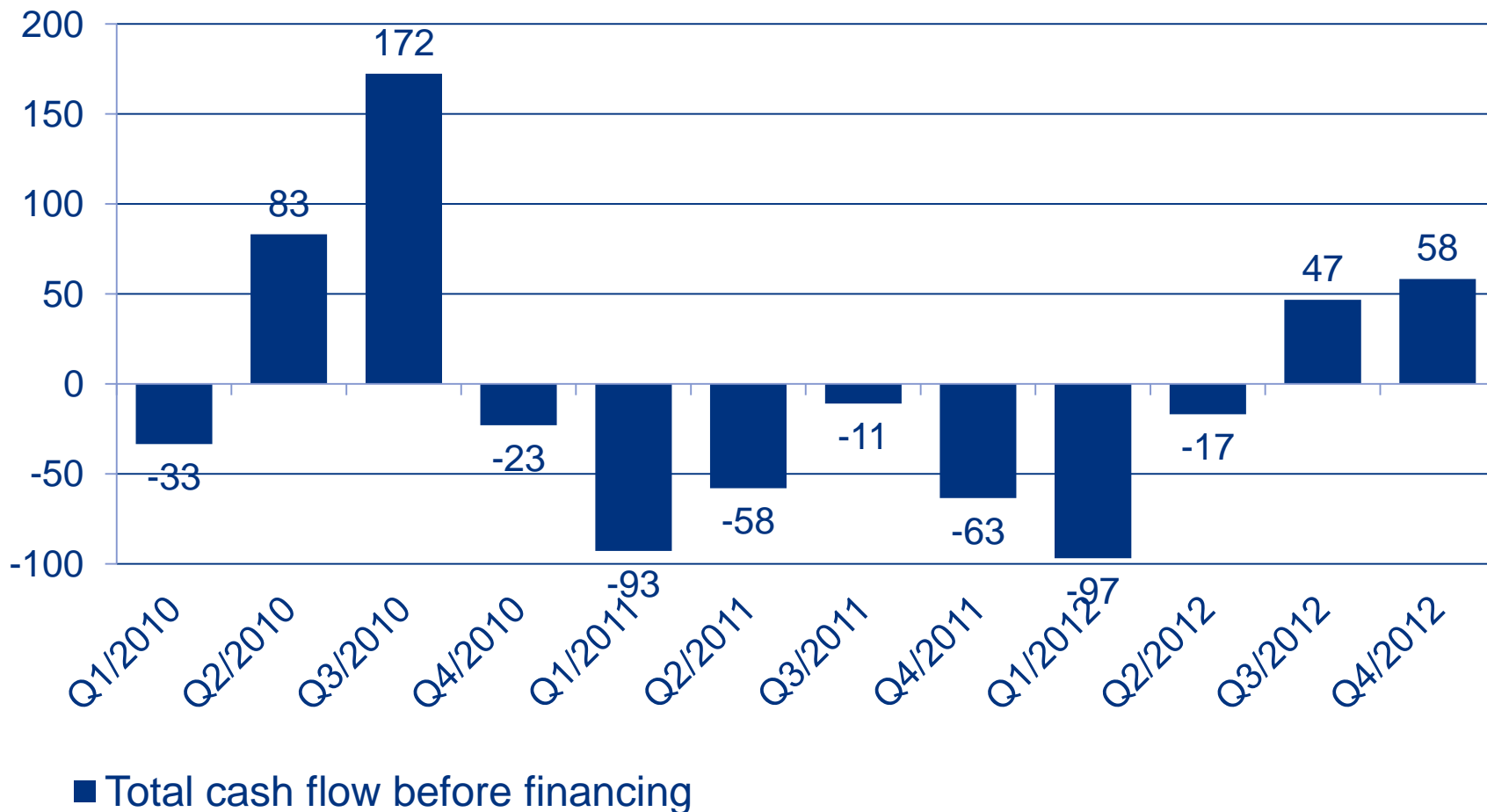
# Capital expenditures will be adjusted to annual level of €200-300 million



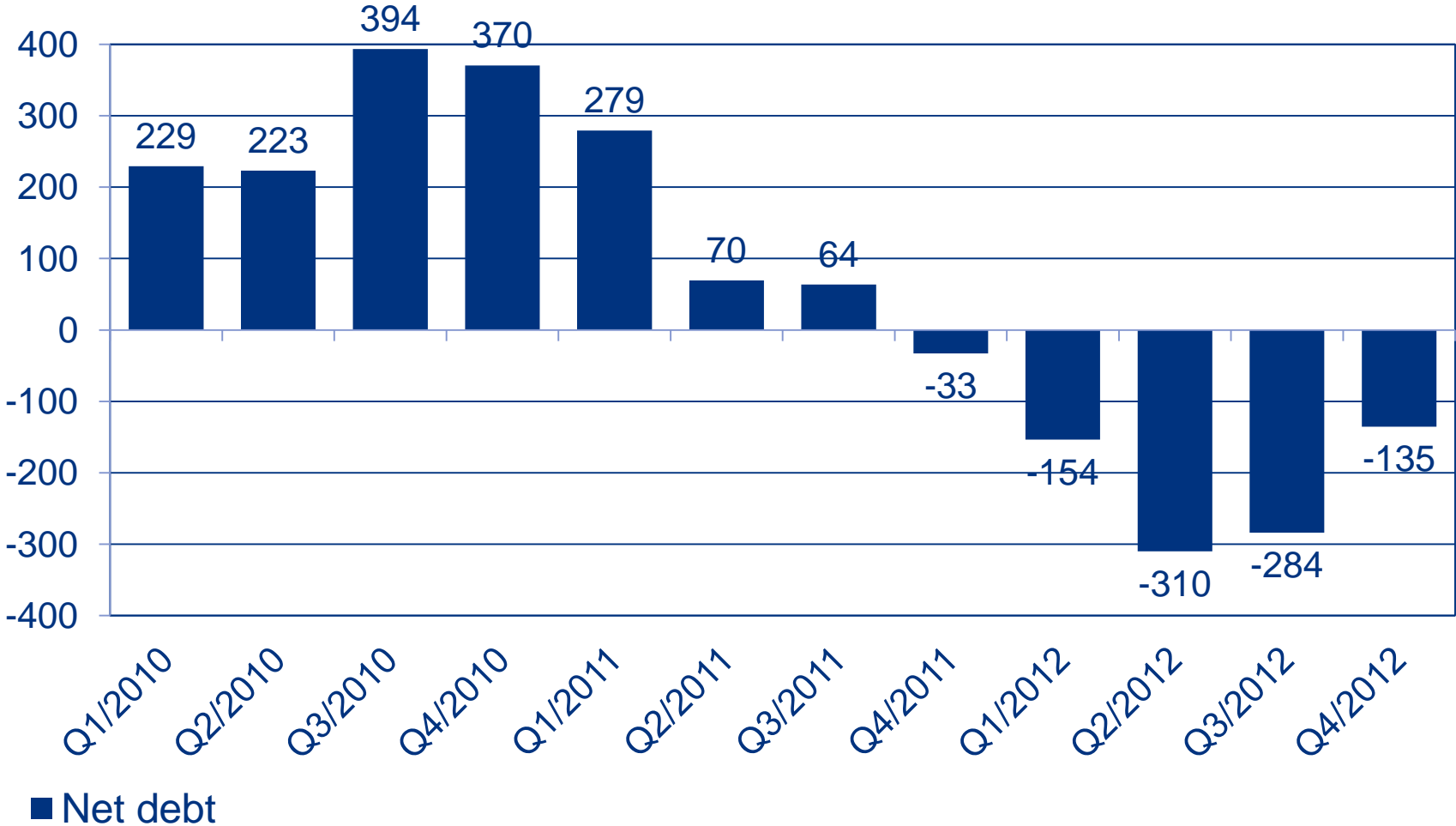
# Inventory turnover has improved



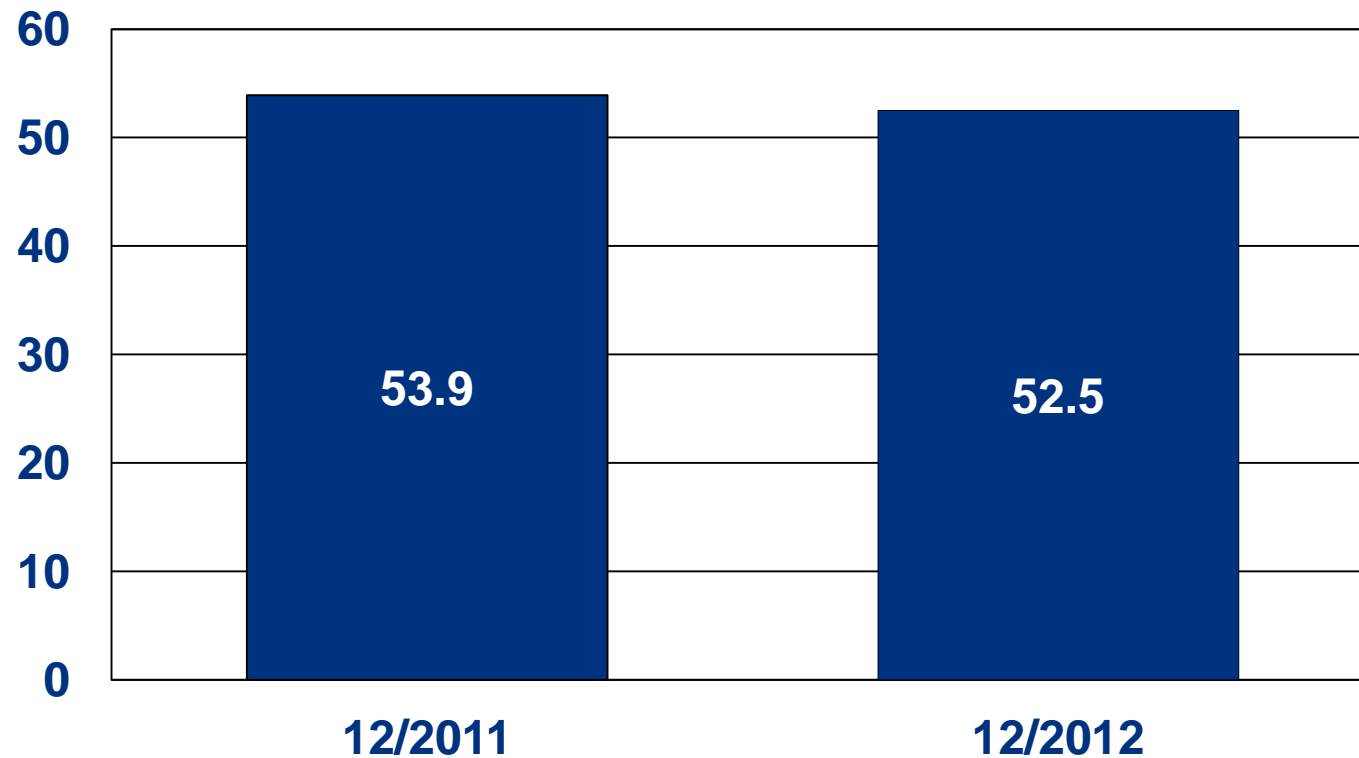
# Cash flow from operating activities exceeded capital expenditures during the latter part of 2012



# Interest bearing net debt at a low level

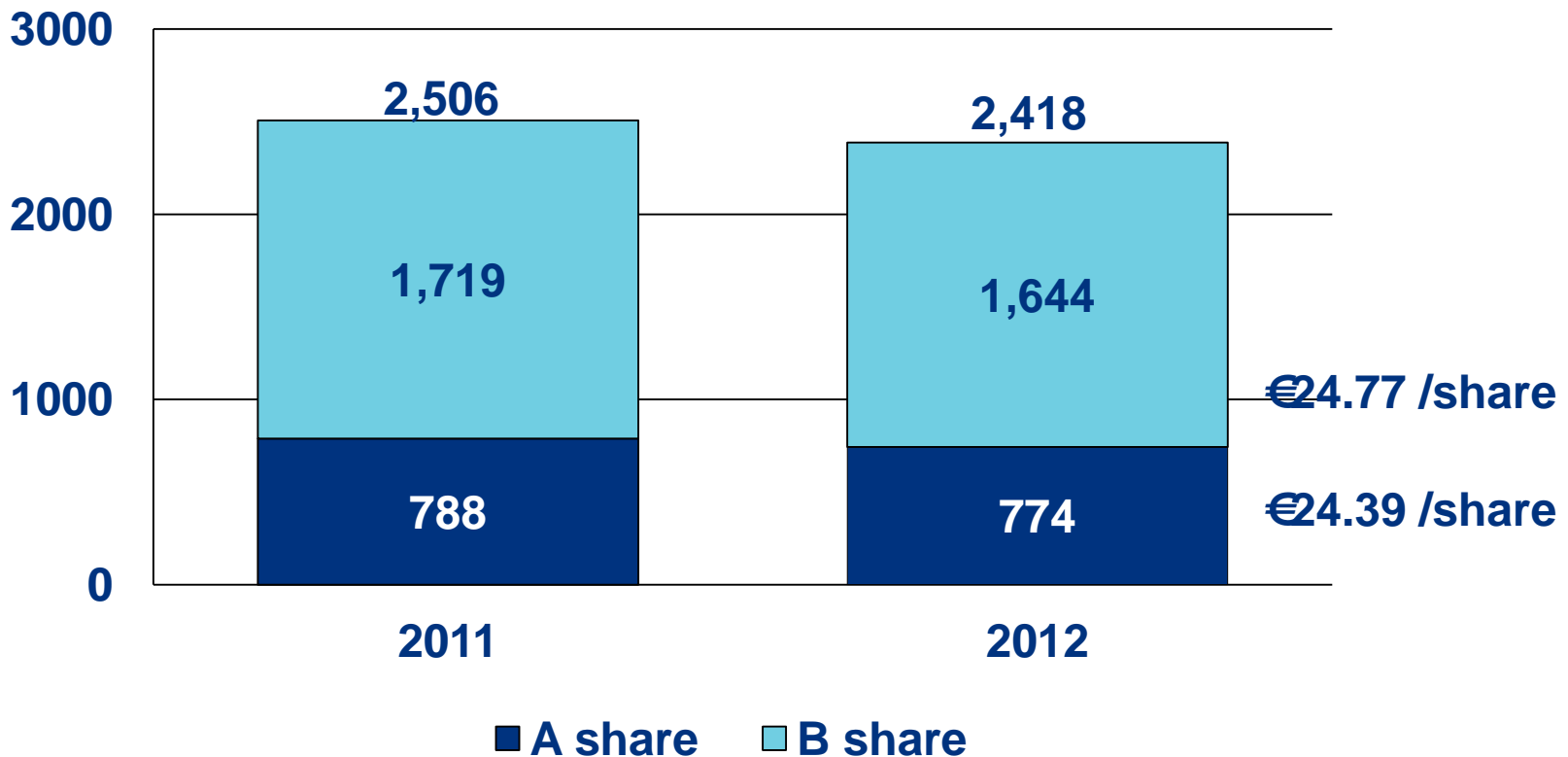


# Equity ratio, %

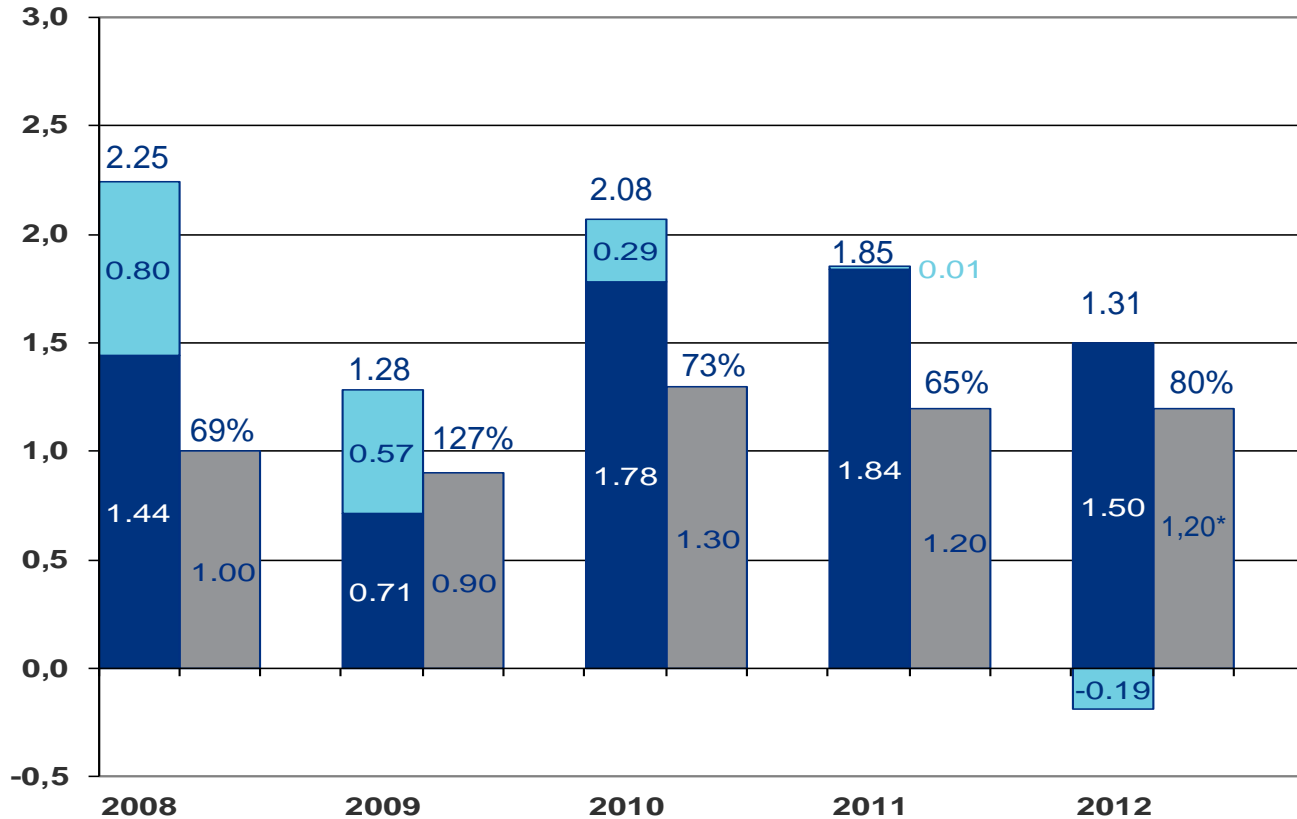




# Market capitalisation 31.12. (M€)



# Earnings/share € and dividend/share €



■ Earnings/share, basic

■ Non-recurring items

■ Dividend

\*Board's proposal to the AGM

Effective dividend yield	2008	2009	2010	2011	2012
	5.6%	3.9%	3.7%	4.6%	4.8%

# Future outlook

Estimates of the future outlook for the Kesko Group's net sales and operating profit excluding non-recurring items are given for the 12 months following the reporting period (1/2013-12/2013) in comparison with the 12 months preceding the reporting period (1/2012-12/2012).

Resulting from the problems of European national economies, the outlook for the general economic situation and consumer demand are characterised by significant uncertainty. In addition, tightening taxation and cuts in public finances are expected to weaken the growth in the trading sector.

In the Finnish grocery trade, the market is expected to remain steady. As a result of the weakened economic situation, the markets for the home and speciality goods trade, the building and home improvement trade and the car and machinery trade in Finland are expected to fall. In Russia, the market development in both the building and home improvement trade and the grocery trade is expected to be positive.

The Kesko Group's net sales for 2013 are expected to match the level of the previous year. As a result of measures taken to enhance business operations and cost savings, the operating profit excluding non-recurring items for 2013 is expected to exceed the operating profit excluding non-recurring items for 2012, unless the overall consumer demand significantly weakens. The capital expenditure for 2013 is expected to be lower compared to the capital expenditure for the previous year.

# Thank you!



*New Golf 4MOTION  
introduced in Kitzbühel,  
Austria on 30 Jan. 2013*