



# Interim report

January-September 2014

22 October 2014

CFO Jukka Erlund

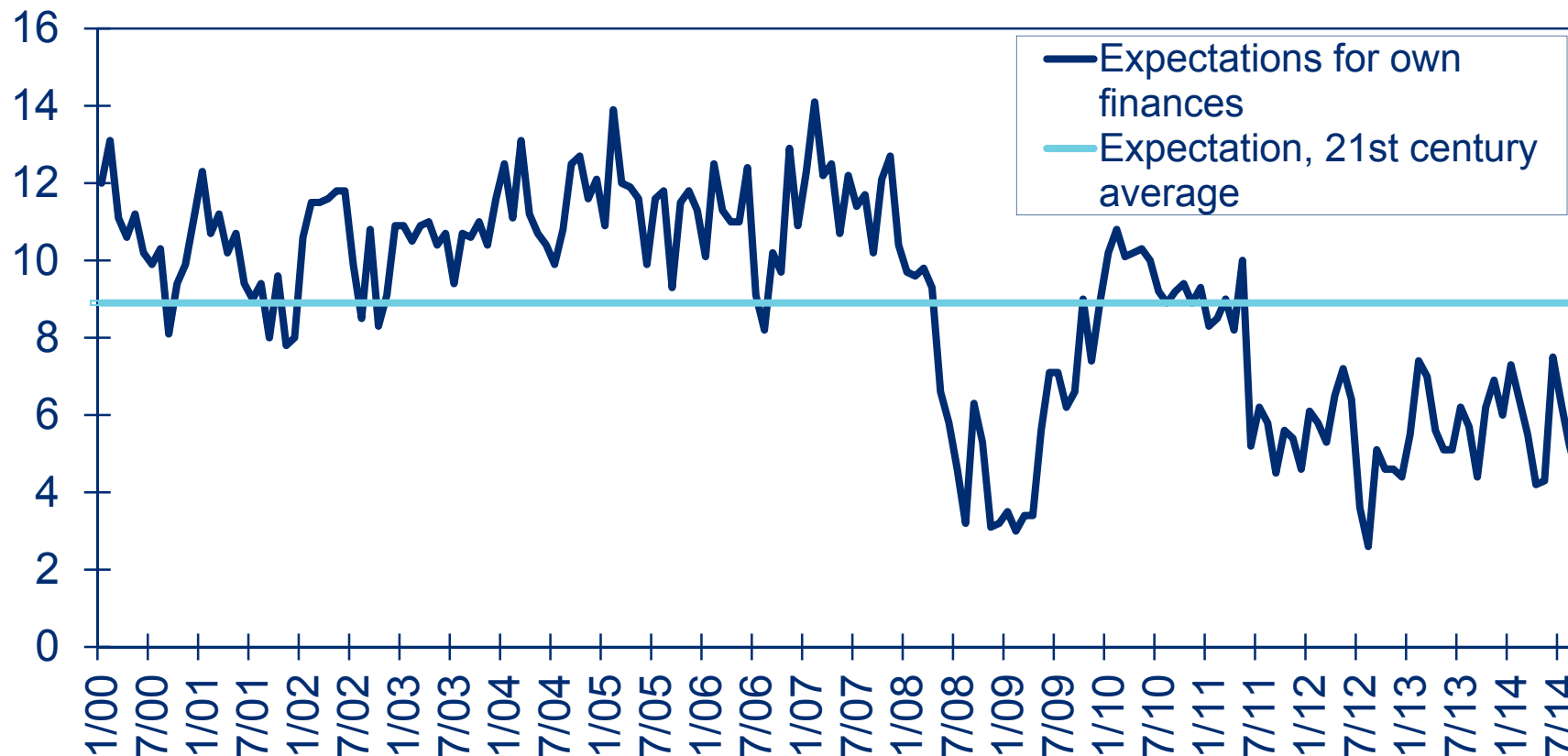
**KESKO**

# Kesko's profitability at the previous year's level

- Kesko's net sales were €6.8bn, change -2.2%
- Operating profit excl. non-recurring items was €171m (€172m) and return on capital employed excl. non-recurring items was 10.0% (9.7%)
  - Profitability remained at a good level in the food trade and the car trade, improved significantly in the building and home improvement trade and weakened in the home and speciality goods trade
- Strong financial position
  - Liquid assets €503m (€537m), equity ratio 54.2% (52.9%)
  - Kesko continues to look into setting up a real estate fund
- Kesko seeks more competitive multi-channel home improvement and speciality goods trade
  - The aim is that in 2015, Kesko's reportable segments are the grocery trade, the home improvement and speciality goods trade, and the car and machinery trade.
- 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.

# Consumers' expectations for own finances

## Own finances in 12 months



Source: Statistics Finland

# Profit for 1-9/2014

	1-9/2014	1-9/2013
Net sales, €m	6,804	6,953
Fixed costs excl. non-recurring items, €m	1,284	1,300
Operating profit excl. non-recurring items, €m	171	172
Non-recurring items, €m	-51	8
Net financial items, €m	-1	-5
Income tax, €m	31	52
Net profit for the period, €m	87	122

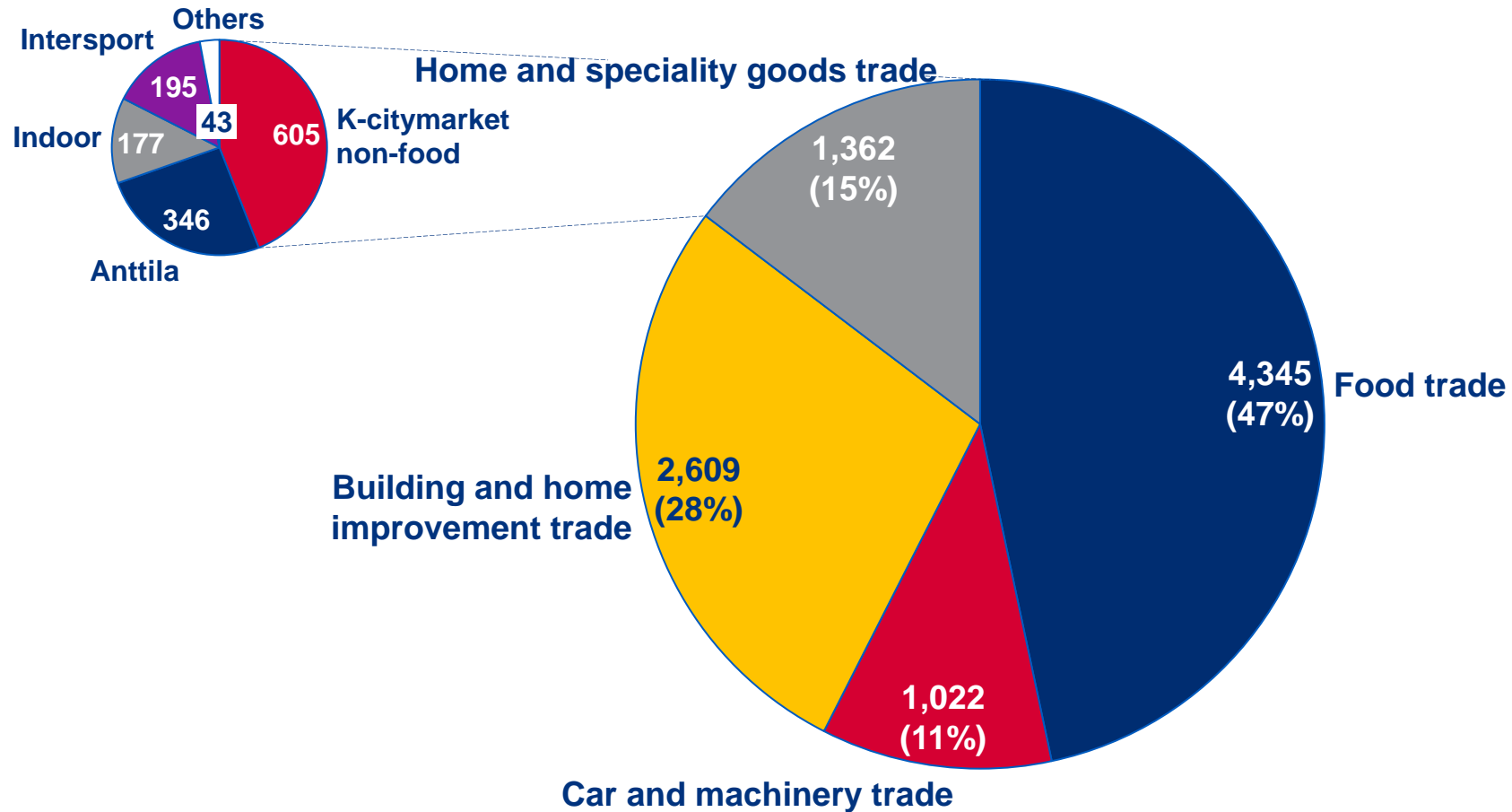
# Financial position

	1-9/2014	1-9/2013	1-12/2013
Equity ratio, %	54.2	52.9	54.5
Liquid assets, €m	503	537	681
Capital expenditure, €m	151	125	171
Interest-bearing net liabilities, €m	-3	31	-126
Inventories, €m	803	776	797

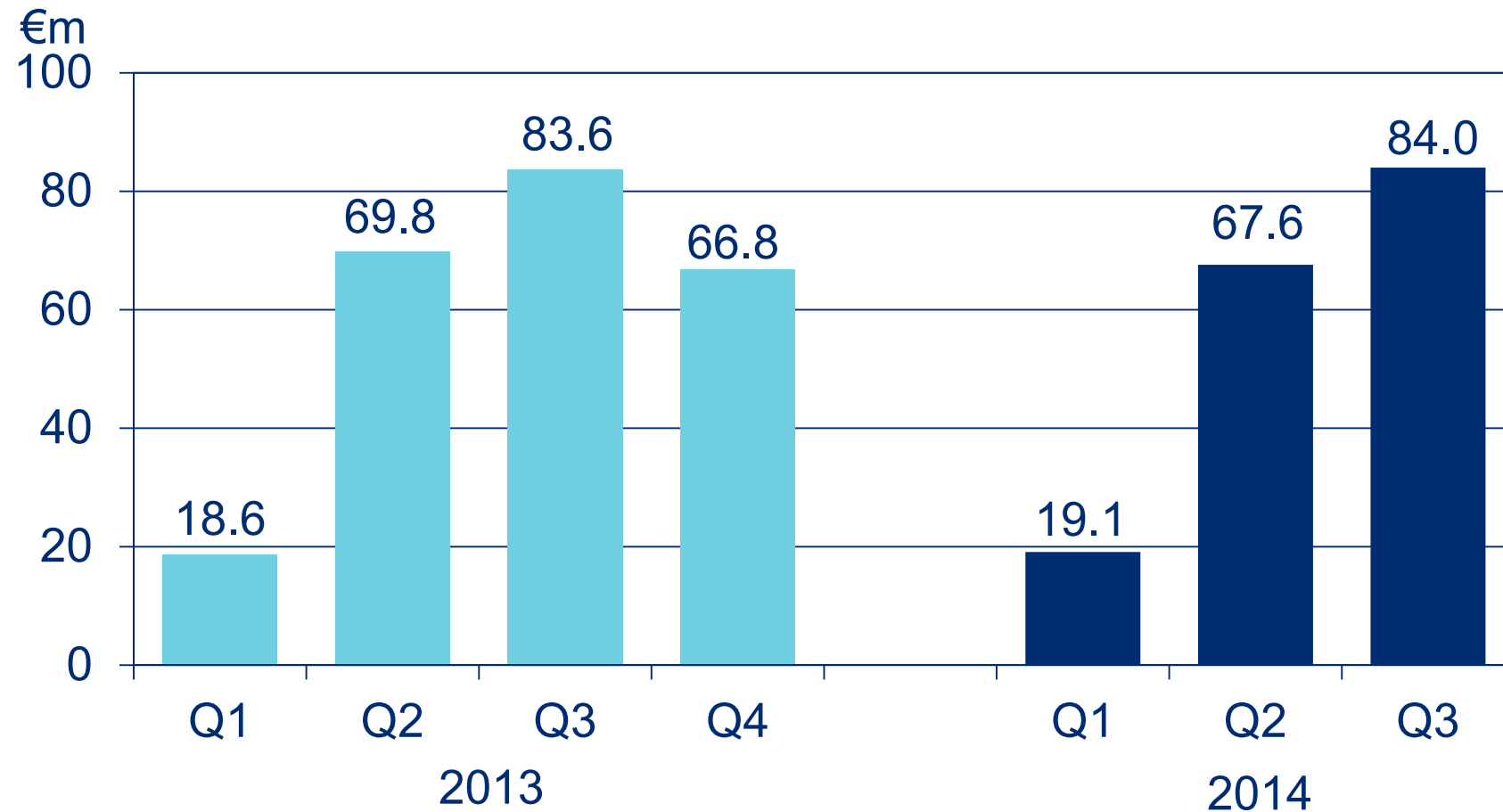
## Net sales by division (€m)

	1-9/2014	Change	7-9/2014	Change
Food trade	3,197	-1.3%	1,085	-1.0%
Home and speciality goods trade	923	-9.3%	323	-8.1%
Building and home improvement trade	2,013	+0.1%	696	-1.9%
Car and machinery trade	796	-1.9%	240	-7.7%
<b>Group total</b>	<b>6,804</b>	<b>-2.2%</b>	<b>2,304</b>	<b>-2.9%</b>

# Anttila accounts for less than 4% of Kesko's net sales



# Operating profit excl. non-recurring items by quarter



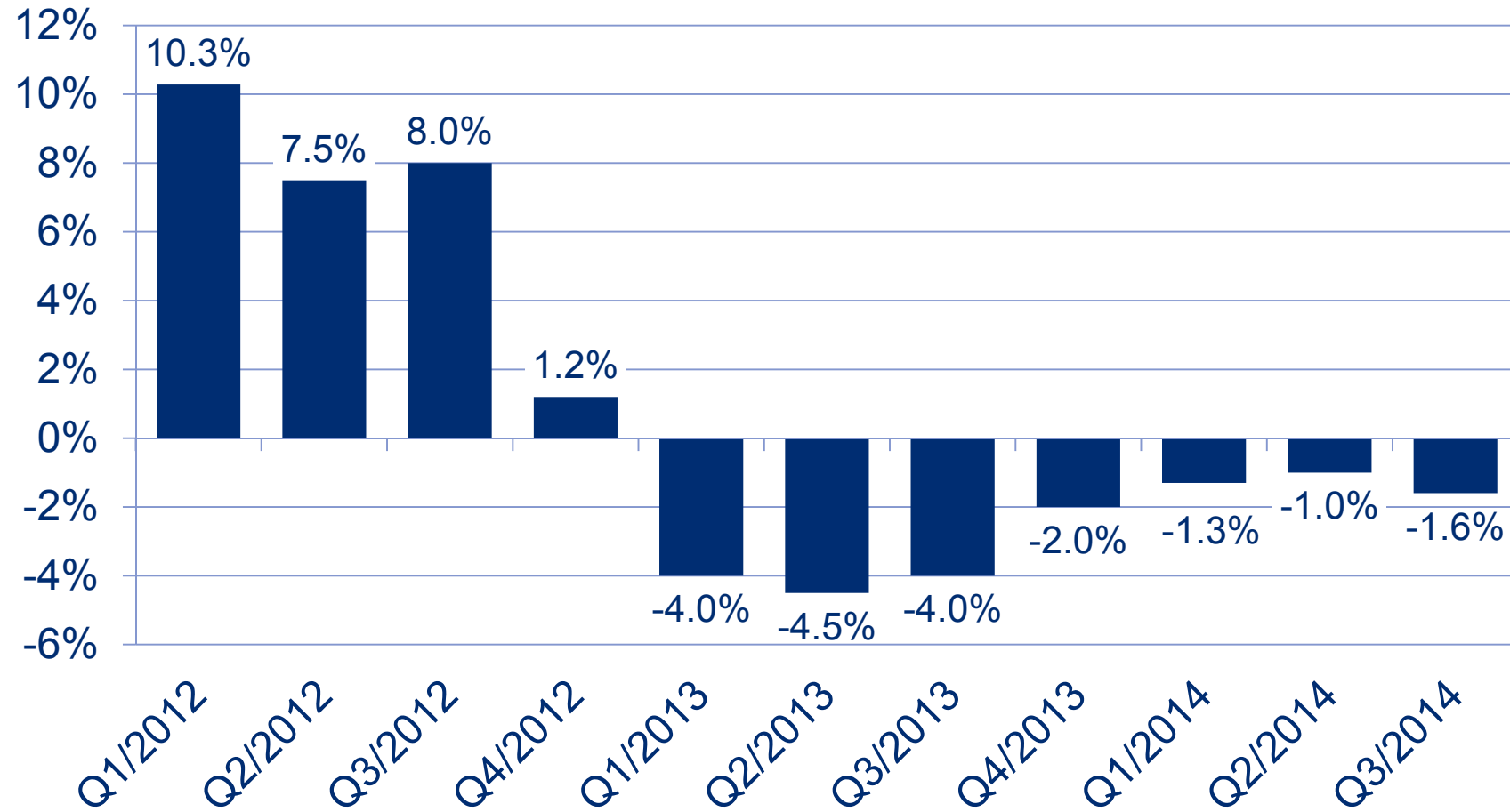


# Operating profit excl. non-recurring items by division (€m)

	1-9/2014	Change	7-9/2014	Change
Food trade	155.7	0.7	56.3	0.3
Home and speciality goods trade	-48.3	-18.4	-7.4	-5.2
Building and home improvement trade	45.8	19.0	29.6	5.7
Car and machinery trade	27.8	-2.8	8.7	-1.1
<b>Group total</b>	<b>170.8</b>	<b>-1.2</b>	<b>84.0</b>	<b>0.4</b>

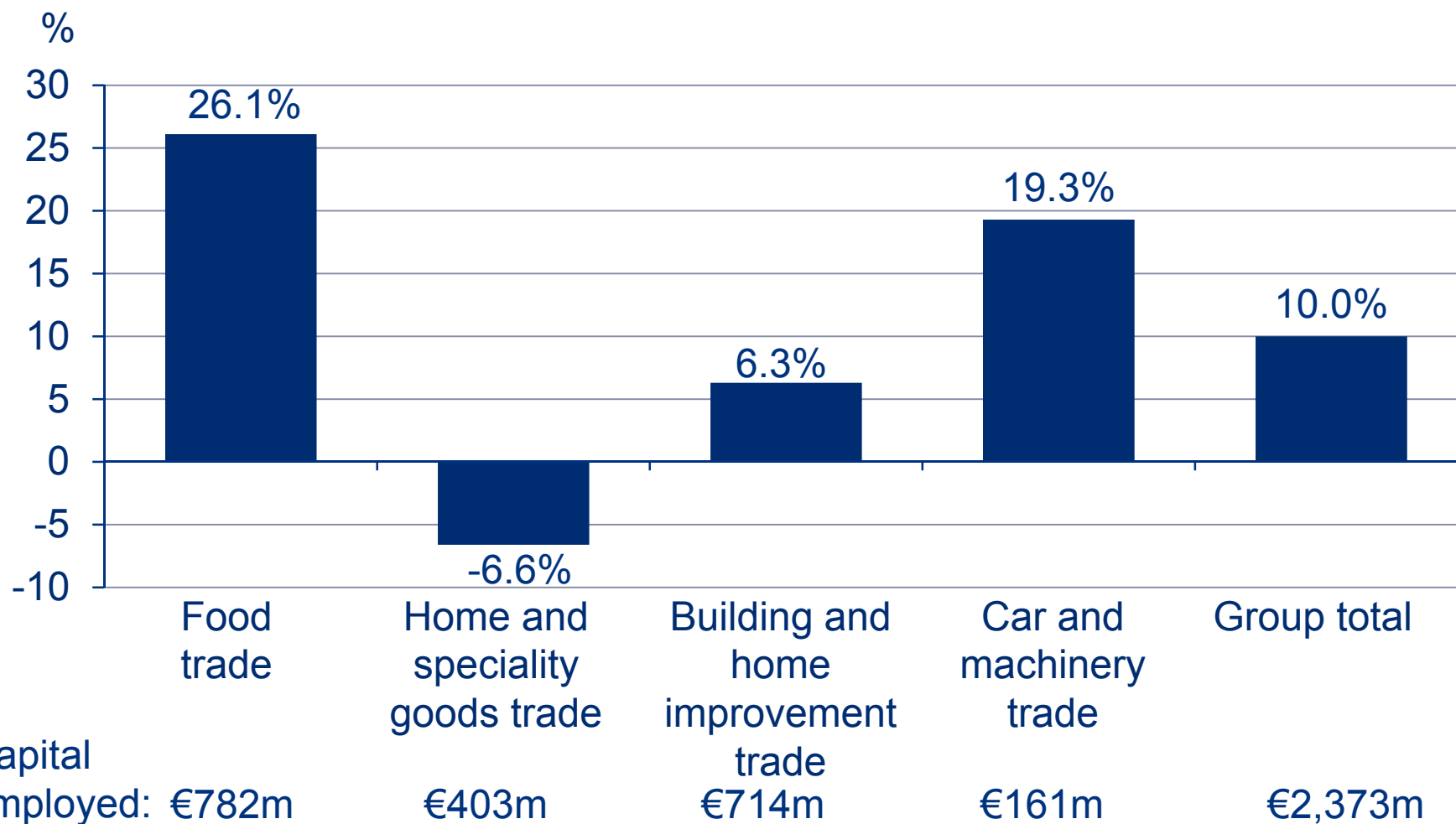
# Year-on-year change in fixed costs

excluding non-recurring items

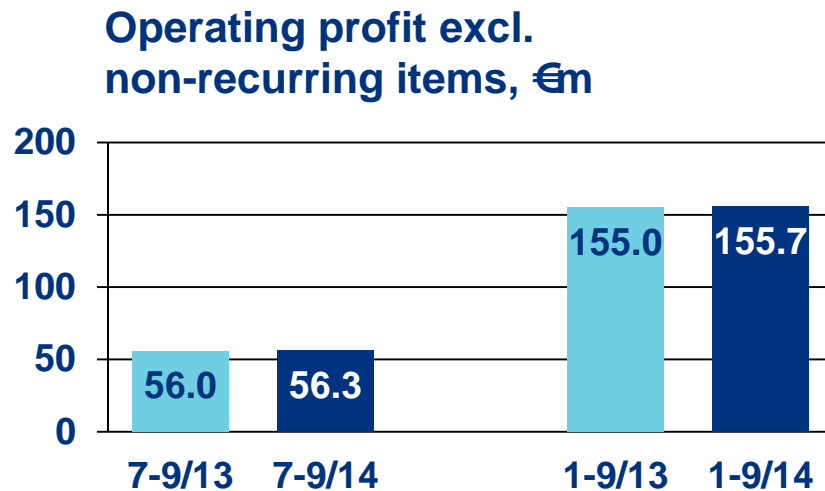
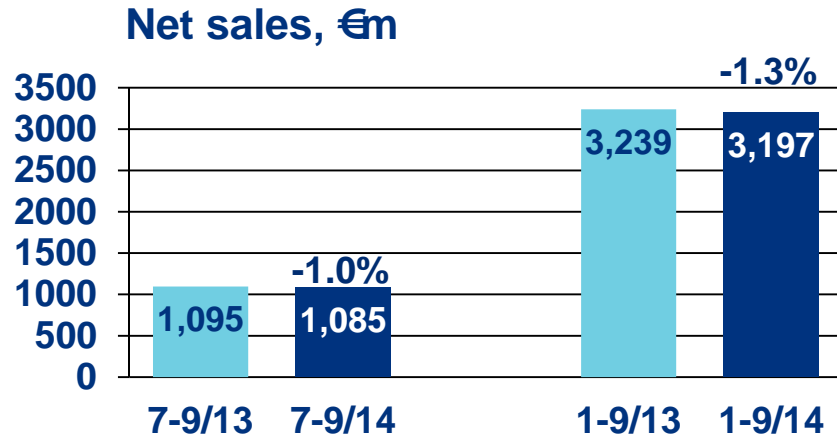


# Return on capital employed

excl. non-recurring items, moving 12 mo



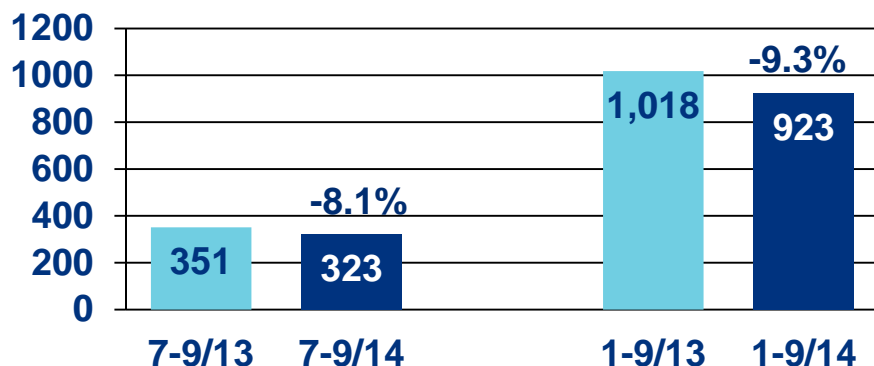
# In the food trade, profitability at a good level



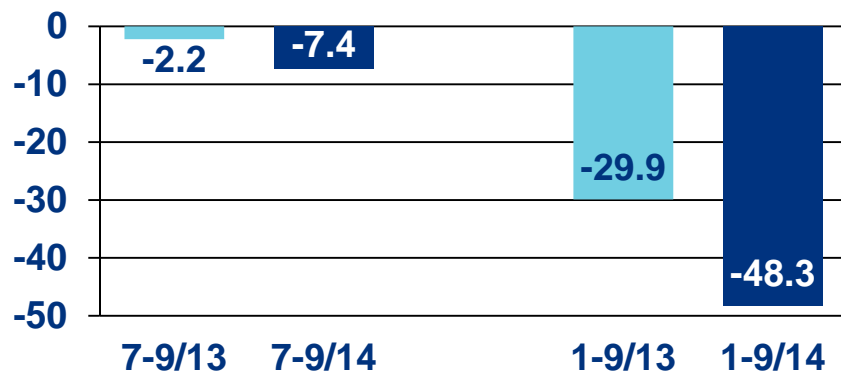
- Kesko Food's net sales were down 1.3%
  - Decline in purchasing power is also reflected on food trade
  - Price increases in the food trade have stopped
  - K-food stores' sales below market performance
- Performance of sales and profitability of food stores in Russia were as planned
- Profitability improved by cost savings
- Capital expenditure €72m (€68m)
- Five new K-supermarkets opened in Finland and the fifth K-ruoka in St. Petersburg

# In the home and speciality goods trade, consumer demand continued to weaken

Net sales, €m



Operating profit excl. non-recurring items, €m

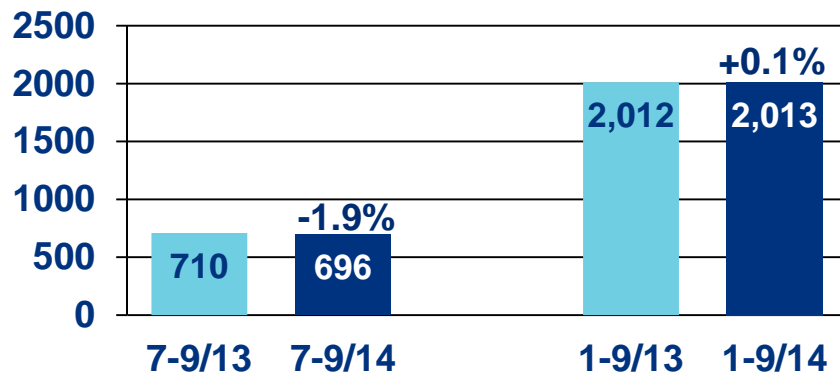


- Anttila’s financial performance declined and was clearly loss-making
  - Six department stores have been closed, six will be closed in the first part of 2015
- Profits of K-citymarket non-food, Intersport Finland and Indoor remained at a good level despite sales decline
- K-citymarket non-food is planned to be transferred to the grocery division at the beginning of 2015
- Sales of online stores increased
  - Musta Pörssi will continue as an online store
- Capital expenditure €12m (€17m)

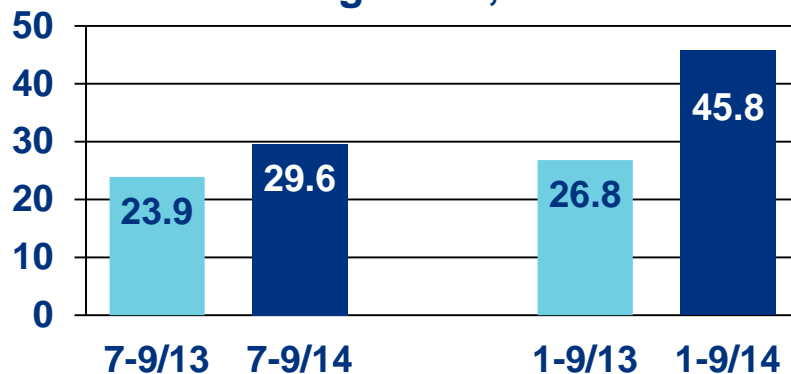


# In the building and home improvement trade, market share increased and profitability improved

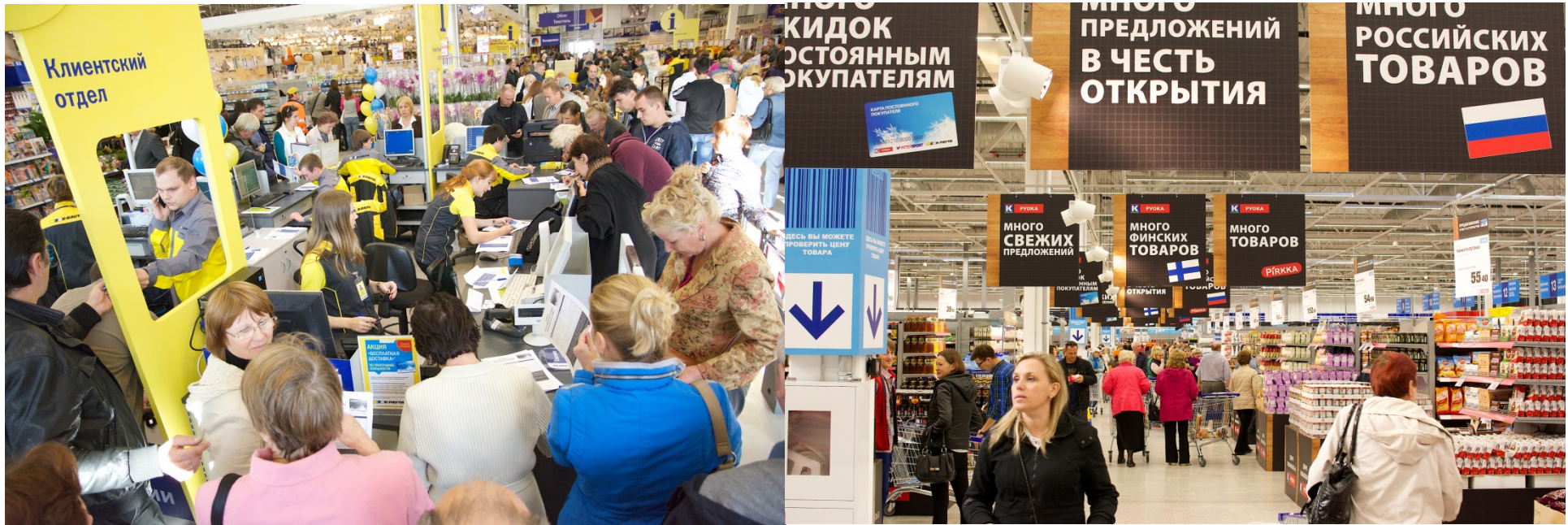
Net sales, €m



Operating profit excl. non-recurring items, €m



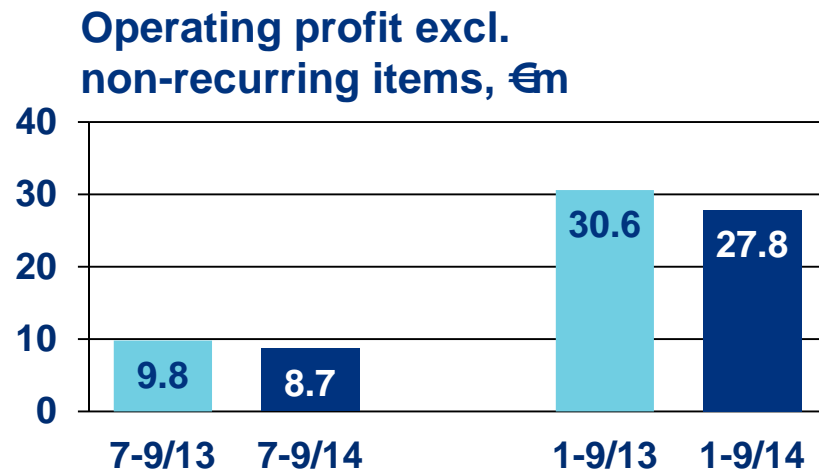
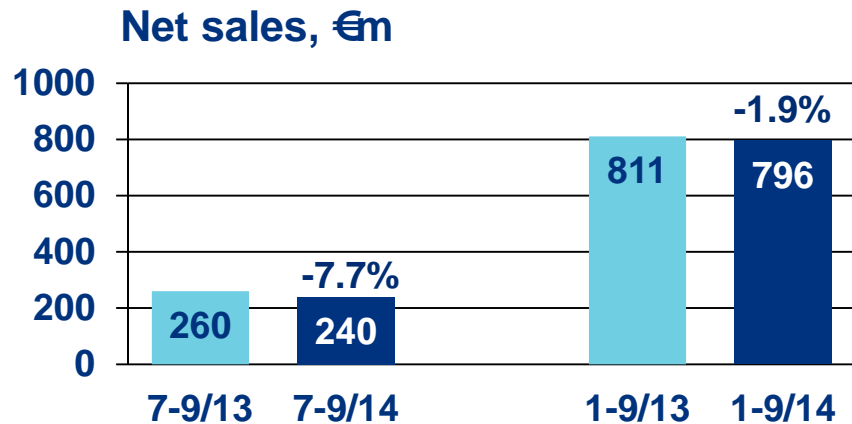
- Net sales of the building and home improvement trade at the previous year's level, in local currencies net sales were up 3.7%
- Market position of K-rauta and Rautia in Finland continued to strengthen
- Operating profit increased significantly due to sales growth and enhancement measures
  - Profit improved especially in foreign operations
- Capital expenditure €44m (€26m)



**Kesko opened new K-ruoka, K-rauta and Intersport stores in Kamenka shopping centre, St. Petersburg on 18 September 2014**



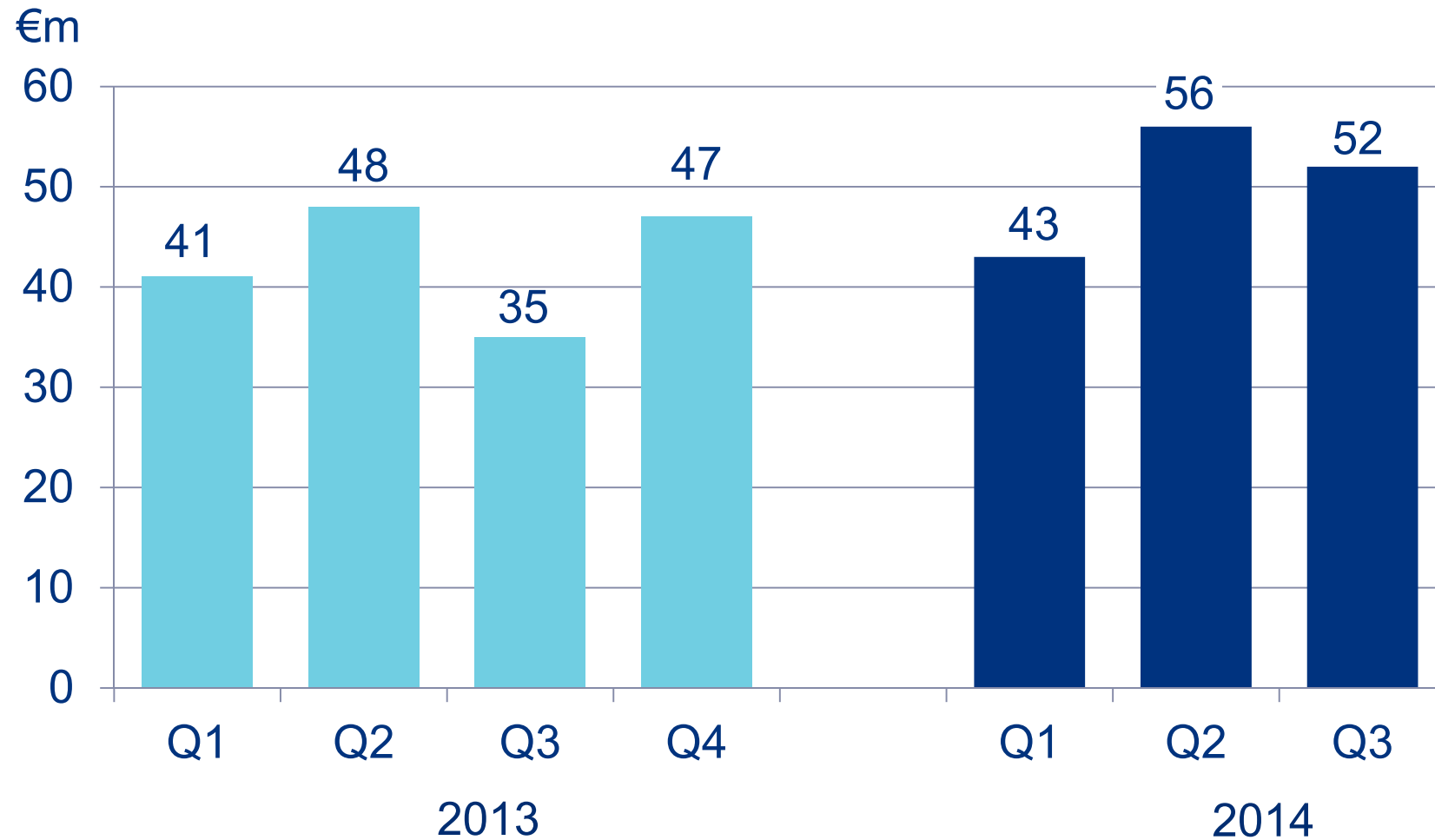
# In the car and machinery trade, profitability at a good level, Volkswagen continued as market leader



- Market share of Audi, Volkswagen and Seat 20.7% (20.5%)
- Change in VV-Auto's net sales +2.5%
  - Market performance of new registrations of passenger cars and vans in Finland +2.4%
- Change in Konekesko's net sales -12.2%, weak market performance in the agricultural machinery trade
- Profitability of the car trade at a good level due to cost reductions



# 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 (10/2014-9/2015) in comparison with the 12 months preceding the reporting period (10/2013-9/2014).

Future prospects for the general economic situation and consumer demand continue to be characterised by significant uncertainty. 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.

*Thank you!*

