



Half Year Financial Report
Q2/2017
27 July 2017

President and CEO Mikko Helander



Highlights

Q2/2017

- The grocery trade continued its good development in sales and profitability
- The B2B sector in the building and technical trade continued its good development
- Sales and profitability continued to improve in the car trade
- Unusually cold spring and early summer in northern Europe weakened sales, as did three fewer delivery days than in the previous year
- In line with our strategy, focusing on growth areas was continued by divesting several speciality goods businesses
- Good cash flow from operating activities and divestments further improved our strong financial position

Net Sales and Operating Profit Grew

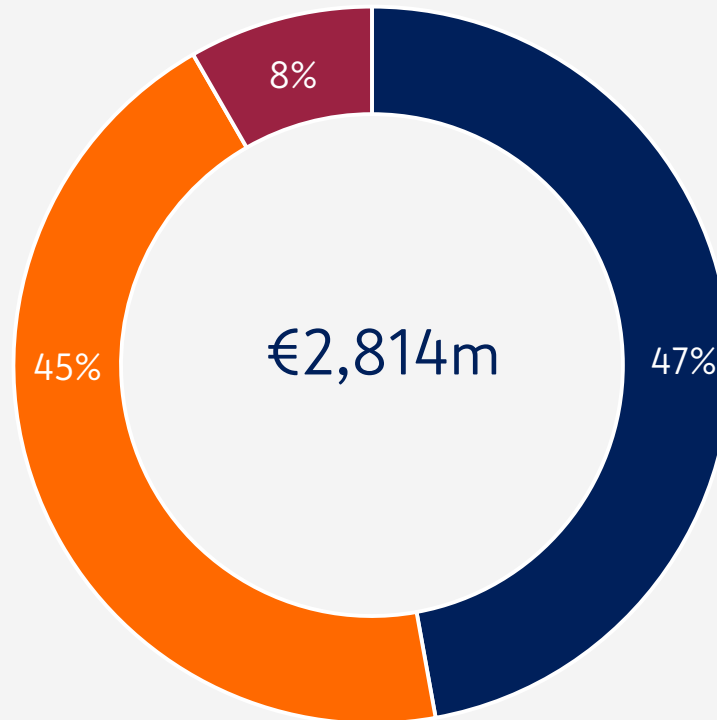
	Q2/2017	Q2/2016	H1/2017	H1/2016
Net sales, €m	2,814	2,610	5,411	4,624
Net sales growth, %	+7.8	+17.2	+17.0	+7.3
Operating profit, €m	152.5	68.0	169.1	101.6
Comparable operating profit, €m	84.6	79.1	113.2	111.4
Comparable operating profit, %	3.0	3.0	2.1	2.4
Profit before tax, €m	150.5	68.1	172.1	103.8
Comparable profit before tax, €m	82.6	79.2	116.2	113.7
Comparable earnings per share, €	0.61	0.59	0.90	0.85

Net Sales by Division

Q2/2017

Car trade
€234 million
+9.7%, in comparable terms +3.3%

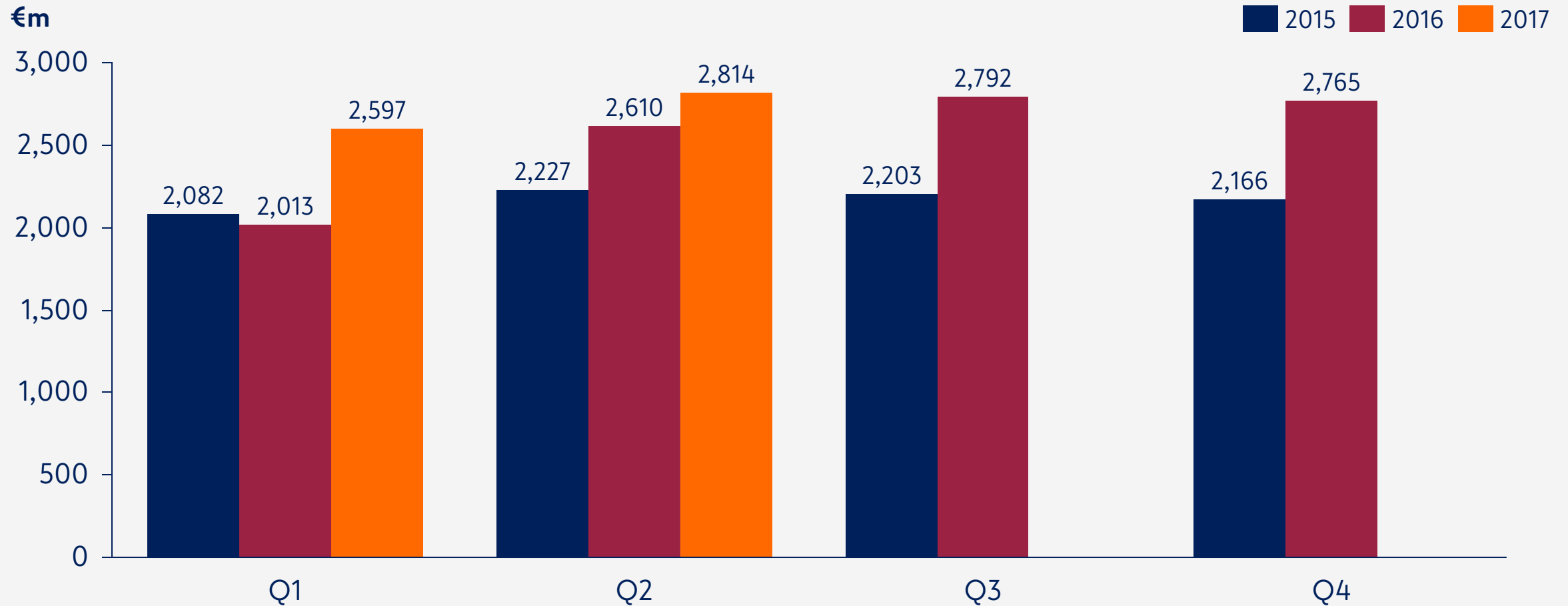
Building and technical trade
€1,253 million
+19.8%, in comparable terms -2.8%



Grocery trade
€1,327 million
-1.9%, in comparable terms +2.1%

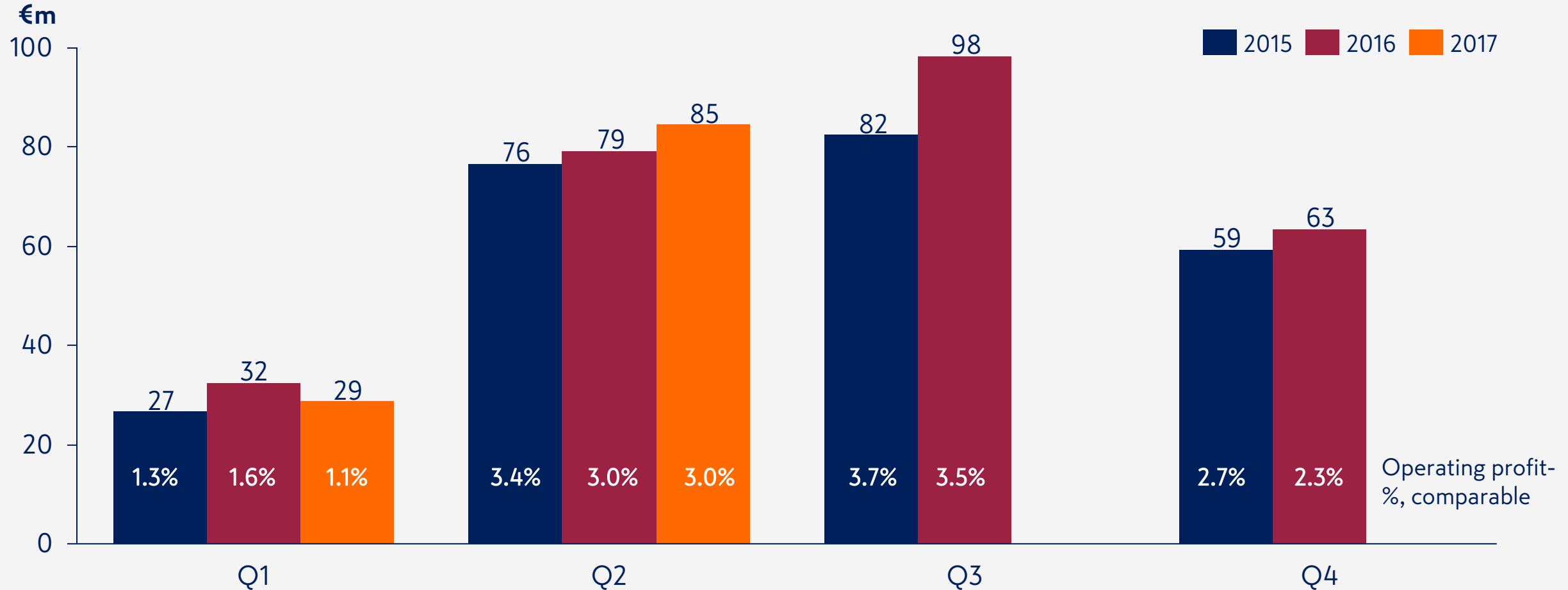
Net Sales by Quarter

Q2/2017 growth 7.8%, in comparable terms 0.4%



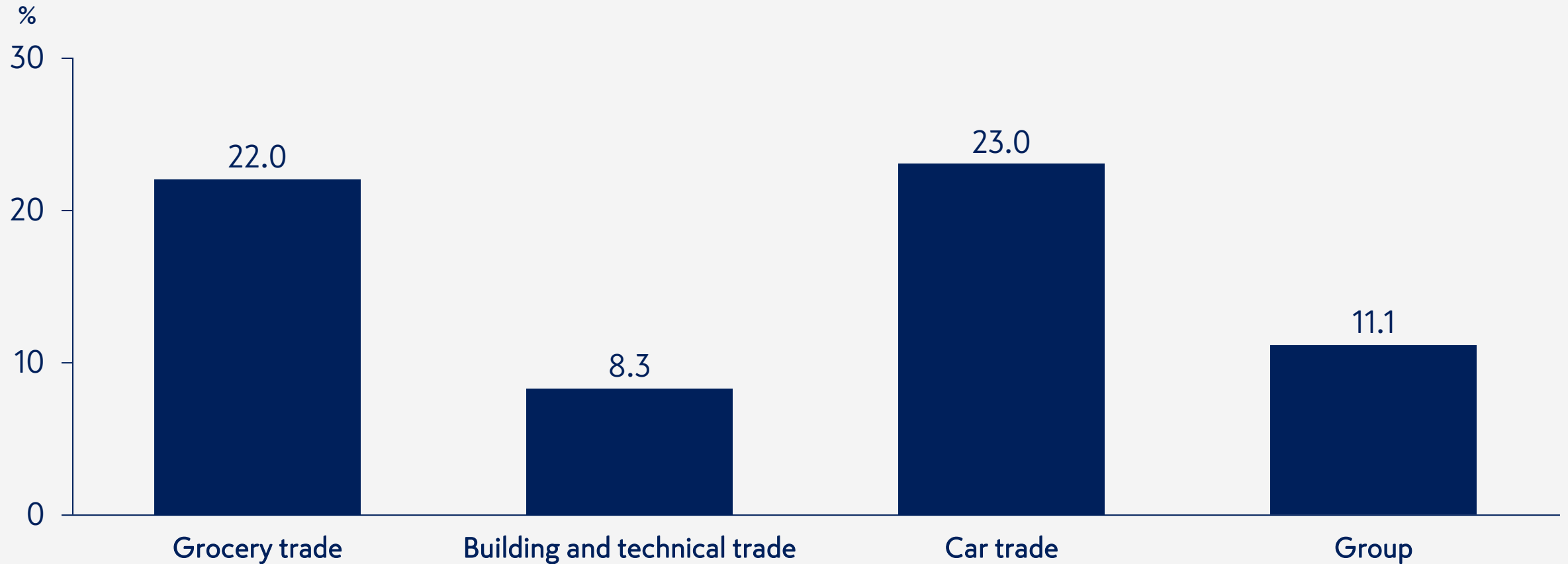
Operating Profit by Quarter

Comparable



Return on Capital Employed 11.1% and Return on Equity 10.3%

Comparable ROCE, rolling 12 months



Strong Financial Position

	30 June 2017	30 June 2016
Equity ratio, %	47.0	44.8
Liquid assets, €m	367	327
Interest-bearing net debt, €m	194	330
Interest-bearing net debt / EBITDA, rolling 12 months	0.5	0.9
Cash flow from operating activities, Q2, €m	141	79
Cash flow from investing activities, Q2, €m	98	-476
Capital expenditure, gross, Q2, €m	-92	-513



Grocery Trade



Grocery Trade

The market

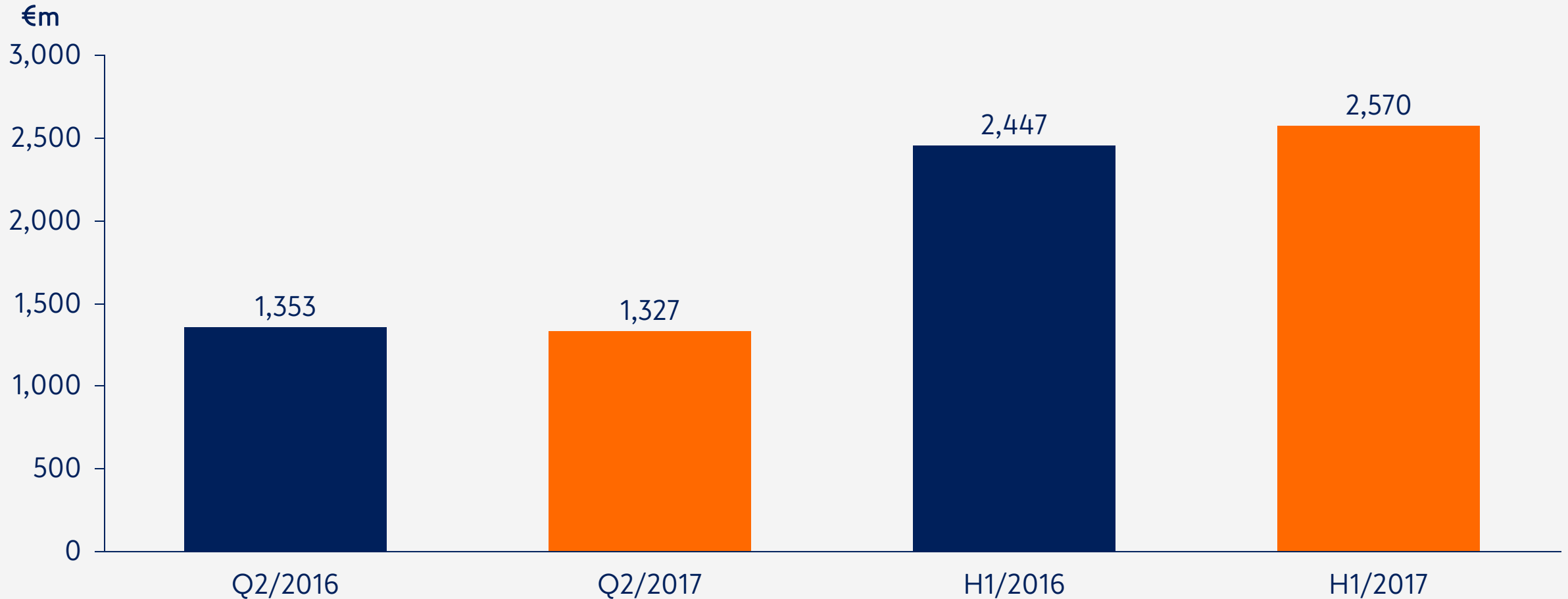
- The overall market grew by 1.2% and the fall in prices stopped in the first half of the year
- More emphasis on quality, range and service

Highlights Q2

- K Group's grocery trade sales grew 1.0%, excluding the acquisition of Suomen Lähikauppa it was 3.4%
- Our comparable store network developed better than the market, especially K-Citymarkets
- The sales of renewed K-Markets grew by 11%
- Profitability improved with the growth in sales, synergy benefits and divestment of the Russian business in 2016
- The conversion of 409 Suomen Lähikauppa's stores was completed – the transfer of the stores to retailers is progressing well

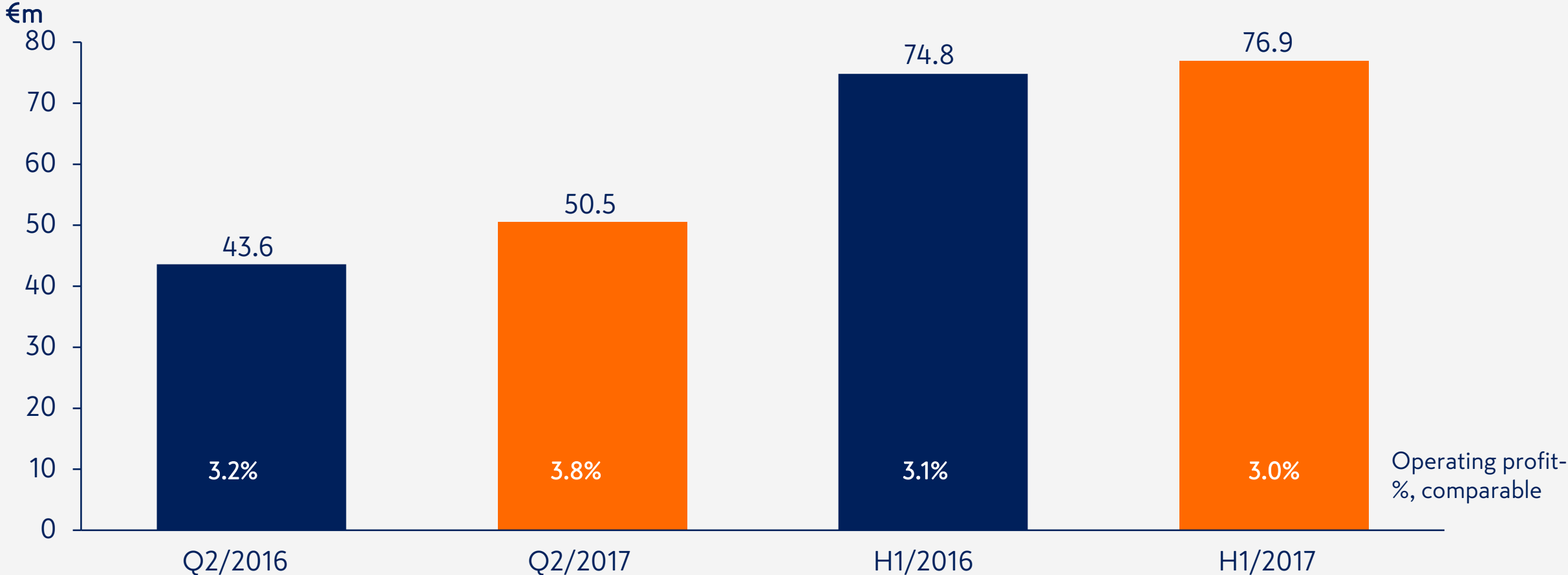
Grocery Trade Net Sales

Q2/2017 -1.9%, in comparable terms +2.1%



Grocery Trade Operating Profit

Comparable





Building and Technical Trade



Building and Technical Trade

The market

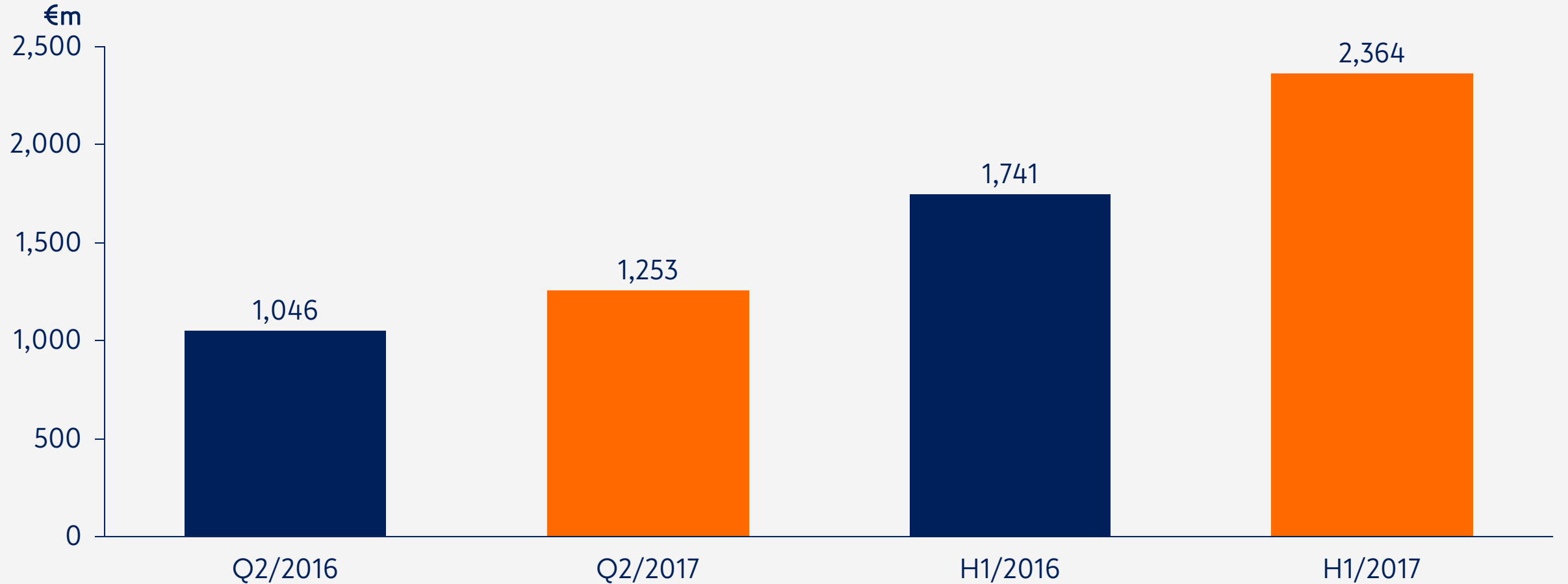
- Building and renovating continues to shift from consumers to professionals
- Market growth is even more pronounced in large growth centres in both the Nordic and Baltic countries
- Unusually cold spring and early summer in northern Europe weakened demand in B2C

Highlights Q2

- Growth in B2B sales continued to be clearly stronger than B2C sales
- Onninen's development in H1 according to plans, historically H2 clearly stronger
- Net sales and profitability were weakened by having three fewer delivery days than in the previous year
- Kesko Senukai's profitability was burdened by the renewal and expansion of the store site network
- The operating profit of the speciality goods trade was reduced by the divestments made

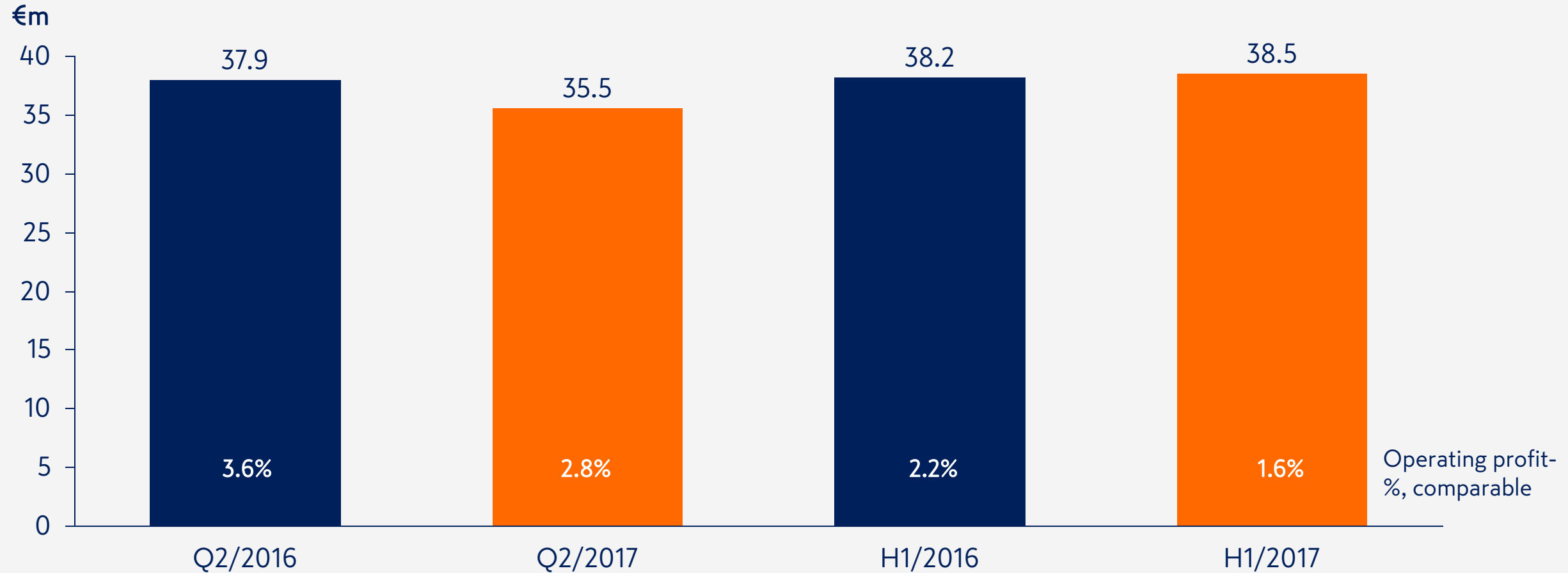
Building and Technical Trade Net Sales

Q2/2017 +19.8%, in comparable terms -2.8%



Building and Technical Trade Operating Profit

Comparable





Car Trade



Car Trade

The market

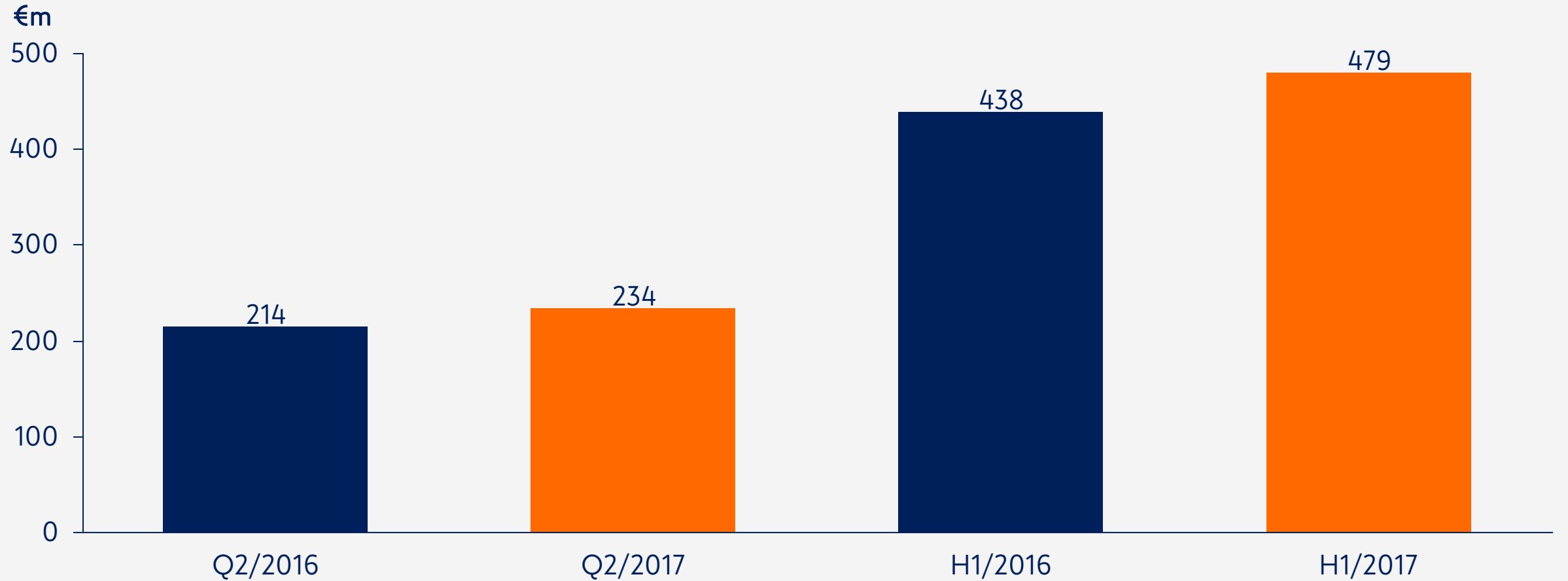
- The market strengthened after the slow development in the first half of the year
- The share of larger and better equipped cars is growing

Highlights Q2

- Sales clearly grew in the in the car trade and profitability improved
- The combined market share of passenger cars and vans rose to 19.7%
- The acquired Porsche business has developed very well
- 15% increase in overall order books

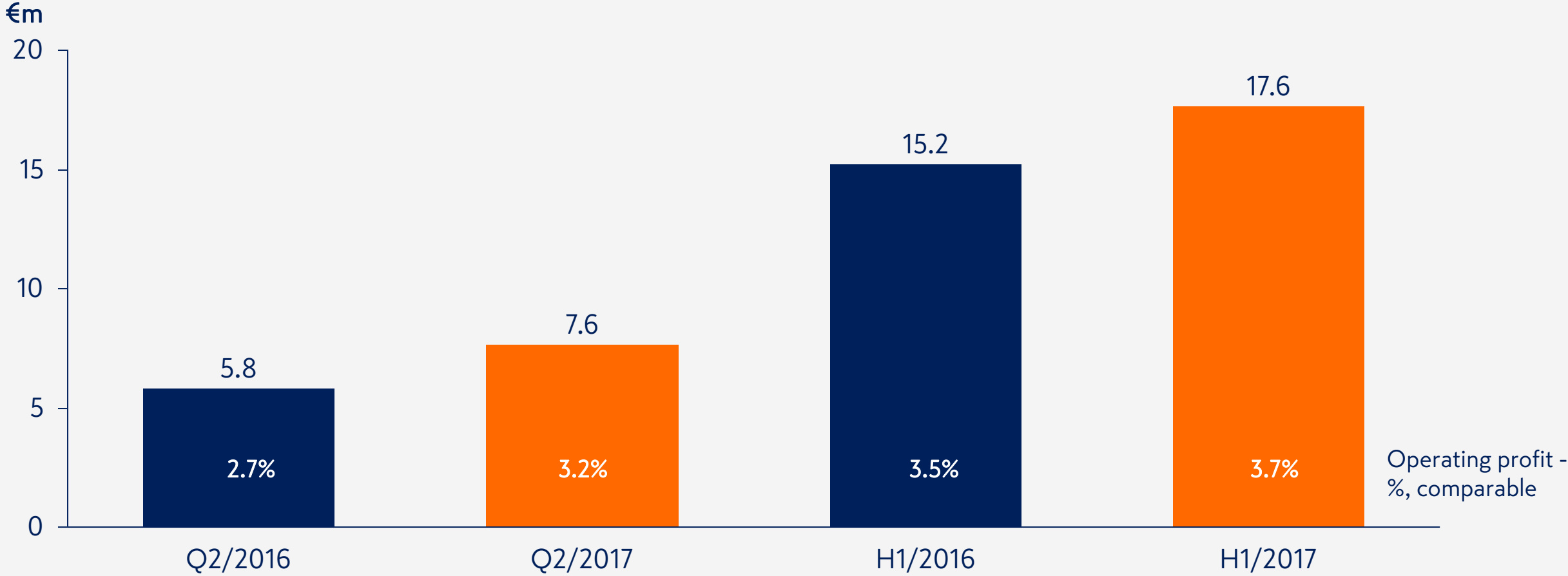
Car Trade Net Sales

Q2/2017 +9.7%, in comparable terms +3.3%



Car Trade Operating Profit

Comparable



Divestments in Line with Strategy Continued in the First Half of the Year

- The cash flow from the divested speciality goods business operations and properties for January-June 2017 totalled €192 million, of which a total of €80 million was recorded as a gain on the divestments.
- H1/2017 divested business operations:
 - K-maatalous business
 - Asko ja Sotka furniture trade
 - Machinery trade's minority share in the Baltics as well as recreational machinery business in Finland
 - Properties in the Baltics
- In addition, divested business operations from 2015-2016:
 - Russian grocery and sports trade
 - Finland's department store trade
 - Properties in Finland and Sweden



Outlook



Outlook

Estimates for the outlook of Kesko Group's net sales and comparable operating profit are given for the 12-month period following the reporting period (7/2017-6/2018) in comparison with the 12 months preceding the end of the reporting period (7/2016-6/2017).

In comparable terms, net sales over the next 12 months are expected to exceed the level of the previous 12 months. Due to the 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 that of the previous 12 months.



Current Social Topics

OLD WAY

NEW WAY



The Majority of Finns Want a More Liberal Alcohol Policy

- 61% of Finns are in favour of both strong beers and mixed drinks or either one of them being sold in food stores. Only a third of Finns object to this liberalisation*
- 56% of Finns would like wines to be available in food stores**
- A draft bill to be put before the Finnish Parliament in autumn 2017 is considerably more conservative than the opinion of the majority of citizens
- Especially for the preservation of the store site network in smaller population areas, it is to be hoped that this small change will not be further weakened



€100 Million Savings if the Pharmacy Business is Liberalised

- The inefficiency of the current pharmacy system costs consumers and society app. €100 million a year in extra expenses*
- Allowing the sale of self-medication pharmaceuticals in grocery stores would be one way of ensuring a functioning retail shop network in rural areas
- Furthermore, if pharmacies had a wider chain of operation, it would make pharmaceutical care in Finland more efficient
- Medical safety must always be ensured, but that is not dependent on the ownership base





For shopping
to be fun