



Kesko Interim Report Q3/2018

Mikko Helander, President and CEO

Highlights Q3/2018

Net sales growth +3.5%

All-time-best quarterly result,
operating profit €113 million

Continued strong market share and profit
development in grocery trade

Building and technical trade operating profit
up by €7 million *

Cash flow from operating activities €131 million



Growth in Net Sales and Operating Profit

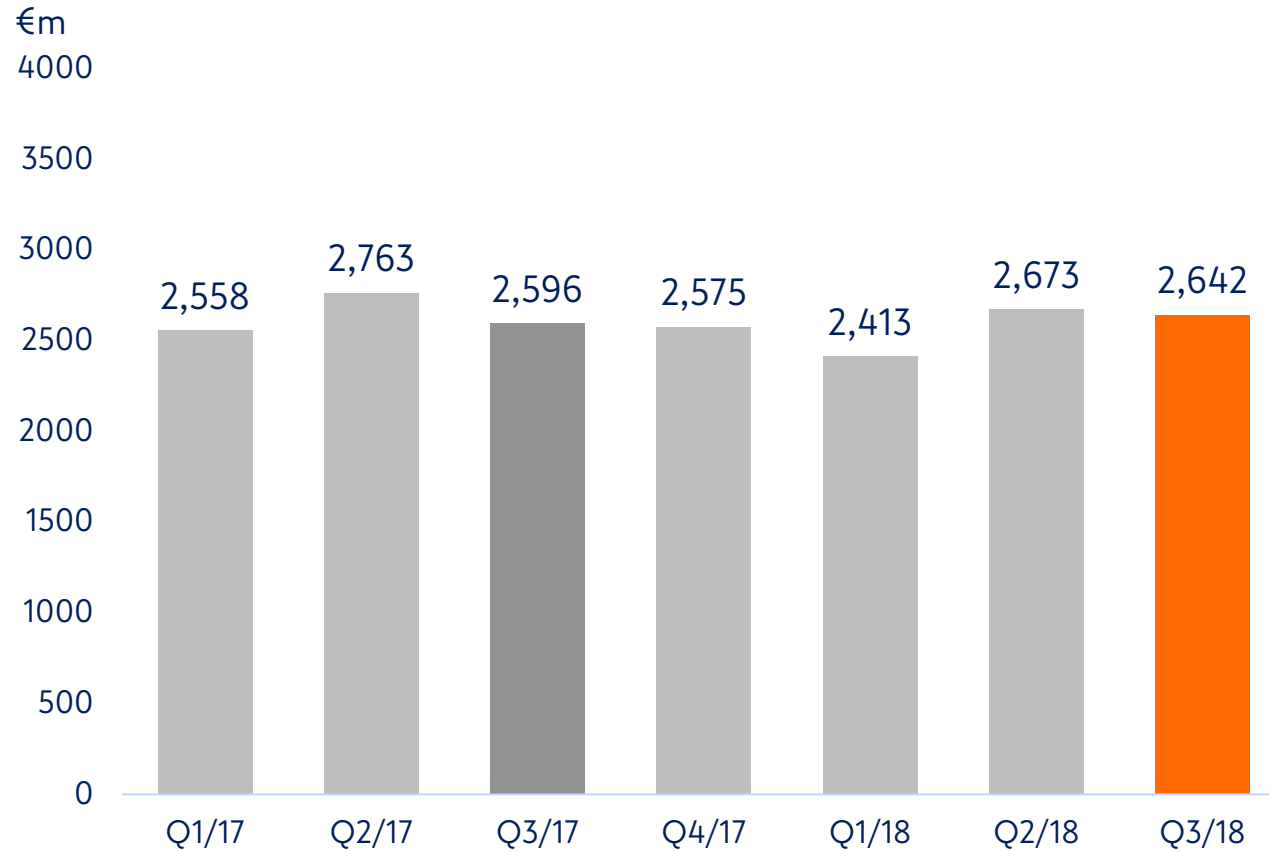
	Q3/2018	Q3/2017	1-9/2018	1-9/2017
Net sales, €m	2,642	2,596	7,728	7,917
Net sales growth, %	+3.5	+1.6	+3.6	+1.5
Operating profit, €m	112.6	100.5	241.7	215.8
Operating margin, %	4.3	3.9	3.1	2.7
Profit before tax, €m	111.8	100.3	237.7	218.7
Earnings per share, €	0.81	0.71	1.77	1.64
Return on capital employed, % *	13.8	12.4		
Return on equity, Group, % *	11.6	9.9		

Comparable figures, continuing operations

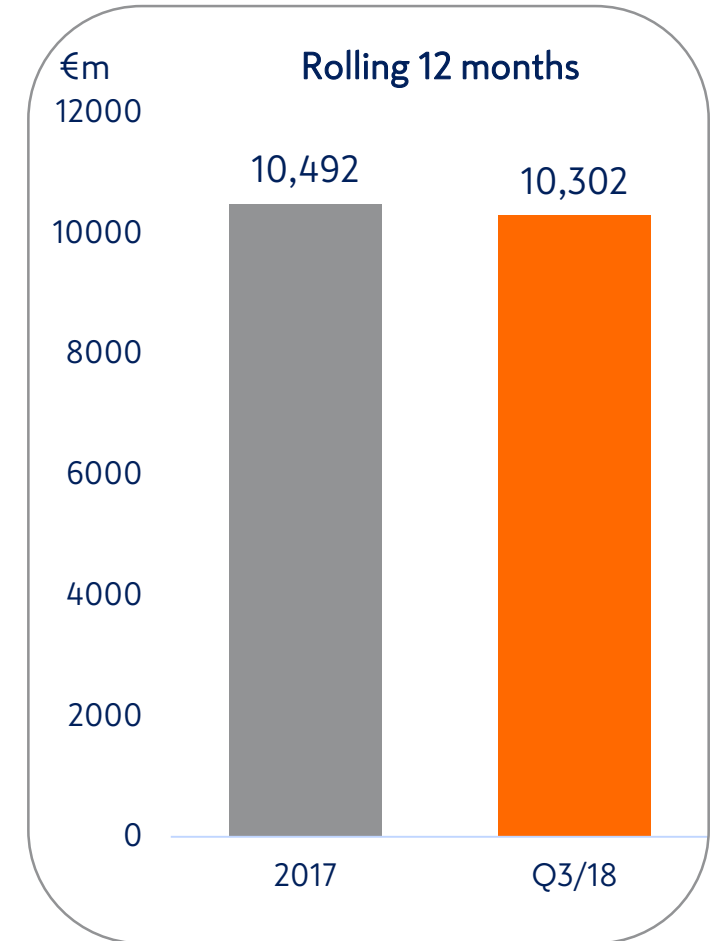
* Rolling 12 months

Net Sales

Comparable Q3 growth +3.5%

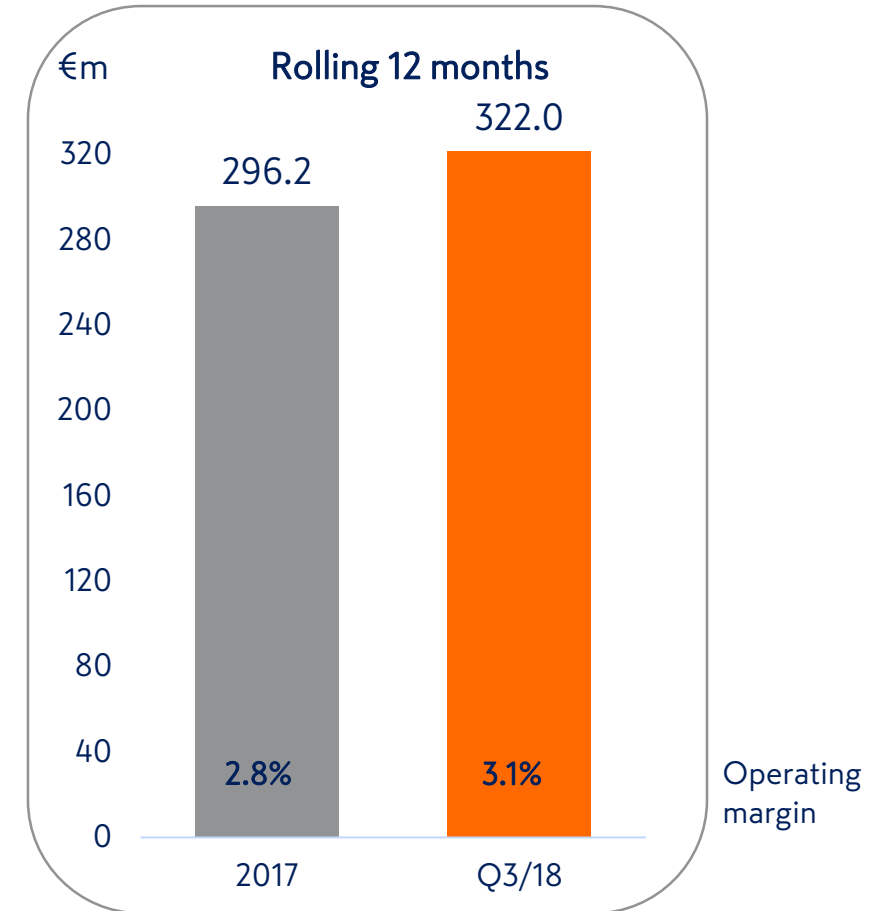
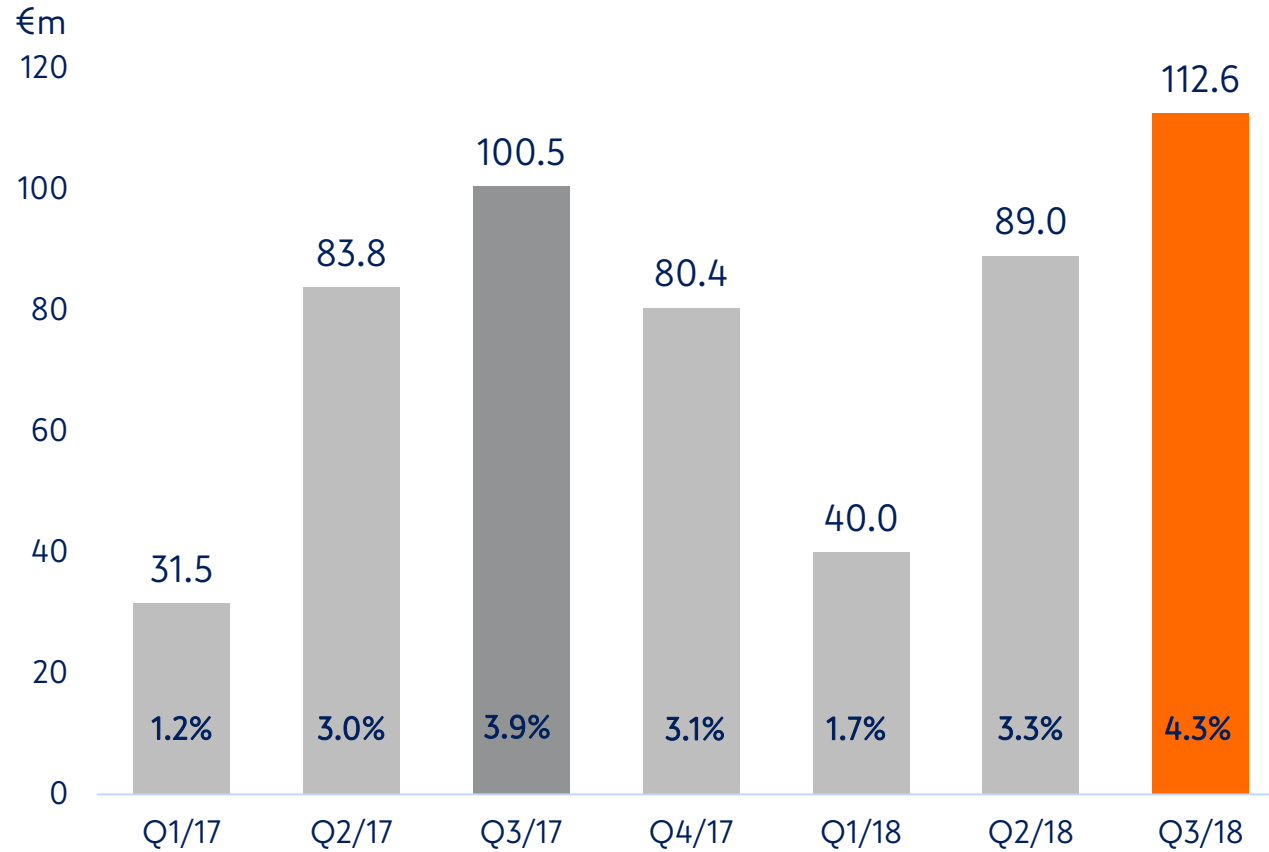


Continuing operations



Operating Profit

Q3 profit improvement €12 million

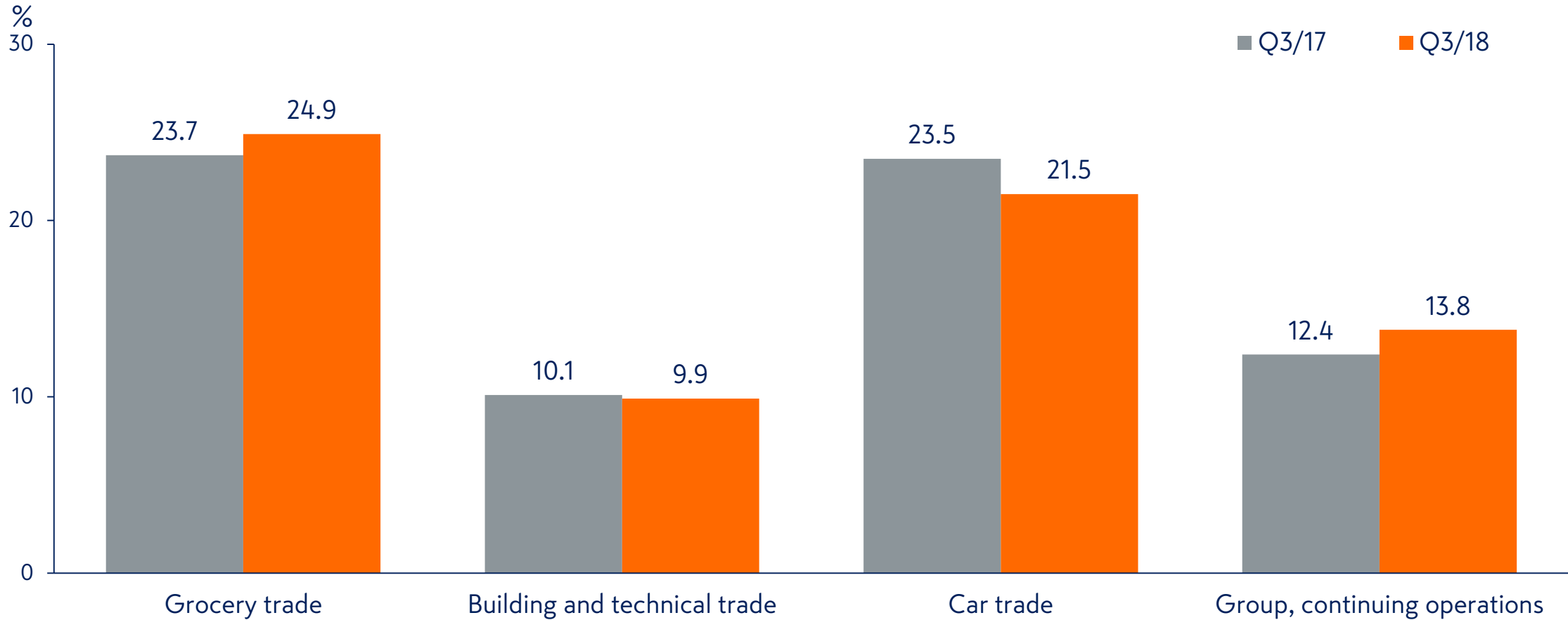


Comparable operating profit, continuing operations

Impact of the divested Asko and Sotka, K-maatalous and Yamarin businesses, Yamaha representation and Baltic real estate on operating profit: €5.8 million in Q2/17, €4.6 million in Q1/17

Return on Capital Employed 13.8%

Comparable, rolling



Strong Financial Position

	30.9.2018	30.9.2017
Equity ratio, %	48.5	49.1
Liquid assets, €m	319	370
Interest-bearing net debt, €m	229	159
Interest-bearing net debt / EBITDA *	0.6	0.4
Continuing operations Q3:		
Cash flow from operating activities, €m	130.5	97.8
Cash flows from investing activities excl. acquisitions, €m	-59.5	-52.6
Cash flows from investing activities incl. acquisitions, €m	-216.3	-52.6

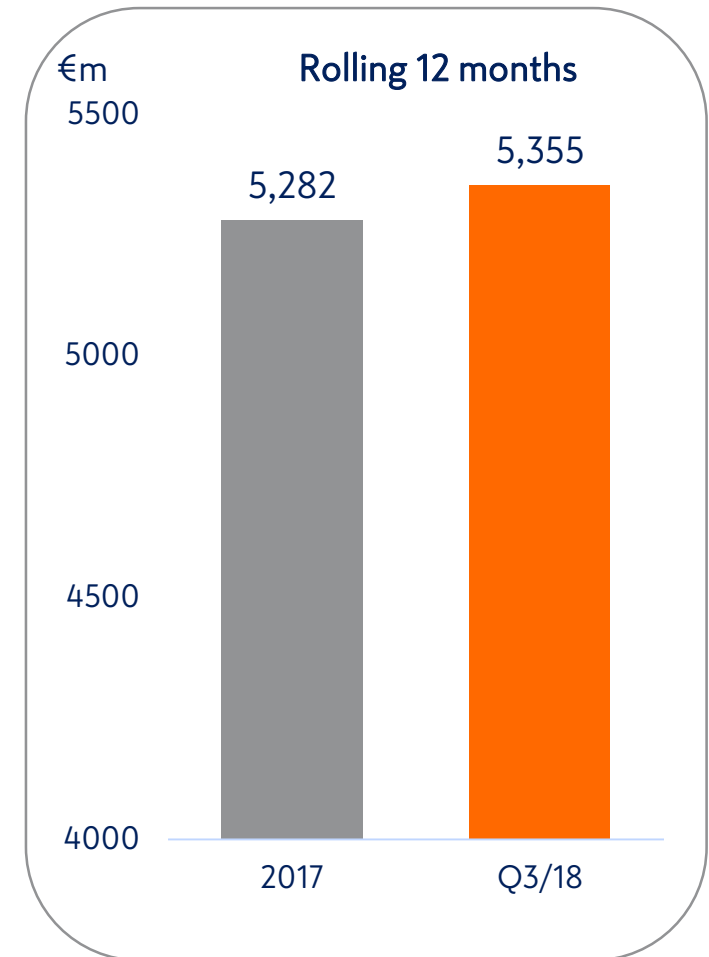
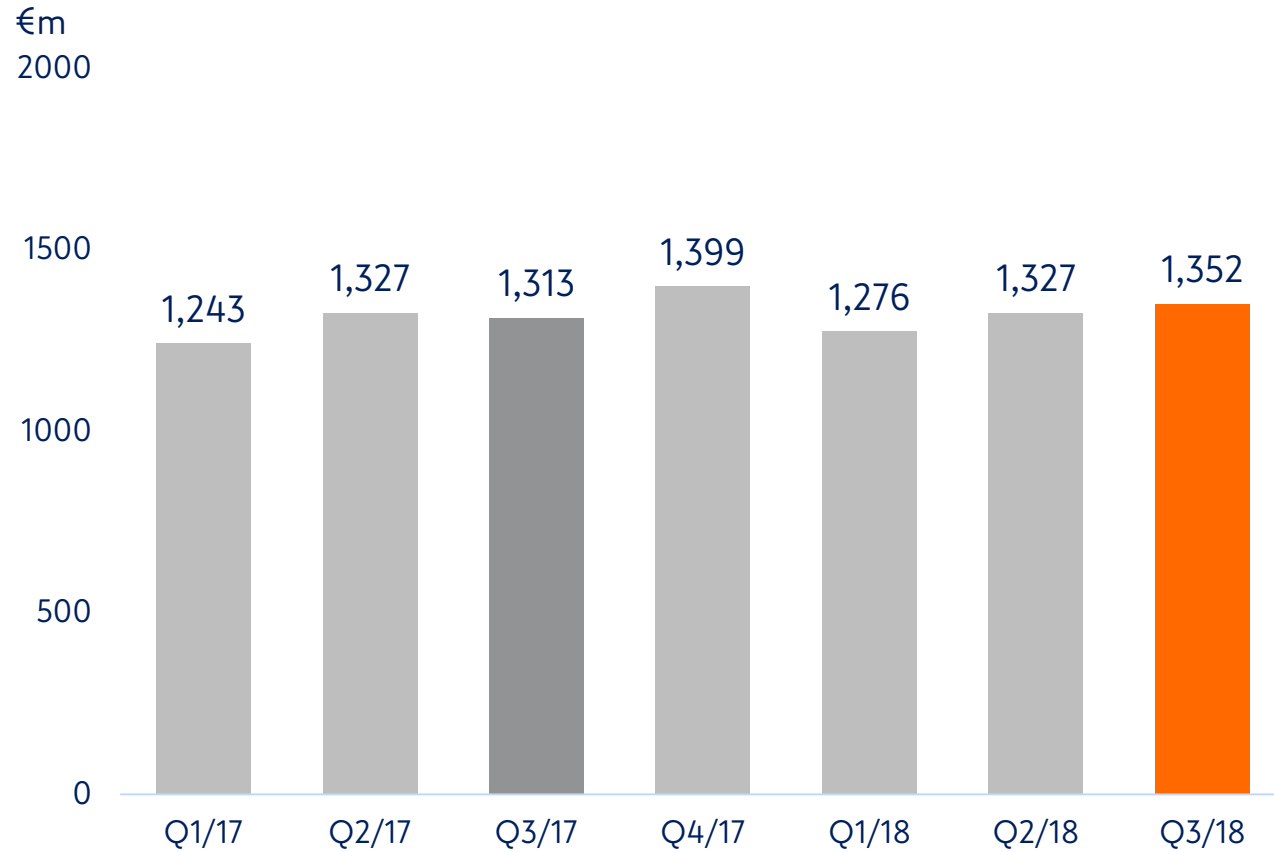
* Rolling 12 months



Grocery Trade

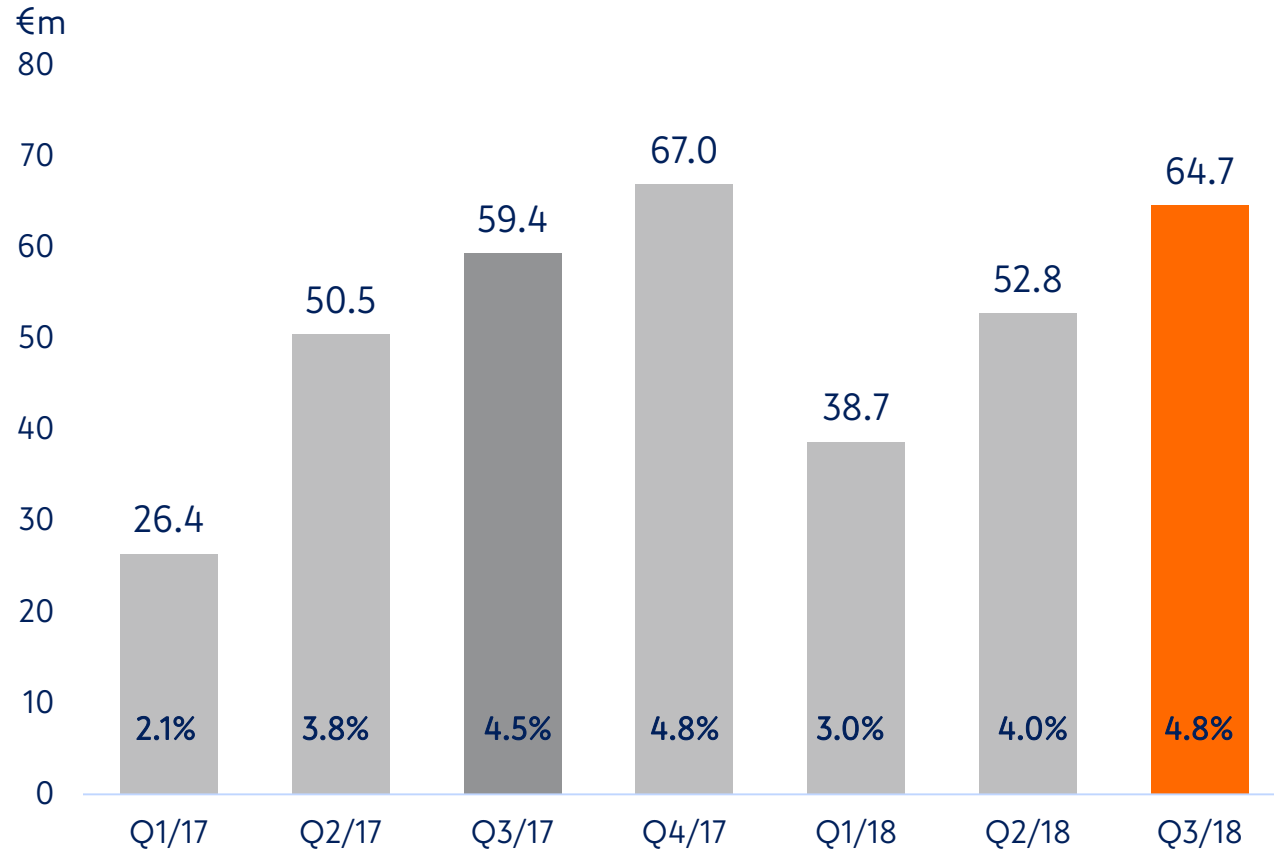
Grocery Trade Net Sales

Comparable Q3 growth +6.2%

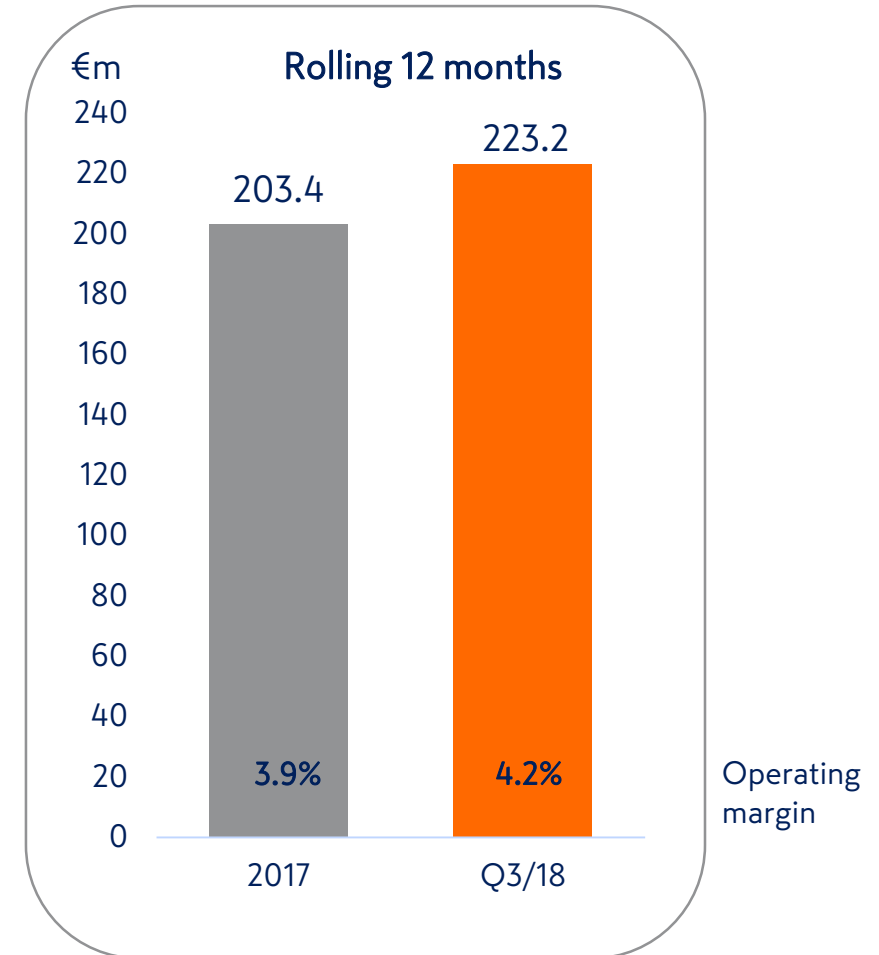


Grocery Trade Operating Profit

Operating profit grew by over €5 million



Comparable operating profit



Grocery Trade

The market

- Grocery trade market growth 4.3%, of which price development +2.4% *
- Good market development, importance of quality and selections increased
- Demand for good online food sales services rising

Q3

- Continued strong growth in customer numbers, sales and market share
- Online food sales grew by +74%
- Kespro continued to perform well in the foodservice market
- We continued investments in store sites, digital services and logistics operations

* The Finnish Grocery Trade Association

Strong Growth in Online Food Sales

- Q3 sales growth 74%
- High customer satisfaction, NPS 67
- Over 140 stores now offering online sales
- Visitor numbers doubled compared to last year
- Average purchase 5x higher than in physical stores
- Targeting sales of over €40 million in 2019

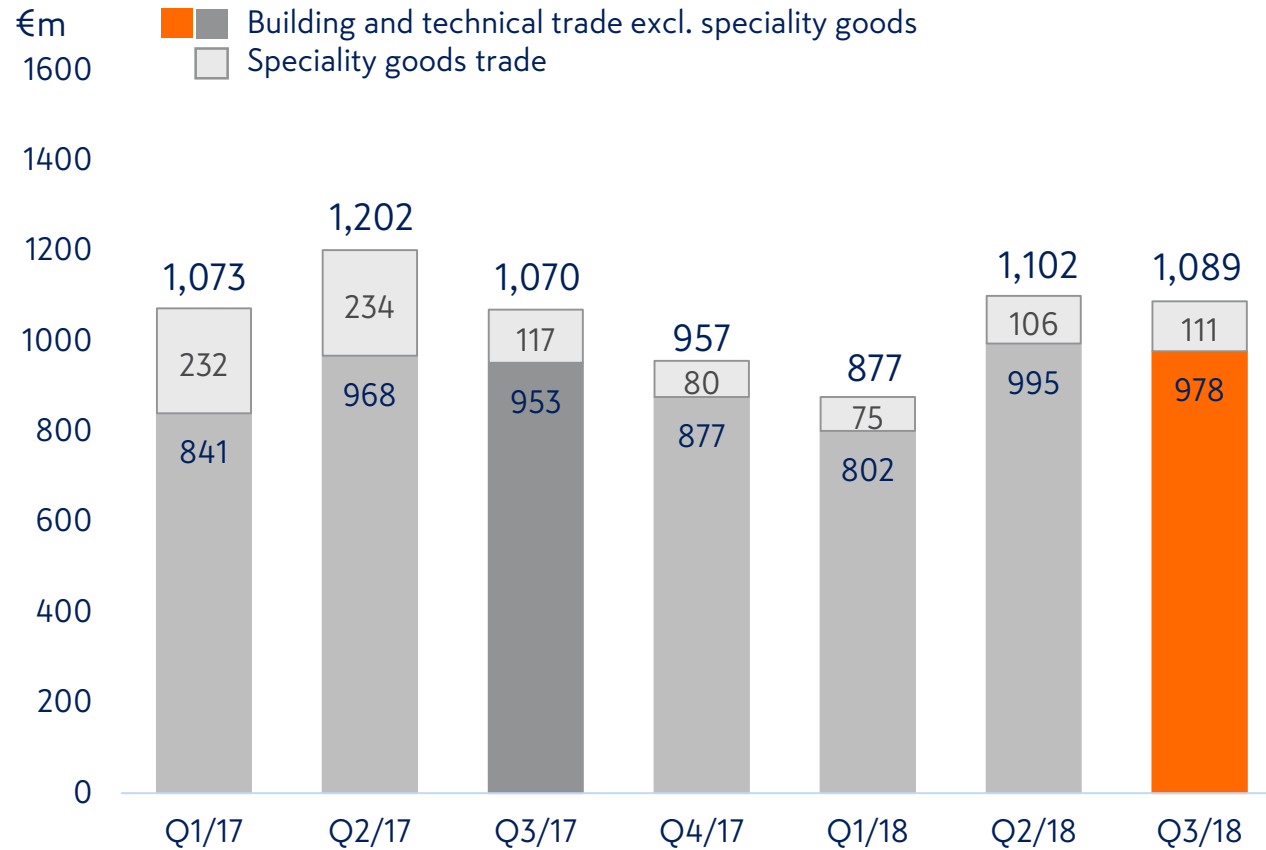




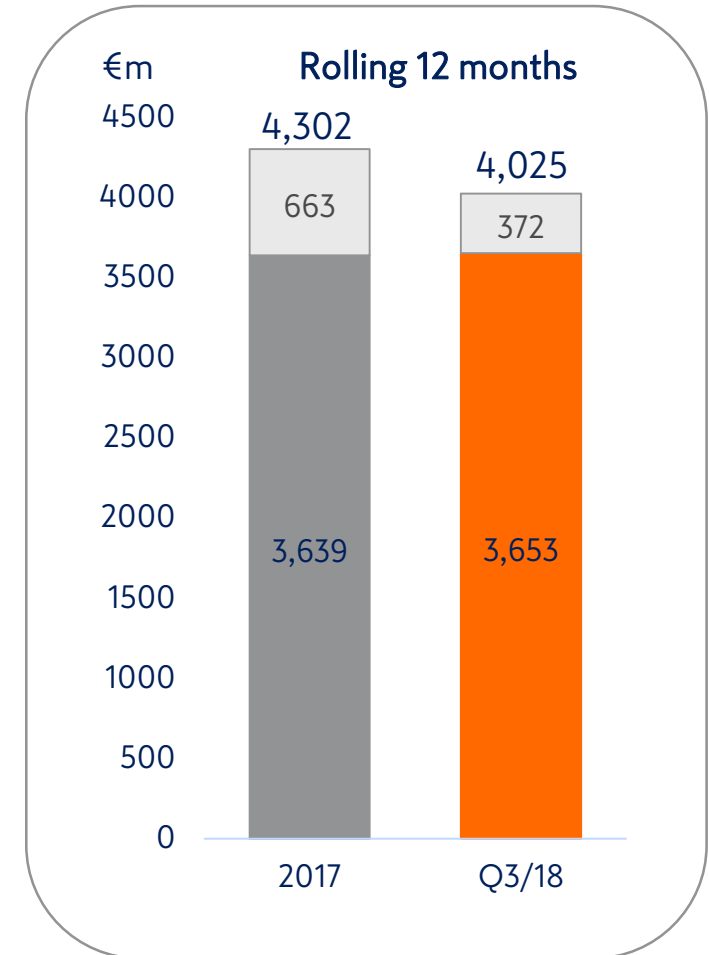
Building and Technical Trade

Building and Technical Trade Net Sales

Comparable Q3 growth excluding speciality goods trade +2.5%

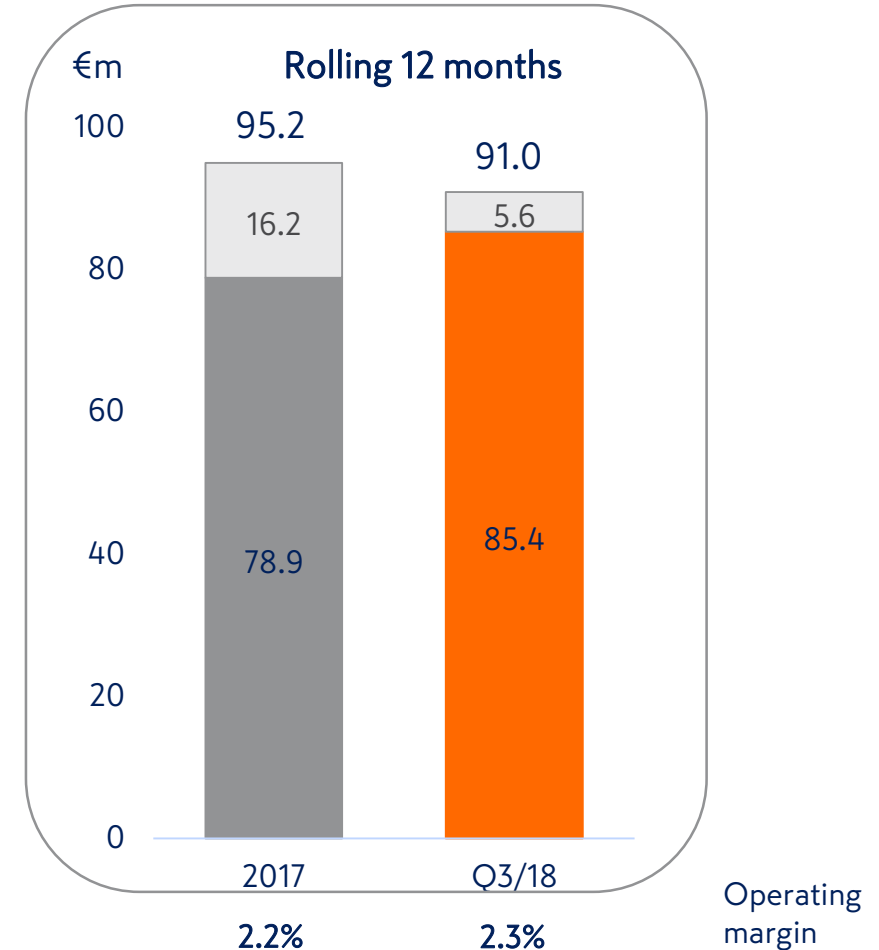
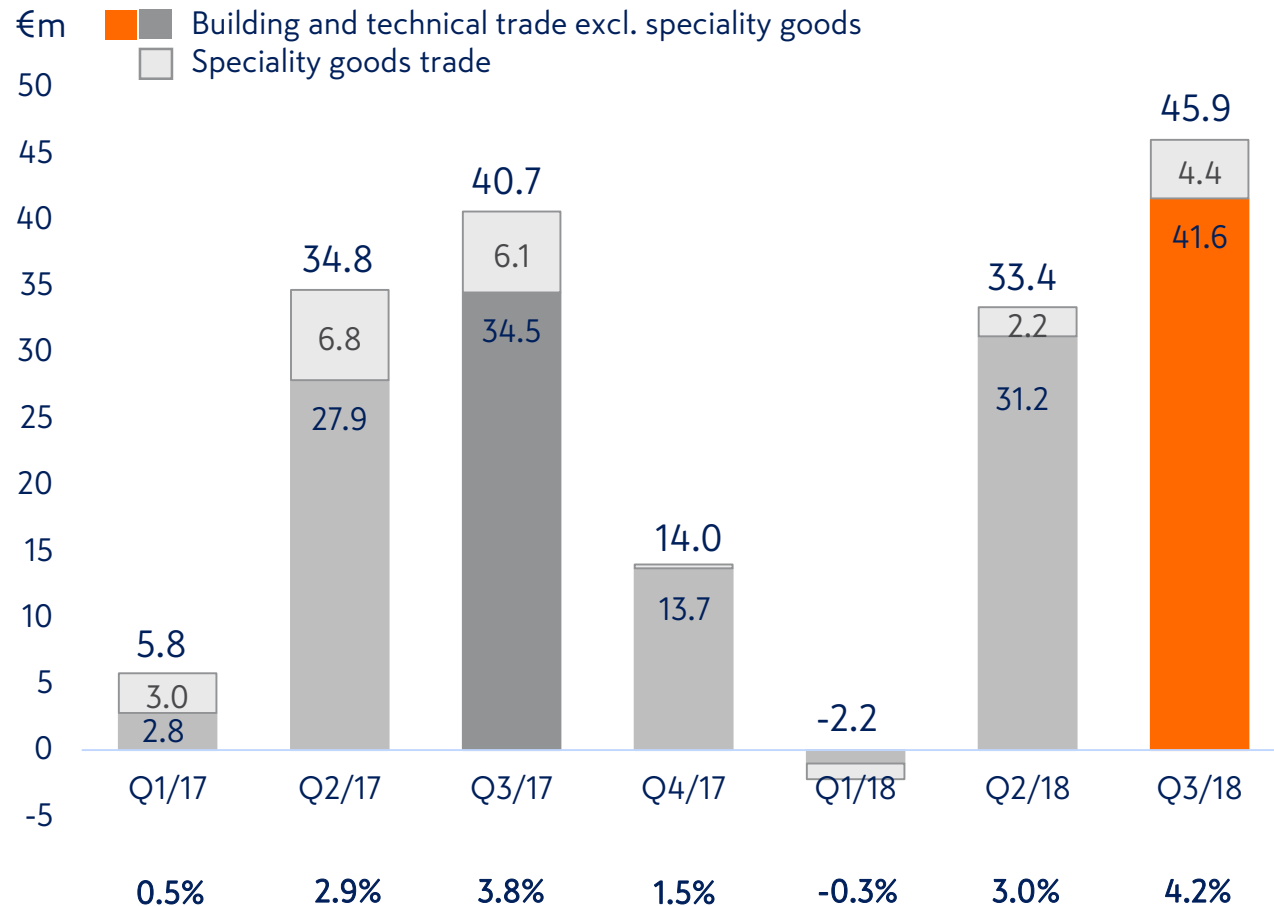


Continuing operations



Building and Technical Trade Operating Profit

Operating profit excl. speciality goods +€7m, operating margin from 3.6% to 4.2%



Building and Technical Trade

The market

- Market situation is expected to remain good, but growth pace is expected to slow down somewhat
- Renovation building is gaining more ground in the construction market

Q3

- K-Rauta in Finland performed well
- Onninen's performance remained good in Finland and Poland in particular
- Acquisitions of Bygghuset chain companies increased operating profit in Norway
- Efforts to improve the profitability of K-Rauta and Onninen in Sweden continued
- Kesko Senukai's strong sales performance continued in the Baltics

Onninen's Sales and Profit Growth in Line with Plans

Key figures	2015	Rolling 12 months Q3/18	
Net sales	€1,465m	€1,591m	> + €126m
EBITDA	€39.0m	€55.1m	> + €16.1m

- Efforts to improve sales and profitability further continue in line with strategy
- Good growth prospects in technical wholesale



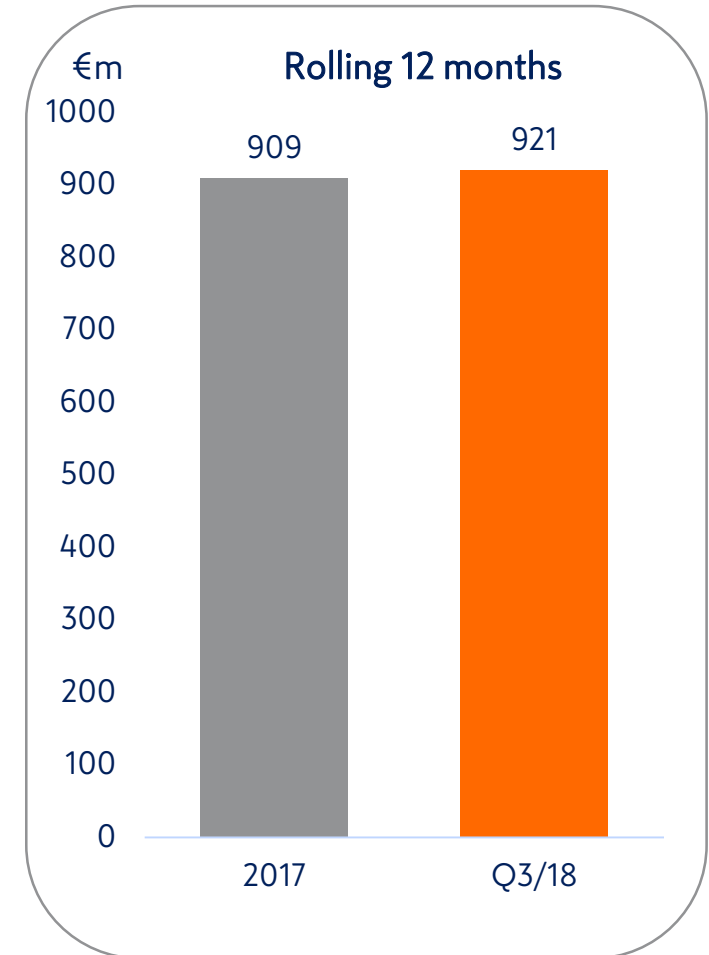
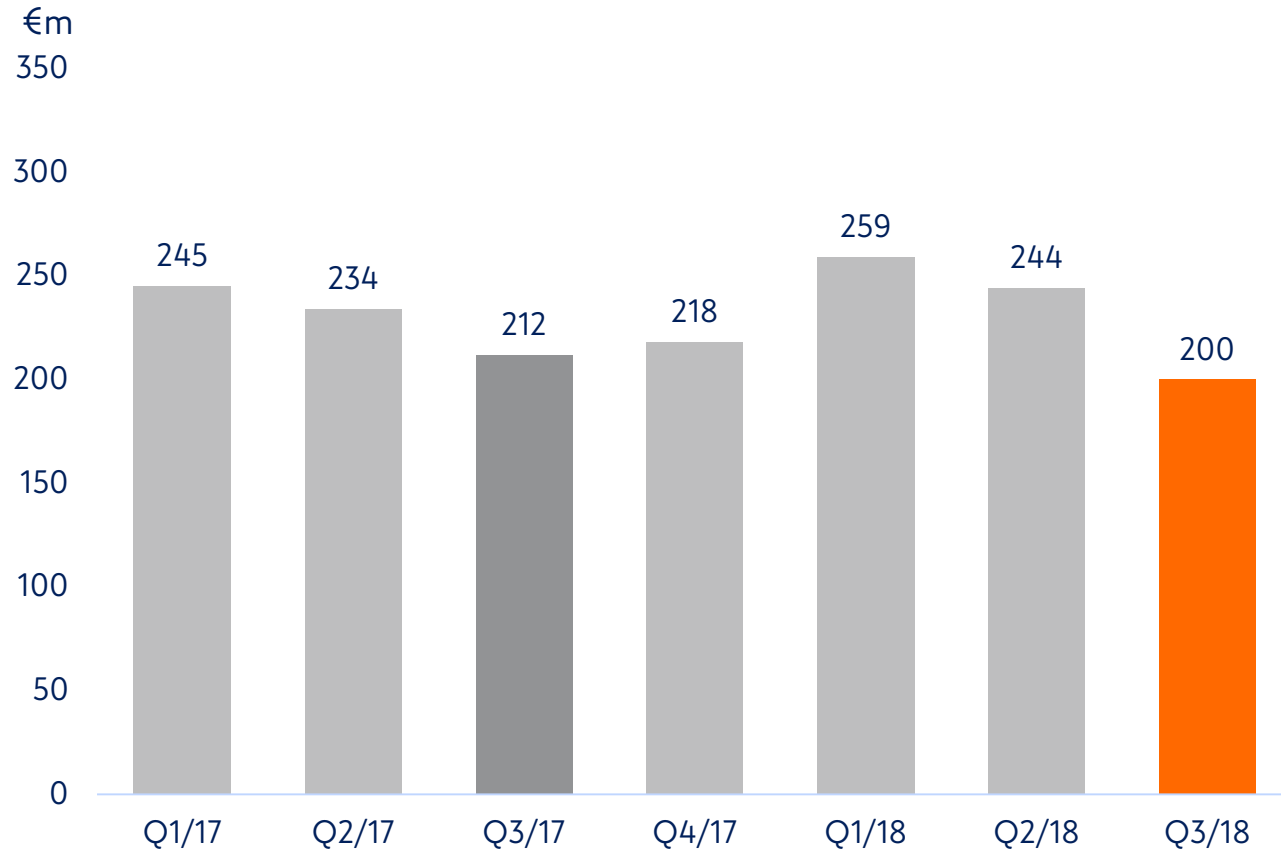


Car Trade



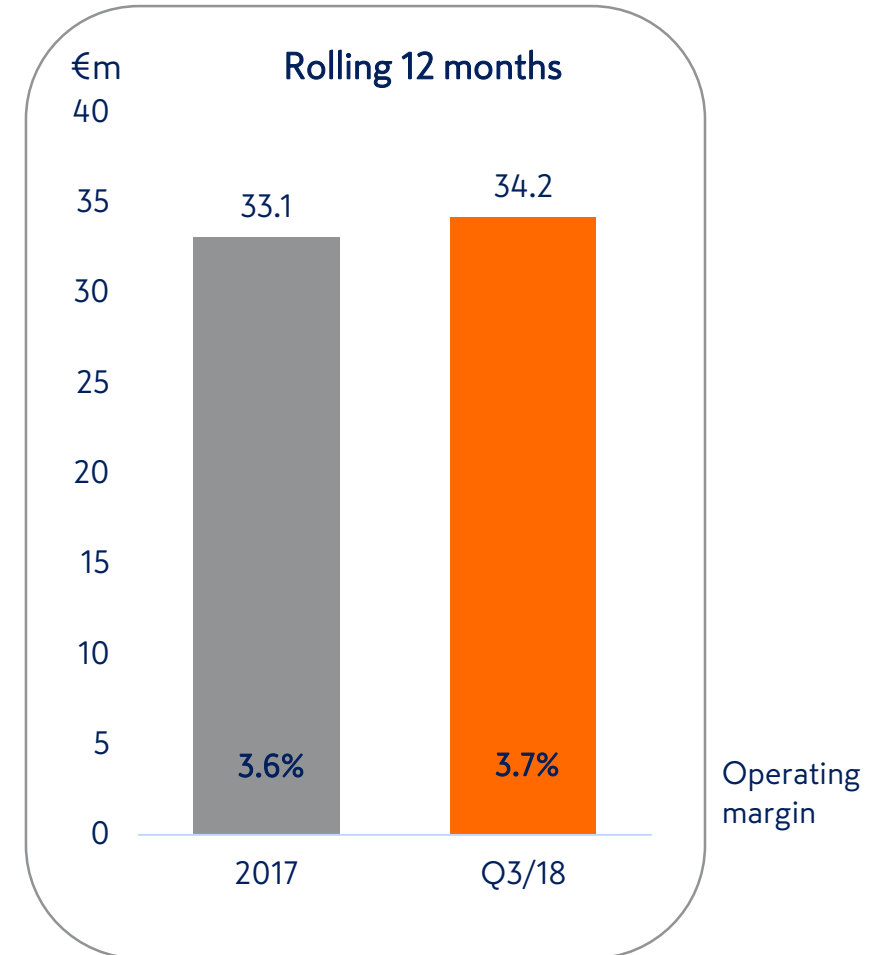
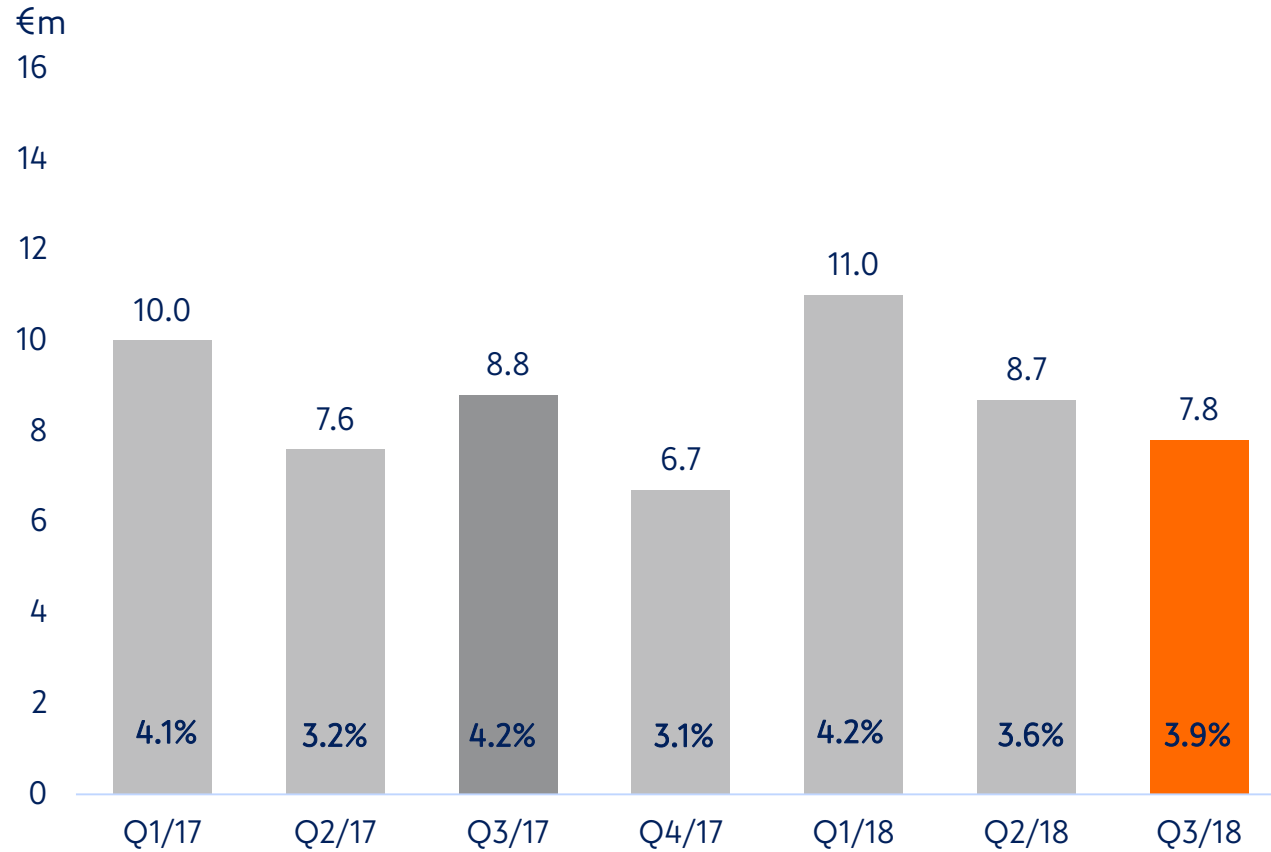
Car Trade Net Sales

Q3 sales -5.6% due to implementation of new WLTP emissions testing



Car Trade Operating Profit

Q3 profitability good despite the decrease in net sales



Car Trade

The market

- Q3 first registrations of passenger cars and vans at last year's level, up 5% in 1-9/2018
- New WLTP emissions testing causing delays in deliveries on the market
- Measures to prevent rise in car tax expected from the Finnish government

Q3

- Net sales and operating profit at a good level
- Excellent performance in the Porsche business: sales +35%, profitability strengthened further
- Order book for new cars +12%

New Business Operations off to a Good Start

- Order book in K-Caara leasing services close to 500
- Good demand for car sharing services at K-Supermarket and K-Rauta store locations
- The 10 first K Charge electric car charging stations to open during autumn 2018
 - Nearly 400 charging points at more than 70 charging stations by the end of 2019



New All-Electric Audi e-tron Available at the Start of Next Year

- 100 pre-orders already received



Notable electric car models to enter the market in early 2020, including the Porsche Taycan and the Volkswagen I.D. series



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 (10/2018-9/2019) in comparison with the 12 months preceding the end of the reporting period (10/2017-9/2018).

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. However, investments in the expansion of logistics operations and in information systems and digital services will burden profitability during the period. Furthermore, in the car trade, profitability is burdened by the shift to WLTP emissions testing, which postpones car delivery times.

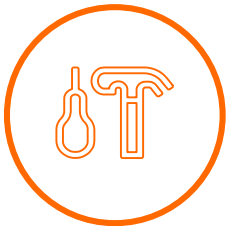
Our Growth Strategy Is Delivering Improving Results

Targeting profitable growth



Grocery trade

Growth in grocery trade in Finland



Building and technical trade

Growth in building and technical trade in Northern Europe



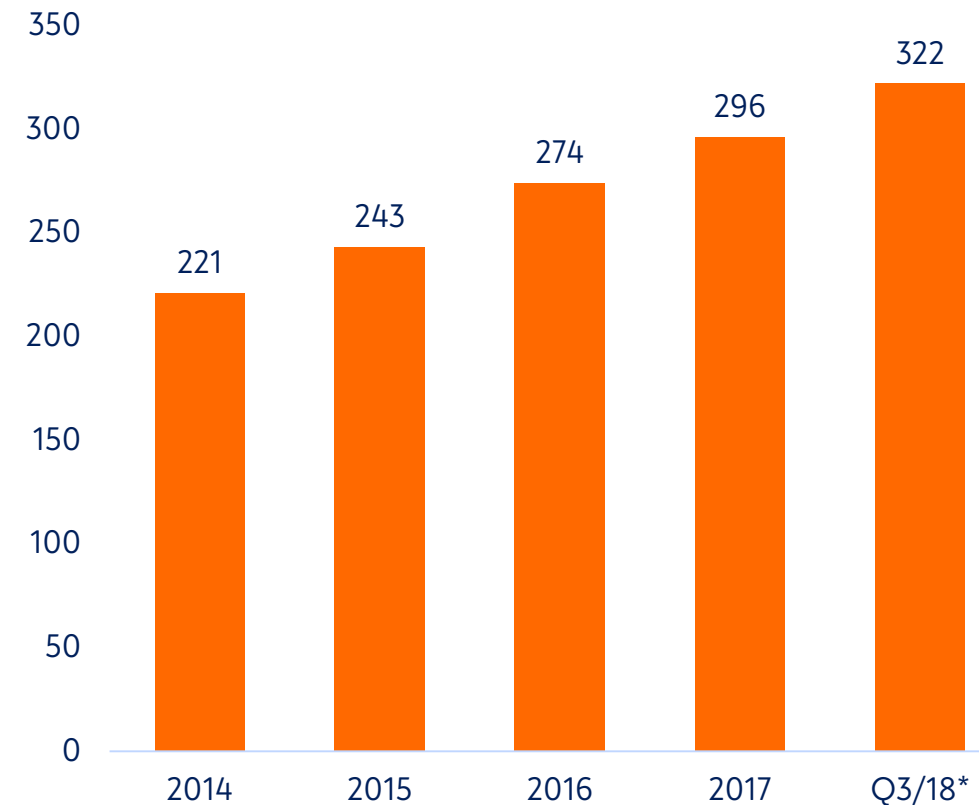
Car trade

Growth in car trade especially in Finland

One unified



Operating profit, €m



Comparable figures, continuing operations
* Rolling 12 months



For shopping
to be fun