



**WORLD'S
MOST SUSTAINABLE
GROCERY TRADE
COMPANY**

KESKO FINANCIAL STATEMENTS RELEASE 2019

Growth Strategy Yields Record Result

Mikko Helander, President and CEO, 5 February 2020



2019 Was a Strong Year

- All-time record result
- Strong financial position and cash flow
- Excellent performance in the grocery trade
- World's most sustainable grocery trade company
- Strong growth continued in the building and technical trade
- Profit generation continued good in the car trade despite challenges in market and availability

	1-12/2019	1-12/2018
Net sales, € million	10,720.3	10,382.8
Net sales growth, %	+3.3	-1.0
Operating profit, € million*	461.6	428.5
Operating margin, %*	4.3	4.1
Profit for the period, € million**	339.2	158.0
Earnings per share, basic, €*	2.97	2.45
Cash flow from operating activities, € million	893.1	748.4

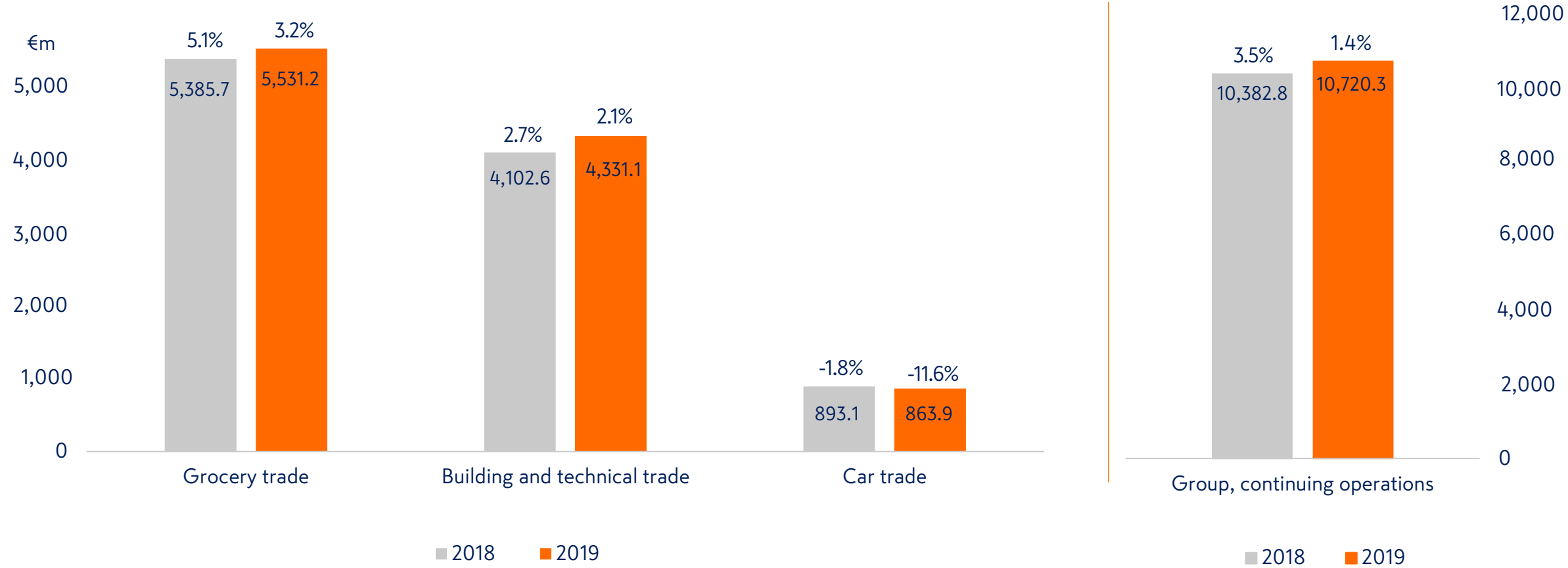
* Comparable

** To owners of the parent company, contains €+32.9m in items affecting comparability (€-29.4m) and profit for discontinued operations of €11.6m (€-55.9m)



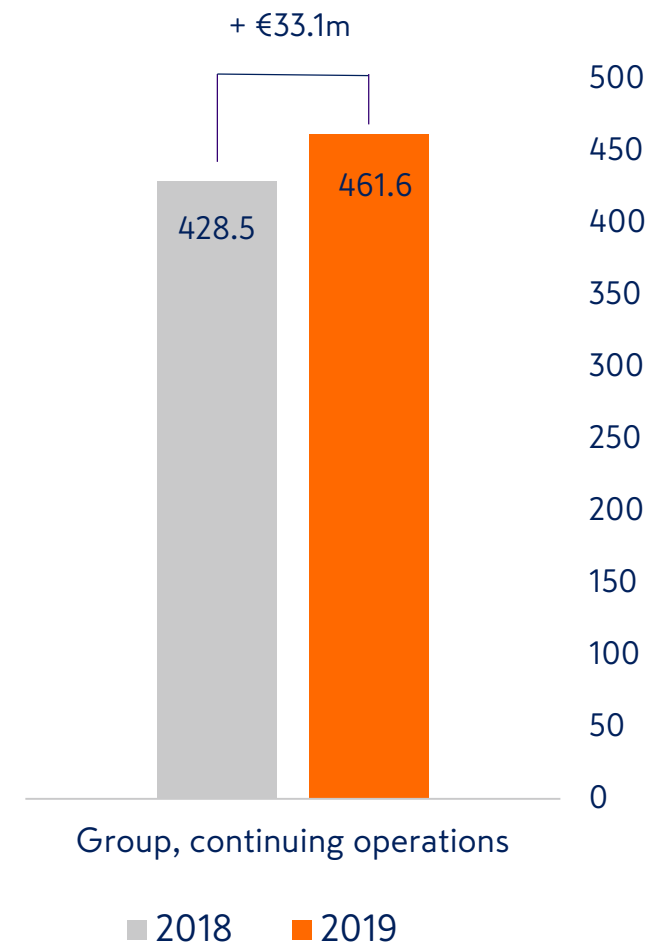
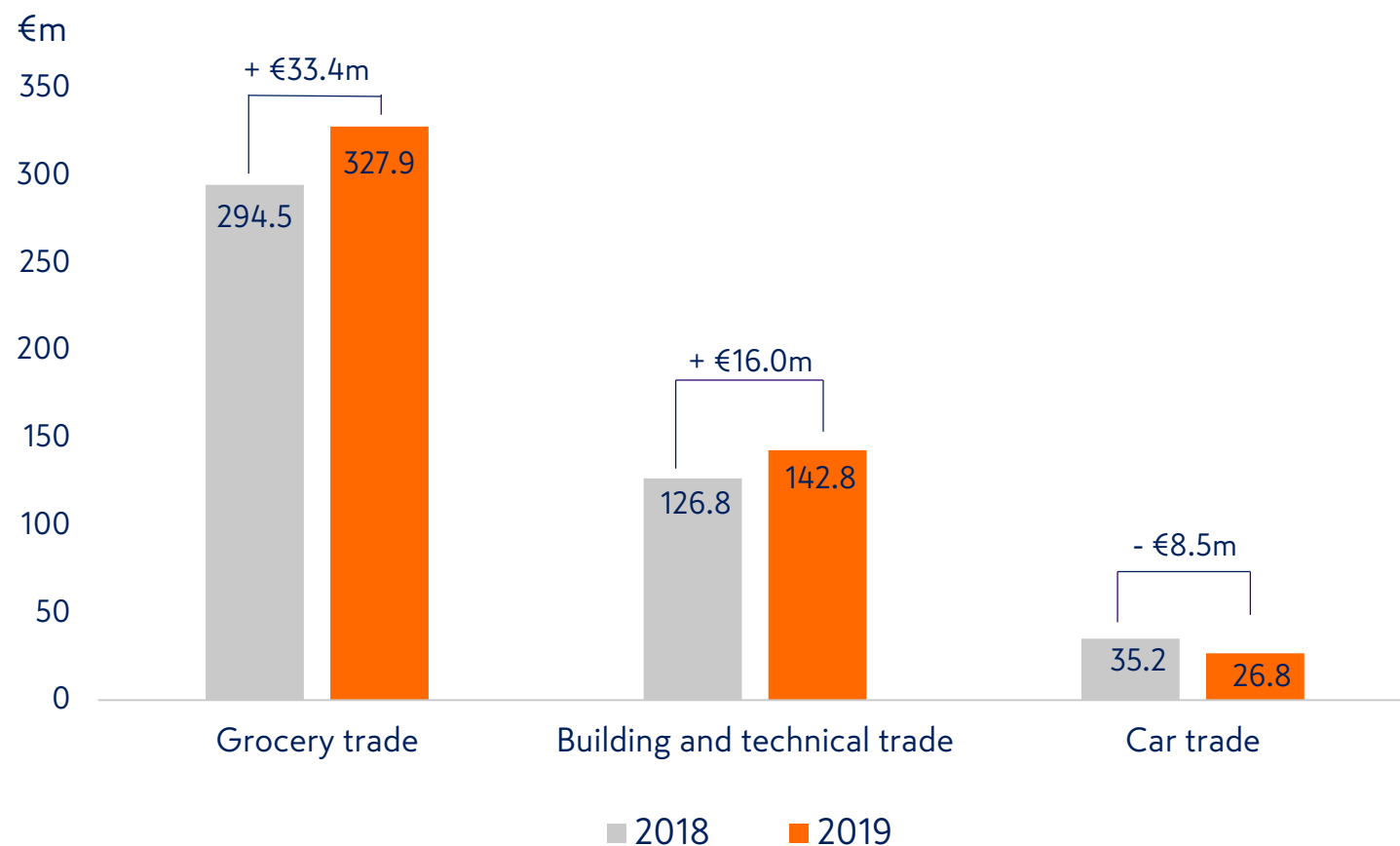
Net Sales by Division

% comparable growth

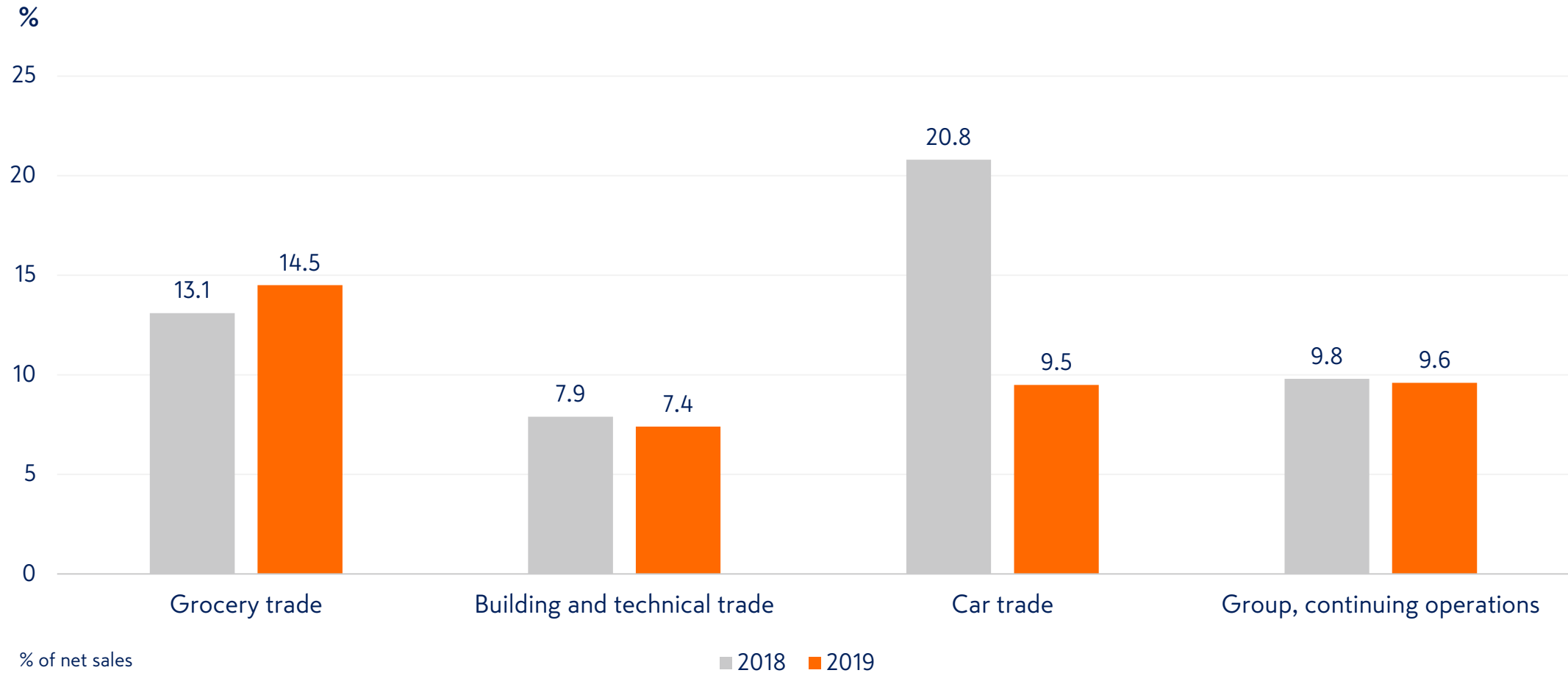


Operating Profit by Division

Comparable



Return on Capital Employed 9.6%



Total Capital Expenditure €686 Million

	€m
Kruunuvuoren Satama, store sites	85.3
Other store site investments	142.4
Acquisitions	290.5
IT investments	33.9
Other investments	134.0
Total	686.1

Strong Financial Position

Cash flow from operating activities €893.1 million

	31.12.2019	31.12.2018
Liquid assets, € million	169.0	249.6
Cash flow from operating activities, € million	893.1	748.4
Cash flow from operating activities (excl. IFRS 16 impact), € million	564.8	437.1
Interest-bearing net debt excl. lease liabilities, € million	446.1	161.6
Interest-bearing net debt/EBITDA (excl. IFRS 16 impact)	0.9	0.4
Lease liabilities, € million	2,422.2	2,289.0
Continuing operations Q4:		
Cash flow from operating activities, € million	273.2	209.0
Cash flow from operating activities (excl. IFRS 16 impact), € million	187.7	127.4
Capital expenditure, € million	83.3	67.7

Our Chosen Strategy Is Working and Yielding Results





All-Time Best Q4

Highlights Q4

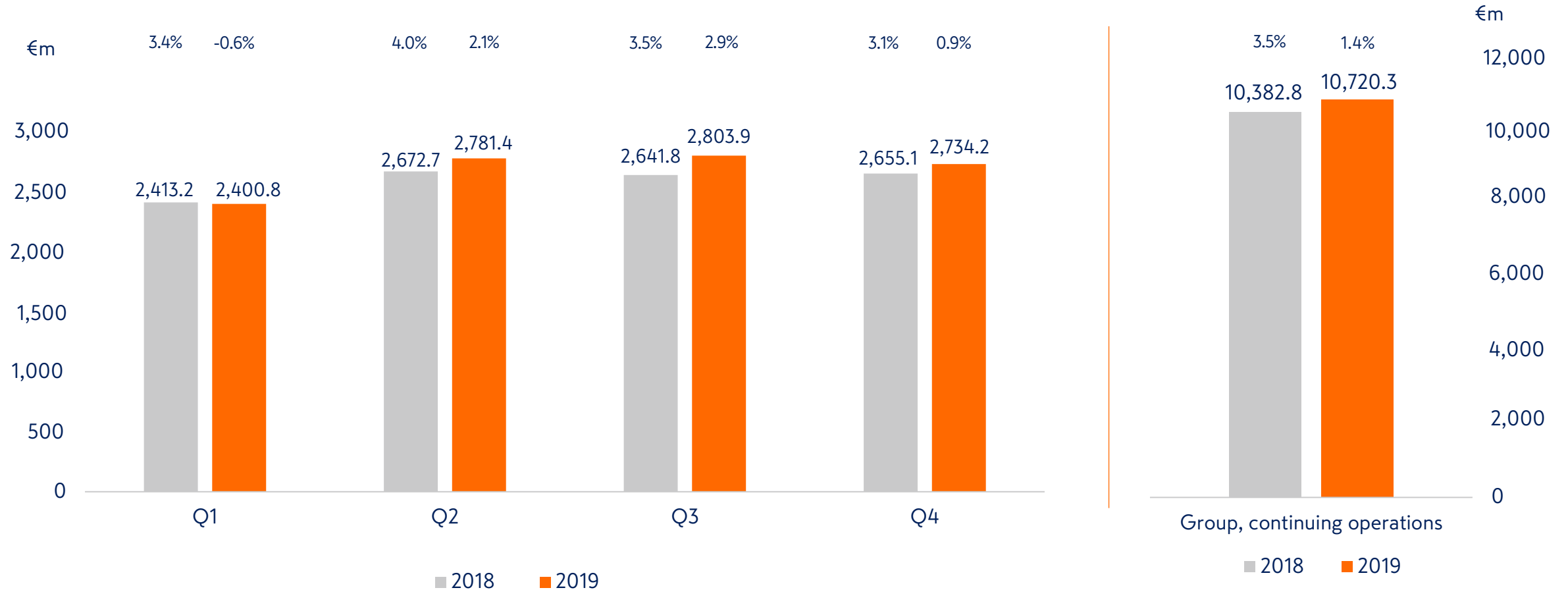
- All-time strongest fourth quarter
- Sales and profitability continued to strengthen in the grocery trade
- Demand remained at a good level in the building and technical trade
- A marked turn for the better in the car trade
- K-Citymarket Järvenpää named the best grocery store in the world



Net Sales

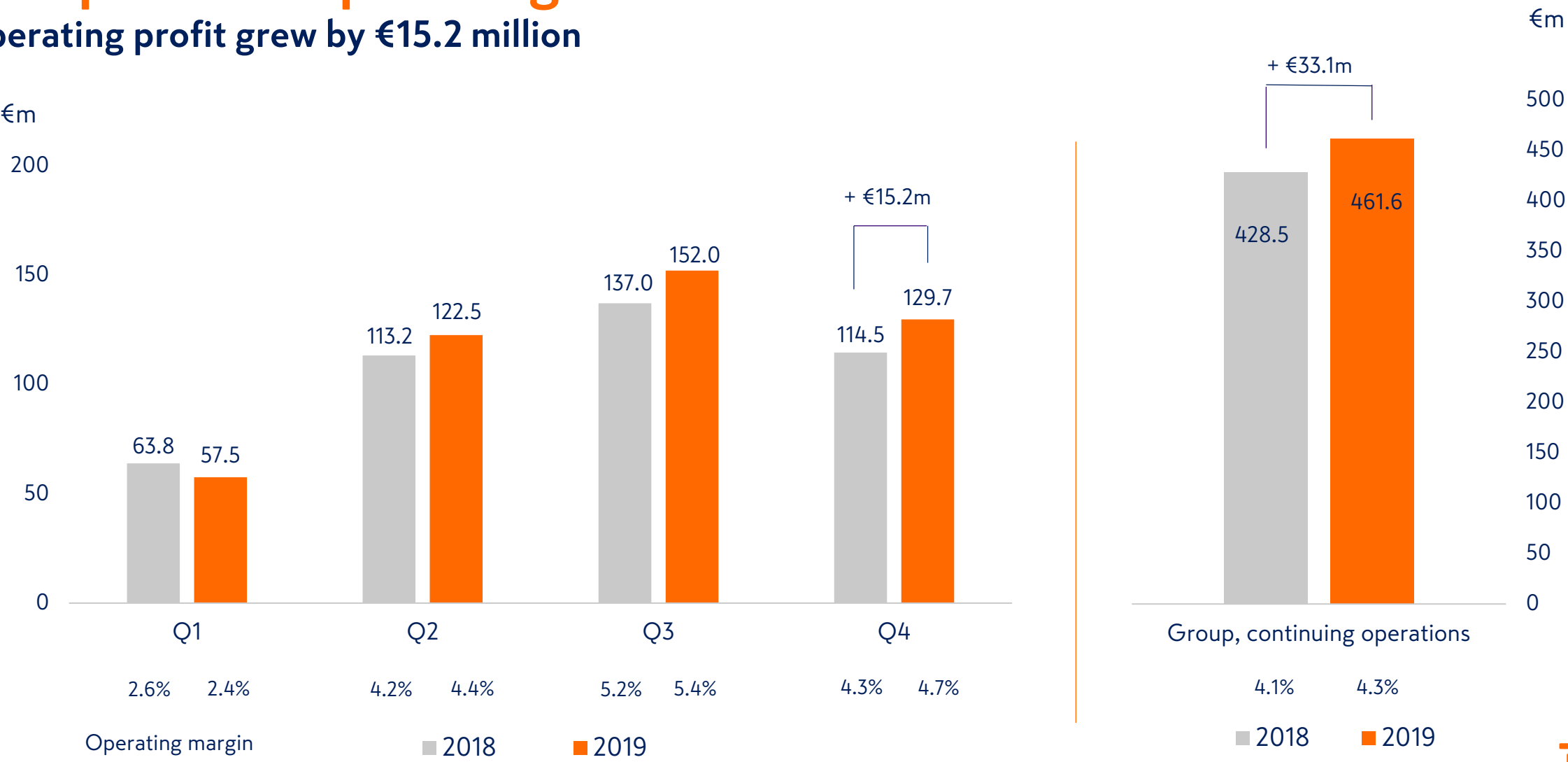
Q4 net sales up by 3.0%, comparable growth 0.9%

% comparable growth



Comparable Operating Profit

Operating profit grew by €15.2 million





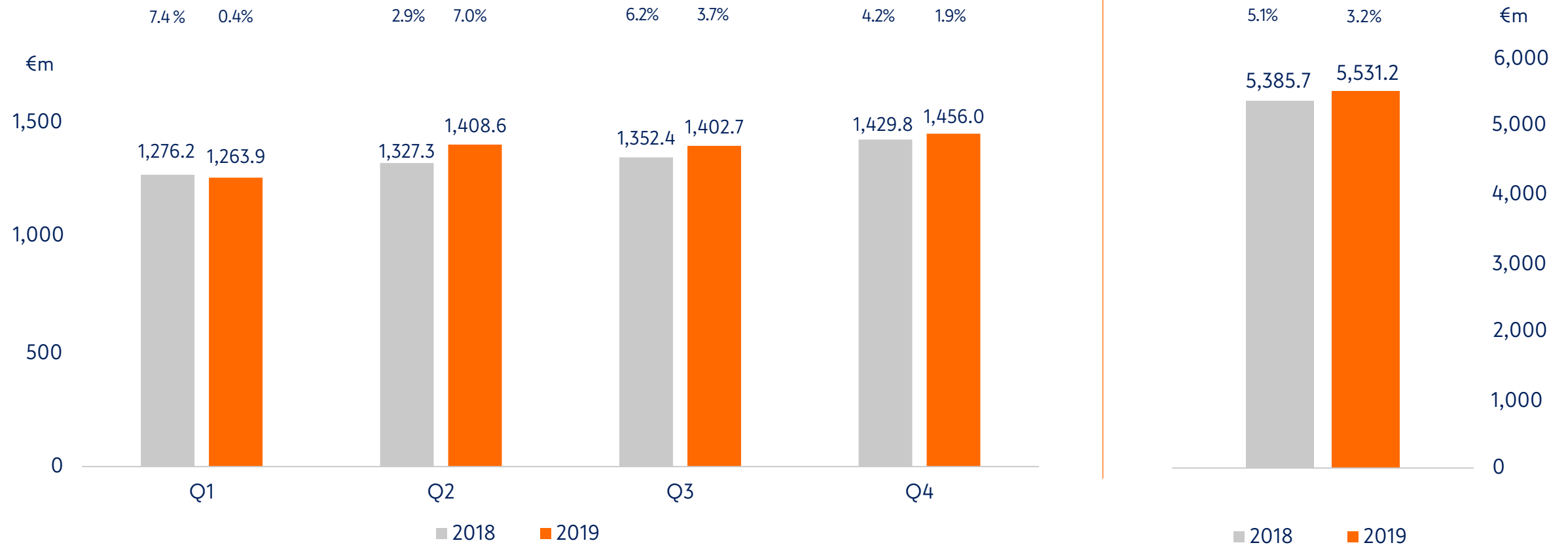
GROCERY TRADE

Growth in Sales and Market Share Based on Good Customer Experience

Net Sales Growth Continued in Grocery Trade

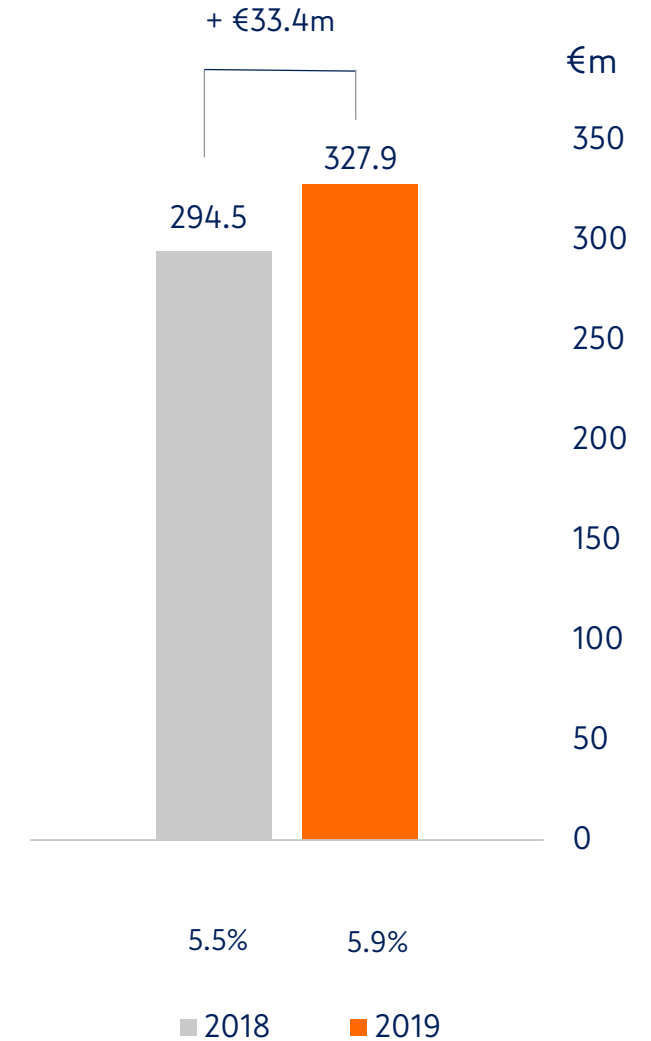
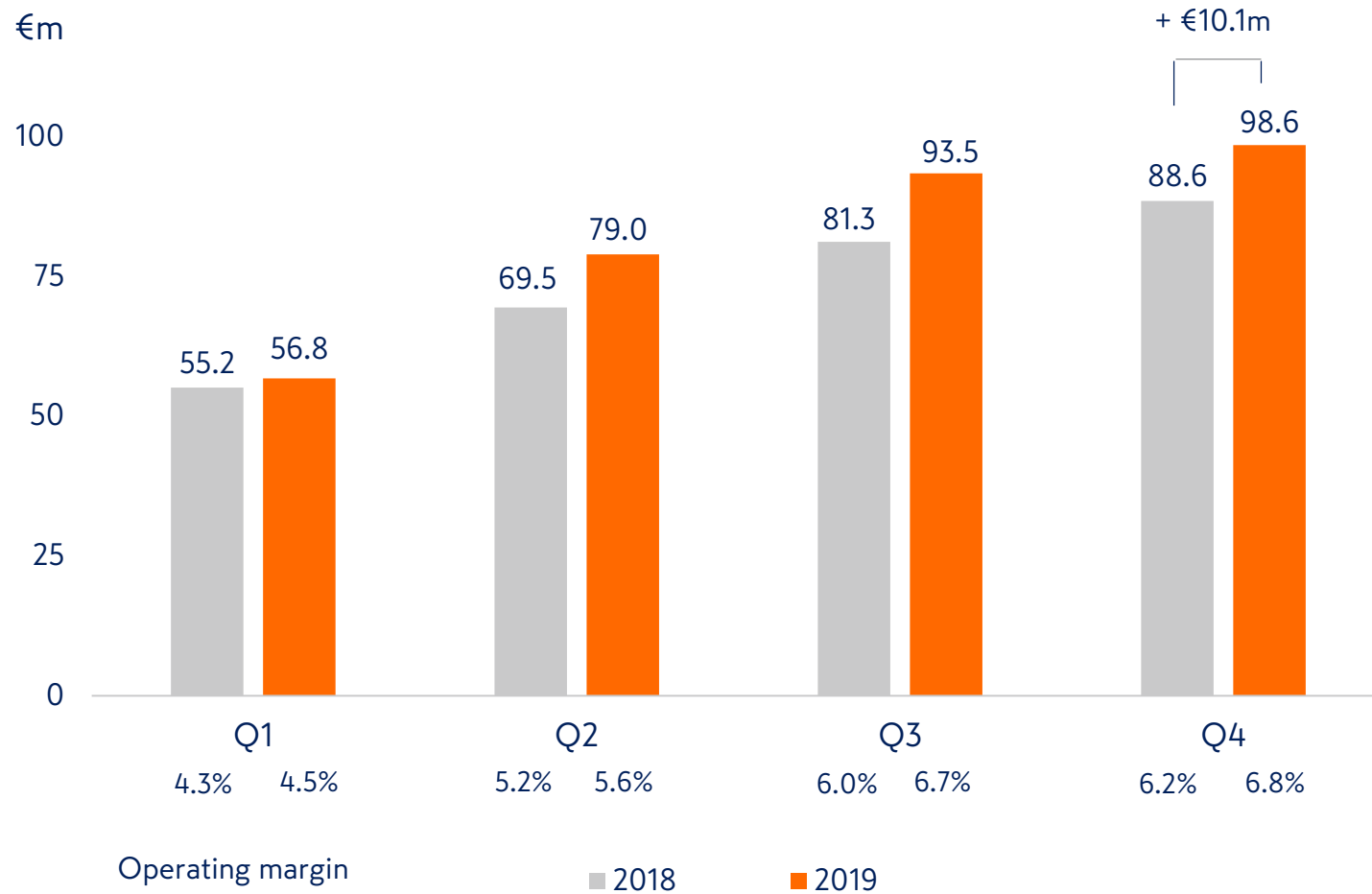
Comparable Q4 net sales growth 1.9%

% comparable growth



Grocery Trade Comparable Operating Profit

Operating profit improved further in Q4, growth €10.1 million



Comparable figures

Grocery Trade Q4

Market in Q4

- Total market growth 2.9%*
- Grocery prices up by approx. 1.2%
- Equal number of wholesale selling days to Q4/18
- Changes in tax refund payments impacted purchasing power
- Importance of convenience and quality continues to grow, price also still relevant
- Continued growth in foodservice and the popularity of eating out

* Kesko's own estimate

K Group

- K Group's market share rose, grocery sales +3.3%
- Sales grew in all K-food store chains
- Profitability continued to improve thanks to sales growth and improved operational efficiency
- Online sales growth continued strong
- Market Court reviewing the acquisition of Heinon Tukku

Store-specific Business Ideas Improve Customer Experience and Increase Sales

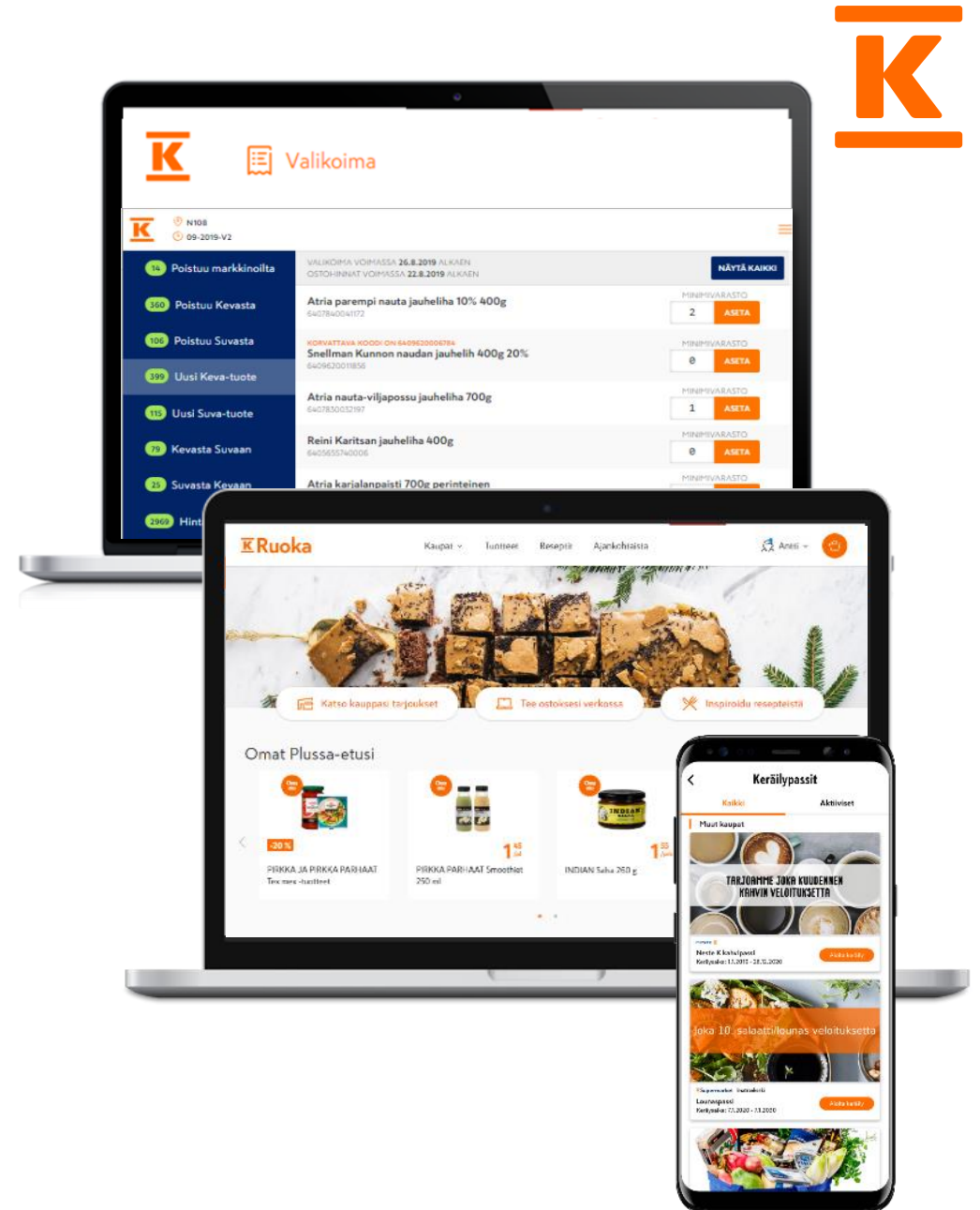
- We stand out from the competition with store-specific business ideas built on top of the chain concepts
- We support K-retailers in creating good store-specific business ideas based on customer data
- Quality selections and competitive pricing have improved customer satisfaction significantly
- Plenty of sales and profit potential in creating store-specific business ideas for all 1,200 K-food stores



K-Citymarket Järvenpää named the best grocery store in the world

A Forerunner in Trading Sector Digitalisation

- Extensive utilisation of customer data in everything we do
- Obtaining data from and reaching 3.5 million K-Plussa customers in all channels
- Digitalisation of marketing, data driven targeted customer communications
- Versatile, easy-to-use online and mobile services
- Rapidly growing online sales of groceries
- More extensive digital services that enhance customer experience in 1,200 K-food stores





Most sustainable grocery trade company in the world

- Kesko ranked the most sustainable grocery trade company in the world for the sixth time
- Transparent purchasing chains at the core of our corporate responsibility work
- Strong involvement in combatting climate change
- Choosing to shop at a K Group store is a responsible act by customers



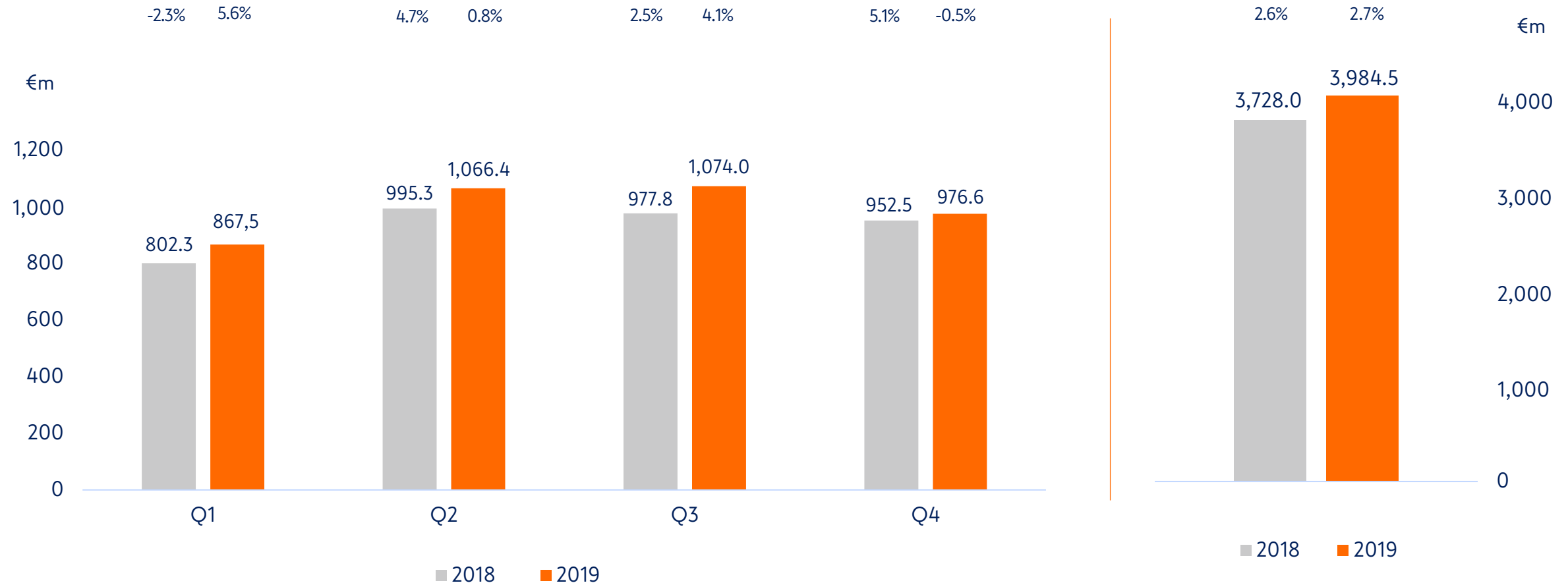
BUILDING AND TECHNICAL TRADE

Growth and Profit Improvement Continued

Building and Technical Trade Net Sales

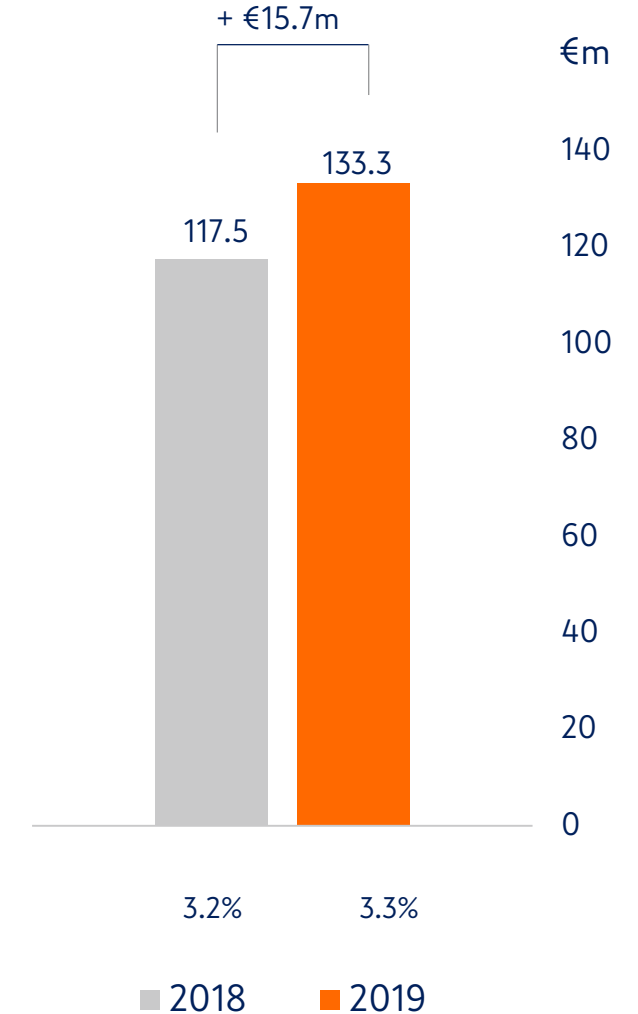
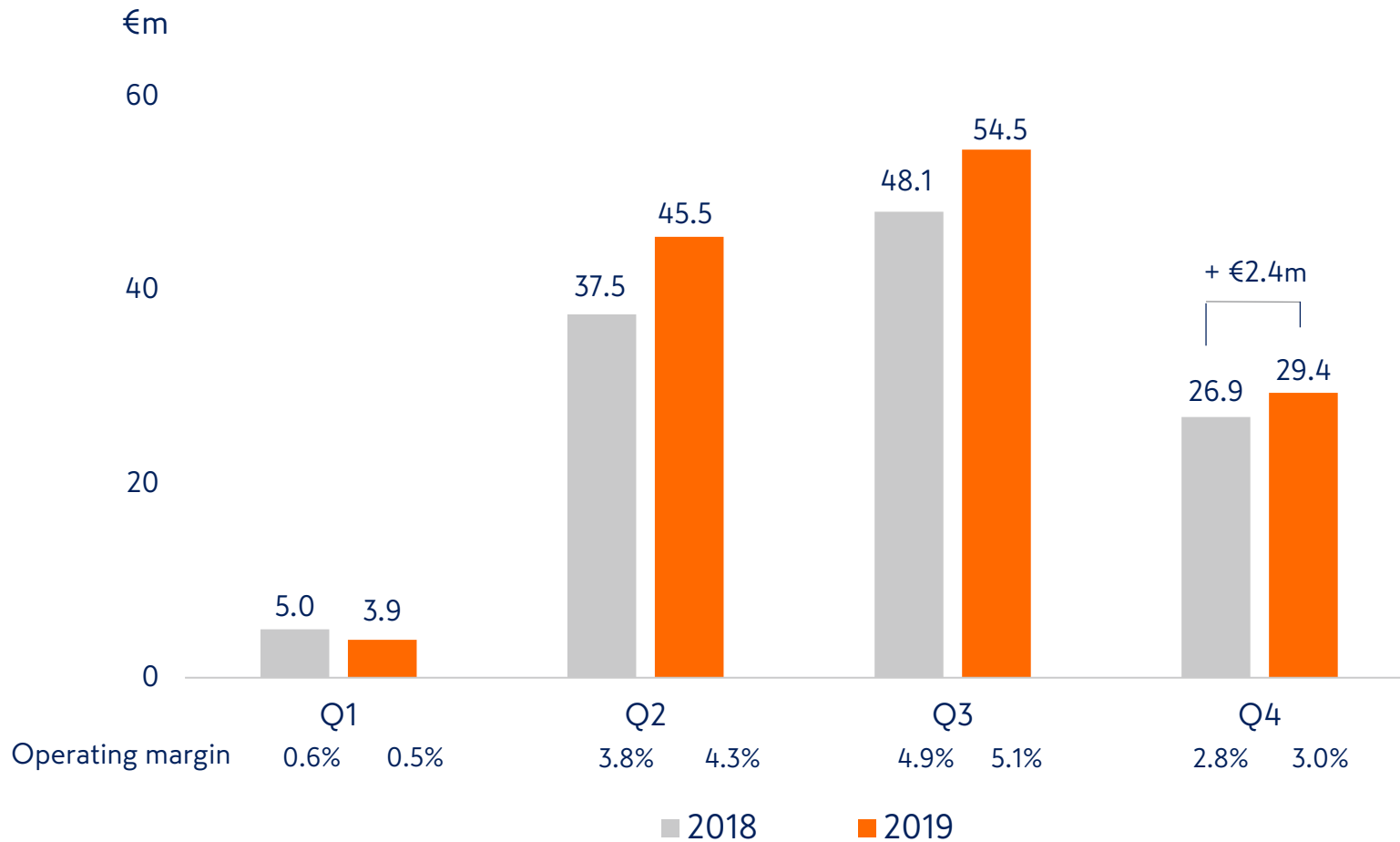
Q4 net sales up by 2.5%, comparable change -0.5%

% comparable growth



Building and Technical Trade Comparable Operating Profit

Comparable Q4 operating profit improved, growth €2.4 million



Comparable figures, excl. speciality goods trade

Building and Technical Trade Q4

Market in Q4

- Overall, construction volumes in Northern Europe have returned to normal levels
- Building and technical trade market in the Nordic countries decreased year-on-year
- Housing construction came down, renovation and infra construction market growing
- Market consolidation continues
- Growing importance of digital services

K Group

- Net sales for the division grew
- Good performance in K-Rauta in Finland continued, underpinned by growing customer satisfaction
- Good sales and profit development continued in Onninen Finland
- Strong growth in the Baltics and Belarus
- Measures to improve growth and profitability in Sweden and Norway continue
- A good year for the sports trade, mild winter weather decreased sales in Q4

Onninen Has Developed Well as Part of Kesko

- Onninen has given us strong access to the technical wholesale market
- Net sales have increased and totalled nearly €1.6 billion in 2019
- Significant growth in operating profit, which totalled €50.0 million in 2019
- Market-leading position in Finland has strengthened, market share 38%
- Market and growth outlook for technical wholesale and Onninen good in Finland and elsewhere in Northern Europe



K-Rauta Growing and Improving Profitability in Finland

- Market-leading position has strengthened, market share approx. 42%
- K-Rauta's sales all-time high
- Significant improvement in profitability
- Well-performing B2B trade alongside the strong consumer business
- Improving customer service and experience and maintaining growth with store-specific business ideas, online sales and extended opening hours



Market Position in Sweden Clearly Strengthened

- The Fresks acquisition has given us strong access to the growing B2B trade
- Fast and successful integration of Fresks, new K-Bygg brand well-received
- A marked turnaround in Onninen, good progress in the Infra business, loss-making HEPAC business divested successfully
- Measures to improve profitability in K-rauta ongoing
- Sweden an important growth area also going forward



Significant Growth Potential in Norway



- Market challenging in 2019, demand declined in both building and home improvement trade and technical wholesale
- Sales declined for Bygghjælper and Onninen
- We have strengthened own retailing in the Bygghjælper chain by acquiring 31 chain stores
- Unsatisfactory development in Onninen's sales and profitability, but the situation improved towards the end of the year
- Significant growth potential in Norway in the long term



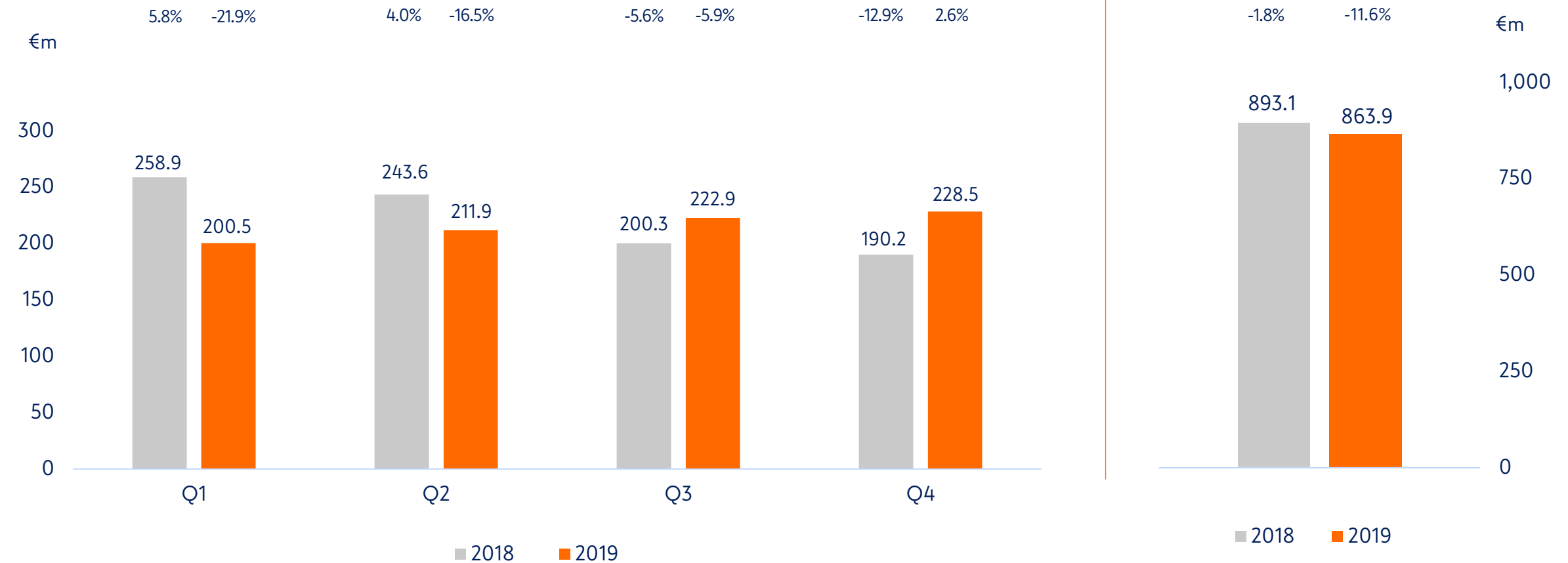
CAR TRADE

Updating Range Strengthens Our Competitiveness

Car Trade Net Sales

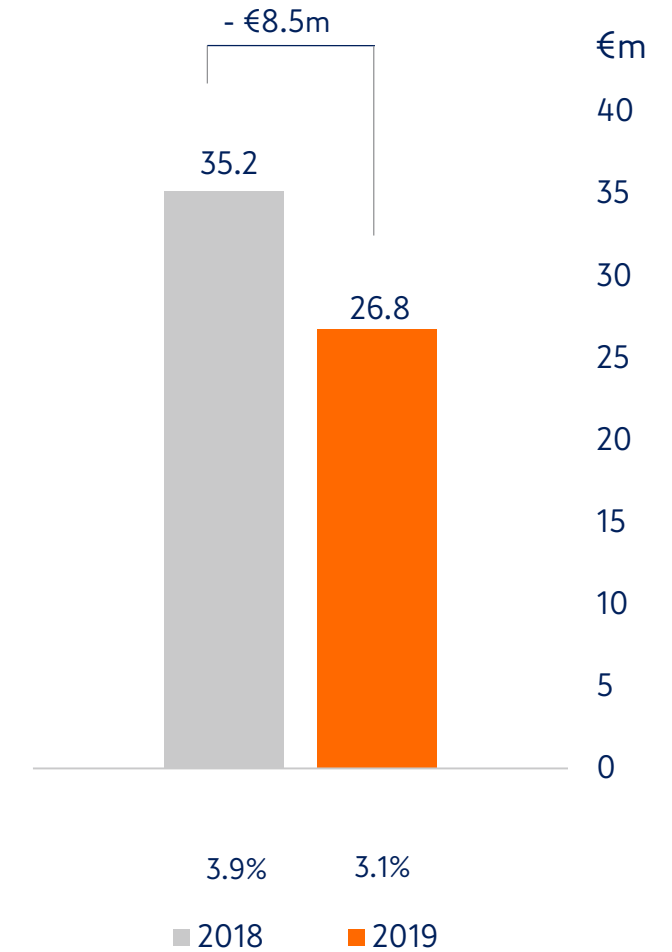
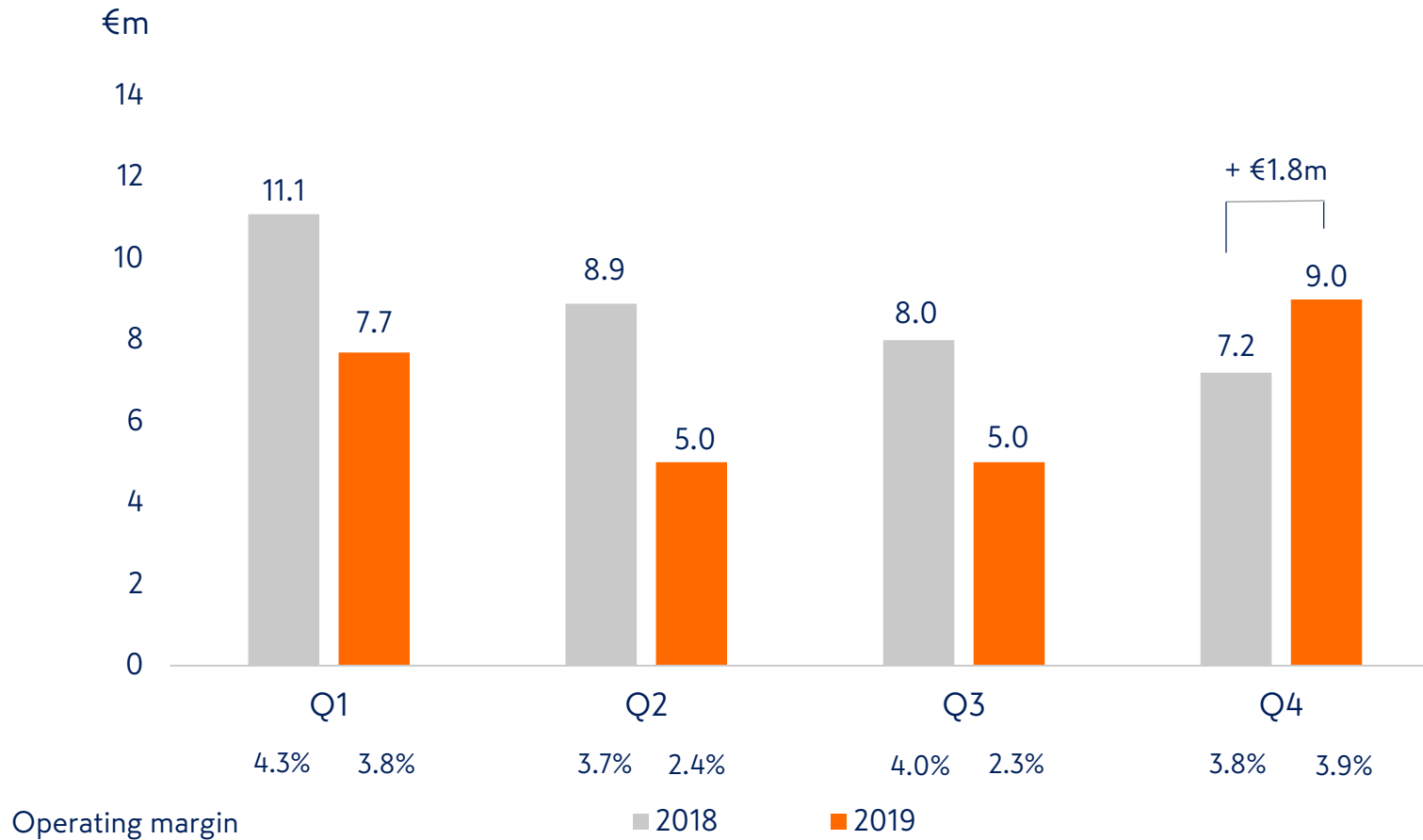
Q4 net sales up by 20.1%, comparable growth 2.6%

% comparable growth



Car Trade Comparable Operating Profit

Q4 operating profit growth €1.8 million



Car Trade Q4

Market in Q4

- Car trade in Europe has recovered
- Importing of used cars has continued
- First registrations up by 11.6%
- Debate over car taxation and motive power choices continued in Finland

K Group

- Car trade sales grew and operating profit improved
- Demand for electric cars clearly growing
- Leasing fleet has grown to some 1,900 cars
- Market share of brands we represent 16.4%
- Significant cost adjustment measures carried out

Operating Conditions Have Improved in the Car Trade

- Improved availability of cars
- Range being updated fast
- We have strengthened our dealer network by acquiring independent dealers
- Integration of acquired retail outlets has been fast and successful
- Strong growth in new leasing services



Audi e-tron GT concept



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 (1/2020-12/2020) in comparison with the 12 months preceding the end of the reporting period (1/2019-12/2019). The outlook estimate includes the impact of IFRS 16 Leases on the Group's comparable operating profit for both the 12-month period following the reporting period as well as the 12-month period preceding the reporting period.

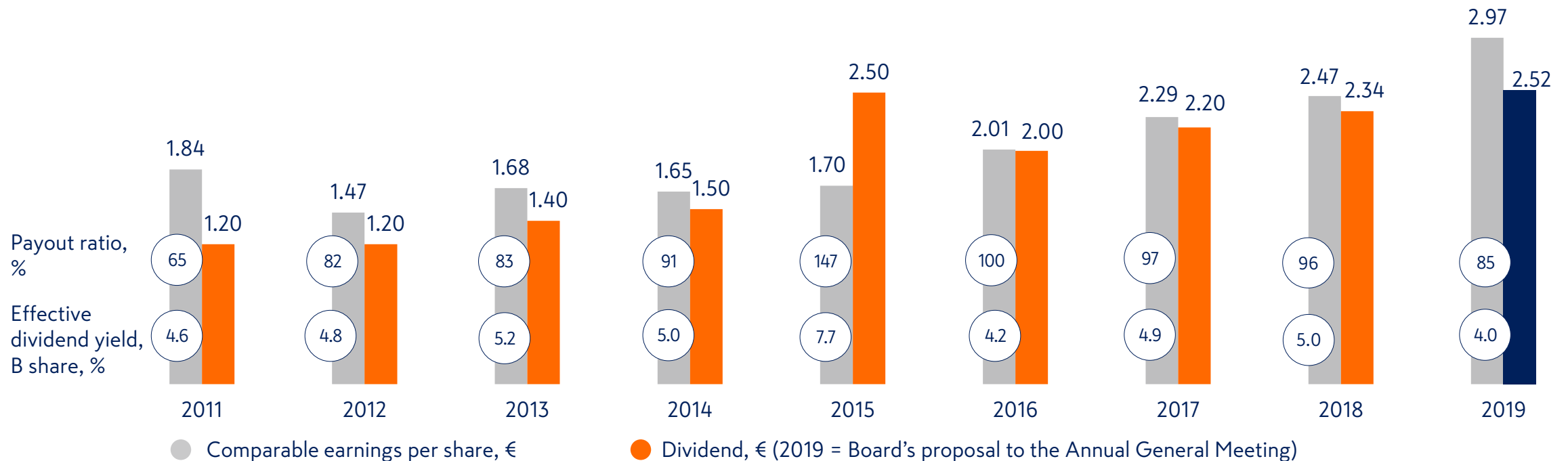
The general economic situation and the expected trend in consumer demand vary in Kesko's different operating countries. Uncertainty related to general economic development has grown in Kesko's operating countries and the pace of economic growth is expected to slow down. In the Finnish grocery trade, intense competition is expected to continue, but the market is expected to grow. In the Northern European construction market, volumes in new housing construction have returned to normal from the high levels of top years, and the focus is expected to shift to renovation building and business premises construction. In the Finnish car trade, the market is expected to be slightly lower than the long-term average.

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.

Board Proposes a €2.52 Dividend to the AGM

Dividend proposed to be paid in two instalments

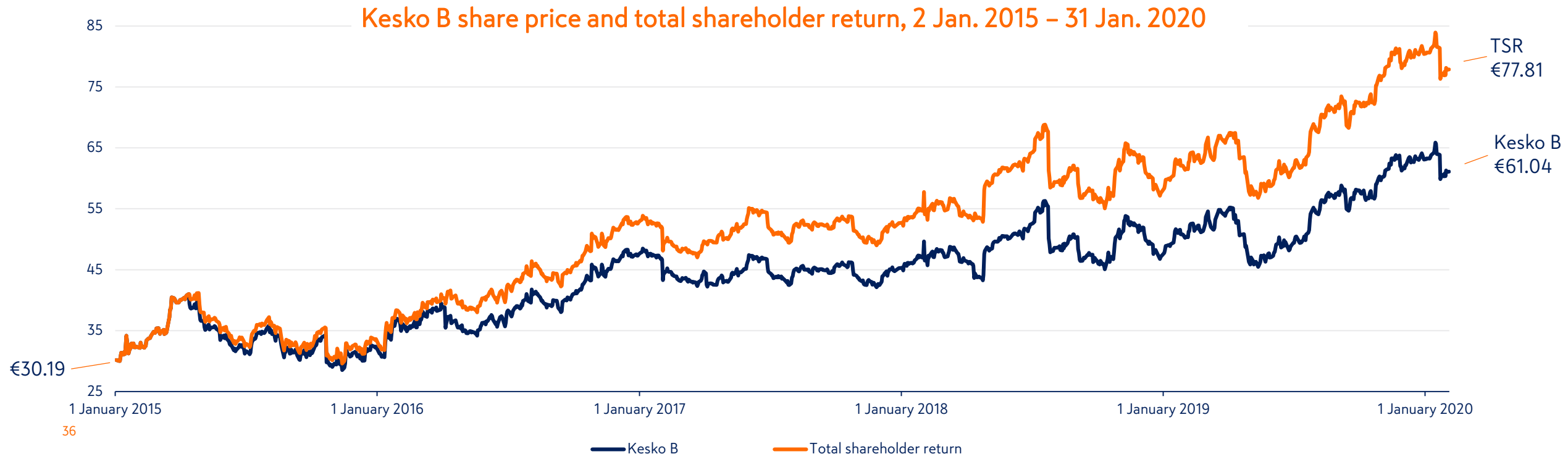
Kesko's dividend policy: In the long-term, Kesko aims to distribute a steadily growing dividend of some 60-100% of its comparable earnings per share, taking into account the company's financial position and strategy. Kesko has been paying its dividends in two instalments starting with the dividend paid for the year 2018.



The Board Proposes to the AGM a 1:4 Share Split

To improve the liquidity of the Company's share, the Board proposes to the Annual General Meeting that shareholders be given three (3) new A shares for each current A share and three (3) new B shares for each current B share without payment. The Board also proposes a related amendment to the Articles of Association.

The total shareholder return of a Kesko B share from the beginning of 2015 to the end of January 2020 is 158%, an increase of €47.28. The value of a B share has more than doubled from €30.19.



Contact

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Capital Markets Day at K-Kampus
in Helsinki on 28 May 2020

Welcome!

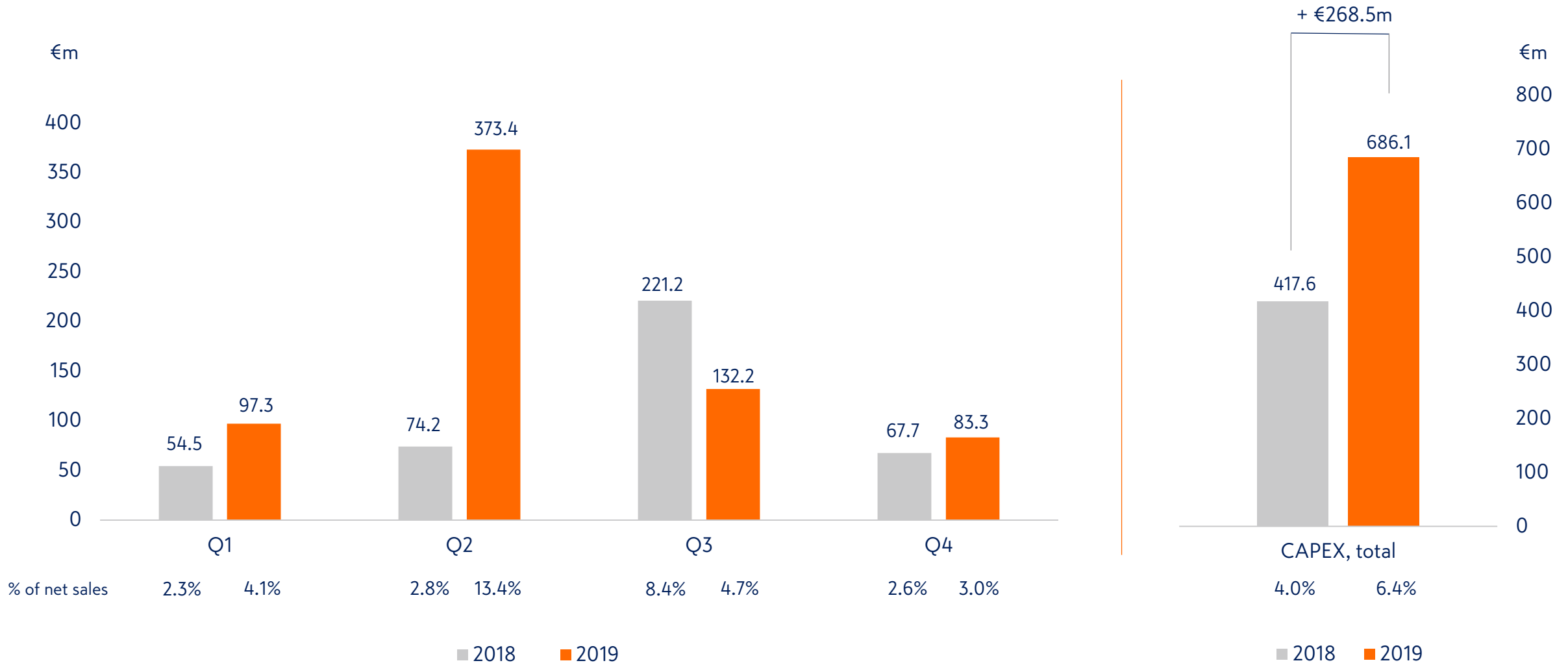




Attachments



Capital Expenditure



Key Performance Indicators

Profitable growth continued in the fourth quarter

	Q4/2019	Q4/2018	1-12/2019	1-12/2018
Net sales, € million	2,734.2	2,655.1	10,720.3	10,382.8
Net sales growth, %	+3.0	+3.1	+3.3	-1.0
Net sales growth, comparable, %	+0.9	+3.1	+1.4	+3.5
Operating profit, € million	129.7	114.5	461.6	428.5
Operating margin, %	4.7	4.3	4.3	4.1
Finance net, € million*	-21.3	-23.1	-91.4	-99.7
Profit before tax, € million	107.7	90.8	370.7	325.2
Earnings per share, basic, €	0.90	0.70	2.97	2.45

Comparable figures, continuing operations

* Includes interest expenses on lease liabilities: 10-12/2019 €23.5m (€23.1m), 1-12/2019 €95.5m (€98.8m)



The most sustainable
grocery trade company
in the world.