



Q3/2019 ALL-TIME BEST QUARTER

Kesko – Investor Presentation



K Group and Kesko Today

#1

Biggest in Finland,
#3 in Northern Europe
with retail sales of over
€13bn



Profitable growth
strategy in **3** core
divisions



43,000 employees,
approx. **1,800 stores** and
comprehensive **digital**
services in **8** countries



Strong financial
position with good
dividend capacity



Market cap approx.
€5.9bn with over
41,000 shareholders

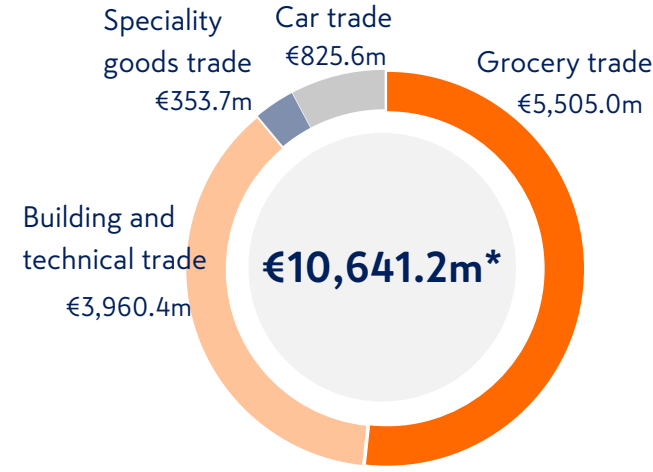


World's most
sustainable trading
sector company

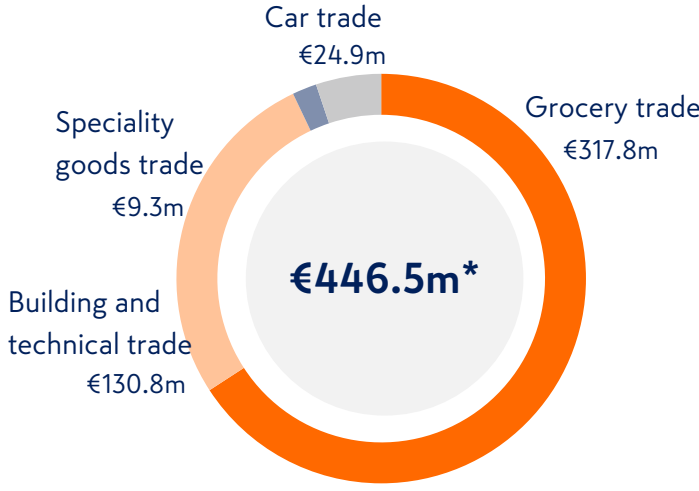
Kesko's footprint

K Group's Retail Sales and Number of Stores

Net sales



Comparable operating profit



	Retail sales *, € million	Stores
Finland	10,887	1,593
Sweden	474	51
Norway	769	82
Baltic countries	936	58
Poland	239	36
Belarus	141	16



Continuing operations, *rolling 12 months Q3/19
 * Incl. common functions and eliminations €-36.6 m



Continuing Our Growth Strategy Implementation

VISION

We are the customers' preferred choice and the quality leader in the European trading sector

STRATEGIC FOCUS AREAS

Profitable
growth

Business
focus

Quality and
customer orientation

Best digital
services

Sustainability and
combating climate
change

One
unified K

DIVISION PRIORITIES



Grocery trade

- Most customer-oriented and inspiring food stores with store-specific business ideas
- Profitable development of store network
- Seamless multi-channel customer experience
- Development of the retailer business model as a competitive advantage
- Significant growth in the foodservice business



Building and technical trade

- Country focus with specified strategic actions
- Three customer segments served according their specific customer needs
- Synergies – within individual countries and between the operating countries
- Organic growth and profitability improvement
- Selected acquisitions to win a chosen country and segment



Car trade

- Increasing business in cooperation with the Volkswagen Group
- Increasing own service and mobility business
- Best customer experience – in all channels

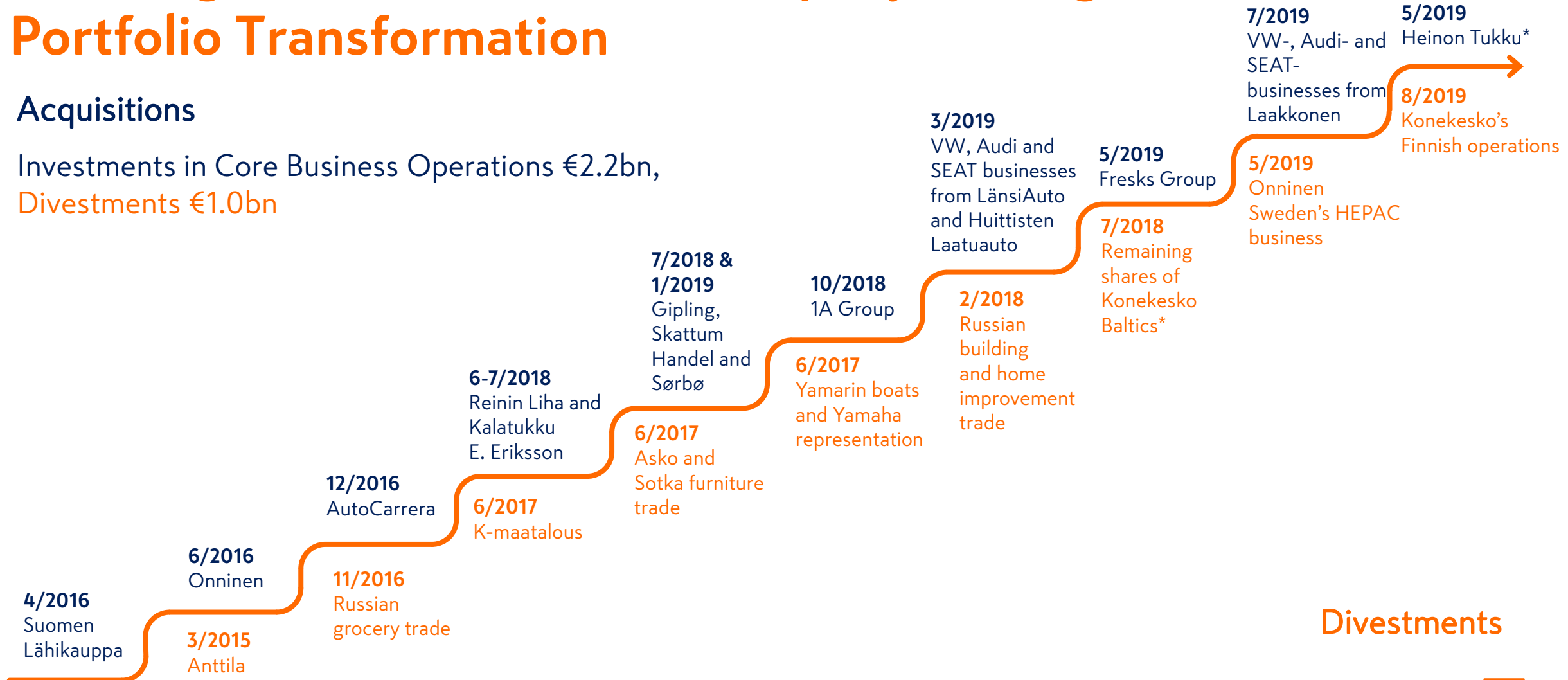
VALUE

The customer and quality – in everything we do

A Strong and More Focused Company Through Successful Portfolio Transformation

Acquisitions

Investments in Core Business Operations €2.2bn,
Divestments €1.0bn



* Waiting for completion

Kesko's New Financial Targets

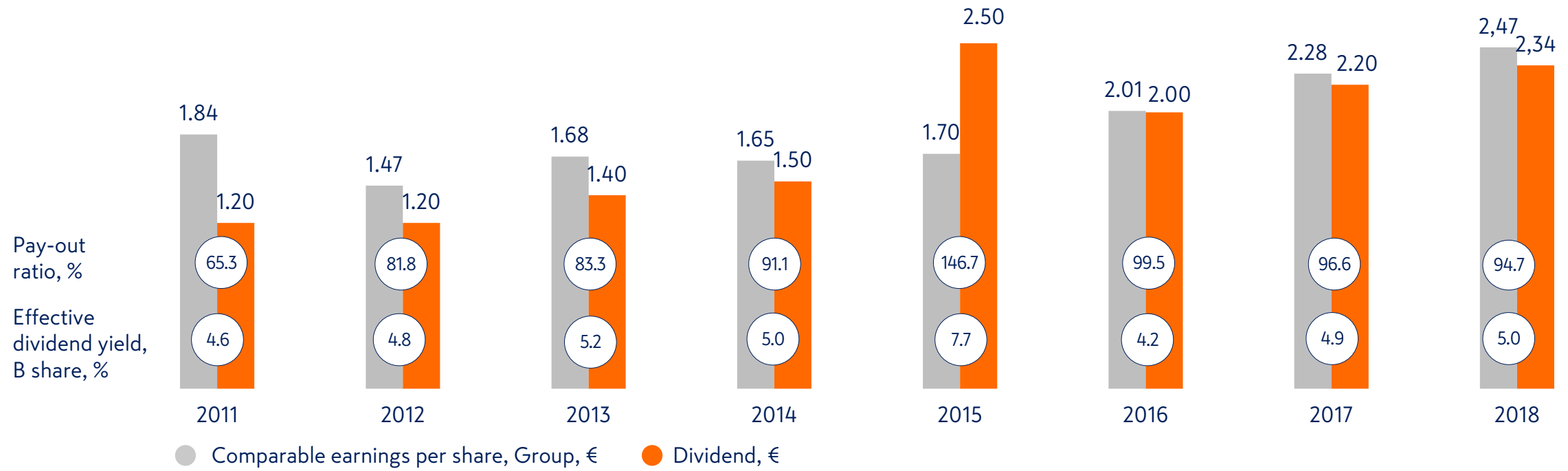
Indicator	Target level	Level achieved in Q3/2019*
Comparable operating margin, %	5.0%	4.2%*
Comparable return on capital employed, %	11.0%	9.6%*
Interest-bearing net debt/EBITDA, excluding the impact of IFRS 16	at maximum 2.5	1.0

* Continuing operations, rolling 12 months

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.





Steady Growth Targeted in Dividends

Dividend policy updated in Q1: 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. Dividends will be paid in two instalments, starting with the dividends paid for 2018.



Sustainability Strategy –

The Environment Is at the Core of Our Corporate Responsibility Work

VISION	WE ENABLE SUSTAINABLE LIFESTYLES FOR OUR CUSTOMERS			
STRATEGIC OBJECTIVES	 <p>Sustainability and benefits derived from it drive customer preference in both B2C and B2B</p>	 <p>Investors prefer Kesko as a sustainable investment</p>	 <p>Employees and K-retailers are proud advocates of K Group's sustainability work</p>	 <p>K Group has a significant role in societal discussion through recognised leadership in sustainability</p>

STRATEGIC ACTIONS	1	Pursuing leadership in circular economy solutions
	2	Strengthening responsible and transparent sourcing in the supply chain
	3	Commercialisation of sustainability through our own brand products
	4	Creating data-based services for customers and the society using customer data and AI responsibly
	5	Expanding communal responsibility initiatives together with K-retailers and our employees
	6	Reducing energy consumption and increasing our own renewable energy production



All electricity we purchase in Finland is produced with renewable energy



With 32 solar power plants, we are the biggest producer and user of solar power in Finland



We are constantly working to improve energy efficiency at our stores



Our logistics emissions are down by 16.8% on year 2011



Our food waste is down by 7.3% from the 2013 base level



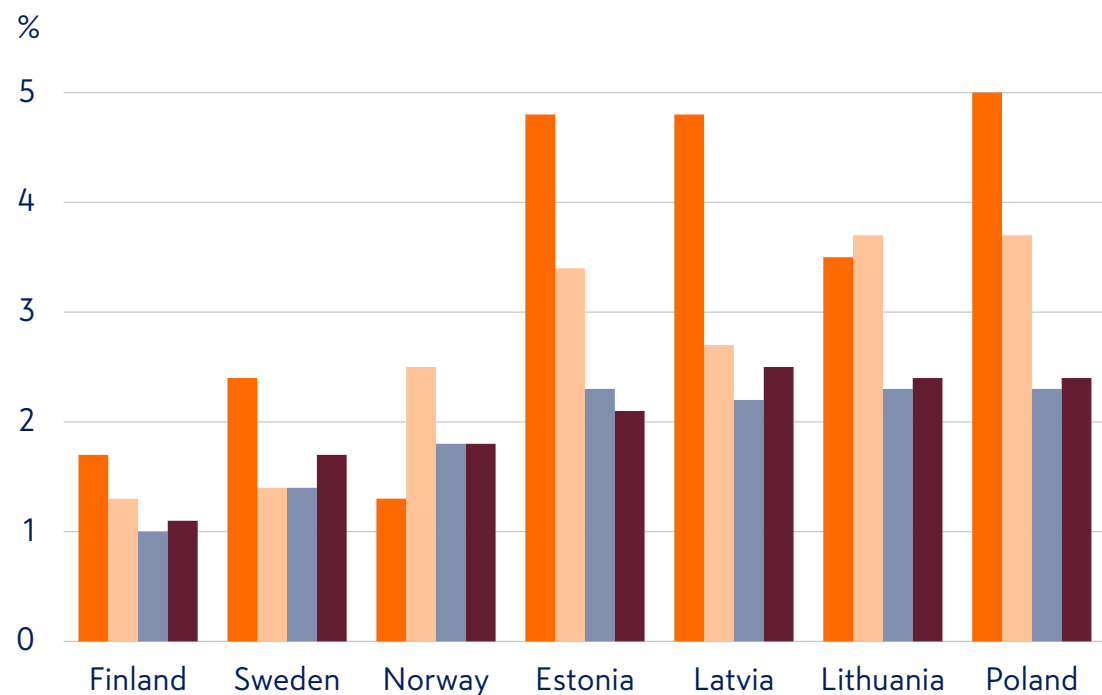
We promote circular economy through more efficient recycling at our stores and for our own brand product packaging

Kesko's Responsibility Path



GDP and Finnish Consumer Confidence

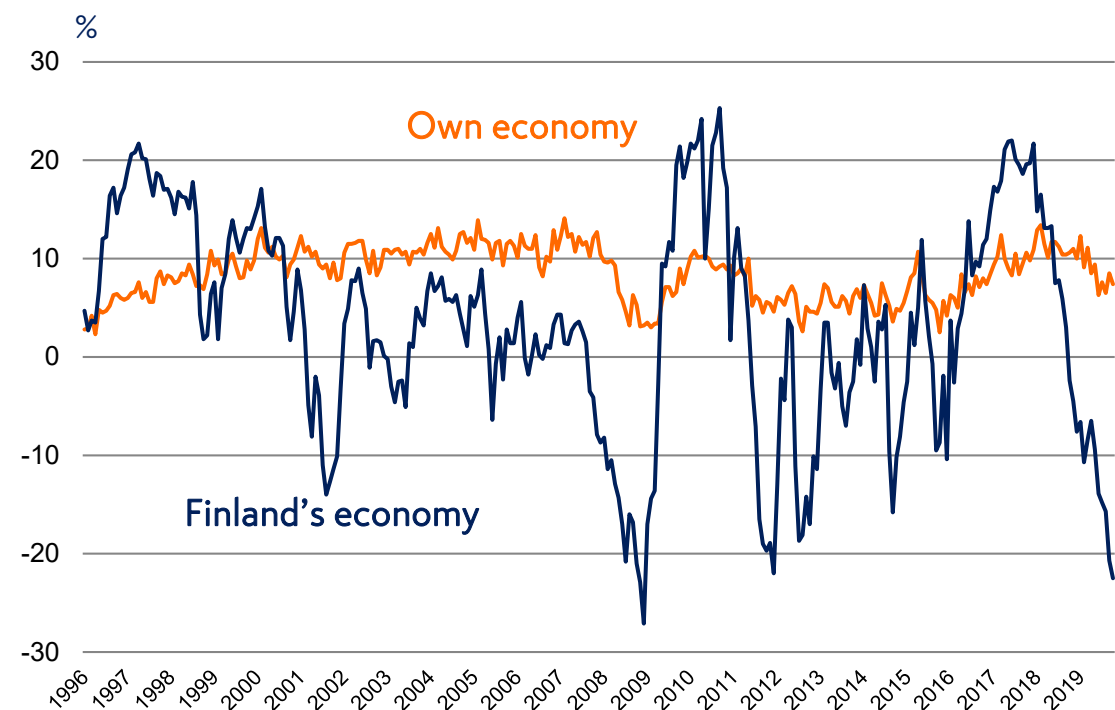
Expected GDP growth in Kesko's operating countries



Source: Bloomberg

2018 2019E 2020E 2021E

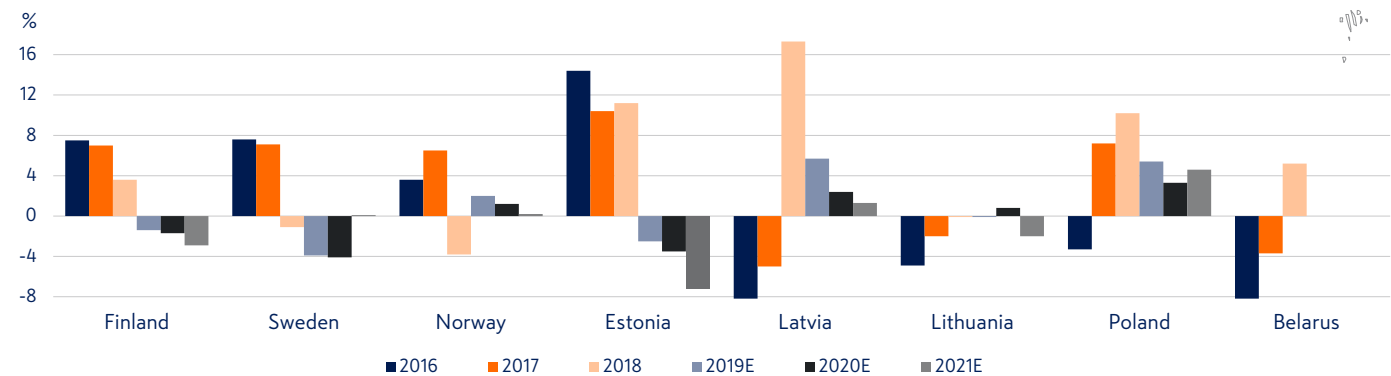
Finnish Consumers' views on economic situation in one year's time (balance)



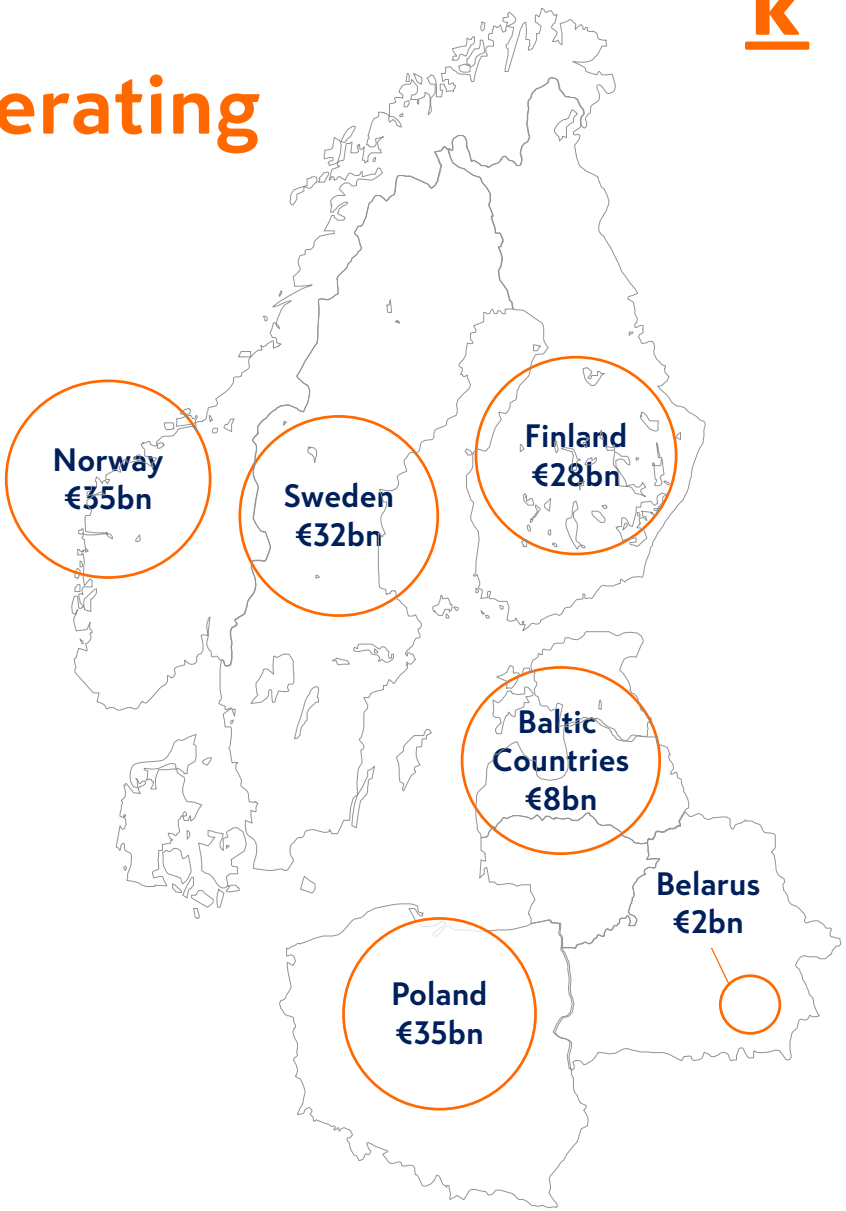
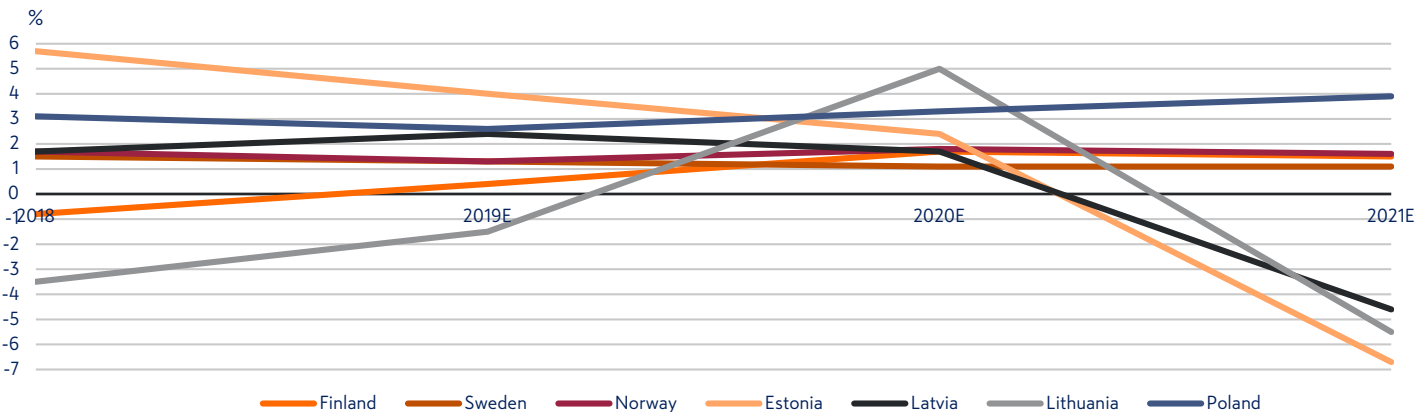
Source: Statistics Finland

Change in Building volumes in Kesko's Operating Countries

Change in building construction volume in Kesko's operating countries



Change in building renovation volume

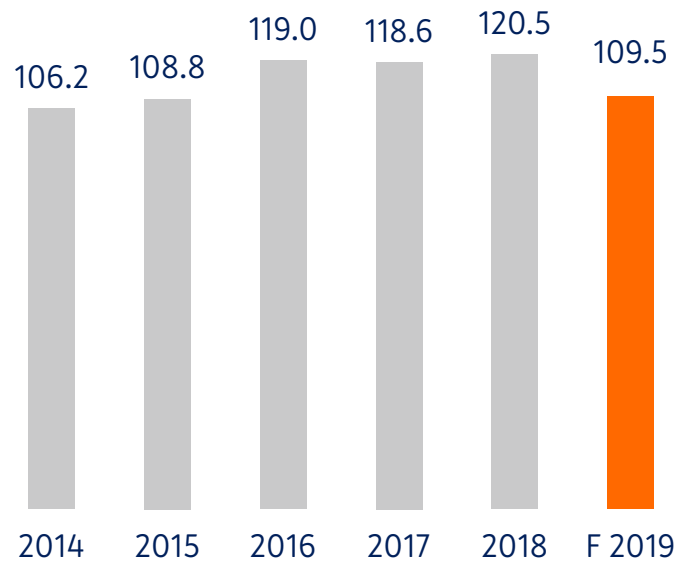


Above building construction volume figures from 2018, Poland and Belarus from 2017

New Vehicle Registrations in Finland

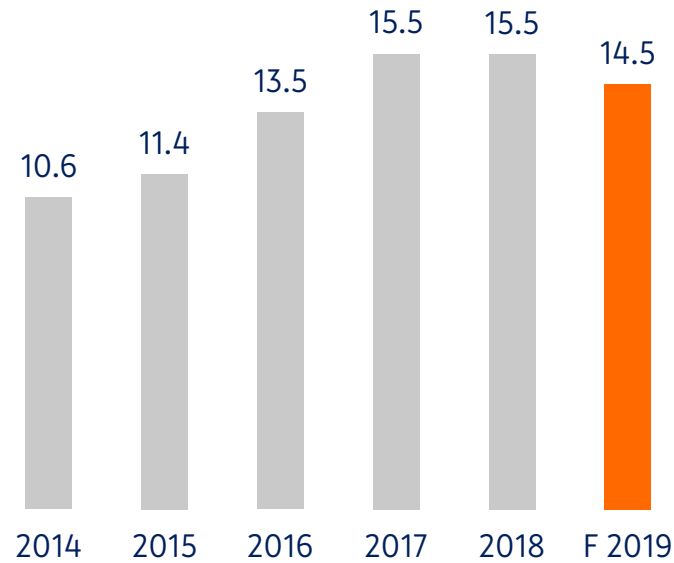
Passenger cars

'000



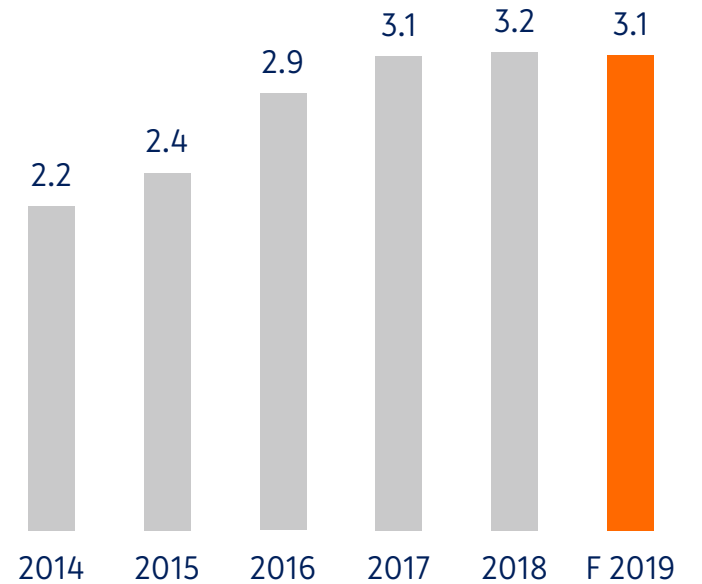
Vans

'000



Trucks, >6 tonnes

'000



Six Reasons to Invest in Kesko

- 1 Growth strategy**

We have a strong customer and quality driven growth strategy since 2015 with a focus on three core divisions . We seek growth organically and through acquisitions. Our growth strategy is based on customer-oriented operations and using quality for differentiation in both our stores and digital channels.
- 2 Strong market position**

Kesko is one of the leading retail companies in Northern Europe and the largest retail operator in Finland. We strive to be among the top two operators in all our businesses in order to ensure economies of scale.
- 3 Long-term profitability improvement**

Kesko's strategic objective is to achieve profitable growth in all its businesses. At the end of September 2019, our rolling 12m comparable operating profit was €446.5 million. In 2014, before we adopted our new strategy, it was €233 million. This improvement in profitability is a result of customer oriented growth strategies in our business divisions, measures taken to improve gross profit, and the effective management of capital employed. Also cash flow generation is in focus.
- 4 Attractive dividends**

Kesko has distributed dividends to shareholders uninterrupted since 1968. We target steadily growing dividends and an attractive dividend yield. Successful strategy implementation provides dividend upside potential.
- 5 Track-record in value creation**

Our growth strategy is delivering improving results. Kesko management has demonstrated ability to create value through good strategic choices and efficient allocation of capital to growth initiatives. Since 2015, the total shareholder return for Kesko's B-share is 152%.
- 6 Responsibility**

Thanks to Kesko's long-term and comprehensive sustainability work, it is included in prestigious global sustainability indices, such as the DJSI World and DJSI Europe. Furthermore, we have been counted among the Global 100 Most Sustainable Corporations in the World list.



Kesko Q3 2019 All-Time Best Quarter



Highlights Q3/2019

- Another all-time best quarter for Kesko
- Group net sales up by 6.1%
- Market share for K-food stores strengthened further, performance particularly strong in the K-Citymarket chain
- Growth continued in building and technical trade, with profitability improving especially in the Nordic countries
- Kesko was again included in the prestigious Dow Jones Sustainability Indices



Key Performance Indicators – Solid Q3 2019

Profitable growth continued in the third quarter

	Q3/2019	Q3/2018	1-9/2019	1-9/2018
Net sales, € million	2,803.9	2,641.8	7,986.1	7,727.6
Change in net sales, %	6.1	1.8	3.3	-2.4
Change in net sales, comparable, %	2.9	3.5	1.6	3.6
Operating profit, € million	152.0	137.0	331.9	314.0
Operating margin	5.4	5.2	4.2	4.1
Finance net, €m*	-23.3	-25.3	-70.1	-76.7
Profit before tax, € million	129.3	111.2	263.1	234.5
Earnings per share, basic, €	1.01	0.81	2.07	1.75

Comparable figures, continuing operations

* Includes interest expenses for lease liabilities of €23.1m (€25.0m) in 7-9/2019, €71.9m (€75.6m) in 1-9/2019

Strong Financial Position

Kesko has signed financing agreements totalling €700 million linked to its sustainability targets

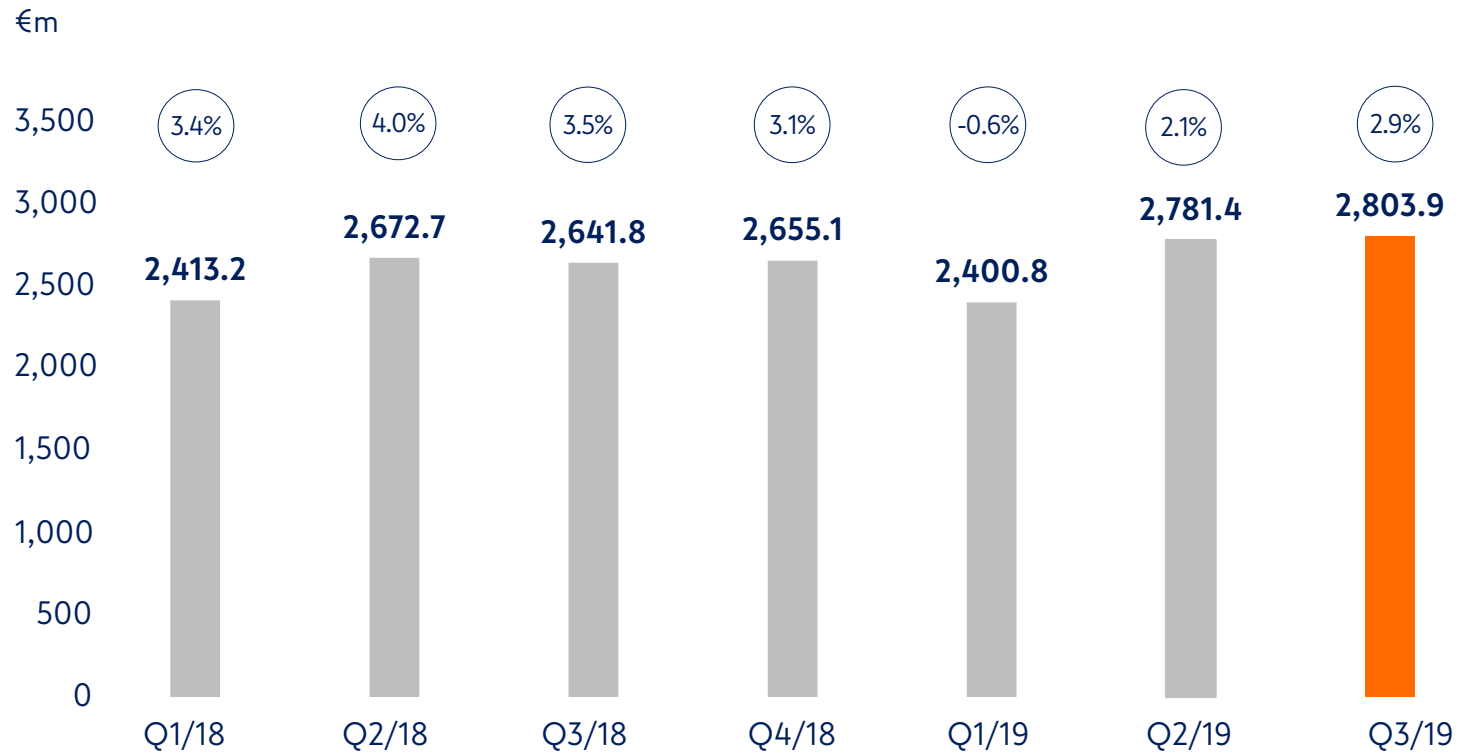
	30.9.2019	30.9.2018
Liquid assets, €m	171.8	319.2
Interest-bearing net debt excl. lease liabilities, €m	465.1	228.9
Interest-bearing net debt/EBITDA (excl. IFRS 16 impact)	1.0	0.6
Lease liabilities, €m	2,392.3	2,212.7
Continuing operations Q3:		
Cash flow from operating activities, €m	191.6	207.8
Cash flow from operating activities (excl. IFRS 16 impact), €m	108.4	130.5
Capital expenditure, €m*	132.2	221.2

* Acquisitions €45.0m (€162.1m)

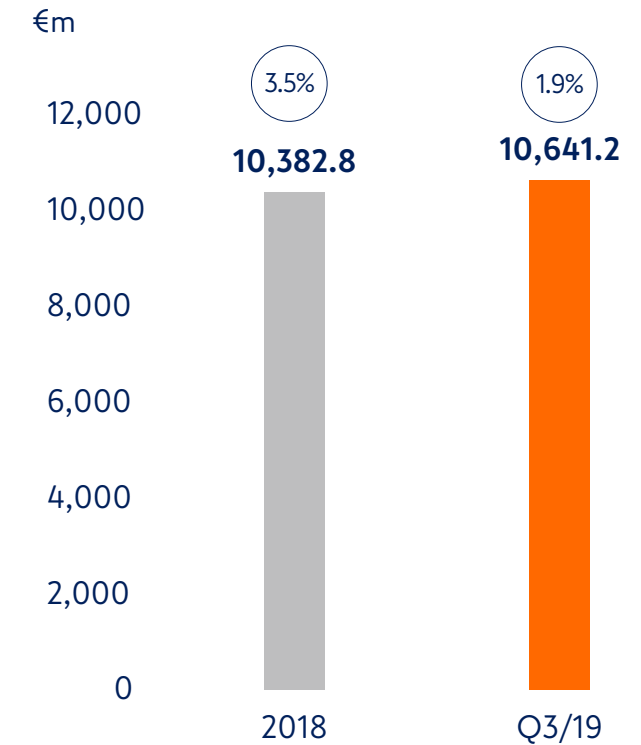
Net Sales

Q3 net sales up by 6.1%, comparable growth 2.9%

(%) Comparable growth



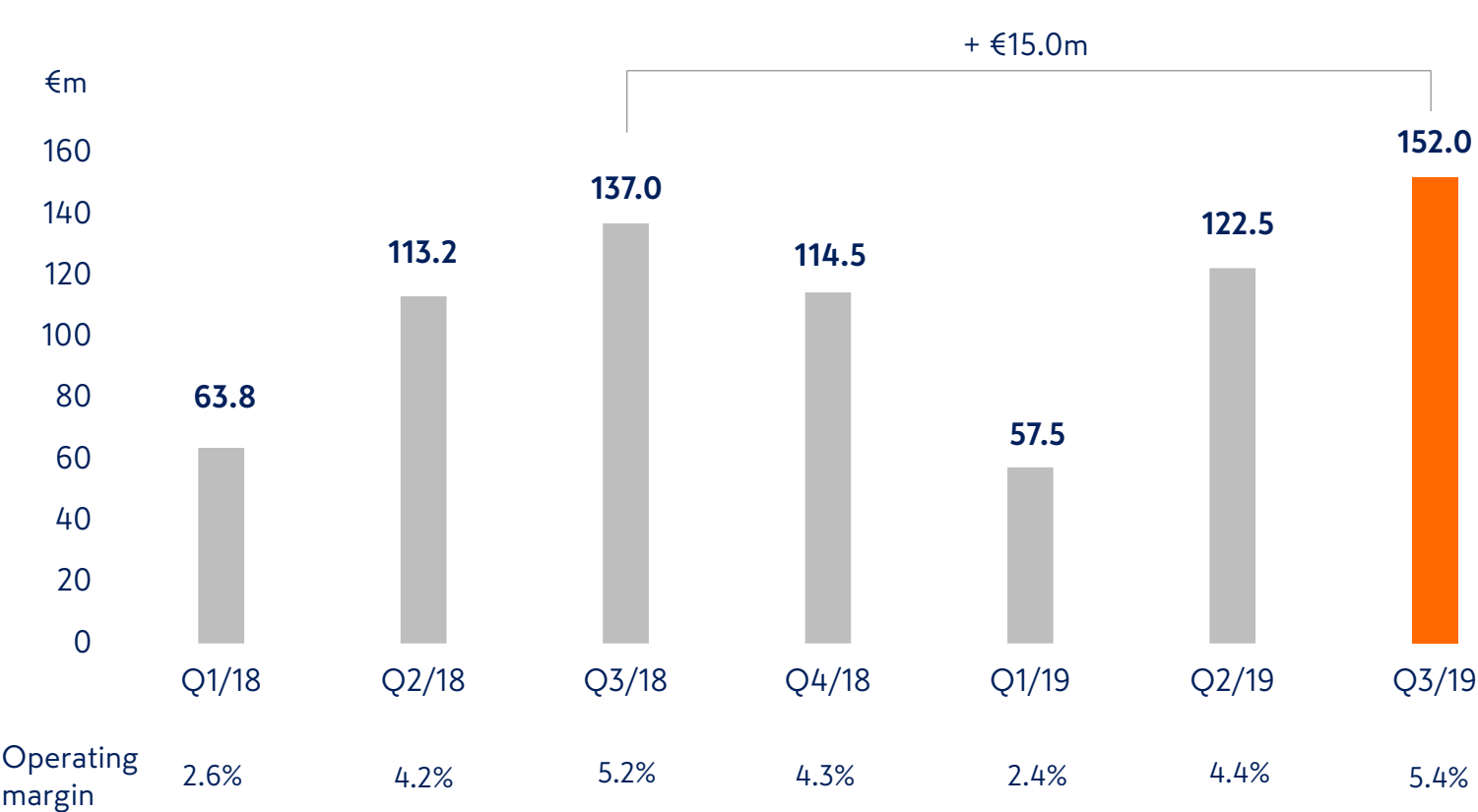
Rolling 12 months



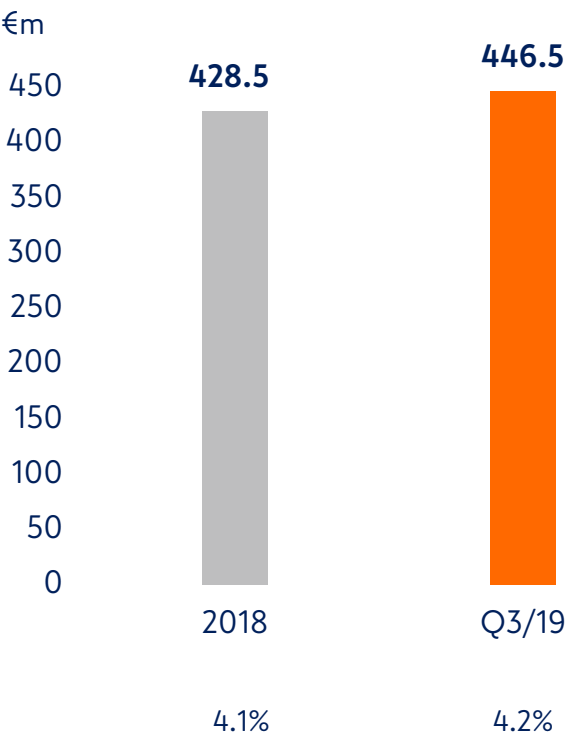
Continuing operations

Operating Profit

Q3 operating profit up by €15 million



Rolling 12 months



Comparable operating profit, continuing operations

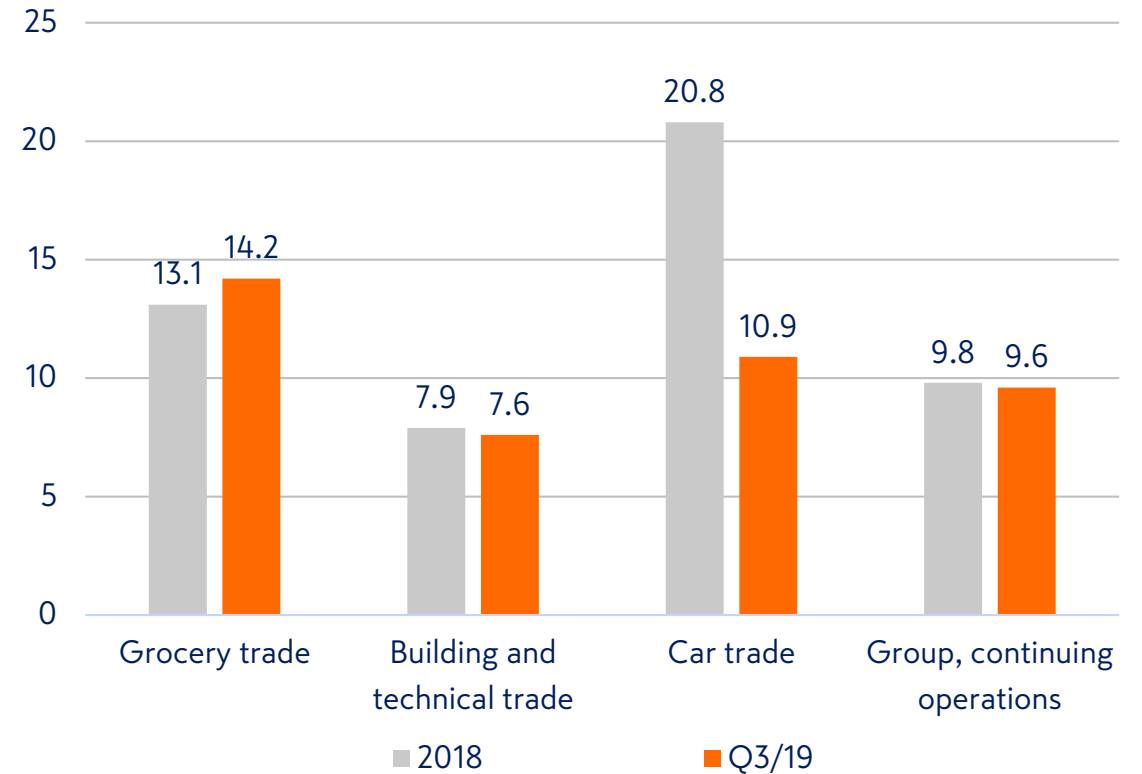
Investments in Line with Growth Strategy

ROCE 9.6%

Investments 1-9/2019

	1-9/2019, €m
Acquisitions in building and technical trade and car trade	290
Store sites	110
Kruunuvuoren Satama, store sites	86
IT and other investments	117
Total	603

ROCE, Comparable, rolling 12 months



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 (10/2019-9/2020) in comparison with the 12 months preceding the end of the reporting period (10/2018-9/2019). 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, new building volumes are expected to normalise from the high levels of peak years, and the focus to shift to renovation building. In the Finnish car trade, the market is expected to be lower than 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.



GROCERY TRADE

Sales Grew, Market Share Strengthened and
Profitability Improved Further

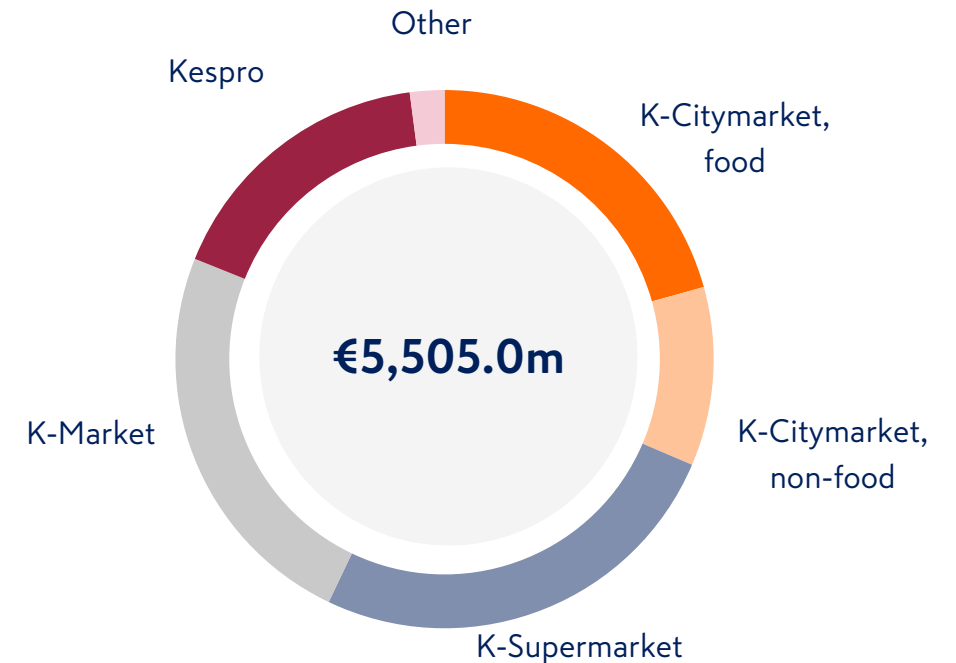


Grocery Trade in Brief

- Over 1,200 stores in the retailer business model
- Market share 36.1%
- Some 1.2m customers visit K-food stores daily
- K-food store chains are K-Citymarket, K-Supermarket, K-Market and Neste K service stations
- Kespro is the leading foodservice provider in Finland

Net sales

Rolling 12 months Q3/19



Success Stories in Grocery Trade Strategy Execution



K-retailer entrepreneurship and store-specific business ideas, multi-store model



Rebranding and store modernisations



Acquisition of Suomen Lähikauppa



New digital services and food online

PÍRKKA

Differentiation through own brand products



Market share growth



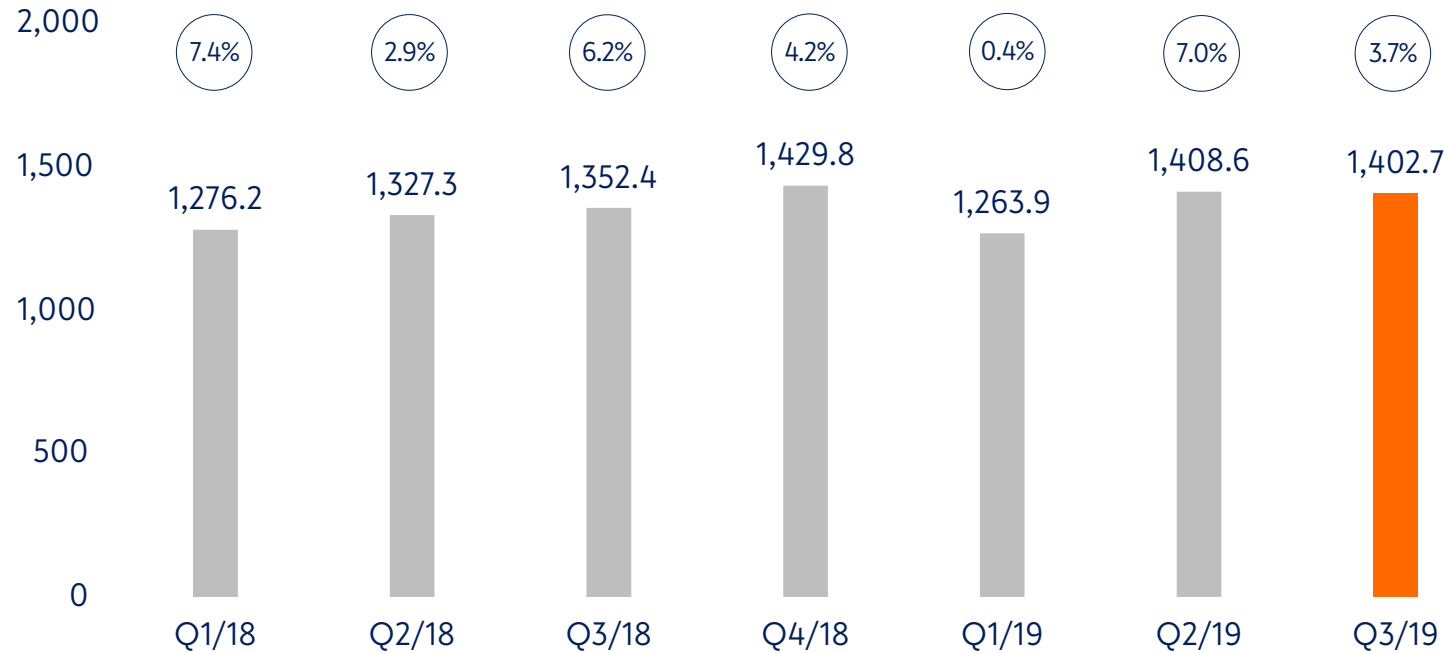
Developing foodservice business

Grocery Trade Net Sales

Q3 net sales and market share growth continued strong

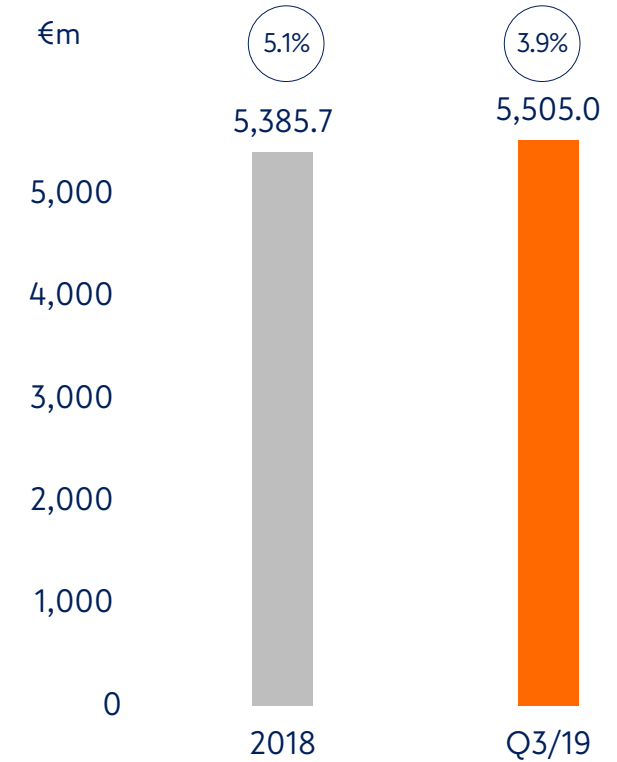
⊙ Comparable growth

€m



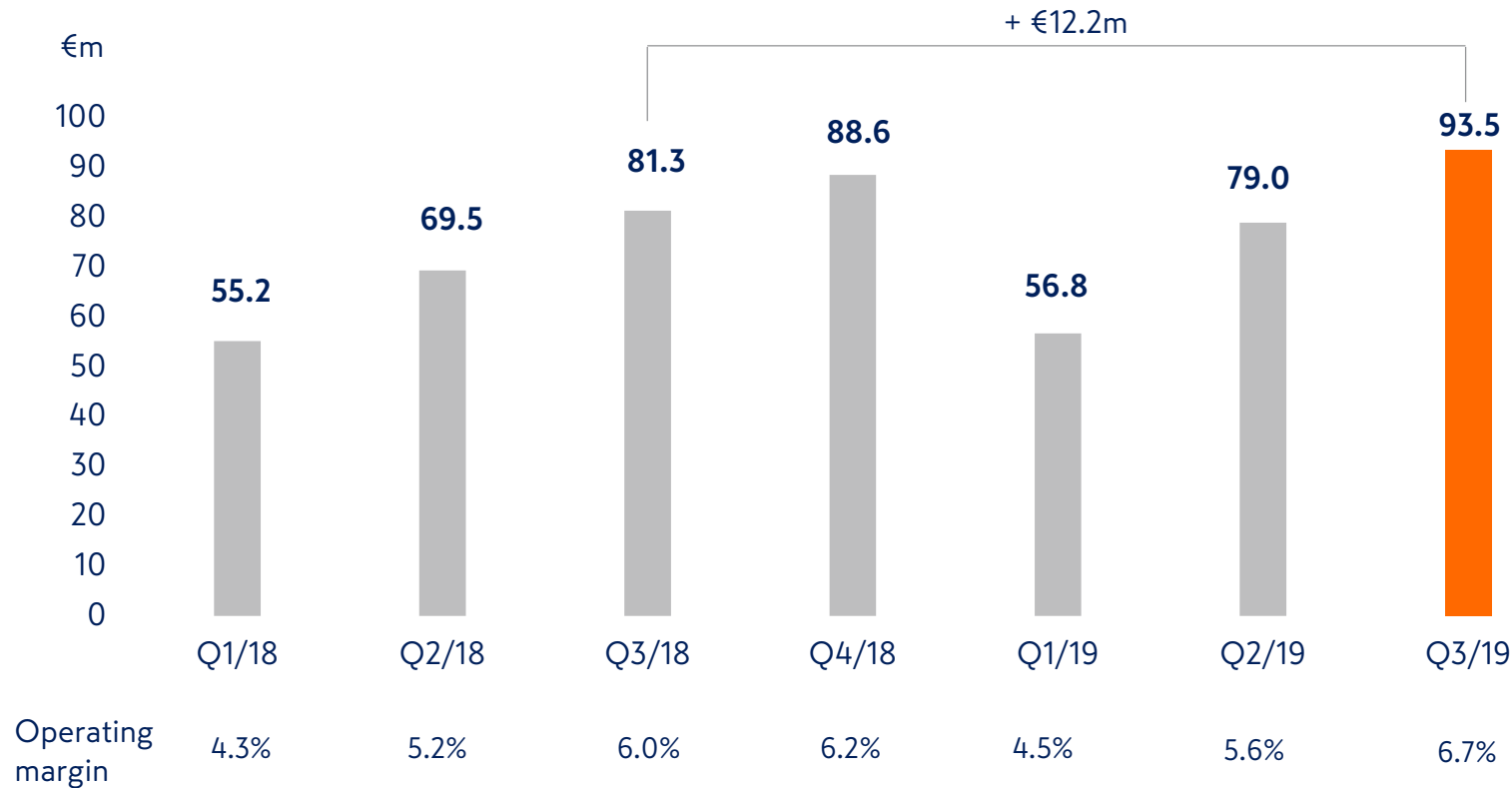
Rolling 12 months

€m

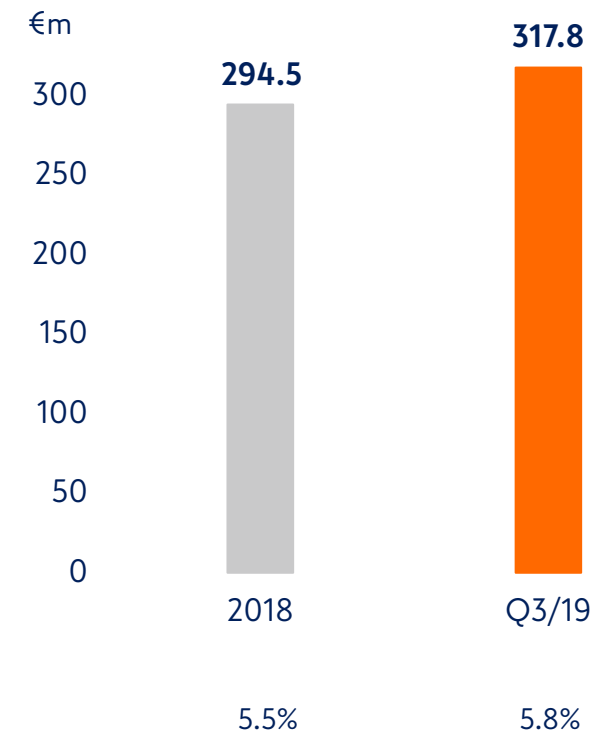


Grocery Trade Operating Profit

Q3 operating profit improved further, growth €12.2 million



Rolling 12 months



Comparable operating profit

Grocery Trade

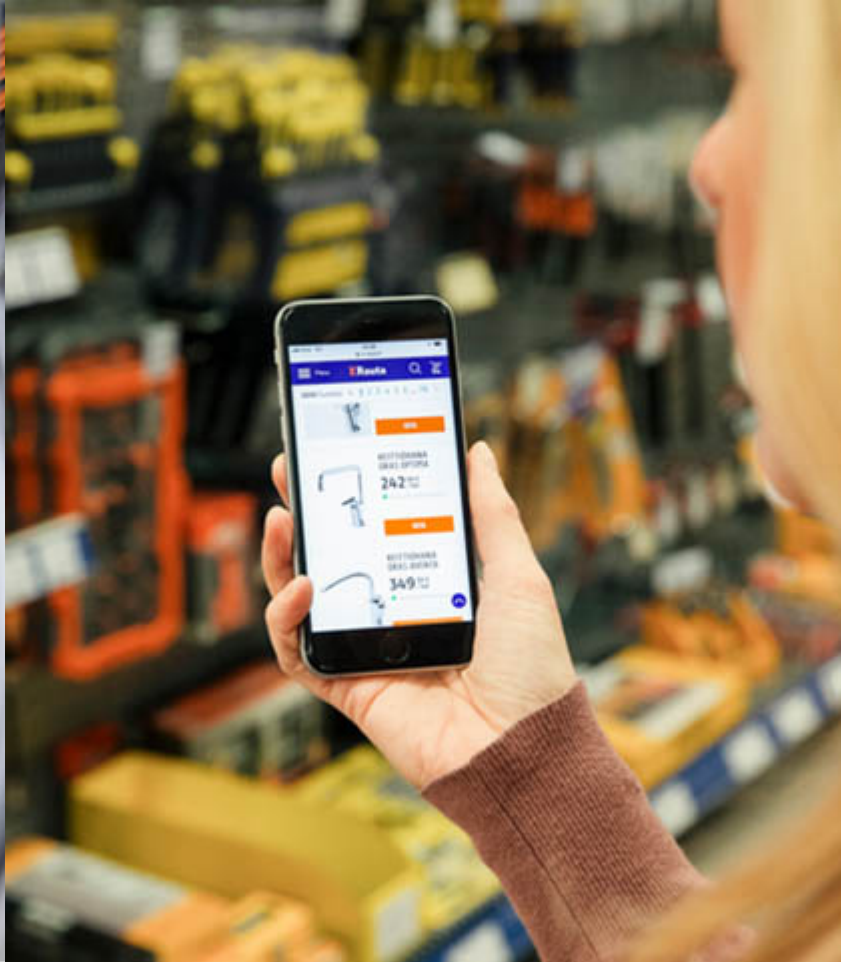
Market

- Total market growth 2.5%*
- Grocery prices up by approx. 1.7%
- One wholesale selling day more in Q3
- Importance of quality, selections and ease of shopping has increased further, price still relevant
- Continued growth in foodservice and the popularity of eating out

Q3

- K Group's grocery sales +3.3%, growth outpacing the market
- Sales grew and profitability improved in all chains
- Performance especially strong in K-Citymarket, also in non-food
- Continued growth in online sales, +117%
- Finnish Competition and Consumer Authority extended the time limit for the investigation into Kesko's acquisition of Heinon Tukku

* Kesko's own estimate



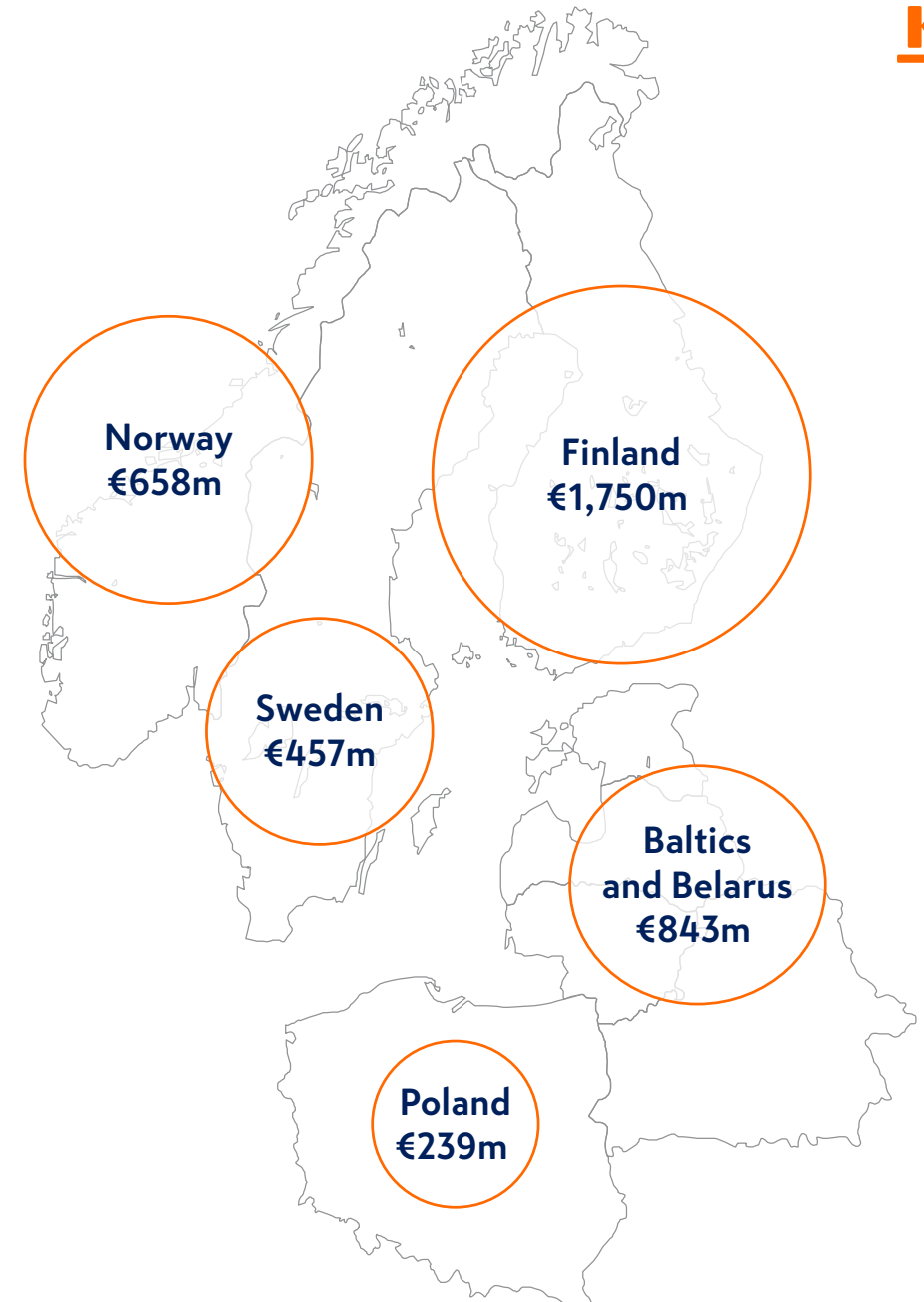
BUILDING AND TECHNICAL TRADE

Sales Grew and Profit Strengthened
Led by the Nordics



Building and Technical Trade in Brief

- #1 operator in building and technical trade in Northern Europe
- Net sales pro forma €4.0bn*
- Approximately 70% of sales from B2B trade and 30% from B2C
- ~430 stores in 8 countries
- Comprehensive digital services
- Additionally, speciality goods trade business



*2018 pro forma net sales, current portfolio and excl. speciality goods trade

Three Customer Segments Served According Their Specific Customer Needs



Technical professionals



- Technical contractors
- Infrastructure
- Industry
- Retailers



Professional builders



- Construction companies
- Renovation contractors
- Decoration contractors



Consumers



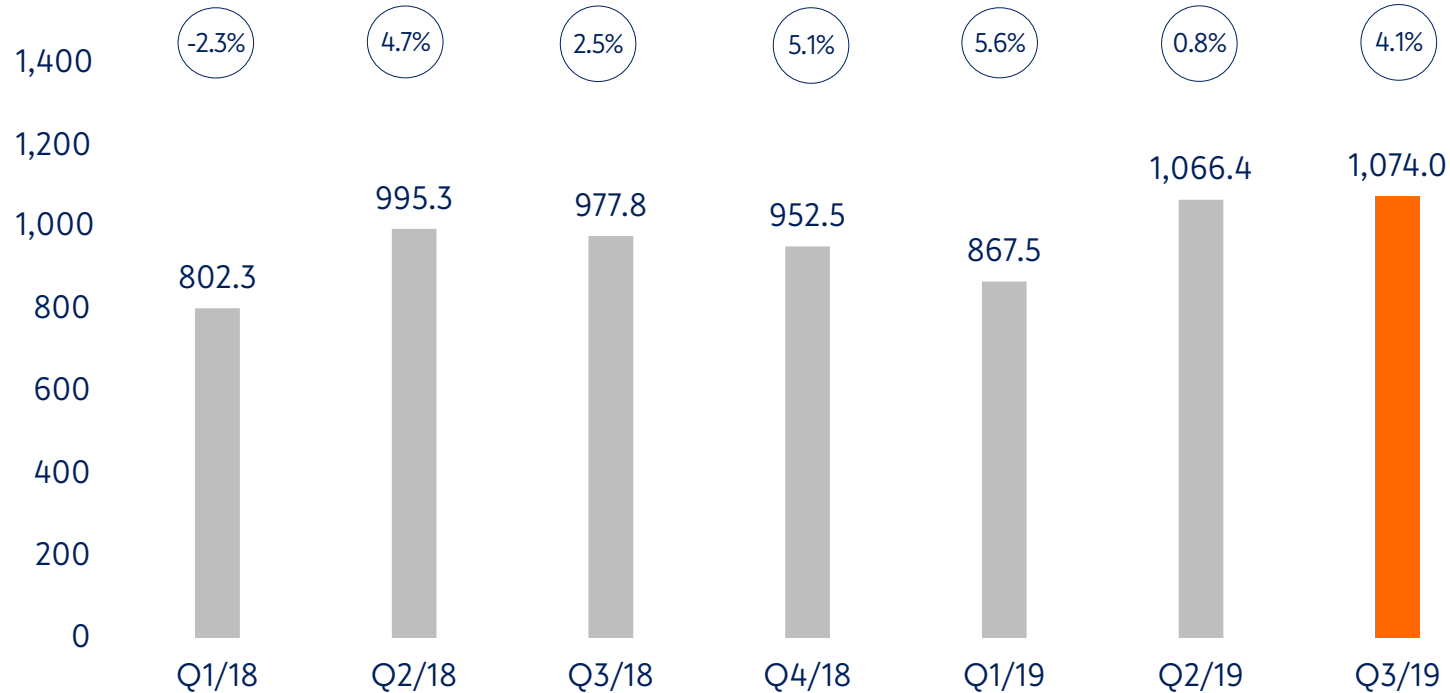
- Renovators
- Home and garden builders
- Decorators
- Gardeners

Building and Technical Trade Net Sales

Q3 net sales up by 9.8%

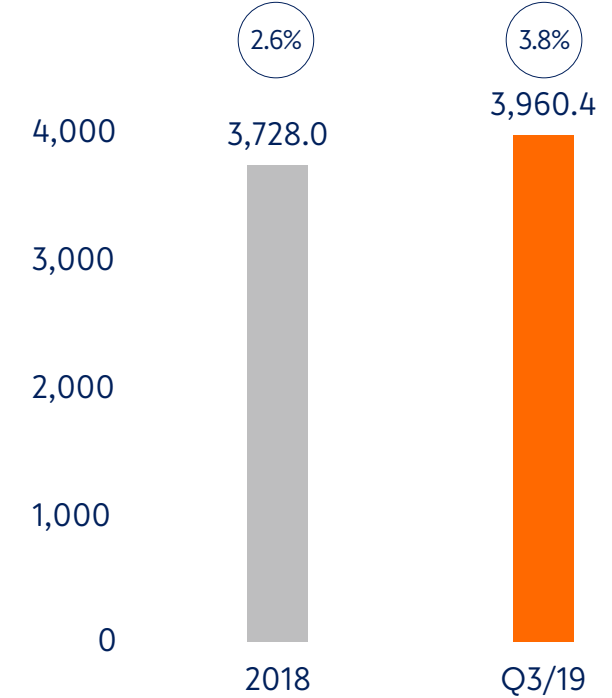
⊙ Comparable growth

€m



Rolling 12 months

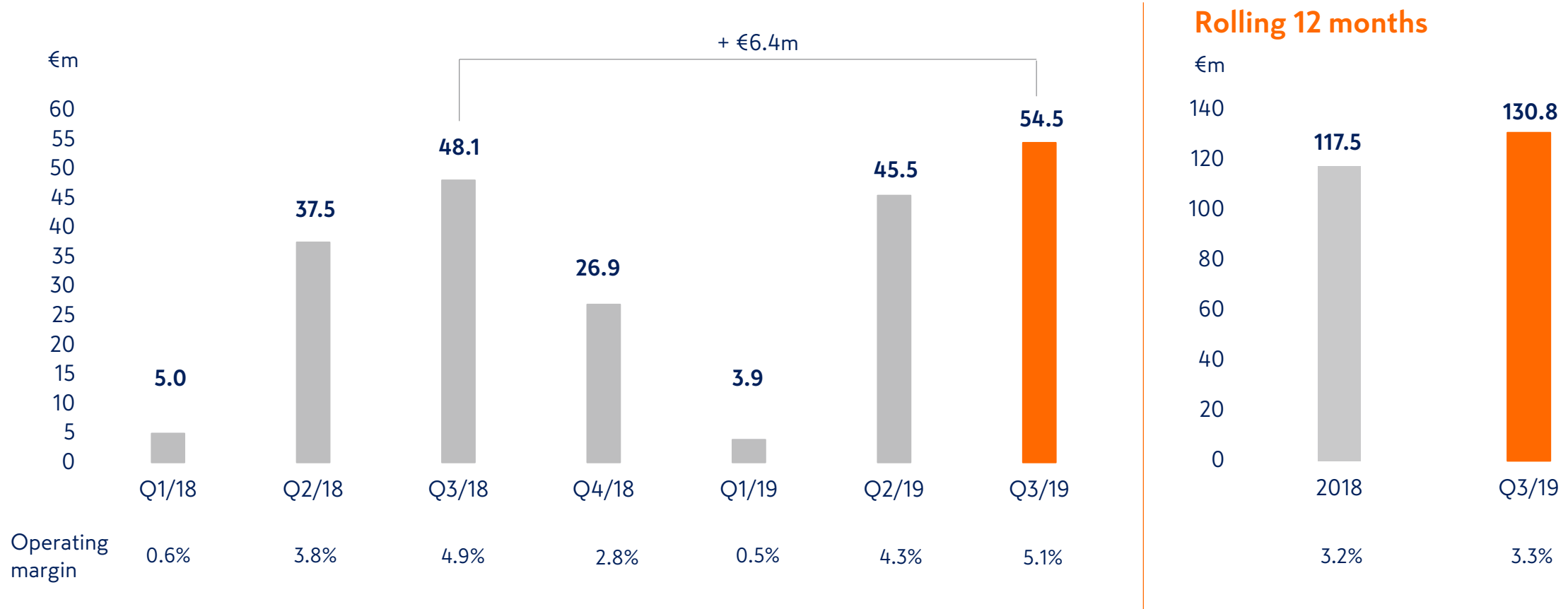
€m



Figures excluding speciality goods trade

Building and Technical Trade Operating Profit

Q3 comparable operating profit improved, growth €6.4 million



Comparable operating profit, figures excluding speciality goods trade

Building and Technical Trade

Market

- New building volumes in the construction market normalising after peak years
- Steady growth in renovation and infrastructure construction
- Market consolidation continues
- Importance of digital services growing

Q3

- Strong net sales growth in Finland, Sweden and the Baltics
- Profitability improved especially due to good development in K-Rauta Finland, Onninen and K-Bygg in Sweden
- Measures to improve profitability in Sweden and Norway continued
- Good performance in the sports trade, both net sales and profit up
- Finnish agricultural machinery trade operations divested in August



CAR TRADE

Our Competitiveness Is Good Despite
the Challenging Market Situation

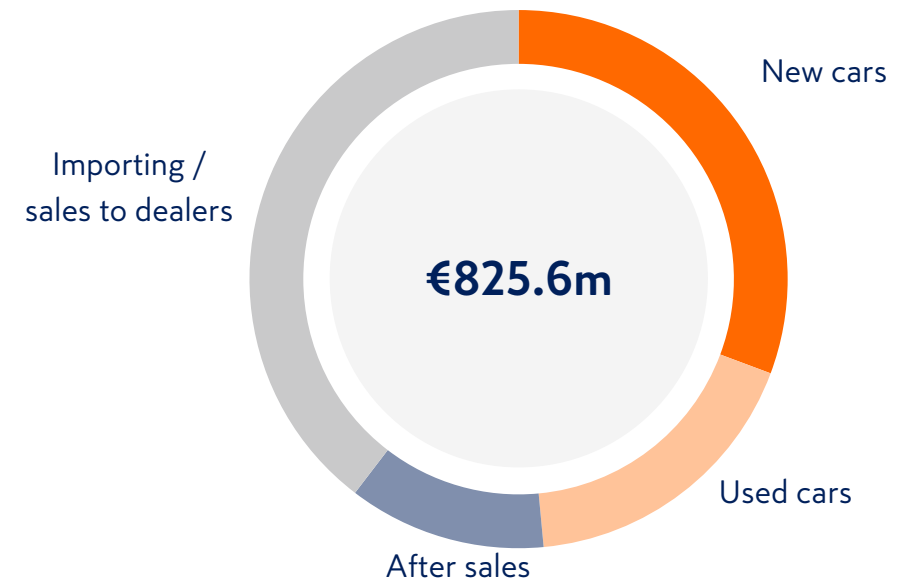


Car Trade in Brief

- Operating the Volkswagen Group's business in Finland: Audi, Volkswagen, SEAT, Porsche and MAN as well as Bentley from autumn 2019
- K-Auto is the market leader in Finland
- Value chain includes importing, retailing and after sales as well as an extensive dealer and servicing network
- Various service concepts developed under the K-Caara platform

Net sales

Rolling 12 months Q3/19



**New business
services off to a good
start: K-Caara leasing,
car sharing, nationwide
K-Charge network for
electric cars**



K Lataus

Paikka varattu vain
sähköautoille

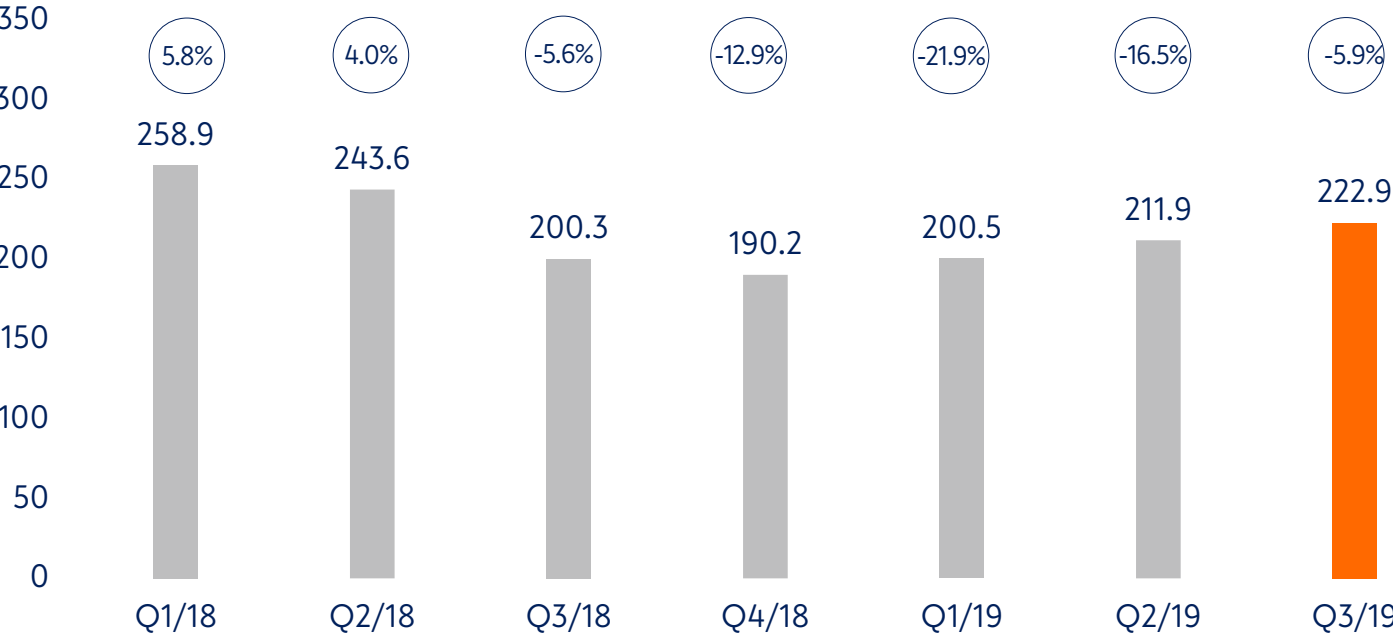


Car Trade Net Sales

Q3 net sales up by 11.3%

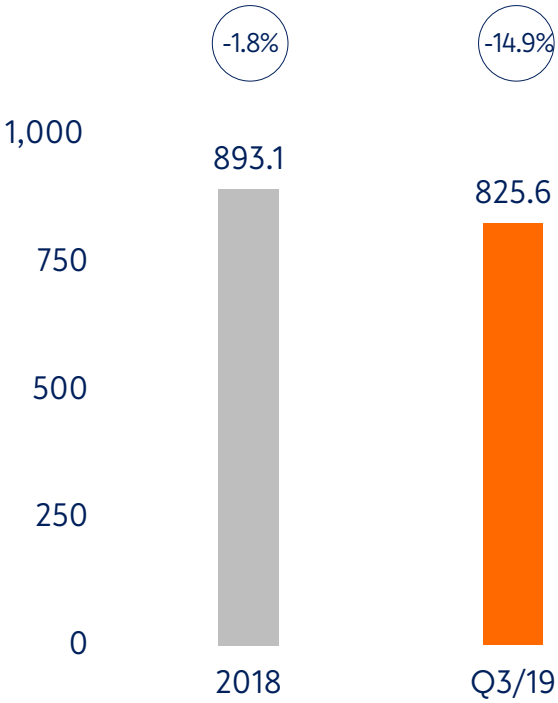
(%) Comparable growth

€m



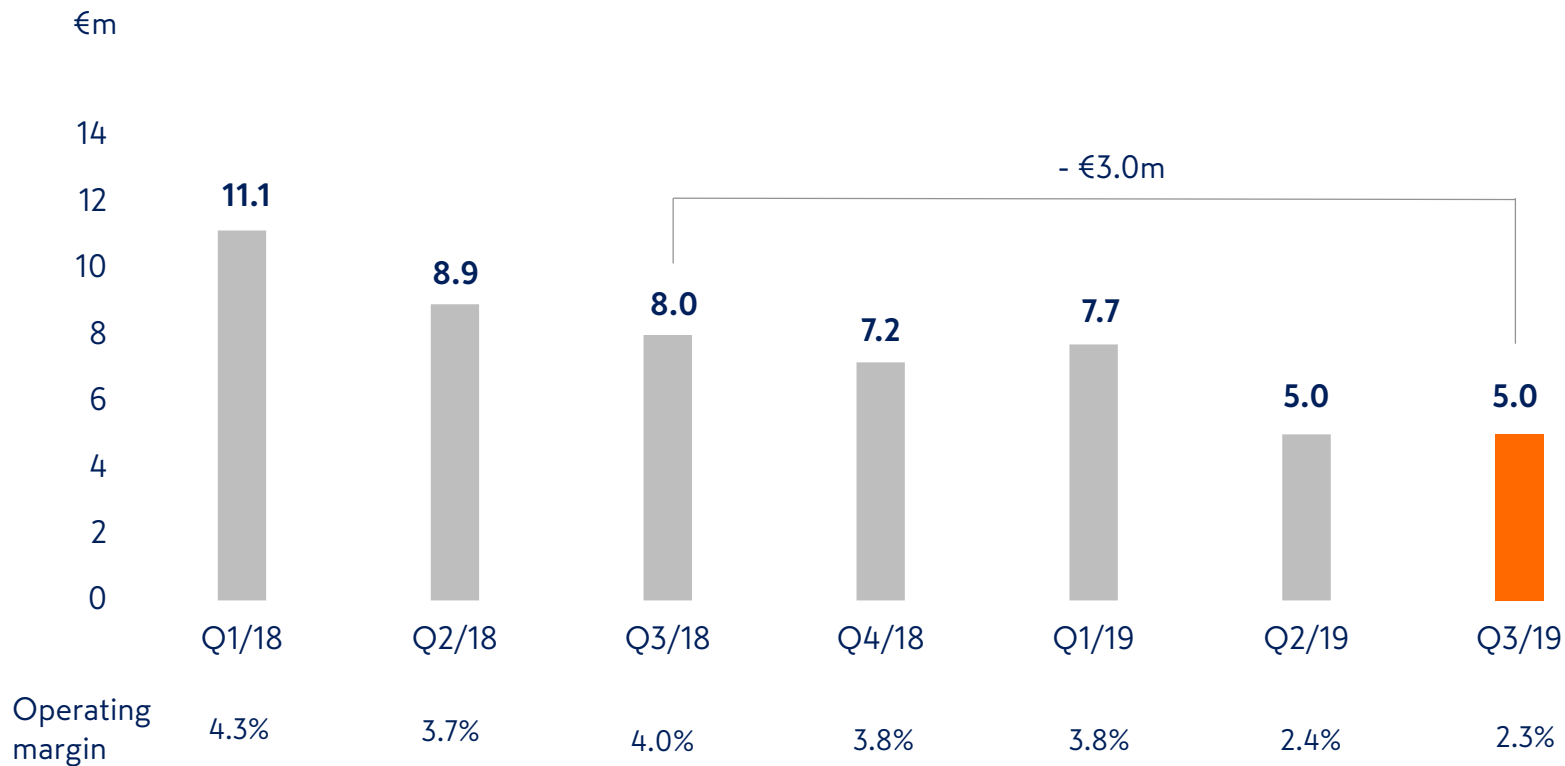
Rolling 12 months

€m

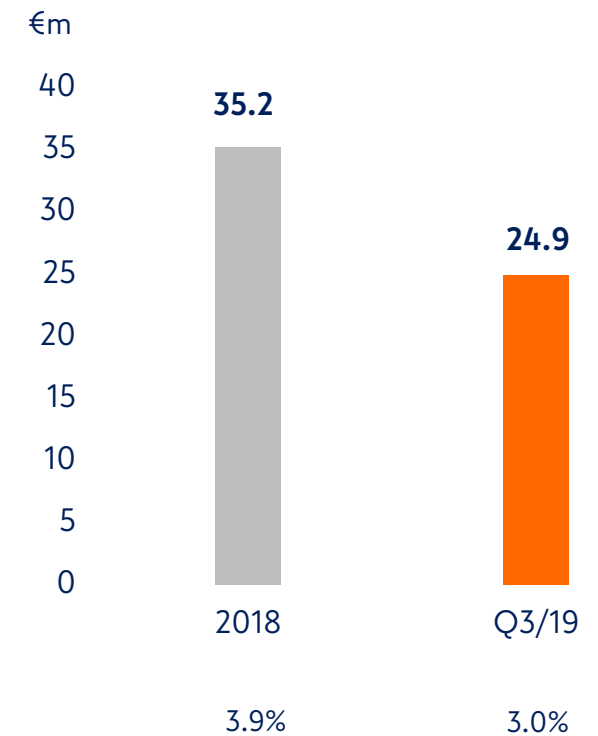


Car Trade Operating Profit

Q3 operating profit €5.0 million, efficiency measures carried out



Rolling 12 months



Car Trade

Market

- Car trade in Europe clearly below normal levels
- Debate over car taxation and motive power choices has kept up uncertainty among consumers in Finland
- Imports of used cars clearly up
- First registrations down by 0.9%

Q3

- Performance in car trade softer than anticipated, but did pick up towards the end of the quarter
- Significant cost adjustment measures due to changes in the market: codetermination negotiations concluded in 10/2019
- Acquisition of Laakkonen's VW, Audi and SEAT businesses completed in 7/2019
- Leasing fleet has grown to some 1,500 cars
- Market share of brands we represent 16.5%



Strategic Priorities in a Nutshell

Latest Development by Division



PRIORITIES

- ✓ In the grocery trade, growing our sales and profitability further in the changing market by utilising our strategic strengths in everything we do
- ✓ In the building and technical trade, further growing our sales and profitability by country: continuous improvement of processes and well-executed acquisitions
- ✓ In the car trade, returning sales and profitability to a good level and further improvement through maximum utilisation of the VW Group's improved and more extensive range of models
- ✓ Maximum utilisation of data and new technologies across K Group
- ✓ Constant improvement in operational efficiency and competitiveness – preparing for a slowdown in economic growth
- ✓ Even stronger focus on and visibility for sustainability in all actions by 1,800 K stores

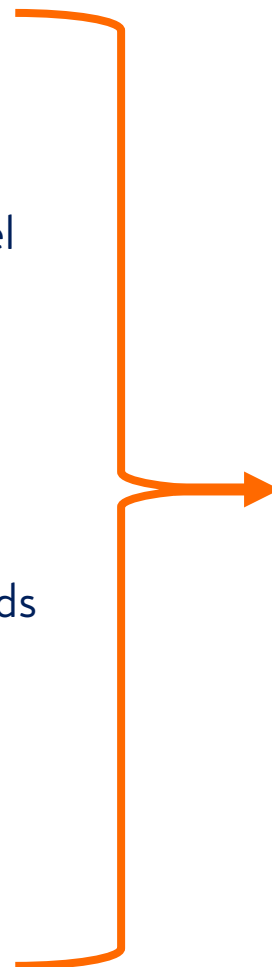
Changing Grocery Trade Market and Trends

- Ease of shopping, multichannel
- Individuality and diversity of customer needs
- Experiences and inspiration
- Sustainability, Finnish products and local food
- Healthy food, especially vegetarian



Our Strategy Is Working in the Changing Market

- K-food retailers as forerunners in modernising Finnish grocery store selections
- Store-specific business ideas and an agile operating model
 - Sustainable, inspiring, high-quality tailored selections
 - Ease and convenience
 - Advanced digital services and online sales
- Redesigns for the whole store network and all chain brands
- Competitive prices and a more extensive private label Pirkka selection
- Management by data - efficient processes based on customer data

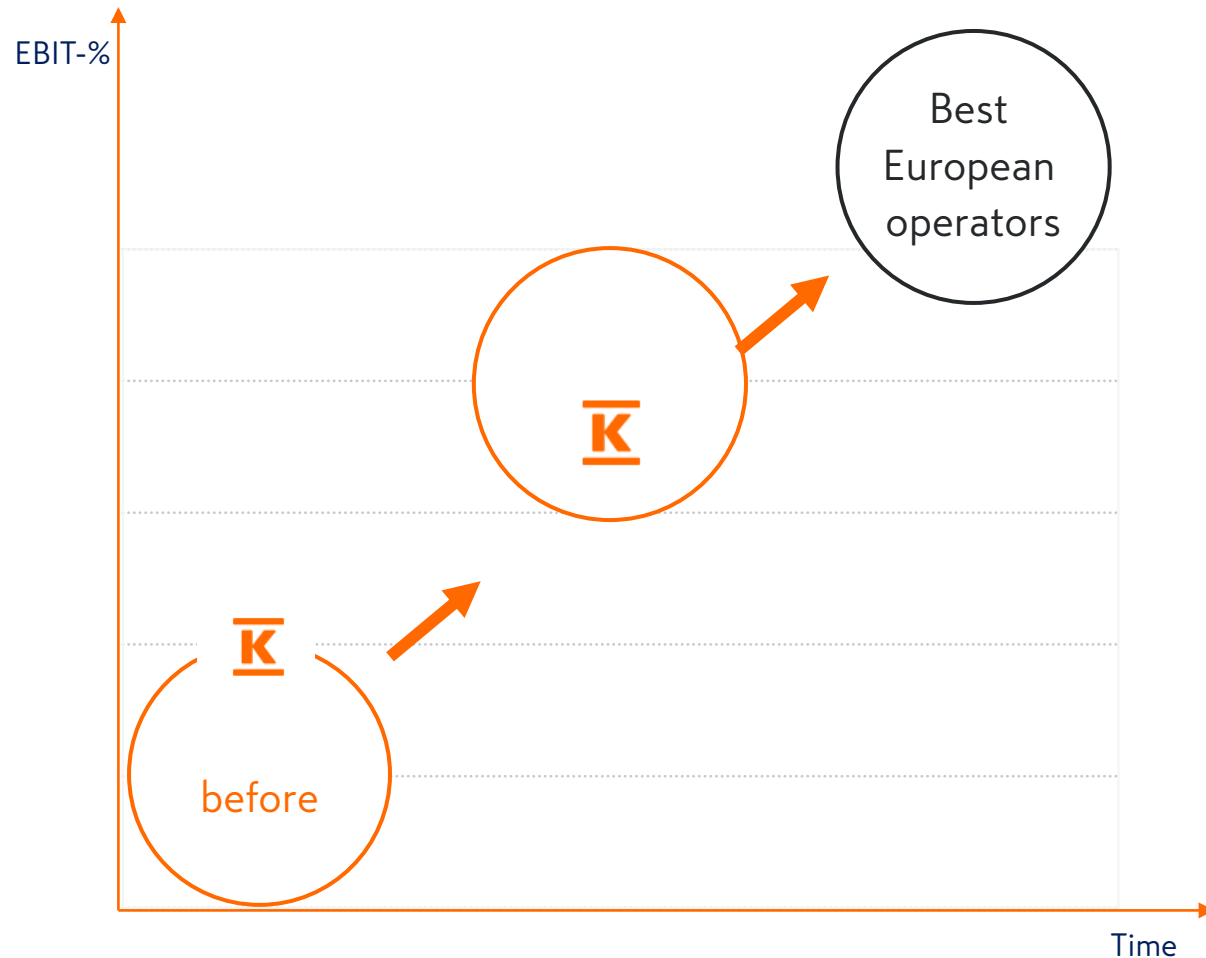


K Group's role as
a forerunner
has strengthened

Customer satisfaction
is clearly up

Good growth
in market share

Profitable Growth at the Core of Strategy Execution



- Increased country focus in strategy execution is working: sales and profit up
- Improved market position for K-Rauta in Finland among both consumers and B2B customers
- Onninen's comparable net sales and operating profit continued to grow
- In Sweden, Fresks chain rebranded K-Bygg, market position in B2B trade has strengthened
- A geographically balanced foothold: operations outside Finland account for 56% of net sales
- Continued efforts to redesign multichannel services, K-Rauta's online sales in Finland up by 99% in Q3

Strengthening Competitiveness

- Modernising and expanding range
 - Volkswagen Golf and Passat plug-in hybrid, Audi A4 and Q5 plug-in hybrid, and Porsche Cayenne Coupe plug-in hybrid
 - All-electric Porsche Taycan, Volkswagen ID.3, SEAT Mii
- Improving availability of cars
- More efficient operations, costs adjusted
- Integration of acquisitions that strengthen our dealer network proceeding as planned



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