



KESKO INTERIM REPORT Q3/2020

Kesko Celebrates 80th anniversary with All-time Record Result

MIKKO HELANDER, PRESIDENT AND CEO



Key Events in Q3

- Record result and strong cash flow
- Group achieved its financial targets
- Good performance continued in the grocery trade division
- Strong performance in all countries in the building and technical trade division
- A clear positive turnaround in the car trade division

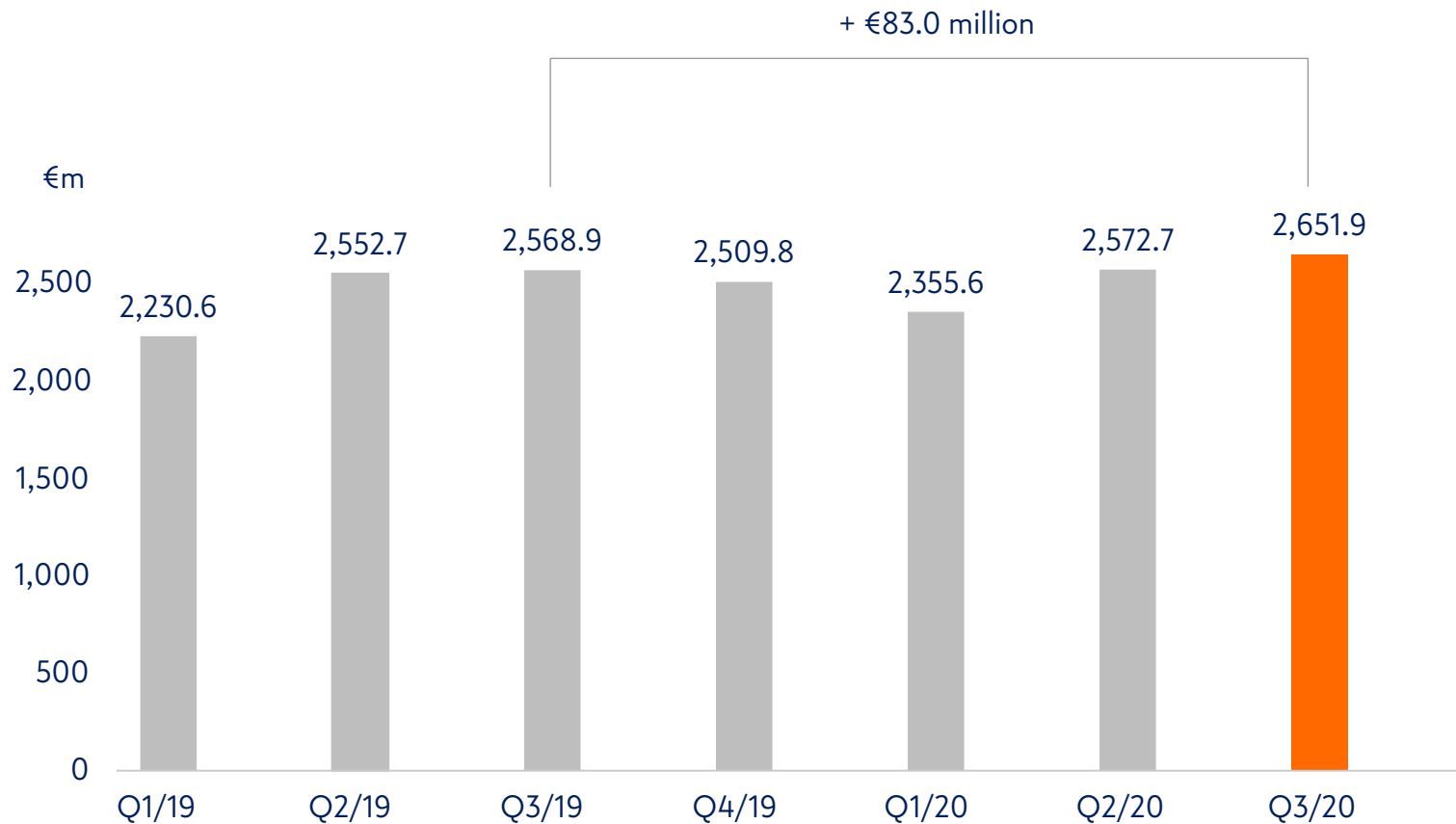
	7-9/2020	7-9/2019**
Net sales, € million*	2,651.9	2,568.9
Net sales growth, %*	4.6	-
Operating profit, € million*	181.8	143.7
Operating margin, %*	6.9	5.6
Profit before tax, € million*	163.6	123.8
Earnings per share, basic, €*	0.33	0.25
Cash flow from operating activities, € million	286.6	191.6

* Comparable

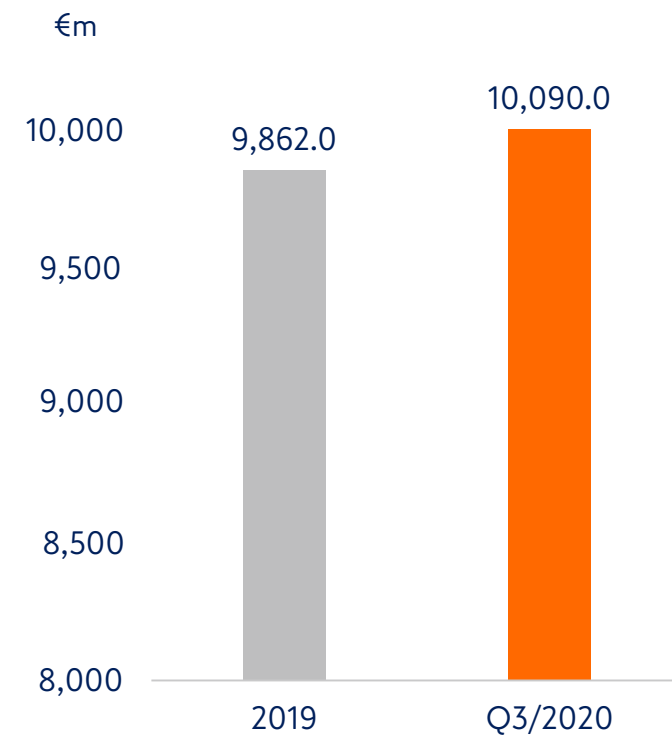
** Illustrative comparison figures

Net Sales*

4.6% growth in comparable terms

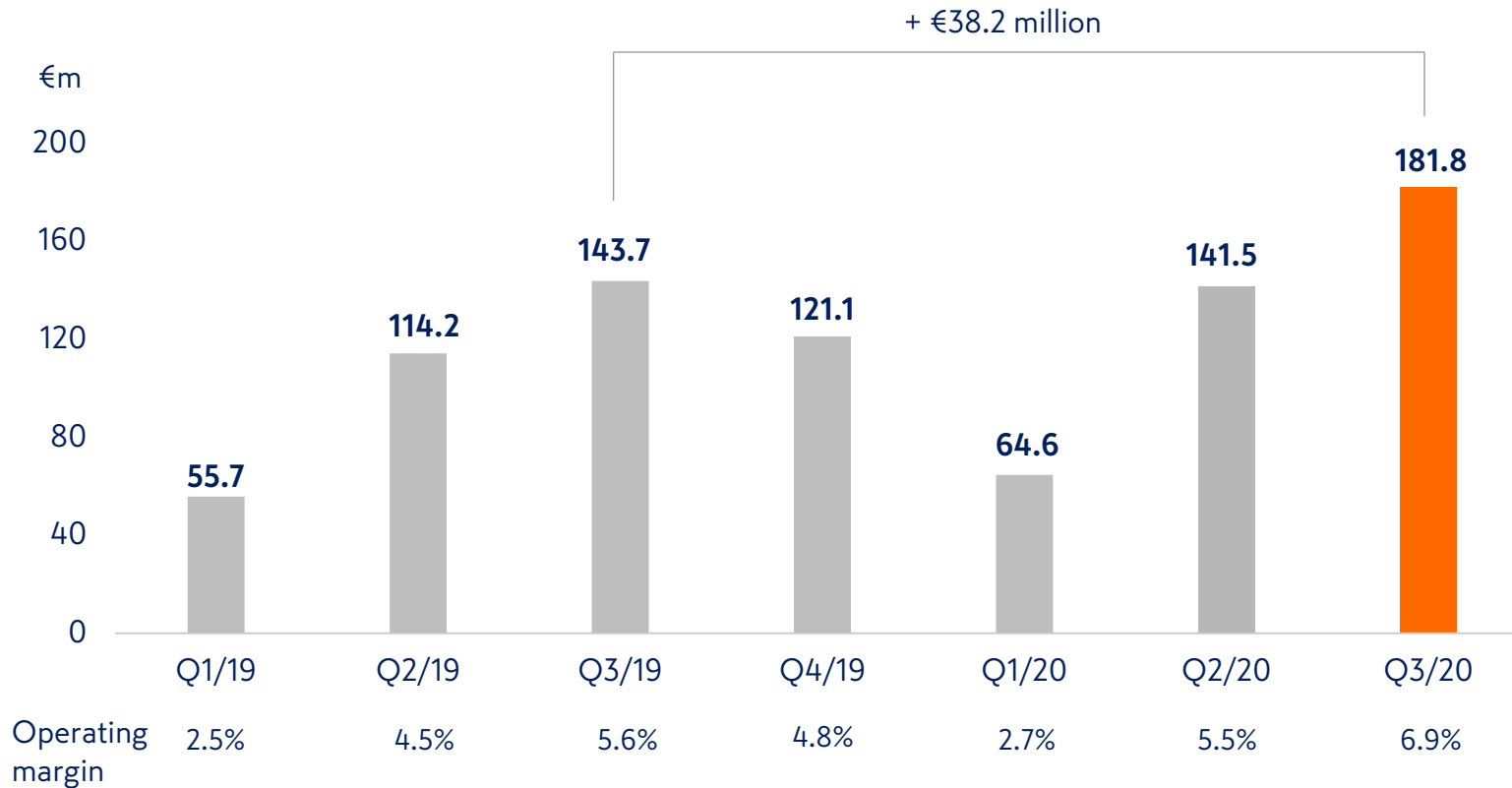


Rolling 12 months

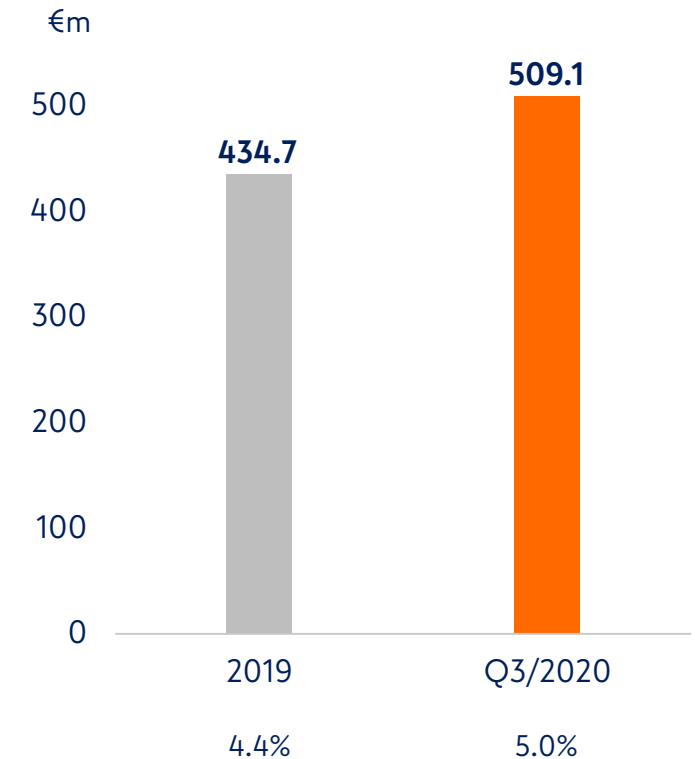


Comparable Operating Profit*

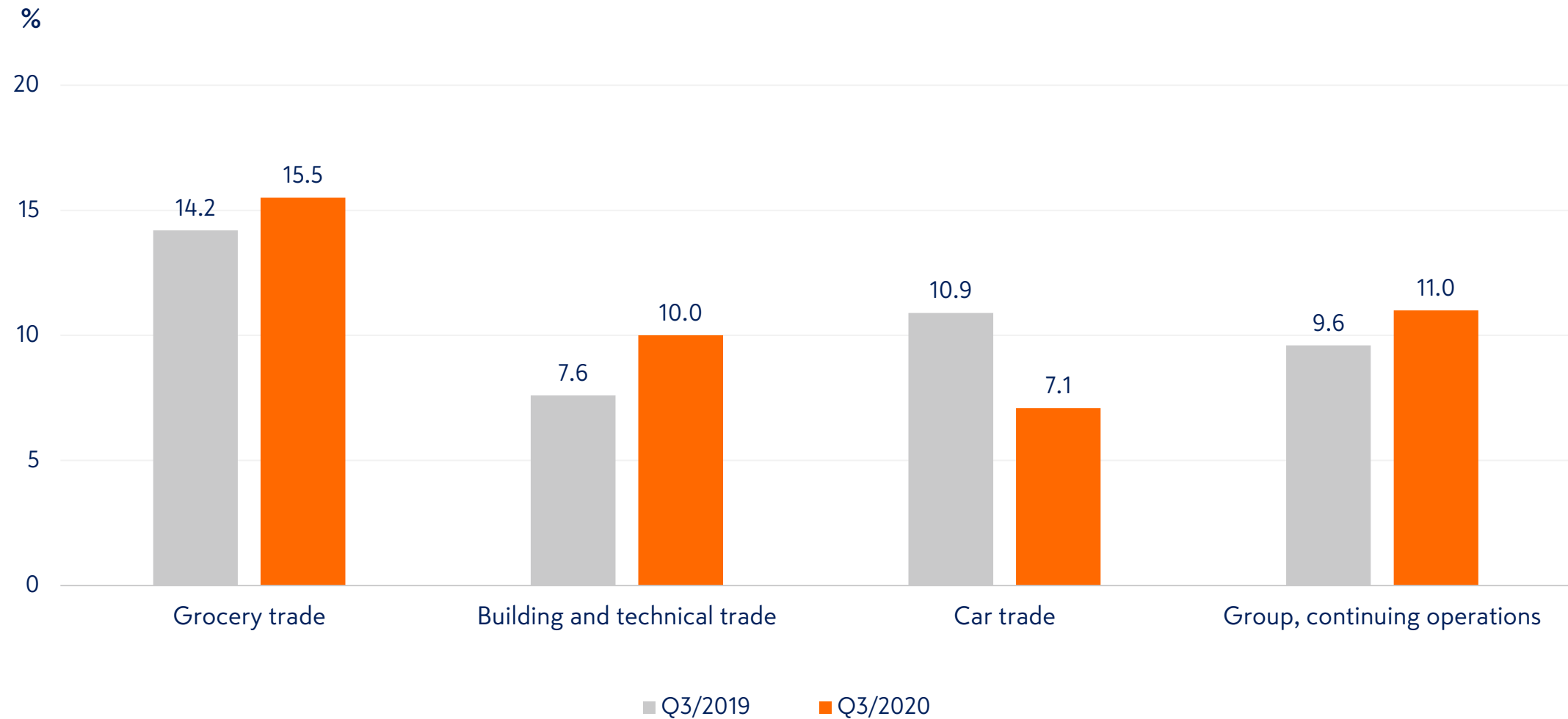
Growth €38.2 million



Rolling 12 months



Return on Capital Employed Improved to 11%



Strong Financial Position

Cash flow from operating activities continued to strengthen

	Q3/2020	Q3/2019
Cash flow from operating activities, € million	286.6	191.6
Capital expenditure, € million	174.8	132.2
Liquid assets, € million	304.1	171.8
Interest-bearing net debt excl. lease liabilities, € million	347.3	465.1
Interest-bearing net debt/EBITDA (rolling 12 months, excl. IFRS 16 impact)	0.5	1.0
Lease liabilities, € million	2,014.1	2,392.3

Financial Targets Achieved Sooner than Anticipated

Indicator	Target	Actual figures Q3/2020*
Operating margin, comparable	5.0%	5.0%*
Return on capital employed, comparable	11.0%	11.0%*
Interest-bearing net debt/EBITDA, excluding the impact of IFRS 16	max. 2.5	0.5





















7 * Continuing operations, rolling 12 months

K Is the Fastest Growing Brand in Finland and the Nordics

Brand Finance:

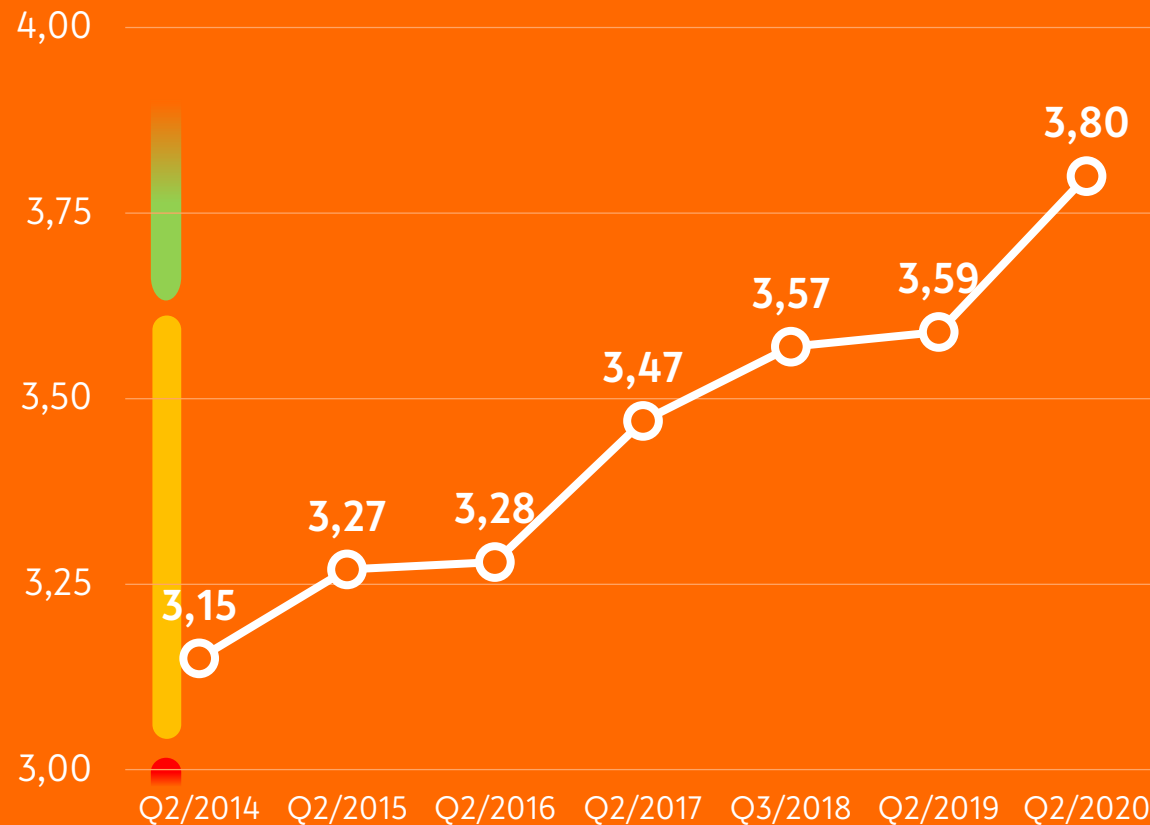
“This boost in brand value is testament to the brand’s continued focus on its growth strategy and the successful implementation of its customer centric approach.”

Top 10 Most Valuable Brands

	1 ← 1 	2020: € 8,943m 2019: € 8,469m +0.7%		6 ↓ 4 	2020: € 1,160m 2019: € 883m +25.3%
	2 ← 2 	2020: € 2,168m 2019: € 1,574m +31.3%		7 ↑ 9 	2020: € 753m 2019: € 767m -6.3%
	3 ← 3 	2020: € 1,470m 2019: € 1,276m +9.9%		8 – 	2020: € 744m 2019: – NEW
	4 – 	2020: € 1,217m 2019: – NEW		9 ↓ 8 	2020: € 727m 2019: € 796m -12.8%
	5 ↑ 7 	2020: € 1,213m 2019: € 944m +42.3%		10 – 	2020: € 701m 2019: – NEW

Source: Brand Finance

K Group Has Become One of the Most Trusted Corporate Brands in Finland



Companies in Finland with the best reputation

- | | |
|--------------|-------------------|
| 1. Ponsse | 6. IKEA |
| 2. Supercell | 7. Finlayson |
| 3. Fazer | 8. K Group |
| 4. KONE | 9. S Group |
| 5. Valio | 10. Marimekko |

* T-Media, Reputation&Trust survey: K Group's reputation 2014–2020 / general public



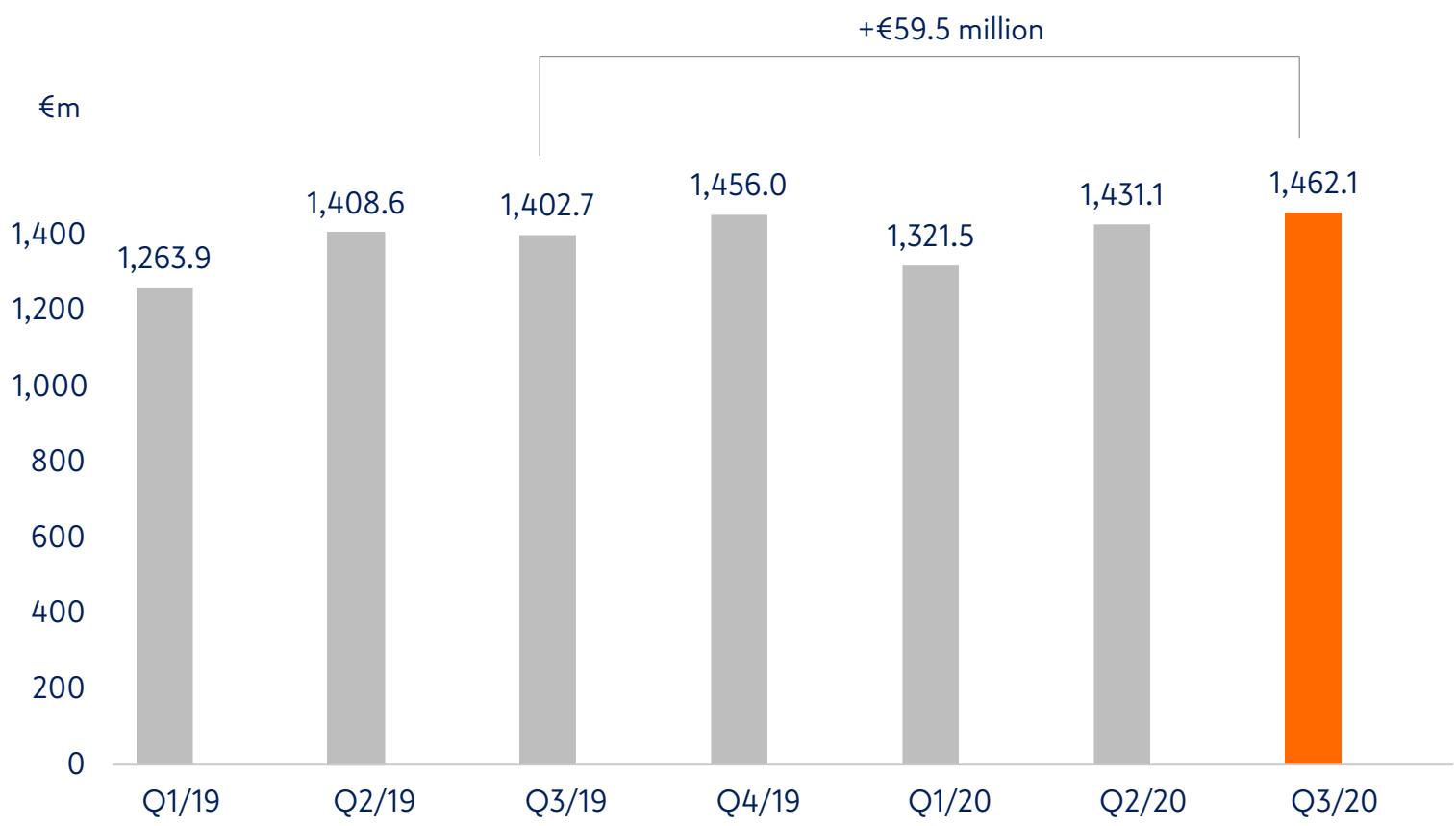
GROCERY TRADE

Modernised Stores and Customer-oriented Services Bring Results

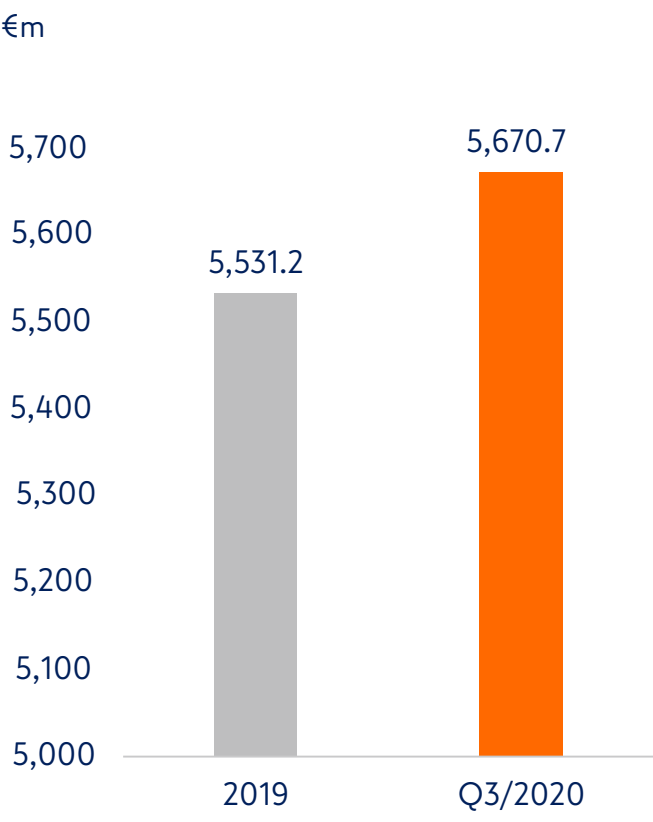


Grocery Trade Net Sales

Growth 4.2%

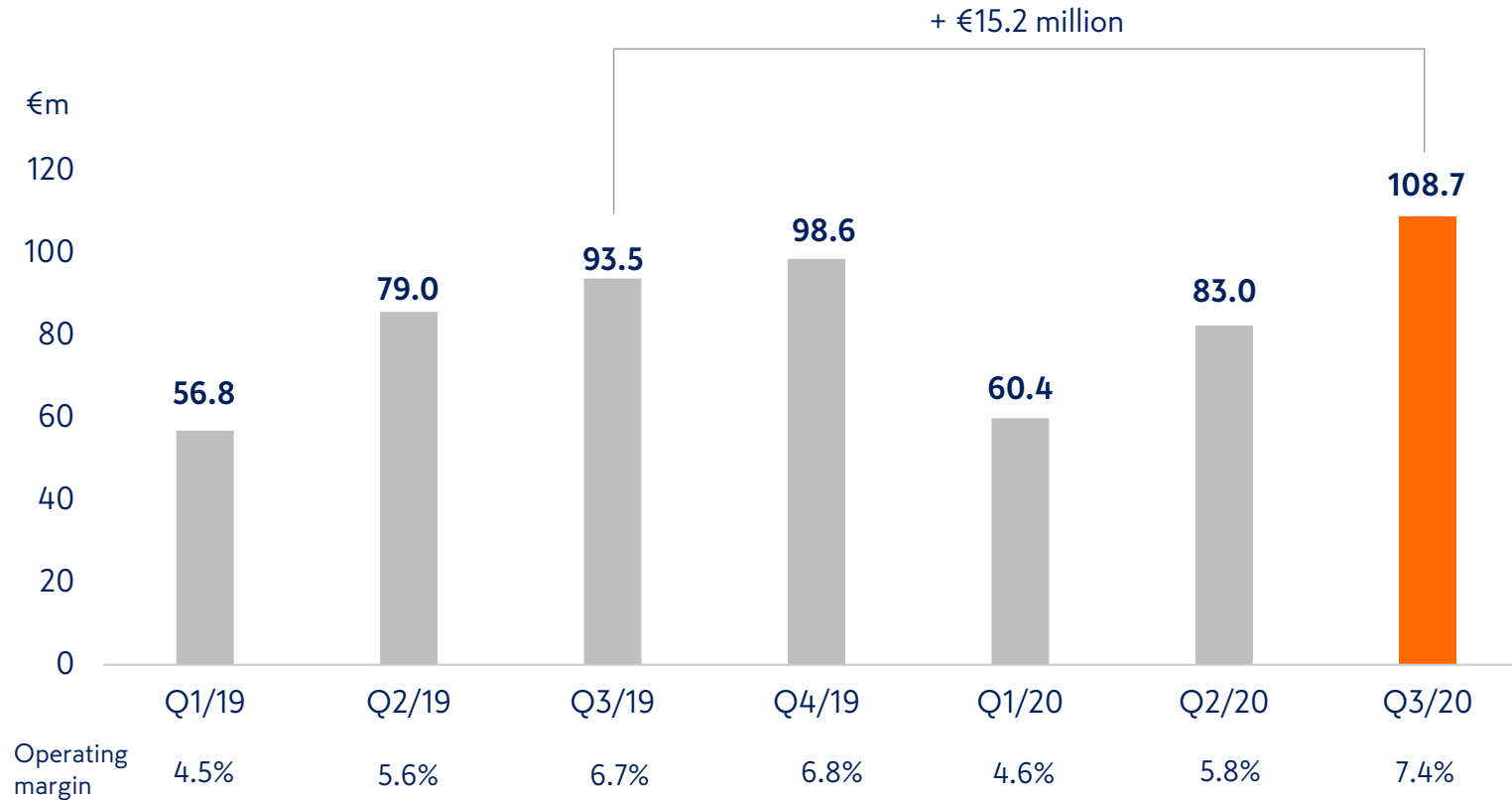


Rolling 12 months

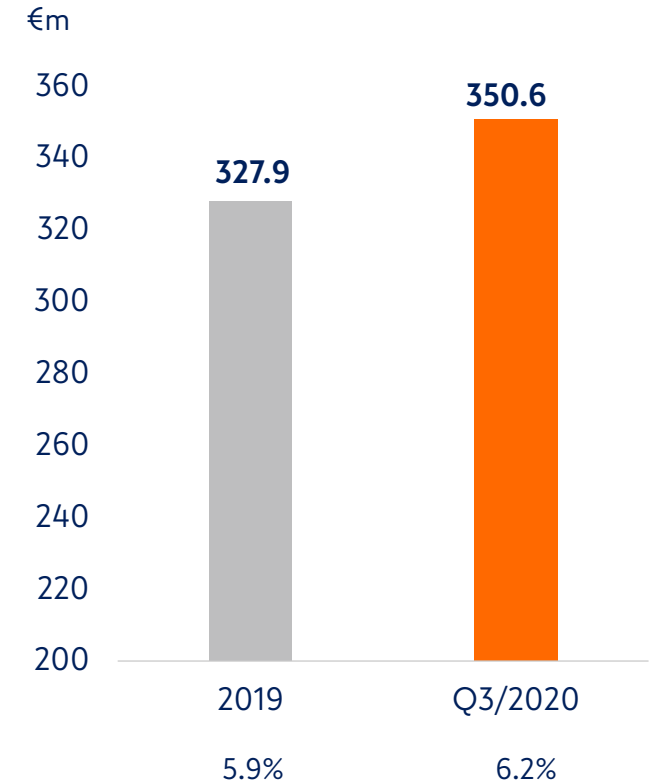


Grocery Trade Operating Profit

Growth €15.2 million



Rolling 12 months



Grocery Trade Q3

Market Q3

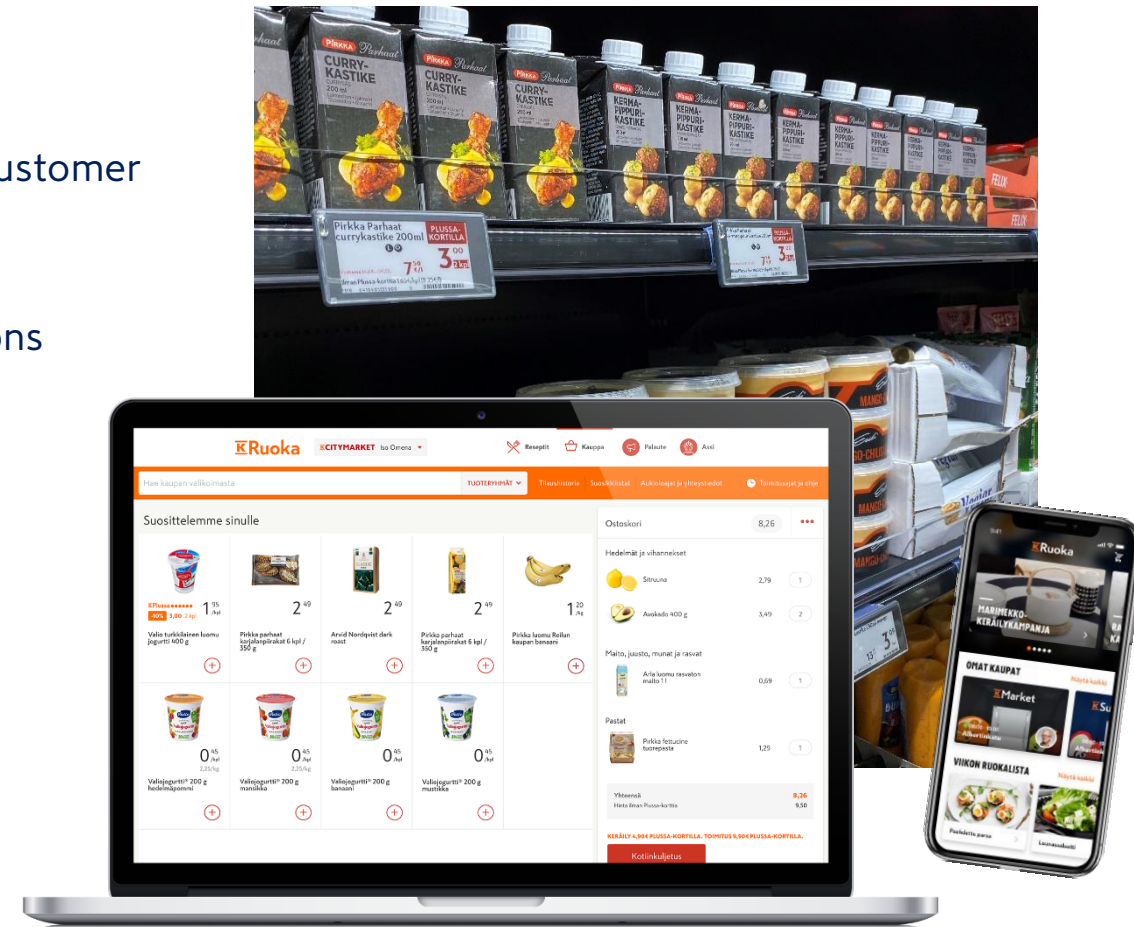
- Retail sales market growth 7.0%*, prices up by 2.0%
- Increased emphasis on the safety of customers and personnel
- Continued strong growth in online grocery sales
- Demand for foodservice has recovered, but is below normal levels

K Group

- Retail sales in K-food stores up by 7.2%
- Sales grew in all K-food store chains
- Good development in K-Citymarket's home and speciality goods trade, up by 3.5%
- Online grocery sales continued to grow
- Kespro's sales grown markedly since spring

Constantly Improving Customer Experience with Data and New Technologies

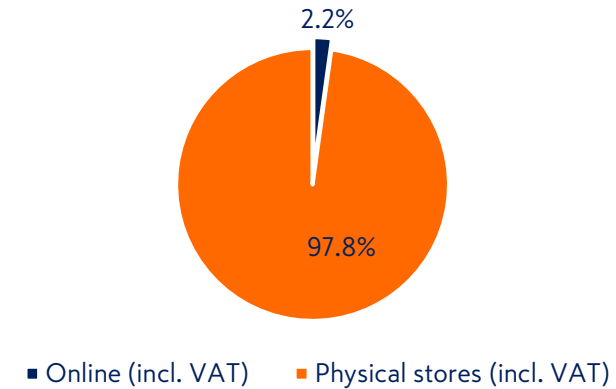
- Store-specific business ideas based on data are resulting in higher customer numbers and sales
- Data and new tools enable correct, quickly updated product selections
- New digital services help customers make more conscientious and responsible purchases
- Personal offers based on individual purchase history
- Inspiring, customer-specific marketing communications



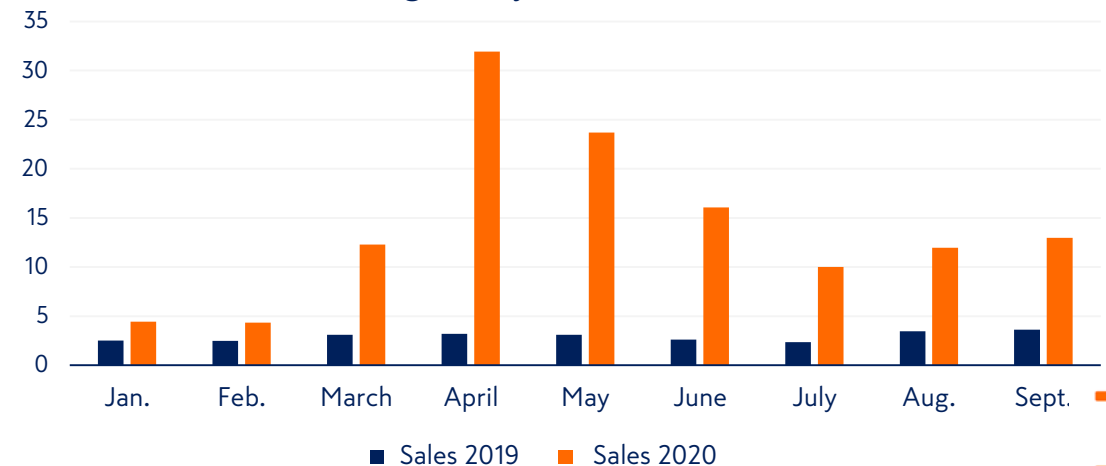
Online Grocery Sales Growth Continues to Be Strong

- Sales of K-Ruoka online store 1-9/2020 up by nearly 400%
- At the end of September, 456 K-food stores offered online services via K-Ruoka
- Customer satisfaction high, NPS 80
- Our market share in online grocery over 55%

Online's share of grocery sales Q3



Online grocery sales, € million*



* Figures 0% VAT, incl. collection and transport fees

Kespro's Strategy Working Also Under Exceptional Circumstances

- The market has contracted due to the Covid-19 epidemic and related restrictions imposed on restaurants
- Kespro's sales performance has clearly outperformed competitors in a challenging market
- Kespro has managed to maintain a good level in services, availability and reliability of deliveries
- Operations have stayed profitable thanks to our fast response and adjustment measures
- Restaurants and restaurant meals in K-stores
- More targeted, restaurant-specific restrictions positive for the market





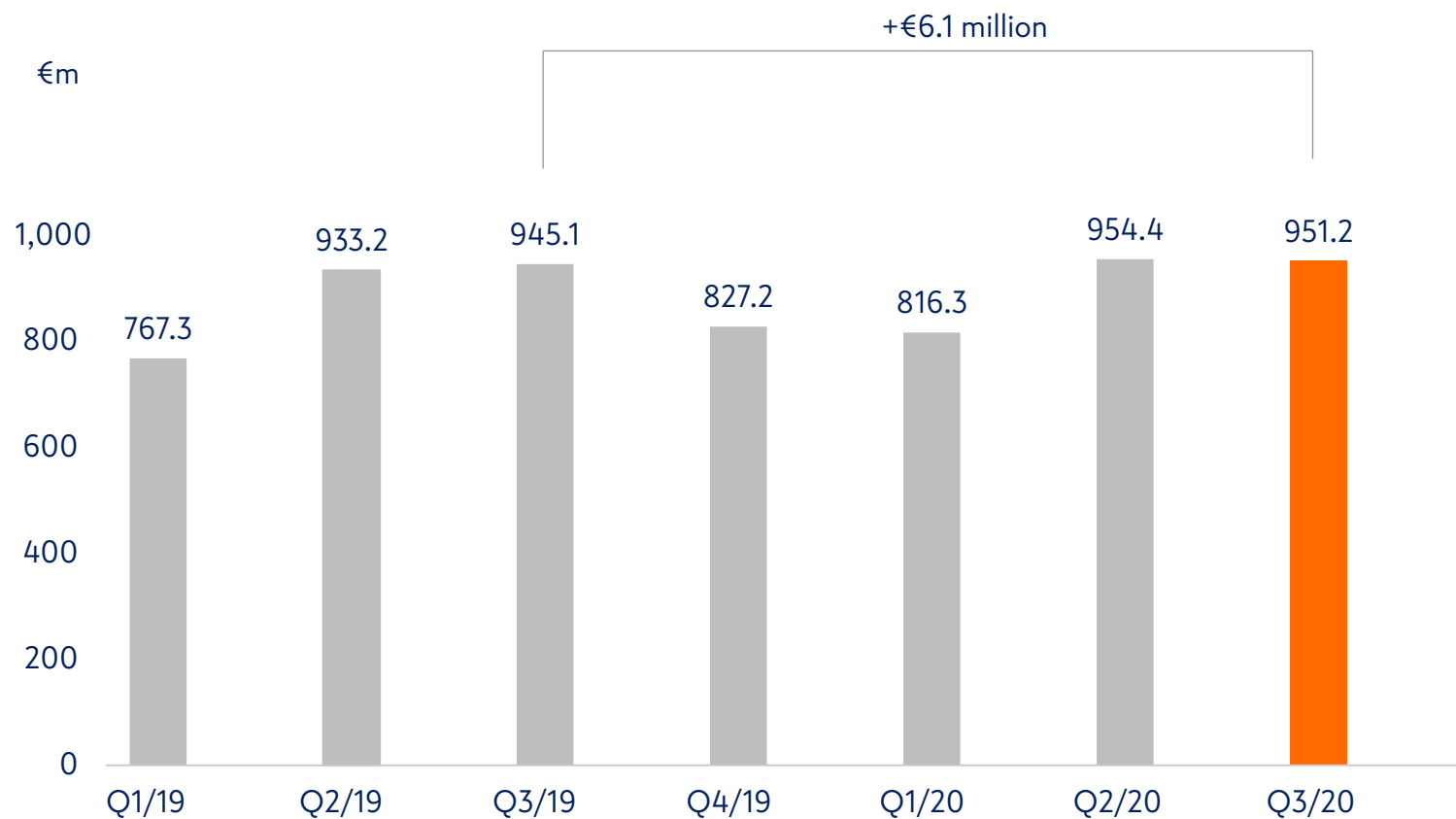
BUILDING AND TECHNICAL TRADE

Strong Profit Development Thanks to
Good Performance in All Countries

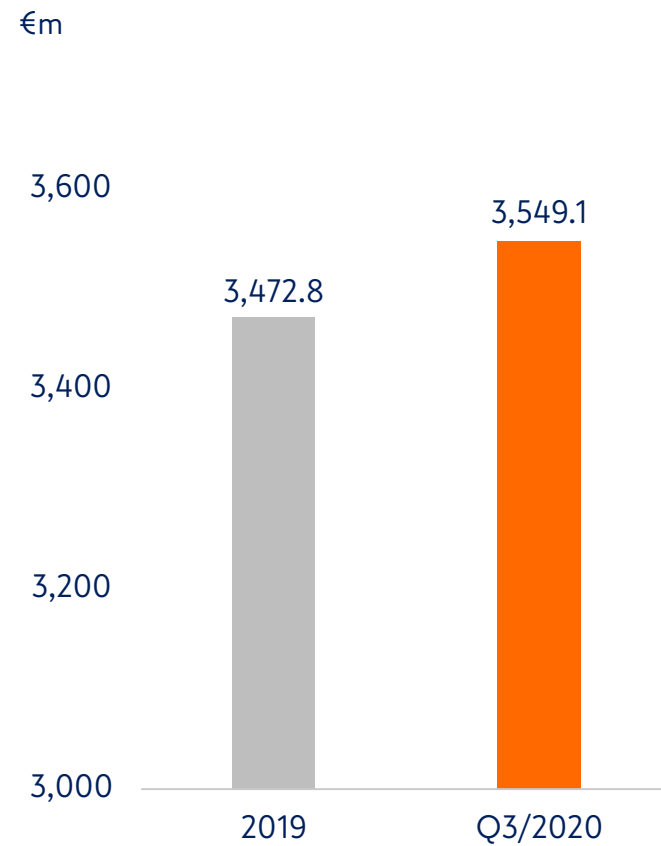


Building and Technical Trade Net Sales*

4.4% growth in comparable terms

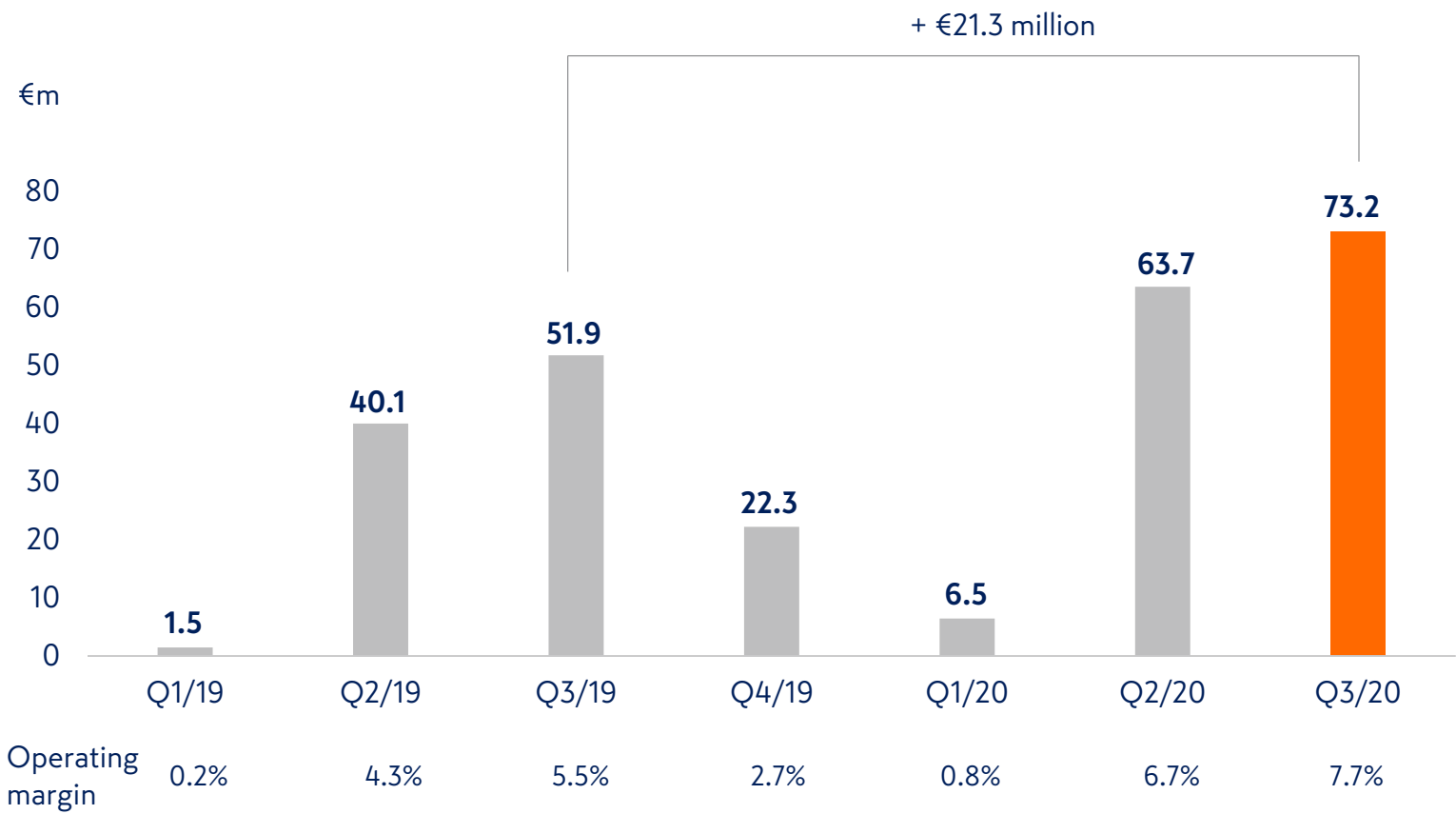


Rolling 12 months

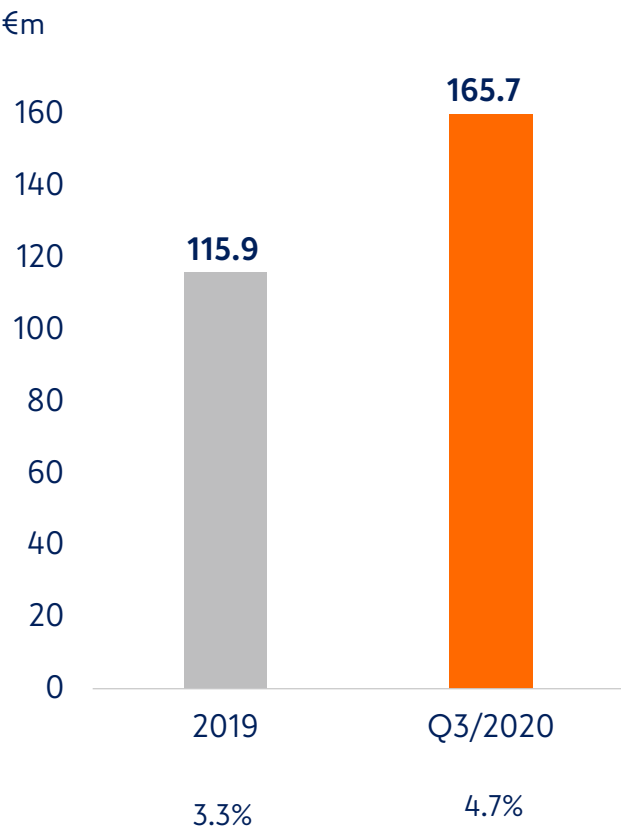


Building and Technical Trade Comparable Operating Profit*

Growth €21.3 million



Rolling 12 months



19 * Kesko Senukai treated as a joint venture in the illustrative comparison figures, speciality goods trade included in the figures

Building and Technical Trade Q3

Market Q3

- Construction activity has stayed at a good level in Northern Europe
- B2C trade has remained active
- Growth in B2B trade is flattening in both building and home improvement trade and technical wholesale
- Estimating how demand will develop in the final months of the year still challenging

K Group

- Net sales and profit grew
- B2B trade continued good in both building and home improvement trade and Onninen
- Continued good growth in B2C sales
- Acquisitions helped to boost sales
- Carlsen Fritzøe and Bygg & Interiör part of Kesko as of 1 Sept. 2020

Good Profitable Growth Continues for K-Rauta and Onninen in Finland

K-Rauta

- Retail sales up by 9.8% in 1-9/2020, market share has clearly strengthened
- Strong growth in both B2B and B2C sales
- Continued modernisation of stores and online services
- Own brand sales up in 1-9/2020 by 42%

Onninen

- Good growth in Onninen's sales and market share
- Store network strengthened further
- Selections expanded
- Continued development of digital services



Businesses in Sweden on a Good Growth Track

- Strong growth in K-Rauta's B2C sales and K-Bbygg's B2B sales
- Successful changes in management and management procedures
- Significant synergies achieved in e.g. purchasing and centralised logistics
- Strategic acquisitions continue, MIAB now part of Onninen and Bygg & Interiör part of K-Bbygg
- We seek further growth both organically as well as via acquisitions



Good Sales and Profitability Development in Norway

- Sales in Norway grew in both Bygghem's building and home improvement trade and Onninen's technical wholesale
- Profitability improved thanks to new customers, cost adjustment measures carried out, synergies, and the acquisition of Carlsen Fritzøe
- Share of own retailing in building and home improvement in Norway up to some 70% following the acquisition
- Hilde Kristoffersen appointed new Country Director for Kesko Norway. She has extensive experience of leadership positions in e.g. Ahlsell and Staples
- We seek further growth both organically as well as via acquisitions



Strategic Review in the Baltics and Belarus Continues

- Kesko Senukai's sales have grown and profitability has improved as expected
- Kesko Senukai is reported as a joint venture instead of a subsidiary as of 1 July 2020
- Operations in the Baltics do not have material impact on Kesko's result or cash flow
- The difficult political situation in Belarus has reduced the sales and profitability of Kesko Senukai's OMA chain. This does not, however, have a significant impact on Kesko.
- Negotiations to resolve differences of opinion concerning the management and development of Kesko Senukai continue



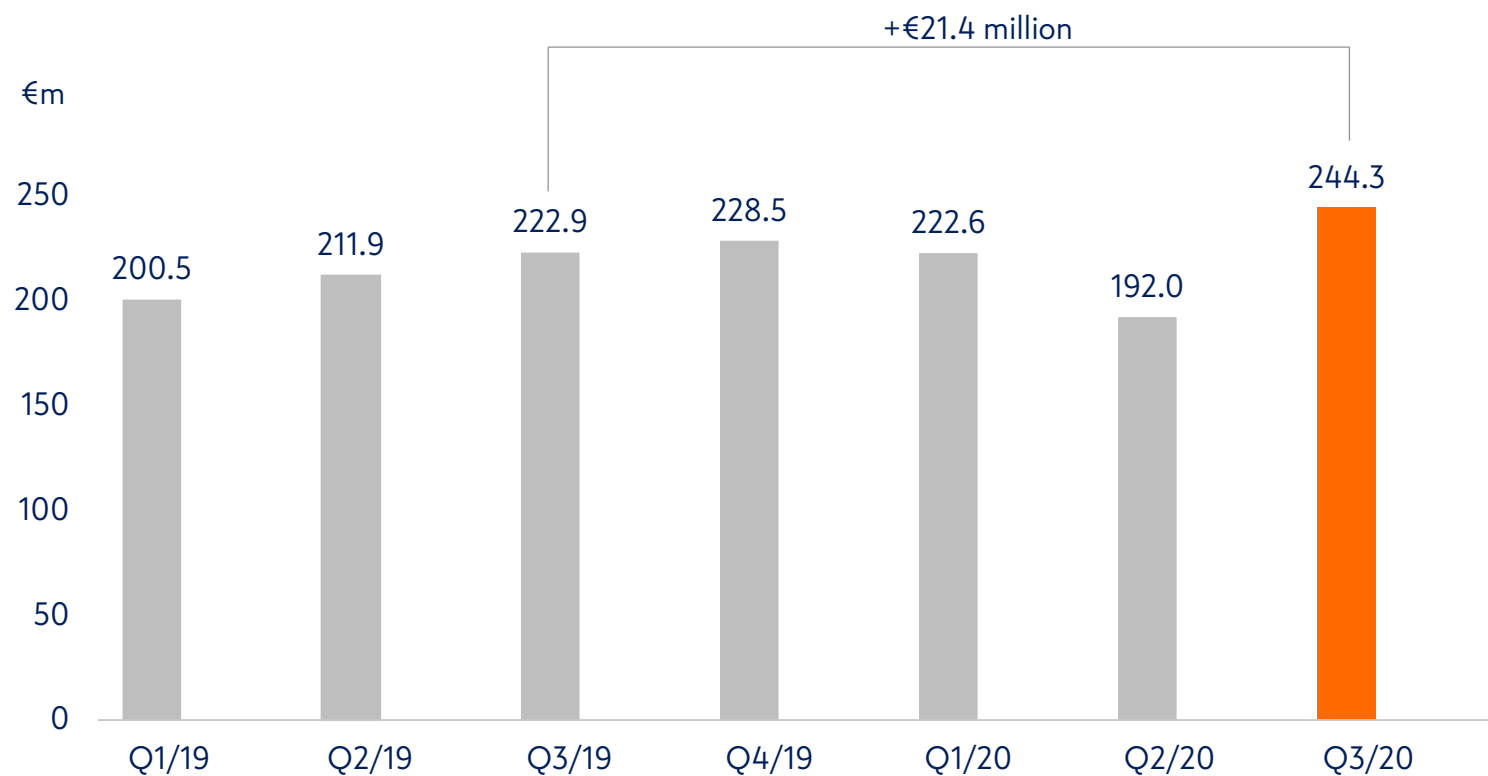
CAR TRADE

Positive Turnaround in the Car Trade

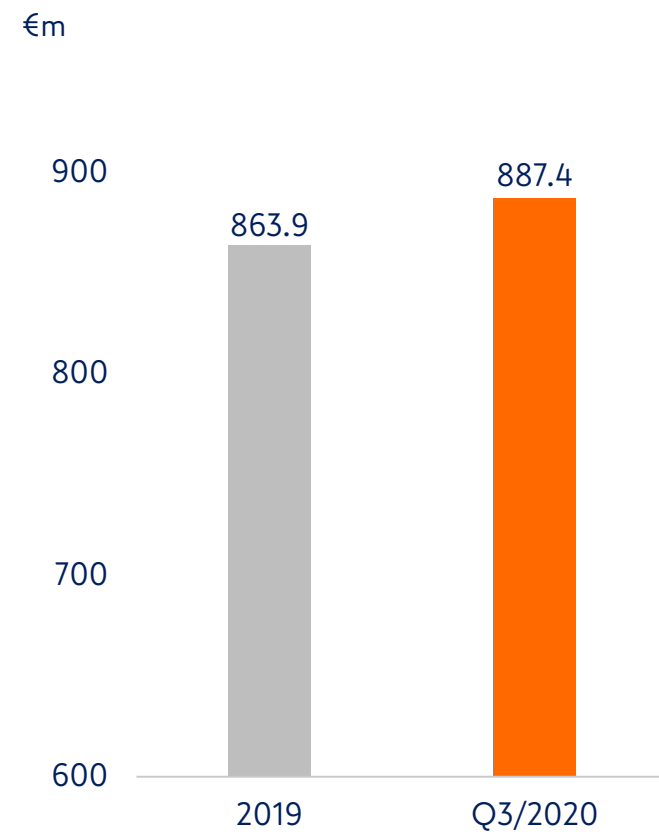


Car Trade Net Sales

Growth 9.6%

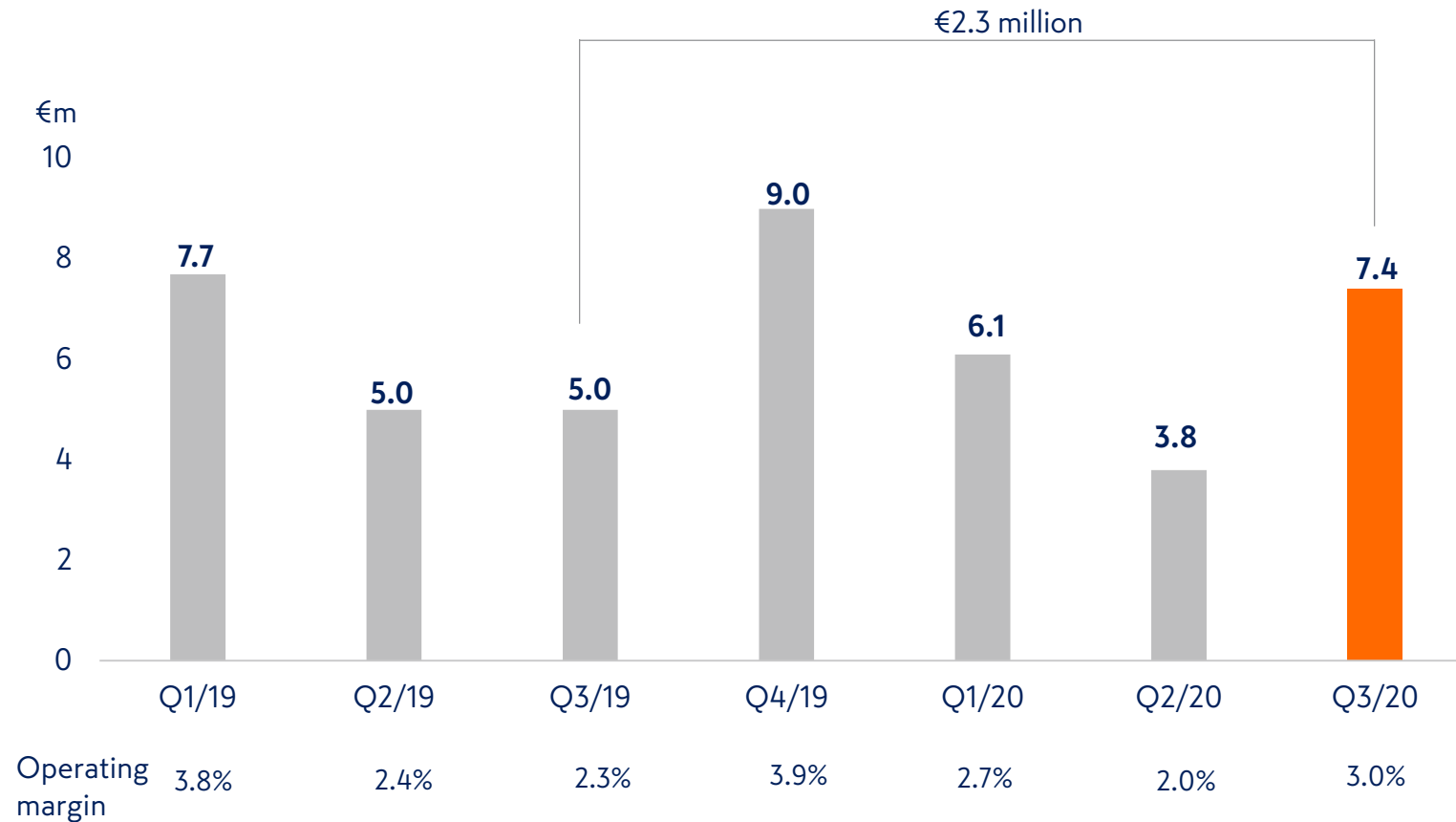


Rolling 12 months

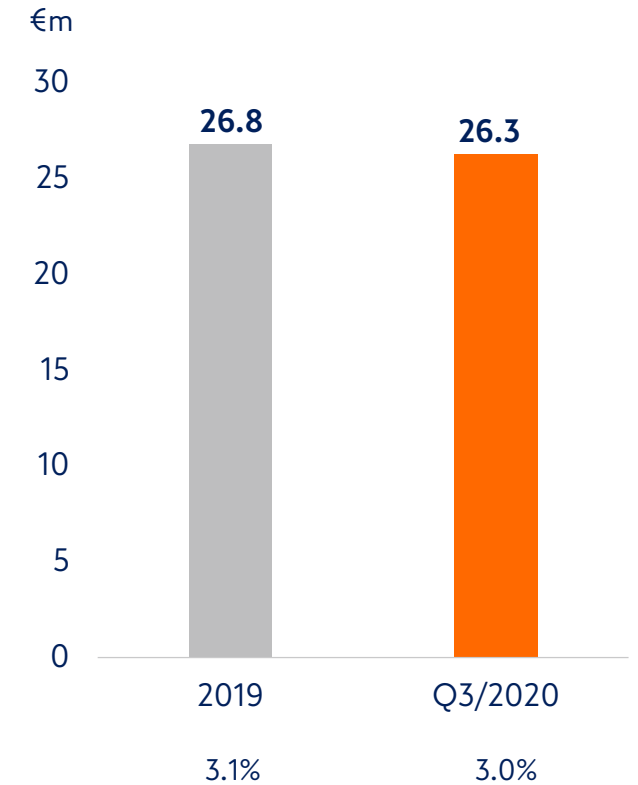


Car Trade Operating Profit

Growth €2.3 million



Rolling 12 months



Car Trade Q3

Market Q3

- First registrations of passenger cars and vans in Finland down by 7.5%
- Demand for used cars growing
- Due to the epidemic, people increasingly prefer private cars over public transport
- Demand for servicing, repairs and spare part services at a good level
- Changes considered for car taxation, aim is to update the Finnish vehicle stock and meet climate targets

K Group

- K-Auto's sales up by 10.1%
- Availability of new cars improved
- Used car sales up by 24%
- Porsche's sales have grown clearly, up by 123.4% thanks to updated range
- Interest towards all-electric cars growing
- Our own leasing fleet in Q3 comprised nearly 2,900 cars
- Servicing and spare part service sales remained good

Outlook for Car Trade Has Improved

- Most extensive and versatile range on the market: new rechargeable hybrids and all-electric cars as well as combustion engine models
- Constantly improving availability of cars from our principal's factories
- New car sales expected to grow by approximately 10% in 2021*
- Changes to taxation under consideration, first decisions support sales



Guidance for 2020

Outlook and Guidance for 2020

Kesko specifies its profit guidance for 2020. The company now estimates that the comparable operating profit for its continuing operations will be in the range of €530-570 million in 2020. Before, the company estimated that the comparable operating profit for continuing operations would be in the range of €510-570 million.

Retail sales in K-food stores have remained strong in the grocery trade. In the building and technical trade, sales remain at a good level in both B2B and B2C trade. The car trade has recovered well from the decline in sales in H1. At the same time, Kesko has managed to improve cost efficiency.

Expectations for the remainder of the year are good in the grocery trade and building and technical trade with, for example, household consumption more focused on domestic purchases than previously estimated.

The outlook is based on the epidemic situation remaining under control in Kesko's operating countries. However, concerns over the expansion of the Covid-19 epidemic and general economic weakening remain high. A worsened epidemic situation would have a negative impact on Kesko's businesses and, for example, Christmas sales.

Outlook for Kesko Group's continuing operations is given for year 2020, in comparison with year 2019.



KESKO CELEBRATES ITS 80TH ANNIVERSARY



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