



# Financial statements

January-December 2013

4 Feb. 2014

CFO Jukka Erlund

# Kesko's profit up on the previous year

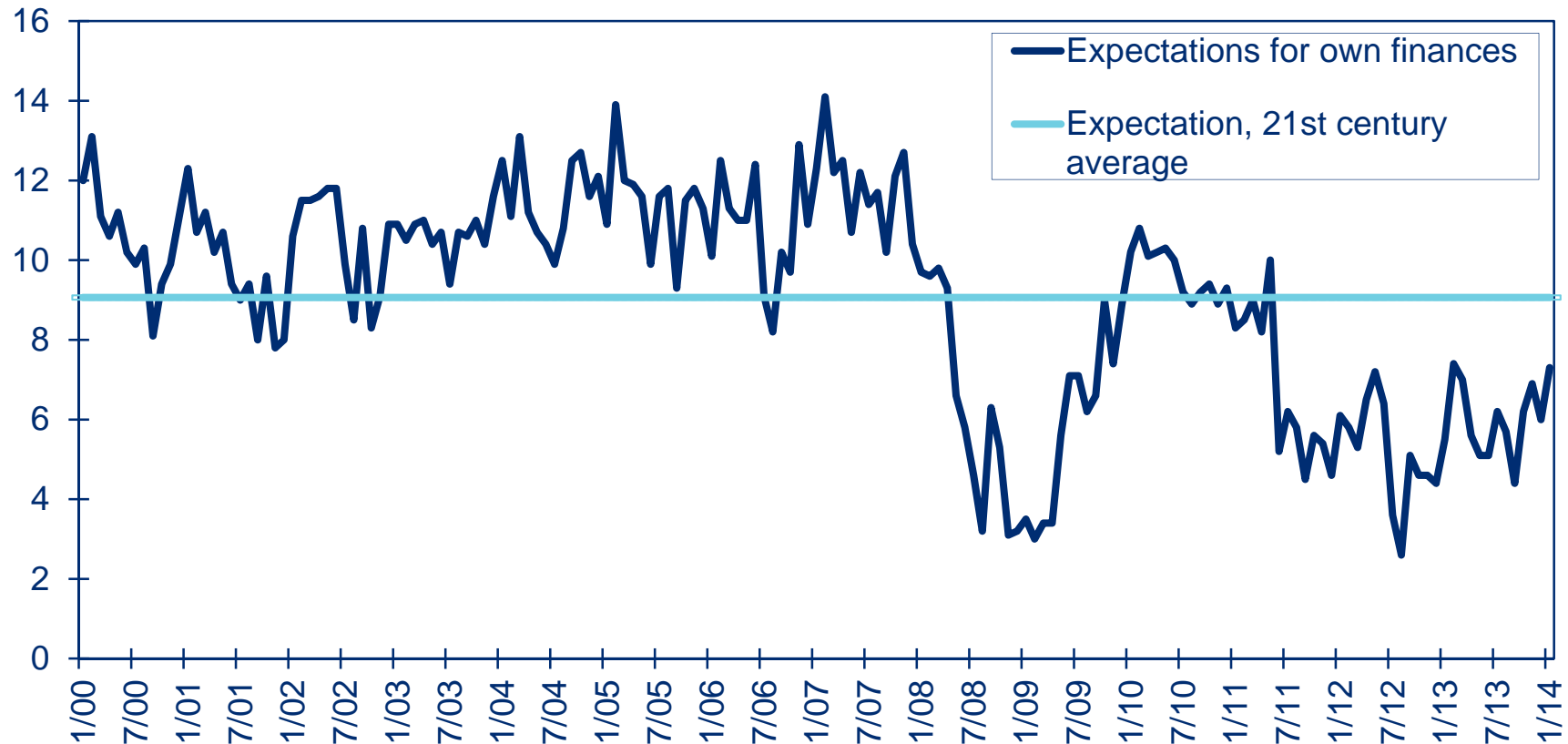
- Kesko's net sales €9.3 billion, change -3.8%
- Profit improved clearly on previous year
  - Net profit €185 million, increased by €49 million
  - The savings measures of the profitability programme were implemented in all divisions, cost savings €100 million
  - Operating profit excluding non-recurring items increased to €239 million (€230 million)
  - Return on capital employed excluding non-recurring items was 9.8% (9.0%)
- Kesko's financial position very strong
  - Capital expenditure was prioritised, and the amounts of inventories and receivables decreased by €200 million
  - Liquid assets €681 million
  - Equity ratio 54.5% (52.5%)
- Dividend proposal €1.40 per share, effective dividend yield 5.2%
- Kesko Group's net sales and operating profit excluding non-recurring items for the next twelve months are expected to remain at the level of the preceding 12 months, unless the overall consumer demand weakens significantly.

# Year 2013

- In the food trade, the enhancement measures had a significant positive impact on profit (€+36 million), but sales were weaker than market performance. The sales of K-ruoka stores in St. Petersburg were clearly better than planned.
- In the home and speciality goods trade, the increase of online shopping and increased competition weakened significantly the profitability of Anttila and home technology trade. Approximately one third of the current Anttila department store network is planned to be closed. At the same time, the selection of products in the NetAnttila and Musta Pörssi online stores will be considerably expanded, and the Anttila and Kodin1 department store concepts will be renewed.
- K-citymarket home and speciality goods, Indoor and Intersport reached the same good level of profit as the year before.
- In the building and home improvement trade, profitability improved clearly especially towards the year end, in spite of the difficult economic situation. In Norway, new chain agreements were taken into use.
- In the car trade, the market share of Audi, Volkswagen and Seat rose to 20.6%, profit was at an excellent level and the volume of orders grew. In the machinery trade, the market situation in Finland remained difficult.

# Consumers' expectations for own finances

## Own finances after 12 months



Source: Statistics Finland

# Profit for 1-12/2013

	1-12/2013	1-12/2012
Net sales, €m	9,315	9,686
Fixed costs, €m	1,767	1,854
Operating profit excl. non-recurring items, €m	239	230
Non-recurring items, €m	10	-18
Net financial items, €m	-6	-1
Income tax, €m	-58	-75
Net profit for the period, €m	185	136

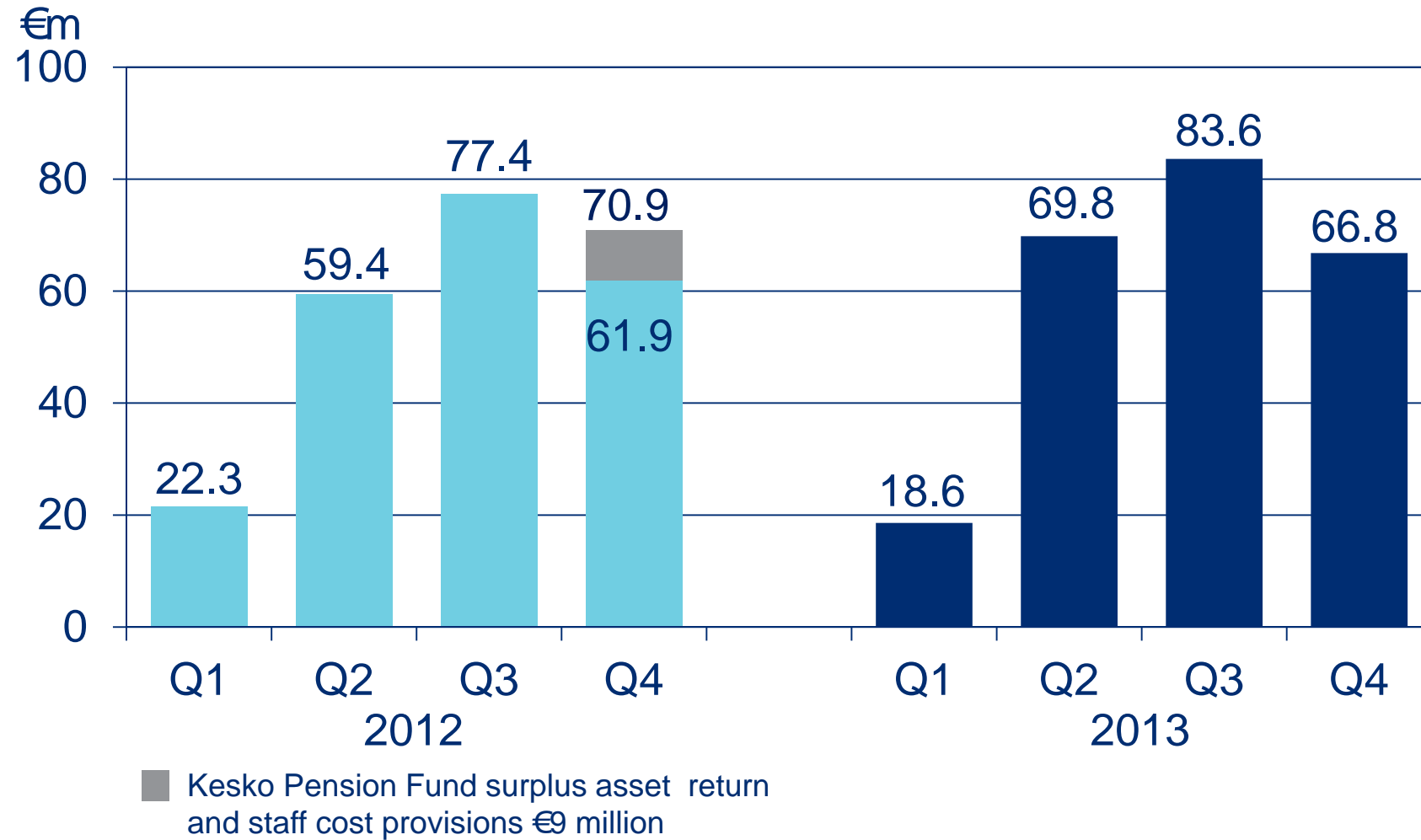
# Financial position strengthened

	1-12/2013	1-12/2012
Cash flow after investing activities, €m	262	-9
Capital expenditure, €m	171	378
Equity ratio, %	54.5	52.5
Interest-bearing net debt, €m	-126	135
Liquid assets, €m	681	489
Inventories, €m	797	814

## Net sales by division (€m)

	1-12/2013	Change	Q4/2013	Change
Food trade	4,387	+1.8%	1,148	+1.4%
Home and speciality goods trade	1,457	-9.1%	439	-9.9%
Building and home improvement trade	2,607	-7.8%	596	-9.4%
Car and machinery trade	1,037	-6.9%	226	-0.4%
<b>Group total</b>	<b>9,315</b>	<b>-3.8%</b>	<b>2,362</b>	<b>-3.9%</b>

# Operating profit excl. non-recurring items by quarter



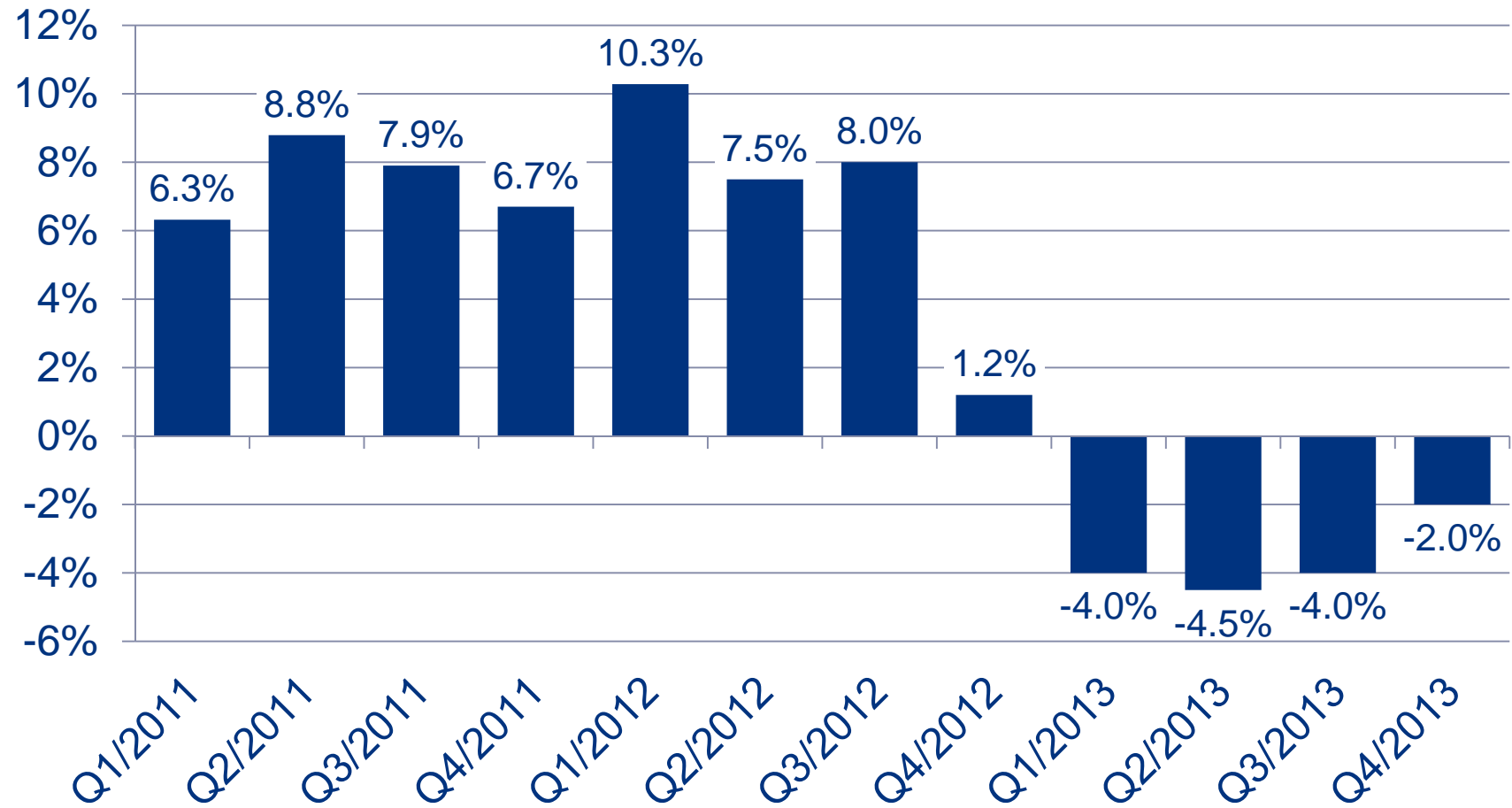


# Operating profit excl. non-recurring items by division (€m)

	1-12/2013	Change	Q4/2013	Change
Food trade	203.3	35.8	48.3	3.5
Home and speciality goods trade	-8.3	-27.9	21.6	-10.7
Building and home improvement trade	25.7	12.4	-1.1	9.8
Car and machinery trade	33.9	-8.0	3.3	-1.3
<b>Group total</b>	<b>238.8</b>	<b>8.8</b>	<b>66.8</b>	<b>-4.1</b>

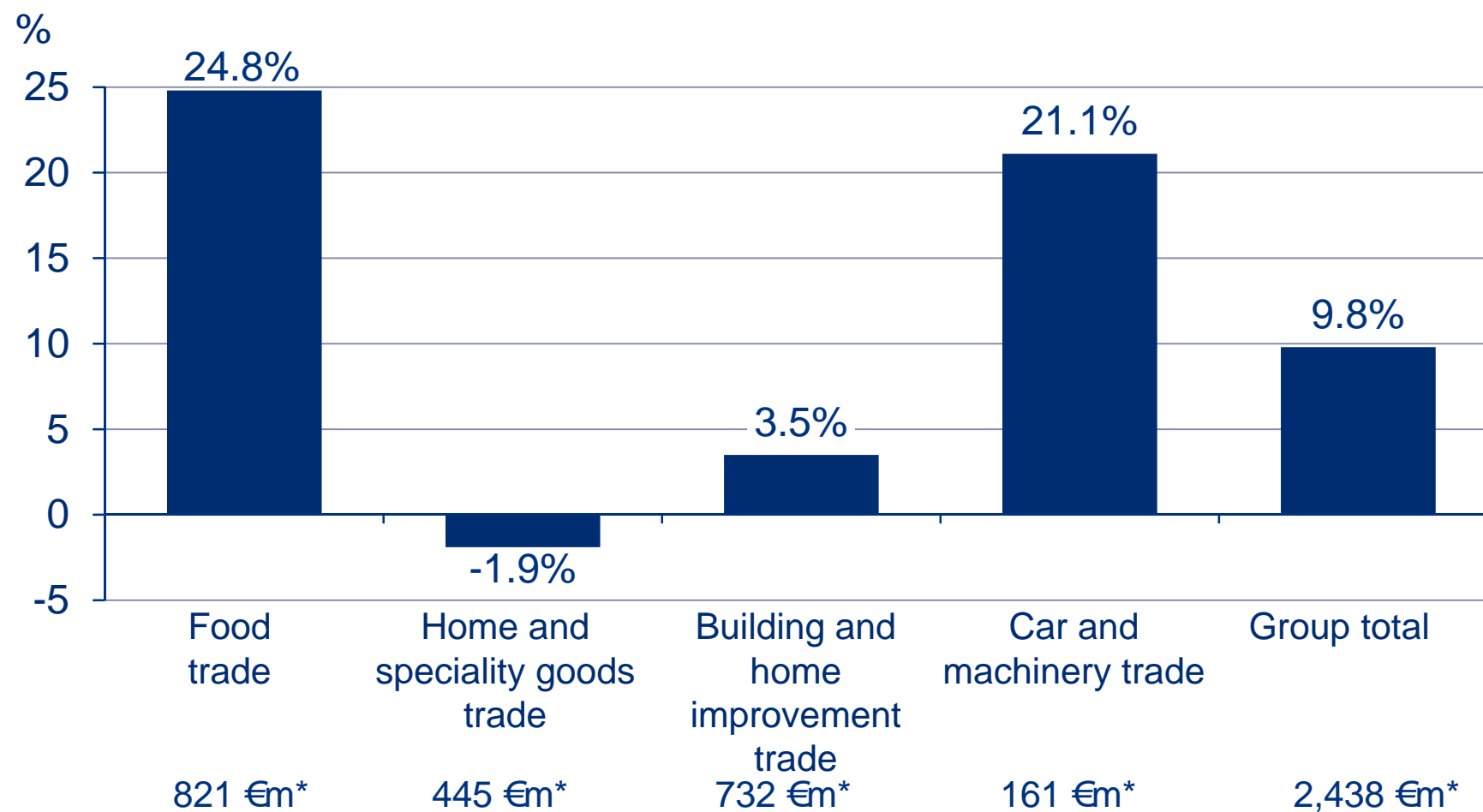
# Year-on-year change in fixed costs

excluding non-recurring items



# Return on capital employed

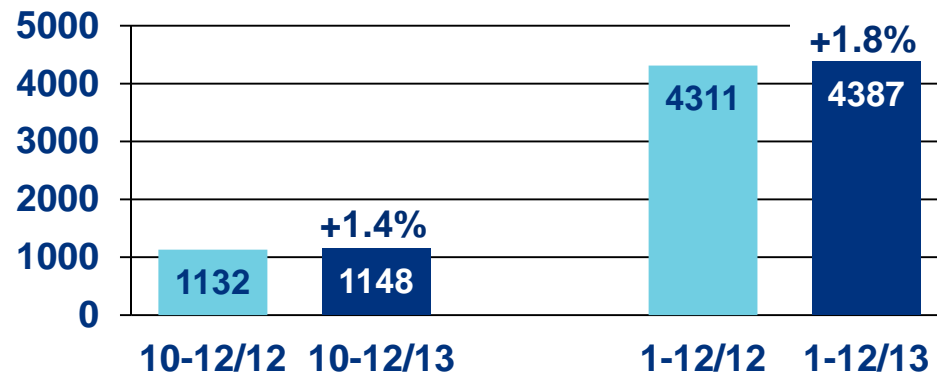
excl. non-recurring items



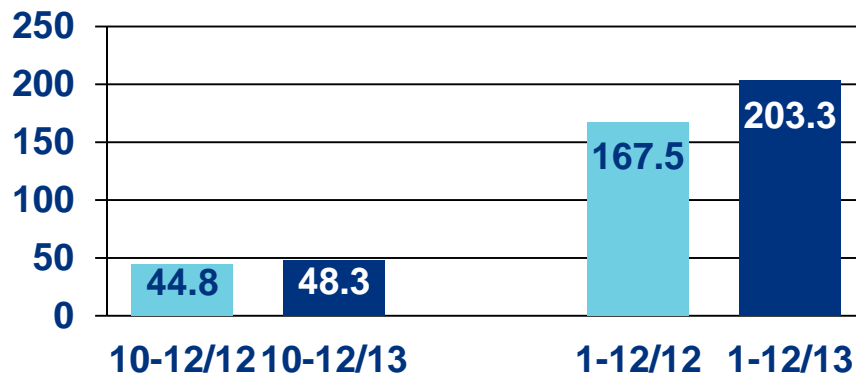
\*Capital employed, cumulative average

# In the food trade, enhancement measures increased profit

Net sales, €m

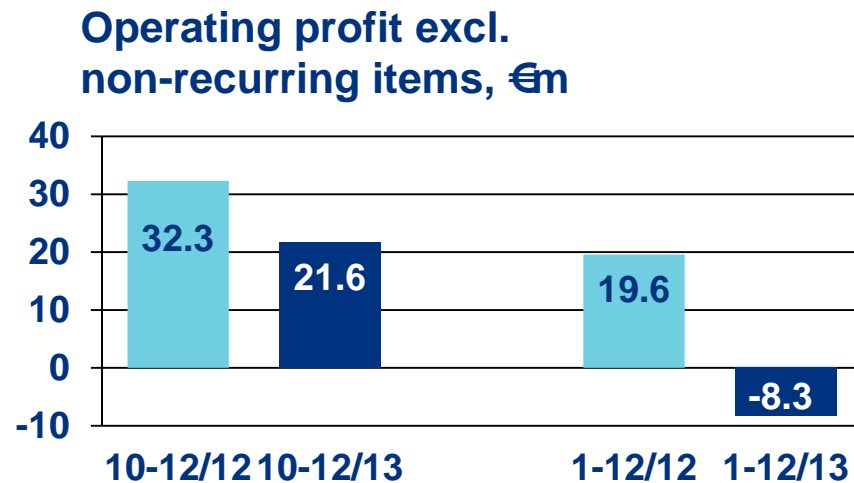
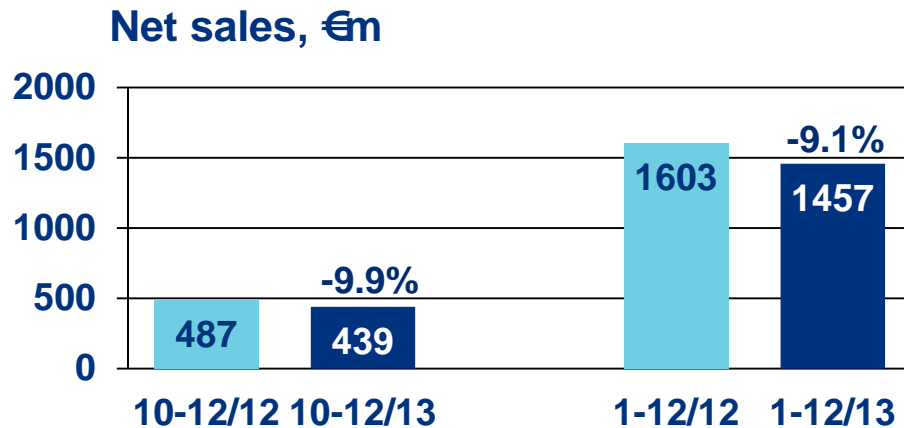


Operating profit excl. non-recurring items, €m



- Kesko Food's net sales increased by +1.8%
  - Sales of K-food stores weaker than market performance
  - Sales and profitability of grocery stores in Russia better than expected
  - Kespro's sales and profit strengthened
- Profitability continued increasing
  - Significant cost savings from enhanced operations; cost decreases excluding openings in Russia €31 million
- Capital expenditure €92 million (€200 million)
- A K-citymarket and 11 K-supermarkets opened in Finland and three K-ruoka stores opened in St. Petersburg

# In home and speciality goods trade, sales declined in department stores

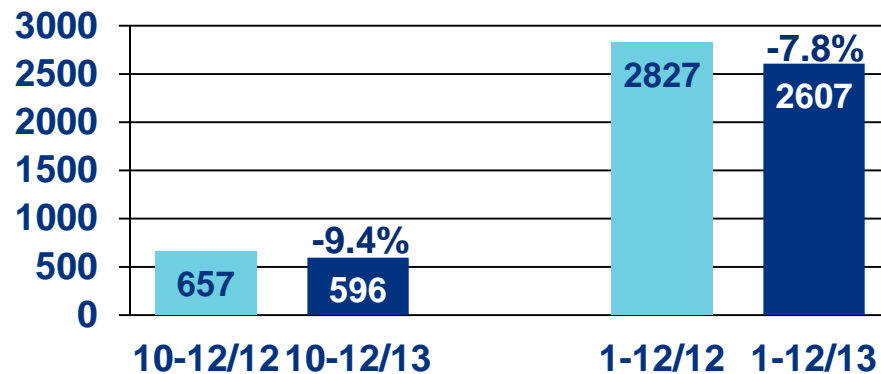


- K-citymarket home and speciality goods and Intersport Finland as well as Asko and Sotka had profits at a good level
- Weakened demand and the e-commerce revolution affected especially Anttila, where sales decreased and financial result was negative
- Musta Pörssi's retailer business was ended, and unprofitable stores of Intersport Russia were closed
- Extensive enhancement measures implemented, costs decreased by €31 million
  - The year before, the financial result was improved by a €9 million surplus asset return from the pension fund
- Capital expenditure €23 million (€61 million)

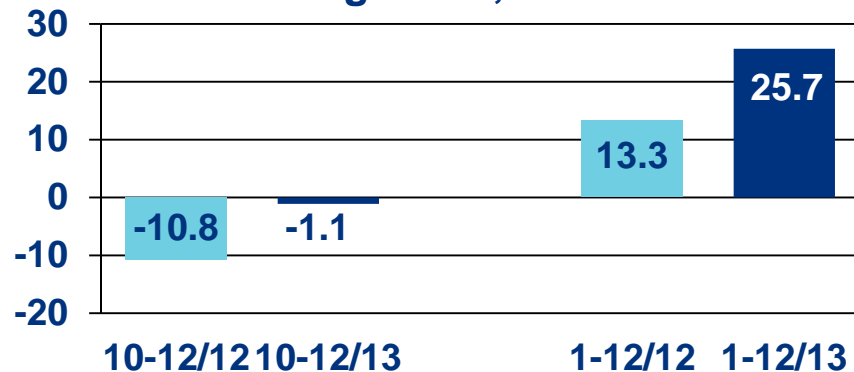
**KESKO**

# Profitability improved in the building and home improvement trade

Net sales, €m



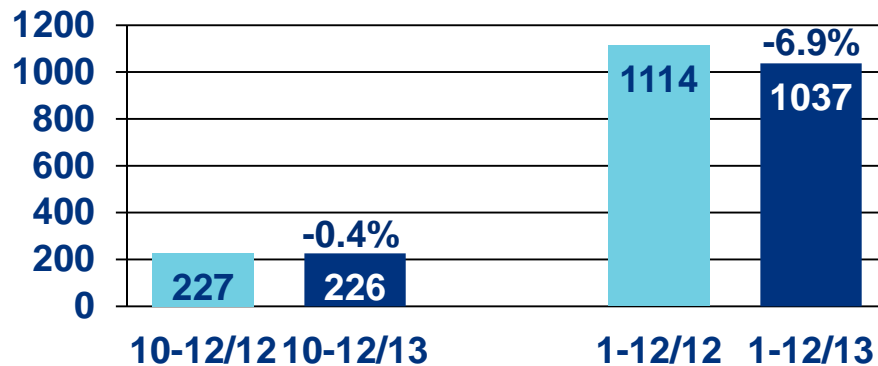
Operating profit excl. non-recurring items, €m



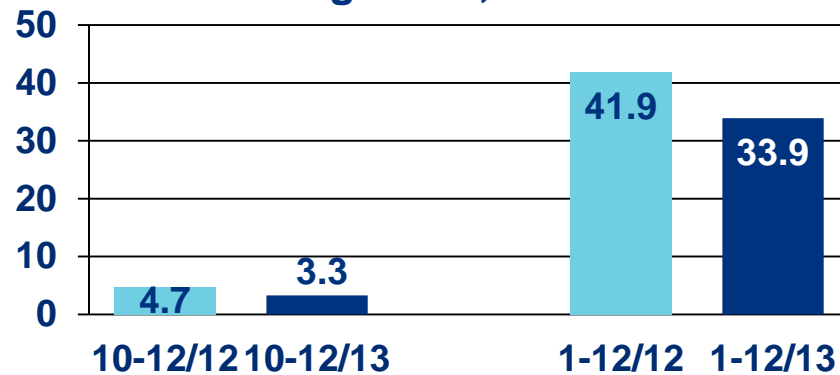
- The trend in construction activity remained weak in Rautakesko's operating area
- In terms of local currencies and excluding retailer changes in Norway, net sales were down 0.5%
- Sales decrease was most significant in basic building materials
- In the building and home improvement trade, the financial result improved significantly towards the end of the year. Costs decreased by €21 million.
- Capital expenditure €38 million (€63 million)

# Volkswagen continued as the market leader

Net sales, €m

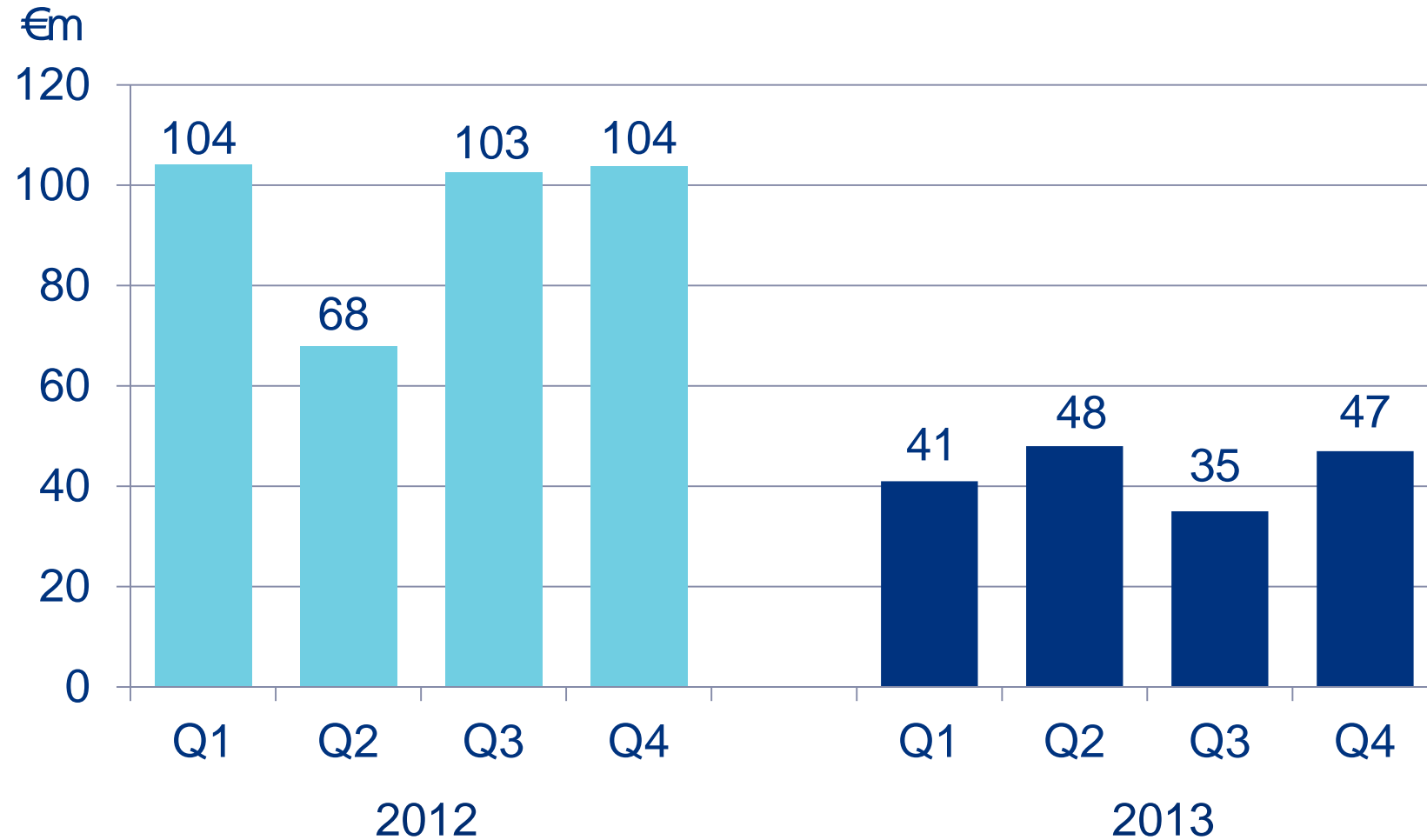


Operating profit excl. non-recurring items, €m



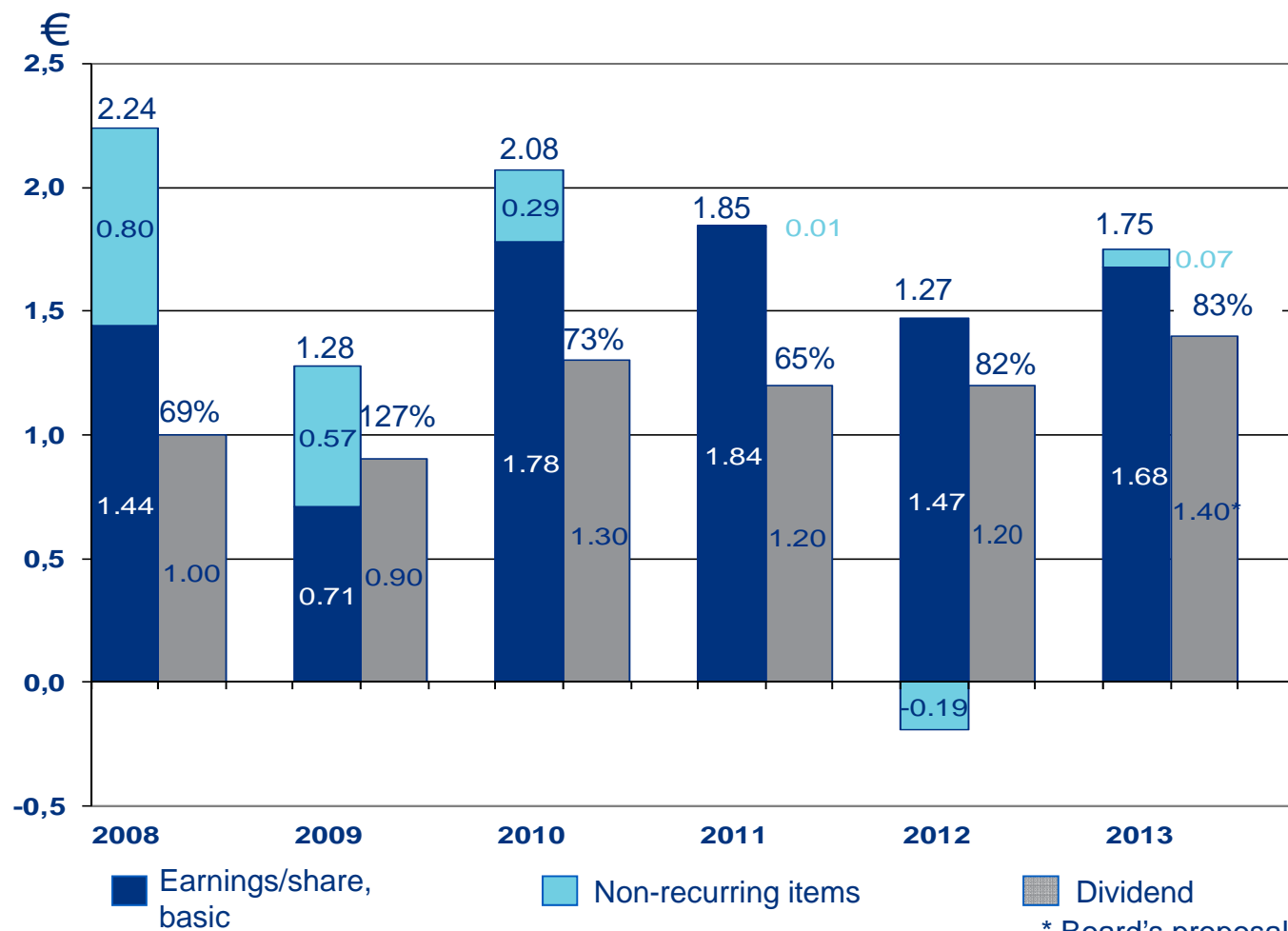
- The market share of Audi, Volkswagen and Seat grew to 20.6% (20.2%)
- The sales development of VV-Auto -5.7%, return on capital remained at an excellent level due to the adjustment of costs and inventories
- Market performance of first time registered passenger cars and vans in Finland -7.2%
- The volume of VV-Auto's orders at a clearly higher level than the year before
- Konekesko's sales development -9.9%, in the Baltic countries sales at the previous year's level

# Capital expenditure was prioritised





# Earnings/share and dividend



Effective dividend yield

2008	5.6%
2009	3.9%
2010	3.7%
2011	4.6%
2012	4.8%
2013	5.2%

\* Board's proposal to the AGM

# Future outlook

Estimates of the future outlook for the Kesko Group's net sales and operating profit excluding non-recurring items are given for the 12 months following the reporting period (1/2014-12/2014) in comparison with the 12 months preceding the reporting period (1/2013-12/2013).

Future prospects for the general economic situation and consumer demand continue to be characterised by significant uncertainty. In consequence of weakened employment and consumers' purchasing power, the growth prospects for the trading sector still remain weak.

In the Finnish grocery trade, the market is expected to remain stable. As a result of the weakened economic situation, the demand in the home and speciality goods trade, the building and home improvement trade and the car and machinery trade is expected to remain weak.

Kesko Group's net sales and the operating profit excluding non-recurring items for the next twelve months are expected to remain at the level of the preceding twelve months, unless the overall consumer demand weakens significantly.

A photograph of a snow-covered road winding through a forest of bare trees. The sun is low on the horizon, creating a warm, golden glow and long shadows. The road has visible tire tracks and footprints. The text "Thank you!" is overlaid in white, italicized font on the left side of the image.

***Thank you!***